

Report to:	Cabinet Council	Date of Meeting:	14 February 2019 28 February 2019
Subject:	Revenue and Capital Budget Plan 2019/20 and approach to Financial Strategy 2020/21 to 2022/23		
Report of:	Chief Executive, 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 2019/20 Budget Plan and preparation for the new three-year budget period 2020/21 to 2022/23;
- 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 2019/20;
- The Council's current financial position and the assumptions built into the Medium Term Financial Plan;
- The proposed Budget for 2019/20; and,
- The proposed Capital Programme for 2019/20.

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

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, a detailed assessment of the previously approved plans for 2019/20 has been undertaken to confirm their deliverability. In addition, a limited number of additional savings proposals have been identified to balance the budget and ensure long-term financial sustainability.

Recommendation(s):

Cabinet is recommended to:

1. Note the pressure arising from the 2018/19 budget and the resulting impact on the 2019/20 budget and the requirement for additional proposals to be approved in order to support financial sustainability;
2. Note the update of the Medium Term Financial Plan for the period 2019/20 to 2022/23;
3. Recommend to Council the Budget Plan for 2019/20, including the Revenue Budget, allocation of specific grants (section 10), Fees and Charges (Appendix D) and Capital Programme (Appendix E), and authorise officers to undertake the necessary actions to implement the recommendations; and,
4. Agree to the commencement of all appropriate activity as detailed including, for example consultation with employees and engagement with partners and contractual changes.

Council is recommended to:

Budget 2019/20 and Medium Term Financial Plan from 2020/21 to 2022/23

1. Note the update of the Medium Term Financial Plan for the period 2019/20 to 2022/23;
2. Approve the Revenue Budget for 2019/20 and authorise officers to undertake the necessary actions to implement the recommendations;
3. Delegate authority for the use and allocation of the Budget Pressure Fund and any other reserves and balances currently within the 2019/20 budget to the Chief Executive and the Head of Corporate Resources, in consultation with the Leader of the Council, in order to manage the overall financial outturn;
4. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets;
5. Approve the allocation of specific grants as detailed in the report (Section 10);
6. Approve the Fees and Charges as proposed in the draft Council budget (Appendix D);
7. Subject to the recommendations above, approve the overall Council Tax resolution for 2019/20 including Police, Fire, Mayoral and Parish Precepts; and,

Capital Programme 2019/20 to 2020/21

8. Approve for inclusion within the Capital Programme the Capital schemes as detailed in Appendix E.

Reasons for the Recommendation(s):

The recommendations in this report provide the basis on which the budget plan will be balanced for the financial year 2019/20 and will ensure that the Council's statutory obligations are met. In addition, it begins the early planning for the next three-year financial strategy to give the Council sufficient time to identify specific proposal to deliver financial sustainability over that period.

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

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

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications are reflected within the report

(B) Capital Costs

All financial implications are reflected within the report

Implications of the Proposals:

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

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

The proposals 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 Council to comply with the duty to consult with recognised Trade Unions and employees and to complete as necessary a notification under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992. This notification under Section 188 is dependent on numbers and other ongoing activity.

In a similar way to a notification under Section 188, as above Form HR11 notifying of potential redundancies to the Department of Business Innovation and Skills may be necessary. Full consultation will take place with the Trade Unions and employees on the matters contained within the Budget Plan.

The proposals within the budget plan will 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 on or before 10th March 2019. In the course of considering each of the individual

budget 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 transparent.

Equality Implications:

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

Contribution to the Council's Core Purpose:

Protect the most vulnerable:

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

Facilitate confident and resilient communities:

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

Commission, broker and provide core services:

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

Place – leadership and influencer:

This first and second years 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.

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

Drivers of change and reform:

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

Facilitate sustainable economic prosperity:

The Budget Plan clearly articulates the Council's approach to investing in order to

achieve financial sustainability and the ambitions of Sefton 2030.

Greater income for social investment:

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

Cleaner Greener:

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

What consultations have taken place on the proposals and when?

(A) Internal Consultations

Regular and ongoing consultations have taken place between the Chief Executive, Executive Directors, Heads of Service and Trade Unions, and will continue to do so.

The Head of Corporate Resources (FD5537/19) is the author of the report and the Chief Legal and Democratic Officer (LD4661/19) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

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

The budget proposals contained within this report provide an update on the budget plan. 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 28th February 2019.

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Appendices:

The following appendices are attached to this report:

- A. Service Options 2019/20
- B. Individual School Budgets 2019/20
- C. Draft Council Budget Summary 2019/20
- D. Fees and Charges 2019/20
- E. Capital Programme 2019/20 – 2020/21

Background Papers:

Mid-Year Review 2018/19 and Medium Term Financial Plan Update 2019/20 Onwards (incorporating the Revenue and Capital Budget Update 2018/19) – Report to Cabinet – 6th September 2018

1. Introduction

- 1.1 This report provides Members with an update on the overall financial position of the Council. It refreshes the Medium Term Financial Plan for 2019/20 which is the final year of the Council's current Financial strategy period. In addition, it provides an initial view on the likely funding position that the Council will face from 2020/21 to 2022/23, including implications of the local government finance settlement. In doing so the report presents the proposed budget for 2019/20.
- 1.2 In addition, Individual School Budgets, Fees and Charges and the Capital Programme require approval.

2. The National Context and financial environment

- 2.1. 2019/20 will be the tenth year of the Government's programme of austerity. The impact of continuing central government funding reductions on local government since 2010 is stark and has been widely reported. The National Audit Office (NAO) has published a report into the financial sustainability of local authorities which summarises the legacy of funding reductions and outlines the main challenges facing councils over the short and medium term.
- 2.2. The NAO found that local authorities experienced an average 49.1% real terms reduction in central government funding between 2010/11 and 2017/18. For Sefton, central government funding has reduced by 51% compared to 2010 thus demonstrating the inequality in funding reductions across the country and the disproportionate impact on this Council.
- 2.3. Key findings from the NAO report highlight:
 - A 3% real terms reduction in spend on social care services;
 - 10.9% growth in the number of looked after children;
 - 14.3% increase in the number of people aged 65+ in need of care.
 - Expenditure on non-social care services has fallen by 32.6%;
 - Local authorities overspent on service budgets by £901m (2016/17); and
- 2.4. At the same time, as unprecedented cuts to core funding, local authorities have encountered increasing demand and cost pressures. This has been most apparent in adult social care and children's services as well as new burdens due to unfunded central government initiatives including the impact of the Living Wage and Apprenticeship Levy.
- 2.5. The Local Government Association (LGA) analysis of the funding gap in local government is shown in the table below and underlines the magnitude of the cost pressures faced and which all Council's including Sefton, have needed to manage during the course of this MTFP period and which will again need to be met in 2019/20.

	2017/18	2018/19	2019/20
Children's Services	£1.1bn	£1.6bn	£1.9bn
Adult Social Care	£1.1bn	£1.3bn	£2.2bn
Homelessness	£100m	£100m	£200m
Apprenticeship Levy	£200m	£200m	£200m
Other Services	£1.2bn	£1.8bn	£2.3bn
Total Funding Gap	£3.7bn	£5.0bn	£6.8bn

- 2.6. In light of this position many local authorities are reporting that they are coming under an increasing level of financial stress, with an increased use of one-off resources being used and the utilisation of reserves to bridge budget shortfalls, thus compromising their financial sustainability. The much-publicised situation at Northamptonshire County Council outlines the consequences of over relying on the use of reserves to mitigate funding reductions and a failure to effectively plan and enact robust and disciplined financial control.
- 2.7. In the last two years there has been some one-off funding allocated by Central Government to councils in addition to core funding to assist with the pressures being experienced across the sector. These short-term funding initiatives, whilst welcome, do not meet the spending pressures that local authorities, including Sefton, are experiencing; nor do they make it possible for councils to effectively plan over the short and medium term. Consequently, despite a four-year settlement being in place, local government continues to be underfunded, with key services that affect the most vulnerable in society not being sustainably supported.
- 2.8. Over the next six months the government has committed to the biggest review of local government finance in a generation. In addition to the recent Central Government declaration that the austerity programme is over, there is a commitment to a Fair Funding Review to address concerns about the current distribution of funding to local authorities. This review will look to implement a foundation formula which is transparent and sustainable. In addition, the eagerly awaited publication of the Adult Social Care Green Paper which is due “at the first opportunity in 2019”; and the reform and full roll out of the business rates retention scheme must all be brought together to develop a genuine long-term plan to deliver financial sustainability to local government. This is a large, complex and resource intensive reform programme that will fundamentally change the landscape and funding for local government and will require significant Member and officer input over this period to influence, understand and evaluate the key issues presented.

3. Sefton’s local factors and approach to sustainable financial planning

- 3.1. Sefton, like many local authorities, has found the last ten years challenging in terms of the national funding conditions outlined above and in light of significant and growing pressures across a range of council services. The Council has a proven track record of effectively managing its finances, meeting its financial objectives and delivering financial sustainability, however this is becoming increasingly difficult. In the Council’s recent Peer Review the approach to

sustainable financial management was a key strength in the management of the overall Council.

- 3.2. In 2010, Central Government imposed 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 needing 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.
- 3.3. 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 rapidly increased over recent years as reflected in the NAO study. No sustainable additional resource has been provided by Government, although there has been some one-off grant to help to mitigate some of the cuts to core funding. Service budgets have seen significant reductions and as a result there have been major changes in service provision; however, the Council has continually strived to ensure that essential services that safeguard the most vulnerable residents are protected and prioritised in addition to ensuring that financial sustainability is maintained.

The Framework for Change Programme

- 3.4. During the current budget planning period of 2017/18 to 2019/20, the Council was faced with an overall funding gap of approximately £64m. 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.
- 3.5. The delivery vehicle for the Council's core purpose, with financial sustainability at its heart, is the "Framework for Change" programme. The key pillars of the programme – Growth, Public Sector Reform, Service / Corporate Savings Options and Strategic Investment – were approved by Members.
- 3.6. In the budget plan and the Framework for Change programme, the Council has continued to clearly demonstrate that the feedback from the Imagine Sefton 2030 consultation has been taken into account in the development of new strategies, projects and approaches to service delivery.

Framework for Change – Pillar 1: Growth

- 3.7. The Council's budget plan recognises the importance of investing in regeneration activity, assets and the Borough's infrastructure to support the creation of business growth, jobs and attract investment.
- 3.8. Growth is about creating new opportunities economic activity, maximising Sefton's unique assets including its coastline and ensuring opportunities for growth are linked to the need of residents. The focus for activity on growth across the Borough covers a number of areas including town centre regeneration, attracting investment into the Borough, developing our key growth sectors and management

of Sefton's coastal gateways. Utilising our assets and working in partnership to maximise opportunities available, a number of projects are in the process of development building on work undertaken to date including the Council's town centre investment frameworks and strategies, environmental improvements completed in Crosby Village; work undertaken as part of the Southport Pier improvement programme; and emerging work on the Sefton Economic Strategy, Visitor Economy Strategy and Hotel and Visitor Accommodation Study to help shape and influence delivery. In addition, and forming a key component of delivery, is the promise to deliver sustainable transport solutions as part of a Liverpool City Region wide programme, three schemes have been approved on the A565 as well as a number of improvements to cycle routes; Identifying possible external funding sources available to help realise Sefton's growth projects, is key element assisting delivery.

- 3.9 Digital connectivity and opportunities for further investment are a key element of the boroughs growth strategy. In particular, Sefton is exploring its current digital infrastructure capacity and opportunities for growth working alongside city region partners; Sefton's involvement in the City Region digital agenda, includes but not exclusive to provision of an infrastructure that is future fit for digital connectivity and the benefits that this delivers. The importance and value for Sefton and the wider city region in respect to digital is heightened by the "transatlantic cables" that land at Southport, which provide unique digital global connectivity and the associated significant potential this infrastructure could provide.
- 3.10 Building on and progressing the Growth and development of specific Sefton projects that have been and are part of the Economic Growth Programme; Sandway homes is now operating and has influence and interest in three Sefton sites delivering a potential of 120 new homes.
- 3.11 Working with new and existing projects, opportunities continue to be developed and delivered including Mersey Reach/Chancery gate – This is a c. £20m investment in a new industrial scheme that will create over 200,000 sq ft of new employment space, with the potential to create c. 375 new jobs. Also within Bootle town centre future development and opportunities are progressing in respect to the Strand. Working closely and part of the Growth Programme, InvestSefton engages with key employers across the borough to retain and develop investment opportunities. An example of this is the ongoing work with Santander, were the InvestSefton worked with Senior Executives at Santander to enable a positive decision to be made and resulted in the announcement of a new £75m investment to create the group's Operational Hub for the UK. Sefton Council are now working closely with Santander to deliver this investment.
- 3.12 Finally, the Council will seek to promote investment opportunities and sites to investors including marketing and promoting Sefton as a place to live, work and visit.

Framework for Change – Pillar 2: Public Sector Reform (PSR)

- 3.13 Significant progress has been made in the Public Sector Reform projects that seek to work with partners to deliver affordable services which achieve the best

possible outcomes for the people of Sefton. A summary of the PSR programme is shown in section 4 which updates the 2019/20 Budget Plan.

3.14 As the Council's PSR projects are implemented, the Council will continue to change the way that it works and the way it uses its assets. 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.

3.15 Through Imagine Sefton 2030 local people were clear that the council needed to celebrate and care for local assets; this summer saw the launch of Green Sefton – bringing together Coast and Countryside, Parks and Greenspaces, Flooding and Coastal Erosion, Risk Management and Grounds Maintenance teams to ensure a joined-up approach to the vital management, development and oversight of the beautiful coastline, parks and green spaces for years to come.

3.16 Services in localities have come together, as part of a new Locality Delivery Model, to help deliver the early intervention and prevention agenda and ensure that the council is providing more joined up support at the right time and in the right ways to help people make positive changes to their lives.

Framework for Change – Pillar 3: Service and Corporate Saving Options

3.17 The Council will continue to explore all opportunities to make every pound count through Service and Corporate Savings Options. The second 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 £2.269m of savings in 2019/20. These additional Service Options are further explored in section 6 which focuses on the 2019/20 Budget Plan.

3.18 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.

Framework for Change – Pillar 4: Strategic Investment

3.19 The first year of the budget plan saw the Council demonstrate delivery against bold ambitions with the purchase of the Bootle New Strand Shopping Centre. The second year has seen approval granted to create a wholly Council owned Housing Development Company. "Sandway Homes" will not only enable new homes to be built for local people, but also generate additional financial resources to help protect Council front-line services. These strategic investment decisions sit at the

heart of Council and partner ambitions and aspirations, to create a great place to live, work, visit and invest.

- 3.20 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 developments such as these are taking place. The investment used to deliver this type of project cannot be used to deliver day to day Council services; however, the future income that they generate can be used to help protect frontline services and make Council services more sustainable in addition to the wider regeneration and economic benefits that they will deliver to both the Borough and residents.
- 3.21 The Council will continue to explore, develop and implement new income generating opportunities in order to support future sustainability and improve outcomes for local people. These 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.

4 Budget Plan Update 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 became available and projects progressed through their various stages of development, consultation and implementation.
- 4.2 As part of this budget setting cycle, each key element of the budget plan has been revised, namely: -
- There has been an assessment of the ongoing impact of financial pressure in 2018/19 on the 2019/20 budget;
 - All savings proposals previously approved have been reviewed to ensure deliverability; and,
 - All MTFP assumptions have been revised, and this builds upon the MTFP that was presented in the September 2018 Mid-Year Review. In addition, the implications of the Provisional Local Government Finance Settlement for 2019/20 have been reviewed.

The following sections of the report detail each of these aspects in turn.

The 2018/19 Budget Position and Impact on 2019/20

- 4.3 The three-year budget has been built on solid foundations, but the Council remains vulnerable to a range of environmental factors that without robust and timely action could impact upon its financial sustainability and which requires flexibility regarding budgetary decision making.
- 4.4 This vulnerability to external factors and the adverse impact it could have on council expenditure was highlighted in last year's budget report. Members

therefore agreed that a comprehensive Mid-Year Review would take place to allow mitigations for the current year and a strategic approach and update for 2019/20 to be developed; building upon the Council's success of setting multi-year budgets.

- 4.5 The outcome from the Mid-Year Review highlighted significant new in-year cost pressures which have been reported to Cabinet throughout 2018/19 and which will have an impact into future years. As a result, a revised 2019/20 budget gap and some additional budget options are presented in this report for approval to contain spending within available resource limits.
- 4.6 The latest 2018/19 budget monitoring position for December 2018 reports a projected net service deficit of £6.760m. Best estimates of the impact on the 2019/20 budget of the current cost associated with the demand for front line services is that it will mean full year equivalent pressure of **£7.800m**. Provision will be made for this sum in the budget (see para 5.15) and Major Services Reviews will seek to reduce this pressure where possible. This, together with the final outturn position, will determine the final budget allocation to these services with Cabinet being presented with recommendations at the appropriate time. A summary of the key cost drivers in these services include:

Children's Social Care - £4.300m

- During the current financial year there has been a steady increase in the number of children and young people in care, from 469 in April to 508 in December. In addition to more children and young people in care, there are more in residential settings which can cost up to six times as much as alternative family based placements.
- The proportion of looked after children in high cost residential placements has risen from 9.8% to 11.1% which means the overall unit cost per place has increased; not only are there more placements, but the average placement cost is rising.
- A review of the top ten most expensive placements is underway to better understand commissioning arrangements and to explore opportunities to work with the market to mitigate any further cost increases and if possible reduce cost between now and the end of the year.

Adults Social Care - £0.800m

- The community care budget is under significant pressure due to sustained increases in demand for services across the system; in particular upward trends in demand, in year, for Domiciliary Care packages and also in numbers of clients in receipt of Direct Payments to fund their own care. There are pressures from the NHS in relation to delayed transfers of care and the need for more rapid hospital discharge impacting on demand for residential and reablement services. The budget pressure has been intensified by the cost of services for Children transitioning into Adult Social Care. The sustained increase in demand is combined with a lack of capacity in the provider market where difficulties in staff retention and other pressures are being experienced.

- In order to seek to mitigate budgets pressures, reviews of the highest cost packages have been undertaken and maximum NHS funding has been sought for appropriate cases. In addition, a Complex Case Board meets regularly to review any proposed decisions for complex cases and related costs.
- Inconsistent central government funding arrangements from year to year, with announcements being made late in the financial year, has not assisted with the ability to plan sustainable services, particularly where funding is non- recurrent

Schools and Families - £1.600m

- The forecast cost of packages for children with disabilities and direct payments is increasing due to some high cost cases. Home to School Transport is also under pressure due to rising numbers of children with SEND receiving transport, combined with rising prices from external providers.

Locality Services Provision - £0.900m

- The cemeteries and crematorium service achieves a net income but the surplus has been below budget in recent years due to competition from private sector providers.
- Sefton Arc are currently forecasting under achievement of budgeted income; and,
- Cleansing services have budget pressures due to the number of new build properties and the subsequent demand for new and/or replacement bins and staffing requirements.

4.7 In addition to service overspends there are some phasing delays in delivery of the Public Sector Reform Programme of £0.819m with an additional £1.659m which will not be delivered (see paragraph 4.12) and will require alternative options to be brought forward. It is important to note that with increased demand pressure within these core services occurring nationally and in Sefton, the Council not only has to divert or find additional resources to meet the expenditure but it also limits the opportunity to make savings either from the currently approved PSR programme or as part of a new requirement. These services make up the majority of the Councils net budget and as such this process is becoming increasingly difficult.

4.8 The overall pressure in 2018/19 is £9.238m as shown in the table below:

	£m
Net Service Pressures	6.760
PSR Programme – Phasing Delays in Delivery	0.819
PSR Programme – Reduction in Saving Planning Assumption	1.659
Total Budget Pressure 2018/19 before mitigating measures	9.238

4.9 The latest Budget Update Report to Cabinet (7th February 2019) contains measures within the medium term financial plan which mitigate cost pressure for

the current year through a number of one-off actions totalling £6.046m. In addition, service areas have reviewed their budgets and have identified uncommitted funding and other actions that will reduce the deficit, including a moratorium on non-essential expenditure and a review of reserves and balances. This will realise a further £2.815m. The remaining pressure will be met by a freeze on all non-essential vacancies and expenditure for the remainder of the financial year.

- 4.10 As a result of this pressure in 2018/19, corresponding long-term funding solutions are required for 2019/20 in addition to those already approved. These are shown at Section 6.

Review of Public Sector Reform Projects 2019/20

- 4.11 The Budget Plan for 2019/20 included a budget planning assumption for Public Sector Reform projects savings to be delivered in 2019/20 of £11.072m. In addition, £1.810m of savings from 2018/19 weren't permanently achieved in the year so will need to be achieved in 2019/20. The total savings planned for 2019/20 from the PSR programme were therefore £12.882m. However, the budget planning assumptions have now been revised to £9.517m, a reduction of £3.365m (this is in addition to the reduction of £1.659m in 2018/19). The table in paragraph 4.12 provides explanations for the revised planning assumptions.
- 4.12 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:

PSR Project	Saving 2019/20- original estimate (incl. Phasing)	Saving 2019/20- revised estimate	Reduction in Planning Assumption 2019/20	Additional Reduction in Planning Assumption from 2018/19 (para 4.7)
	£'m	£'m	£'m	£'m
PSR1-EIP Most Vulnerable	0.781	0.242	0.539	0.000
As reported the Children's Social Care budget is under significant pressure – It is therefore not possible to achieve the savings on the Looked After Children budget. The Service will be subject to a Major Service Review commencing from quarter 4 of 2018/19.				

PSR2-EIP Locality Teams / Personalisation	4.408	4.408	0.000	1.000
By 2019/20 this project will have achieved savings of £9.350m, a shortfall of £1.000m on the planning assumption. As the new service model is introduced the next phase of the project will be developed				
PSR4-Special Education Needs and Disability	0.665	0.089	0.576	0.659
As reported the Schools and Families budget is under significant pressure – As a result the savings on Children with Disabilities and Home to School Transport need to be reduced and the Service will be subject to a Major Service Review commencing from quarter 4 of 2018/19.				
PSR6-Creating New and Improving Revenue Streams	0.405	0.405	0.000	0.000
PSR8-Asset Maximisation	1.512	0.512	1.000	0.000
A planning assumption of £1.000m was included for 2019/20 to reflect the potential savings from a full review of the Council's assets. Whilst the Council is still moving towards full Agile Working and the Localities model the planning assumption has been revised. Future savings will be brought forward as assets are decommissioned / disposed of.				
PSR9-ICT and Digital Inclusion	3.439	3.439	0.000	0.000
PSR10-Commissioning and Shared Services	1.672	0.422	1.250	0.000
A planning assumption of £1.000m was included for 2019/20 to reflect the potential savings from a full review of procurement activity, however there has been limited progress during 2018/19. In addition, a saving of £0.250m relating to Shared Services is now considered unachievable as no suitable opportunities have been identified. Any further savings on procurement activity will be brought forward as savings options.				
Totals	12.882	9.517	3.365	1.659

Updated Budget Plan 2019/20

- 4.13 Based upon the budget pressures being experienced in Services and revisions to the Public Sector Reform Project saving assumptions it is now estimated that the total Budget Plan savings required in 2019/20 will be £22.341m compared to £12.882m in the original plan. In addition, the original Budget Plan included a funding gap of £3.781m prior to any decision on any Council Tax increase. A detailed analysis is shown below:

	£'m	£'m
Additional Budget Pressures from 2018/19:		
- Adult Social Care	0.800	
- Children's Social Care	4.300	
- Locality Services	0.900	
- Schools and Families	1.600	
- Other	0.200	7.800
Public Sector Reform Projects – amended assumptions:		
- 2018/19	1.659	
- 2019/20	3.365	5.024
Public Sector Reform Projects – Planned savings:		9.517
Total Savings Required 2019/20		22.341
Original 2019/20 MTFP Funding Gap (prior to Council Tax Increase)		3.781
Total Revised MTFP Funding Gap (prior to Council Tax Increase)		26.122

5 Medium Term Financial Plan Update 2019/2020

The Local Government Settlement for 2019/20

- 5.1 In approaching and updating the Council's MTFP, a key component each year is the financial settlement that is made by the Secretary of State. In reviewing this, there are three areas that the Council is particularly interested in; namely:
- Confirmation or otherwise of the level of financial support that will be received by the Council;
 - To what extent any solutions are offered by central government to specific issues that affect not only Sefton but all local authorities e.g. funding for the increased costs associated with Adults and Children's Social Care; and
 - What opportunities are available to local authorities to raise additional income.
- 5.2 The Provisional Local Government Finance Settlement for 2019/20 was announced on 13th December 2018.
- 5.3 Members will recall that 2019/20 represents the final year of the four-year funding settlement. Therefore, the majority of the underlying figures in the settlement have been known for some time, however the Council has been hampered in its financial planning due to the uncertainty over previous short term and one-off funding in response to national pressures in social care in particular. This will impact upon the Council's short and medium term financial planning (beyond 2019/20).

5.4 Funding Changes

The Provisional Settlement includes details of the allocations of the additional funding for social care announced in the Autumn Budget Statement 2018 and the new proposed distribution of part of the national business rates levy account surplus (see paragraphs below). In addition, it confirmed the expected Council Tax Referendum Principles for 2019/20 (an increase not exceeding 3% without triggering a local referendum) and New Homes Bonus allocations (an increase of £0.024m on the amount assumed in the Budget Plan for 2019/20).

5.5 Winter pressures funding

The Autumn Budget Statement announced that £240 million of additional funding would be allocated in 2019/20 for councils to spend on adult social care services to help councils alleviate winter pressures on the NHS. This funding is being distributed based on the existing Adult Social Care Relative Needs Formula. This funding is ringfenced and will be pooled into the Better Care Fund to enable use of established reporting procedures. Sefton's provisional grant allocation is **£1.525m**.

5.6 Social Care Support Grant

The Autumn Budget Statement announced a further £410 million of additional funding would be allocated in 2019/20 for use for adult and children's social care services. This grant will not be ringfenced, and conditions or reporting requirements will not be attached. This funding is being distributed based on the existing Adult Social Care Relative Needs Formula. Sefton's provisional grant allocation is **£2.605m**.

5.7 Business Rate Retention - Levy Account Surplus

In previous years, the Government has top-sliced Revenue Support Grant as it appeared that the business rates levy would be insufficient to fund the safety net payments. There is now a surplus on the 2018/19 levy account of £195m. The Government intends to distribute £180m of this surplus as a one-off, back to all local authorities based on the 2013/14 settlement funding assessment. It is intended that the remainder of the surplus, £15m, be held back to meet potential safety net payments for 2019/20. Sefton's provisional allocation is **£0.980m**.

It is important to note that each of these allocations are one-off in nature and whilst this can be used to support the setting of the 2019/20 budget, in the event that this funding is not made available from 2020/21 there will be a corresponding budget gap that will need to be met.

Key MTFP Updated Assumptions

5.8 The Budget Plan for 2019/20 included a number of assumptions around 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 in 2019/20 as well as a number of other budget changes. These are set out as follows:

5.9 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 **£2.606m** will be experienced in 2019/20.

5.10 Highways Maintenance Capitalisation

The 2017/18 and 2018/19 budgets included an enhanced amount of capitalised highways maintenance expenditure. It is considered appropriate to continue this level of capitalisation into 2019/20. This will produce a **one-off saving of £1.283m**.

5.11 Provision for Pay Inflation and Pension Increases

The Budget Plan includes provision for pay awards in 2019/20 as well as the increase in the employer pension contribution rate for the Local Government Pension Scheme. The figures provided for include all Council staff. However, a number of staff are within services that either trade or generate significant levels of external income. Therefore, pay inflation and pension increases within these services will be funded from income generated rather than through the Council's central provisions. This will reduce the central provision requirement by **£0.800m**.

5.12 Supplies and Services

The Council is moving to more agile ways of working alongside the implementation of a transformed ICT environment. This will enable certain supplies and services budgets to be centralised and allow for ongoing reductions in expenditure against these budgets. It is estimated that savings of **£0.500m** can be achieved.

5.13 Investment Strategy

In 2016/17 the Council recognised the importance of attracting inward investment to the Borough, particularly with the move towards increased Business Rates retention. Therefore the 2016/17 budget included £1.600m to enable greater investment in economic growth. The resource was to be used to secure sustainability of the service, give greater opportunity to proactively seek economic growth and provide specialist inputs into the investment plan. Officers have now reassessed the level of resources required for this investment taking into account the ability of the Council to charge specialist costs to the Capital Programme as projects are progressed. Therefore, it is considered that this budget can be reduced by **£0.400m** whilst still providing the resources required.

5.14 Other Changes

A number of other business as usual changes can be implemented with no impact on service delivery. These include the receipt of a dividend from the Council's wholly owned social care company (£0.250m) and savings following the retender of the contracts relating to insurance premiums (£0.150m). In total, these will reduce the Council's budget gap by a further **£0.832m**.

5.15 Contingency

As explained in paragraphs 4.3 to 4.6, there were significant pressures on the 2018/19 budget. As a result, the Council has developed a remedial plan to meet the £9m budget pressure which involved short-term savings and the use of one-off resources. Although the proposed 2019/20 budget takes account of the pressures from 2018/19, there is a clear financial risk remaining in relation to the Council's social care budgets in particular. Therefore, in addition to the £7.800m provision that will meet the existing known pressure, it is considered prudent to create a Budget Pressure Fund of £1.000m that can be used in year to contribute to any unforeseen financial pressure within the budget. This sum will be considered and utilised alongside all other reserves and balances that are currently included in the

2019/20 Budget Plan. In accordance with the overall management of the 2019/20 revenue budget, Members are therefore asked to give delegated authority to the Chief Executive and the Head of Corporate Resources, in conjunction with the Leader of the Council, to commit or otherwise this Budget Pressure Fund and other reserves that are included in the Budget Plan.

6 Budget Plan 2019/20

- 6.1 Based upon the revisions and updated to these key elements of the budget plan, it is now estimated that the funding shortfall in 2019/20 will be £6.050m, before any Council Tax decisions are made and any additional service delivery options are considered. A detailed analysis is shown below:

	£'m	£'m
Total Revised 2019/20 MTFP Funding Gap (prior to Council tax Increase)		26.122
Public Sector Reform Projects – previously approved savings:		-9.517
The Local Government Settlement for 2019/20:		
- New Homes Bonus	-0.024	
- Winter pressures funding	-1.525	
- Social Care Support Grant	-2.605	
- Business Rate Retention - Levy Account Surplus	-0.980	
		-5.134
Key MTFP assumption revisions:		
- Business Rates and Council Tax Base	-2.606	
- Highways Maintenance Capitalisation	-1.283	
- Provision for Pay Inflation and Pension Increases	-0.800	
- Supplies and Services	-0.500	
- Investment Strategy	-0.400	
- Other Changes	-0.832	
- Contingency Fund	1.000	
		-5.421
Revised MTFP Funding Gap		6.050

- 6.2 As detailed in paragraph 6.1 it can now be seen that the residual budget shortfall to be met in 2019/20 is now estimated to be **£6.050m**.

Service Delivery Options

- 6.3 In order to support this revised funding gap, a number of additional Service Delivery Options are now proposed. Details of the individual savings are outlined in Appendix A and are listed below:

	£'m
Children's Social Care – Fostering Sufficiency	-0.125
Corporate Resources - Finance Service Review	-0.250
Corporate Resources - ICT budget reduction	-0.100
Corporate Resources - Assets Declared Surplus	-0.065
Economic Growth & Housing – Reduce Planning Budgets	-0.040
Public Health - Injury Prevention Contract	-0.017
Public Health - Removal of Vacancies	-0.035
Highways and Public Protection- Transportation & Highway Infrastructure – Staffing Changes	-0.245
Highways and Public Protection- Highways Maintenance Contract Extensions	-0.500
Locality Services – Green Sefton – Golf Income	-0.064
Locality Services – Green Sefton – Concessions & Temporary Events	-0.040
Locality Services – Green Sefton – Maximising Best Use of Golf Courses	-0.212
Locality Services – Green Sefton – Commercial Services	-0.008
Locality Services – Green Sefton – Develop Natural Alternatives model	-0.015
Locality Services – Cleansing – Food Waste included in residual	-0.150
Education Excellence – Home to School Transport - Transport team restructure and reassessments	-0.050
Strategic Support – Communications Team Restructure	-0.101
Strategic Support – Complaints Team Restructure	-0.009
Commercial Development – Sefton Security	-0.100
Commercial Development – Catering	-0.100
Commercial Development – Vehicle Fleet Management	-0.043
Total Service Delivery Options	-2.269

6.4 Based upon the additional Service Delivery Options set out above, a summary of the Council's overall budget position for 2019/20 is shown as follows:

	Total £'m
Revised MTFP Funding Gap	6.050
Budget proposals	
Service Delivery Options	-2.269
Remaining Funding Gap	3.781

6.5 It can be seen within the table at 6.4, that there remains a gap of £3.781m in 2019/20. The budget gap excludes any Council Tax increase at this stage. The Government are providing authorities with the opportunity to increase Council Tax by 2.99% in 2019/20. If the Council were to increase Council Tax by the maximum in 2019/20 the remaining budget gap would be met.

Risk Management, Financial Monitoring and Sustainability

- 6.6 It is inevitable 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.
- 6.7 In order to reduce the risk of significant variance to budget plan the Council has introduced a number of safeguards. Risk management has been reviewed and an enhanced risk management process adopted with new operational and service risk registers in place that feed into the overall corporate risk register.
- 6.8 In 2018/19 a mid-year budget and MTFP review saw the start of a robust review of all service budgets. This process of in-depth budget analysis and challenge has been built into an ongoing programme of budget development and member engagement, which commenced in the autumn and will form part of a new quarterly finance and performance reporting cycle.
- 6.9 A programme management office (PMO) which will focus on bringing finance and performance reporting together will further enhance the existing processes that are in place including monthly in-year budget update reports to Cabinet and regular lead member briefings with senior officers across portfolios and service areas.
- 6.10 As outlined earlier in the report, significant budget pressures have occurred in 2018/19 due to increased demand for services in recent years as well as delays in agreed savings being fully achieved. As a result, the Council had to develop a remedial plan to meet the £9m budget pressure which involved short-term savings and the use of one-off resources. Although the proposed 2019/20 budget takes account of the pressures from 2018/19, as well as a Contingency Fund, any further pressure in 2019/20 will need to be managed within the available budget. The continuation of robust monitoring will be required with the improvements outlined above supporting this.

7 Budget Planning 2020/21 to 2022/23

- 7.1 2019/20 is the final year of the Government's four-year fixed settlement period. This, coupled with the number of short term additional funding announcements over the past two years, means that much is unknown regarding medium and long-term core funding from central government beyond 2019/20.
- 7.2 As with all organisations, the Council needs to be flexible in how it approaches and responds to new issues. In developing the next phase of the Framework for Change programme the Council will remain committed to listening to stakeholders

as proposals are designed, implemented and updated in line with the Council's budget and policy framework.

- 7.3 This budget report focuses on 2019/20. However, it is prudent for the Council to look towards the next three-year budget planning period – 2020/21 to 2022/23. 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 has therefore already started.
- 7.4 In last year's budget report, an initial estimate of a £15m shortfall in 2020/21 was reported. Due to the lack of visibility on the fair funding review, business rates reform and social care funding, this remains the best estimate. However, this will inevitably be the subject of change and depending on the outcome of these reviews this initial estimate could vary considerably. The Council will develop a three-year budget from 2020/21 to 2022/23 and therefore at present the estimated shortfall over the three-year period is £45m. Central government has suggested recently that its 'austerity programme' will come to an end from 2020/21 with all government departments seeing real term increases in funding available, however due to the lack of visibility at present on what this means and any supporting financial detail it is considered that that the Council needs to plan prudently. Looking at three-year horizon is once again key to ensure financial sustainability in an uncertain and variable environment.
- 7.5 Following the budget development sessions held with Heads of Service in October and November 2018 there was a focus on the management of the 2018/19 and 2019/20 budgets but also the key strategic areas of the council that should be the focus of the MTFP from 2020/21. As a result, four Major Service Reviews and five cross-service projects have been identified and these will form the core element of the new Public Sector Reform work within the Framework for Change programme that will in turn form a critical part of the strategy to balance the next three year budget plan from 2020/21 to 2022/23.
- 7.6 The major service review and cross service transformational projects are:

Major Service Reviews	Transformational Projects
Adult Social Care	Localities / EIP Phase 4
Children Social Care	Council wide Infrastructure
Education Excellence	Organisational Design
Locality Service Provision	ICT and Digital transformation
	Commercialisation / Enterprise Strategy

- 7.7 The timeline and key milestones for the development of the new three-year budget plan are as follows:

Key Milestones	Date
Business Cases developed for Major Service Review and transformational Cross Service projects that are to proceed	Mar/Apr-19

MTFP assumptions refined to take account of legislative changes and latest information	Jul-19
Members engaged to agree how three-year budget plan will be delivered	Jul-19
Updated MTFP presented to Cabinet	Oct-19
Financial settlement received	Dec-19
Three-year budget for 2020/21 to 2022/23 presented to Council for approval	Feb/Mar-20

8 Budget 2019/20 – Specific Issues

Charges Relating to External / Levying Bodies

- 8.1 The Council is required to pay charges relating to levies from external bodies. The expected payments for 2019/20 and their impact on Sefton's budget compared to 2018/19 is shown in the table below: -

<u>Levying Body</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	18,605,000	TBC	TBC
Waste Disposal Authority	14,430,056	TBC	TBC
Environment Agency	154,826	TBC	TBC
Inshore Fisheries & Conservation Authority	65,415	TBC	TBC
Port Health Authority	13,500	TBC	TBC
	33,268,797	TBC	TBC

The 2019/20 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

- 8.2 The proposed total increase in the Sefton Council Tax for 2019/20 will be reported to Budget Council following any recommendation from Cabinet.

9 Dedicated Schools Grants (DSG) 2019/20

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

- Schools – Mainstream schools and academies.

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

9.2 The 2019/20 Dedicated Schools Grant settlement was announced on 17th December 2018. The 2019/20 National DSG allocation for Sefton of £204.771m is set out in the table below. Note that these figures are as allocated by the DfE and before any adjustments have been made for agreed. The Schools Forum has agreed to transfer funding contributions from Schools Block (£0.795m) and Early Years Block (£0.200m) towards High Needs budget pressures in 2019/20.

<u>Block</u>	<u>2018/19 Revised allocation</u>	<u>2019/20 Initial allocation</u>	<u>Increase / Decrease (-)</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Schools Block (incl. Academies)	156.920	158.980	2.060
Central School Services Block	1.254	1.271	0.017
Early Years Block	17.328	17.314	-0.014
High Needs Block	26.447	27.206	0.759
Summary totals	201.949	204.771	2.822

**Individual school allocations are shown in Appendix B and are net of a £0.795m contribution to High Needs from the Schools Block funding and of £0.350m Infant Class pupil growth funding retained centrally.

9.3 In July 2017 the then Secretary of State for Education announced that an extra £1.3bn of funding was to be made available to schools over a two-year period 2018/19 – 2019/20, which allowed for a minimum growth of +0.5% per pupil in each year. In 2019/20 the Schools Block funding has therefore been increased by the second tranche of +0.5% growth.

9.4 The DfE has used the new National Schools Formula funding methodology as the basis for allocating DSG to Local Authorities. However, local authorities are permitted, under a two year “soft” implementation of the National Funding Formula and with the agreement of Schools Forum, to move flexibly towards the National Formula Funding distribution methodology or continue to use their own existing Local formula.

9.5 The Local Authority has shared numerous funding models with schools and the Schools Forum and Sefton Headteachers have decided to continue to retain a locally based formula rather than move towards the National Formula methodology as Sefton’s current funding model is more advantageous to most of Sefton’s schools.

Schools Block

- 9.6 The national funding calculation for 2019/20 has seen an increase in Sefton's School Block of £2.060m compared to 2018/19. This figure includes the headroom growth funding of +0.5% per pupil, referred to above (£0.572m). Additional funding for an increase in the year on year pupil numbers October 2017 to 2018 (+246.5 pupil increase) (£1.061m). An increase in funding towards pupil growth in the classroom which might occur during the academic year and for small changes in Business Rates (£0.427m).
- 9.7 In 2019/20 the DfE has applied a change in the methodology used to calculate Pupil Class Growth Funding as opposed to using an historic calculation within the Schools Block settlement. The DfE stated that Local Authorities may apply all, or as much of this allocation as they require, towards pupil Class Growth funding in 2019/20. Sefton Schools Forum has previously agreed to retain an allocation of £0.150m to support pupil growth and changes in classroom support during the academic year. In 2019/20 the Schools Forum has agreed to increase the central contingency that is set aside to support infant class size growth, or support increased school admission numbers based on areas of likely population increases in the year to £0.350m. The residual growth balance of £0.227m is to be allocated to all schools through the schools' formula.
- 9.8 The biggest change in school funding for 2019/20 (£1.061m), is due to a significant increase in pupil numbers between October 2017 and October 2018 (+246.5). Primary numbers increased by +176 pupils, whilst, for the first time in many years, Secondary pupil numbers increased by +70.5.

Central School Services Block

- 9.9 The Central School Services Block is funding given to cover ongoing historic and 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 0. schools in the Borough. This block is now funded on a per pupil basis by the DfE, and Local Authorities have been advised that this funding may be reduced in future settlements. The DfE expects Local Authorities to start reducing many of their historic cost related activities over the next few years, prior to a National Formula being imposed. The funding of these services sees a small increase into 2019/20 of just £0.017m from £1.254m to £1.271m. An analysis of the 2019/20 central budgets is shown below, and these have been formally agreed at Schools Forum on 14th January 2019:
- Contribution to combined services 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 - **£0.191m** as announced by the DfE in December 2018
 - 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 - **£0.592m**

9.10 In addition to the statutory duties covered by the former ESG funding across all schools, the schools' forum has approved charges for maintained schools regarding ongoing statutory functions which the Council performs on their behalf, but for which it no longer receives funding for from Central Government. This was formally agreed in 2018/29 and again with schools at Schools Forum on 14th January 2019 for 2019/20. This is expected to recover around £0.520m of statutory costs. This is treated as a de-delegated charge against all the maintained schools, even though these functions cannot be delegated to schools.

Early Years Block

9.11 Early Years has seen very little change in funding between 2018/19 and 2019/20 (£-0.014m). Base funding to Local Authorities has remained the same into 2019/20 for both the 2-year-old childcare (£5.22 p hr); and 3-4-year-old 15 hours universal provision and increased 15 hours per week childcare for working parents (£4.30 p hr). Maintained Nursery Schools also continue to receive a subsidy to ensure their financial stability, at the same level of funding as 2018/19, and as part of a three-year guaranteed funding amount (2017/18 to 2019/20). No announcements have been made about any ongoing subsidy for Maintained Nursery Schools beyond 2019/20 and the loss of this funding (£0.587m) would potentially leave Sefton's Maintained Nursery Schools unviable, unless their costs can be reduced, or ongoing subsidy is awarded.

High Needs Block

9.12 The High Needs Block allocation is increasing by £0.759m in 2019/20 compared to 2018/19. In December 2018, the Secretary of State announced additional funding nationally for High Needs over two years (£250m), split evenly between 2018/19 and 2019/20. Sefton will receive £0.562m of this funding in both years.

9.13 Sefton's High Needs budgets continue to operate under severe pressure and are currently forecast to overspend by £1.9m, inclusive of the £0.562m funding above. Overspending is expected to continue into 2019/20 and the Authority is developing a recovery plan to address the budget pressure and deliver budget sustainability in future years.

9.14 The Council is permitted with the agreement of Schools Forum to transfer up to 0.5% (£0.795m) of the Schools Block funding to the High Needs Block. This transfer was ratified at Schools Forum on 14th January 2019.

9.15 A decision to transfer of £0.200m from the Early Years Block to the High Needs Block was made in 2018/19 and this has remained in budget assumptions for 2019/20. This level of support is considered affordable but will be kept under review every year. The additional resources allocated to High Needs from the Schools and Early Years Blocks, plus the new growth announced, will help

alleviate some of the budget pressures currently experienced, but overspending on High Needs is still expected to continue in 2019/20.

10 Other Government Grant Notifications 2019/20

- 10.1 The Government have announced grant notifications for 2019/20 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.

Independent Living Fund - £2.107m

- 10.2 The indicative allocation for the 2019/20 Independent Living Fund grant is £2.107m. The 2018/19 allocation was £2.173m. It is proposed that the 2019/20 allocation will continue to be allocated to appropriate Adult Social Care budgets.

Lead Local Flood Authorities Grant - £0.011m

- 10.3 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 £4.3m in 2019/20. Sefton's Grant is £0.011m in 2019/20. It is proposed that this continues to be allocated to the appropriate Flood Defence budget.

Flexible Homelessness Support Grant - £0.206m

- 10.4 The indicative allocation for the 2019/20 Flexible Homelessness Support Grant is £0.206m. The 2018/19 allocation was £0.158m. It is proposed that the 2019/20 allocation will continue to be allocated to appropriate Homelessness budget.

11 Summary of Budget Proposals for 2019/20

- 11.1 As a result of the information contained within this report the bridging of the 2019/20 funding gap is shown as follows:

	2019/20 £'m
Additional Budget Pressures from 2018/19	7.800
Public Sector Reform Projects – amended assumptions	5.024
Public Sector Reform Projects – planned savings	9.517
Total Savings Required 2019/20	22.341
Original 2019/20 MTFP Funding Gap (prior to Council Tax Increase)	3.781
Total Revised MTFP Funding Gap (prior to Council Tax Increase)	26.122

Public Sector Reform Projects – planned savings	-9.517
The Local Government Settlement for 2019/20	-5.134
Key MTFP assumption revisions	-5.421
Revised Funding Gap	6.050
Budget Proposals	
Service Delivery Options	-2.269
Remaining Funding Gap	3.781
Council Tax increase (TBC%)	TBC

A summary of the budget for 2019/20 is shown at Appendix C (note that for illustrative purposes this assumes a Council Tax increase of 2.99% in 2019/20).

12 Precepts

a. Police & Crime Commissioner and Fire & Rescue Precepts

The Police and Crime Commissioner is due to set a budget / precept for 2019/20 during February 2019, with a Band C increase of 13.49% proposed (£24.00 on a Band D property). The Fire and Rescue Authority is also due to set its budget / precept for 2019/20 in February 2019; with a Band C increase of 2.99% proposed.

	Precept			Band C		
	2018/19	2019/20	Change	2018/19	2019/20	Change
	£	£	£	£	£	%
Police	14,760,740	TBC	TBC	158.20	TBC	TBC
Fire	6,349,848	TBC	TBC	68.05	TBC	TBC

The approved 2019/20 figures will be reported at Budget Council.

b. LCR Mayoral Precept

In order to support the 2018/19 transitional Mayoral requirements of the Liverpool City Region Combined Authority, the six constituent councils have made revenue contributions totalling £6.2m into the Single Investment Fund, of which Sefton Council's contribution was £1.209m. To be able to deliver the Mayor's key priorities in 2019/20 a new Mayoral Precept will be levied on Council Taxpayers across the region, with a Band C increase of £16.89 proposed (£19.00 on a Band D property).

The approved 2019/20 figures will be reported at Budget Council.

c. Parishes

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

	Precept			Band C		
	2018/19	2019/20	Change	2018/19	2019/20	Change
	£	£	£	£	£	%
Aintree Village	113,000	TBC	TBC	49.31	TBC	TBC
Formby	80,000	TBC	TBC	7.80	TBC	TBC
Hightown	5,460	TBC	TBC	5.62	TBC	TBC
Ince Blundell	2,009	TBC	TBC	10.98	TBC	TBC
Little Altcar	3,074	TBC	TBC	8.26	TBC	TBC
Lydiate	150,583	TBC	TBC	65.36	TBC	TBC
Maghull	643,347	TBC	TBC	87.37	TBC	TBC
Melling	20,000	TBC	TBC	17.79	TBC	TBC
Sefton	3,500	TBC	TBC	13.16	TBC	TBC
Thornton	5,000	TBC	TBC	5.82	TBC	TBC
	1,025,973	TBC				

13 Recommended Council Tax for 2019/20

Council are recommended to approve the Budget for 2019/20, as set out in the main report.

The recommended overall Band C Council Tax to be raised for 2019/20 (excluding Parish Precepts) is as follows: -

	2018/19	2019/20	Increase
	£	£	%
Sefton	1,355.30	TBC	TBC
Police & Crime Commissioner	158.20	TBC	TBC
Fire & Rescue Authority	68.05	TBC	TBC
Mayoral Precept	0.00	TBC	TBC
	1,581.45	TBC	TBC

The recommended Council Tax will be reported to Budget Council

14 Capital Programme 2019/20 to 2020/21

14.1 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.

14.2 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.

- 14.3 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 E, in addition to the proposed use of the Better Care Fund.
- 14.4 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 three to five-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, in order that emerging priorities can be reflected as and when required.
- 14.5 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 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.
- 14.6 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.
- 14.7 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.
- 14.8 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.

List of Appendices

- A Service Options 2019/20
- B Individual School Budgets 2019/20
- C Draft Council Budget Summary 2019/20
- D Fees and Charges 2019/20
- E Capital Programme 2019/20 - 2020/21