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**Report to:** Overview & Scrutiny Committee (Regulation, Compliance & Corporate Services)

**Date of Meeting:** 14 February 2017

**Subject:** Budget 2017/18 and Medium Term Financial Plan 2018/19 – 2019/20

**Report of:** Chief Executive and Head of Corporate Resources

**Wards Affected:** All

**Is this a Key Decision?** Yes                      **Is it included in the Forward Plan?** Yes

**Exempt/Confidential**                      No

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### **Purpose/Summary**

On 2 March the Council will be asked to consider and approve the Revenue Budget for the period 2017/18 to 2019/20, and also consider the level of Council Tax for 2017/18. This report provides details of the proposals presented to Cabinet on 12 January 2017 which it is envisaged will form the basis of a 3 year budget plan. The Overview & Scrutiny Committee are invited to comment on the proposals.

The report provides details on the development of a 3 year financial strategy for the period 2017/18 – 2019/20 (i.e. the budget plan period). In doing so, it reflects the current financial challenges facing the Council during the period, the proposed approach to meeting these challenges and how they reflect the Council's statutory requirement to remain financially sustainable and the desire to deliver the Sefton 2030 Vision and the Council's Core Purpose.

Given the scale of the financial and service challenges facing the Council, this is a complex and detailed report. It provides for a financially balanced budget, however this requires major and difficult decisions on how the Council delivers its services, the level at which it continues to deliver them and Council Tax Implications.

Whilst presenting a financially balanced strategy some areas of change are more specific than others. Where possible the change is explained at the detailed budget level. Where this is not possible a budget planning assumption has been made based on the best available information. This is sufficiently robust to approve the budget and associated policy changes, whilst recognising that the details will continue to be refined over the period of the strategy

This report sets out the detailed approach to the strategy. It starts with reminding Members about the Sefton 2030 Vision and the approved Core Purpose; the basis in which the financial strategy has been set. It then considers;

- The national and local financial context within which the Council is operating;

- The funding gap facing the Council for the 3 year period 2017/18 to 2019/20;
- The approach to delivering both the aspirations of the Sefton 2030 Vision and a financially sustainable council;
- The financial, service and community impact of the Budget including the reserves position of the Council; and
- The draft capital programme for the 3 year period.

## Recommendations

Overview & Scrutiny Committee is recommended to:

1. Note that the proposals contained within this report will form the basis of a three-year budget plan to be presented to Budget Council on 2 March 2017.
2. Consider the proposals in the report and to provide any comments to Council which can be considered as part of the formal approval of the budget plan for 2017/18 – 2019/20 and the Council Tax for 2017/18

## How does the decision contribute to the Council's Core Purpose?

	<u>Core Purpose</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Protect the most vulnerable		√	
2	Facilitate confident and resilient communities	√		
3	Commission, broker and provide core services		√	
4	Place-leadership and influencer	√		
5	Drivers of change and reform	√		
6	Facilitate sustainable economic prosperity	√		
7	Generate income for social reinvestment	√		

## Reasons for the Recommendation:

To ensure that the Overview & Scrutiny Committee is fully aware of the latest MTFP position and the projects and options which will need to be phased over the three budget plan. This engagement will support the Council in its duty to agree a budget for 2017/18 and the level of 2017/18 Council Tax before the statutory date of 10 March 2017, and maintain a sustainable financial future for the Council by agreeing a balanced three year financial plan for 2017/18 to 2019/20.

## Revenue Costs

All financial implications are reflected within the report

## Capital Costs

All financial implications are reflected within the report

## Implications:

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

### Legal

There is a statutory requirement to set a robust budget for the forthcoming financial year by 10 March 2017. In the course of considering each of the individual Public Sector Reform projects, consultations and service options to achieve the savings required 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 defensible.

### Human Resources

As the Framework for Change is developed there will be a potential impact upon employees and the potential for both voluntary and compulsory redundancies.

It will be necessary for the Authority to comply with the duty to consult with recognised Trade Unions (and as necessary employees) and to complete a notification under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992. Also form HR1 to the Department of Business Innovation and Skills notifying of redundancies may need to be filed dependent on redundancy numbers. Officers are authorised to enter into consultation and complete statutory notices where appropriate albeit much of this report provides for consultation as to options. Full and meaningful consultation should take place with the Trade Unions and employees on the matters contained within this report.

### Equality

- |   |                                     |
|---|-------------------------------------|
| 1. No Equality Implication                          | <input type="checkbox"/>            |
| 2. Equality Implications identified and mitigated   | <input type="checkbox"/>            |
| 3. Equality Implication identified and risk remains | <input checked="" type="checkbox"/> |

In relation to compliance with the Equality Act 2010, Section 149, Members need to make decisions in an open minded balanced way showing due regard to the impact of the recommendations being presented. Members also need to have a full understanding of any risks in terms of people with protected characteristics and any mitigation that has been put in place.

Equality Impact Assessments, including consultation, provide a clear process to

demonstrate that Cabinet and Council have consciously shown due regard and complied with the duty. Whilst the risks remaining have been identified these relate to the projects and options that will be subject to external consultation for which at this moment in time a full Impact Assessment cannot be undertaken. When consultation is completed on these projects and options further reports will be brought back to Cabinet and will include full Impact Assessments.

### **Impact on Service Delivery:**

Service implications as currently understood are described within the options in this report. The identification of further implications will form part of the budget, public engagement and consultation processes.

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

Regular and ongoing consultations will take place between the Chief Executive, Executive Directors, Heads of Service and Trade Unions.

The Head of Corporate Resources is the co-author of this report. (FD 4484/17)  
The Head of Regulation and Compliance (LD 3767/17) has been consulted and her comments have been incorporated into the report.

### **Are there any other options available for consideration?**

The budget proposals contained within this report will form the basis of a three-year budget plan to be presented to Budget Council on 2 March 2017. 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**

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### **Background Papers:**

None

## **1. Introduction – Sefton 2030 Vision and Council Core Purpose**

- 1.1 In November 2016 the Council approved the Sefton 2030 Vision and the Council Core purpose. This was developed followed an extensive consultation with residents, businesses and many visitors to the borough. In their thousands these groups told the Council they want to be involved in planning the future, what matters to them and how all stakeholders need to work together to make the vision happen. The Vision will enable the Council and partners to demonstrate the connected thinking and action. It will also enable the Council to bring about meaningful and measurable plans with targets, timescales and performance management framework. Further details of the Sefton 2030 Vision can be found in the Annex to this report at Chapter 1.
- 1.2 In supporting the delivery of the Vision the Council approved the following refined Core Purpose to articulate its role in delivering the 2030 vision.
- **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to we will intervene to help improve lives
  - **Facilitate confident and resilient communities:** the council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support
  - **Commission, broker and provide core services:** the council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can't be duplicated elsewhere or where we add value.
  - **Place-leadership and influencer:** making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the borough. This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough
  - **Drivers of change and reform:** the council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough
  - **Facilitate sustainable economic prosperity:** that is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail,

leading to high purchasing power; and having enough money to invest in infrastructure.

- **Generate income for social reinvestment:** the council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose

In formulating the financial strategy the Council should have regards to the contribution changes in policy and resources have on the delivery of this core purpose.

## **2. Overall Financial Context**

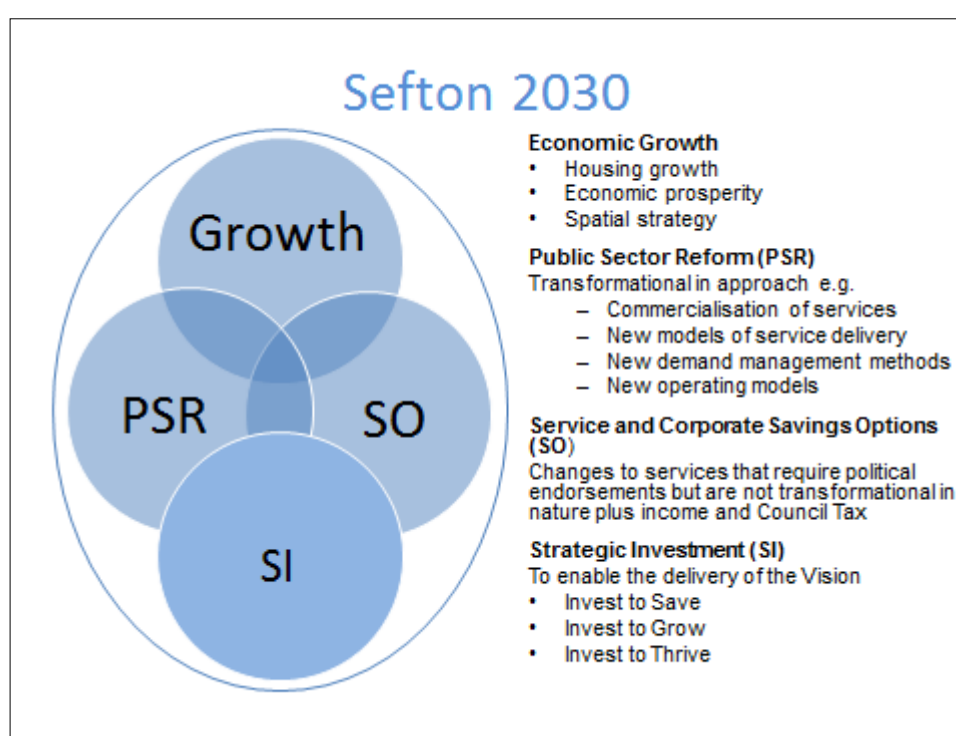
- 2.1. Since 2011, due to central government policy the Council has faced a funding gap of £169m. In total, the Council will have lost 51% of Government funding between 2010 and 2020. This is equivalent to £722 from every household in Sefton.
- 2.2. The financial pressures have been heightened by significant changes in Government policy and increased demographic and inflationary pressures. The Council has therefore had to make very difficult choices which have been subject to extensive consultation and engagement with communities.
- 2.3. Given the size of the reductions in funding and changes in policy, service standards, thresholds and the way services are delivered, there has been an inevitable impact on communities. Throughout this time the Council has adapted in order to minimise this impact where possible and protected front line services as far as possible.
- 2.4. In light of the cuts in Government funding since 2010 and the impact on communities, the Council has set three successive **two** year financial plans covering the periods 2011/13, 2013/15 and 2015/17. This strategic approach has enabled the Council to focus on the delivery of services through the six years whilst implementing the significant service changes which have come through not only the reduction in resources but also the implementation of very significant legislative changes and consequent policy direction.
- 2.5. As a result of this successful approach to both service delivery and budget planning the Council has decided to develop a 3 year budget plan covering the period 2017-2020. This is supported through the Government's Comprehensive Spending Review 2015 which offered a clear view on the financial targets that would be faced by all local authorities during the remaining life of this Parliament up until 2020.
- 2.6. In March 2016 Members were provided with details of the potential funding gaps that the Council would face for the forthcoming 3 year period, 2017/18 to 2019/20. Based upon the information at that time this amounted to £64m across the 3 years. The Council has therefore been working towards

developing a three-year budget package that aims to deliver on the Council's emerging Vision and ensure it remains financially sustainable.

### **3. Sefton Council 2020 - Delivery of the Framework for Change**

3.1. Delivering a further £64m savings on top of the £169m achieved to date will have a significant impact on the delivery of Council services. In developing the approach to delivering these savings it has been important to balance the delivery of savings with the protection of those services which contribute the most to the delivery of the Vision and Core Purpose.

3.2. With this in mind a Framework for Change has been developed with the following key components



3.3. Attached at Chapter 3 of the Annex is a detailed description of the core elements and how they contribute to a sustainable budget.

### **4. Budget 2017/18 to 2019/20**

4.1. The financial and policy context in which this three year budget is developed is very dynamic. As indicated above the budget is made up of a combination of budget planning assumptions, specific savings options and Council Tax assumptions.

- 4.2. A number of revisions have been made to the Medium Term Financial Plan (MTFP) assumptions. These are explained further in Chapter 2. Based on these changes the three year budget gap now stands at £56.657m.
- 4.3. The Annex also provides full details of budget proposals and a summary table of all current assumptions is shown below:

	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>	<b>Total £'m</b>
Original MTFP funding gap	33.432	14.614	16.372	64.418
MTFP revisions	-9.220	4.693	-3.234	-7.761
<b>Revised Funding Gap</b>	<b>24.212</b>	<b>19.307</b>	<b>13.138</b>	<b>56.657</b>
<b>Budget proposals</b>				
Public Sector Reform Projects	-4.279	-15.072	-9.771	-29.122
Service Options	-8.465	-6.562	-1.480	-16.507
Phasing Proposals	-7.000	7.000	3.000	3.000
<b>Remaining Funding Gap</b>	<b>4.468</b>	<b>4.673</b>	<b>4.887</b>	<b>14.028</b>

#### Council Tax

- 4.4. As can be seen above there remains a gap of £14.028m over the three years period. The figure excludes any Council Tax increase at this stage. If the Council were to increase the Council Tax by the maximum allowed under Government rules this would meet this gap.
- 4.5. Due to the significant pressure faced within Adult Social Care the Government's response has been to give councils the flexibility to levy a specific Adult Social Care precept of up to 6% over three years to partly contribute to the funding of this pressure. This will generate approximately £7m over the three years. The Government has assumed that all councils with Adult Social Care responsibilities will implement this increase. The pressures faced within Adult Social Care far exceed the £7m that could be generated from the Government's assumed Council Tax levy. Adult Social Care represents the largest proportion of Council spending and faces the largest demographic and financial pressures. This means that other services have to bear a disproportionate share of the savings needed to balance the Council's funding gap.

## **Risk Assessment**

- 5.1 Chapter 5 contains an individual risk assessment for every individual project/savings proposal. In addition, with a revised funding gap of £57m between 2017/18 and 2019/20, the Council was inevitably going to have to require strong, effective and robust governance arrangements in order to ensure that it can deliver financial sustainability and a balanced budget in each of the 3 years.



- 5.2 The Council has predicated its budget management on regular monitoring of performance and delivery through senior managers to Members. Exceptions to expected budget management or variations are highlighted at an early stage and mitigating actions recommended.
- 5.3 Within this 3 year budget package is an ambitious transformation programme that is considered can continue to meet this outcome, however due to the nature of the programme a different set of risks will need to be managed. The table below identifies the risks and mitigating actions that apply to many if not all of the projects in chapter 5 of this report

<b>Risk</b>	<b>Mitigation</b>
<p>Capacity to deliver the Framework for Change of this scale and magnitude simultaneously with operational services that are safe and of high quality</p> <p>In addition there may be reduced capacity to meet statutory obligations and service demand associated with the breadth of work undertaken.</p> <p>During the delivery of the change there will be a requirement to assimilate some functions into other areas or posts which will inevitably create additional pressures upon service areas for a period of time.</p>	<p>Robust governance will be in place to oversee changes.</p> <p>Projects will have clear implementation plans, a stakeholder engagement plan, and workforce development plan</p> <p>The new ways of working and their impact will be closely monitored and where identified immediate remedial action will be put in place.</p>
<p>The costs of change to deliver the Framework for Change outcomes becomes too expensive in relation to the financial return or savings to be generated</p>	<p>A Senior Officer Programme Board will set, monitor and report to Members on the delivery of agreed projects. This will include the maintenance and review of a programme risk register that will include all key financial issues.</p>
<p>Services that have demand led budgets are traditionally hard to predict and manage. That volatility may not be sufficiently mitigated by the actions identified in the Framework for Change and the Council may experience increased demand.</p>	<p>A Senior Officer Programme Board will set, monitor and report on the delivery of agreed projects. This will include the maintenance and review of a programme risk register that will include all key financial issues</p>
<p>Due to budget profiling, the speed of identified changes will be fast/significant. It will be important to ensure strategy/policies and approaches are agreed before</p>	<p>Performance management will include financial monitoring.</p> <p>Project interdependencies will be monitored by the Programme Board</p>

Risk	Mitigation
operational delivery takes to ensure that are achieved	
Due to the similar nature of opportunities being considered, there is the potential for double-counting of income with work being undertaken in the 'Growth' channel of Framework for Change.	Implementation will be project managed to track what's happening when and its impact and savings tracked.
New ways/models of working may not deliver the desired outcomes, People may find these proposed changes stressful as change can be difficult, challenging and sometimes uncomfortable for people, families, carers and the workforce but the Council is at a point where doing more of the same or trying to do more of the same with less is going to fail people, carers, families and the communities in the future.	The Council will, particularly for those people with no or limited capacity to exercise real choice, ensure that they are safeguarded and supported with dignity and respect. Assessed eligible need will continue to be met.
If new ways of working are not shared / owned by partners or if partners do not fully engage, this will compromise outcomes or may mean that outcomes are not delivered at all.	Partners will be involved in the development of new ways of working and where joint working is not possible practice will reflect this
Community capacity is required for the new ways of working across a number of Council public sector transformation projects. If this is not forthcoming then this will compromise outcomes or may mean that outcomes are not delivered at all.  Community may be resistant to some of the changes proposed	There will be transparent engagement and communications with the community.  Communications will seek to manage expectation. A Senior Officer Programme Board that will set, monitor and report on the delivery of agreed projects. This will include reviewing the impact of and response to change. Where necessary remedial actions will be agreed.
Resistance to change may be experienced as ways of working are so ingrained in staff over decades that staff may find new working practices difficult to adjust to	A clear programme of development and training will be put in place for employees, coupled with good supervision and robust performance management.  There will be ongoing awareness raising of the scale of the challenge

Risk	Mitigation
	facing the Council - and workforce development activity to embed a “ready for change” culture.
Various government inspection regimes may not find sufficient clarity in the new/blended/locality ways of working and how risk is being managed. This may result in unsatisfactory inspection outcomes	All changes will take into account the inspection frameworks that continually shift and evolve.  The Programme Board will carefully monitor the policy agenda nationally and locally.

5.4 The key governance / actions that will underpin the risk management of the programme and the budget are therefore:-

- A balanced, deliverable and sustainable annual budget will be set with clear milestones and deliverables linked to financial performance. Those budgets that are to be reduced will be clearly identified in advance of the financial year;
- Regular monthly reporting of financial performance to Cabinet and where appropriate Council will take place;
- Subsequent reports will be provided to Overview and Scrutiny Committee and the key financial risks within the programme and the annual budget will be included on the Council’s Corporate Risk Register that is considered at each meeting of Audit and Governance Committee;
- Establishment of a Senior Officer Programme Board led by the Chief Executive and including the Council’s s151 officer that will set, monitor and report on the delivery of agreed projects. This will include the maintenance and review of a programme risk register that will include all key financial issues;
- A project sponsor that is a senior officer will lead each project and will be responsible for all aspects of delivery and financial performance;
- Each project will have a Full Business Case, including detailed risk analysis signed off by both officers and Members in addition to a delivery plan; and
- Each project sponsor will ensure that they have available the appropriate skills and capacity to support delivery.

5.5 It is inevitable that with a programme of this size and the number of projects that exist, that during the course of the 3 years, there will be changes to aspects of the programme that will have financial implications. These changes may come about due to:

- Changes in project scope;
- Changes in demand for Council services;
- Central government intervention, e.g. changes in legislation; and

- Commercial opportunities being identified or removed through changes within the market.

5.6 Each of these issues would have a financial implication and this will need to be managed through governance structure as set out. Whilst such a scenario is one that will need to be managed over the course of the 3 years, the Council will set and deliver financially sustainable annual budgets. The Council will also ensure that required mitigations will be put in place if required as it is legally required to do so.

## **6 Consultation and Engagement**

6.1 In recent years, the Council has carried out extensive consultation with the public on some guiding principles to help set a balanced budget and the majority of people consulted agreed the Council should:

- Target resources at priorities
- Improve efficiency before reducing or ceasing services
- Help communities to reduce their reliance on public sector services
- Reduce reliance on public sector funding
- Protect the most vulnerable
- Support shared services
- Deliver value for money
- Encourage people to take responsibility for their actions and behaviours.

6.2 Members will recall that the timescales for consultation and engagement will vary. Given the level of previous consultation the Council and its partners have a comprehensive understanding of community need and priorities. The Framework for Change will require us to take a new approach to consultation and engagement. Through Imagine Sefton 2030 the Council and its partners undertook extensive consultation with the community; the community responded and identified what matters to them with this being reflected in the Vision Outcomes Framework.

6.3 The intention is for partners to adopt a New Realities 'can do' approach to collaboration aimed at working together in a positive, productive environment. Consultations are only part of a process of engagement. Informal iterative consultation can be appropriate using new digital tools and open, collaborative approaches. Consultation is not just about formal documents and responses. It is an on-going process.

6.4 As the Framework for Change progresses a number of principles will be central to support the implementation from an engagement and communications perspective:

- The feedback from the Imagine Sefton 2030 consultation will be taken into account in the development of new strategies, approaches and ideas;

- Being open and transparent by providing accurate information, that will also be in accessible formats;
- Placing a stronger focus on co-production so that members of the public and stakeholders can actively shape the future of the Borough;
- Where consultation is required, it will be carried out through the Consultation & Engagement Panel. This Panel has established standards for public engagement and consultation, with scope and methodology clearly defined, which may include discharging consultation through care planning processes, where appropriate;
- Consultations will be targeted and consider the full range of people, businesses, representative groups and commissioned services affected by the proposed change. In other words consultation will be tailored to accommodate specific groups as necessary, for example older people, younger people or people with disabilities that may not respond to traditional consultation methods.
- Where appropriate the Council will inform and engage stakeholders in a timely and accessible manner;
- When carrying out assessments and reassessments of need the Council will consider the impact of any change to an individual's care plan and facilitate transition arrangements with individuals, their families and carers as appropriate;
- Protecting our most vulnerable people is a key priority, however, whilst we consider new approaches to support vulnerable people, for example asset based approaches, we need to recognise that whilst complying with our statutory requirements, we may in some circumstances reduce the size of packages and provide support for more defined periods.
- Full and meaningful consultation will take place with the Trade Unions and employees; and,
- Partnership work will help to unlock the Borough's collective resources and identify strengths and assets to become even more effective.

6.5 In particular the Public Sector Reform (PSR) projects will, where appropriate, adopt a collaborative approach to change. It is important to stress that the PSR projects are not just about reducing costs, they are driven by a combination of factors such as a desire to reduce inequalities in our communities and in many cases to shift the focus towards prevention. Our approach in developing solutions will be to enable people and communities to have a say and a role in how we achieve the outcomes which matter to them.

In developing both the proposals Officers have endeavoured to identify the impact on the community of Sefton. Through collaborative consultation the Council will seek to further improve its understanding of the impact associated with the potential changes, the desired outcomes and associated risks. What is clear is that a budget reduction of this scale will have a significant impact but through the reform approach the Council will work with communities and partners to improve outcomes where possible.

6.6 There are different definitions of collaboration and coproduction but there is a consensus that working together leads to improved outcomes for people who

use services and carers, as well as a positive impact on the workforce. The Council's approach will not just be about partnerships across sector boundaries. It is much more about combining the knowledge, skills and experience of people who access activities and services, delivering services and commissioning services, working together on an equal basis to achieve positive change and improve lives and outcomes.

In addition to this media briefings and media releases will be issued to signpost interested parties. The approach to the PSR projects and options is summarised in Chapter 5.

- 6.7 Within Chapter 5 there are a number of options and budget planning assumptions requiring internal consultation. Members will recall that before any notice to terminate employment is given to an employee, it is necessary for the Council to comply with its duty to consult. This involves meaningful consultation taking place in respect of proposals with Trade Unions and employees. The options within this report constitute proposals which will be the subject of consultation at an appropriate time.
- 6.8 If options and proposals involve potential contractual changes and/or redundancy, in some cases up to three months' notice may be needed to be given to employees. Any employee dismissed with more than 12 months service will attract the protection of unfair dismissal provisions under the Employment Rights Act 1996 (as amended). Regardless of an employee's length of service, claims for discrimination can potentially be made on a number of grounds.
- 6.9 As a result this consultation should include compliance with the Trade Union Labour Relations (Consolidation) Act 1992 where meaningful consultation should include, amongst other matters:
  - (a) the options/proposals
  - (b) avoiding the dismissals
  - (c) reducing the number of employees dismissed
  - (d) mitigating the consequences of the dismissal.
- 6.10 All of the above must be undertaken with a view to reaching agreement with Trade Union representatives. In this respect given the scale of the change and implementation of any approved change, current facility time arrangements will be maintained for the whole period of the budget plan. Cabinet is asked to approve this.
- 6.11 Under the Trade Union Labour Relations (Consolidation) Act 1992, a notice must be provided at an appropriate time to the recognised Trade Unions outlining:
  - (a) the reasons for proposals
  - (b) the numbers and descriptions of employees the Authority proposes to dismiss as redundant
  - (c) the total number of employees of that description employed at any site or establishment

- (d) the proposed method of selecting employees who may be dismissed
- (e) the proposed method of carrying out the dismissals including the period over which the dismissals are to take effect
- (f) the proposed method of calculating the amount of redundancy payments to be made (other than statutory redundancy pay) to employees who may be dismissed.

- 6.12 In addition to the collective situation, individual consultation must take place as necessary to inform employees that they are at risk and to invite consultation and the consideration of alternatives. There is a general duty of maintaining contact and discussion with employees.
- 6.13 Where an employer is proposing to dismiss as redundant 20 or more employees at one establishment within a period of 90 days or less, 90 days before any dismissals take effect a letter under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992 must be provided to the recognised Trade Unions which covers the areas within that legislation. Also Form HR1 must be provided to the relevant Government Department in the same timescale. Cabinet is asked to agree that Officers are authorised in this report to consult on options appropriately and where necessary to issue statutory notifications under Section 188 and issue form HR1
- 6.14 Appointments of HAY 5 and above would normally go through to the Employment Procedure Committee, A future Cabinet will be asked to recommend to Council that Council approves that any appointments in respect of HAY 5 and above are delegated to the Chief Executive in terms of arrangements on which she will consult with the Leader and relevant Cabinet Members,

## **7. Public Sector Equality Duty (PSED)**

- 7.1 As the Council puts actions into place to set a balanced and sustainable budget there is a need to be clear and precise about our processes, and impact assess potential change options, identifying any risks and mitigating these where possible. The 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. This will ensure that Members make decisions in an open minded balanced way showing due regard to the impact of the recommendations being presented and in compliance with the Equality Act 2010.
- 7.2 Reducing budgets and activities is a difficult task, and one that the Council has to balance with the needs of the community. It is clear from the feedback from Imagine Sefton 2030 that change is required and that the community wants to participate in and shape that change.

- 7.3 The Council has a shared responsibility with partners and communities to discharge its functions that meets need and is within available resources. The Council cannot do everything it has done in the past, the changes proposed will take full account of the PSED.
- 7.4 Where appropriate a PSED review is provided which identifies any potential impact on those with protected characteristics and the mitigating actions to be taken should any risks remain. Council is requested to note and take account of the detail within the PSED reviews and the mitigating actions within the decisions.

## **8 Capital Programme-Central Government Grants**

- 8.1 Investment in the infrastructure and assets across the Borough will play a vital part in the Council being able to achieve its key priorities. As the Council's funding becomes increasingly reliant on locally generated funding sources, it will be important that opportunities to facilitate, enable and where appropriate utilise Council resources to support and promote growth and generate income streams are fully optimised. This approach will underpin the Economic Growth workstream within the Framework for Change. Projects that are developed under this workstream will be presented for consideration to Cabinet, and where appropriate Council, on a case by case basis as they arise.
- 8.2 In addition, the Council continues to receive limited central government capital grant allocations. These are focussed on the Local Transport Plan and Schools. Details of the forecast receipts anticipated between 2017/18 and 2019/20 are shown in the following table together with the current commitments against these sums:

<b>Funding Source</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>	<b>Total £'m</b>
<b>Schools Capital Funding</b>				
Expected receipts	2.044	1.859	1.695	5.598
Current Commitments	1.277	0.481	0.481	2.239
<b>Balance Available for New Starts</b>	<b>0.767</b>	<b>1.378</b>	<b>1.214</b>	<b>3.359</b>
<b>LTP related Capital Funding</b>				
Expected receipts	3.877	2.864	2.610	9.351
Current Commitments	1.047	1.126	0.000	2.173
<b>Balance Available for New Starts</b>	<b>2.830</b>	<b>1.738</b>	<b>2.610</b>	<b>7.178</b>

- 8.3 Details of the schemes to be supported from these allocations are currently being developed and will be presented to Budget Council for approval.



## **9 Conclusion**

- 9.1 Since 2011, due to central government policy the Council has faced a funding gap of £169m and will see its grant from central government reduce by 51% by 2020. The Council has therefore had to make very difficult choices which have been subject to extensive consultation and engagement with communities.
- 9.2 This report presents the approach to the preparation of a three year budget plan for the period 2017/18 to 2019/20. It builds on the delivery of significant Government funding reductions and provides an approach to balancing the forecast budget gap of £64m. This approach will ensure the timely implementation of proposals, investment where appropriate and the release of capacity to support transformation.
- 9.3 The challenge faced by the Council must not be underestimated and as stated earlier, this is shared with our public, private, voluntary, and community and faith partners. Implementation of the budget plan will take into account appropriate consultation requirements and the possible financial impacts of part year delivery. 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.
- 9.4 When making these difficult choices the Council has worked hard to maintain its frontline services and has shared with the community its core purpose. Despite the significant cuts faced by the Council in previous and future years, it is important to acknowledge that the budget proposals contained in this strategy continue to ensure that, for example, the Council:
- a) Meets its statutory requirements,
  - b) Invests significantly as a proportion of the Council's remaining budget in protecting Children in Care and safeguarding children at risk of harm, neglect and exploitation and Adult Social Care
  - c) Provides seven libraries, six leisure centres, an eco-centre, adventure centre, children's centres and the Atkinson that host many activities for all residents
  - d) Empties 150,000 bins per week
  - e) Lights the streets, maintains and cleans the pavements together with 607 miles of road
  - f) Works with others to manage and protect 22 miles of coast
  - g) Maintains 166 parks and greenspaces
  - h) Prepares 14,000 school meals every school day
  - i) Deals with planning matters
  - j) Protects the community through the inspection of food premises
  - k) Safeguards the community through inspecting and issuing licences for taxis and premises serving alcohol
  - l) Safeguards the community through Trading Standards advice and inspections
  - m) Supports local businesses and potential investors through InvestSefton
  - n) Supports people to find work through Sefton@Work

- o) Provides advice and assistance on a range of housing related matters
- p) Registers births, deaths and marriages

9.5 This list is by no means exhaustive and naturally will not be viewed in isolation from the work that the Council enables and facilitates with its partners across the Borough. As an extension to this, the Council with its partners has developed the Vision and Outcomes Framework for 2030. By pooling resources and talent, the Council and its partners will work together to, as far as possible, protect and enhance the many services and activities that are valued by our communities.

**Delivering the Sefton 2030 Vision and a Financially Sustainable Council****Content**

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## CHAPTER ONE

### Sefton 2030 and Council Core Purpose

#### **1. Overall Context**

- 1.1 Sefton Council has led on the development of a new and exciting vision for the future of the borough and wants anyone who lives, works or visits Sefton to be involved.
- 1.2 Working closely with partners, businesses, private sector organisations, the voluntary, community and faith sector and the wider Sefton community, the aim is to focus on what is important and to be ambitious for the borough and its communities in the future.
- 1.3 Through Imagine Sefton 2030 the Council and partners engaged the public, local businesses and potential investors in creating a vision that will collectively promote shared prosperity, coordinated public investment, and a healthy environment and population.
- 1.4 The feedback then enabled the Council and partners to develop the Vision Outcomes Framework which will guide long term planning - helping to collectively stimulate growth, prosperity, set new expectation levels and to help focus on what is important for Sefton. As a result of this process the following Core Purpose and Outcomes Framework were approved by Council in November 2016.

#### **2. Council Core Purpose**

- 2.1 In November 2016 Council agreed the following as its Core Purpose
  - **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to we will intervene to help improve lives
  - **Facilitate confident and resilient communities:** the council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support
  - **Commission, broker and provide core services:** the council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can't be duplicated elsewhere or where we add value.

- **Place-leadership and influencer:** making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the borough. This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough
- **Drivers of change and reform:** the council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough
- **Facilitate sustainable economic prosperity:** that is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail, leading to high purchasing power; and having enough money to invest in infrastructure.
- **Generate income for social reinvestment:** the council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose

2.2 In their feedback Sefton's various communities also emphasised the many strengths and assets that the borough has including the coast, environment and heritage.

### 3. **Vision Outcomes Framework**

3.1 The Vision Outcomes Framework can be viewed at <http://modgov.sefton.gov.uk/moderngov/documents/s69629/Vision%20Sefton%202030.pdf>

## **CHAPTER TWO**

### **National and Local Financial Context**

#### **1. National Financial Context 2017/18-2019/20**

- 1.1 Central Government policy announcements in autumn 2015 and 2016 and the output from the 2015 Local Government Finance Settlement has resulted in local government continuing to be faced with a severe financial challenge for the three years 2017/18 to 2019/20. These announcements included key national budget decisions which are likely to have an impact on both the Council and also the local economy for years to come.
- 1.2 These include the continued reduction in central government grant that is available to local authorities, the introduction of a 100% Business Rates retention scheme, the reform of the New Homes Bonus Scheme, changes to the Education Services Grant, the role of councils within the Education sector and continued reform of the Health and Social Care systems. Each of these presents local government with increased financial pressure. As with previous years, as additional detail has been provided for each of these policy issues, the Council's Medium Term Financial Plan has been updated to reflect the funding that will be made available to it over the course of the next 3 years.
- 1.3 Also during the last 12 months there have been further significant incidents that may have an influence on local government and its financial arrangements in future years. These include the outcome from the EU referendum and the resulting change in key personnel within Central Government including a new Prime Minister and Chancellor of the Exchequer. At this stage the exact impact of these issues and changes cannot be measured however it is widely acknowledged that the national economy will be affected and that the resources that will be available to local government will continue to reduce, certainly up until 2020.
- 1.4 By way of illustration, and as stated earlier within this report, it is estimated that by 2020 as a result national policy decisions, Sefton Council will have had its central government grant reduced by 51% since 2010.

#### **Changes to Local Government Finance**

- 1.5 As Members have previously been informed, the Government are committed to introducing a 100% Business Rates retention model for local authorities by 2019/20. The introduction of this funding mechanism will see a move from a grant based support system and is the largest proposed change to local government finance in recent times. This new system will fundamentally change local government's approach to financial management.
- 1.6 As part of this reform, the Government is seeking to pilot the new system. Whilst this change in the core financing arrangements is being developed, the Government is also continuing with its reform programme in respect of the fair funding review and schools and education funding.

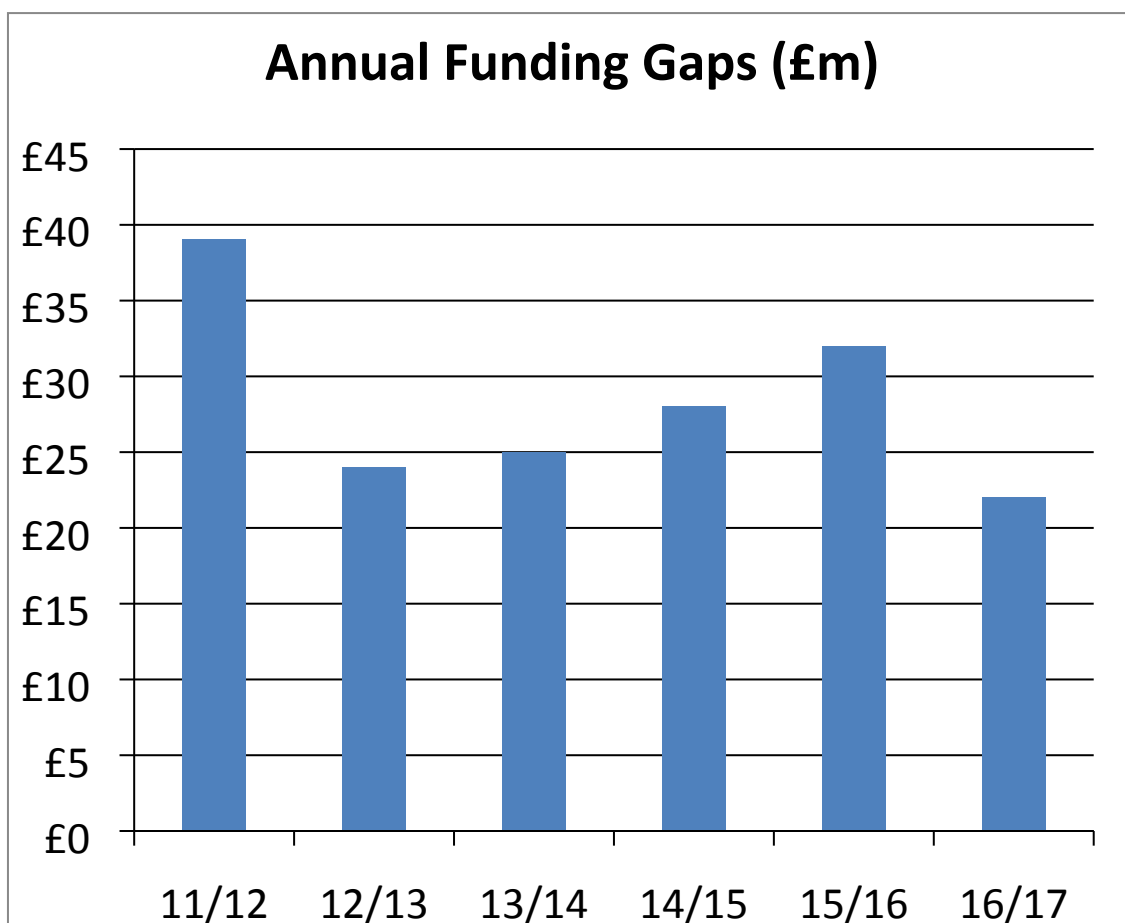
## **2. Local Financial Context**

### Four Year Financial settlement and Business rates retention

- 2.1 Members will recall that Cabinet on 1 September 2016 recommended to Council that Sefton should accept the Government's offer of a four-year financial settlement (including the already confirmed 2016/17 settlement). This decision will provide the Council with financial certainty with regard to its core financial resources that it will have available to it during this time. 97% of other local authorities have also taken a similar approach.
- 2.2 At the same Cabinet meeting, Members were also informed of the continuing role that the Council is taking with regard to the design of the 100% Business Rates Retention scheme with its City Region partners. DCLG's stated objective is for the pilot areas to test the proposed system being designed and the potential for additional responsibilities to be devolved to local government as part of that system.
- 2.3 Following confirmation that participating authorities would not be in a detrimental position to that had they not been part of a pilot exercise, the Council and its city region partners confirmed to the DCLG that they will be part of a pilot project from 2017/18.

### Financial Savings Delivery 2010-2016

- 2.4 The Council, its communities and partners have faced and continue to face unprecedented change borne out of a radical reduction in resources coupled with increased demand in services for its vulnerable residents and a dynamic national policy agenda.
- 2.5 Since 2010 the Council has focused on becoming a leaner and more agile organisation, and has been successful in delivering real term reductions of £169m. This financial objective has been achieved through:
- Reviewing its organisational design;
  - Developing lean practice and reducing bureaucracy;
  - Implementing a new leadership framework and team;
  - Having a clear Council core purpose;
  - Developing a one-Council approach;
  - Working more closely with partners; and,
  - Increasing the role the community plays.
- 2.6 The funding gap per year that have been bridged are shown as follows:



### 3. Medium Term Financial Plan Forecasts- 2017/18 - 2019/20

3.1 The Local Government Finance Settlement for 2016/17 was announced on 19 December 2015 and indicative funding figures were also provided for 2017/18 to 2019/20. In addition to forecast reductions in core grant, the Council will also face a range of other financial challenges over the coming years. These challenges are as significant as they have ever been and as such it becomes increasingly important to take a longer term view as opposed to making short term decisions.

3.2 The funding gap and its key components that were reported to Members in February and March 2016 are shown in the following table:

	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	£m
Reductions in general grant (Inc. RSG)	10.349	5.831	5.546	<b>21.726</b>
Estimated further reductions in Public Health grant	0.500	0.500	0.500	<b>1.500</b>
Education Services Grant	0.700	0.700	0.700	<b>2.100</b>
Pay and Prices inflation	3.985	4.301	4.176	<b>12.462</b>



National Living Wage	3.198	3.282	3.450	<b>9.930</b>
Adult and Children budget resizing	7.700	0.000	0.000	<b>7.700</b>
Replacement of one off savings in 2016/17 with sustainable savings	7.000	0.000	2.000	<b>9.000</b>
<b>TOTAL BUDGET SHORTFALL</b>	<b>33.432</b>	<b>14.614</b>	<b>16.372</b>	<b>64.418</b>

3.3 As with previous years, as more information has become available the Council's MTFP has been updated. As part of this process, further potential changes that will result in additional central government funding reductions being borne by the Council have been identified. These relate to:-

- Reductions in New Homes Bonus due following a review of the scheme;
- Reductions in Public Health Grant to that previously been forecast; and
- The cessation of the Education Services Grant from September 2017;

In addition to these direct grant reductions, the Council will also experience additional financial pressure through the introduction of the Apprenticeship Levy (£0.600m), the Care Act (£1.452m) and the introduction of the national living wage.

3.4 In updating the MTFP to take account of these changes, the Council has also refreshed its assumptions around the income it can expect to generate from Business Rates and its Council Tax Base and has revised down its provisions for pay and price inflation. The resulting impact of these changes is shown in the following table.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Further Government Grant Reductions/Changes:</b>				
- Education Services Grant	0.727	0.319	-0.700	<b>0.346</b>
- New Homes Bonus	1.550	0.988	0.597	<b>3.135</b>
- Adult Social Care Support Grant	-1.532	1.532	0.000	<b>0.000</b>
- Care Act Implications	0.397	0.035	1.034	<b>1.466</b>
- Apprenticeship Levy / Apprentices	0.600	0.000	0.000	<b>0.600</b>
Change in Levies	-2.405	0.861	-0.693	<b>-2.237</b>
Reduction in pay and prices Inflation	-1.763	-1.765	-1.770	<b>-5.298</b>
National Living Wage – Impact	-1.082	0.000	0.000	<b>-1.082</b>

of announced April 2017 rate				
Local Government Pension Scheme – Revised Contribution schedule	-0.804	-0.389	-0.200	<b>-1.393</b>
<b>Local Taxation Changes:</b>				
- Council Tax Surplus	-2.004	2.004	0.000	<b>0.000</b>
- Council Tax Base	-1.507	-0.329	-0.329	<b>-2.165</b>
- Business Rates Income	1.175	0.009	0.000	<b>1.184</b>
2015/2016 Underspends	-0.708	0.000	0.000	<b>-0.708</b>
Better Care Fund	-3.000	0.000	0.000	<b>-3.000</b>
Other Net Changes	1.136	1.428	-1.173	<b>1.391</b>
<b>Additional Budget Changes</b>	<b>-9.220</b>	<b>4.693</b>	<b>-3.234</b>	<b>-7.761</b>

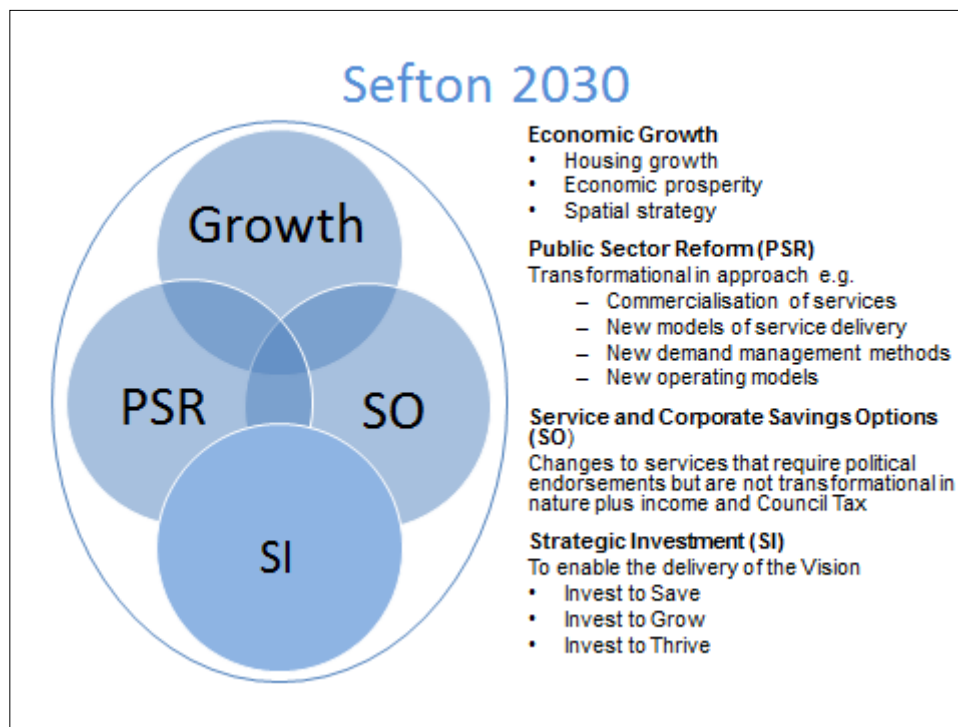
- 3.5 It can be seen from the above table that the net impact of the most recent review of assumptions is an improvement of £7.8m. The biggest single contributor to this improvement is the revision to the price Inflation assumption. This in effect cash limits those budgets not subject to a contractual uplift. Budget managers will need to contain any cost increases within their 2016/17 level.
- 3.6 Previously the Council had assumed that it would receive a significant contribution in relation to the Better Care Fund that would support and maintain Adult Social Care services. As a result of not receiving the budgeted allocation of £6m in 2016/17, budgets and service levels have been re-aligned. It was assumed that this allocation would reduce by £3m in 2017/18; therefore following the service review undertaken this £3m can be released.
- 3.7 Based on the above the three year budget gap now stands at **£56.657m**.

## CHAPTER THREE

### Framework for Change – Delivering differently

#### 1. Overview

- 1.1 The Council has recently consulted extensively on and agreed the Sefton Vision 2030 Outcomes Framework. This sets an ambitious vision, particularly when set against the financial challenges faced by the Council and many of its partners. The Vision Outcomes Framework describes the Borough that communities want to live in and the expectations of business, potential investors and visitors. As a result of this, delivering against the Vision requires a changed role for the Council and its partners and ultimately a new shared responsibility with communities. This was actively recognised by the community during the consultation process.
- 1.2 Achieving the ambitions of Sefton 2030 will also require the Council to be financially sustainable, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes.
- 1.3 In order to meet this challenge the Council has developed a 'Framework for Change' which is comprised of the following 4 pillars which will help the Council deliver against its stated objectives including financial sustainability. These are:
- Economic Growth;
  - Public Sector Reform;
  - Service delivery options; and
  - Strategic Investment



- 1.4 Each of these themes will contribute towards delivering the Sefton 2030 Vision and a financially sustainable Council. They are discussed in more detail in the following sections.

## **2. Framework for Change - Economic Growth**

- 2.1 The fundamental case for change to deliver Economic Prosperity for Sefton is predicated on the need to:

- Re-balance the economy towards high growth, high wage, high productivity employment
- Improve the life opportunities of the residents of Sefton
- Reduce the cost to the public purse of vulnerable families
- Create and grow new revenue streams for the Council

In this context Growth is defined as economic growth, and is inclusive of the economic development themes of:

- Business Support
- Employment
- Employment sites
- Housing
- Industry Clusters
- Masterplan for Sefton
- Physical Regeneration
- Skills
- Transport
- Marketing

- 2.2 The essence of the Growth Programme is to lay the foundations for long-term self-sustaining economic prosperity. Economic prosperity means different things to different people, but for many, means having choice about the work they do and earning enough money to meet all their family needs with something left over.

- 2.3 The strategic case for change sets out the current context within which, the Strategy for Economic Prosperity will be delivered, namely:

- A new economic geography
- Sefton's economic performance
- National austerity measures
- Sefton Council's financial stability
- The EU Referendum Implications
- Sefton's vision for 2030
- The Investment Programme

## **The New Economic Geography**

2.4 Despite a return to the levels of economic performance similar to those pre-recession, Northern city regions still face major challenges:

- none of the Northern City Regions have yet to reach the national average rate for employment
- per capita rates of Gross Value Added (GVA) are below national levels for all Northern City Regions
- the Indices of Multiple Deprivation is now dominated by the North
- the pattern of national worklessness is the same as the 1980s as is the rate of productivity
- High levels of expenditure on welfare and health are incurred in the North, which pushes overall public expenditure upwards.

2.5 Putting it in very simple terms:

- The UK population is increasing (est. 70m citizens by 2027)
- More and more skilled labour is being relied on from the free movement of labour from the EU
- The amount of physical infrastructure being built is on a par with that of the emerging economic nations with both France and Germany investing far more per capita head
- Over 60% of all infrastructure planned will be privately funded,
- We are “wearing out,” our infrastructure faster than it is being replaced
- Investors are weary of the above and despite the publication of the National Infrastructure Bill, there is little movement in inward investment markets outside the City of London
- The City still generates over 25% of National GDP within 8 square miles and employs over 1m skilled professionals
- The Liverpool city region contributes something in the region of 5% GDP

## **Liverpool City Region**

2.6 At the Liverpool City Region (LCR) level, significant change is underway as a Devolution Deal with the Combined Authority (CA) has been agreed and a yet to be elected City Region Mayor (election to be held in May 2017) will exercise powers over strategic planning, housing, and economic development, supported by the creation of a Mayoral Development Corporation, a Single Statutory City Region Framework, a Land Commission and a Joint Assets Board, including a devolved local transport budget, for Growth and post-19 adult skills funding; CA will also be in a position to co-design employment support for harder- to help claimants.

2.7 The city region has recently published a new Growth Strategy against which, the determination of public sector investment will be made. The majority of public funds available to invest in economic development and regeneration

are managed through the Combined Authority controlled Single Investment Fund which includes funds from Growth Deals, Growing Places, ERDF, Chrysalis and the annual Gainshare fund of £30m. In total there is a projected £1.5bn public sector funds available to the Combined Authority, over the period 2016-2022 for economic development, transport and regeneration at the city region level, the majority allocated to transport investment.

- 2.8 In the past decade, the city region has undergone a remarkable renaissance with rising population, economic growth and vibrant cultural resurgence. The city region economy of £28.3bn is comprised of a population of 1.5m and 598,000 jobs. Output has increased by 8.4% in the 5 years up to 2014. The city region also boasts the second highest incidence of high-growth firms in the country, second only to London. A significant proportion of Sefton residents commute to work in the wider city region and a very high proportion of those occupy high value, knowledge intensive roles.

### **Sefton's Economy**

- 2.9 The core strengths of the Sefton economy, reflecting its role within the North West of England, are the maritime and logistics activity associated with the Port of Liverpool, and the visitor economy based on the natural coast and resort of Southport.
- 2.10 The Port is one of the UK's major ports, attracting over 30m tonnes of freight each year. Together with the Manchester Ship Canal and docks at Birkenhead it forms an integral part of the Mersey Ports and Atlantic Gateway. Liverpool 2, a £300m new in-river container terminal at Seaforth with an integrated rail terminal, will double the port's container capacity enabling the berthing of large 'post-Panamax'-sized vessels. The widening of part of the Panama Canal will enable these larger vessels to transport goods directly between the UK and the Far East and the Americas, consolidating the Port of Liverpool's position as the main UK port for American trade. The growth strategy for the Mersey Ports to 2030 set out in the draft Master Plan envisages the creation of up to 7,500 jobs and a growth in tonnage from the combined tonnage of 40m in 2008 to 68m by 2030.
- 2.11 The visitor offer is well-entrenched with a total economic impact of £498 million in 2015, driven by 8.6 million visitors, and sustaining 6,340 people in visitor-related employment. Southport has been re-invented in the last decade with its traditional long-break seaside trade supplemented by conference visitors, up-market short-breaks and niche markets (golf, nature etc.). The combined retail/leisure offer is reflected in year-on-year improvements in footfall and spend, amplified by a highly successful national events programme including Southport Airshow. However, competition from other coastal attractions is intensifying, and the relationship with the urban tourism offer in Liverpool is still to be fully developed.
- 2.12 Sefton's workforce is primarily drawn from public administration, healthcare, education, visitor economy and retail, all of which tend to be low wage and

low productivity sectors. Service occupations are in the frontline for process automation in the “Fourth Industrial Revolution”, and the public sector is in any event considerably downsized. However, Sefton has high levels of need in terms of the elderly, frail and sick, plus above average levels of worklessness in the working age population, so we may expect the share of public service employment to remain above average for some time yet, especially as private sector job growth has yet to compensate for loss of public sector jobs.

- 2.13 There are small clusters of manufacturing, digital technology, low carbon and financial & professional services, some of which have international client lists, or are part of wider city region clusters of excellence. However, at present there is insufficient critical mass within them to register on the scale required for investment at the city region level, investment which in itself is a determined by a competitive process.
- 2.14 Finally, Sefton has a network of social enterprises and voluntary sector trading organisations that make up a well-defined social economy employing some 3,500 people.
- 2.15 Sefton’s economy is failing to keep pace with the wider city region and some distance from equalling the national average performance indicators, but has economic assets with great potential if carefully developed and supported.

### **Sefton Economic Assessment**

- 2.16 The last Economic Assessment and Strategy for Sefton was completed in 2011, when economic and political circumstances were very different to today. The assessment mainly drew on 2007 – 2009 performance data. Key findings included:
  - Strong linkages with Liverpool (30% of residents work there)
  - Varied mix of communities in terms of social structures, economic performance, roles and function
  - Some parts of the Borough in bottom 1% of the most deprived in the UK, some are in the top 5%
  - The economy generates £3.2bn GVA (about 15% of the LCR)
  - GVA per head is low (56% national average)
  - Low resilience in the business base due to public sector cuts; dependence on low growth sectors and local markets
  - Working age population is lower than both the LCR and the UK at 59%
  - A falling population especially in young people – lack of suitable job opportunities and affordable housing
  - Workplace earnings are particularly low
  - Entrenched and inter-generational worklessness remain major issues
  - Fewer employees in knowledge intensive industries – which has implications for earnings, innovation and productivity
- 2.17 A new Economic Assessment has been commissioned in Autumn 2016 - this is a fundamental piece of research which will inform both the overall approach

and direction of Economic Growth Pillar of the Framework for Change and provide a baseline measure the economic (and social) impact to the Projects within the Programme - a critical supporting measure to the delivery of the Programme. Each project will be supported by a well-argued case for strategic leadership, intervention or support using the economic assessment as a “single version of the truth” setting out the value and impact of all specified projects

### **Case for Change – WHY**

2.18 The fundamental case for change is predicated on the need to:

- Improve Sefton’s economic performance from second worst in North-West region
- Re-balance the economy towards high growth, high wage, high productivity employment
- Improve the life opportunities of the residents of Sefton
- Reduce the cost to the public purse of deprived families
- Create and grow new revenue streams for the Council

2.19 The refreshed Sefton Economic Strategy will set out which priority actions will deliver economic prosperity for Sefton. However, the Table below sets out what these actions are likely to include and what they will deliver for Sefton.

<b>Economic Priority Actions to effect change</b>	
<b>ECONOMIC PROSPERITY</b>	<b>WHY</b>
<b>Re-balance the economy</b>	<ul style="list-style-type: none"> <li>• To increase productivity</li> <li>• Build resilience in the business base</li> <li>• To create higher value, higher pay jobs</li> </ul>
<b>Attract new Inward investment</b>	<ul style="list-style-type: none"> <li>• Create a more balanced economy</li> <li>• Create more private sector jobs</li> <li>• Attract and retain higher productivity enterprises</li> </ul>
<b>Support and drive entrepreneurship</b>	Start-ups: <ul style="list-style-type: none"> <li>• Birth the new – they innovate</li> <li>• Create net new jobs ( almost all come from firms &lt;5 years old)</li> <li>• Support growth-orientated businesses</li> <li>• Generate wealth for society</li> <li>• Upskill management and workforce</li> </ul>
<b>Develop Industry Clusters</b>	Supporting existing and nascent clusters to: <ul style="list-style-type: none"> <li>• Create critical mass relevant at a city region and national level</li> <li>• Create higher value, higher wage jobs</li> <li>• Increase average wage per resident in Sefton</li> </ul>



	<ul style="list-style-type: none"> <li>• Fully realise high growth potential</li> <li>• Compete on an international platform</li> <li>• Support short supply chains (local jobs, import substitution)</li> </ul>
<b>Develop new export markets</b>	<p>Growth delivered through new export markets:</p> <ul style="list-style-type: none"> <li>• create more jobs</li> <li>• generates more GVA</li> <li>• creates resilience to economic shocks</li> </ul>
<b>Improve employability</b>	<p>Reduce worklessness :</p> <ul style="list-style-type: none"> <li>• maximise opportunities for residents</li> <li>• reduces offender behaviour</li> <li>• improves the borough's productivity</li> <li>• reduces cost to public purse</li> </ul>
<b>INCLUSIVE GROWTH</b>	<p>Individuals in work have a greater likelihood of:</p> <ul style="list-style-type: none"> <li>• better quality of life</li> <li>• higher household income</li> <li>• better housing choices</li> <li>• access to work-related training and development</li> <li>• securing health gains such as higher life expectancy</li> <li>• greater social mobility</li> <li>• Narrowing the gap from those that earn the most and those that earn the least</li> <li>• Assuring a position of equality, identifying those hardest to reach</li> </ul>
	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>REDUCE COST TO PUBLIC PURSE</b>	<ul style="list-style-type: none"> <li>• Diverts families from high cost services and towards reduced benefits</li> <li>• Added value from inactive individuals returning to education, training and employment</li> <li>• Increases tax-paying and productive independent citizens</li> </ul>
<b>CREATE NEW REVENUE STREAMS</b>	<p>Additional and new revenue streams through</p> <ul style="list-style-type: none"> <li>• Business rates</li> <li>• Council Tax</li> <li>• Building Control/Planning fees</li> <li>• Delivery vehicles – NewCo's</li> <li>• Asset Maximisation</li> </ul>

## Approach and Next steps

2.20 Economic prosperity is only generated where there is a holistic approach to growth, which recognises and responds to the specific challenges of enablers and industry sectors and within a specific place location. It is not proposed that Sefton Council will lead an all-encompassing economic programme which is wholly an end in itself, but that leadership, support and intervention is provided in the specific circumstances required, to deliver the “outcomes” identified in the Vision for 2030.

2.21 The Economic Growth Pillar:

- comprise of enablers, projects and delivery vehicles
- not be wholly within the control of the Council either in development or delivery
- Is not predicated upon activity that is wholly funded by the public purse, but in the main by developers, investors and business
- activity will not run concurrently, nor be delivered within the same timeframe as other Programmes and will determined by:
  - individual resource requirements and supporting measures of each project and the respective timing of these inputs
  - timing and behaviour related to market opportunity
  - sequencing of the project within one or more delivery frameworks
  - priorities for action set by Cabinet
  - approvals process for any investment finance
  - “unplanned for event” that provokes a responsive action
- will recognise the interdependencies across and within other Programmes of Framework for Change where relevant
- Will encapsulate projects which may have already commenced, where there has been a political mandate to do so, where market opportunity has presented and where the markets are prepared to respond
- Will be fully informed by the Economic Assessment.
- It will contain capital and revenue supporting projects, the capital projects in the main being captured within the Masterplan for Sefton.

2.22 The Known Projects of Programme 1 Growth are detailed below.

	<b>SCOPE</b>
Housing	<ul style="list-style-type: none"> <li>• Housing company</li> <li>• Housing Sites</li> <li>• Remediation Programme</li> <li>• Difficult Site Options Appraisal</li> </ul>
Transport/Infrastructure	Schemes include: <ul style="list-style-type: none"> <li>• Junction 1 M58 (approved)</li> <li>• Maghull North</li> <li>• Port Access Road</li> <li>• A565 dualling</li> <li>• Digital Infrastructure</li> <li>• Decentralised Heat and Power</li> </ul>

Employment Sites	<p>Schemes include:</p> <ul style="list-style-type: none"> <li>• Chancerygate</li> <li>• Atlantic Park</li> <li>• L5 (Port of Liverpool)</li> <li>• Heysham Road</li> <li>• Southport Business Park</li> </ul>
Regeneration	<p>Town Centres:</p> <ul style="list-style-type: none"> <li>• Bootle</li> <li>• Crosby</li> <li>• Southport</li> </ul> <p>Coast Gateways:</p> <ul style="list-style-type: none"> <li>• Crosby Coastal Park</li> <li>• Crosby Coastguard station</li> <li>• Formby</li> <li>• Ainsdale</li> <li>• Southport</li> </ul> <p>Distressed neighbourhoods:</p> <ul style="list-style-type: none"> <li>• Sandbrook Way</li> <li>• Stella Precinct</li> </ul> <p>Major Retail Site Investment</p> <p>Major Housing Sites</p>
Skills	<p>Schemes include:</p> <ul style="list-style-type: none"> <li>• Workforce development</li> <li>• Adult and community Learning</li> <li>• Vocational educational and training</li> <li>• Pre-employment training</li> <li>• Access to higher education/Higher Apprenticeships</li> </ul>
Employment	<p>Schemes include</p> <ul style="list-style-type: none"> <li>• Job brokerage</li> <li>• Work preparation</li> <li>• Employability Framework</li> <li>• Post 16 Life chances</li> <li>• Holistic support for individual and families furthest from the labour markets</li> <li>• Intermediate Labour Markets</li> <li>• Employer Engagement</li> <li>• Social Value in Procurement</li> </ul>
Business Support	<p>Schemes include:</p> <ul style="list-style-type: none"> <li>• Enterprise culture</li> <li>• Social enterprise</li> <li>• Support for New Starts</li> <li>• First Stop Growth Hub</li> <li>• Wraparound Holistic Business Support</li> </ul>

	<ul style="list-style-type: none"> <li>• Business Investment</li> <li>• Advanced/Specialised Business Support e.g. exports, supply chain</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>• Business to Business marketing</li> <li>• Destination Marketing</li> </ul>
Social Enterprise	<ul style="list-style-type: none"> <li>• Infrastructure of support for social economy</li> <li>• Social Investment</li> </ul>

2.23 Due to the changes in the way local government is to be financed in future with a greater emphasis on locally generated income (e.g. Council Tax and Business Rates) being available to support the delivery of frontline services, it is important that the Council, working with its partners, optimises this opportunity. As a result, development of economic growth will play an important role in ensuring that financial sustainability of the Council is achieved and the ambitions as set out in the 2030 vision are met. Whilst being vitally important to delivering the Council's 2030 Vision and longer term financial sustainability, this work will not deliver direct significant financial benefits for the Council over the next 3 years. However, the foundations being laid are likely to lead to significant additional jobs and economic benefit and longer term income streams for the Council.

### 3 **Public Sector Reform**

3.1 Communities, residents, visitors and local people continue to expect public services to be delivered in a way that they recognise, however as discussed in this report, the funding and national policy agenda for local government has and continues to change significantly. This means new approaches are required in order for all councils to meet this agenda.

3.2 In order to achieve the ambitions that are articulated through Imagine Sefton 2030, the Council, its partners and communities must work together. This will require a transformational approach to the delivery of Council and partner services and as a result the role of the Council will inevitably change. To drive forward this change agenda a series of projects have been developed. These are shown below

<b>Development of new Delivery Models</b>	<b>Enabling projects</b>
Early Intervention and Prevention including the Most Vulnerable, Locality Teams, Personalisation and building community resilience	Asset and property maximisation
Special Educational Needs and Disability	ICT, Digital services and inclusion
Education Excellence for All	Commissioning and shared services
Creating New and Improving Revenue Streams	
Environment and Pride in Place	

- 3.3 An outline of each of these proposed projects is attached at Chapter 5 together with the financial impact.
- 3.4 In approaching the Public Sector Reform programme, due to the extent of the transformational activity involved, the delivery of each project and the associated savings will be phased over the 3 years of this MTFP period. This is shown in the following table.

<b>Proposed Project</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>	<b>Total £'m</b>
Early Intervention and Prevention –Most Vulnerable	0.000	0.550	0.539	<b>1.089</b>
Early Intervention and Prevention- Locality Teams and Personalisation	1.300	9.000	1.700	<b>12.000</b>
Early Intervention and Prevention- Promoting Resilience	0.000	0.000	0.000	<b>0.000</b>
Special Educational Needs and Disability	0.000	0.808	0.809	<b>1.617</b>
Education Excellence for All	0.318	0.319	0.000	<b>0.637</b>
Creating New and Improving Revenue Streams	0.701	0.879	0.757	<b>2.337</b>
Environment and Pride in Place	0.450	0.695	0.000	<b>1.145</b>
Asset and Property Maximisation	0.503	1.538	1.259	<b>3.300</b>
ICT and Digital Inclusion	0.000	0.300	3.439	<b>3.739</b>
Commissioning and Shared Services	1.007	0.983	1.268	<b>3.258</b>
<b>Total</b>	<b>4.279</b>	<b>15.072</b>	<b>9.771</b>	<b>29.122</b>

#### 4. **Service Delivery Options**

- 4.1 The identification of the Service delivery options follows the principles previously approved and utilised in previous years budget strategies, i.e.:
- Efficiency before cuts - protect the impact on communities
  - Focus on core purpose
  - Keep the needs of our citizens at the heart of what we do rather than think and act organisationally
  - Proactively manage demand not just supply
  - Insure we provide services in line with eligibility criteria
  - Pursue growth / investment as well as savings
  - Communicate and engage with people to expect and need less
- 4.2 Whilst it is anticipated that during this MTFP period, the projects within the Public Sector Reform programme will make a significant financial contribution to the overall funding target, the outputs will not be sufficient to meet this in its entirety. Therefore a range of proposals that require political endorsement but

are not transformational in nature have also been developed. These include service efficiencies and the reduction in certain budgets. These are shown at Chapter 5 and amount to **£16.507m** in value.

- 4.3 The changes proposed in Table 1 are various technical changes to specification, renegotiated contracts, establishment vacancies and or budget planning adjustments. There is little or no change to service delivery for service users. As a consequence there are likely to be no equality implications to consider. Where changes effect establishment the HR processes will cover equality implications.
- 4.4 Subject to consideration of each option outlined in Table 2, Officers will commence engagement and implementation processes with partners, key stakeholders, employees and Trade Unions as appropriate with a view to achieving the agreed changes at the earliest opportunity.
- 4.5 Any updates on Table 2 will be provided to Cabinet in February with a view to Cabinet considering options for recommendation to March Council. The working assumptions associated with these options indicate a £2.539m adjustment to the budget gap.

Cabinet is asked to note that consultation with partners, key stakeholders, employees and Trade Unions will take place where required.

- 4.6 The financial contribution of these proposals in each year of the Medium Term Financial Plan is shown in the following table:

	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>	<b>Total £'m</b>
Business Efficiencies and other financing changes	7.104	5.584	1.280	<b>13.968</b>
Service Changes	1.361	0.978	0.200	<b>2.539</b>
<b>Total value of Service Options</b>	<b>8.465</b>	<b>6.562</b>	<b>1.480</b>	<b>16.507</b>

- 4.7 Within the Business Efficiencies and other financing changes, there is a contribution of £11.583m in respect of the Improved Better Care Fund. This contribution aims to support the pressure currently being experienced within the Adult Social Care sector. This sum was confirmed via the Local Government Finance Settlement announcement on 15 December 2016 and at this stage it is anticipated that this will be received directly by councils. It should be noted that nationally this funding has been partly funded by the significant reduction in New Homes Bonus over the next three years and other budget reductions. As such the sum to be received does not represent the allocation of new resources to local government.

## **5. Strategic Investment**

5.1 It is acknowledged that in order to deliver the Council's vision, there will be a requirement during this MTFP period for the Council to invest some of its resources in order to facilitate and enable delivery of key projects or to speed up delivery. These resources may be from Earmarked Reserves, Capital Grants and Contributions or through borrowing. This investment may take a number of forms, but typically it will come under three areas:-

- Invest to Grow;
- Invest to Save; and
- Invest to Thrive.

5.2 In approaching this theme, the following criteria will be applied to ensure that any investment is aligned with the Council priorities:-

- Supports the delivery of
  - Sefton 2030 Vision
  - Councils Core Purpose
  - A Financially Sustainable Council
- The investment must also deliver a return
  - Financial Return
  - Social Outcome Return – e.g. more jobs

5.3 As proposals are developed these will be presented to Members for consideration and approval.

## CHAPTER FOUR

### Balancing the Medium term Financial Plan

#### 1. Summary

- 1.1 Based upon the work undertaken to date, the following contributions will be made from the framework for change and the service options over the period 2017/18 to 2019/20 to the overall funding gap facing the Council.

	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>	<b>Total £'m</b>
Original MTFP funding gap	33.432	14.614	16.372	64.418
MTFP revisions	-9.220	4.693	-3.234	-7.761
<b>Revised Funding Gap</b>	<b>24.212</b>	<b>19.307</b>	<b>13.138</b>	<b>56.657</b>
<b>Budget proposals</b>				
Public Sector Reform Projects	-4.279	-15.072	-9.771	-29.122
Service Options	-8.465	-6.562	-1.480	-16.507
Phasing Proposals	-7.000	7.000	3.000	3.000
<b>Remaining Funding Gap</b>	<b>4.468</b>	<b>4.673</b>	<b>4.887</b>	<b>14.028</b>

#### 2. Council Tax

- 2.1 Locally generated income is becoming increasingly important to local authorities as central government continues to move the sector to becoming financially independent (for example through the 100% Business Rates retention scheme). Previous offers to councils to limit council tax increases in exchange for grant funding are no longer available reflecting this move to financial freedom.
- 2.2 It is important to note that as part of Central Government's assessment of councils 'spending power' and 'need', the opportunity to generate income from Council Tax increases is reflected in that assessment. As such it is assumed that councils will increase Council Tax by the maximum 1.99% available per year in order to meet the needs of communities and residents.
- 2.3 In the Local Government Settlement of December 2015, central government recognised the significant pressure faced by councils in relation to Adult Social Care. This led to councils being able to levy a specific Adult Social Care precept of 2% to support the significant pressure being experienced. Again, in its assessment of 'spending power' the Government assumes all councils will implement this increase.
- 2.4 Central Government has further acknowledged this issue and the development of the Improved Better Care Fund will provide some additional support (albeit funded by corresponding grant reductions elsewhere) to councils over the course of this 3 year MTFP period.



- 2.5 Whilst this funding is welcome, only a small element will be received in 2017/18, with the majority not being received until 2019/20. As a result Government has offered councils the flexibility to increase this levy further than 2% in years 1 and 2 (with a maximum of 3% in each year) but not over the previously agreed 6% for the next 3 years.
- 2.6 Council will consider the Council Tax options available at the Council Budget meeting in March 2017. For illustrative purposes only, if the Council were to levy the maximum council tax increase in each of the three years, the total generated would be £14.028m. The following table illustrates some of the options available.

Increase %	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
0%	0.000	0.000	0.000	0.000
3.99%	-4.468	-4.673	-4.887	-14.028
4.99% (1.99% in 2019/20)	-5.591	-5.903	-2.534	-14.028

### 3. **Phasing and Cost of Change**

- 3.1 In developing the Framework for Change Programme, it is acknowledged that the profile of the savings to be made will span the 3 year period. This is due to there being an inevitable lead in period of up to 12 months for some projects and due to current contractual relationships this maybe longer. As a result, this programme will see an escalation of savings over the course of the 3 years. It can be seen that the Council's MTFP has a large element of its savings target within the first year of this 3 year MTFP period, therefore in order to smooth this impact £2m of one-off savings in 2017/18 will be made.
- 3.2 In addition it may also be necessary to utilise £5m of the Council's earmarked reserves in 2017/18. This will be provided from the Transforming Sefton Reserve and the surplus funding that exists on other earmarked reserves which is no longer required for its original purpose. The current phasing proposals assume that in 2019/20 £3m will be repaid back into the Transforming Sefton reserve so that the resources will still be available for future years.
- 3.3 Similarly, to deliver a budget package of this size and a major transformation programme, the Council will need to incur expenditure to support delivery.

This will include investment in assets to support locality working, ICT to support agile and flexible working and business transformation and the development of commercial activities. At present it is estimated that a sum of £8.5m should be provided for this purpose. It is proposed to fund this sum from the following sources:

	<b>£'m</b>
Transforming Sefton Earmarked Reserve - Revenue	1.5
Capital Receipts – Asset Maximisation Project	3.6
External Borrowing - Capital	3.4
<b>Total</b>	<b>8.5</b>

- 3.4 In order to access this funding, a robust business case will be required for evaluation by the Chief Executive and s151 officer and any proposed expenditure must be linked to the direct delivery of this budget package with an acceptable return on investment being demonstrated.

#### **4 Balances and Earmarked Reserves**

- 4.1 The Council holds a range of reserves for different purposes.
- 4.2 The General Fund is the Council's primary reserve which exists to provide the Council with a contingency against unexpected events which could undermine the Council's sound financial standing.
- 4.3 As required, the Council's s151 officer has undertaken a risk assessment to determine the appropriate level of reserves for the Council and this together with a comprehensive reserves strategy will be included as part of the 'robustness report' that will be presented to Budget Council in March 2017.
- 4.4 As at 1 April 2016 the Council held £8.178m of general balances with the 2016/2017 budget assuming that £0.969m will be used in year. A planned balance of £7.209m will therefore remain at the end of 2016/17. Based upon the review undertaken it is considered that whilst such a level is low, an overall level of 3.39% of the Council's net budget would be a sufficient balance for the duration of this MTFP period. It is considered however that it would not be appropriate to reduce this any further therefore the approach to risk management for the delivery of this budget package as set out in this report should be strictly adhered to.
- 4.5 In addition to the General Fund, the Council holds a range of earmarked reserves which are set aside to fund specific costs that maybe incurred in future years. A review of these reserves has been undertaken and as discussed approval is sought to utilise £5m in order to support the phasing and delivery of the 3 year Medium Term Financial Plan as discussed at paragraphs 3.2. The current phasing proposals assume that in 2019/20 £3m will be repaid back into the Transforming Sefton reserve so that the resources will still be available for future years.