

Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	Date of Meeting:	6 February 2024 8 February 2024 29 February 2024
Subject:	Revenue and Capital Budget Plan 2024/25 – 2026/27 and Council Tax 2024/25		
Report of:	Chief Executive and Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	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 2024/25 Budget Plan and preparation for the additional two-year budget period 2025/26 to 2026/27.
- An update on the Government's announcement of resources that are available to the Council for 2024/25.
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2024/25; and,
- The proposed Capital Programme for 2024/25 to 2026/27.

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 2024/25 to 2026/27; 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 2024/25 – 2026/27 and the Council Tax for 2024/25.

Cabinet is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2024/25 to 2026/27.
2. Recommend to Council the Budget Plan for 2024/25, 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).
4. Recommend to Council the approval of a supplementary capital estimate for £7.387m for the Corporate Essential Maintenance Programme Phase 2 funded by capital receipts (Section 17).
5. Recommend to Council the approval of a supplementary capital estimate for £1.865m for Green Sefton Equipment and Machinery funded by prudential borrowing (Section 17).

Council is recommended to:

Budget 2024/25 and Medium-Term Financial Plan from 2025/26 to 2026/27

1. Note the update of the Medium-Term Financial Plan for the period 2024/25 to 2026/27.
2. Approve the Revenue Budget for 2024/25 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 release of the Environmental Warranty Earmarked Reserve and the transfer of the amount released to General Balances (Section 9).
4. 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.

5. Note that officers will comply with agreed HR policies and procedures including relevant consultation with Trade Unions and reports to the Cabinet Member (Regulatory, Compliance & Corporate Services) as required.
6. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 12).
7. Approve the allocation of specific grants as detailed in the report (Section 13).
8. Subject to the recommendations above, approve the overall Council Tax resolution for 2024/25 including Police, Fire, Mayoral and Parish Precepts.

Capital Programme 2024/25 to 2026/27

9. Approve for inclusion within the Capital Programme the full list of projects in Appendix D.
10. Approve a supplementary capital estimate for £7.387m for the Corporate Essential Maintenance Programme Phase 2 funded by capital receipts (Section 17).
11. Approve a supplementary capital estimate for £1.865m for Green Sefton Equipment and Machinery funded by prudential borrowing (Section 17).

Reasons for the Recommendation(s):

The recommendations in this report provide the basis on which the Budget Plan will be balanced for the financial year 2024/25 and will ensure that the Council's statutory obligations are met. In addition, it begins the planning for the financial strategy for the following two years to give the Council sufficient time to identify specific proposals to deliver financial sustainability over that period.

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

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

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications are reflected within the report.

(B) Capital Costs

All financial implications are reflected within the report.

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

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

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

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

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

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

Legal Implications:

There is a statutory requirement to set a robust budget for the forthcoming financial year on or before 10 March 2024. 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.

Impact on Children and Young People: Yes

The report highlights the current financial position relating to services provided for Children and Young People.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

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 7521/24) is the joint author of the report, and the Chief Legal and Democratic Officer (LD 5621/24) 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. 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 2024/25. 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 29 February 2024.

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Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets 2024/25
- B. Budget Saving Proposals
- C. Draft Council Budget Summary 2024/25
- D. Capital Programme 2024/25 – 2026/27

Background Papers:

Financial Management 2023/24 to 2026/27 – Medium Term Financial Plan 2024/25 to 2026/27– Report to Cabinet and Council – 7 and 14 September 2023

1. Introduction

- 1.1 This report provides Members with an update on the overall financial position of the Council. In doing so it refreshes the Medium-Term Financial Plan (2024/25 to 2026/27) previously approved by Members in September 2023, taking account of the Autumn Statement, the Local Government Finance Settlement and the latest information available to the Council.
- 1.2 2024/25 represents the final year of the three-year Government Spending Review period. A General Election will be called during this financial year and will without doubt impact on future financial planning, however the three-year budget plan presented for the Council updates the initial estimates for the overall period. In doing so the report presents the proposed budget for 2024/25.
- 1.3 In addition, Individual School Budgets and the Capital Programme require approval and details of this are within this report.

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. In December 2022 the Council was provided with its funding envelope for 2023/24 but was also provided with greater clarity than had been provided previously in respect of the funding that would be available to it for 2024/25-the final year of the spending review period.
- 2.2. That advice was welcomed at that point, especially as it came on the back of the mini budget in September 2022 and at a time when the cost-of-living crisis for residents was just starting to take hold, inflation was continuing to rise and pressure on key services was increasing. The additional funding made available was positive, however, this was not keeping pace with demand and cost increases across the sector. The estimates for 2024/25 were similar- there would be insufficient funding to cover existing services.
- 2.3. During the last 12 months the financial position within the local government sector has continued to deteriorate due to this. Previously, councils would be considered to be in financial trouble due to the failure of commercial activities or excessive debt being held, but more recently, the sector is reporting that councils without these issues will be facing bankruptcy and severe cuts to core services due to funding not keeping pace with demand and cost increases- the view of the sector is that this is due to funding not poor decision making or financial management.
- 2.4. This is the context within which all councils will be setting budgets for the period 2024/25 to 2026/27 at this time. In advance of the autumn statement the LGA provided its submission to central government on what funding and system changes were required to stabilise the sector and allow affordable and funded core services to be provided to residents. This submission with proposed recommendations focussed on the following areas: -
 1. Childrens Social Care

2. Adults Social Care
 3. SEND and High Needs Budgets
 4. Housing and Homelessness
- 2.5. The submission advised that *'councils are facing funding gaps of £2.4 billion in 2023/24 and £1.6 billion in 2024/25. These gaps relate solely to the funding needed **to maintain services at their current levels**. The funding gap in 2023/24 is equivalent to councils stopping all spending on waste collection, library services and recreation and sports combined.'*
- 2.6. As reported continually to members each of these issues applies to Sefton and means that reductions in service levels are required.
- 2.7. Despite this submission and evidence base there was insufficient funding announced as part of the Local Government Finance Settlement above what had previously been announced.

3. Budget Development in Sefton and Key Risks

- 3.1. Members of Cabinet and Council received and approved the Council's Medium Term Financial Plan in September 2023. This provided estimates of the funding that would be made available to the Council over the period 2024/25 to 2026/27. As discussed in section 2 the financial environment that all councils are operating in is extremely challenging with key decisions on service delivery being required to ensure financial sustainability can be delivered.
- 3.2. Since 2010, one of the strengths of Sefton's financial management has been to understand that financial environment and then make the tough decisions that are required to support delivery of the 2030 vision, core purpose/corporate plan including council tax increases. In this environment that approach will need to continue.
- 3.3. The issues highlighted by the LGA in its autumn statement submission apply to Sefton and it can be seen in this budget package that investment and growth is focussed on those areas, meaning that there is no scope for investment either to support inflation increases or fund demand increases or growth in any other services in the Council- these services in addition to making savings are in effect also taking a further budget cut.
- 3.4. To support budget development this year, two rounds of budget challenge sessions have been held to inform the development of the budget package for members to consider. This has focussed on all areas of the Council's business, with additional focus and time outside of this process naturally being applied to Adult Social Care, Children's Services and Education Excellence based on size of those budgets, volatility and risk.
- 3.5. Within Adult Social Care this budget has historically been underspent but the challenges facing the service through demand, cost pressure and provider fees is increasing substantially meaning that this gross budget of over £160m (2023/24) is under considerable pressure and in the current year has required an increase in

savings to be delivered and in year remedial actions. The budget for 2024/25 will increase by a further net £12m (excluding the impact of a pay award from April 2024) but this budget is now a key risk for the Council.

- 3.6. Within Education Excellence and SEND the challenges that have built up since 2013 continue to rise. The number of Education, Health and Care Plans (EHCPs) that the Council is now completing are at a higher level than at any time over the last decade and by August (5 months) of this current financial year the team had completed the same number of EHCPs as in the whole of the previous year. This manifests itself financially in three ways
- It requires additional staff to process these plans in the required timescale resulting in pressure on the general fund budget.
 - It increases the pressure on the Home to School Transport budget again resulting in pressure on the general fund budget; and
 - It means there is increased pressure on the Dedicated Schools Grant High Needs budget that increases the deficit.
- 3.7. Again, these issues are not unique to Sefton- government has introduced intervention programmes to try and alleviate this pressure but they haven't worked from a financial point of view and any change to the financial position would require legislative changes or substantial additional funding. In the absence of that, this side of a general election and in the last year of the Spending Review, councils will have to invest further in staff and home to school transport budgets and high needs deficits will increase- it is estimated that high needs deficits in England are now approximately £3.6bn at end of 2022/23. The current statutory override on the high needs block is due to end at the end of March 2026 and whilst the deficit is in the Dedicated Schools Grant and government have always advised that this is not a general fund issue, this situation cannot go on indefinitely from a financial, governance or external audit point of view. This issue needs resolution as the financial risk to all councils, including Sefton, from a financial sustainability point of view is substantial as councils do not have the general fund balances to support these deficits in 2026, that have built up over 13 years. The Council will continue to propose options for government to consider in this time, but legislative change and funding will both be required.
- 3.8. The key financial issue that the Council has faced over the last three years has been in respect of pressure within the Children's Social Care budget. Members will recall from last year's budget report that permanent investment of £17.5m was put into the budget and £3.3m of temporary funding was put into the budget to support the transition of the workforce from having a large reliance on agency staff to one that was populated with permanent Sefton staff as a result of investment in an academy, International Social Workers and positive recruitment and retention. This was aligned with the MTFP over a five-year period and agreed by the then Director of Children's Services and Members. During the past year the service has stabilised, and this is reflected in the finances. The non-staffing budget has much less pressure on it, predominantly due to less spend on accommodation and a shift to fostering but pressure remains, and the position remains volatile, of great risk and requiring positive intervention to take account of the aims of the Improvement Plan. The staffing budget has remained under pressure but a new structure will be in place during 2024/25 that will be within the current budget and there will be sufficient permanent staff to fill this- this is important as the

investment strategy can be considered to have worked with 23 International Social Workers and 24 academy graduates now ready to be part of the workforce, meaning expensive agency and project teams will leave- that temporary funding that was in place in 2023/24 will not be available in 2024/25 nor will the Leeds Family Value funding, therefore the management of the staff budget and the decisions made need to reflect that.

Medium Term Budget Planning and Transformation Programme

- 3.9. Since 2016 the Council has had a Framework for Change transformation programme with financial sustainability at the centre of it. This has served the Council well. From 2023 a review of all areas of the Council has taken place and a new programme is proposed. This will focus on the Core Business, the Growth Programme and a number of Change Projects, including service development and transformation projects.

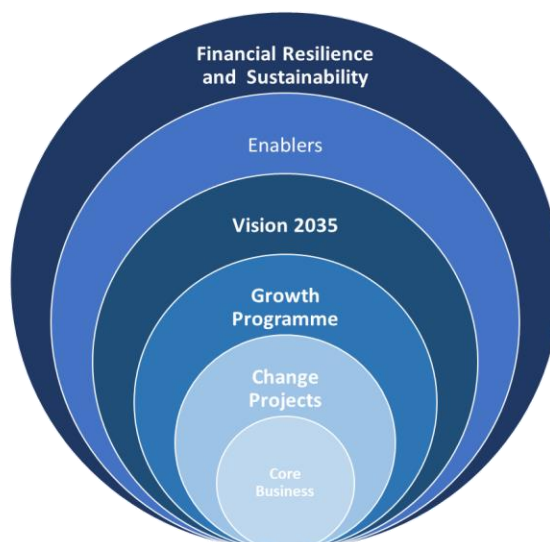
Growth Programme, including: -

- Southport Town Deal (including Marine Lake Events Centre)
- Bootle Strand and AAP (including Salt & Tar)
- Crosby Village
- SHOL
- Sandway Homes
- Transport Capital Programme (including School Streets)

Change Projects: -

- Children's Social Care
- Special Educational Needs and Disabilities
- Home to School Transport
- Operational In-House Services
- Adult Social Care: Transformation Programme / Extra Care / Supported Living
- Housing
- Corporate Landlord
- Localities

- 3.10. This Programme will be the vehicle to deliver financial sustainability. The diagram below presents how the various strands are brought together to ensure the Council ensures Financial Resilience and Sustainability.



4. Budget Plan 2024/25 – 2026/27

4.1 As discussed previously within the report, 2024/25 is the final year of the Government's Spending Review period. Council, on 14 September 2022, approved an updated Medium-Term Financial Plan (MTFP) for the period 2024/25 – 2026/27, 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 2024/25.
- Growth Items,
- Savings proposals to balance the 2024/25 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 2024/25 to 2026/27 as well as a number of other budget changes. These reflect the information included in the updated MTFP reported to Council on 14 September 2023, 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 2023/24 pay award of £5.375m (or around 5%). This was line with most other local authorities who had

budgeted for between 4% and 5%. The National Employers for local government services body made an offer to trade unions of a fixed increase of £1,925 from April 2023. This was agreed at the beginning of November 2023. For Sefton, this equates to an increase in the pay bill of about 6% or an additional **£2.400m** above the amount included in the 2023/24 budget. This is a national issue for local government however Government made it clear that no additional funding would be made available. This additional cost therefore needs to be budgeted for in 2024/25.

- 4.6 Given the current rates of inflation it is considered prudent to increase the pay award provisions for 2024/25, 2025/26 and 2026/27 compared to usual assumptions. Therefore, **£4.500m** has been included for each year, equating to an approximate increase in the region of 4%.
- 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 latest triennial valuation of the Fund took effect from April 2023 and resulted in a saving of £0.700m in 2023/24, 2024/25 and 2025/26. The implications of this saving are included within the "Impact of Budget Savings agreed March 2023" below.

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 **£0.250m** will be required in 2024/25, reducing to **£0.100m** in 2025/26 and further reducing to **£0.100m** in 2026/27.

In addition, the Council's ICT contracts have increased significantly in recently years, with many linked to increases in the CPI rate of inflation. Also, there has been a loss of income from School SLAs as a result of a change in the contractual arrangement enforced by the provider for which the Council has no control. These issues have been reported throughout 2023/24, with a budget pressure of £0.642m reported, but have been offset by underspends within the Corporate Resources service due to significant cost control across the whole service. As a significant corporate pressure, this cost has been built into the MTFP along with provision for future contract inflation. It is estimated that a total provision of **£0.800m** will be required in 2024/25, reducing to **£0.100m** in 2025/26 and further reducing to **£0.100m** in 2026/27.

Social Care – Provider Fee Increases

- 4.10 The Government has announced that the National Living Wage will increase significantly from April 2024, from £10.42 to £11.44 per hour. It is therefore considered prudent to include net provisions of **£7.500m** in 2024/25 for the potential impact of increased fees from providers, reducing to **£5.500m** in 2025/26 and 2026/27.

- 4.11 In addition, it is estimated that providers of Children's Social Care will also increase fees next year. It is therefore considered prudent to include provisions of **£2.000m** in 2024/25 for the potential impact of increased fees from providers, reducing to **£1.250m** in 2025/26 and 2026/27.
- 4.12 It is also proposed to make additional provision relating to inflation on the costs of providing Home to School Transport. Therefore, an additional **£0.500m** has been provided for in 2024/25, with further amounts of **£0.300m** provided for in 2025/26 and 2026/27 respectively.

Levy Increases

- 4.13 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 2024/25 and these will increase the amounts to be paid by **£1.100m** in 2024/25. Provisions of **£1.100m** have been included for the potential costs of increases in these levies in 2025/26 and 2026/27.

Corporate Council Buildings

- 4.14 The costs relating to Corporate Council Buildings have increased in recent years, mainly due to increases in Business Rates, reductions in income from external organisations, and more buildings having to be maintained corporately, e.g., closed schools. It is estimated that additional provision of **£0.400m** will be required in 2024/25 relating to these costs.

Other MTFP Changes 2024/25 – 2026/27

Council Tax Base

- 4.15 The Council Tax Base is set by Council in January each year. It reflects changes, and forecast changes, in the number of properties, the value of exemptions and discounts and the assumed amount to be collected in the year. The Council Tax Base for 2024/25, approved in January 2024, will generate an additional **£1.475m** in the year. This includes £0.420m relating to charging an additional premium of properties that have been empty for between one and two years. It has been assumed that there will be further growth in the Tax Base in future years that would generate **£0.820m** in 2025/26 (this includes £0.320m relating to charging an additional premium on "second homes") and **£0.500m** in 2026/27.

Impact of Budget Decisions in Previous Years

Treasury Management Costs

- 4.16 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.

Impact of Budget Decisions in 2023/24

Public Health Grant

- 4.17 Members will recall that the 2023/24 Budget Report approved the use of additional Public Health Grant funding in 2023/24 and 2024/25 to support public health and

wellbeing within leisure centre provision and Public Health activity would continue to operate within existing funding levels. The Council is yet to receive final confirmation of the Public Health Grant increase for 2024/25 however an indicative amount published alongside the 2023/24 allocation suggested it would increase by **£0.308m**.

Temporary freezing of specific vacant posts

- 4.18 Recruitment on specific vacant posts across a number of service areas were frozen until March 2024. Therefore, this temporary saving has been reversed in 2024/25, resulting in **£1.255m** being added back to the budget.

2023 Local Government Pension Scheme Valuation

- 4.19 The 2023 valuation of the Merseyside Pension Fund set contributions that the Council were required to pay for the 2023/24 to 2025/26 period. Following a comprehensive review of the pension contributions following the triennial valuation savings of **£0.700m** will be achieved in 2024/25 and 2025/26.

Reduction in Unfunded Pension Increases

- 4.20 The Council budgets for the cost of making additional pension payments to certain employees (and teachers) who retired a number of years ago. The total payments are forecast to reduce by **£0.100m** in 2024/25 and 2025/26.

Treasury Management savings (temporary from interest rate increases)

- 4.21 In 2023/24 it was forecast that there would be a temporary increase in investment income resulting from interest rate increases of **£0.500m**. As per the Budget Plan approved last year, this saving has been reversed in 2024/25. It should be noted that an additional saving relating to Treasury Management has been presented as part of the budget proposals.

Initial MTFP Position 2024/25 to 2026/27

- 4.22 Based upon the revisions relating to MTFP assumptions it was initially estimated that the funding shortfall between 2024/25 and 2026/27 would be **£44.602m**, 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:

	2024/25	2025/26	2026/27
	£'m	£'m	£'m
Key MTFP updated assumptions:			
- Provision for Pay Inflation – 2023/24	2.400	0.000	0.000
- Provision for Pay Inflation	4.500	4.500	4.500
- Provision for Pension Increases	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.250	0.100	0.100
- Provision for ICT Contract Inflation / Loss of schools' income	0.800	0.100	0.100
- Assumed increase in Care Provider costs re. Adult Social Care	7.500	5.500	5.500
- Assumed increase in Care Provider costs re.	2.000	1.250	1.250

Children's Social Care			
- Assumed increase in provider costs re. Home to School Transport	0.500	0.300	0.300
- Levy increases	1.100	1.100	1.100
- Corporate Council Buildings	0.400	0.000	0.000
	20.050	13.450	13.450
Other MTFP Changes:			
- Council Tax Base	-1.475	-0.820	-0.500
	-1.475	-0.820	-0.500
Impact of Budget Decisions in Previous Years	0.847	-0.600	0.200
Initial MTFP Funding Gap – excluding Council Tax	19.422	12.030	13.150
Total Initial MTFP Funding Gap			44.602

5. Local Government Finance Settlement 2024/25

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 2024/25 was announced on 18 December 2023. 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 2024/25 that was announced on 5 December 2023; these are detailed from paragraph 5.4.

5.3 This Settlement is for 2024/25 only, the Policy Statement doesn't provide any additional information relating to funding for future years that would allow for some informed assumptions to be made relating to funding streams 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, followed by a further £1,265m in 2023/24, which were 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 in 2023/24 was £27.206m.

- 5.5 The Provisional Settlement announced that an additional £692m of Social Care Grant would be paid to local authorities in 2024/25 using the same allocation methodology as for 2023/24. This additional funding has been provided from repurposed money from delaying adult social care charging reform. Sefton's allocation of the additional funding is **£4.858m**.
- 5.6 On 24th January 2024, following the consultation on the Provisional Settlement, the Government announced that a further £500m would be made available to councils with social care responsibilities through the Social Care Grant. At the time of writing this report the Final Settlement had yet to be announced so Sefton's allocation of this additional funding is unknown. If distributed using the Adult Social Care Relative Needs Formula, then it is estimated that Sefton's allocation may be an additional **£3.161m**.
- 5.7 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 2024/25. This will raise a further £600m nationally as part of the £1,900m funding announced as being available for social care in 2024/25. This is discussed further in section 10.

Adult Social Care Market Sustainability and Improvement Funding

- 5.8 The 2023/24 Settlement announced an additional £400m in 2023/24, with 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 in 2023/24 also included £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 distributed this funding using the existing ASC Relative Needs Formula. Sefton's additional allocation in 2024/25 is **£1.798m**. In addition, during 2023/24 the Government provided a further funding of £365m nationally (£2.319m for Sefton). For 2024/25 a proportion of this has been added to the overall funding made available (£205m nationally). Sefton's allocation of this increased funding is **£1.303m**. It is assumed that the Market Sustainability and Improvement Funding will be ringfenced to within the Adult Social Care Budget. There will be reporting requirements placed on this funding regarding performance and use of funding to support improvement against the objectives.

Adult Social Care Discharge Fund

- 5.9 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 are included within the Better Care Fund, with half of these amounts being distributed to local authorities. Sefton's additional allocation in 2024/25 is **£1.470m**. This funding will be ringfenced to within the Adult Social Care Budget.

Services Grant

- 5.10 The 2022/23 Settlement provided details of a new Services Grant, worth £822m nationally, which was paid in 2022/23 to local authorities and was distributed based on the 2013/14 share of the Settlement Funding Assessment. The 2023/24 Settlement announced that the overall funding would reduce to £464m, in part due to the cancellation of National Insurance Contribution increases that the grant was

partly intended to fund. Other amounts were repurposed to fund increases in the Revenue Support Grant and funding for the Supporting Families Programme.

- 5.11 The 2024/25 Settlement announced that the overall funding would reduce further to £77m. Again, the grant was repurposed to fund increases in the Revenue Support Grant as well as the costs of providing a funding guarantee to ensure all local authorities see an increase in Spending Power of at least 3%. Sefton will see a reduction in funding of **£2.213m**.

Public Health Grant

- 5.12 The Council has yet to receive final details of the Public Health Grant for 2024/25 but indicative amounts suggest an increase of £0.308m. As mentioned in paragraph 4.16, the 2023/24 Budget Report approved the use of any additional Public Health Grant funding to support public health and wellbeing within leisure centre provision.

New Homes Bonus

- 5.13 The Government will continue to make payments of New Homes Bonus in 2024/25. As expected, the main grant allocations for 2023/24 will not continue. However, Sefton achieved the Government's threshold for main payments for 2024/25 and will receive £0.143m. This is a reduction of **£0.239m** on the amount received in 2023/24.

- 5.14 It is currently assumed that an equivalent amount of New Homes Bonus will be received in 2025/26 and 2026/27. 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 small business rates multiplier in 2024/25. Local authorities will be fully compensated for this decision through additional Section 31 Grant. In addition, the government announced that the Revenue Support Grant and Baseline Funding Level will increase in line with inflation which will result in a total increase in the Council's funding of **£7.626m** in 2024/25. It is currently assumed that Sefton will receive an additional **£3.000m** in 2025/26 and **£2.000m** 2026/27 for these measures, although this will be dependent on rates of inflation and Government policy.

Business Rates Retention:

- 5.16 Sefton's retained rates income is forecast to be above its funding baseline for 2024/25, 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. The Settlement announced that 100% Business Rates Retention areas would continue into 2024/25.

- 5.17 A summary of the estimated grant changes is shown below:

	2024/25	2025/26	2026/27
	£'m	£'m	£'m
Government Funding:			
- Social Care Grant	-4.858	0.000	0.000
- Social Care Grant – Estimated Additional Allocation	-3.161	0.000	0.000
- Adult Social Care Market Sustainability and Improvement Funding	-3.101	0.000	0.000
- Adult Social Care Discharge Fund	-1.470	0.000	0.000
- Services Grant	2.213	0.000	0.000
- New Homes Bonus	0.239	0.000	0.000
- Settlement Funding Assessment / Business Rates Baseline	-7.642	-3.000	-2.000
	-17.780	-3.000	-2.000

6. MTFP Changes – Growth Items

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

Children's Social Care

6.2 Within the Council's budget report of March 2023, 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 As mentioned in paragraph 3.8, 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 about £40m in 2018/19 to £82m in 2023/24 (including £3.3m temporary budget support).

6.4 It has been reported throughout 2023/24 that certain areas of accommodation and support packages are forecast to overspend, partly due to additional packages in the late part of 2022/23 and early part of 2023/24. However, improvements in practice have resulted in more children being placed in more appropriate settings at a lower cost. This has continued throughout the year. Therefore, it is estimated that the future years' impact will be in the region of **£1.000m** so provision has been made for this cost in 2024/25. Additional provision of **£2.000m** in each of 2025/26 and 2026/27 has currently been assumed, although the need for this level of provision will continue to be assessed if more children continue to be placed in more appropriate settings at a lower cost.

In addition, additional legal support for the service was approved in 2023/24, the full year effect of which is an additional **£0.150m** in 2024/25. Each of these items reflects the alignment of the MTFP with the Service's Improvement Plan, that was signed off by the then Director of Childrens Services and communicated to the

DFE commissioner. All assumptions have been reviewed as part of this budget process.

Adult Social Care - Market Sustainability and Improvement Funding

- 6.5 As mentioned in paragraph 5.7, the Council is due to receive **£3.101m** in 2024/25 to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Adult Social Care Discharge Fund

- 6.6 As mentioned in paragraph 5.8, the Council is due to receive **£1.470m** in 2024/25 to improve discharge arrangements from hospitals. The amounts will be included within the Better Care Fund. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Adult Social Care – Additional Investment

- 6.7 As described earlier, the Adult Social Care budget for 2023/24 included a total saving requirement of £5.7m (£2.2m as part of the approved budget and £3.2m to meet the estimated additional costs of provider fee increases in excess of the agreed budget provision). Whilst these savings have been achieved in 2023/24, they have been met in part from one-off rather than permanent savings. It is estimated that £1.3m of permanent savings need to be achieved in 2024/25 to replace the one-off savings achieved in 2023/24. These will be in addition to the additional budget savings proposed for 2024/25 (Paragraph 8.1 - £2.390m).

- 6.8 In addition, the Adult Social Care budget has experienced additional pressure in 2023/24 as a result of increased demand, increased costs, etc. The December 2023 monitoring report forecasts an overspend position of £2.5m. However, this is after the implementation of some one-off mitigating measures. Therefore, significant additional cost pressures will continue into 2024/25, alongside further demand and cost pressures. Paragraphs 6.5 and 6.6 highlight increases in the Adult Social Care budget of £4.571m (in addition to the provision for inflationary provider fee increases of £7.500m)- it is forecast that this will meet demand pressure from 23/24. It is proposed to provide additional investment of **£2.250m** into the service in light of the issues described and this will meet pressure arising in 2024/25. This is the current budget planning assumption and will be further considered during the Council's first quarter budget review of 2024/25 with any further pressure either arising from 2023/24 or in 2024/25 requiring additional savings to be made.

Home to School Transport

- 6.9 As in previous years, there has been significant pressure on the Home to School Transport budget during 2023/24. As mentioned in paragraph 3.6., 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 **£1.200m** to the 2024/25 Base Budget to mitigate the full year impact of these pressures.

6.10 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 **£0.400m** has been provided for in 2024/25 and each of the following two years.

Demand Led Services – Additional Investment

6.11 As has been outlined previously, there are significant pressures on the three main demand led services of Adult Social Care, Children’s Social Care and Home to School Transport. It is proposed to set aside a provision of **£0.900m** to help mitigate any further pressure in excess of the provisions proposed above for these services. These pressures will be considered during the Council’s first quarter budget review of 2024/25 with the provision being allocated if necessary. This sum is the remaining balance from the additional social care grant announced in January 2024, for which the use is prescribed. This cannot be used for any other purpose, and it is likely that it will be required to support one of these three key areas next year therefore is not available for re-allocation at this point.

Southport Pier Decking Project

6.12 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 **£0.150m** per year, starting in 2024/25, for which there is currently no budget.

Marine Lake Event Centre / Crosby Village Centre

6.13 The Business Case for the Marine Lake Event Centre was approved by Cabinet in July 2022. The indicative net costs of the scheme, including borrowing costs, are currently estimated to be **£0.700m** from 2026/27. The Outline Business Case for a new library in Crosby Village Centre was approved by Cabinet in December 2023. The indicative net costs of the scheme, including borrowing costs, are currently estimated to be **£0.410m** from 2026/27. Note that these estimates will continue to be the subject of review as the schemes progress.

7. Summary MTFP Position 2024/25 to 2026/27 including Growth

7.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2024/24 and 2026/27 will be **£38.353m**, 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:

	2024/25	2025/26	2026/27
	£'m	£'m	£'m
Revised MTFP Funding Gap – excluding Council Tax	19.422	12.030	13.150
Local Government Finance Settlement	-17.780	-3.000	-2.000
Proposed Growth Items:			

- Children's Social Care – additional accommodation and support provision	1.000	2.000	2.000
- Children's Social Care – additional Legal Support	0.150	0.000	0.000
- Adult Social Care - Market Sustainability and Improvement Funding	3.101	0.000	0.000
- Adult Social Care Discharge Fund	1.470	0.000	0.000
- Adult Social Care – Additional Investment	2.250	0.000	0.000
- Home to School Transport – Permanent Pressures from 2023/24	1.200	0.000	0.000
- Home to School Transport –increase in numbers	0.400	0.400	0.400
- Demand Led Services – Additional Investment	0.900	0.000	0.000
- Southport Pier Decking Project	0.150	0.000	0.000
- Marine Lake Event Centre	0.000	0.000	0.700
- Crosby Village Centre	0.000	0.000	0.410
	10.621	2.400	3.510
Revised MTFP Funding Gap excluding Council Tax and budget savings	12.263	11.430	14.660
Total MTFP Funding Gap			38.353

8. Budget Proposals

8.1 The following budget savings are proposed to reduce the budget gaps in 2024/25, 2025/26 and 2026/27. Further detail on the proposals is given in Appendix B.

	2024/25	2025/26	2026/27
	£'m	£'m	£'m
Revised MTFP Funding Gap – excluding Council Tax and budget savings	12.263	11.430	14.660
Proposed Budget Savings:			
- Adult Social Care – further permanent Demand Management savings	-2.390	-2.140	-1.980
- Corporate Resources- Treasury Management -increased Income	-0.486	0.000	0.000
- Corporate Resources- Increased Debt collection	0.000	0.000	-0.200
- Corporate Resources- Corporate Resources and Customer Services-service redesign	0.000	0.000	-0.305
- Communities - Leisure Centres- Increased charges in line with inflation to maintain budget position	-0.460	-0.200	-0.200
- Communities - Increased charges Atkinson in line with inflation to maintain budget position	-0.050	-0.025	-0.025
- Communities - Leisure Centres- Increased	-0.075	0.000	0.000

charges for swimming lessons to ensure full cost recovery			
- Communities - Formby Pool- review of the annual subsidy contribution in new contract	0.000	0.000	-0.237
- Communities - Crosby PFI- reduced cost following end of contract	0.000	0.000	-0.263
- Operational In-House Services (OIHS) – Reduce Management budget	-0.055	0.000	0.000
- OIHS - Waste Management	-0.046	0.000	0.000
- OIHS – Sefton Arc	-0.107	-0.100	0.000
- OIHS - Green Sefton	-0.101	0.000	0.000
- OIHS – Alley Cleaning	0.000	0.000	-1.168
- OIHS – Clinical Waste	-0.020	0.000	0.000
- OIHS - Waste Management Traded Services	-0.120	0.000	0.000
- Highways and Public Protection – Cease Southport Park and Ride	-0.200	0.000	0.000
- Highways and Public Protection – Change Charging Regime for temporary Lighting column advertising (new developments)	-0.015	0.000	0.000
- Highways and Public Protection – Delete Vacant Post	-0.060	0.000	0.000
- Highways and Public Protection – Signal Switch Offs for Highways Works	-0.025	0.000	0.000
- Highways and Public Protection – Fund Transport Projects Manager post from the Capital Programme	-0.055	0.000	0.000
	-4.265	-2.465	-4.378
Revised MTFP Funding Gap	7.998	8.965	10.282
Total MTFP Funding Gap			27.245

8.2 It should be noted that budget gaps would remain in 2025/26 and 2026/27 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 2024/25.

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 was reported in the 2023/24 Budget Report, 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 2024/25 by around **£2.700m**. 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. Therefore, the Council will continue 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. It is currently forecast that this could result in a loss of income of up to **£0.500m** during 2024/25. It is currently assumed that these reductions will be temporary and will return to previous levels in 2025/26. This assumption will continue to be reviewed and any permanent reduction in income will need to be built into future budgets.

Pay Reserve

- 9.5 Paragraph 4.6 outlines the current assumptions relating to the pay award provision for 2024/25. However, given the uncertainty around inflation it is considered prudent to create an Earmarked Reserve of **£1.000m** to be utilised if the 2024/25 pay award costs more than the current provision (funded from the surplus identified in para 9.9). If that's the case, then the ongoing additional cost will need to be built into the 2025/26 budget.

Net Council Tax / Business Rates Surplus

- 9.6 Budget monitoring reports during 2023/24 have highlighted that a net Council Tax / Business Rates surplus will be realised in the year which will be declared for 2024/25. This is due to a number of factors including additional surpluses from 2022/23, increased housing and business rateable value growth and reduced exemptions and discounts, particularly relating to the Council Tax Reduction Scheme.
- 9.7 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.
- 9.8 The net impact of the above issues is that a net Council Tax / Business Rates surplus of £11.300m will be declared for 2024/25.
- 9.9 Given the uncertainty around future appeals against Business Rates following the latest revaluation, and based on experience from previous revaluations, it is considered prudent to reserve £6.000m of this surplus to offset the impact. This will continue to be reviewed as appeals are received. Therefore, a net **£5.300m** would be available, with £4.000m available to support an increase in General Balances.

Increase in General Fund Balances

- 9.10 The 2023/24 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 position of 6.5% was proposed and considered prudent. This equated to about £16.9m. A range of £1.0m is advised around this figure so General Fund balances between £15.9m and £17.9m would be considered prudent.
- 9.11 At the end of 2023/24, the Council's General Balances were forecast to be £16.414m including the budgeted increase of £4.423m (although this included £1.023m allocated to fund one-off costs in 2024/25). Therefore, the General Balances available as at the end of 2023/24 are budgeted to total £15.391m. In addition, the latest monitoring position as at end of December used to inform this budget is reporting a potential deficit of £1.0m, although the Council is expecting to identify mitigating measures that would mean no General Balances will need to be used.
- 9.12 The 2024/25 Robustness Report highlights that there is a higher level of risk due to the current financial pressure within local government nationally that is driven through Children's Services, Adult Social Care, Home to School Transport and national inflation and further by the position re the High Needs. It also outlines that the Council's General Balances position is currently lower than most similar local authorities. Therefore, a revised position of £30m (or about 11% of the net Budget Requirement) is proposed and considered prudent. It is therefore proposed to increase General Balances by **£15.000m** to move the Council to a more prudent position. This increase would be funded by:
- £4.000m of the net Council Tax / Business Rates surplus declared for 2024/25 (as explained in paragraph 9.9).
 - The repurposing of the Environmental Warranty Earmarked Reserve of £9.000m to General Balances. Should any call be made on the Environmental Warranties previously provided by the Council, the funding of these will be considered at that time. Council is asked to approve the release of this Earmarked Reserve so it can be transferred to General Balances.
 - The Capitalisation of £2.000m of expenditure on transformational activities within Childrens Services, e.g., the Social Worker Academy, being funded from core budgets. This will be funded from Capital Receipts so as not to incur additional Debt Management costs in future years through Prudential Borrowing.
- 9.13 This would therefore increase balances to £30.391m during 2024/25. 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. It is important to note that whilst such an increase has been made in General Balances that puts the Council in a similar position to other councils, this Council does not have substantial legacy earmarked reserves available, therefore remains a higher risk when compared to other councils. The level of General Balances is considered appropriate for 2024/25 with any decision on use being initially made by the Leader of the Council in conjunction with Cabinet Member for Regulatory, Compliance and Corporate Services, the Chief Executive and s151 Officer- any use of General Balances must be replenished in the following year.

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 (**£1.300m**) 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:

	2024/25
	£'m
Proposed Temporary Budget Growth:	
- Energy Costs	2.700
- Sales, Fees and Charges Income	0.500
- Pay Reserve	1.000
- General Balances	6.000
	10.200
- Net Council Tax / Business Rates Surplus	-5.300
- Excess Council Tax / Business Rates Surplus carried forward from 2023/24 within General Balances to offset temporary pressures in 2024/25	-1.600
- Emergency Funding	-1.300
- Capitalisation of transformation expenditure	-2.000
	-10.200
Surplus One-off Funding	0.000

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 2024/25. A 2.99% increase for Sefton (to ensure the Council wouldn't breach the principle) would generate **£4.792m** in 2024/25. It is assumed that a 3% Core Referendum Principle to also apply in future years– it is estimated this would generate an additional **£5.056m** in 2025/26 and **£5.323m** in 2026/27.
- 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 **£3.206m** in 2024/25. It is assumed that a 2% Adult Social Care Precept Principle to also apply in future years– it is estimated this would generate an additional **£3.382m** in 2025/26 and **£3.561m** in 2026/27.

- 10.3 Decisions on the Core Referendum Principle and the Adult Social Care Precept for 2025/26 and 2026/27 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 2023/24 Band C Council Tax is £1,647.91. 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 2024/25 – 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 2024/25 and their impact on Sefton's budget compared to 2023/24 is shown in the table below: -

<u>Levying Body</u>	<u>2023/24</u>	<u>2024/25</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	20,102,000	TBC	TBC
Waste Disposal Authority	15,849,243	TBC	TBC
Environment Agency	168,147	TBC	TBC
Inshore Fisheries & Conservation Authority	73,646	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	36,287,536	TBC	TBC

The approved 2024/25 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

- 11.2 The proposed total increase in the Sefton Council Tax for 2024/25 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) 2024/25

- 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 free entitlement; new Under 2s 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, (corrected in October 2023), the Government announced the indicative DSG funding for 2024/25 to support Schools and High Needs. The schools funding has seen an increase of 1.9% per pupil funding. Included in the funding is the integration of the Mainstream Schools Additional Grant (MSAG) awarded to Schools in Autumn 2022.
- 12.3 High Needs funding increases have been capped at 5% in 2024/25 compared against the 2023/24 baseline allocations. The funding is inclusive of the separate grant given to High Needs in 2023/24 to help meet inflationary pressures.
- 12.4 Additional to the formula funding allocations, the Government announced some additional grant funding from September 2023 towards the Teachers Pay award to cover 3% of a 6.5% pay rise. This will be integrated into the School and High Needs formula funding from 2025/26.
- 12.5 The 2024/25 Dedicated Schools Grant settlement was announced on 19 December 2023. The 2024/25 National DSG allocation for Sefton of **£288.376m** is set out in the table below. This includes school Business Rates and pupil growth funding and additional funding for Early Years for the expansion of childcare to include under 2's. This figure excludes the separate Teachers Pay Grant awarded from September 2023.

2024/25 DSG Funding Allocations for Sefton are as follows:

<u>DSG Funding Blocks</u>	<u>DSG Funding 2024/25 (£m)</u>	<u>Increase (£m)</u>
Schools Block (SB)	208.583	
Schools related Pupil Growth funding allocation	1.401	12.120
Early Years Block (EY)	30.195	11.737
High Needs Block (HN)	46.696	2.329
Central Schools Services Block (CSSB)	1.501	0.038
Total allocated DSG funding 2024/25 (Per DfE Dec 2023)	288.376	26.224

Schools Block

- 12.6 Sefton Schools Block excluding Pupil Growth (£1.401m) will see a net increase in funding of **£12.069m** compared to 2023/24 (+6.14%). This figure includes the 2023/24 Mainstream Schools Additional Grant (£6.8m) rolled into the 2024/25 funding baseline. It also includes a 1.9% per pupil increase in funding and reflects changes to the school population based on the October 2023 census (Primary net

decrease of **-34.0** pupils; Secondary net increase of **+249.0** pupils – Net increase **+215.0** pupils).

- 12.7 The above funding increases (which reflect the integration of the MSAG funding) will ensure that the minimum funding levels per pupil in 2024/25 will increase to **£4,610** per Primary pupil (£4,405 in 2023/24) and **£5,995** per Secondary pupil (£5,715 in 2023/24).
- 12.8 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 2024/25 formula funding guidance now includes a +/-5% (+/-10% in 2023/24) tolerance that local authorities must abide by when setting their formulae factor values. 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 +/-5% tolerance levels.
- 12.9 The Minimum Funding Guarantee (MFG) has been set at +0.5% in 2024/25 (+0.5% in 2023/24), which means that every school will see a minimum 0.5% increase per pupil.

Early Years Block

- 13.1 Early Years funding announced in December 2023, provides Sefton with **£30.195m** in 2024/25, an increase in funding of **+£11.737m** on 2023/24. This increase is reflective of changes to childcare nationally, which will see a planned widening of childcare, initially from April 2024, to extend 2-year-old 15 hours entitlement for low-income families to working families; and with an extension to include children from age 9 months old up to 2 years old at 15 hours childcare support from September 2024. Both these areas will then be expanded further by September 2025, to offer an additional 15 hours of free entitlement to childcare, by which time, the full age set from 9 months old to 4-year-old childcare will then be offered up to 30 hours of free childcare support, with the hope of encouraging more parents to take up employment.
- 13.2 In a year of expansion and estimates of the new numbers of take up, the Early Years funding to Sefton will be adjusted further during the year, via a series of termly headcounts.
- 13.3 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 2024.
- 13.4 The Maintained Nursery Schools continue to receive a protection subsidy, which in 2024/25 will see an increase to the hourly rate of £0.59p per hour to £6.19 per hour following a national uplift to the subsidy. This is inclusive of the Teachers Pay grant awarded in 2023/24.

High Needs Block

14.1 Below, is the analysis of Sefton's High Needs funding for 2024/25 compared against 2023/24, which includes the additional funding awarded to Schools in the Autumn 2022 statement now rolled into the 2024/25 Baseline figures. 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 **£46.696m** in 2024/25.

<u>High Needs funding</u>	<u>2023/24</u> <u>£m</u>	<u>2024/25</u> <u>£m</u>	<u>Change in</u> <u>funding</u> <u>£m</u>	<u>%</u> <u>increase</u>
High Needs Funding Floor incl. supplementary grant paid in 23/24	£41.609m	£43.653m	+£2.044m	
Basic Entitlement	£3.467m	£3.752m	+£0.285m	
Element for Teachers Employers Pay and Pensions (2019/20 – 2020/21) @£660 p pupil in Special Schools & a fixed sum for AP/Hospital schools	£0.726m	£0.773m	+£0.047m	
Funding to Sefton's High Needs Baseline funding	£45.802m	£48.178m	£2.376m	+5.19%
Total High Needs Block Funding before ESFA deductions/Top-Slicing	£45.802m	£48.178m	£2.376m	+5.19%
<u>Less ESFA Deductions</u>				
Net adjustment re the Import/Export of pupils between LA areas @ £6k p pupil	£-0.354m	£-0.354m	-£0.000m	
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	£-1.081m	£-1.128m	£-0.047m	
Total Net High Needs Funding for Sefton's direct provision without any Schools Block transfer of funding.	£44.367m	£46.696m	£2.329m	+5.25%

14.2 Under the normal funding allocation announced in July, Sefton's High Needs funding has increased by +5.25% being very close to the national average cap increase at 5% but this includes the extra funding announced in the November 2022 Autumn statement.

- 14.3 The Local Authority asked all mainstream schools / the Schools' Forum to agree to a 0.5% top-slice contribution of the schools' block funding to be held centrally and earmarked to offset some of the high SEND cost pressures faced in several mainstream school settings with high numbers of pupils on roll with Education Health and Care Plans. The funding, now agreed, will be used to meet the first £6,000 of any additional SEN support for each pupil with an EHCP over a 3% threshold in each school's pupil population in a bid to prevent the potential breakdown of mainstream SEN placements and the transfer of SEND children into more expensive specialist placements.
- 14.4 Sefton's High Needs budget continues to face severe cost pressures and is forecast to overspend by nearly **£17m** in 2023/24 increasing the accumulated deficit balance on High Needs to over **£35m** by the end of 2023/24.
- 14.5 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 annual uplifts to the High Needs Budget have not increased in line with the significant increases in SEND demand each year.
- 14.6 The increase to the High Needs funding allocation for 2024/25 is well below the current 2023/24 level of High Needs expenditure. The full-year impact of the current 2023/24 in-year placements plus increases in new demand for EHCPs in 2024/25 will make the overspending situation even more acute in 2024/25.
- 14.7 Some of the initiatives to help reduce costs and generate future cost efficiencies have started to be rolled out during 2023/24, including growing the number of in-house places in special schools and resourced units to meet future demand and hourly rates of SEN Inclusion support have been uplifted to current pay levels to support keeping children with EHCPs in mainstream settings.
- 14.8 Much more work is required in 2024/25 and over the coming years including investment in the expansion special school places and SEN Resource Unit places attached to mainstream schools. This will require significant Capital funding 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.
- 14.9 The Delivering Better Value (DBV) Programme commenced in January 2023 and has brought representatives appointed by the DfE together with key officers of the Authority, to share and analyse the Council's 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. Plans have been set out and these will be monitored as to progress. This programme does carry with it some funding nationally (£55m), £1m of which has now been made available to Sefton to help develop in-house changes, which is underway. The DBV programme is not 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 spending on an ongoing quarterly basis.

- 14.10 The increasing deficit, outlined in paragraph 14.4, has had a significant impact on the Council's cash flow position. This has meant that interest earned on investments of cash balances has been less than it would have been without the deficit. To date this has impacted on the Council's overall General Fund position. It is estimated that the loss of income for 2023/24 relating to the High Needs deficit is in the region of £1.200m.
- 14.11 Officers are reviewing whether the Council can charge the Dedicated Schools Grant High Needs block with the foregone income from the lower investment of cash balances. This would mirror the current arrangements for school delegated balances – schools receive interest each year on any credit balances (calculated at the Bank of England Base Rate less 0.5%) to reflect the fact that the Council is earning interest by investing cash balances relating to schools.

Central School Services Block

- 14.12 The Central School Services Block (CSSB) has funding of **£1.501m** in 2024/25 (an increase of £0.038m on 2023/24) 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).
- 14.13 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 2024/25

- 13.1 The Government have announced grant notifications for 2024/25 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 2023/24 allocation was £0.582m, which has increased to £0.613m in 2024/25. It is proposed that the 2024/25 allocation will continue to be allocated to appropriate Homelessness budgets.

Supporting Families Programme

- 13.3 The total funding for Supporting Families in 2024/25 will be in the region of £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.
- 13.4 Indicative funding for individual local authorities has yet to be announced. It is proposed that the 2024/25 allocation will continue to be allocated to the appropriate budgets as in previous years.

14. Summary of Budget Proposals for 2024/25

- 14.1 As a result of the information contained within this report the bridging of the 2024/25 funding gap is shown as follows:

	2024/25
	£'m
Revised MTFP Funding Gap	19.087
Local Government Finance Settlement	-14.295
Potential Growth to the Budget	7.471
Proposed Budget Savings	-4.265
Revised MTFP Funding Gap – excluding Council Tax	7.998
Council Tax – Core increase (TBC%)	TBC
Adult Social Care Precept (TBC%)	TBC

A summary of the budget for 2024/25 is shown at Appendix C (note that for illustrative purposes this assumes a Council Tax increase of 4.99% in 2024/25).

15. Precepts

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

The Police and Crime Commissioner is expected to set a budget / precept for 2024/25 on 19 February 2024. The Fire and Rescue Authority is due to set its budget / precept for 2024/25 on 29 February 2024.

	Precept			Band C		
	2023/24	2024/25	Change	2023/24	2024/25	Change
	£	£	£	£	£	%
Police	21,584,660	TBC	TBC	223.97	TBC	TBC
Fire	7,590,652	TBC	TBC	78.76	TBC	TBC

The approved 2024/25 figures will be reported at Budget Council.

b. Liverpool City Region Mayoral Precept

To be able to deliver the Mayor's key priorities in 2024/25 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 26 January 2024.

	Precept			Band C		
	2023/24	2024/25	Change	2023/24	2024/25	Change
	£	£	£	£	£	%
Mayoral	1,627,608	TBC	TBC	16.89	TBC	TBC

The approved 2024/25 figures will be reported at Budget Council.

c. Parishes

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

	Precept			Band C		
	2023/24	2024/25	Change	2023/24	2024/25	Change
	£	£	£	£	£	%
Aintree Village	169,890	TBC	TBC	73.42	TBC	TBC
Formby	107,381	TBC	TBC	10.43	TBC	TBC
Hightown	25,000	TBC	TBC	25.62	TBC	TBC
Ince Blundell	2,800	TBC	TBC	14.38	TBC	TBC
Little Altcar	5,091	TBC	TBC	10.43	TBC	TBC
Lydiate	210,270	TBC	TBC	88.61	TBC	TBC
Maghull	840,254	TBC	TBC	108.59	TBC	TBC
Melling	39,655	TBC	TBC	32.11	TBC	TBC
Sefton	15,000	TBC	TBC	41.07	TBC	TBC
Thornton	9,000	TBC	TBC	10.27	TBC	TBC
	1,424,341	TBC				

The approved 2024/25 figures will be reported at Budget Council.

16. Recommended Council Tax for 2024/25

16.1 Council is recommended to approve the Budget for 2024/25, as set out in the main report.

16.2 The recommended overall Band C Council Tax to be raised for 2024/25 (excluding Parish Precepts) is as follows: -

	2023/24	2024/25	Increase
	£	£	%
Sefton	1,647.91	TBC	TBC
Police & Crime Commissioner	223.97	TBC	TBC
Fire & Rescue Authority	78.76	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	1,967.53	TBC	TBC

The recommended Council Tax for 2024/25 will be reported to Budget Council

17. Capital Programme 2024/25 to 2026/27

- 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.
- 17.2 Council is also recommended to approve two specific Supplementary Capital Estimates outlined below:

Corporate Essential Maintenance Programme – Phase Two

- 17.3 In January 2020 a report providing an update on the Council's Capital Investment Programme was presented to Cabinet and Council. At this time Council, following a recommendation from Cabinet, approved a range of capital schemes, including the introduction of an Essential Maintenance Programme (£2.834m), funded through capital receipts. The report also highlighted as part of the first phase of an improvement and investment programme that a five-year maintenance strategy be approved.
- 17.4 In order to progress and finalise the current programme and bring forward the next phase of priorities, additional resources are required for Phase 2 of the Corporate Essential Maintenance Programme for years 2024/25, 2025/26 and 2026/27. The additional funding will be used to address a range of priority works across the corporate property portfolio and the allocation of resources will also take into consideration the requirements of the Councils Asset Management and Disposal Strategy. Budget allocations may also be phased between financial years as projects are fully developed and cashflows are agreed with contractors. These budget changes will be agreed in line with the Council's Financial Procedure Rules and reported to Cabinet on a regular basis through the budget monitoring process.
- 17.5 Council is therefore recommended to approve a supplementary capital estimate of £7,387,372 for the Corporate Essential Maintenance Programme Phase 2 funded by capital receipts as per the schedule set out in the table below:

Scheme	Budget Allocation
Corporate Buildings	£4,225,576
Other Civic Buildings	£986,026

Adult Social Care	£198,464
Car Parks	£151,371
Leisure, Health & Wellbeing	£646,916
Green Sefton	£156,416
Localities	£159,780
Economic Growth	£392,823
Project Support Costs	£470,000
Total	£7,387,372

Green Sefton Machinery and Equipment

- 17.6 The Green Sefton service operates a multitude of different fleet vehicles, specialist machinery and equipment to deliver land management and maintenance work across land-based amenities and facilities within the borough. The majority of fleet vehicles and machinery being operated across the service are coming to an end of their serviceable lifespan and are likely to attract increased maintenance costs in order to ensure the minimum operational support.
- 17.7 Approval was therefore given by Cabinet in July 2023 for officers to complete a procurement exercise for the provision of machinery and equipment, required for the ongoing delivery of Green Sefton's land management and maintenance services. This procurement exercise has now been completed and a suitable supplier has been engaged for the supply and delivery of new equipment.
- 17.8 A total capital requirement of £1,865,085 has been identified for the initial cycle of new and replacement equipment to be funded from prudential borrowing. Borrowing will be undertaken in line with the Council's approved Treasury Management Strategy and the cost of repayment can be fully met from within the existing service budget. Council is therefore recommended to approve a supplementary capital estimate to be included in the 2024/25 capital programme.

List of Appendices

- A. Individual School Budgets 2024/25
- B. Budget Saving Proposals
- C. Draft Council Budget Summary 2024/25
- D. Capital Programme 2024/25 – 2026/27