

Revenue and Capital Budget Plan 2025/26 – 2027/28 and Council Tax 2025/26

Date of meeting:	11 February 2025 13 February 2025 27 February 2025		
Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council		
Report of:	Executive Director – Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All		
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 2025/26 Budget Plan and preparation for the additional two-year budget period 2026/27 to 2027/28.
- An update on the Government’s announcement of resources that are available to the Council for 2025/26.
- The Council’s current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2025/26; and,
- The proposed Capital Programme for 2025/26 to 2027/28.

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 2025/26 to 2027/28; 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 2025/26 – 2027/28 and the Council Tax for 2025/26.

Cabinet is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2025/26 to 2027/28.
2. Recommend to Council the Budget Plan for 2025/26, 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. Approve the application of the 2025/26 Dedicated Schools Grant funding for Schools; Early Years; High Needs and Central Schools Support agreed by the Schools' Forum (Section 12).
5. Approve that authority be delegated to the Head of Health and Wellbeing / Director of Public Health, in consultation with Cabinet Member for Health, Wellbeing and Inclusion, to formalise the agreement relating to the Drug and Alcohol Treatment & Recovery Improvement Grant, and to issue a contract variation to uplift the service contract in line with the Grant funding as per existing arrangements (Section 13).
6. Recommend to Council the approval of a supplementary capital estimate of £1.500m for the demolition of Vine House funded by prudential borrowing (Section 17).
7. Recommend to Council the approval of a supplementary capital estimate of £0.500m for Food Waste Management funded by prudential borrowing (Section 17).
8. Recommend to Council the approval of a supplementary capital estimate of £0.219m for Hawthorne Road Wash Bay and Additional Works funded by prudential borrowing (Section 17).
9. Recommend to Council the approval of a supplementary capital estimate of £4.277m for the Fleet Renewal Programme funded by prudential borrowing (Section 17).
10. Recommend to Council the approval of a supplementary capital estimate of £1.000m for Temporary Accommodation funded by prudential borrowing (Section 17).

11. Recommend to Council the approval of a supplementary capital estimate of £4.200m for Disabled Facilities Grants funded by external grant from the Better Care Fund (Section 17).

Council is recommended to:

Budget 2025/26 and Medium-Term Financial Plan from 2026/27 to 2027/28

1. Note the update of the Medium-Term Financial Plan for the period 2025/26 to 2027/28.
2. Approve the Revenue Budget for 2025/26 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 2025/26 including Police, Fire, Mayoral and Parish Precepts.

Capital Programme 2025/26 to 2027/28

8. Approve for inclusion within the Capital Programme the full list of projects in Appendix D.
9. Approve a supplementary capital estimate of £1.500m for the demolition of Vine House funded by prudential borrowing (Section 17).
10. Approve a supplementary capital estimate of £0.500m for Food Waste Management funded by prudential borrowing (Section 17).
11. Approve a supplementary capital estimate of £0.219m for Hawthorne Road Wash Bay and Additional Works funded by prudential borrowing (Section 17).
12. Approve a supplementary capital estimate of £4.277m for the Fleet Renewal Programme funded by prudential borrowing (Section 17).
13. Approve a supplementary capital estimate of £1.000m for Temporary Accommodation funded by prudential borrowing (Section 17).
14. Approve a supplementary capital estimate of £4.200m for Disabled Facilities Grants funded by external grant from the Better Care Fund (Section 17).

1. The Rationale and Evidence for the Recommendations

The recommendations in this report provide the basis on which the Budget Plan will be balanced for the financial year 2025/26 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.

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 (2025/26 to 2027/28) previously approved by Members in November 2024, taking account of the Autumn Budget Statement, the Local Government Finance Settlement and the latest information available to the Council.
- 1.2 The new national government has announced a one-year funding settlement for local government for 2025/26, with the intention to start consultation on the reform of the overall funding model for local government in 2025, that will lead to a three-year financial settlement for the period 2026/27 to 2028/29. As such there is certainty around the funding that will be available for the next financial year with estimates that will be the subject of change made for subsequent years. The three-year budget plan presented for the Council updates for these initial estimates for the overall period and in doing so the report presents the proposed budget for 2025/26.
- 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 new Labour government was elected in July 2024 and provided for a budget in the autumn of 2024. This set out some core principles and funding levels that would be made available to the public sector and local government. This followed 14 years of initial austerity and then a most challenging environment for local government.
- 2.2. This was followed by a funding policy statement for local government at the end of November 2024 and then the provisional local government finance settlement on the 18 December 2024. Whilst this pathway and timeline is consistent with previous years, the approach and content were very different. The new government announced that the settlement received would be for one year only for 2025/26 pending a comprehensive review of the local government funding process, with consultation on this starting in 2025 and culminating in a three-year settlement being provided for 2026/27 to 2028/29.
- 2.3. The government announced the settlement for 2025/26 as being the first step forward for the sector following the previous 14 years and outlined that a simpler model would be provided. Critically the government stated that in providing additional resources to the sector, these would be targeted at those councils in greatest need due to deprivation, evidenced need, previous funding cuts / allocations and those who have low tax bases.

- 2.4. Within the sector, and as previously reported, a number of councils due to the well documented funding issues of the last decade are in financial difficulty, arising from the ability to meet in year pressure or set robust, deliverable budgets- as at November 2024 there were 19 councils in receipt of exceptional financial support from central government with more expected to follow.
- 2.5. This situation reflects historic underfunding at a time when demand and cost for key services such as Children's Social Care, Adult Social Care and Education Excellence has risen substantially and far beyond annual funding increases.
- 2.6. As stated, within the funding settlement for 2025/26 the government has signalled the start of a review process but there is a long way to go for the sector to be on a sound financial footing and the risk facing all councils has not diminished. It is acknowledged that the sector is in need of fundamental reform and significant additional funding, that a programme of prevention is required to reduce demand and that further problems will be experienced by councils, most of which will need to make substantial savings in 2025/26.

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 November 2024. This provided estimates of the funding that could potentially be made available to the Council over the period 2025/26 to 2027/28. 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. This will be the case for 2025/26. The current year has seen a forecast year-end overspend of £17.8m being reported (before mitigations), driven by increased need, demand and cost in Children's Social Care, Adult Social Care and Education Excellence via Education Travel Support costs. The impact on the 2025/26 budget is that £11.6m will be required to be added to the budget gap due to these issues and is the first call on resources. This is clearly a significant issue that makes budget setting, and then the delivery of that budget, much more difficult with no room for political choice or flexibility and a requirement to deliver. This is compounded as the pressure, volatility and unpredictability in these areas makes financial planning more difficult and thus increases the financial risk.
- 3.4. Within each of these budgets, work has been undertaken to understand the drivers of need, demand and cost increase and all are key projects within the Council Transformation Plan. As such, within this budget package and this report, detailed savings and proposals to mitigate demand and cost are proposed and these will require expedient delivery, monitoring, control and grip to deliver the required outcomes and this budget package. Failure to do so will compromise financial sustainability.
- 3.5. As stated, the new government has adopted a new approach to the funding of the sector for 2025/26 and although a direction of travel was outlined in November 2024, it wasn't until the provisional settlement was received on 18 December 2024 that the Council had a firm idea of the funding that would be available through new allocation formulae and principles. From this new allocation basis Sefton has received a favourable outcome compared to

what would have been experienced previously, with increased weighting being given to deprivation, need, previous grant reductions and the Council's relatively low tax base.

- 3.6. Despite this position, the Council has a residual funding gap before any council tax increases of £45.3m between 2025/26 and 2027/28, and after potential council tax increases of £18.5m across the three years, with £5.6m in 2025/26. Savings options to bridge the gap in 2025/26 (and partially meet the gaps in 2026/27 and 2027/28) are therefore proposed, with some of these having previously been approved and some arising from the Transformation Programme. These, together with cost mitigating proposals, will be monitored each month and reported as part of the regular budget monitoring process to Cabinet and Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services).
- 3.7. The financial risk being faced by councils and Sefton cannot be underestimated. Within the Council, through extensive dialogue led by the Chief Executive and s151 officer with the relevant Executive Directors, the demand and cost pressure on these core budgets has been evaluated and translated into this budget package alongside the proposed outcomes from service transformation. These are the best and most robust estimates available and have been signed off as deliverable by those Executive Directors but as stated there is substantial volatility in the sector that could impact these.
- 3.8. This position is made more severe for the Council as it will have to use an estimated £10m of General Balances in 2024/25 on these same budgets. Within the three-year plan there is a remedial plan to replenish these General Balances as it is not possible to do this in one year, therefore the capacity to support current year overspending is not there and must be avoided, hence the focus needing to be on delivering this budget package in full.
- 3.9. During 2024/25 the Council approved a refreshed Corporate Plan, Corporate Performance Framework and Transformation Programme. This budget reflects the ambition in those programmes, with one of the key stated aims of the Transformation Programme being to deliver financial sustainability to the Council. The Corporate Plan is shown below at figure 1 with the Transformation Programme being shown at figure 2.

Figure 1: Council Corporate Plan

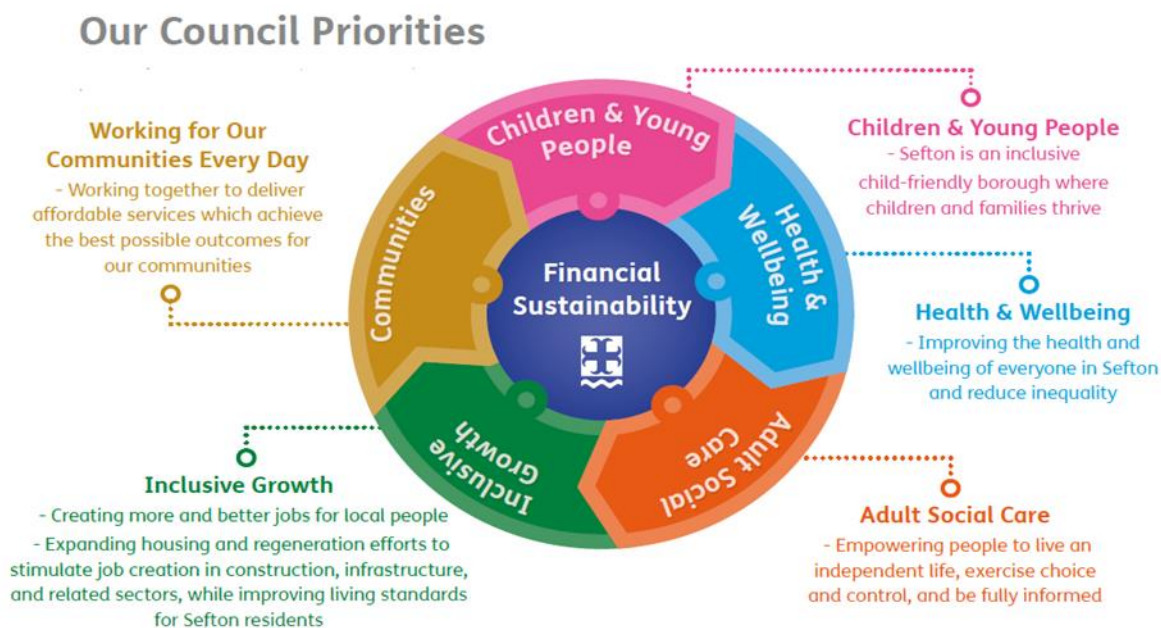
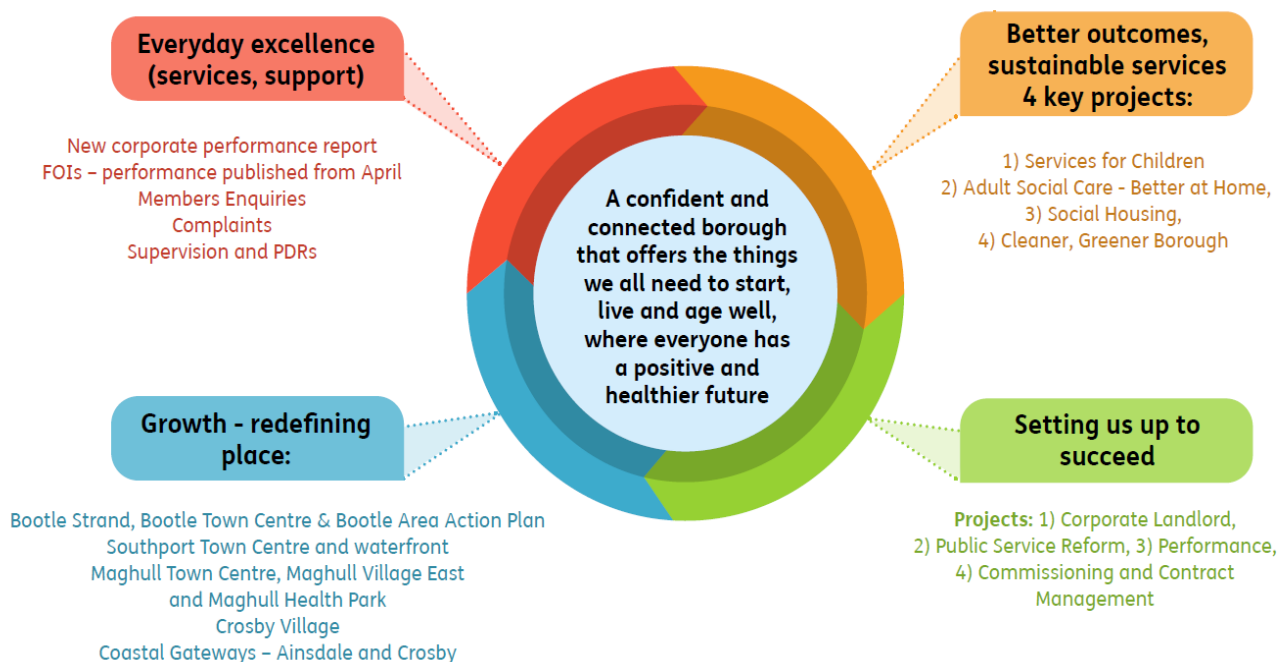


Figure 2: Council Transformation Programme



4. Budget Plan 2025/26 – 2027/28

4.1 Council, on 14 November 2024, approved an updated Medium-Term Financial Plan (MTFP) for the period 2025/26 – 2027/28, 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 2025/26.
- Growth Items,
- Savings proposals to balance the 2025/26 budget, and,
- Issues currently considered to be temporary / one-off in nature 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 2025/26 to 2027/28 as well as a number of other budget changes. These reflect the information included in the updated MTFP reported to Council on 14 November 2024, some of which have been revised to reflect the latest information available. These are set out as follows:

Pay Award Provisions

4.5 Given the current rates of inflation, it is considered prudent to increase the pay award provisions for 2025/26, 2026/27 and 2027/28 compared to usual assumptions. Therefore, **£3.600m** has been included for each year, equating to an approximate increase in the region of 3%.

4.6 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

4.7 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 Decisions in Previous Years" below.

Resources to fund increases in Specific Contracts

4.8 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 levels of inflation, it is estimated that a provision of **£0.100m** will be required in each year.

In addition, the Council's ICT contracts have increased significantly in recently years, with many linked to increases above the CPI rate of inflation. Given the current levels of inflation, it is estimated that a provision of **£0.300m** will be required in each year.

Social Care – Provider Fee Increases

4.9 The Government has announced that the National Living Wage will increase significantly from April 2025, from £11.44 to £12.21 per hour. In addition, the Government has announced changes in employer National Insurance contributions from April 2025. It is therefore considered prudent to include net provisions of **£7.700m** in 2025/26 for the

potential impact of increased fees from providers, reducing to **£5.500m** in 2026/27 and 2027/28.

- 4.10 In addition, it is estimated that providers of Children's Social Care will also increase fees next year, as well as increases in rates for foster carers, direct payments, etc. It is therefore considered prudent to include provisions of **£1.250m** in each year for the potential impact of increased fees from providers and increased rates for other types of Children's Social Care provision.
- 4.11 It is also proposed to make additional provision relating to inflation on the costs of providing Education Travel Support. Therefore, an additional **£0.300m** has been provided for in each of the three years.

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 2025/26, and these will increase the amounts to be paid by **£0.459m** in 2025/26. Provisions of **£1.300m** have been included for the potential costs of increases in these levies in 2026/27 and 2027/28.

Insurance Costs

- 4.13 The costs of insurance premiums have increased significantly in recent years. In addition, the costs of individual claims covered by the Council's Insurance Fund (e.g. relating to property claims) have also increased. This has meant that the contributions made annually into the Insurance Fund are no longer sufficient to cover the costs being incurred. Therefore, an additional annual provision of **£1.000m** is required to meet these costs. In addition, a one-off contribution of £1.100m is required to offset additional costs incurred up until 2024/25, which will be funded from one-off resources (see section 9).

External Audit Costs

- 4.14 Due to the well-publicised issues within the local government audit environment, the latest national commissioning exercise has resulted in a significant increase in fees payable to external auditors of all councils. This increase is non-negotiable, and whilst a small amount of additional funding has been provided to support the increase in costs, the additional impact on the Council will be **£0.225m** each year.

Energy Costs

- 4.15 As was reported in the 2024/25 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 have increased costs in 2024/25 by around £2.700m compared to previous years. 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.
- 4.16 It had previously been assumed that these increases would be temporary and would fall back to previous levels in 2025/26. Therefore, no permanent budget increases have previously been included in the budget, with the increased budget pressures being met from one-off resources. It is now assumed that at least some of this increased cost will be permanent. Therefore, an additional annual provision of **£1.000m** has been included in the budget to meet these costs. It is expected that costs in 2025/26 will be higher than this, although the potential additional costs are currently unknown, but it is currently assumed that these potential additional costs will be temporary, and costs will reduce further in 2026/27. These additional costs will therefore be funded from one-off resources. This

assumption will continue to be reviewed and any increase in prices considered permanent will need to be built into future budgets.

Permanent Reduction of Sales, Fees and Charges Income

- 4.17 There was a significant impact on income from sales, fees and charges for a range of services during the pandemic. Whilst nearly all income streams have fully recovered, car parking income still hasn't returned to previous levels. It was previously assumed that these reductions would be temporary and would return to previous levels in 2025/26. It is now assumed that this reduction in car parking will be permanent, and it is currently forecast that this would result in a permanent reduction in income of **£0.500m** in 2025/26 and future years. This assumption will continue to be reviewed.

Impact of Academisation

- 4.18 There has been an increase recently in the number of local authority-maintained schools that have transferred to academy status. The Council has a number of traded services with schools, many of which will no longer be provided by the Council once schools transfer to an academy trust. The loss of income can't necessarily be offset by a reduction in costs from not providing the service.
- 4.19 In addition, the Council is able to charge the Dedicated Schools Grant for services provided to all schools. These include the School Improvement Service, support for schools in financial concern, ethnic minority support, etc. In addition, there are also contributions relating to the provision of statutory work from core services, including Finance, Human Resources and Health & Safety. As the number of maintained schools reduces so does the ability to charge the Dedicated Schools Grant for these services. However, in most cases there is less scope for the Council to reduce costs as the statutory work is still required, regardless of the number of maintained schools.
- 4.20 It is estimated that the net loss of income from academisation is **£0.690m** in 2025/26, with a further **£0.210m** from 2026/27. This will continue to be reviewed in light of further academisation and the potential to reduce costs.

Loss of investment income due to High Needs Deficit

- 4.21 As reported elsewhere in this report, the Council, along with the majority of local authorities, has a significant, and increasing, deficit on the High Needs block of the Dedicated Schools Grant (DSG). The Government have consistently said that this is a DSG issue. A statutory override is currently in place, until March 2026, which ensures that councils can't fund their High Needs deficit from its General Fund.
- 4.22 Whilst the deficit itself is a DSG issue, the Council needs to "fund" the cash implications of retaining this deficit. The Council has previously had significant cash balances as a result of the level of its usable reserves (e.g. Earmarked Reserves, Capital Grants and Contributions, etc.). This has allowed it to "internally borrow" (not take out borrowing to fund the Capital Programme) and earn investment income of surplus cash balances. However, the significant deficit has reduced cash balances, and also required the Council to take out additional borrowing to reverse some of previous "internal borrowing".
- 4.23 It is anticipated that the impact of these will result in an overspend of **£2.000m** on the Treasury Management budget in 2025/26. As mentioned, the statutory override is currently in place until March 2026. The Government have announced they will review all aspects of High Needs funding during 2025. It is therefore currently assumed that this review will result in a permanent solution to these issues from 2025/27 onwards so the impact on the Council's Treasury Management position will be temporary. This will continue to be assessed in light of the review, but provision may need to be built into future budgets.

National Insurance Employer Contributions

- 4.24 The Government have announced that Employer National Insurance Contributions will increase in April 2025 from 13.8% to 15.0%. In addition, the threshold at which employer contributions are paid will be reduced from £9,100 to £5,000. This will result in a significant increase in Employer National Insurance Contribution costs for the Council relating to directly employed staff. However, the Government have announced that additional funding will be provided to local authorities to offset these costs. An assessment will be made in 2025/26 of whether the additional funding covers all of the additional costs from the changes, with any potential shortfall being reported to Cabinet as part of the Council's monthly budget monitoring reports.

Contribution to General Balances

- 4.25 The 2024/25 Budget Report, and the 2024/25 Robustness Report, both approved by Budget Council in February 2025, outlined the higher level of risk due to the current financial pressure within local government nationally that is driven through Children's Services, Adult Social Care and Education Travel Support. It also highlighted that the Council's General Balances position at that time was lower than most similar local authorities. The budget package therefore included provision, through using other one-off resources, for increasing the Council's General Balance to around £30m.
- 4.26 As mentioned earlier in the report, the Council is forecasting an overall overspend of £17.8m in 2024/25 before the use / repurposing of Earmarked Reserves. It is forecast that a residual overspend of £12.3m will still need to be met from General Balances. This will reduce General Balances to around £18.0m at the end of 2024/25, significantly below the assessed prudent level of £30m.
- 4.27 The 2024/25 report stated that any use of General Balances in one year should be replenished in the following financial year. However, given the pressures on the overall budget position for 2025/26 it is not considered viable to increase General Balances from the Council's budget in 2025/26. Therefore, it is proposed to increase General Balances by £3.000m each year from 2026/27 onwards from the Council's budget. This will form part of an overall Reserves Strategy to increase General Balances to a more appropriate level. This overall Reserves Strategy is outlined further in Section 9.

Other MTFP Changes 2025/26 – 2027/28

Council Tax Base

- 4.28 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 2025/26, approved in January 2025, will generate an additional **£1.735m** in the year. This includes the impact relating to charging an additional premium on "second homes". It has been assumed that there will be further growth in the Tax Base in future years that would generate **£0.500m** in 2026/27 and 2027/28.

Impact of Budget Decisions in Previous Years

Treasury Management Costs

- 4.29 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.

2023 Local Government Pension Scheme Valuation

- 4.30 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 2025/26. The 2026 valuation of the Fund will set contribution levels for the 2026/27 to 2028/29 period. It is currently assumed that overall contribution levels will remain unchanged, resulting in a saving of **£0.600m** in 2026/27 and 2027/28 as the provision outlined in paragraph 4.7 won't be required.

Reduction in Unfunded Pension Increases

- 4.31 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 2026/27 and 2027/28.

Initial MTFP Position 2024/25 to 2026/27

- 4.32 Based upon the revisions relating to MTFP assumptions it is estimated that the funding shortfall between 2025/26 and 2027/28 would be **£42.699m**, before any consideration of general government funding, existing service pressures and any other additional inflationary 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:

	2025/26	2026/27	2027/28
	£'m	£'m	£'m
Key MTFP updated assumptions:			
- Provision for Pay Inflation	3.600	3.600	3.600
- Provision for Pension Increases	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.100	0.100	0.100
- Provision for ICT Contract Inflation	0.300	0.300	0.300
- Assumed increase in Care Provider costs re. Adult Social Care	7.700	5.500	5.500
- Assumed increase in Care Provider costs re. Children's Social Care	1.250	1.250	1.250
- Assumed increase in provider costs re. Education Travel Support	0.300	0.300	0.300
- Levy increases	0.459	1.350	1.350
- Increase in Insurance Fund contributions	1.000	0.000	0.000
- External Audit Costs	0.225	0.000	0.000
- Energy Costs	1.000	0.000	0.000
- Permanent Loss of Car Parking Income	0.500	0.000	0.000
- Academisation	0.690	0.210	0.000
- Loss of investment income due to High Needs Deficit	2.000	-2.000	0.000
- National Insurance Employer Contributions	0.000	0.000	0.000
- Contribution to General Balances	0.000	3.000	0.000
	19.724	14.210	13.000
Other MTFP Changes:			
- Council Tax Base	-1.735	-0.500	-0.500
	-1.735	-0.500	-0.500
Impact of Budget Decisions in Previous Years	-0.500	-0.500	-0.500
Initial MTFP Funding Gap – excluding Council Tax	17.489	13.210	12.000
Total Initial MTFP Funding Gap			42.699

5. Local Government Finance Settlement 2025/26

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 Adult 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 2025/26 was announced on 18 December 2024. This confirmed, and provided more detail on, funding announcements made in the 2024 Autumn Budget Statement, which was announced on 30 October 2024, and the Local Government Finance Policy Statement 2025/26, that was announced on 28 November 2024; these are detailed from paragraph 5.4.

5.3 As mentioned earlier, the new government announced that the settlement received would be for one year only for 2025/26 pending a comprehensive review of the local government funding process, with consultation on this starting in 2025 and culminating in a three-year settlement being provided for 2026/27 to 2028/29. Therefore, at this stage the Council has little information that would allow for some informed assumptions to be made relating to funding streams beyond 2025/26.

Social Care Grant

5.4 In 2021/22 the Government introduced a new funding stream, the Social Care Grant. By 2024/25, the Grant was worth £5,044m nationally which was partially distributed using the Adult Social Care Relative Needs Formula. Since the 2022/23 Settlement, whilst the majority of additional in-year funding was mainly distributed using the Adult Social Care Relative Needs Formula, the remaining element was 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 2024/25 was £35.241m.

5.5 The Provisional Settlement announced that an additional £880m of Social Care Grant would be paid to local authorities in 2025/26 using a similar allocation methodology as for 2024/25. However, a higher proportion of funding was allocated to equalise funding across authorities with lower council tax bases, which has increased Sefton's allocation. Sefton's total allocation of the additional funding is **£6.199m**.

5.6 In addition, as in recent years, 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 2025/26. It should be noted that recent Government announcements on the additional funding being made available to local government in 2025/26 assume that all local authorities will increase Council Tax by the maximum amount. This is discussed further in section 10.

Adult Social Care Market Sustainability and Improvement Funding

5.7 The 2025/26 Settlement announced that the total funding of £1,050m allocated in 2024/25, would continue to be distributed in 2025/26 using the existing ASC Relative Needs Formula. Sefton's total allocation in 2024/25 was £6.671m and this will therefore continue to

be received in 2025/26. It is assumed that the Market Sustainability and Improvement Funding will be ringfenced to within the Adult Social Care Budget as it has been in previous years. There will continue to be reporting requirements placed on this funding regarding performance and use of funding to support improvement against the funding objectives.

Adult Social Care Discharge Fund

- 5.8 The 2025/26 Settlement announced that the total funding of £500m allocated in 2024/25, would continue to be distributed in 2025/26 using the existing ASC Relative Needs Formula. Sefton's total allocation in 2024/25 was £3.675m and this will therefore continue to be received in 2025/26. It is assumed that the Adult Social Care Discharge Fund will be ringfenced to within the Adult Social Care Budget as it has been in previous years. It should be noted that the funding has from 2025/26 been included within the Improved Better Care Fund (now renamed the Local Authority Better Care Grant).

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 was distributed based on the 2013/14 share of the Settlement Funding Assessment. By 2024/25 much of the Grant had been repurposed into other funding so had reduced to £87m. Sefton's allocation in 2024/25 was £0.453m.
- 5.10 The 2025/26 Settlement announced that the remaining overall funding would be fully repurposed into other grants. Sefton will therefore see a reduction in funding of **£0.453m**.

Recovery Grant

- 5.11 The Government announced a new one-year Recovery Grant worth £600m nationally. This Grant is targeted towards areas with greater need and demand for services and which are less able to fund their own services locally through Council Tax. The aim of this Grant is to address the 'inefficiency' in the current system and ensure councils in the most deprived areas on a more sustainable footing. Deprivation has been used as a proxy for need within the calculation of allocations. It should be noted that not all local authorities received an allocation of this Grant.
- 5.12 Sefton's allocation for 2025/26 is **£5.609m**. Whilst the funding has only been confirmed for 2025/26 it is anticipated that the funding will be rolled forward into the 2026/27 Settlement. As explained earlier in the report, the Government intends to review the Local Government Finance System during 2025/26 so the funding may be distributed using a new funding formula. However, for planning purposes it is assumed that Sefton will continue to receive the 2025/26 allocation going forward.

Children's Social Care Prevention Grant

- 5.13 The Government announced a new Children's Social Care Prevention Grant, worth £250m nationally. However, it has been stated that this will increase to £263m. This Grant is being distributed through a new children's needs-based formula which estimates need for children's social care services. Sefton's allocation for 2025/26 is anticipated to be **£1.219m**.

Extended Producer Responsibility for Packaging Funding

- 5.14 2025/26 will be the first year of the Extended Producer Responsibility for Packaging (pEPR) scheme. Income generated from the operation of the scheme will be passed on to local authorities, and recycling and waste authorities, and is designed to cover the existing costs local authorities incur for managing household packaging waste, as well as provide additional funding for new legal duties, including the introduction of food waste collections. The extra funding announced at the Autumn Budget includes a guarantee that local authorities in England will receive at least £1.1 billion in total in 2025/26 from the new

Extended Producer Responsibility for packaging (pEPR) scheme, with each local authority guaranteed at least the level of income indicated in their provisional local payment allocations.

- 5.15 Sefton's allocation for 2025/26 will be £4.137m. It is currently assumed that £1.500m of this additional funding will need to be utilised to offset the costs of introducing food waste collections. Therefore, **£2.637m** will be available in 2025/26 to offset the existing costs of collecting household packaging waste. Whilst the scheme will continue to generate income in 2026/27 and beyond, the level of funding local authorities will receive is not guaranteed. Therefore, it is currently assumed that the funding received will only cover the costs incurred in carrying out new legal duties, and there will be no funding available to fund existing costs of collecting household packaging waste.

Public Health Grant

- 5.16 The Council has yet to receive final details of the Public Health Grant for 2025/26. The Budget Savings / Mitigations outlined in Section 8 the 2025/26 include the assumption that that any additional Public Health Grant funding will be utilised to support public health and wellbeing within universal services in Children's Social Care.

New Homes Bonus

- 5.17 The Government will continue to make payments of New Homes Bonus in 2025/26. As expected, the main grant allocations for 2024/25 will not continue. However, Sefton achieved the Government's threshold for main payments for 2025/26 and will receive £1.408m. This is an increase of **£1.265m** on the amount received in 2024/25.
- 5.18 It is currently assumed that this additional New Homes Bonus won't be received from 2026/27 onwards. The Government have announced a review of the future of the New Homes Bonus. This may mean the scheme changes, and the amounts allocated could reduce. However, it is expected that any overall reduction in funding would be repurposed into other funding streams.

Settlement Funding Assessment / Business Rates Baseline

- 5.19 To support businesses in the near-term, the government has decided to freeze the small business rates multiplier in 2025/26. 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 **£1.800m** in 2025/26. It is currently assumed that Sefton will receive an additional **£2.000m** in 2026/27 and 2027/28 for these measures, although this will be dependent on rates of inflation and Government policy.

Business Rates Retention:

- 5.20 Sefton's retained rates income is forecast to be above its funding baseline for 2025/26, 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 2025/26.
- 5.21 A summary of the estimated grant changes is shown below:

	2025/26	2026/27	2027/28
	£'m	£'m	£'m
Government Funding:			
- Social Care Grant	-6.199	0.000	0.000
- Adult Social Care Market Sustainability and Improvement Funding	0.000	0.000	0.000

- Adult Social Care Discharge Fund (Local Authority Better Care Grant)	0.000	0.000	0.000
- Services Grant	0.453	0.000	0.000
- Recovery Grant	-5.609	0.000	0.000
- Children's Social Care Prevention Grant	-1.219	0.000	0.000
- Extended Producer Responsibility for Packaging Funding	-2.637	2.637	0.000
- New Homes Bonus	-1.265	1.265	0.000
- Settlement Funding Assessment / Business Rates Baseline	-1.800	-2.000	-2.000
	-18.275	1.902	-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 February 2024, 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 about £40m in 2018/19 to £82m in 2024/25.

6.4 It has been reported throughout 2024/25 that certain areas of accommodation and support packages are forecast to overspend. The report to Cabinet in May 2024 outlined that budget realignment would be undertaken to ensure budgets reflected the packages in place at the start of 2024/25 as well as the anticipated reduction in Residential Care packages across the year. This was possible because of continuing improvements in practice which have resulted in more children being placed in more appropriate settings at a lower cost. However, the Service has seen additional children having to be placed in a residential setting. In addition, the costs of packages for Children with Disabilities had increased, although specialist work continues to be undertaken to ensure health are making the appropriate contributions to the cost of care. These were the two main areas driving the overspend in 2024/25.

6.5 At present it is considered that some of the increase in cost of Residential Care packages is short-term in 2024/25 due to forecast activity in 2025/26. Additional improvements have been made to processes to ensure that children receive the right support to enable the right outcomes and invariably deliver the service at a lower cost. It is therefore estimated that the future years' impact will be less significant at this stage and will be in the region of **£6.300m** so provision has been made for this cost in 2025/26. No additional provision has been included in each of 2026/27 or 2027/28, although the need for any increase in the level of provision will continue to be assessed if more children continue to be placed in more appropriate settings at a lower cost.

Adult Social Care – Additional Investment

6.6 The Adult Social Care budget has experienced additional pressure in 2024/25 as a result of increased demand, increased costs, etc. The December 2024 monitoring report forecasts an overspend position of £6.3m. It should be noted that the 2024/25 budget included a total

saving requirement of £4.7m (£2.4m as part of the approved budget, £1.3m to meet the estimated additional costs of provider fee increases in excess of the agreed budget provision and £1m to fund increased staffing investment). At the end of December 2024, £2.4m of these savings had yet to be achieved in 2024/25, with the forecast outturn position assuming a further £0.5m will be achieved before the end of the year. In addition, the 2024/25 forecast outturn position assumes additional savings of £0.7m through a review of Supported Living payments. Any shortfall in these savings in 2024/25 will therefore need to be achieved in 2025/26. These will be in addition to the additional budget savings proposed for 2025/26 (Paragraph 8.1 - £2.140m).

- 6.7 It is assumed that the significant Adult Social Care additional cost pressures will continue into 2025/26, and after taking account of the savings to be achieved in 2025/26, **£3.700m** additional provision has been included in the 205/26 budget.
- 6.8 It should be noted that the 2024/25 budget included additional funding relating to the Market Sustainability Fund and the Adult Social Care Discharge Fund, both of which were passported to Adult Social Care. Whilst the funding has continued into 2025/26, there is no additional funding to allocate to Adult Social Care. Therefore, any additional in-year pressure will need to be met from efficiencies identified from the Better at Home Transformation Programme Project. This will include any additional pressure if increases in provider fees are in excess of the provision of £7.7m outlined in section 4. In addition, Adult Social Care will introduce gross payments to providers from March 2025. This is a key improvement activity and should mitigate provider fee increases in future. However, the debt risk transfers to the Council with the current estimate for annual client contributions of £17.6m. This debt risk will need to be met by the Service who are currently estimating the potential impact.

Education Travel Support

- 6.9 As in previous years, there has been significant pressure on the Education Travel Support budget during 2024/25. 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 **£1.600m** to the 2025/26 Base Budget to mitigate the full year impact of the pressures experienced in 2024/25.
- 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, based on initial modelling, an additional **£1.500m** has been provided for in 2025/26, with **£1.600m** provided in 2026/27 and **£1.500m** in 2027/28. However, it should be noted that Education Travel Support is one of the projects within the Council's Transformation Programme and savings are anticipated from various initiatives proposed as part of the Project. These savings are incorporated into the Budget / MTFP in Section 8.

Growth Programme

- 6.11 The Council's Growth Programme contains a number of schemes that may require additional revenue funding in future years, primarily to support the additional net borrowing costs resulting from the Council partially funding schemes, including the impact of the potential increase in interest rates. Provision of **£1.100m** has been made in 2026/27 for the potential costs, with a further **£1.000m** provision in 2027/28. Note that these estimates will continue to be the subject of review as business cases are approved and schemes progress.

6.12 In addition, the Council has approved a number of schemes in the Capital Programme funded from Capital Receipts generated through the Asset Management Disposal Programme. In order to ensure that the Capital Receipts are retained so they are available for future use, it is proposed that the schemes now be funded through Prudential Borrowing. This will require additional provision of **£0.437m** in 2025/26, with further provision of **£0.246m** in 2026/27 and **£0.208m** in 2027/28.

ICT Refresh

6.13 The Council has a number of ICT assets (predominately laptops) that are now over five years old and approaching the end of their useful life. In order to meet the minimum specification as set by Microsoft for Windows 11, Windows 10 is end of life in October 2025 and therefore the Council has to replace these older devices in advance of this deadline.

6.14 The equipment refresh programme is estimated to cost £450,000. Council, on 11th July 2024, approved the refresh programme being included in the Capital Programme, funded from prudential borrowing. The additional revenue costs from this decision are **£0.100m** per year for five years.

Additional Corporate Capacity

6.15 In recent years Corporate Capacity has reduced whilst services such as Adult Social Care and Children’s Social Care have increased in complexity, size, workforce and budget, resulting in additional demands on corporate services. This has led to more of a focus on core day to day activity. The previous model was based on a small corporate centre with managers doing more for themselves, but there is currently more of a push to the centre for support and to do activities that were previously conducted in services.

6.16 Therefore, capacity will be increased across a number of areas, including Legal, ICT, Finance and Human Resources, to ensure all regulatory requirements can be met, and services can receive the appropriate level of support. It is proposed to implement this during 2025/26, with an additional requirement of **£0.375m** in 2025/26 and a further **£0.125m** in 2026/27.

Transformation Programme Costs

6.17 As stated earlier in the report, one of the key stated aims of the Transformation Programme is to deliver financial sustainability to the Council. Each element of the Transformation Programme will require appropriate support to ensure delivery of the Programme and the achievement of its financial objectives.

6.18 Most Projects within the Programme are expected to generate savings, and / or achieve cost avoidance, so it is anticipated that any additional capacity required to support the Projects will be met from the savings achieved. However, there are projects where no savings will be generated to offset the costs of implementing these changes. It is proposed to implement these activities during 2025/26, with an additional requirement of **£0.736m** in 2025/26 and a further **£0.245m** in 2026/27.

7. Summary MTFP Position 2025/26 to 2027/28 including Growth

7.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2025/26 and 2027/28 will be **£45.098m**, 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:

	2025/26	2026/27	2027/28
	£'m	£'m	£'m

Revised MTFP Funding Gap – excluding Council Tax	17.489	13.210	12.000
Local Government Finance Settlement	-18.275	1.902	-2.000
Proposed Growth Items:			
- Children’s Social Care – Permanent Pressures from 2024/25	6.300	0.000	0.000
- Adult Social Care – Permanent Pressures from 2024/25	3.700	0.000	0.000
- Education Travel Support – Permanent Pressures from 2024/25	1.600	0.000	0.000
- Education Travel Support –increase in numbers	1.500	1.600	1.500
- Growth Programme	0.437	1.346	1.208
- ICT Refresh	0.100	0.000	0.000
- Additional Corporate Capacity	0.375	0.125	0.000
- Transformation Programme Costs	0.736	0.245	0.000
-			
	14.748	3.316	2.708
Revised MTFP Funding Gap excluding Council Tax and budget savings	13.962	18.428	12.708
Total MTFP Funding Gap			45.098

8. Budget Proposals

8.1 The following budget savings and mitigations are proposed to reduce the budget gaps in 2025/26, 2026/27 and 2027/28. Further detail on the proposals is given in Appendix B.

	2025/26	2026/27	2027/28
	£’m	£’m	£’m
Revised MTFP Funding Gap – excluding Council Tax and budget savings	13.962	18.428	12.708
Budget Savings Approved in February 2024:			
- Adult Social Care – further permanent Demand Management savings	-2.140	-1.980	0.000
- Corporate Resources- Increased Debt collection	0.000	-0.200	0.000
- Corporate Resources- Corporate Resources and Customer Services-service redesign	0.000	-0.305	0.000
- Communities - Leisure Centres- Increased charges in line with inflation to maintain budget position	-0.200	-0.200	0.000
- Communities - Increased charges Atkinson in line with inflation to maintain budget position	-0.025	-0.025	0.000
- Communities - Formby Pool-review of the annual subsidy contribution in new contract	0.000	-0.237	0.000
- Communities - Crosby PFI- reduced cost following end of contract	0.000	0.000	-0.263
- OIHS – Sefton Arc	-0.100	0.000	0.000
- OIHS – Alley Cleaning	0.000	-1.168	0.000
	-2.465	-4.115	-0.263
Additional Proposed Budget Savings / Mitigations:			

- Education Travel Support – Transformation Savings	-1.210	-1.090	0.000
- Children’s Social Care – Initiatives to reduce costs of providing support packages	-1.000	-0.300	0.000
- Utilising Public Health funding to support universal services within Children’s Services	-0.800	0.000	0.000
	-3.010	-1.390	0.000
Revised MTFP Funding Gap	8.487	12.923	12.445
Total MTFP Funding Gap			33.855

8.2 It should be noted that budget gaps would remain in 2026/27 and 2027/28 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 further budget / savings proposals over the first half of 2025/26.

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.

Insurance Fund

9.2 As mentioned in section 4, the costs of insurance premiums have increased significantly in recent years. In addition, the costs of individual claims covered by the Council’s Insurance Fund (e.g. relating to property claims) have also increased. This has meant that, in addition to the contributions made annually into the Insurance Fund no longer being sufficient to cover the costs being incurred, the resources within the Fund at the end of 2024/25 won’t be sufficient to cover known liabilities. Therefore, a one-off contribution of £1.100m is required to offset additional costs incurred up until 2024/25, which will be funded from one-off resources.

Energy Costs

9.3 As outlined in paragraphs 4.15 and 4.16, the Council’s energy costs have increased significantly in recent years. To reflect this, an additional £1.000m has been built into the Base Budget for 2025/26 onwards. However, it is expected that costs in 2025/26 will be higher than this, although the potential additional costs are currently unknown, but it is currently assumed that these potential additional costs will be temporary, and costs will reduce further in 2026/27. This assumption will continue to be reviewed and any increase in prices considered permanent will need to be built into future budgets. Any additional costs in 2025/26 will therefore be temporarily funded from the Business Rates Revaluation Reserve, with any utilisation being required to be reversed in 2026/27.

Net Council Tax Surplus

9.4 Budget monitoring reports during 2024/25 have highlighted that a net Council Tax surplus will be realised in the year which will be declared for 2025/26. This is due to a number of factors including an additional surplus from 2023/24, increased housing growth and reduced exemptions and discounts, particularly relating to the Council Tax Reduction Scheme. In addition, the Council has reassessed its Bad Debt Provision in light of collection performance.

- 9.5 The net impact of the above issues is that a net Council Tax surplus of £2.600m will be declared for 2025/26.
- 9.6 It is proposed to utilise £1.100m of the surplus to increase resources within the Council's Insurance Fund, as explained in paragraph 9.2. The remaining £1.500m will be available to support an increase in General Balances.

Pension Fund Surplus

- 9.7 The 2026 valuation of the Merseyside Pension Fund will set contribution levels for the 2026/27 to 2028/29 period. Although the valuation is yet to be finalised, initial indications are that Sefton's element of the Fund will be in surplus. This surplus will be passed back to the Council over a period of time, by reducing the overall amount contributed to the Fund each year. It is estimated that the surplus available to the Council from 2026/27 will be in the region of £2.400m for each year the valuation covers (which will then be reassessed in the following valuation). Given the requirement to increase General Balances, discussed below, it is proposed to add the surplus received to General Balances in 2026/27 and 2027/28.

Increase in General Fund Balances

- 9.8 The 2024/25 Budget Report, and the 2024/25 Robustness Report, both approved by Budget Council in February 2025, outlined the higher level of risk due to the current financial pressure within local government nationally that is driven through Children's Services, Adult Social Care and Education Travel Support. It also highlighted that the Council's General Balances position at that time was lower than most similar local authorities. The budget package therefore included provision, through using other one-off resources, for increasing the Council's General Balance to £30.3m.
- 9.9 As mentioned earlier in the report, the Council is forecasting an overall overspend of £17.8m in 2024/25 before the use / repurposing of Earmarked Reserves. It is forecast that a residual overspend of £12.3m will still need to be met from General Balances. This will reduce General Balances to around £18.0m at the end of 2024/25, below the assessed prudent level of £30m.
- 9.10 The 2024/25 report stated that any use of General Balances in one year should be replenished in the following financial year. However, given the pressures on the overall budget position for 2025/26 it is not considered viable to increase General Balances from the Council's budget in 2025/26. Therefore, as outlined in Section 4, it is proposed to increase General Balances by £3.000m each year from 2026/27 onwards from the Council's budget.
- 9.11 This annual contribution forms part of an overall Reserves Strategy to increase General Balances to a more appropriate level. In addition, it is proposed to utilise some of the Council Tax Surplus declared for 2025/26 (described in paragraph 9.5) as well as the Pension Fund Surplus to be received in 2026/27 and 2027/28 (described in paragraph 9.6) to ensure that General Balances have returned to the level previously assessed as being prudent for the level of risk faced by the Council.
- 9.12 An analysis of the proposed changes to General Balances over the MTFP period is shown below:

	2025/26	2026/27	2027/28
	£'m	£'m	£'m
General Balances Brought Forward	-18.000	-19.500	-24.900

Annual Provision for Increases	0.000	-3.000	-3.000
Council Tax Surplus	-1.500	0.000	0.000
Pension Fund Surplus	0.000	-2.400	-2.400
General Balances Carried Forward	-19.500	-24.900	-30.300

- 9.13 This strategy would therefore increase balances to £30.300m by the end of 2027/28, i.e., in line with the budgeted level in 2024/25. General Balances will need to be reviewed in future years to ensure it is in line with the level required to mitigate the risks that a Council of Sefton's size faces, taking into account potential increases or decreases in the level of risk. It is important to note that whilst the strategy increases General Balances that would put the Council in a similar position to other councils, this Council does not have substantial legacy Earmarked Reserves available (as all potentially available Earmarked Reserves were released to support budget pressures in previous years), therefore remains a higher risk when compared to other councils. The level of General Balances is considered reasonable for 2025/26 given it could potentially cover two years of significant overspends, assuming in-year mitigating actions would be taken as soon as budget pressures are identified. Any decision on their use during 2025/26 will initially be 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 as soon as possible.

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 2025/26. A 2.99% increase for Sefton (to ensure the Council wouldn't breach the principle) would generate **£5.085m** in 2025/26. It is assumed that a 3% Core Referendum Principle to also apply in future years– it is estimated this would generate an additional **£5.353m** in 2026/27 and **£5.636m** in 2027/28.
- 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 **£3.401m** in 2025/26. 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 **£3.581m** in 2026/27 and **£3.769m** in 2027/28.
- 10.3 Decisions on the Core Referendum Principle and the Adult Social Care Precept for 2026/27 and 2027/28 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 2024/25 Band C Council Tax is £1,730.14. 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 2025/26 – 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 2025/26 and their impact on Sefton's budget compared to 2024/25 is shown in the table below: -

<u>Levying Body</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	20,518,159	TBC	TBC
Waste Disposal Authority	16,510,438	TBC	TBC
Environment Agency	172,438	TBC	TBC
Inshore Fisheries & Conservation Authority	89,089	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	37,384,624	TBC	TBC

The approved 2025/26 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

- 11.2 The proposed total increase in the Sefton Council Tax for 2025/26 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) 2025/26

- 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 November 2024, the Government announced its indicative DSG funding for 2025/26 to support Schools and High Needs. An additional £2.3bn of funding has been added nationally to schools and high needs funding in 2025/26, with the split between these two funding Blocks being School funding (£1.3bn) and High Needs (£1bn). These increases are inclusive of three specific teachers' pay and pension grants to schools, which for the schools, have been rolled into the schools' national formula funding from 2025/26, whilst for High Needs, these will continue to be allocated via the three separate grants. These grants include the Core Schools Budget Grant in support of the 2024 Teachers and support staff pay awards; Teachers Pay Additional Grant supporting the 2023 teacher pay award increase over and above the 2023/24 budget settlement; and Teachers Pensions Employers Contribution Grant to support a 5% increase to the employers' pension contributions from April 2024. Schools funding has been increased by an average 2.23% per pupil in 2025/26 including the integration of the above grants.

- 12.3 The High Needs funding increases nationally, have been capped at 10% per head in 2025/26 compared against the 2024/25 baseline allocations. Sefton's individual funding increase per head in 2025/26 is 9.16%.
- 12.4 Additional to the formula funding allocations, the Government has announced that there will be some additional grant funding for schools towards the increased costs of the changes in Employer National Insurance contributions, which are changing from April 2025. More detail as to the value and allocation of this grant is expected in the Spring.
- 12.5 The 2025/26 Dedicated Schools Grant settlement was announced on 17 December 2024. The 2025/26 DSG allocation for Sefton of **£320.823m** is set out in the table below. This includes school Business Rates and pupil growth funding; and additional funding for Early Years towards the expansion of childcare by an additional 15 hours provision per week available for working families in 2025/26 across the 2-year-old and under 2's age groups; the figures shown below are also before any deductions made by the DfE from Sefton's High Needs Block, to enable them to make direct payment to academies and local Colleges of FE.

12.6 **2025/26 DSG Funding Allocations for Sefton are as follows:**

<u>DSG Funding Blocks</u>	<u>DSG Funding 2025/26 (£m)</u>	<u>Increase of last updated 2024/25 DSG figures (Nov 2024) (£m)</u>
Schools Block (SB)	224.566	15.432
Schools related Pupil Growth funding allocation	0.850	
Early Years Block (EY)	41.932	11.801
High Needs Block (HN)	51.925	4.359
Central Schools Services Block (CSSB)	1.550	0.030
Total allocated DSG funding 2025/26 (Per DfE Dec 2024)	320.823	31.622

Schools Block

- 12.7 Sefton Schools Block will see a net increase in funding of **£15.432m** compared to 2024/25 (an increase of +7.35%). This figure includes the three grants referred to (**+£15.25m**) rolled into the 2025/26 funding baseline, and also some growth for inflation of (**+£2.38m**) in 2025/26. However, due to falling pupil rolls across Sefton, as at October 2024, overall school funding has reduced year on year by (**-£2.198m**) which includes a (£-0.551m) reduction of the Pupil Growth funding allocation for 2025/26, leaving a net increase of **+£15.432m**. Sefton's school population, based on the October 2024 school census, has seen a decline across both phases year on year as follows: Primary net decrease of **-283.5** pupils; Secondary net decrease of **-14.5** pupils – Net decrease overall **-298.0** pupils.
- 12.8 The above funding increases will ensure that the minimum funding levels per pupil in 2025/26 will increase to **£4,995** per Primary pupil (£4,610 in 2024/25) and **£6,465** per Secondary pupil (£5,995 in 2024/25).
- 12.9 The DfE are still committed to implementing a centralised National Schools Funding Formula (NSFF) model. The 2025/26 formula funding guidance now includes a +/-2.5% (+/-5% in 2024/25) tolerance range 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 rates by 2026/27, when it is likely to become a highly centralised function of the DfE. Sefton have already adopted the NFF funding rates in their formula and are within the revised allowable tolerance levels.

12.10 Sefton's Minimum Funding Guarantee (MFG) has been set at -0.5% in 2025/26 (+0.5% in 2024/25) on account of schools agreeing to a 0.5% schools block funding contribution to High Needs in 2025/26 to make the funding model affordable. The National MFG rate applied is set at +0% being a cash flat settlement for the year, but Local Authorities are able to set their MFG levels anywhere between -0.5% and +0% in 2025/26 to suit their funding allocations and offer some funding protection.

Early Years Block

12.11 Early Years funding announced in December 2024, provides Sefton with an allocation of **£41.932m** in 2025/26, an increase in funding of **£11.801m** on 2024/25. This increase is reflective of changes to childcare nationally during 2025, which will see a planned widening of childcare provision to include an extra 15 hours of support to working families for 2-year-old and Under 2's provision from September 2025. Childcare provision across all age groups from 18 months up to 4 years old will then be available to eligible families for up to 30 hours a week from this time.

12.12 In a year of expansion and having only estimates of the likely new numbers of take up, the Early Years funding allocated to Sefton may need to be adjusted during the year, through a series of termly headcounts, as the DfE have been doing during 2024, until numbers begin to settle with the complete expanded provision beyond September 2025.

12.13 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 2025. The pass-through rate of funding to providers has been increased in 2025/26 to 96% from 95% in 2024/25, and this rate will increase again from 2026/27 to 97%. This is the minimum amount Local Authorities must pass on to providers for Early Years provision after setting aside for recovery of Local Authority support service costs. Sefton's allocation for Early Years provision is currently well in excess of the 96% minimum rate.

12.14 The Maintained Nursery Schools continue to receive a protection subsidy, which in 2024/25, will see an increase to the hourly rate of £0.73p per hour to £6.92 per hour following a national uplift to the subsidy. This is inclusive of the Core schools budget grant towards Teachers Pay award costs from September 2024 and some inflation provision.

High Needs Block

12.15 Below, is the analysis of Sefton's High Needs funding for 2025/26 compared against the 2024/25 allocations. 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 **£46.605m** in 2025/26.

<u>High Needs funding</u>	<u>2024/25 £m</u>	<u>2025/26 £m</u>	<u>Change in funding £m</u>	<u>% increase</u>
High Needs Funding Floor paid in 24/25 and in 25/26	£43.653m	£47.550m	+£3.897m	
Basic Entitlement incl. historic Teachers Pay funding for Special	£3.913m	£4.375m	+£0.462m	

schools and fixed sum for AP/Hospital schools				
Funding to Sefton's High Needs Baseline funding	£47.566m	£51.925m	£4.359m	+9.16%
Total High Needs Block Funding before ESFA deductions/Top-Slicing	£47.566m	£51.925m	£4.359m	+9.16%
Less ESFA Deductions				
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	£-3.607m	£-5.320m	£-1.713m	
Total Net High Needs Funding for Sefton's direct provision without any Schools Block transfer of funding.	£43.959m	£46.605m	£2.646m	

- 12.16 Under the £1bn national High Needs funding allocation announced by the Government in November 2024, Sefton's High Needs overall funding has increased by 9.16% per head, being very close to the national maximum cap level at 10% per head.
- 12.17 Sefton has asked all mainstream schools, via the Schools' Forum, to agree to a 0.5% top-slice contribution of the schools' block funding (£1.118m) to be held centrally and earmarked to offset some of the significant SEND cost pressures faced in several mainstream school settings having significant numbers of pupils on roll with Education Health and Care Plans and / or receiving additional SEN support for non-EHCP cases; and in 2025/26 also towards transitional support to schools as the Authority seeks to move towards a banded / matrix SEN funding mechanism in 2025. This funding, now agreed, will be used to meet up to 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; and will also be applied, in a limited way, to support any schools who may lose funding as a result of moving into a new banded / matrix SEN funding model. Work is due to begin on developing a new SEN funding model for mainstream schools.
- 12.18 Sefton's High Needs budget continues to face severe cost pressures and as of December 2024 is forecast to overspend by nearly **£27m** in 2024/25, increasing the accumulated deficit balance on High Needs to over **£65m** by the end of 2024/25.
- 12.19 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.
- 12.20 The increase to the High Needs funding allocation for 2025/26 is higher than in 2024/25 and is a welcome uplift, but still remains insufficient to cover the current level of spending. The full-year impact of the current 2024/25 in-year placements plus expected increases in new demand for EHCPs in 2025/26, will make the overspending situation even more acute in 2025/26. The Government are now committed to reviewing High Needs funding in 2025 and to examining the large deficits accumulated by local authorities. Local authorities have been lobbying the Government, including through the Local Government Association and

other representative bodies, to look at these issues before the current deficit statutory override expires at the end of 2025/26.

- 12.21 Some of the initiatives to help reduce costs and generate future cost efficiencies have continued to be rolled out during 2024/25, including growing in the number of in-house places across special schools and resourced units, to meet future demand; along with work in developing the Graduated response and SEN early interventions, which are starting to have a positive impact across schools.
- 12.22 Much more of this work is required to continue in 2025/26, and over the next few years, will include capital investment in the expansion of special school places; and SEN Resource Unit places which are attached to mainstream schools. It is hoped, that by growing in-house places across the Council's current provision, this will help reduce (though not eliminate) the need for high cost of out of Borough placements at independent special schools and non-maintained special schools in the future. In addition, as referred to above, in 2025, the Authority is to work on a project to move towards a new banded / matrix system of SEN funding to mainstream schools. This will introduce a single, transparent, and more clearly understood mechanism of funding, which follows the child, and moves away from the current variety of different funding elements, towards more targeted funding, linked to defined descriptors of need, and with smaller emergency, shorter term funding allocations used towards supporting early interventions, where this may be required. This system is still to be developed and rolled out in late 2025, with the support of Headteachers.
- 12.23 The Delivering Better Value (DBV) Programme commenced in January 2023 and has brought with it some funding nationally (£55m), £1m of which has been made available to Sefton to help develop in-house changes, which are 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. The funding is being used to support many of the actions identified above, including graduated approach; early interventions and development of a matrix / banded funding model to name a few. The Council is in track to deliver the outcomes of the DBV programme to the satisfaction of the DfE - at a recent review the DfE noted progress in Sefton as best practice to be shared with other Local Authorities.
- 12.24 The increasing deficit, outlined in paragraph 12.18, has had a significant impact on the Council's cash flow position. This has meant that interest earned on investments of cash balances has significantly reduced, and additional borrowing to support the Council's cash flow position has been required. To date this has impacted on the Council's overall General Fund position. The budget for 2025/26 includes an additional £2.000m to reflect the additional borrowing costs / loss of income from having to service the deficit.

Central School Services Block

- 12.25 The Central School Services Block (CSSB) will receive funding of **£1.550m** in 2025/26 (an increase of £0.030m on 2024/25) to cover ongoing historic costs and ongoing / current centrally retained DSG spending. The 'historic' costs include combined budgets for the running of the Professional Development Centre (PDC) in Formby and grounds maintenance and ongoing costs in managing the sites of closed schools across the Borough. The ongoing current costs supported by this Block include Free School Meals checking; School Licences; School admissions work including new duties and responsibilities; and a range of allowable education statutory duties of the Local Authority performed on behalf of all schools, which were previously funded from Education Services Grant (ESG).
- 12.26 Since 2019/20, the funding to support historic costs has been reducing by 20% each year by the DfE until it ends, which is now predicted to be 2026/27; there is an expectation that

local authorities will need to find alternative ways of funding these activities or cease providing them altogether. From April 2022, the use of the PDC was altered, to include some office accommodation for Education Excellence staff whilst sharing the 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. In addition, a core budget has now been identified from 2024/25 towards the costs of maintaining the former closed school estates. The residual grant within the CSSB for these two historic spending areas will continue to be applied against ongoing costs until it ceases altogether.

Schools' Forum Decisions

- 14.14 Schools Forum on 13 and 20 January 2024, approved the application of DSG schools funding in 2025/26 including a 0.5% contribution from the Schools' Block to High Needs (£1.118m); the setting aside of £0.200m towards pupil growth contingency; the de-delegated funding for Maintained schools; and the approval of early Years provider rates for 2025/26 from 1 April 2025. Cabinet is asked to approve the agreed application of the 2025/26 DSG funding for Schools; Early Years; High Needs and Central Schools Support, as agreed by Schools Forum. This approval is required by the DfE.

13. Other Government Grant Notifications and Other Funding 2025/26

- 13.1 The Government have announced grant notifications for 2025/26 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 Homelessness Prevention Grant national allocation for 2024/25 was £440m. The total funding has been increased to £633m for 2025/26. Sefton's allocation has increased from £0.848m in 2024/25 to £1.237m in 2025/26, an increase of £0.389m. It is proposed that the 2025/26 allocation will continue to be allocated directly to the appropriate Homelessness budgets.

Children and Families Grant

- 13.3 A number of existing funding streams, previously funded by the Department for Education, have been consolidated into a new Children and Families Grant in the Settlement. The existing funding streams were:

- Supporting Families
- Supported Accommodation Reforms – New Burdens to LAs
- Staying Put
- Virtual Heads Extension for Previously Looked After Children
- Leaving Care Allowance
- Personal Advisors

- 13.4 The total national funding provided by these grants were £414m, with Sefton's allocations totalling £2.055m. This total funding remains unchanged in 2025/26. It is proposed that the 2025/26 allocation of the consolidated grant will continue to be allocated directly to the appropriate Council budgets supporting services to children and families.

Domestic Abuse Safe Accommodation Grant

- 13.5 The Domestic Abuse Safe Accommodation Grant national allocation for 2024/25 was £130m. The total funding has been increased to £160m for 2025/26. Sefton's allocation

has increased from £0.631m in 2024/25 to £0.787m in 2025/26, an increase of £0.156m. It is proposed that the 2025/26 allocation will continue to be allocated directly to the appropriate Council budgets supporting victims of domestic abuse.

Drug and Alcohol Treatment & Recovery Improvement Grant

- 13.6 Between 2022/23 and 2024/25 the Council has received additional funding through the Supplementary Substance Misuse Treatment & Recovery Grant. The funding was passported to the Health and Wellbeing Service to deliver a range of interventions to support people who use drugs and alcohol, and contribute to improving outcomes for them, their families, and the wider community.
- 13.7 The Office for Health Improvement and Disparities have announced the continuation of this grant into 2025/26 (now renamed the Drug and Alcohol Treatment & Recovery Improvement Grant). The indicative allocation for 2025/26 is £3.170m. It should be noted that this allocation is indicative and is still subject to Department of Health and Social Care (DHSC) and Treasury approvals and as such final allocations could vary. It is proposed that the 2025/26 allocation continue to be allocated directly to the Health and Wellbeing Service to support the aims of the grant.
- 13.8 Cabinet is asked to approve that authority be delegated to the Head of Health and Wellbeing / Director of Public Health, in consultation with Cabinet Member for Health, Wellbeing and Inclusion, to formalise the agreement relating to Grant, and to issue a contract variation to uplift the service contract in line with the Grant funding as per existing arrangements.

14. Summary of Budget Proposals for 2025/26

- 14.1 As a result of the information contained within this report the bridging of the 2025/26 funding gap is shown as follows:

	2025/26
	£'m
Revised MTFP Funding Gap	17.489
Local Government Finance Settlement	-18.275
Potential Growth to the Budget	14.748
Proposed Budget Savings / Mitigations	-5.475
Revised MTFP Funding Gap – excluding Council Tax	8.486
Council Tax – Core increase (TBC%)	TBC
Adult Social Care Precept (TBC%)	TBC

A summary of the budget for 2025/26 is shown at Appendix C (note that for illustrative purposes this assumes a Council Tax increase of 4.99% in 2025/26).

15. Precepts

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

The Police and Crime Commissioner is expected to set a budget / precept for 2025/26 on 12 February 2025. The Fire and Rescue Authority is due to set its budget / precept for 2025/26 on 27 February 2025.

	Precept			Band C		
	2024/25	2025/26	Change	2024/25	2025/26	Change
	£	£	£	£	£	%
Police	22,909,010	TBC	TBC	235.53	TBC	TBC
Fire	7,889,375	TBC	TBC	81.11	TBC	TBC

The approved 2025/26 figures will be reported at Budget Council.

b. Liverpool City Region Mayoral Precept

To be able to deliver the Mayor's key priorities in 2025/26 a Mayoral Precept is levied on Council Taxpayers across the region, with an increase in the Band C charge of £4.44 (£5.00 for a Band D) approved at the Authority's meeting on 24 January 2025.

	Precept			Band C		
	2024/25	2025/26	Change	2024/25	2025/26	Change
	£	£	£	£	£	%
Mayoral	1,642,719	2,096,825	454,106	16.89	21.33	26.3

The approved 2025/26 figures will be reported at Budget Council.

c. Parishes

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

	Precept			Band C		
	2024/25	2025/26	Change	2024/25	2025/26	Change
	£	£	£	£	£	%
Aintree Village	174,522	TBC	TBC	74.59	TBC	TBC
Formby	116,109	TBC	TBC	11.19	TBC	TBC
Hightown	25,000	TBC	TBC	25.42	TBC	TBC
Ince Blundell	3,000	TBC	TBC	15.32	TBC	TBC
Little Altcar	5,672	TBC	TBC	11.19	TBC	TBC
Lydiate	227,100	TBC	TBC	95.66	TBC	TBC
Maghull	856,115	TBC	TBC	109.96	TBC	TBC
Melling	39,655	TBC	TBC	31.52	TBC	TBC
Sefton	15,000	TBC	TBC	40.70	TBC	TBC
Thornton	12,000	TBC	TBC	13.80	TBC	TBC
	1,474,173	TBC				

The approved 2025/26 figures will be reported at Budget Council.

16. Recommended Council Tax for 2025/26

16.1 Council is recommended to approve the Budget for 2025/26, as set out in the main report.

16.2 The recommended overall Band C Council Tax to be raised for 2025/26 (excluding Parish Precepts) is as follows: -

	2024/25	2025/26	Increase
	£	£	%

Sefton	1,730.14	TBC	TBC
Police & Crime Commissioner	235.53	TBC	TBC
Fire & Rescue Authority	81.11	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	2,063.67	TBC	TBC

The recommended Council Tax for 2025/26 will be reported to Budget Council

17. Capital Programme 2025/26 to 2027/28

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 the specific Supplementary Capital Estimates outlined below:

Vine House Demolition

17.3 Vine House is located on Kepler Street in Seaforth. It is a 14-storey tower block with a small car park to the rear and is in Council ownership. When the Council transferred its housing stock in 2006, Vine House was omitted from the disposal because of concerns about its long-term sustainability and condition. It has remained empty ever since.

17.4 A number of potential schemes have been explored with developers to try to bring the building back into use, however, these potential refurbishment schemes were found not to be viable. The Council is therefore continuing to incur ongoing costs for maintenance of the asset and these additional costs have to be found from within existing budgets. In the last three years works to Vine House have amounted to approximately £100,000. Over this period a potentially significant structural issue has also been identified affecting the external brick columns of the building where significant cracking has appeared. This has been encapsulated and has to be inspected every 12 months via an abseil survey.

17.5 A number of options were reviewed in September 2024 for the future of the building, including demolition which was determined to be the best option considering the previous unsuccessful attempts to bring the building back into use, the ongoing holding costs, the cost of investigating and remedying the structural issue with the columns and the overall impact such a large building has on the local area. A budget of £1,500,000 has been identified as being required to demolish the building. Council is therefore requested to approve a supplementary capital estimate of £1,500,000 to be funded by Prudential Borrowing.

Food Waste Management

17.6 The Council's Operational In-House Services has acquired land at the rear of its current site at Hawthorne Road Depot in Bootle. There is a requirement to develop the waste land and make good the area to incorporate the new fleet for the Food Waste Service and Specialist Transport Unit. The projected works will involve all aspects of groundwork, including

drainage, security fencing and lighting, electric equipment and installation of all utilities, welfare facilities and offices. Council is therefore requested to approve a supplementary capital estimate of £500,000 to be funded by Prudential Borrowing.

Hawthorne Road Wash Bay and Additional Works

- 17.7 High Pressure Wash Bay (£133,600) – Operational In-House Services (OIHS) main site at Hawthorne Road Depot requires an upgrade to its wash area for all fleet vehicles. The ground works will require a specialist approach due to the land environment. Over time the services have outgrown a number of the facilities at the depot. The introduction of new fleet and bespoke vehicles means it will be far more cost effective to have an in-house pressure washing facility rather than sending vehicles to external contractors, given the nature and size of these vehicles the wash area will require a significant upgrade to incorporate 32t and 26t vehicle specification.
- 17.8 Additional Works (£85,800) – Following a number of recommendations based on how the Council can address sickness absence and overall wellbeing of operational front-line staff within OIHS, the department plans to establish a Health Unit at its Hawthorne Road Depot. This will provide on-site appointments for front line staff at their base with a range of specialist services such as Physiotherapy, Doctor and Counselling service. The appointments will be in line with staff operating times. This investment will contribute to the health and wellbeing of all staff and can be rolled out for other staff groups. In order to establish this there is a requirement to relocate a number of services and Officers to other areas of the site whilst work is underway and provide the appropriate ground works including drainage and utilities to instal offices and unit space, complete with parking and full service provision at the site.
- 17.9 Council is therefore requested to approve a supplementary capital estimate of £219,400 to be funded by Prudential Borrowing.

Fleet Renewal Programme

- 17.10 The Vehicle Replacement Programme has operated successfully over a number of years since its adoption in 2010. The programme incorporates the management and ongoing analysis of the current fleet. The objective is to identify the needs of each service area and customer requirements, to then make recommendations to ensure Sefton retains, maintains and operates a fleet that provides maximum benefit and value for money for all.
- 17.11 Specifications and options will be prepared for vehicles that are included in the replacement programme and financing will be undertaken through the facility of Prudential Borrowing. This borrowing will be taken out via HM Treasury's PWLB lending facility and in line with the Council's agreed borrowing strategy. At the end of the loan period, and dependent upon the condition of the vehicle, it may be retained and utilised for a further period of time, thereby delaying or negating further replacement costs for review at an agreed stage of the asset's life.
- 17.12 The use of external leasing companies may occasionally be used to allow some flexibility to the acquisition of new vehicles procured on lease arrangements utilising the Local Authority collaborative Framework Agreement. This option is utilised where there are specific conditions applied to a vehicle, for example, technical maintenance regimes or time bound project circumstances within a department, making it a more cost-effective option to lease as opposed to purchase. This applies only to a small minority of the overall replacement programme and the preferred option is to purchase outright.
- 17.13 Decisions to replace any part of the Council's fleet will be taken on a vehicle-by-vehicle basis in consultation with the purchasing service area and in line with the Council's Contract and Financial Procedure Rules and within the approved budgetary provision. It should be

noted that due to the scale of the replacement programme, the capital budget may be profiled over several financial years for the planned replacement cycle. Council is therefore requested to approve a supplementary estimate of £4,276,500 funded by Prudential Borrowing for the next phase of vehicle replacements.

Temporary Accommodation

- 17.14 Sefton, like many local authorities across the country, is facing an increase in homelessness. The number of households in temporary accommodation has risen sharply over recent years and the increase is driven by factors such as the introduction of the Homelessness Reduction Act (2017) and a lack of affordable 'move on' accommodation.
- 17.15 To address these challenges, a strategic approach is required to review current service delivery, commissioning and the existing temporary accommodation that is available to support residents. Part of this solution will be for the council to explore the refurbishing existing Council-owned properties or where appropriate acquiring new properties via borrowing. The acquisition and refurbishment of these properties will increase the stock of good quality Temporary Accommodation for families and children, reduce reliance on more expensive alternatives, and provide improved value for money.
- 17.16 As stated, these options will save the Council money, with each being considered on an individual basis with a supporting business case. Any investment will be made via prudential borrowing and will be funded from existing service budgets as a key feature of invest to save. An amount of £1m has been identified for inclusion within the Capital Programme for any potential acquisition and refurbishment works, with consideration of individual business cases and the decision to proceed being delegated to Cabinet. Council is therefore requested to approve a supplementary estimate of £1,000,000 funded by Prudential Borrowing for acquisition and refurbishment works.

Disabled Facilities Grants 2025/26

- 17.17 Expenditure on Disabled Facilities Grants for home adaptations has been increasing steadily since 2021/22 and will continue to do so with the delivery of the Council's vision to support more people to remain independent in their own homes for longer, this includes things like the development of the Adult Social Care online Portal, development of extended warranties and revised means testing for applicants. The Council's core programme for Disabled Facilities Grants in 2024/25 was £3.5m, an increase on the target of £3m set in 2023/24's capital programme and £2m set in the 2022/23 programme. The proposed target for 2025/26 will be £4.2m fully funded from the through the Better Care Fund – Disabled Facilities Grant from MHCLG.
- 17.18 Council is therefore requested to approve a supplementary capital estimate for the core DFG programme of £4.2m in 2025/26.

2. Financial Implications

All financial implications are reflected within the report.

3. Legal Implications

There is a statutory requirement to set a robust budget for the forthcoming financial year on or before 10 March 2025. 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.

4. Corporate Risk Implications

This report highlights the financial position of the Council for 2025/26, which supports its Financial Sustainability in 2025/26 and future years.

5 Staffing HR Implications

None

6 Conclusion

The Council is again faced with a challenging financial environment during 2025/26, particularly as a result of ongoing pressures within Adult Social Care, Children's Social Care and Education Excellence (Education Travel Support). However, the report presents a balanced budget for 2025/26.

Alternative Options Considered and Rejected

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.

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:

None

Climate Emergency Implications:

The recommendations within this report will have a **Neutral** impact.

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.

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 Services and Commercial (FD. 7941/25) is the joint author of the report, and the Chief Legal and Democratic Officer (LD. 6041/25) 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 2025/26. 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 27 February 2025.

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Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets 2025/26
- B. Budget Saving Proposals / Mitigations 2025/26 – 2027/28
- C. Draft Council Budget Summary 2025/26
- D. Capital Programme 2025/26 – 2027/28

Background Papers:

Financial Management 2024/25 to 2027/28 – Medium Term Financial Plan 2025/26 to 2027/28–
Report to Cabinet and Council – 7 and 14 November 2024