

Report to:	Cabinet Council	Date of Meeting:	15 February 2018 1 March 2018
Subject:	Revenue and Capital Budget Plan 2018/19 – 2019/20		
Report of:	Chief Executive and Head of Corporate Resources	Wards Affected:	All Wards
Portfolio:	Leader of the Council		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This report will provide Cabinet and Council with:

- An assessment of the Council's current financial position and approach to the 2018/19 to 2019/20 Budget Plan;
- Progress that has been made during the last year within the Council's Framework for Change programme;
- An update on the Government's announcement of resources that are available to the Council for 2018/19;
- The Council's current financial position and the assumptions built into the Medium Term Financial Plan
- The proposed Budget and suggested Council Tax increase for 2018/19;
- The proposed Capital Programme for 2018/19 and 2019/20; and
- The first budget estimate of the funding gap that the Council will face in 2020/21

As such, this report sets out the approach to 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.

The Council's Framework for Change Programme is a comprehensive and ambitious programme that seeks to support the delivery of the Council's core purpose. As would be expected with a programme of this size and complexity that spans a number of financial years, the detailed proposals have been and will continue to be the subject of change as they are developed and ultimately implemented. Within this context, work has been undertaken to confirm that change proposals for 2018/19 are viable and will help deliver financial sustainability.

Cabinet and Council will wish to consider these items before determining the:

- Budget for 2018/19 and the Financial Plan to 2019/20;
- Setting the Council Tax for Sefton Council for 2018/19; and,
- Approving the overall Council Tax resolution for 2018/19

Recommendations:

Cabinet is recommended to:

1. Note the update of the Medium Term Financial Plan for the period 2018/19 to 2019/20 which includes the implications of the local government finance settlement (Section 4) and the remaining budget gap following various budget proposals (Section 5);
2. Consider the Council Tax increase / Social Care Council Tax Precept for 2018/19; and,
3. Approve the Fees and Charges for 2018/19 (Appendix C).

Council is recommended to:

Budget 2018/19 and Medium Term Financial Plan to 2019/20

4. Note the update of the Medium Term Financial Plan for the period 2018/19 to 2019/20 which includes the implications of the local government finance settlement (Section 4);
5. Approve the budget for 2018/19 and the two-year financial plan to 2019/20 and authorise officers to undertake the necessary actions relating to the implementation associated with the recommendations (Section 5);
6. Approve a one-off revenue contribution, to be repaid of £1.209m to the Liverpool City Region Mayoral Combined Authority to support the Single Investment Fund in 2018/19. (Paragraph 7.2);
7. Approve the changes in the use of one-off resources in 2018/19 and 2019/20 to phase the impact of the required savings over the budget plan (Paragraphs 5.6 and 7.2);
8. Consider the Council Tax increase / Social Care Council Tax Precept for 2018/19;

9. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 8 and Appendix A);
10. Approve the allocation of specific grants as detailed in the report (Section 9);
11. Note the Fees and Charges as proposed in the draft Council budget (Appendix C); and
12. Subject to the recommendations above, approve the overall Council Tax resolution for 2018/19 including Social Care, Police, Fire and Parish Precepts.

Capital Programme 2018/19 to 2019/20

13. Approve for inclusion within the Capital Programme, the Capital schemes to be funded from school and transport grants in 2018/19 as outlined in paragraphs 2.2 and 3.2 of Appendix D;
14. Approve the transfer of the funding for work at Litherland Moss Primary School Phase 2 towards Essential and Planned schools maintenance as outlined in Section 2 of Appendix D; and
15. Approve for inclusion within the Capital Programme the fully grant funded schemes as detailed in paragraphs 4.2 of Appendix D.

Reasons for the Recommendation(s):

In March 2017 Council approved a three year budget plan to 2020. As the Council enters the second year of this budget plan it remains confident, that its continued strategic approach to budget planning alongside good financial management and extensive community engagement, means that the plan continues to develop on solid foundations, remains flexible and will secure the future sustainability to 2020 and beyond.

The recommendations in this report provide the basis on which the budget plan would be balanced for the financial year 2018/19 and will ensure that the Council's statutory obligations are met.

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

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

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications are reflected within the report.

(B) Capital Costs

All financial implications are reflected within the report.

Implications of the Proposals:

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

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

The proposals within the budget plan have 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 employees and to complete as necessary 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 has yet to be filed. Full and meaningful consultation should continue to take place with the Trade Unions and employees on the matters contained within the Budget Plan.

The proposals within the budget plan will also have an impact on physical assets; this will be assessed during the implementation of approved changes.

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

Legal Implications:

There is a statutory requirement to set a robust budget for the forthcoming financial year before 11 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.

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 our processes, and impact assessment potential change options and 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.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:

Council decisions over the last six years have focused on the priority given to our most vulnerable people. The Budget Plan activity continues to seek to protect the most vulnerable within available resources.

<p><u>Facilitate confident and resilient communities:</u> The Budget Plan demonstrates a clear commitment to early intervention and prevention and working with partners, communities and local businesses to reduce the reliance on the public sector.</p>
<p><u>Commission, broker and provide core services:</u> The Budget Plan recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered but will use new service delivery models and new forms of partnership.</p>
<p><u>Place – leadership and influencer:</u> This first year of the Budget Plan has seen the Council demonstrate strong and effective leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision making process.</p> <p>The Council continues to work with partners towards common goals, moving away from traditional ways of working focused around delivering services and is demonstrating a greater role in influencing, shaping, enabling and building community capacity.</p>
<p><u>Drivers of change and reform:</u> The Budget Plan demonstrates the Council playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.</p>
<p><u>Facilitate sustainable economic prosperity:</u> The Budget Plan also clearly articulates the Council’s approach to investing in order to achieve financial sustainability and the ambitions of Sefton 2030.</p>
<p><u>Greater income for social investment:</u> The Budget Plan recognises the Council’s commitment to developing 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.</p>
<p><u>Cleaner Greener:</u> The Budget Plan recognises the Council’s commitment to work with others to maintain Sefton’s natural beauty and ensure that its many assets provide a contribution to Sefton’s economy, people’s wellbeing and the achievement of the 2030 Vision.</p>

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, Heads of Service and Trade Unions, and will continue to do so.

The Head of Corporate Resources is the author of the report (FD 5028/18) and the Head of Regulation and Compliance (LD4312/18) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

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

The budget proposals contained within this report provide an update on the budget plan from 2018/19 to 2019/20. 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 1 March 2018.

Contact Officers: Margaret Carney and Stephan Van Arendsen

Tel: 0151 934 2057/4082

Email: Margaret.Carney@sefton.gov.uk
Stephan.VanArendsen@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets
- B. Draft Council Budget Summary 2018/19 – 2019/20
- C. Fees and Charges 2018/19
- D. Capital Programme 2018/19 - 2019/20

Background Papers:

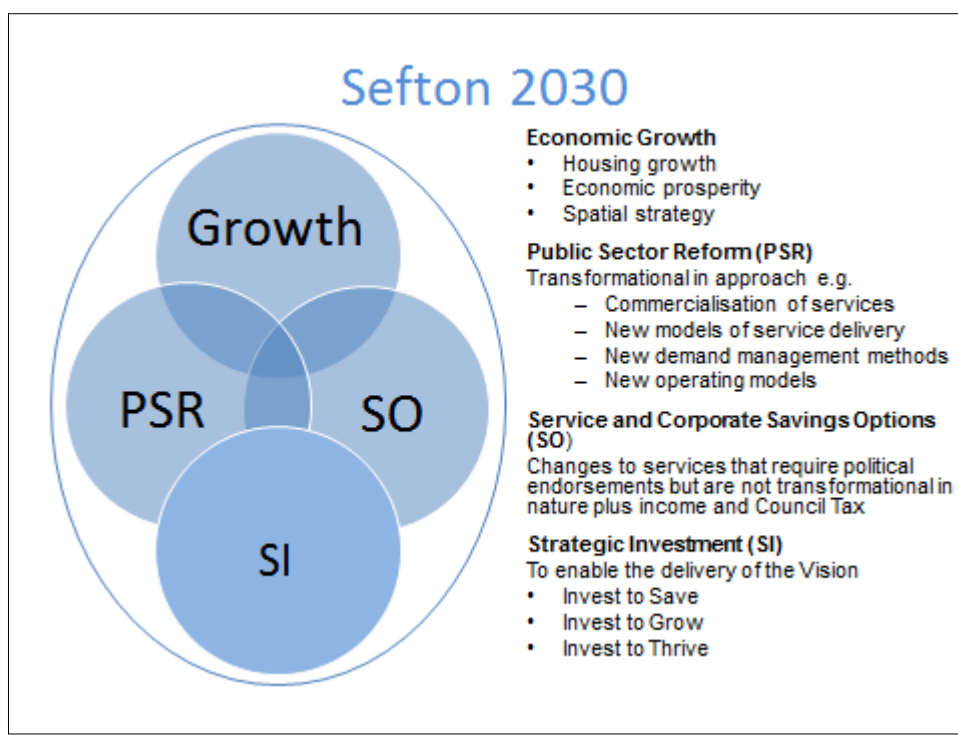
Medium Term Financial Plan-July 2017

1. Introduction

- 1.1 This report provides Members with an update on the overall financial position of the Council, and an update of the Medium Term Financial Plan for 2018/19 to 2019/20, including implications of the local government finance settlement. In doing so, the report presents the proposed budget for 2018/19 and the two-year financial plan to 2019/20 together with a proposed Council Tax increase for 2018/19, including the Adult Social Care Council Tax Precept.
- 1.2 In addition, Individual School Budgets, Fees and Charges and the Capital Programme require approval.

2. Overall Financial Context for the Council and Approach to the 2017/18 to 2019/20 Budget Plan

- 2.1. In 2010, Central Government imposed, what were thought at the time, to be significant reductions in local government financial support. Rather than this being a short term restriction in spending, the austerity programme has extended into a ten-year long period of severe budget reductions. For Sefton this has resulted in a funding gap of £233m being required to be met by the end of 2019/20, with a direct loss of 51% of government funding. This reduction equates to £722 per Sefton household.
- 2.2. This central government policy has, unsurprisingly, seriously challenged the ability of the Council to provide essential services to the community and its most vulnerable residents. Demand for adults and children's services has increased exponentially over recent years, yet no additional resources have been provided by Government. The ability to increase Council Tax has helped the Council; however, this has resulted in a significant financial burden for local residents. As a result, Members have, and continue to be faced with a series of very difficult choices around prioritisation and resource allocation, which often cannot be reconciled, and on occasions, a genuine choice does not exist. Whilst budgets have seen significant reductions and changes in service provision, the Council has continually strived to ensure that essential services that safeguard its most vulnerable residents are protected and prioritised in addition to ensuring that its financial sustainability is maintained. This has been undertaken successfully since 2010.
- 2.3. In advance of the 2017/18 financial year, the Council was faced with an overall funding gap of approximately £64m for the following 3 year period as a result of spending pressures and Government funding reductions. Due to the scale of this financial challenge (and taking into account the significant savings that had already been made since 2010) the Council undertook a comprehensive review of its role within the Borough, via the Imagine Sefton 2030 consultation and as a result, updated its core purpose.
- 2.4. It was subsequently determined that the delivery vehicle for the Council's core purpose and to ensure financial sustainability would be the "**Framework for Change**" programme. The key pillars of the this programme that were approved by Members are shown in the following diagram:-



- 2.4 In March 2017, Council approved a three year budget plan to 2020 that would meet the financial challenge faced and would help deliver the Council's core purpose. As the Council enters the second year of this budget plan it remains confident, that its continued strategic approach to budget planning alongside good financial management and extensive community engagement, means that the plan continues to develop on solid foundations, remains flexible and will secure the future sustainability to 2020 and beyond.
- 2.5 Whilst these solid foundations are in place, the Council remains vulnerable to a range of issues that can impact upon its financial sustainability and which impact upon the decisions that it has to make. These include the impact of demand pressures within Adults and Children's Social Care, the impact of decisions arising from the Liverpool City Region and most significantly central government policy. Despite setting a 3 year budget in March 2017, each of these will have a material impact upon the Council's budget up until 2020 and the Council will need to be flexible in how it manages these changes which often are adverse in nature and require further difficult decisions to be made.
- 2.6 The demand led pressures that the Council faces particularly in respect of Adults and Children's Social Care continue to present significant challenges. In 2017/18 Social Care budgets amounted to £114m and represented approximately 54% of the Council's Services net budget. Members will recall that over the budget plan period Adult Social Care faces additional pressure of approximately £25m to 2020 and nationally the budget position with regard to Children's Social Care and particularly Looked after Children is placing unprecedented pressure on Council budgets and reserves.

- 2.7 As yet there is no clear policy direction as to how the Government intends to address the funding challenge around Adult Social Care so that existing need can be met, the market made sustainable and future pressures addressed. This is a significant concern to Sefton as the Council remains committed to protecting the most vulnerable. The interface with the National Health Service and the challenges that this presents the Council due to the financial pressure and resulting impact in that sector are also significant and require immediate attention.
- 2.8 Similarly, like other councils across the country, Sefton is also faced with an increase in the number of children and young people requiring support from Children's Social Care. Improving life chances for children and families in Sefton is a critical element of the Council's Early Intervention & Prevention work. The Council is keen to work with partners to ensure that positive approaches are put in place that will help all members of our community to live happy and healthy lives, with positive approaches in place for those that need that bit of extra support from time to time.
- 2.9 These are just two of the key pressures facing the Council and this means that it has to continue to make very difficult choices and demand in these areas. If these pressures are not able to be contained within limited resources, financial contributions from elsewhere within the Council will have to be identified in order that the challenge is met.
- 2.10 As set out within the Framework for Change programme the Council remains focused on: -
- Creating more and better jobs for local people – Economic Growth
 - Working with partners to deliver affordable services which achieve the best possible outcomes – Public Sector Reform
 - Making every pound count in everything we do – Service Delivery Options
 - Investing wisely and creatively to make and save money, grow faster and enable our communities to thrive – Strategic Investment
- 2.11 All of these activities truly put people at the heart of what the Council does and seeks to achieve the best possible outcomes for local people. As the change progresses the Council will continue to adopt a 'can do' approach to collaboration aimed at working together with partners and communities in a positive, productive environment.

3. Framework for Change – Progress to date

- 3.1 In this first year of the budget plan and the Framework for Change, the Council has clearly demonstrated that the feedback from the Imagine Sefton 2030 consultation has been taken into account in the development of new strategies, approaches and ideas. Just one example being that during 2017, many people enjoyed the Year of Sefton's Coast, as the Council and partners celebrated 22 miles of fantastic coastline, all developed on the back of community feedback. This year also saw the Sefton Coast Landscape Partnership, during which the Council developed, consulted on and adopted a Sefton Coast Plan to enable the strategic management of this important asset. This strategic partnership approach saw the Council complete a land transfer deal at Formby with the

National Trust. The Trust will invest in the visitor experience and maintain the land. The opportunities that Sefton's coastline present will continue to feature as growth and regeneration plans develop.

- 3.2 The budget plan clearly articulates the Council's approach of investing some of its resources in order to achieve financial sustainability and to realise the ambitions of Sefton 2030. The Council's plans also recognise the importance of investing in regeneration activity, assets and the Borough's infrastructure to support the creation of business growth, jobs and attract investment. The first year of the budget plan has seen the Council demonstrate delivery against bold ambitions with the purchase of the Bootle New Strand Shopping Centre and the in principle approval to the creation of a wholly owned Council Housing Development Company, which will not only enable new homes to be built for local residents, but also generate additional financial resources to help protect Council front-line services. Both of these decisions sit at the heart of Council and partner ambitions and aspirations, to create a great place to live, work, visit and invest.
- 3.3 A key challenge during this difficult financial environment is for the Council to engage with members of the community in order that they can understand why the Council is spending money on changes such as these. The investment used to deliver this type of project cannot be used to deliver Council services such as Social Care; however, the future income that they generate can be used to help protect frontline services and make Council services more sustainable.
- 3.4 The Council will continue to explore, develop and implement new income opportunities in order to ensure future sustainability and improve outcomes for local people. Whilst this will not provide income immediately, the aim is to develop new income streams to bridge future years' budget gaps, and help prevent further loss of service provision. Such decisions will be based upon sound business cases and will require input from internal and external expertise in order that Members can make informed decisions and all risks are evaluated as far as possible.
- 3.5 At a City Region level Sefton takes the lead on the Employment & Skills agenda. The Council is keen to ensure that employers and communities can access recruitment, skills and employability advice through Invest Sefton, Sefton At Work and Sefton Community Learning. Together these services have supported business development, people into work, and in addition to this, the Council directly employs over 60 apprentices. The Council also continues to work with partners from across Liverpool City Region to build the infrastructure needed to attract new jobs and businesses to Sefton; through this work the Borough has seen 1,530 new jobs created so far in 2017/18.
- 3.6 Locally, the Council continues to strive for greater collaboration across the City Region and beyond. In particular officers have been working with Liverpool City and Knowsley Councils around the commissioning of adult and children's social care services. Discussions are underway with a number of Merseyside authorities to consider the best way of providing care services for the elderly and those adults with disabilities. An option for a single service provision across a number of councils is being considered. If implemented, this transformational change could enable an improved / joined up service for all concerned.

- 3.7 A significant proportion of the Council's capital investment programme is in transport network improvements, for example the M58 Junction 1 changes in the east of Sefton, and working with others to improve rail connectivity, with the opening of the new train station, Maghull North, later this year.
- 3.8 Significant progress has been made in the Public Sector Reform (PSR) projects that seek to work with partners to deliver affordable services which achieve the best possible outcomes for the people of Sefton. In particular, the development of the Council's Localities model has made significant progress. Through engagement with our communities, they have said if Council's teams were more joined up, working with them as individuals and families rather than service users, this would really make a difference to their lives. This approach will enable early solutions to problems and challenges faced by people will be developed, that will help them to become more resilient and better able to cope with issues in the future.
- 3.9 Part of this work saw the Council undertake a major consultation with the people of Sefton on the approach to Family Wellbeing. Through this consultation the Council really demonstrated the flexibility that exists in the budget plan. Having listened to the community, the Council agreed to change its approach to the implementation of this proposal and continued to progress to a more joined-up approach for the whole family covering ages from pre-birth to 19 year olds.
- 3.10 The Vision Outcomes Framework demonstrates a partnership commitment to working together to reduce the reliance on the public sector. Sefton benefits from a vibrant and active voluntary, community and faith sector. The community benefits enormously from this; 2018 will see another year of celebration as the Council and partners champion the amazing work of the thousands of Sefton volunteers and the resilience that they provide.
- 3.11 As the Council's PSR projects are implemented, the Authority will continue to change the way that it works, physical and built assets will need to change and some assets will be disposed of. The outcomes and benefits of taking this approach will include:
- An improved customer experience;
 - An efficient estate which is right-sized and fit for purpose;
 - Greater partnership working with buildings being used to facilitate co-location of partner service provision;
 - Appropriate ICT infrastructure, space planning and management processes that allow staff to work in an agile manner;
 - Financial benefits realised through re-invested capital receipts and revenue savings; and
 - Job creation and wider social benefit through the regeneration work resulting from disposal and re-designation of Council assets.
- 3.12 The PSR programme also contains initiatives that will see the Council operate more commercially in the future, finding new ways to trade, reduce subsidy and deliver services with a commercial edge while retaining its social purpose. The Council will aim to make a profit but will reinvest it to make a difference to lives and economy of Sefton.

- 3.13 The Council will also continue to explore all opportunities to make every pound count (Service Delivery Options). This first year of the budget plan has seen 100% delivery of all initiatives in this area and the budget plan has been updated to include a further £2.496m in 2018/19.
- 3.14 Every opportunity has been taken to ensure, as far as possible, that frontline services are protected and that the financial burden on residents is minimised as much as possible.

4. Medium Term Financial Plan 2018/19 – 2019/20

- 4.1. As discussed previously within the report, the Council set out in March 2017, a three year budget plan that would meet the objectives of its core purpose whilst delivering financial sustainability. It was acknowledged at that time, that the financial assumptions underpinning the overall Medium Term Financial Plan and those made in respect of the Public Sector Reform projects in particular, would be continually updated as more up to date information becomes available and projects progressed through their various stages of development, consultation and implementation.
- 4.2 The three year budget plan included balances still to be identified of £5.903m in 2018/19 and £2.534m in 2019/20. These balances excluded the impact of any Council Tax increases in 2018/19 and 2019/20. However, should the Council increase Council Tax by the levels originally assumed by central government, i.e. 4.99% in 2018/19 and 1.99% in 2019/20, then these residual gaps would have been met.
- 4.3 As part of this budget setting cycle therefore, all MTFP assumptions have been revised (this builds upon the MTFP that was presented in July 2017). In addition, all savings proposals previously presented have been updated to take account of updated scope, review of core budgets and where appropriate consultation feedback. This is detailed in paragraphs 4.7 to 4.10.
- 4.4 From this review, a funding gap of £11.227m and £2.542m now exists in 2018/19 and 2019/20 respectively, a total of £13.769m. A number of remedial actions, as set out in Section 5, amend the funding gaps to £7.147m in 2018/19 and £3.792 2019/20, a total of £10.939m
- 4.5 If the Council were to increase Council Tax by the levels originally assumed by central government last year, i.e. 4.99% in 2018/19 and 1.99% in 2019/20, then these residual funding gaps would no longer be met. Funding gaps of £1.244m in 2018/19 and £1.258m would remain. These gaps are directly attributable to the local government pay offer and the transport levy that will be payable by the Council.
- 4.6 However, the Government are providing authorities with the opportunity to increase Council Tax by an additional 1% in both 2018/19 and 2019/20. If the Council were to increase Council Tax by the maximum in each year, i.e. 5.99% in 2018/19 and 2.99% in 2019/20, then the remaining funding gaps would be met.

MTFP Updates

4.7 Additional Budget Pressures

Adult Social Care – **(£2.900m)** - The Adult Social Care Grant is being used in 2017/18 to fund different areas of spend, some of which are continuing pressures (as described in the report to Cabinet on 7 September 2017). However, as the grant reduces in the following two years, the amount to support these continuing pressures are not available so will need to be funded by the Council.

Children's Social Care – **(£0.700m)** - There is continuing pressure on the Placements and Packages budget which is currently forecast to overspend by £1.700m in 2017/18. It is considered that some of this pressure will continue in 2018/19 and future years therefore a provision of £0.700m is required.

4.8 Key MTFP assumption revisions

The Medium Term Financial Plan presented in July 2017 outlined potential changes to assumptions around core funding and other areas. Within this revised MTFP, there are a number of key changes that will impact upon the funding gap facing the Council over the next 2 financial years as well as a number of other changes. These are set out as follows:-

Local Government Pay Offer

In December 2017, the proposed local government pay offer was announced for 2018/19 and 2019/20. If accepted, the offer will result in an increase in the Council's pay bill of approximately 2.7% in 2018/19 and a further 2.8% in 2019/20. The majority of staff will receive 2% in each year, with lower level grades receiving above this amount. Members will recall that the Council has a 1% increase contained within its MTFP and as a result this increased offer will result in a budget pressure of **£1.277m** and **£0.941m** over the next two financial years.

Transport Levy

Following extensive discussions at a Liverpool City Region level, a 10% reduction in the transport levy, that would be payable by the Council in each financial year (2017/18 to 2019/20), was reflected in the Council's MTFP. During the last quarter of 2017, the Council has been advised by the Merseyside Transport Authority that it is unlikely that this reduction will take place. As a result, there will be a budget pressure of **£1.868m** in 2018/19 and **£1.681m** 2019/20 respectively.

Business Rates and Council Tax Base

As with every year the receipts that the Council can expect to generate through Business Rates and Council Tax have been reviewed. Based upon the latest information available, growth of approximately **£5.014m** will be experienced in 2018/19 with a further increase of **£0.770m** in 2019/20.

Waste Levy

The Merseyside Recycling and Waste Disposal Authority indicated last year that the Levy would need to increase by 11.5% in 2018/19. This assumption was

used within the Budget Plan. The MRWA has now indicated that the increase will be 9% generating a saving against the budget assumption of £1.225m in 2018/19. In addition, Sefton's proportion of waste has reduced compared to that assumed meaning less costs being allocated to the Council.

VAT Shelter Income – (-£0.130m) - The VAT Shelter agreement with One Vision Housing has now been extended by HMRC for a further ten years. This saving had been taken out of the budget as the original agreement came to an end. The amount is variable but this amount would be expected each year, for the period of the extension.

Leisure Income – VAT Liability Change – (-£0.700m) - The Council, working with Price Waterhouse Coopers, has put a claim in to HMRC arguing that income from leisure activities should be treated as non-business (or exempt from VAT) because Sefton is a public sector body. Although this argument has now been accepted by the HMRC, which will provide an ongoing saving (assuming charges remain at the same level), the Council is still awaiting approval to implement the changes. For budget planning purposes it is assumed that this will be implemented from April 2019.

Budget "Surplus" – (-£1.481m) - The Budget Plan for 2019/20 included a balancing amount following the late decision to change the profile of Council Tax increases across the 3 year MTFP period.

New Homes Bonus Reduced Funding – (+£0.158m) - The Budget Plan assumed that unallocated New Homes Bonus funding, that the Government had previously been returning to councils, would continue. However, the Government has announced that all funding has been allocated in 2018/19, so no amounts are available to return to councils.

4.9 Impact of the Local Government Financial Settlement

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 3 areas that the Council is particularly interested in; namely:-

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

On 19 December 2017, the Communities Secretary released the Local Government Finance Settlement for 2018/19. Within this announcement the overall grant allocation that will be received by Sefton was confirmed i.e. unchanged from that previously forecast. This reflected the 4 year financial settlement for the period 2016/17 to 2019/20 that over 95% of councils nationally signed up to.

Despite ongoing and high profile lobbying and publicity, the Government continues to offer no long term sustainable solutions to the severe issues being experienced within Adults and Children's Social Care. As previously discussed within this report, the position of Sefton is not unique with regard to the financial and demand pressure being experienced and with previous support that has been offered re Adult Social Care being 'one-off' in nature and decreasing annually, the absence of additional funding or policy guidance means that this fundamental issue remains and is a key financial risk both in the short and long term to the Council.

In considering the overall options available to councils, the Communities Secretary, announced that the Government has raised the threshold for general Council Tax from 1.99% to 2.99% for 2018/19 and 2019/20 due to the higher levels of inflation currently being experienced. This would be in addition to the Adult Social Care precept. This would result in maximum annual Council Tax increase of 5.99% being available to the Council in 2018/19 and 2.99% in 2019/20.

4.10 Review of Budget proposals and planning assumptions

Members will recall that, in approving the Public Sector Reform projects, a budget planning assumption of savings of £29.122m was included in the three year budget plan, of which £26.406m was to be delivered in 2018/19 and 2019/20.

The 2017/18 budget report highlighted the risks that were inherent in such an ambitious transformation programme and the mitigations that would be put in place to offset these risks. The Council put in place strong, effective and robust governance arrangements to monitor the activity, impact and risks of each project together with the associated savings. The budget planning assumptions for each project have been refreshed as a result of the governance arrangements. These assumptions will continue to be reviewed with significant variations reported to Cabinet. The impact of the refreshed assumptions on the two remaining years of the budget plan is shown below:-

Project	Saving 2018/19 - 2019/20- original estimate £'m	Saving 2018/19 - 2019/20- revised estimate £'m	Variation £'m
PSR1-EIP Most Vulnerable	0.790	0.790	0.000
PSR2-EIP Locality Teams	11.089	9.439	1.650
PSR4-Special Education Needs and Disability	1.562	1.390	0.172
PSR5-An Excellent Education for All	0.319	0.319	0.000
PSR6-Creating New and Improving Revenue Streams	1.899	0.938	0.961
PSR7-Environment and Pride in Place	0.695	0.695	0.000
PSR8-Asset Maximisation	3.300	1.962	1.338
PSR9-ICT and Digital Inclusion	3.739	3.739	0.000
PSR10-Commissioning and Shared	3.013	2.007	1.006

Services			
	26.406	21.279	5.127

The most significant variations are:

- PSR2 - Locality Teams (**£1.650m**) – The Locality Teams workstream is made up of a number of different strands. The savings allocated to each work package now total £8.450m, a reduction of £0.550m on the total savings envisaged. This has arisen for a number of reasons, for example the scope of the Locality Teams Workforce, revised assumptions relating to the childcare subsidy following conversations with elected members and schools. In addition, the target associated with Troubled Families (£1.100m) is currently considered to be unachievable within the budget plan period. There are also phasing issues relating to Family Centres / Subsidies (£0.800m) and the savings associated with administration teams (£0.450m).
- Asset Maximisation (**£1.338m**) – Savings of £0.962m relate to the known decommissioning of buildings following staff accommodation changes. The previous savings assumption is currently considered unachievable until specific assets can be identified. An asset review has commenced and the review of the operational estate will be revisited. It is proposed to retain a planning assumption of £1.000m to reflect the outcome of these reviews; and,
- PSR10 - Commissioning and Shared Services (**£1.006m**) – The workstream is made up of a number of different strands. Savings of £1.007m relate to already identified proposals. The previous savings assumption is currently considered unachievable within the budget plan period, predominantly due to the lack of progress within the proposed LCR procurement hub. A thorough review of all procurement activity is underway to identify further savings. It is proposed to retain a planning assumption of £1.000m to reflect the outcome of these reviews.

5.0 **Two-Year Budget Plan 2018/19 to 2019/20**

5.1 Based upon the revisions to the Medium Term Financial Plan and the savings that are forecast from the Public Sector Reform programme, it is now estimated that the funding shortfall in the following two years will be £11.227m and £2.542m respectively, before any Council Tax decisions are made and any additional service delivery options are considered. A detailed analysis is shown below: -

	2018/19 £'m	2019/20 £'m	Total £'m
Original MTFP Funding Gap	5.903	2.534	8.437
MTFP Changes			
Additional Budget Pressures:			
- Adult Social Care	1.300	1.600	2.900
- Children's Social Care	0.700	0.000	0.700
Local Government Pay Offer	1.277	0.941	2.218

Transport Levy	1.868	1.681	3.549
Business Rates and Council Tax Base	-5.014	-0.770	-5.784
Other Changes:			
- Waste Levy	-1.184	-0.041	-1.225
- VAT Shelter Income	-0.130	0.000	-0.130
- Leisure Income - VAT Liability Change	0.000	-0.700	-0.700
- Budget "Surplus"	0.000	-1.481	-1.481
- New Homes Bonus Reduced Funding	0.158	0.000	0.158
Changes arising from PSR programme	6.349	-1.222	5.127
Revised MTFP Funding Gap	11.227	2.542	13.769

- 5.2 Members will recall that in developing a three year budget package for the period up to and including 2019/20, that financial sustainability was a key priority and that in March 2017, a three year budget package that would achieve this outcome was agreed.
- 5.3 As detailed in paragraph 5.1 it can now be seen that the budget shortfall to be met in 2018/19 and 2019/20 is now estimated to be £11.227m and £2.542m respectively.
- 5.4 In order to support this two year package, and the revised funding gap, a number of Service Delivery Options are now proposed as follows: -
- Supplies and Services Saving – (-£1.000m) – The 2017/18 budget includes a temporary reduction in Supplies and Services budgets of £2.000m. This includes Repair and Maintenance savings, which aren't considered sustainable, and savings on budgets that are part of PSR savings (particularly PSR2 – Locality Teams). It is now considered that making the remaining part of the saving permanent will have little operational impact on services.
 - Sefton New Directions Contract Saving – (-£0.330m) – The contract has been renegotiated to achieve savings agreed as part of previous Council budget proposals. However, an additional saving has resulted from these negotiations.
- 5.5 Members will recall that in last year's budget report, it was stated that there was no provision for a financial contribution to be made from either the strategic investment or economic growth workstreams, as they were at the inception stage. As discussed earlier in this report, the Council acquired the New Strand Shopping Centre in April 2017. In addition to the regeneration benefits and opportunities that it presents, an annual income stream will be received from the ownership of the asset. Within this budget package, it is proposed that **£0.500m** per annum from the Centre's operations be utilised to contribute to the Council's MTFP, based on current income projections. This will be used for regeneration and economic growth purposes.
- 5.6 Members will also recall that due to the size of the transformation programme, its complexity and the need to ensure that any proposed changes are delivered with

minimal impact on residents that some phasing of savings would be required with the use of one-off resources. Two Phasing Options are now proposed as part of this budget package:

- PSR2 – Re-phasing of Saving Achievement – An element of the PSR2 – Locality Teams saving (£1.250m) originally assumed to be achievable in 2018/19 will not now be achieved until 2019/20. It is proposed to fund this saving through the use of a ‘one-off’ Business Rates and Council Tax surplus which will be available to the Council in 2018/19.
- Transforming Sefton Reserve – The 2017/18 budget includes the use of £2.000m of the Transforming Sefton Reserve to support the budget. The Budget Plan assumed that this would be paid back into the Reserve in 2018/19 and 2019/20 (£1.000m per year). It is now proposed to fund this repayment through the use of a ‘one-off’ Business Rates and Council Tax surplus which will be available to the Council in 2018/19.

5.7 Based upon the additional contributions as set out in paragraphs 5.4-5.6, a summary of the Council’s overall budget position for 2018/19 and 2019/20 is shown as follows:-

	2018/19 £’m	2019/20 £’m	Total £’m
Revised MTFP Funding Gap	11.227	2.542	13.769
Budget proposals			
Service Delivery Options	-1.330	0.000	-1.330
Strategic Investment	-0.500	0.000	-0.500
Phasing Proposals	-2.250	1.250	-1.000
Remaining Funding Gap	7.147	3.792	10.939

5.8 It can be seen within the table at 5.7, that there remains a gap of £7.147m in 2018/19 and £3.792m in 2019/20. The budget gap excludes any Council Tax increase at this stage. As the Government are providing authorities with the opportunity to increase Council Tax by an additional 1% in both 2018/19 and 2019/20. If the Council were to increase Council Tax by the maximum in each year, i.e. 5.99% in 2018/19 and 2.99% in 2019/20, then the remaining budget gaps in each year would be met.

Note that the Funding Gap in 2019/20 is provided for illustrative purposes only, pending confirmation of the Local Government Settlement in December 2018 and any changes / new pressures that are identified in the intervening period. The actual level of Council Tax will be determined by Council in the relevant year.

Risk Management, Financial Monitoring and Sustainability

5.9 It is inevitable that with a programme of this size and the number of projects that exist, that during the course of the budget plan period 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.

Each of these issues would have a financial implication and this will need to be managed through the governance structure as set out within the Framework for Change. Whilst such a scenario is one that will need to be managed over the course of the budget plan period, 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.

5.10 It can be seen from the summary table at paragraph 7.21, that a balanced budget package is reported in 2018/19. Members need to consider however, that in the absence of any long term solutions being available in respect of Social Care and the continued austerity programme that is in place, there continues to be extreme financial pressure being placed upon the Council to deliver the large savings package proposed, and as such, as with all local authorities there is inherent risk within the budget package that will need to be managed. As such, rigorous monitoring and risk management of the 2018/19 budget will need to take place and it is proposed that a comprehensive mid-year review exercise be undertaken (as at end of July 2018) in order to support this, and provide Members with visibility on these key issues that could affect the overall financial performance of the Council during the next two financial years in particular. As discussed previously within this report, some of the key risks that will need to be managed include: -

- Progress in delivering PSR savings and in particular the £5.5m in respect of Early Intervention and Prevention- Locality Working during 2018/19;
- The capacity within the Council of Members and senior staff to meet such a challenging programme of work in a manner that protects the most vulnerable whilst maintaining business continuity;
- The inherent and ever increasing demand based pressure in Children's and Adults Social Care; and
- The potential for Adults Social Care provider fee increases. At present £2.9m of growth is included within the MTFP and Adult Social Care Budget. It is proposed that any increase over this sum would need to be met from within existing service budgets. In the event that this is not the case corresponding income/savings will need to be achieved.

5.11 With regard to 2019/20, it can be seen from the table within paragraph 5.7 that a residual funding gap of £3.792m remains (before any Council Tax decision). This is £1.258m worse than assumed in the original Budget Plan of March 2017. Whilst this is not favourable, it is clear that the financial forecasts that were made over the three year period were robust and would support the delivery of the Council's core purpose and the delivery of financial sustainability.

- 5.12 As a result, the identification of additional budget proposals will commence from April 2018, and will be included in the mid-year review as set out in paragraph 5.10. This will be particularly important as with no indication of central government policy change in respect of its austerity programme, nor any long term solutions being offered to the provision of Adult and Children's Social Care. The Council will continue to experience extreme financial pressure beyond this current budget plan period. Indeed, it is forecast that if grant reductions continue at the same rate as in previous years, the Council will be faced with a funding gap of at least £13m in 2020/21 (excluding any demand pressures).

6 Budget Plan 2018/19 to 2019/20– Conclusion

- 6.1 This has been a very positive first year of this financial plan period. The Council will continue to play its part and show strong and visible leadership in delivering the Vision 2030. The Council has adopted the 2030 Sefton Vision of 'A confident and connected Sefton' and will continue to strive to deliver key priorities, ensuring everything it does has a contributory focus to the future of the Borough.
- 6.2 Since 2011, due to central government policy the Council has faced a funding gap of £233m, with a direct loss of 51% of Government funding by the end of 2019/20. The Council has been required to make very difficult decisions which have been subject to extensive consultation and engagement with communities.
- 6.3 In March 2017, the Council set out its Framework for Change programme, the detail and core elements of which were designed to enable delivery of its core purpose and financial sustainability. This comprehensive, challenging and ambitious programme was required in order to not only enable the delivery of Council priorities but also meet the ongoing, and ever demanding, funding shortfall that is as a direct result of the central government austerity programme.
- 6.3 This programme has delivered tangible benefits in service delivery and financial sustainability in the first 12 months and the plans set out for the period of this MTFP will support the objectives and pathway that were detailed in March 2017.
- 6.3 As with all organisations, the Council, whilst having robust plans in place, needs to be flexible in how it approaches and responds to new issues. In approaching the Framework for Change, the Council was clear and committed to listening to stakeholders, as proposals were developed and implemented. This commitment remains, and as such, the proposals within this report maybe updated within the Council's budget and policy framework. Likewise, the Council remains vulnerable to central government policy decisions, demand led pressures and the impact of financial decisions taken in respect of the City Region and levying bodies. As recently as December 2017, these have had a material impact on the Council's plans for the forthcoming two years and whilst this impact has largely been contained within 2018/19, it has generated an increased funding gap for 2019/20.
- 6.4 It is important that the Council's commitment to the Framework for Change is maintained and suitably resourced and that ensuring financial sustainability remains a key priority. Due to the funding challenges faced by the Council, difficult decisions will continue to be required to be made, sometimes without a viable or alternative option being available.

- 6.5 Whilst this budget report focuses on 2018/19, it is prudent for the Council to look beyond the current three year horizon and into 2020/21. In the absence of any change to central government's austerity programme or long term sustainable solutions in respect of Adults and Children's Social Care, the current scenario that is faced by the Council will continue. Planning and preparation for this period will therefore need to commence during the next financial year.

7 Budget 2018/19 – Specific Issues

Charges Relating to External / Levying Bodies

- 7.1 The Council is required to pay charges relating to levies from external bodies. The expected payments for 2018/19 and their impact on Sefton's budget compared to 2017/18 are shown in the table below:-

<u>Levying Body</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority	18,677,000	TBC	TBC
Waste Disposal Authority	12,661,305	TBC	TBC
Environment Agency	152,222	TBC	TBC
Inshore Fisheries & Conservation Authority	64,132	TBC	TBC
Port Health Authority	13,500	TBC	TBC
	31,568,159	TBC	TBC

The 2018/19 figures will be reported at Budget Council.

- 7.2 The LCR Combined Authority levy payment (in the above table) is Sefton's contribution to the cost of provision of transport services across the region. In order to support the 2018/19 transitional Mayoral requirements of the Liverpool City Region Combined Authority, the six constituent councils will make revenue contributions totalling £6.2m into the Single Investment Fund, of which Sefton Council's contribution will be £1.209m. This is an investment in the future of the City Region and a demonstration of each councils commitment to the Single Investment Fund. Through this approach, it is anticipated that each of the constituent councils in the City Region will benefit from a repayment of this sum and future economic returns arising directly and indirectly from the application of the Single Investment Fund. It is proposed to fund this contribution through the use of a 'one-off' Business Rates and Council Tax surplus which will be available to the Council in 2018/19.

Proposed Overall Council Tax increase

- 7.3 The proposed total increase in the Sefton Council Tax for 2018/19 will be reported to Budget Council following any recommendation from Cabinet.

8 Specific Grants

Dedicated Schools Grant (DSG) 2018/19

- 8.1 The 2018/19 Dedicated Schools Grant settlement was announced on 18th December 2017, and is based on four main funding blocks; Schools; Central School Services; Early Years and High Needs. This is in line with Department for Education (DfE) announcements regarding 2018/19 funding guidance issued in September 2017. A DfE baseline funding exercise carried out earlier in 2017 has been used to take account of the Authority's Inter-block funding adjustments and changes from 2016/17 and 2017/18 going into 2018/19. In addition, the DfE announced the transfer of place funding and pupil numbers for children in mainstream SEN Resourced Units from the High Needs Block to the Schools Block for 2018/19 (£0.857m has been transferred in respect of Sefton).
- 8.2 The 2018/19 national DSG allocation for Sefton of £200.136m is set out in the table below. Note that these figures are before any adjustments made for agreed local contributions from Schools Block (£0.450m) and Early Years Block (£0.200m) towards High Needs budget pressures in 2018/19.

<u>Block</u>	<u>2017/18 Revised allocation</u>	<u>2018/19 Initial allocation</u>	<u>Increase / Decrease (-)</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Schools Block (Incl. Academies)	154.909	156.920	2.011
Central School Services Block	1.239	1.254	0.015
Early Years Block	14.994	16.163	1.169
High Needs Block	26.064	25.799	-0.265
Summary totals	197.206	200.136	2.930

**Individual school allocations are shown in Appendix A and are net of a £0.450m contribution to High Needs from the Schools Block funding and of £0.150m Infant Class pupil growth retained centrally.

- 8.3 In July 2017, an announcement was made by the Secretary of State for Education, that an extra £1.3bn of funding was to be made available to schools over the next two years 2018/19 – 2019/20, after which there is to be a move towards a new National Funding Formula for all schools by 2020/21, subject to Primary legislation. The additional resource is to ensure that no school will lose funding against its 2017/18 baseline in 2018/19; and that there would be at least +0.5% growth funding per pupil p.a. included for each of the next two years. This announcement was in stark contrast to a potential significant drop in funding for Sefton schools, under the original proposals for change towards a new National Formula funding, announced in December 2016, pre consultation.
- 8.4 The National Schools funding allocations for 2018/19 have been based on using the new National Formula Funding methodology; and Local Authorities are now being given two years of a 'soft' formula funding approach, whereby they can choose, in consultation with their schools and Schools Forum, to move flexibly towards the new National Formula Funding distribution locally; or remain largely

with their own existing Local formula, before a 'hard' formula funding regime cuts in from 2020/21, at which time, the DfE would control all school funding allocations nationally.

Schools Block

- 8.5 On the basis of the announcement and use of the new National Funding Formula by the DfE in distributing the national funding for 2018/19 and also including the change to the 2018/19 starting baseline for Resourced Unit Places, Sefton's Schools Block will see an increase of £2.011m compared to 2017/18. This breaks down to £0.857m of existing funds transferring from High Needs for the Resourced Unit places as explained above leaving a real increase of £1.154m. This figure includes the headroom growth funding of +0.5% per pupil (£0.706m); Protection for schools to ensure no loss of funding compared to their current baseline (£0.448m); and is after taking account of changes in pupil numbers between October 2016 and October 2017 (Reduced funding of £-0.035m).
- 8.6 This additional funding for protection also seeks to ensure that new minimum funding levels per pupil of £3,300 per Primary pupil and £4,600 per Secondary Pupil are reached in 2018/19. The DfE have set the minimum funding guarantee at 0% in the national distribution of funding, in order to protect all schools likely to be affected by the new national formula changes, which for Sefton, is most of them. The Schools Block figure is also inclusive of historic Infant Class Growth funding (£0.150m), which has been agreed by Schools Forum to be set aside at the same level for 2018/19. The DfE have yet to decide how pupil growth during the year will be dealt with in the future.
- 8.7 Taking into account the inclusion of Resourced Unit children into the schools block formula from 2018/19, and comparing like-with-like to 2017/18, overall pupil numbers have increased by just +26. However, this belies an increase in Primary pupil numbers of +150 and a decrease in Secondary pupils of -124. The downward trend in Secondary pupil numbers continues, but appears to be slowing from the previous year, when numbers showed a decrease of -269 coming into 2017/18. Due to the new national formula funding mechanism per pupil which now differs between Primary and Secondary pupils, the Council has had a net funding reduction of around £-0.035m going into 2018/19 compared to the single base funding unit per pupil applied across all pupils in 2017/18.

Central School Services Block

- 8.8 From 2018/19, a new Central School Services Block comes into existence. This will contain funding for ongoing historic and other centrally retained DSG services, such as the running of the Professional Development Centre; Grounds Maintenance for former closed schools; Free School Meals checking; School Licences; School admissions; and former Education Services Grant (ESG) which funded statutory duties of the Local Authority, performed for all schools in the Borough. This block will be funded on a per pupil basis by the DfE going forward and may be reduced in future settlements, as it expects Local Authorities to start to remove many of its historic cost related activities over the next few years prior to a National Formula. The funding of these services sees a small increase into 2018/19 of just £0.015m from £1.239m to £1.254m. An analysis of the 2018/19

central budgets are shown below and have been formally agreed at Schools Forum on 15th January 2018:

- Contribution to Combined Services & Miscellaneous Expenditure - **£0.289m** (Includes budgets for residual running costs of closed schools including any repair and maintenance and utility costs across Primary, Secondary and Special sectors, a contribution towards the Professional Development Centre, and support of residual grounds maintenance.)
- Co-ordinated admissions scheme - **£0.137m**
- School Licences etc. - **£0.187m** as announced by the DfE in December 2017
- Servicing of the Schools Forum - **£0.062m**
- In addition, the Council have requested that the ESG retained funding, which has transferred to DSG from Council funding from April 2017 is kept centrally within DSG to contribute towards the costs of the Council's ongoing statutory duties for all schools - **£0.579m**

8.9 The Local Authority has also asked its Maintained schools to accept charges in respect of ongoing statutory functions which it continues to perform on their behalf but which are no longer funded through the Education Services Grant. This was formally agreed in consultation with schools at Schools Forum on 4 December 2017 from 2018/19, and is expected to recover around £0.520m when including Special and Nursery schools. This would be treated as a de-delegated charge against all the Maintained schools even though these functions cannot be delegated to schools.

Early Years Block

8.10 Early Years has seen a large increase in funding year on year compared to 2017/18 (£1.169m), the greatest part of which, is to cover the Full Year expansion of the 3-4 year old extra 15 hours of childcare available to working parents, which commenced in September 2017. In addition, the Council will get some extra funding to its Early Years Disability Access fund based on the level of demand. There have been no other changes to the Base funding allocations into 2018/19, including the 2 Year old childcare offer. Maintained Nursery Schools will also continue to receive a subsidy to ensure their financial stability, at the same levels of funding as 2017/18, as part of a 3 year guaranteed funding amount (2017/18-2019/20).

High Needs Block

8.11 The High Needs Block sees a net decrease in funding of £-0.265m year on year. However, £0.857m of the baseline funding has been transferred to the Schools Block for the place funding of Resourced Unit children through the schools formula. Allowing for this adjustment, the High Needs funding for 2018/19 actually sees an increase in real funding of around £0.592m (i.e. £0.857 minus £0.265m).

8.12 Sefton's High Needs budgets have been under severe pressure over the last two years and are forecast to overspend by around £1.6m in 2017/18. The DfE have allowed Local Authorities to ask their schools and Schools Forum for a contribution of up to 0.5% of the Schools Block funding towards High Needs. Sefton has asked Schools for a £0.450m contribution for 2018/19 and this has

been formally agreed at the Schools Forum meeting of 4 December 2017, albeit after some debate and considered judgement. In addition, Early Years has also been asked to contribute £0.200m towards High Needs next year, to come out of some set-aside contingency funding given through the Early Years national Formula and ongoing. These contributions, together with the Area Cost adjustments for population growth given for High Needs should increase the High Needs resources by around £1.24m in 2018/19, which should help alleviate some of the budget pressures currently experienced.

- 8.13 The Head of Schools and Families however, has agreed to with the Schools Forum to commission a review of High Needs services in early 2018, which would include looking at costs and service levels etc. The cost of the review is to be funded from a special revenue grant of £0.104m given to Sefton and to other Local Authorities by the DfE for this purpose in 2017/18 which has been set aside.

9 Other Government Grant Notifications 2018/19

- 9.1 The Government have announced grant notifications for 2018/19 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.

Special Educational Needs and Disability Implementation Grant - £0.136m
and SEND Preparation for Employment Grant - £0.051m

- 9.2 This is the continuation of grant support from the Department for Education for the Special Educational Needs of the pupils across Sefton. This grant is to support the rollout of the Education, Health and Care plans for young people. The Council is asked to approve allocating the grant for this purpose.

In addition, a further SEND grant of £0.051m has been allocated in respect of Job Training for people working with young people with disabilities on work placements and towards setting up a Forum for supported internship.

Independent Living Fund - £2.173m

- 9.3 The indicative allocation for the 2018/19 Independent Living Fund grant is £2.173m. The 2017/18 allocation was £2.243m. It is proposed that the 2018/19 allocation will continue to be allocated to appropriate Adult Social Care budgets.

Lead Local Flood Authorities Grant - £0.011m

- 9.4 The Local Government Financial Settlement provides the majority of funding to Lead Local Flood Authorities to carry out their duties under the Flood and Water Management Act 2010, and for their role as statutory consultee on surface water for major development (i.e. they no longer receive a separate grant from Defra).

This funding is supplemented by a separate section 31 grant which makes good the Government's commitment to protect the level of funding in real terms throughout this Parliament. This section 31 grant element of the funding

totals £4m in 2018/19 and £4.3m in 2019/20. Sefton's Grant is £0.011m in 2018/19 and 2019/20. It is proposed that this continues to be allocated to the appropriate Flood Defence budget.

10 Summary of Budget Proposals for 2018/19

10.1 As a result of the information contained within this report the bridging of the 2018/19 funding gap is shown as follows:

	2018/19 £'m
Original MTFP funding gap	5.903
MTFP revisions	-1.025
Public Sector Reform Projects	6.349
Revised Funding Gap	11.227
Budget proposals	
Service Delivery Options	-1.330
Strategic Investment /Economic Growth	-0.500
Phasing Proposals	-2.250
Remaining Funding Gap	7.147
Council Tax increase (TBC%)	TBC
Adult Social Care Precept (TBC%)	TBC

A summary of the budget for 2018/19, and the Budget Plan for 2019/20, is shown at Appendix B (note that for illustrative purposes this assumes Council Tax increases of 5.99% in 2018/19 and 2.99% in 2019/20).

11 Precepts

a. Police & Crime Commissioner and Fire & Rescue Precepts

The Police and Crime Commissioner is due to set a budget / precept for 2018/19 during February 2018, with a Band C increase of 7.23% proposed (£12.00 on a Band D property). The Fire and Rescue Authority is also due to set its budget / precept for 2018/19 in February 2018; with a Band C increase of 2.99% proposed.

	Precept			Band C		
	2017/18	2018/19	Change	2017/18	2018/19	Change
	£	£	£	£	£	%
Police	13,594,070	TBC	TBC	147.53	TBC	TBC
Fire	6,088,952	TBC	TBC	66.08	TBC	TBC

The approved 2018/19 figures will be reported at Budget Council.

b. Parishes

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

	Precept			Band C		
	2017/18	2018/19	Change	2017/18	2018/19	Change
	£	£	£	£	£	%
Aintree Village	60,000	113,000	53,000	26.42	49.31	86.64
Formby	72,500	80,000	7,500	7.12	7.80	9.55
Hightown	5,460	5,460	0	5.73	5.62	-1.92
Ince Blundell	1,950	2,009	59	10.60	10.98	3.58
Little Altcar	3,000	3,074	74	8.26	8.26	0.00
Lydiate	144,792	150,583	5,791	63.17	65.36	3.47
Maghull	605,656	643,347	37,691	82.92	87.37	5.37
Melling	20,000	20,000	0	18.12	17.79	-1.82
Sefton	3,600	3,500	-100	13.84	13.16	-4.91
Thornton	4,500	5,000	500	5.24	5.82	11.07
	921,458	1,025,973				

12 Recommended Council Tax for 2018/19

Council are recommended to approve the Budget for 2018/19, as set out in the main report.

The recommended overall Band C Council Tax to be raised for 2018/19 (excluding Parish Precepts) is as follows: -

	2017/18	2018/19	Increase
	£	£	%
Sefton	1,278.70	TBC	TBC
Police & Crime Commissioner	147.53	TBC	TBC
Fire & Rescue Authority	66.08	TBC	TBC
	1,492.31	TBC	TBC

The recommended Council Tax will be reported to Budget Council

13 Capital Programme 2018/19 to 2019/20

13.1 As part of Central Government's austerity programme, the capital grants previously available to local authorities have reduced year on year. As a result, the previous flexibility afforded to councils to establish a single capital pot from which capital and investment decisions could be made has been eliminated.

13.2 Previously a 'single capital pot' would have facilitated councils making informed decisions in respect of:-

- Capital investment in core services e.g. schools, transport and adult social care;

- Strategic ICT investment that would facilitate performance and efficiency improvements;
- A planned maintenance programme across the Council that would not only ensure statutory compliance, but also asset development;
- Investment in strategic initiatives that would enable service transformation; and
- Strategic investment that would support economic growth and investment within the Borough.

13.3 The two remaining grant allocations received by the Council are in respect of schools and transport. Due to the funding conditions, these grants will be utilised within the relevant services and the planned programme for each is shown at Appendix D, in addition to the proposed use of the Better Care Fund.

13.4 As a result of the current central government policy, the Council needs to address how it will continue to meet its capital and investment aspirations. In developing a capital programme, it is considered that a 3-5 year horizon should be taken in order that a realistic and deliverable set of projects and programmes can be developed and that flexibility is built in, so that emerging priorities can be reflected as and when required.

13.5 The Council, as demonstrated within its strategic investment and economic growth pillars of the Framework for Change programme, has an ambitious range of projects that it would like to take forward in addition to supporting its current asset and service development projects. As the Council does not have access to an unlimited budget, nor does it have an in house team that could work through each project, an element of prioritisation will always be required. This will continue to be the subject of Member decision making.

13.6 In order to inform this, it is proposed that an investment fund be developed over time that seeks to provide the direct funding to projects, which would enable projects to be developed with partners or would facilitate the use of external expertise where the Council did not currently possess the appropriate skills or capacity.

13.7 Due to the limited grant funding available, if the Council wishes to develop such a fund, it will need to either borrow the appropriate funding, or generate capital receipts. As previously reported to Members the Council can consider external borrowing, and would do so where a demonstrable financial return can be generated from a project that will meet the associated borrowing costs.

13.8 Similarly the Council has an extensive portfolio of assets, as set out in the PSR project - Asset Maximisation, the opportunity therefore exists to review this portfolio to determine which assets should:-

- Support operational delivery;
- Possess heritage value and should be developed and retained;
- Offer the opportunity to support economic growth and regeneration activity; and
- Offer the opportunity for disposal and the generation of a capital receipt.

13.9 It is therefore proposed that an asset review be undertaken over the next 12 months in phases, as part of PSR8 - Asset Maximisation, and that the outcome of that work be presented to Members for approval in due course and in accordance with the agreed governance arrangements.

List of Appendices

- A Individual School Budgets
- B Draft Council Budget Summary 2018/19 – 2019/20
- C Fees and Charges 2018/19
- D Capital Programme 2018/19 - 2019/20