

<b>Report to:</b>	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services)  Cabinet  Council	<b>Date of Meeting:</b>	7 February 2023  9 February 2023  2 March 2023
<b>Subject:</b>	Revenue and Capital Budget Plan 2023/24 – 2025/26 and Council Tax 2023/24		
<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>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

### Summary:

This report will provide Overview and Scrutiny, Cabinet and Council with:

- An assessment of the Council's current financial position and approach to the 2023/24 Budget Plan and preparation for the additional two-year budget period 2024/25 to 2025/26.
- An update on the Government's announcement of resources that are available to the Council for 2023/24 and 2024/25.
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2023/24; and,
- The proposed Capital Programme for 2023/24.

The report sets out the financial strategy of the Council and the national and local financial context within which it is operating. The Council has a statutory requirement to remain financially sustainable and to balance its budget every year.

### Recommendation(s):

**Overview and Scrutiny** is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2023/24 to 2025/26; and,
2. Consider the proposals within the report and to provide any comments to Cabinet which can be considered as part of the formal approval of the Budget Plan for 2023/24 – 2025/26 and the Council Tax for 2023/24.

**Cabinet** is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2023/24 to 2025/26.
2. Recommend to Council the Budget Plan for 2023/24, including the Revenue Budget, allocation of specific grants (section 13), and Capital Programme (Appendix D), and authorise officers to undertake the necessary actions to implement the recommendations.
3. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 12).

**Council** is recommended to:

Budget 2023/24 and Medium-Term Financial Plan from 2024/25 to 2025/26

1. Note the update of the Medium-Term Financial Plan for the period 2023/24 to 2025/26.
2. Approve the Revenue Budget for 2023/24 and authorise officers to undertake all of the necessary actions to implement the budget changes and proposals as detailed within the report.
3. Approve the commencement of all appropriate activity required to implement the budget savings proposals as detailed in the report, including for example, consultation with employees and engagement with partners and contractual changes as the programme develops.
4. Note that officers will comply with agreed HR policies and procedures including relevant consultation with Trade Unions and reports to the Cabinet Member (Regulatory, Compliance & Corporate Services) as required.
5. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 12).
6. Approve the allocation of specific grants as detailed in the report (Section 13).
7. Subject to the recommendations above, approve the overall Council Tax resolution for 2023/24 including Police, Fire, Mayoral and Parish Precepts.

Capital Programme 2023/24 to 2025/26

8. Approve for inclusion within the Capital Programme the full list of projects in Appendix D.

Business Rates – Removing Schools Discretionary Top Up Relief

9. Approve the removal of the discretionary business rates relief awards currently given to voluntary aided / church schools with effect from 1 April 2024 (Section 18).

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

The recommendations in this report provide the basis on which the Budget Plan will be balanced for the financial year 2023/24 and will ensure that the Council's statutory obligations are met. In addition, it begins the planning for the financial strategy for the following two years to give the Council sufficient time to identify specific proposals to deliver financial sustainability over that period.

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

The Council is legally required to set a balanced budget each year and this report has taken due consideration of all financial issues in its development. No additional options are available for inclusion.

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

**(A) Revenue Costs**

All financial implications are reflected within the report

**(B) Capital Costs**

All financial implications are reflected within the report

**Implications of the Proposals:**

**Resource Implications (Financial, IT, Staffing and Assets):**

The proposals / projects within the budget plan may have a potential impact upon employees and the potential for both voluntary and compulsory redundancies. In such circumstances it will be necessary for the Council to comply with the duty to consult with recognised Trade Unions and employees and to complete as necessary a notification under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992. This notification under Section 188 is dependent on numbers and other ongoing activity.

In a similar way to a notification under Section 188, as above Form HR1 notifying of potential redundancies to the Department of Business Innovation and Skills may be necessary. Full consultation will take place with the Trade Unions and employees on the matters contained within the Budget Plan.

The proposals / projects that are made within the budget plan will have an impact on physical assets, this will be assessed during the implementation of approved changes.

The proposals / projects within the budget plan will also have an impact on ICT, this will be assessed during the implementation of approved changes.

**Legal Implications:**

There is a statutory requirement to set a robust budget for the forthcoming financial year on or before 10 March 2023. In the course of considering each of the individual proposals / projects, detailed consideration should also be given to the legal, human rights and equality implications. Such consideration will also need to be evidenced to ensure that the Council's decision-making processes are transparent.

**Equality Implications:**

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

**Climate Emergency Implications:**

The recommendations within this report will

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

The allocations of capital funding outlined in Appendix D may be spent on projects that will have a high climate change impact as they could relate to new build, rebuild, refurbishment, retrofit and demolition proposals. Environmental consideration will be taken into account when specific projects are designed and tendered – which will help to mitigate negative impacts.

**Contribution to the Council's Core Purpose:**

**Protect the most vulnerable:**

Council decisions since 2010 have focused on the priority given to protecting our most vulnerable people. The Budget Plan activity continues to seek to protect the most vulnerable within available resources.

**Facilitate confident and resilient communities:**

The Budget Plan demonstrates a clear commitment to early intervention and prevention and working with partners, communities and local businesses to reduce the reliance on the public sector.

**Commission, broker and provide core services:**

The Budget Plan recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered but will use new service delivery models and new forms of partnership.

**Place – leadership and influencer:**

Previous Budget Plans have seen the Council demonstrate strong and effective

leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision-making process.

The Council continues to work with partners towards common goals, moving away from traditional ways of working focused around delivering services and is demonstrating a greater role in influencing, shaping, enabling and building community capacity.

**Drivers of change and reform:**

The Budget Plan demonstrates the Council playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.

**Facilitate sustainable economic prosperity:**

The Budget Plan clearly articulates the Council's approach to investing in order to achieve financial sustainability and the ambitions of Sefton 2030.

**Greater income for social investment:**

The Budget Plan recognises the Council's commitment to developing a commercial nature, looking at what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.

**Cleaner Greener:**

The Budget Plan recognises the Council's commitment to work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, people's wellbeing and the achievement of the 2030 Vision.

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

**(A) Internal Consultations**

Regular and ongoing consultations have taken place between the Chief Executive, Executive Directors and Assistant Directors, and will continue to do so.

The Executive Director of Corporate Resources and Customer Services (FD 7107/23) is the joint author of the report, and the Chief Legal and Democratic Officer (LD 5307/23) has been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

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

The budget proposals contained within this report provide a basis for setting the budget for 2023/24. It is a legal requirement to set a balanced budget and ensure the budget plan is robust. As such, any changes to the proposals contained within this report would need to ensure this requirement is still met.

## Implementation Date for the Decision

Officers will be authorised to implement all decisions within this report immediately following Council on 2 March 2023.

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## Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets 2023/24
- B. Budget Saving Proposals
- C. Draft Council Budget Summary 2023/24
- D. Capital Programme 2023/24 – 2025/26

## Background Papers:

Financial Management 2022/23 to 2024/25 and Framework for Change 2020 – Medium Term Financial Plan 2023/24 to 2025/26– Report to Cabinet and Council – 3 and 17 November 2022

## **1. Introduction**

- 1.1 This report provides Members with an update on the overall financial position of the Council. It refreshes the Medium-Term Financial Plan for 2023/24 which is the second year of the three-year Government Spending Review period. In addition, it provides initial views on the likely funding position that the Council will face in 2024/25 and the potential pressures it will face in 2025/26. In doing so the report presents the proposed budget for 2023/24.
- 1.2 In addition, Individual School Budgets and the Capital Programme require approval.

## **2. The National Context and financial environment**

- 2.1. The Spending Review, which was announced in October 2021, provided the framework for local government funding for the following three years and was followed by a one-year local government finance settlement for 2022/23. This led to the Council setting its budget for that financial year in March 2022.
- 2.2. At that point in time central government's Spending Review assumed a level of inflation of between 2-3% for the period and the conflict in Ukraine had yet to commence.
- 2.3. As has been reported extensively across the sector since April 2022, and which has been mirrored in monthly reports to this Council's Cabinet throughout the year, local government has been placed under extreme and unforeseen financial pressure that has been driven by inflation. This has impacted on energy costs, key Council services and pay at the same time that there has been a significant increase in the Children's Services agency and accommodation charges being paid. The issues in the agency market have fundamentally changed the workforce in this critical space. In addition, the Council has continued to experience a significant increase in referrals for Special Educational Needs and Disabilities (SEND) services and the service has had to increase staffing levels to tackle the demands, service levels have increased, and it has become more challenging to secure school places in our mainstream schools. During the year there has been no central government support for these emerging pressures aside from energy costs. As a result, with inflation at over 10% during the year compared to the 2-3% Spending Review assumption, and pressure on Children's Services increasing on a month-by-month basis, this has left Sefton, and all councils, needing to implement substantial remedial plans and utilise scarce reserves and general balances in order to meet the in-year budget gap. It can be seen from the latest in- year monitoring reports that most services, as a result of the financial planning undertaken, are in a stable financial position, however the situation regarding Children' services is extreme with an in year overspend of over £17m as at the end of December 2022. These matters present a real threat to the financial sustainability of the Council.
- 2.4. As ever, local government is reliant on central government to determine the financial framework within which it will work and the resources it will have available to it. During the last year, with three different Prime Ministers being in

place between July and October, and at a time of huge financial volatility for councils, informed budget and operational planning was not possible as this financial framework was not available, therefore the work undertaken in the Council from June 2022 as part of the budget cycle was a significant challenge. Throughout the summer months, despite councils outlining the budget pressures created by inflation and the demand issues in Adults and Children's Social Care in addition to Special Educational Need and Disability (SEND) services, members and officers were advised that no further funding to that previously outlined in the October 2021 Spending Review would be forthcoming.

- 2.5. The Autumn Statement provided by the new Chancellor of the Exchequer on 17 November 2022, provided some information on how local government would be funded for 2023/24, with the detail provided in the Provisional Local Government Finance Settlement on 19 December 2022. The detail of this, and the implications for Sefton, is provided in this budget report. Whilst the redirection of some funding to support Adults and Children's Social Care is welcome, it is substantially below the investment detailed as being required by the Local Government Association and also the Government's own report into Children's Social Care by Josh MacAlister. It is important to note that within the Autumn Statement and the funding that is available to councils, the government has included the proposal by which councils can increase Council Tax to 3% with a 2% Adult Social Care levy (for those councils with Adult Social Care responsibilities).
- 2.6. It is evident across the sector with most councils having to make budget and service reductions that there is insufficient funding available to local government and this is the case for Sefton. As such this budget report outlines how the proposed budget has been built up and the steps that have been taken in order for members to approve a robust budget for 2023/24.

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

- 3.1. Sefton, like many local authorities, has found the period since 2010 challenging in terms of the national funding conditions outlined above and the significant and growing pressures across a range of Council services. The Council has a proven track record of effectively managing its finances, meeting its financial objectives and delivering financial sustainability, however this is becoming increasingly difficult.
- 3.2. Central government policy has, unsurprisingly, seriously challenged the ability of the Council to provide essential services to the community and its most vulnerable residents. Demand for adults, SEND and children's services has rapidly increased over recent years as reflected in a National Audit Office study. Although additional resource has been provided by Government in recent years, this hasn't been sufficient to fund the additional costs faced by the Council in these areas. Service budgets have seen significant reductions and as a result there have been major changes in service provision; however, the Council has continually strived to ensure that essential services that safeguard the most vulnerable residents are protected and prioritised in addition to ensuring that financial sustainability is maintained.
- 3.3. This position has been compounded as a result of COVID 19 and high levels of inflation, with a significant increase in demand for services and the costs of



providing these services, loss of income from fees and charges and reductions from business rates and council tax receipts also being experienced.

### **Transformation Programme and delivering Financial Sustainability**

- 3.4. The Council has now delivered two successful transformation programmes under the Framework for Change banner- these programmes have had financial sustainability at the centre of them and have ensured that robust and sustainable annual budgets have been set, within the context of policy development and service design.
- 3.5. These programmes have come to an end and a new transformation programme is to be developed that will once again align with the Council's Medium-Term Financial Plan and deliver financial sustainability. This will be presented to Members for approval during the first quarter of 2023/24.

## **4. Budget Plan 2023/24 – 2025/26**

- 4.1 As discussed previously within the report, 2023/24 is the second year of the Government's Spending Review period. Council, on 17 November 2022, approved an updated Medium-Term Financial Plan (MTFP) for the period 2023/24 – 2025/26, including the assumptions made.
- 4.2 As part of this budget setting cycle, each key element of the MTFP has been reviewed, namely: -
- The initial key MTFP assumptions including non-recurring savings.
  - Other MTFP changes.
  - Impact of Budget Decisions in Previous Years
  - The implications of the Provisional Local Government Finance Settlement for 2023/24, and the potential impact of funding announcements made for 2024/25.
  - Growth Items,
  - Savings proposals to balance the 2023/24 budget, and,
  - Issues currently considered to be temporary in nature, including the ongoing impact of COVID-19, which will be funded from temporary resources.
- 4.3 The following sections of the report consider the Council's normal budget and detail each element of the MTFP in turn.

### **Initial Key MTFP Updated Assumptions**

- 4.4 Within this MTFP, there are a number of initial key assumptions that will impact upon the funding gap facing the Council in the period 2023/24 to 2025/26 as well as a number of other budget changes. These reflect the information included in the updated MTFP reported to Council on 17 November 2022, some of which have been revised to reflect the latest information available. These are set out as follows:

#### Pay Award Provisions

- 4.5 The approved Base Budget included a provision for the 2022/23 pay award of 3%. This was in 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 25 July 2022, the National Employers for local government services body made an offer to trade unions of a fixed increase of £1,925 (plus an additional day's annual leave from April 2023). This was agreed in early November 2022. For Sefton, this equates to an increase in the pay bill of about 6.5% or an additional **£3.600m** above the amount included in the 2022/23 budget. This is a national issue for local government however Government have made it clear that no additional funding would be made available. This additional cost therefore needs to be budgeted for in 2023/24.
- 4.6 Given the current rates of inflation it is considered prudent to increase the pay award provisions for 2023/24 and 2024/2025 compared to usual assumptions. Therefore, **£4.375m** has been included for 2023/24, and **£3.650m** included for 2024/25. It is assumed that by 2025/26 inflation will have reduced sufficiently for the usual provision to be sufficient (**£2.600m**).
- 4.7 It should be noted that all of the above figures are net of pay costs that are externally funded, as well as costs of services that are provided on behalf of schools, e.g., building cleaning and catering.

#### Resources to fund increases in the Pension Future Service Rate

- 4.8 In line with previous MTFPs, the Council makes provision for the estimated costs of annual increases in contributions to the Merseyside Pension Fund relating to increases in the Future Service Rate. Provisions for this total **£0.600m** per year. However, it should be noted that the next triennial valuation of the Fund takes effect from April 2023. The implications of this are described within the saving proposals.

#### Resources to fund increases in Specific Contracts

- 4.9 In line with previous MTFPs, the Council makes provision for the estimated costs of annual increases in certain contracts which have specific inflationary increases included within the contract. Given the current high levels of inflation it is estimated that a provision of **£0.400m** will be required in 2023/24, reducing to **£0.200m** in 2024/25 and further reducing to **£0.100m** in 2025/26.

#### Social Care – Provider Fee Increases

- 4.10 The Government has announced that the National Living Wage will increase significantly from April 2023, from £9.50 to £10.42 per hour. It is expected that this, and the current high levels of inflation, will create significant additional burdens on Adult Social Care Providers in 2023/24. It is therefore considered prudent to include provisions of **£7.500m** in 2023/24 and 2024/25 for the potential impact of increased fees from providers, reducing to **£5.500m** in 2025/26.
- 4.11 In addition, it is estimated that providers of Children's Social Care will also increase fees significantly in the next two years. It is therefore considered prudent to include provisions of **£2.000m** in 2023/24 and 2024/25 for the potential impact of increased fees from providers, reducing to **£1.250m** in 2025/26.

#### Levy Increases

- 4.12 The Council is required to pay levies to various bodies, the largest two of which are the Liverpool City Region Combined Authority (for Transport) and the Merseyside Recycling and Waste Authority. Sefton has received notifications of provisional figures for 2023/24 and these will increase the amounts to be paid by **£0.950m** in 2023/24. In line with previous MTFPs provisions of **£0.700m** have been included for the potential costs of increases in these levies in 2024/25 and 2025/26.

### **Other MTFP Changes 2023/24 – 2025/26**

#### Council Tax Base

- 4.13 The Council Tax Base is set by Council in January each year. It reflects changes, and forecast changes, in the number of properties, the value of exemptions and discounts and the assumed amount to be collected in the year. The Council Tax Base for 2023/24, approved in January 2023, will generate an additional **£2.539m** in the year. It has been assumed that there will be further growth in the Tax Base in future years that would generate **£1.050m** in 2024/25 and **£0.500m** in 2025/26.

#### Pay Award Provision for 2021/22

- 4.14 The provision for the 2021/2022 pay award was in excess of the amount required to fund the award. Therefore, this provision can be used to offset the inflationary pressures referred to in previous sections by **£1.300m**.

#### Budget Pressures Fund

- 4.15 The 2022/23 Base Budget includes a Budget Pressures Fund of **£1.000m**. Given the inflationary pressures currently being experienced it is proposed to utilise the Fund to offset these pressures.

#### National Insurance Contributions Increase

- 4.16 In September 2021, the Government announced the introduction of a new Health and Social Care Levy of 1.25%, based on National Insurance Contributions, for both employees and employers. They announced that this funding would be ringfenced for health and social care. This was introduced from April 2022 as an increase in National Insurance Contributions before being separated out as a new distinct Levy from April 2023. The Council included **£1.250m** in its Base Budget for these costs. However, the Government announced the reversal of this policy from November 2022. Therefore, this provision can be taken from the budget in 2023/24. However, it should be noted that the Government provided funding to councils in 2022/23 to offset these costs as part of the Services Grant. The Services Grant has been reduced in 2023/24, partly to reflect that councils will no longer have to incur these costs.

### **Impact of Budget Decisions in Previous Years**

#### Treasury Management Costs

- 4.17 Significant Treasury Management savings were built into the budget for 2016/17 following the review of policy – however, the annual value of this saving reduces at **£0.200m** each year going forward.

#### 2020 Local Government Pension Scheme Valuation

- 4.18 The 2020 valuation of the Merseyside Pension Fund set contributions that the Council were required to pay for the 2020/21 to 2022/23 period. At the time the Merseyside Pension Fund offered the Council the opportunity to prepay (in April 2020) a proportion of the total expected contributions for the three-year valuation period at a discount. After allowing for borrowing costs, the estimated net saving was **£1.300m** in 2022/23 only. Therefore, this saving needs to be added back to the 2023/24 budget.

#### Framework for Change 2020 – Demand Management Savings

- 4.19 The 2020/21 Budget Report presented to Council in February 2020 outlined the workstreams that would be established in order to review demand led budgets. Due to the size, complexity and demand for these services, a continual review would be undertaken to ensure that the cost base for these services reduces, an early intervention and prevention programme is embedded, and residents are supported in 'moving down the system' so as to reduce the demand for Council services and particularly those at the acute end.
- 4.20 From the initial work of the Adult Social Care workstream, savings of £3.300m were identified in 2020/21, which were built into the Base Budget for 2021/22. The continuing work of the Adult Social Care workstream identified further savings of £3.800m, which partly relates to the full year impact of previously implemented savings, as well as new savings that have been identified. Of these, £2.800m were built into the 2022/23 Base Budget, with **£1.000m** assumed to be achieved in 2023/24. These savings are considered to be permanent at this stage but will continue to be reviewed.

#### Contribution to School Closure Reserve

- 4.21 The 2022/23 Base Budget includes a contribution of £0.750m to the reserve. This will result in the reserve standing at £1.750m at the end of 2022/23. This is considered prudent given the risks the Council might face relating to potential deficits. Therefore, the planned contribution to balances of **£0.750m** in 2023/24 would no longer be required and can be taken from the budget.

#### Growth Funded from One-Off New Homes Bonus

- 4.22 The Council received additional New Homes Bonus in 2022/23 only. Due to the unexpected and one-off nature of this receipt, this was reserved, with the use determined during the year. This growth is therefore reversed in 2023/24 (**£0.639m**).

#### Revenue One-off funding for 2022/23

- 4.23 As a result of the grant allocations from government being focussed on 2022/23, with the Spending Review in 2021 indicating that no further grant funding would be received in 2023/24 or 2024/25, a one-off revenue sum of **£2.229m** was reserved in 2022/23, with its use to be determined during the year. This growth is therefore reversed in 2023/24.

#### Income from the Strand Shopping Centre

- 4.24 The 2021/22 Budget Report highlighted that since the purchase of the Strand, surplus income of over £1.000m had been raised which has been used to support the Council's budget, and indeed the shopping centre had made a positive financial return each year. However, due to the significant impact of COVID-19 on

retail businesses it was expected that there would be a reduction in income in 2021/22 and future years as businesses close and others experience difficult trading conditions.

- 4.25 The current business case forecasts that this income loss will be £0.500m in 2022/23 and will increase again by **£0.300m** in 2023/24. As would be expected these figures will be the subject of change and updates will be provided to Cabinet when required.

### **Initial MTFP Position 2023/24 to 2025/26**

- 4.26 Based upon the revisions relating to MTFP assumptions it was initially estimated that the funding shortfall between 2023/24 and 2025/26 would be **£34.668m**, before any consideration of general government funding, existing service pressures and any other additional inflationary / COVID-19 pressures. In addition, it is before any Council Tax decisions are made and any additional service delivery options are considered. A detailed analysis is shown below:

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Key MTFP updated assumptions:</b>			
- Provision for Pay Inflation – 2022/23	3.600	0.000	0.000
- Provision for Pay Inflation	4.375	3.650	2.600
- Provision for Pension Increases	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.400	0.200	0.100
- Assumed increase in Care Provider costs re. Adult Social Care	7.500	7.500	5.500
- Assumed increase in Care Provider costs re. Children's Social Care	2.000	2.000	1.250
- Levy increases	0.950	0.700	0.700
	<b>19.425</b>	<b>14.650</b>	<b>10.750</b>
<b>Other MTFP Changes:</b>			
- Council Tax Base	-2.539	-1.050	-0.500
- Pay Award Provision for 2021/22	-1.300	0.000	0.000
- Budget Pressures Fund	-1.000	0.000	0.000
- National Insurance Contributions Increase	-1.250	0.000	0.000
	<b>-6.189</b>	<b>-1.050</b>	<b>-0.500</b>
<b>Impact of Budget Decisions in Previous Years:</b>			
- Treasury Management Costs	0.200	0.200	0.200
- 2020 Local Government Pension Scheme Valuation	1.300	0.000	0.000
- Framework for Change 2020 – Demand Management Savings	-1.000	0.000	0.000
- Contribution to School Closure Reserve	-0.750	0.000	0.000
- Growth Funded from One-Off New Homes Bonus	-0.639	0.000	0.000
- Revenue One-off funding for 2022/23	-2.229	0.000	0.000
- Income from the Strand Shopping Centre	0.300	0.000	0.000

	-2.818	0.200	0.200
<b>Initial MTFP Funding Gap – excluding Council Tax</b>	<b>10.418</b>	<b>13.800</b>	<b>10.450</b>
<b>Total Initial MTFP Funding Gap</b>			<b>34.668</b>

## 5. Local Government Finance Settlement 2023/24

5.1 In approaching and updating the Council’s MTFP, a key component each year is the financial settlement that is made by the Secretary of State. In reviewing this, there are three areas that the Council is particularly interested in, namely:

- Confirmation or otherwise of the level of financial support that will be received by the Council.
- To what extent any solutions are offered by central government to specific issues that affect not only Sefton but all local authorities, e.g., funding for the increased costs associated with Adults and Children’s Social Care; and,
- What opportunities are available to local authorities to raise additional income.

5.2 The Provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. This confirmed, and provided more detail on, a number of funding announcements made in the 2022 Autumn Statement which was announced on 17 November 2022, and the Local Government Finance Policy Statement 2023/24 and 2024/25 that was announced on 12 December 2022; these are detailed from paragraph 5.4.

5.3 Whilst this Settlement is for one year only, the Policy Statement does provide additional information relating to 2024/2025 funding that allows for some informed assumptions to be made relating to some funding streams in that year. However, no information is available for funding beyond 2024/25.

### Social Care Grant

5.4 In 2021/22, the Government provided £1,710m of Social Care Grant funding which was distributed using the Adult Social Care Relative Needs Formula. In the 2022/23 Settlement the Government announced a further £636.4m which was mainly distributed using Adult Social Care Relative Needs Formula with the remaining element being distributed on a different basis aimed at providing more funding to those authorities with lower council tax bases who cannot raise as much through the Adult Social Care Precept. Sefton’s total allocation was £16.085m.

5.5 The Settlement also announced that an additional £1,265m of Social Care Grant (plus an additional £80m which is being added from elsewhere in the local government finance settlement) would be paid to local authorities in 2023/24 (with a further £612m in 2024/25), using the same allocation methodology as for 2022/23. This additional funding has been provided from repurposed money from delaying adult social care charging reform. Sefton’s allocation of the additional funding is **£9.014m**. Although individual allocations haven’t been announced for 2024/25, it is estimated that Sefton’s allocation would be in the region of **£4.100m**.

- 5.6 In addition, local authorities have been given the power to raise Council Tax by a further 2% on top of the core principle as an Adult Social Care Precept in both 2023/24 and 2024/25. This will raise a further £600m nationally as part of the £2,800m funding announced as being available for social care in 2023/24 (and a further £0.600m out of an additional £1,900m announced for 2024/25). This is discussed further in section 10.

#### Adult Social Care Market Sustainability and Improvement Funding

- 5.7 The Settlement announced an additional £400m in 2023/24 (and an additional £283m in 2024/25) to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. The grant also includes £162 million in Fair Cost of Care funding which was provided to local authorities in 2022/23 as the Market Sustainability and Fair Cost of Care Fund. The Government proposes to distribute this funding using the existing ASC Relative Needs Formula. There will be reporting requirements placed on this funding regarding performance and use of funding to support improvement against the objectives. Sefton's additional allocation in 2023/24 is **£2.542m** with an estimated additional **£1.798m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

#### Adult Social Care Discharge Fund

- 5.8 The Settlement also announced an additional £600m in 2023/24 (with a further £400m in 2024/25) to improve discharge arrangements from hospitals. The amounts will be included within the Better Care Fund, with half of these amounts being distributed to local authorities. Sefton's additional allocation in 2023/24 is **£2.205m** with an estimated additional **£1.470m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

#### Services Grant

- 5.9 The 2022/23 Settlement provided details of a new Services Grant, worth £822m nationally, which was paid in 2022/23 to local authorities and which is being distributed based on the 2013/14 share of the Settlement Funding Assessment. The grant included funding to cover the cost of increased employer national insurance contributions resulting from the health and social care levy which are ongoing. Sefton's allocation of the grant was £4.477m.

- 5.10 The 2023/24 Settlement announced that the overall funding would reduce to £464m, in part due to the cancellation of National Insurance Contribution increases. Other amounts have been repurposed to fund increases in the Revenue Support Grant and funding for the Supporting Families Programme. Sefton will see a reduction in funding of **£1.954m**.

#### Public Health Grant

- 5.11 The 2021 Spending Review announced that funding for Public Health through the Public Health Grant would be maintained in real terms. However, neither the Autumn Statement or Settlement mentioned the Public Health Grant so no information is available on the national totals or individual allocations.

#### Lower Tier Services Grant

- 5.12 The Government announced a new unringfenced Lower Tier Services Grant in 2021/22, which allocated £111m to local authorities with responsibility for lower

tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). Sefton's allocation in 2022/23 was £0.462m. This grant has been repurposed by the Government in 2023/24 so Sefton's funding has reduced by **£0.462m**.

#### New Homes Bonus

- 5.13 The Government will continue to make payments of New Homes Bonus in 2023/24. However, as expected, the main grant allocations for 2022/23 will not continue. However, Sefton achieved the Government's threshold for main payments for 2023/24 and will receive £0.350m. However, this payment is for one year only. This is a reduction of **£0.444m** on the amount received in 2022/23.
- 5.14 It is currently assumed that an equivalent amount of New Homes Bonus will be received in 2024/25 and 2025/26. However, this assumes that the scheme does not change, and that Sefton will again achieve the baseline target.

#### Settlement Funding Assessment / Business Rates Baseline

- 5.15 To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2022/23. Local authorities will be fully compensated for this decision through additional Section 31 Grant. It is estimated that this will result in **£7.403m** of additional funding in 2023/24. In addition, the government announced that the Revenue Support Grant and Improved Better Care Fund will increase in line with inflation which will result in an increase in the Council's Top-Up Grant of **£1.766m** in 2023/24. It is currently assumed that Sefton will receive an additional **£2.600m** in 2024/25 and 2025/26 for these measures, although this will be dependent on rates of inflation and Government policy.

#### Review of Relative Needs and Resources

- 5.16 As mentioned in previous Budget Reports, the Government is committed to reviewing the allocation of funding available to local authorities through the Review of Relative Needs and Resources. However, it announced in October 2022 that the review would no longer take place during the Spending Review period. As such no assumption about the potential reduction in funding this may have brought have been included in the Budget Plan.

#### Business Rates Retention:

- 5.17 Sefton's retained rates income is forecast to be above its funding baseline for 2023/24, so the Council is expecting to achieve a gain from Business Rate retention. As part of the Liverpool City Region 100% Business Rates Pilot Agreement the Council has retained a 99% share of growth in Business Rates since April 2017.
- 5.18 As part of the Review of Relative Needs and Resources, the Business Rates baseline was expected to be re-assessed and changed. Therefore, the benefit of the realised gains to date was expected to be lost going forward. As stated above, this will no longer take place during the Spending Review period. The Settlement announced that 100% Business Rates Retention areas would continue into 2023/24.
- 5.19 A summary of the estimated grant changes is shown below:



	2023/24	2024/25	2025/26
	£'m	£'m	£'m
<b>Government Funding:</b>			
- Social Care Grant	-9.014	-4.100	0.000
- Adult Social Care Market Sustainability and Improvement Funding	-2.542	-1.798	0.000
- Adult Social Care Discharge Fund	-2.205	-1.470	0.000
- Services Grant	1.954	0.000	0.000
- Public Health Grant	0.000	0.000	0.000
- Lower Tier Services Grant	0.462	0.000	0.000
- New Homes Bonus	0.444	0.000	0.000
- Settlement Funding Assessment / Business Rates Baseline	-9.169	-2.600	-2.600
	<b>-20.070</b>	<b>-9.968</b>	<b>-2.600</b>

## 6. MTFP Changes – Growth Items

6.1 The following additional growth items are proposed to offset ongoing budget pressures as well as investment in key Council services:

### Children's Social Care

6.2 Within the Council's budget report of March 2022, the financial risk to the Council from Children's Social Care was reported extensively and was reflected in the overall risk analysis that determines the reserves that the Council should hold. The main budget report reflected that in the absence of further government funding, if costs in children's social care (and adults social care) increased then savings would be required in future years.

6.3 This risk has been reported over the last 3-5 years within the Council and has been focussed on the number and cost of accommodation for children who require support. As a result, it has been the main area of the Council where the budget has grown, increasing from £33m in 2018/19 to £52m in 2022/23.

6.4 This risk has increased exponentially in the current year for circumstances that were unforeseen at the time of budget setting- inflation has caused accommodation costs to increase substantially with an increase in rates of over 10%, the current number of children in residential accommodation is 78 with some accommodation costs being in excess of £24,000 per week during the current year and agency rates for social workers have increased with a dislocation in the market so that they can now amount to £100,000 per annum for one agency worker. This latter point means that the Council is experiencing recruitment and retention issues and substantial cost increases as the service tries to source staff to deliver the services required. It should be noted that these matters are not unique to Sefton, have been experienced by neighbouring councils and the national Association of Directors of Children's Social Care have published information which highlights the challenges councils are now facing. Within the current year financial pressure of £17.0m has been reported and £11.3m will continue permanently into 2023/24 for which budget will be required.

- 6.5 A key recommendation from the Council's DfE commissioner was to align the Medium-Term Financial Plan of the Council to the improvement plan that is in place within the service. This alignment, while always there in all budget cycles has been undertaken on a more formal basis to inform this MTFP. This has seen the Director of Children's Services advise the Chief Executive, s151 officer and deputy s151 officer via a series of meetings on the resources required to fund the service, accepting that this area of the Council will continue to be extremely volatile. These discussions have focussed on the following four areas that are reflected in this MTFP:
- Right sizing the budget for next year.
  - Inflation on existing accommodation costs.
  - Salary budget taking into account agency costs.
  - Additional budget requirement for accommodation costs, either external placements or Council owned provision.
- 6.6 From this work, the estimates within this report have been signed off by the Executive Director of Children's Services and specifically take account of:-
- Current in year demand for the service and financial pressure-**£11.300m**
  - Known inflationary costs in the sector that will inform via a specific working group, fee increases-estimated at 10% or **£2.000m** in each of the following 2 years (reported in paragraph 4.10).
  - Impact of recruitment of permanent staff to all posts above team leader.
  - Permanent Agency Staff budget to cover for staff absence, short-term cover, etc (**£1.000m**).
  - Permanently fund Communications, Legal and Human Resources support for the service (**£0.400m** in 2023/24 with a further **£0.150m** in 2024/25).
  - Potential impact of international social worker (ISW) recruitment and the approved social worker academy – full year cost **£1.200m**- 20 ISW's that will fill existing establishment posts thereby reducing the agency number and cost.
  - A forecast of additional children who may require accommodation support in future years (five assumed in 23/24 – assumed full-year cost of **£2.000m** in 2023/24, **£1.000m** in future years); and
  - The estimated running costs of council owned accommodation (£0.730m per annum based on a four-bed accommodation site – would be part of cost above)
- 6.7 In addition to these sums, further temporary support will also be provided to cover agency costs in 23/24 (see paragraph 9.5).
- 6.8 It can be seen that further investment of £17.9m will be made into Children's Services during 2023/24 and this will take the annual budget to £70m. This budget has been developed by the Executive Director for Children's Services to align as stated with the Improvement Plan and needs of the service. This budget is the biggest risk area within this budget package based on historical overspending and cost volatility in the agency workforce market and children's care market accommodation sector. With the development of the budget for the next two years year it is essential that the budget is managed effectively and the service lives within the resources that are available, and which have been approved. As can be seen from elsewhere in this budget report, there is

insufficient funding to meet the existing costs of the Council and savings are having to be made for 2023/24 in addition to no additional budget being made available to take account of inflation in most service areas. The Council cannot therefore accommodate overspending as experienced in recent years and certainly in 2022/23. In the event that cost pressure is being experienced within the service it is important that this is identified at the earliest opportunity via the monthly monitoring process and reported to Members for decision on how this would be met from within the Council's approved budget as there are no surplus balances available to meet any pressure as highlighted in this budget report. This risk should have reduced with the sign off process but based on recent years this remains the largest threat to the financial sustainability of the Council.

- 6.9 The Council is committed to improving services for children and further work will commence at the start of the new financial year on the longer term budget for the service taking into account a period of between three and five years as reflected in the DfE Commissioner's report- this will take account the of services Sufficiency Strategy (Looked After Children Sufficiency Strategy 2022- 2025 (sefton.gov.uk)) , will align with the Improvement Plan and will inform the Council's overall Medium-Term Financial Plan. The core elements of this are already underway with planning and budget provision around care accommodation being made and also the proposed budget having provision that will support the delivery of the workforce strategy in respect of the Social Worker Academy- this is in addition to the previously approved funding in respect of international social workers both of which will contribute to reducing the reliance on agency workers.

#### Adult Social Care - Market Sustainability and Improvement Funding

- 6.10 As mentioned in paragraph 5.7, the Council is due to receive **£2.542m** in 2023/24 to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. It estimated the Council will receive an additional **£1.798m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

#### Adult Social Care Discharge Fund

- 6.11 As mentioned in paragraph 5.8, the Council is due to receive **£2.205m** in 2023/24 to improve discharge arrangements from hospitals. The amounts will be included within the Better Care Fund. Sefton's is estimated to receive an additional **£1.470m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

#### Home to School Transport

- 6.12 There has been significant pressure on the Home to School Transport budget during 2022/23. As mentioned in paragraph 2.3., the Council has continued to experience a significant increase in referrals for SEND services and it has become more challenging to secure school places in our mainstream schools. This has therefore led to a significant increase in the number of children being transported, especially relating to out of borough placements. In addition, there has been an increase in the cost of providing the transport. It is therefore proposed to add **£2.400m** to the 2023/24 Base Budget to mitigate the full year impact of these pressures.

- 6.13 It is also proposed to make additional provision on the assumption that the number of children being transported will continue to increase, as will the cost of

providing transport. Therefore, an additional **£1.200m** has been provided for in 2023/24, with further amounts of **£0.900m** and **£0.700m** provided for in 2024/25 and 2025/26 respectively.

#### Green Sefton

- 6.14 As reported to Cabinet, there has been significant pressure on the Operational In-House Services budget during 2022/23, particularly relating to income levels within Green Sefton activities. These pressures are considered to be permanent so it is therefore proposed to add **£0.371m** to the 2023/24 Base Budget to mitigate the impact of these pressures.

#### ICT Income

- 6.15 There has been a reduction in income received for ICT services provided to third parties. This unavoidable cost will increase the budget by **£0.150m** in 2023/24.

#### Southport Pier Decking Project

- 6.16 Council on 29 September 2022 approved a Supplementary Capital Estimate of £3.000m for the Southport Pier Decking Project, funded by prudential borrowing. The revenue costs of this borrowing are **£0.180m** per year, starting in 2024/25, for which there is currently no budget.

## **7. Summary MTFP Position 2023/24 to 2025/26 including Growth**

- 7.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2023/24 and 2025/26 will be **£33.996m**, before any savings are approved or Council Tax decisions are made, and any further service delivery options are considered. A detailed analysis is shown below:

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Revised MTFP Funding Gap – excluding Council Tax</b>	<b>10.418</b>	<b>13.800</b>	<b>10.450</b>
<b>Local Government Finance Settlement</b>	<b>-20.070</b>	<b>-9.968</b>	<b>-2.600</b>
<b>Proposed Growth Items:</b>			
- Children's Social Care – Permanent Pressures from 2022/23	11.300	0.000	0.000
- Children's Social Care – additional accommodation and support provision	2.000	1.000	1.000
- Children's Social Care – Social Worker Academy	1.200	0.000	0.000
- Children's Social Care – Agency Permanent Budget	1.000	0.000	0.000
- Children's Social Care – additional Communications, Legal and HR Support	0.400	0.150	0.000
- Adult Social Care - Market Sustainability and Improvement Funding	2.542	1.798	0.000

- Adult Social Care Discharge Fund	2.205	1.470	0.000
- Home to School Transport – Permanent Pressures from 2022/23	2.400	0.000	0.000
- Home to School Transport – Inflation / increase in numbers	1.200	0.900	0.700
- Green Sefton – Permanent Pressures from 2022/23	0.371	0.000	0.000
- ICT Income	0.150	0.000	0.000
- Southport Pier Decking Project	0.000	0.180	0.000
	<b>24.768</b>	<b>5.498</b>	<b>1.700</b>
<b>Revised MTFP Funding Gap excluding Council Tax and budget savings</b>	<b>15.116</b>	<b>9.330</b>	<b>9.550</b>
<b>Total MTFP Funding Gap</b>			<b>33.996</b>

## 8. Budget Proposals

8.1 The following budget savings are proposed to reduce the budget gaps in 2023/24 and 2024/25. Further detail on the proposals are given in Appendix B.

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
<b>Revised MTFP Funding Gap – excluding Council Tax and budget savings</b>	<b>15.116</b>	<b>9.330</b>	<b>9.550</b>
<b>Proposed Budget Savings:</b>			
- Public Health Grant-utilise funding to support public health and wellbeing at leisure centre provision	-0.500	-0.500	0.000
- Adult Social Care – further permanent Demand Management savings	-1.200	0.000	0.000
- Temporary freezing of specific vacant posts	-1.255	1.255	0.000
- Corporate Resources- review of pension contributions for next three years	-1.900	-0.700	-0.700
- Corporate Resources- pension contributions – annual upfront payment	-0.200	0.000	0.000
- Corporate Resources- review of all non staffing budgets across Service	-0.300	0.000	0.000
- Corporate Resources – Reduction in Unfunded Pension Increases	-0.100	-0.100	-0.100
- Corporate Resources- Council Tax Premium on Empty Properties over 10 years (300%)	-0.098	0.000	0.000
- Corporate Resources-Energy-Closure of Council Buildings	-0.440	0.000	0.000
- Corporate Resources-Treasury Management savings (temporary from interest rate increases)	-0.500	0.500	0.000
- Communities - Increased Fees and Charges –	-0.200	0.000	0.000

Leisure			
- Economic Growth & Housing - Regeneration - Growth Budget Staffing savings - net	-0.134	0.000	0.000
- Economic Growth & Housing – Assistant Director of Place (Commercial Development) charged to Growth Budget	-0.116	0.000	0.000
- Highways and Public Protection - Reduction in Highways Maintenance Works Budget (15%)	-0.500	0.000	0.000
- Highways and Public Protection – Inflationary increase in Car Parking Fees and Charges	-0.125	0.000	0.000
	<b>-7.568</b>	<b>0.455</b>	<b>-0.800</b>
<b>Revised MTFP Funding Gap</b>	<b>7.548</b>	<b>9.785</b>	<b>8.750</b>
<b>Total MTFP Funding Gap</b>			<b>26.083</b>

- 8.2 It should be noted that budget gaps would remain in 2024/25 and 2025/26 even if maximum Council Tax increases were approved. Further work will commence in the new financial year to develop the Medium-Term Financial Plan and refine the budget gaps, including to reflect the requirements of Adult and Children’s Social Care within the context of the overall financial envelope of the Council. This budget gap will require the development of budget / savings proposals over the first half of 2023/24.

## 9. Temporary Budget Pressures

- 9.1 There are also other significant budget pressures that are currently considered to be temporary in nature. It is assumed that as these losses are considered temporary, they will be funded from one-off resources.

### Energy Costs

- 9.2 As has been reported in the monthly reports to Cabinet, the global increase in energy prices is having a significant impact on the Council’s energy and fuel costs. This is currently estimated to increase costs in 2023/24 by around **£4.200m** (and **£2.100m** in 2024/25). This is being closely monitored as more information becomes available from the Council’s framework providers on the fees being paid. It should be noted that this is a national issue affecting all local authorities. However, the Government have advised that no additional funding will be made available for local government, despite representations made both nationally and locally. The Government has set up a support programme for businesses in 2022/23 with some of the Council’s costs being deemed to be eligible. However, although further support is being made available by the Government in 2023/24, the Council isn’t expected to benefit from this support. Therefore, the Council will need to evaluate its usage in light of the substantial price increase.
- 9.3 It is currently assumed that these increases will be temporary and will fall back to previous levels in 2025/26. This assumption will continue to be reviewed and any permanent increase in prices will need to be built into future budgets.

#### Sales, Fees and Charges Income

- 9.4 There was a significant impact on income from sales, fees and charges for a range of services during the pandemic. Whilst some income streams have fully recovered, others are expected to remain impacted, particularly for car parking and at leisure centres. It is currently forecast that this could result in a loss of income of up to **£1.000m** during 2023/24, reducing further in the following year to **£0.500m**, returning to normal from 2025/26. This forecast will be reviewed as there is more experience of the impact on reopened facilities.

#### Children's Social Care – Social Worker Agency Costs / Managed Teams

- 9.5 As discussed earlier, there has been a need to utilise more expensive agency workers within Children's Social Care. Whilst the implementation of the Social Worker Academy, the recruitment of international social workers and the introduction of additional recruitment and retention initiatives that were approved by Cabinet in January 2023 are expected to reduce the reliance on agency workers it is considered prudent to provide some temporary budget of **£3.300m** to fund some short-term costs as these take effect. The use of agency workers will be monitored closely throughout 2023/24 to ensure that additional costs are contained within this temporary budget and the permanent budget referred to in paragraph 6.6.

#### Pay Reserve

- 9.6 Paragraph 4.6 outlines the current assumptions relating to the pay award provision for 2023/24. However, given the uncertainty around inflation it is considered prudent to create an Earmarked Reserve of **£1.000m** to be utilised if the 2023/24 pay award costs more than the current provision. If that's the case, then the ongoing additional cost will need to be built into the 2024/25 budget.

#### Increase in General Fund Balances

- 9.7 The 2022/23 Robustness Report highlighted that there was a higher level of risk due to the uncertainties around the pandemic and its impact on the Council's financial position. Therefore, a revised position of 6.5% was proposed and considered prudent. This equated to about £15.6m. A range of £1.0m is advised around this figure so General Fund balances between £14.6m and £16.6m would be considered prudent.
- 9.8 At the end of 2022/23, the Council's General Balances were forecast to be £15.691m including the budgeted increase of £2.892m. However, due to the significant pressures on the Council's budget in 2022/23 remedial plans to offset the pressures have included utilising £3.700m of General Balances to meet these pressures, meaning balances will reduce to £11.991m. In addition, the latest monitoring position as at end of November used to inform this budget is reporting a potential deficit of £1.6m.
- 9.9 The 2023/24 Robustness Report highlights that there is a higher level of risk due to the current financial pressure within Children's Services, national inflation and the position re the High Needs Budget and the resulting impact on the Council's financial position. Therefore, a revised position of 6.5% is proposed and considered prudent. This equates to about £16.9m. A range of £1.0m is advised around this figure so General Fund balances between £15.9m and £18.9m would be considered prudent.

9.10 It is therefore proposed to increase General Balances by **£3.400m** to start to move the Council to the prudent position. This would be funded by the net Council Tax / Business Rates surplus declared for 2023/24 (as explained in paragraph 9.11). This would therefore increase balances to £15.391m during 2023/24 (however, it should be noted that the position outlined below includes £1.023m to be carried forward as General Balances to offset anticipated one-off costs in 2024/25 – these could also be drawn on if required during 2023/24). General Balances will need to be increased further in future years to be in line with the level required to mitigate the risks that a Council of Sefton’s size faces or until that risk reduces.

Net Council Tax / Business Rates Surplus

9.11 Budget monitoring reports during 2022/23 have highlighted that a net Council Tax / Business Rates surplus will be realised in the year which will be declared for 2023/24. This is due to a number of factors including additional surpluses from 2021/22, increased housing and business rateable value growth and reduced exemptions and discounts, particularly relating to the Council Tax Reduction Scheme.

9.12 In addition, the Council has reassessed its Bad Debt Provisions following the global pandemic, in light of collection performance, particularly relating to Business Rates, as well as the Business Rates Appeals Provision given that many appeals have now been settled at values lower than expected.

9.13 The net impact of the above issues is that a net Council Tax / Business Rates surplus of **£13.923m** will be declared for 2023/24.

Emergency Funding

9.14 The Council received unringfenced Emergency Funding from the Government in 2020/21 and 2021/22 to help with the costs associated with the COVID19 pandemic. As has been regularly reported, the Council has utilised this funding to offset costs as well as the loss of income from Council Tax, Business Rates and Sales, Fees and Charges. It is now proposed to utilise the remaining funding (**£1.600m**) to fund some of the temporary pressures in 2024/25, some of which will have been caused by the impact of the pandemic.

9.15 A summary of the temporary measures, and available one-off funding, is shown below:

	<b>2023/24</b>	<b>2024/25</b>
	<b>£’m</b>	<b>£’m</b>
<b>Proposed Temporary Budget Growth:</b>		
- Energy Costs	4.200	2.100
- Sales, Fees and Charges Income	1.000	0.500
- Children’s Social Care – Social Worker Agency Costs / Managed Teams	3.300	0.000
- Pay Reserve	1.000	0.000
- General Balances	3.400	0.000
	<b>12.900</b>	<b>2.600</b>
- Net Council Tax / Business Rates Surplus	-13.923	0.000



- Excess Council Tax / Business Rates Surplus to be carried forward within General Balances to offset temporary pressures in future years.	1.023	-1.023
- Emergency Funding	0.000	-1.600
	<b>-12.900</b>	<b>-2.623</b>
<b>Surplus One-off Funding</b>	<b>0.000</b>	<b>-0.023</b>

## 10. Additional Funding

### Council Tax Increases

- 10.1 The Government, as part of the Local Government Finance Settlement, has confirmed the Council Tax Referendum Principle of 3% for 2023/24. A 2.99% increase for Sefton (to ensure the Council wouldn't breach the principle) would generate **£4.523m** in 2023/24. The Local Government Policy Statement announced the intention for a 3% Core Referendum Principle to also apply in 2024/25 – it is estimated this would generate an additional **£4.780m**.
- 10.2 As mentioned in paragraph 4.1, local authorities have been given the power to raise Council Tax by a further 2% on top of the core principle as an Adult Social Care Precept. This would generate an additional £3.025m in 2023/24. The Local Government Policy Statement announced the intention for a 2% Adult Social Care Precept Principle to also apply in 2024/25– it is estimated this would generate an additional £3.197m.
- 10.3 Decisions on the Core Referendum Principle and the Adult Social Care Precept for 2024/25 and 2025/26 will be formally announced as part of the Local Government Finance Settlement in the December prior to the financial year.
- 10.4 A decision on the level of Council Tax is made by Budget Council each year. The 2022/23 Band C Council Tax is £1,569.58. It should be noted that as part of the Settlement the Government assumes local authorities will raise Council Tax by the maximum amount when calculating an individual authority's Spending Power and this will directly influence future years funding allocations.

## 11. Budget 2023/24 – Specific Issues

### Charges Relating to External / Levying Bodies

- 11.1 The Council is required to pay charges relating to levies from external bodies. The expected payments for 2023/24 and their impact on Sefton's budget compared to 2022/23 is shown in the table below: -

<u>Levying Body</u>	<u>2022/23</u>	<u>2023/24</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	19,111,000	TBC	TBC
Waste Disposal Authority	15,876,545	TBC	TBC
Environment Agency	163,266	TBC	TBC

Inshore Fisheries & Conservation Authority	71,501	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	<b>35,316,812</b>	<b>TBC</b>	<b>TBC</b>

*The approved 2023/24 figures will be reported at Budget Council.*

### **Proposed Overall Council Tax increase**

- 11.2 The proposed total increase in the Sefton Council Tax for 2023/24 will be reported to Budget Council following any recommendation from Cabinet.

### **Fees and Charges**

- 11.3 As per Financial Procedure Rules, approved by Council, any increases to fees and charges for services for the next financial year are approved by the respective Cabinet Member. When decisions have been made, they will be published accordingly.

## **12. Dedicated Schools Grants (DSG) 2023/24**

- 12.1 The Dedicated Schools Grant (DSG) is a ringfenced grant from the Department for Education (DfE) to fund education provision. It is made up of four main funding blocks:

- Schools – Mainstream schools and Academies.
- Early Years – Universal and additional entitlement for three and four-year olds; two-year old entitlement; and funding for maintained nursery schools.
- High Needs – Funding for the education of pupils with an identified special educational need and who will often be subject to an Education, Health and Care Plan (EHCP).
- Central School Services – Funding for centrally (Council) retained services, including school admissions.

- 12.2 In July 2022, the Government announced the indicative DSG funding for 2023/24 to support schools and High Needs. The schools funding was in line with the agreed Treasury growth to Education budgets of £1.5bn or 2% increase per pupil funding. In addition to this, the £1.6bn supplementary grant awarded to schools and High Needs in 2022/23, was integrated into the 2023/24 baselines.

- 12.3 High Needs funding increases were capped at 7% in 2023/24 compared against the 2022/23 formula. However, this was inclusive of the supplementary grant given in 2022/23.

- 12.4 Given the July funding announcement, schools were very concerned about having sufficient funding to meet the ever-growing cost pressures during 2022, caused primarily by inflation, particularly around energy and food prices, and also in meeting wage demands to match inflation, such as the 5% Teachers' pay increase from September 2022. There were deep concerns over the summer and autumn, that many schools would find it extremely difficult to remain in balance from 2023/24 and beyond, without recourse to severe staff and/or other cost reductions.

- 12.5 In the Autumn Statement in November 2022, the Chancellor did announce some extra funding for schools in 2023/24 (including High Needs) to support increasing cost pressures they faced. An additional £2.3bn was announced as being allocated for Schools and High Needs, although only £2bn was additional funding with £0.3bn being the saving achieved by schools due to the full year impact of the abolition of the National Insurance levy of 1.25% from November 2022.
- 12.6 The Education and Skills Funding Agency (ESFA) announced in December 2022, that the extra £2bn for Schools and High Needs in 2023/24, would be given as a separate grant, until subsumed into the Schools and High Needs Formula from 2024/25.
- 12.7 The split of this extra funding was announced in December, with Schools nationally set to receive an extra **£1.6bn** of the funding; and High Needs to receive the balance of **£0.4bn**.
- 12.8 Locally, the additional funding will add a further £1.8m to Sefton's High Needs Block in 2023/24; and an indicative additional increase of £6.8m for Sefton Schools.
- 12.9 The additional £1.8m High Needs funding has been released as part of the DSG funding blocks for 2023/24 to ensure Local Authorities can passport funding to providers to support increased costs pressures. However, the schools' allocation will not be included in the National Formula Funding (NFF) for 2023/24 but will be released as a specific grant to schools by the ESFA in March 2023. The DfE has provided the Council with the criteria that will be used for allocating this additional funding per school and officers have provided Headteachers with indicative allocations to support budget preparations for 2023/24.
- 12.10 The 2023/24 Dedicated Schools Grant settlement was announced on 16 December 2022. The 2023/24 National DSG allocation for Sefton of **£262.123m** is set out in the table below. This includes school Business Rates, pupil growth funding and the additional High Needs funding announced in the Autumn Statement but excluding the additional School funding as this will be allocated separately as a specific grant in March 2023.

**2023/24 DSG Funding Allocations for Sefton are as follows:**

<b><u>DSG Funding Blocks</u></b>	<b><u>DSG Funding 2023/24 (£m)</u></b>	<b><u>Increase (£m)</u></b>
<b>Schools Block (SB)</b>	<b>196.514</b>	<b>10.929</b>
<b>Schools related Pupil Growth funding allocation</b>	<b>1.350</b>	
<b>Early Years Block (EY)</b>	<b>18.167</b>	<b>0.915</b>
<b>High Needs Block (HN)</b>	<b>44.630</b>	<b>4.573</b>
<b>Central Schools Services Block (CSSB)</b>	<b>1.462</b>	<b>0.050</b>
<b>Total allocated DSG funding 2023/24 (Per DfE Dec 2022)</b>	<b>262.123</b>	<b>16.467</b>

## Schools Block

12.11 Sefton Schools Block will see a net increase in funding of **£10.929m** compared to 2022/23 (+5.84%). This figure includes the 2022/23 supplementary funding for schools of £5.446m (+2.91%) rolled into the 2023/24 funding baseline and including:

- Minimum headroom growth of +2.26% funding per pupil through the new Formula Funding (£4.218m).
- Additional Net funding of (£1.204m) after taking account of changes in pupil numbers between October 2021 and October 2022 (i.e., a net increase +137.5 year on year) (+0.64%)
- Uplifted calculation of funding for pupil class size growth based on changes to actual pupil numbers year on year (£0.061m) (+0.03%).

12.12 The above funding increases will ensure that the minimum funding levels per pupil in 2023/24 will increase to £4,405 per Primary pupil (£4,265 in 2022/23) and £5,715 per Secondary pupil (£5,525 in 2022/23).

12.13 The DfE are committed to implementing a centralised National Schools Funding Formula model (NFF) but making it mandatory has been delayed until at least 2025/26. However, the 2023/24 formula funding guidance now includes a +/-10% tolerance that local authorities must abide by when setting their formulae. This is to tighten up the move towards every local authority matching the NFF by 2025/26, when it is likely to become a highly centralised function of the DfE. Sefton have already adopted most the NFF methodology, differing only by the Age Weighted Pupil Unit per pupil funding elements, to enable the Authority to adapt for headroom growth. However, even these figures now must fit within the new +/-10% tolerance levels.

12.14 The Minimum Funding Guarantee (MFG) has been set at +0.5% in 2023/24 (+2% in 2022/23), which means that every school will see a minimum 0.5% increase per pupil compared to 2022/23 per pupil values.

### School Deficit Balances

12.15 Sefton maintained Primary schools have a forecast overall surplus balance at the end of 2022/23 of £9.3m. However, this includes some forecast deficits across six schools of £0.450m and one closed Primary school with a closing deficit at the end of 2022/23 of £0.092m (to be funded from the School Deficit Earmarked Reserve). During the year, one Primary school converted to an Academy - Holy Spirit, and a further Primary school is due to convert with effect from 1 April 2023 - Bedford Primary school.

12.16 During 2022/23, two of Sefton's six maintained Secondary schools have converted to academies during the year – Sacred Heart with effect from 1 July 2022 and Savio with effect from 1 January 2023. The Sacred Heart transfer has seen part of a surplus retained by the local authority, at the point of conversion. Savio however, has a forecast deficit position at conversion of £0.363m, which will remain with the local authority in 2022/23 (to be funded from the School Deficit Earmarked Reserve). Of the remaining four maintained schools, two are forecast to be in surplus at the end of 2022/23 (£1.135m), whilst the other two are forecast

to be in a deficit by £1.081m. These latter two - Holy Family High and Christ the King are under a licenced deficit and trying to recover this position through a recovery plan. Another of the Maintained Secondary schools, Meols Cop, is due to convert with effect from 1 April 2023, which will then leave the Authority with just three Maintained Secondary Schools in 2023/24. In addition to the above schools in deficit, the Pupil Referral Unit - Impact is also under a licenced deficit but this deficit position has reduced during 2022/23 due to a series of budget reductions involving redundancies. Licensed deficit budgets must be signed off by the Council's Section 151 Officer and Statutory Director of Children's Services (DCS).

- 12.17 Although the additional funding announced in the Chancellor's Autumn statement for 2023/24 is helpful, it is not thought to deal with the ongoing high levels of pay and price inflation, and many more schools could find themselves in a deficit position over the next 12 to 18 months as a result. As at November 2022, inflation is running at 10.7%. Schools may well still need to reduce staffing and other budgets to balance their budgets in 2023/24, with many school balances being used up in the interim, during a process of reduction, where this is possible.

### **Early Years Block**

- 12.18 Early Years funding announced in December 2022, provides Sefton with **£18.167m** in 2023/24, an increase in funding of +£0.915m on 2022/23. However, £0.361m of this increase is due to the transfer into the Early Years National Formula, of the separate grant previously paid via local authorities to pass on to their own nursery schools (including Maintained Nursery schools) for the 2019/20 and 2020/21 Teachers Pay and Teachers Employers pensions costs. The grants are included in the 3–4-year-old hourly rate and the Maintained Nursery schools protected funding. New additional Early Years funding in 2023/24, represents an increase of just +2.1% overall (£0.554m) with larger base rate increases attributed to 3–4-year-old funding (+3.5%) than to 2-year-old funding (1.1%), and with Sefton's 3–4-year-old funding protected at the national funding floor level.
- 12.19 The Early Years funding to Sefton will be adjusted further in Summer 2023, dependent on the Headcount census numbers as of January 2023 compared against January 2022.
- 12.20 As part of the Government Spending Review announced in October 2021, Early Years funding nationally, was set to increase by £160m in 2022/23; £180m in 2023/24 and by a further £170m in 2024/25. This programme of funding has been adhered to, so far.
- 12.21 Over the last five years the local authority hourly base rate allocations have increased using the agreed national flat rate basis provided by the DfE. However, the DfE has changed this 'flat rate' approach from 2023/24 to avoid ongoing skewed funding allocations across the country. The DfE has also applied an updated datasets to the Early Years formula following a brief consultation in the Summer of 2022.
- 12.22 The Schools' Forum has approved the Hourly Base rates payable to Sefton Providers (after the permitted / normal retention of Early Years local authority support costs) to be applied with effect from 1 April 2023.

12.23 The only element of funding not approved, relates to the Teachers Pay and Teachers Employers Pensions element (£0.10p allocation per hour). The Authority will consult with representatives from the sector and will await guidance from the DfE as to how this may be best distributed. The original funding from the DfE as a separate grant just to local authority Nursery schools, in respect of pay increases from 2019/20 and 2020/21, related to qualified Nursery Teachers. However, some Private, Voluntary or Independent Nursery schools also employ qualified teachers and so may qualify for some of this allocation since its inclusion into the Early Years Formula allocations.

12.24 The DfE have suggested that Local Authorities may wish to avail themselves of applying a 'Quality Supplement' within their local funding regime to allocate this funding. Local Authorities should also offer further guidance as to how this additional funding element might be used from 2023/24. The allocation of the funding may be based on the number of full-time equivalent Nursery teachers employed across the sector and the data is recorded in the January Workforce Headcount census. Based on the number of full-time equivalent teachers, the funding could then be simply split out to providers, or perhaps the funding, could be allocated in line with previous allocations when the funding was paid via a separate grant only to the Nursery schools, but this is not straightforward when using the DfE Early Years model to use for local funding allocations. Any decision over this additional element of funding will be made before the end of March 2023 after consultation via the Early Years Development Group and this will subsequently be fed back to the Schools Forum in March 2023.

12.25 The Maintained Nursery Schools continue to receive a protection subsidy, which in 2023/24 will see an increase to the hourly rate of £0.14p per hour following a national uplift to the subsidy.

### **High Needs Block**

12.26 Below, is the analysis of Sefton's High Needs funding for 2023/24 compared against 2022/23, which includes the supplementary grant from 2022/23 (£1.478m) rolled into the 2023/24 Baseline figures; along with Sefton's proportion of the £2bn additional funding awarded to Schools in the Autumn statement (£1.827m) for 2023/24. It also shows the funding after DfE deductions are made from Sefton's allocation, to equalise the funding between local authorities for pupils attending special schools' cross-boundary from where they live; and to pay for Special Educational Needs and Disabilities (SEND) places for Sefton pupils attending any special academy schools and colleges of further education. Net funding to Sefton is therefore **£44.630m** in 2023/24.

<b><u>High Needs funding</u></b>	<b><u>2022/23</u></b> <b><u>£m</u></b>	<b><u>2023/24</u></b> <b><u>£m</u></b>	<b><u>Change in</u></b> <b><u>funding</u></b> <b><u>£m</u></b>	<b><u>%</u></b> <b><u>Increase</u></b>
High Needs Funding Floor	£35.843m	£38.304m	+£2.461m	
Supplementary funding from 2022/23 rolled into 2023/24 baseline (£1.478m)	£1.478m	£1.478m	£0	
Basic Entitlement	£3.182m	£3.467m	+£0.285m	

Element for Teachers Employers Pay and Pensions (2019/20 – 2020/21) @£660 per pupil in Special Schools & a fixed sum for AP/Hospital schools	£0.680m	£0.726m	+£0.046m	
<b>Funding to Sefton's High Needs Baseline funding</b>	<b>£41.183m</b>	<b>£43.975m</b>	<b>£2.792m</b>	<b>+6.78%</b>
<b>Supplementary Funding awarded 2023/24</b>		<b>£1.827m</b>	<b>£1.827m</b>	<b>+4.44%</b>
<b>Total High Needs Block Funding before ESFA deductions/Top-Slicing</b>	<b>£41.183m</b>	<b>£45.802m</b>	<b>£4.619m</b>	<b>+11.22%</b>
<b><u>Less ESFA Deductions</u></b>				
Net adjustment re the Import/Export of pupils between LA areas @ £6k per pupil	£-0.246m	£-0.264m	-£0.018m	
Top-Slice of Sefton's High Needs funding by the ESFA to pay for Pre and Post 16 Sefton pupils Placed in Special Academies and Academy Alternative Provision and Colleges of FE	£-0.880m	£-0.908	£-0.028m	
<b>Total Net High Needs Funding for Sefton's direct provision without any Schools Block transfer of funding.</b>	<b>£40.057m</b>	<b>£44.630m</b>	<b>£4.573m</b>	<b>+11.42%</b>

12.27 Under the normal funding allocation announced in July, Sefton's High Needs funding has increased by +6.78% being very close to the national cap increase at 7% but this includes the 2022/23 supplementary funding awarded. Following the extra funding announced in the November Autumn statement, this has increased further, to over 11.4% and increased the overall funding by a net **£4.573m**.

12.28 The Local Authority has asked all mainstream schools / the Schools' Forum to agree to a 0.5% top-slice contribution of the schools' block funding towards using this earmarked funding to support SEND cost pressures in the most inclusive mainstream school settings and prevent the potential movement of SEND children into more expensive specialist placements and thus increase cost pressures on the High Need Budget in 2023/24. The Schools' Forum approved this top-slice at its meeting on 16 January 2023.

12.29 Sefton's High Needs budget continues to face severe cost pressures and is forecast to overspend by £5m in 2022/23, which would take the accumulated deficit balance on High Needs to over £17m by the end of 2022/23. The 2014 SEND reforms, while raising expectations and extending support from birth to 25 years, did not initially come with adequate uplifts in funding to reflect the significant increased cohort numbers and complexity of children and young people. The local authority's expanded duties towards 19-25-year-olds included

within the reforms were never funded sufficiently to meet this new responsibility. Funding increases in the last four years continue playing “catch up” with the increased levels of expenditure.

- 12.30 Some of the initiatives to help reduce costs and generate future cost efficiencies have started to be rolled out during 2022/23, with Cabinet approval in 2021 to invest over £2m over two years in a rightsizing of our Special schools’ budgets and places, and in growing the number of in-house places in special schools and resourced units to meet future demand.
- 12.31 Ongoing work is underway on engaging with mainstream schools to help them become more inclusive, and able to take additional numbers of SEND children as numbers of children with SEND and Education Health and Care Plans continues to increase; A new 30 place Secondary SEND provision is being planned at Formby High School from September 2023, and an expansion of Presfield special school into St Teresa’s former school building as a school for younger aged children with SEND. New nurture groups are being supported to provide small group teaching and assistance for SEND children in many of our mainstream schools during 2022/23, at much reduced cost to providing expensive 1:1 provision; and a number of mobile classrooms have been set up from September 2022, to enable an expansion of in-house SEND places.
- 12.32 Much more work is required in 2023/24 and over the coming years. Further investment will be necessary to expand special school places and the local authority has been given significant Capital funding in 2022/23 and 2023/24 to help this process. It is hoped, that by growing in-house places across the Council’s current provision, that this will help reduce (though not eliminate) the need for high cost, out of Borough placements at independent special schools and non-maintained special schools in the future.
- 12.33 The Delivering Better Value (DBV) Programme has commenced in January 2023 and will bring representatives appointed by the DfE together with key officers of the Authority, to share and analyse our High Needs data and decision making, with a view to ensuring our actions to restrain and control High Needs spending are in line with general best practice and that they are the right approach to take. This programme does carry with it some funding nationally (£55m), which could be made available for local authorities to develop in-house changes, through a bidding process. However, the DBV programme will not be prescriptive on the Council, nor will it carry funding to off-set any of the accumulated deficit on High Needs. Members will continue to be kept updated on High Needs on an ongoing quarterly basis.
- 12.34 It can be seen that the additional £4.6m budget for 2023/24 will meet the financial pressure from 2022/23 (although not the full-year effect), however despite this and the measures being introduced, it is currently forecast that a significant in year overspend in 2023/24 will still materialise. The cumulative deficit on the High Needs budget is estimated to be £18.1m at the end of 2022/23 – therefore this will increase significantly by the end of 2023/24.
- 12.35 Central government has announced that the ringfencing of this deficit will continue until the end of 2025/26, however the position after this point is uncertain. At this stage there is no evidence to suggest this deficit will be met from central



government. To this point, government have been clear that high needs deficits are part of the Dedicated Schools Grant and should not impact on council services. Whilst this current approach does give councils some comfort it cannot be relied upon that this position will continue and ultimately this deficit will need to be met. It is therefore essential that the service's strategic and operational plans result in it delivering the service within the annual allocation at the earliest opportunity and indeed start to reduce the accumulated deficit. The support of the DfE led Delivering Better Value Programme will help this but this position needs to be reached as soon as possible- this was detailed in the report to Cabinet on 28 July 2022.

- 12.36 In the absence of the government meeting this deficit for the Council (and all councils) if the deficit is not reduced annually it will ultimately need to be met from either the DSG (which would impact on funding available for the education sector) or the Council- a deficit of over £20m cannot be met from the Council based on the resources that are available to it or the reserves that are held and as such this would be a major risk to financial sustainability, hence the need for the strategic and operational plans needing to be robust, deliverable and affordable. The development and monitoring of these plans needs to be a key feature of the quarterly reports to Cabinet and Council.

### **Central School Services Block**

- 12.37 The Central School Services Block (CSSB) has funding of **£1.462m** in 2023/24 (an increase of £0.050m on 2022/23) to cover ongoing historic costs and centrally retained DSG. The historic costs include combined budgets for the running of the Professional Development Centre (PDC) in Formby and Grounds Maintenance and mothballing costs for former closed schools. Ongoing current costs supported by this Block include Free School Meals checking; School Licences; School admissions work including new duties and responsibilities and the education statutory duties of the Local Authority across all schools which was previously funded by the Education Services Grant (ESG).
- 12.38 Since 2019/20, the funding to support historic costs is being reduced by 20% each year by the DfE until it ends by 2025/26; and there is an expectation that local authorities will find alternative ways of funding these activities or cease providing such activities altogether. From April 2022, the use of the PDC has been altered, to include some office accommodation for Education Excellence staff with sharing of centre running expenses; as well as charging all users, including schools, for room hire, to make the Centre more self-sufficient financially and less reliant on the reducing DSG support. Further work is still required however, around the ongoing costs and future of maintaining some of the former school sites.

## **13. Other Government Grant Notifications and Other Funding 2023/24**

- 13.1 The Government have announced grant notifications for 2023/24 in the areas identified below. Should any further information be supplied on other grants, this will be included in a separate update to Cabinet / Council.

### **Homelessness Prevention Grant**

- 13.2 The government announced a new grant to support homelessness in 2021/22, the Homelessness Prevention Grant. This combined two grants previously received, the Flexible Homelessness Support Grant and the Homelessness Prevention Grant. The allocation for 2022/23 was initially £0.558m, although an additional one-off Winter Top-Up of £0.087m was provided later in the year to support local authorities to help prevent vulnerable households from becoming homeless and manage local homelessness pressures. The 2023/24 main allocation has increased to £0.582m, with a further increase to £0.613m to follow in 2024/25. It is proposed that the 2023/24 and 2024/25 allocations will continue to be allocated to appropriate Homelessness budgets.

### **Homes for Ukraine**

- 13.3 In December 2022, the Government announced a £650 million support package to support Ukrainian and Afghan refugees and reduce homelessness. This includes: a new £500 million Local Authority Housing Fund will help local councils in England provide up to 4,000 homes by 2024; and £150m additional funding for local authorities across the UK to help support Ukrainian guests move into their own homes and reduce the risk of homelessness.
- 13.4 Allocations of the £150m, which can also be used to support other people at risk of homelessness, have yet to be announced. It is proposed that the 2023/24 and allocation will be allocated to appropriate Homelessness budgets.

### **Supporting Families Programme**

- 13.5 The total funding for Supporting Families in 2023/24 will be £235 million, which is part of planned investment in the programme across the three years of the Spending Review (2022/23 – 2024/25) of £695m.
- 13.6 Indicative funding for individual local authorities has yet to be announced. It is proposed that the 2023/24 and 2024/25 allocations will continue to be allocated to the appropriate budgets as in previous years.

## **14. Summary of Budget Proposals for 2023/24**

- 14.1 As a result of the information contained within this report the bridging of the 2023/24 funding gap is shown as follows:

	<b>2023/24</b>
	<b>£'m</b>
<b>Revised MTFP Funding Gap</b>	<b>10.418</b>
<b>Local Government Finance Settlement</b>	<b>-20.070</b>
<b>Potential Growth to the Budget</b>	<b>24.948</b>
Proposed Budget Savings	<b>-7.748</b>
<b>Revised MTFP Funding Gap – excluding Council Tax</b>	<b>7.548</b>

<b>Council Tax – Core increase (TBC%)</b>	<b>TBC</b>
<b>Adult Social Care Precept (TBC%)</b>	<b>TBC</b>

A summary of the budget for 2023/24 is shown at Appendix C (note that for illustrative purposes this assumes a Council Tax increase of 4.99% in 2023/24).

## 15. Precepts

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

The Police and Crime Commissioner is due to set a budget / precept for 2023/24 on 21 February 2023. The Fire and Rescue Authority is due to set its budget / precept for 2023/24 on 23 February 2023.

	Precept			Band C		
	2022/23	2023/24	Change	2022/23	2023/24	Change
	£	£	£	£	£	%
Police	19,945,860	TBC	TBC	210.64	TBC	TBC
Fire	7,037,487	TBC	TBC	74.32	TBC	TBC

*The approved 2023/24 figures will be reported at Budget Council.*

### b. Liverpool City Region Mayoral Precept

To be able to deliver the Mayor's key priorities in 2023/24 a Mayoral Precept is levied on Council Taxpayers across the region, with no increase in the Band C charge approved at the Authority's meeting on 20 January 2023.

	Precept			Band C		
	2022/23	2023/24	Change	2022/23	2023/24	Change
	£	£	£	£	£	%
Mayoral	1,599,238	TBC	TBC	16.89	16.89	0.00

*The approved 2023/24 figures will be reported at Budget Council.*

### c. Parishes

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

	Precept			Band C		
	2022/23	2023/24	Change	2022/23	2023/24	Change
	£	£	£	£	£	%
Aintree Village	160,500	TBC	TBC	70.29	TBC	TBC
Formby	104,327	TBC	TBC	10.22	TBC	TBC
Hightown	25,000	TBC	TBC	25.86	TBC	TBC
Ince Blundell	2,565	TBC	TBC	13.74	TBC	TBC
Little Altcar	3,870	TBC	TBC	10.22	TBC	TBC

Lydiate	194,694	TBC	TBC	83.00	TBC	TBC
Maghull	830,916	TBC	TBC	108.63	TBC	TBC
Melling	39,655	TBC	TBC	32.28	TBC	TBC
Sefton	12,000	TBC	TBC	38.34	TBC	TBC
Thornton	8,000	TBC	TBC	9.16	TBC	TBC
	<b>1,381,527</b>	<b>TBC</b>				

The approved 2023/24 figures will be reported at Budget Council.

## 16. Recommended Council Tax for 2023/24

- 16.1 Council is recommended to approve the Budget for 2023/24, as set out in the main report.
- 16.2 The recommended overall Band C Council Tax to be raised for 2023/24 (excluding Parish Precepts) is as follows: -

	2022/23	2023/24	Increase
	£	£	%
Sefton	1,569.58	TBC	TBC
Police & Crime Commissioner	210.64	TBC	TBC
Fire & Rescue Authority	74.32	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	<b>1,871.43</b>	<b>TBC</b>	<b>TBC</b>

The recommended Council Tax for 2023/24 will be reported to Budget Council

## 17. Capital Programme 2023/24 to 2025/26

- 17.1 Each year, Budget Council approves the detailed capital programme for the forthcoming year following notification from central government of any grant allocations that are to be received. This is aside from any in year approvals in respect of the growth and strategic investment programme for which comprehensive business cases are provided as schemes are developed and funding sources are identified. The three remaining significant grant allocations received by the Council are in respect of Adult Social Care, schools and transport. Due to the funding conditions, these grants will be utilised within the relevant services, and these are shown at Appendix D, in addition to the proposed use of the Better Care Fund and all other schemes in the Capital Programme. It should be noted that these are indicative grant allocations only and will be updated in future reports to Cabinet and Council once the allocations have been confirmed by Government and the Liverpool City Region Combined Authority.

## 18. Business Rates – Removing Schools Discretionary Top Up Relief

- 18.1 Under Section 47 of the Local Government Finance Act 1988 the Council has the power to grant discretionary rate relief to charities and non-profit making bodies.

Charities are eligible for 80% mandatory rate relief and the Council has discretion to top this up to 100%.

- 18.2 Since the introduction of National Non-domestic Rates in 1990 the Council has automatically awarded 20% discretionary top-up relief to voluntary aided / church schools. Discretionary relief is currently being awarded to 39 schools ranging from £1,485 to £24,064 per school at a total cost of around £229,000 in 2022/23. It should be noted that the individual schools do not benefit directly from the relief; schools are effectively charged in line with the amounts included in their DSG allocations, with these amounts credited to the Centrally Retained DSG budget. The actual Business Rates bills, including reliefs, are charged to the Centrally Retained DSG budget. The resulting surplus is used to offset unexpected charges in Business Rates for schools.
- 18.3 At the time the decision was made to award this relief the Government made a contribution to meet the cost under the national pooling arrangements. However, this is no longer the case under the current 100% business rates retention arrangements. The cost is currently met by the Council (99%) and the Merseyside Fire & Rescue Authority (1%).
- 18.4 A decision was made by Council in 2012 to remove the budget for all discretionary relief awards, however, the schools' top-up relief was able to be funded by recharging the Council's share of the costs to the Centrally Retained DSG Budgets. This allowed the Centrally Retained DSG Budgets to continue to partially benefit from the relief whilst limiting the impact on Council Taxpayers.
- 18.5 However, from 1 April 2022, schools' business rates are no longer paid directly by the schools themselves. Instead, the bills are being paid by the Education and Skills Funding Agency (ESFA), with DSG allocations to individual schools having been reduced to reflect they are no longer being charged for Business Rates. As a result, the Council will no longer be able to recharge a share of the cost of the award in future years to the Centrally Retained DSG budget. This is estimated to result in a loss of income of £112,000 per annum.
- 18.6 When considering whether to discontinue awarding discretionary top-up relief to schools, the Council needs to carefully consider the interests of local council taxpayers, the impact on local service provision, the impact on the schools affected, as well as the Council's wider financial position and the priorities outlined in the Council's Corporate Strategy.
- 18.7 However, as mentioned in paragraph 18.5, there will be no impact on the individual schools, or the Centrally Retained DSG budget, of removing the relief as the ESFA now pays the demands. The ESFA now benefits from the relief as the amount required to be taken from DSG budgets was based on the Business Rates bills before relief was applied.
- 18.8 If the Council chooses to remove the discretionary top-up award from voluntary aided / church schools, then it must give at least 12 months' notice of its intention to do so.
- 18.9 Removing the automatic discretionary top-up relief would also be consistent with the way that the Council treats Academy Schools. Academies also have charitable

status; however, the Council does not automatically award 20% discretionary top-up relief to these schools and any existing top-up award is removed from voluntary aided / church schools when they transfer to academy status.

### **List of Appendices**

- A. Individual School Budgets 2023/24
- B. Budget Saving Proposals
- C. Draft Council Budget Summary 2023/24
- D. Capital Programme 2023/24 – 2025/26