

REPORT TO: Executive Board

DATE: 11 September 2025

REPORTING OFFICER: Director of Finance

PORTFOLIO: Corporate Services

SUBJECT: Financial Recovery Plan

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 To establish an outline of the Council's Financial Recovery position and to provide options for the Council to achieve a sustainable budget position by the year 2030/31.

2.0 RECOMMENDATION: That;

- (i) The report be noted;**
- (ii) Benchmarking information be used to start the process of setting departmental budget reductions for the period 2026/27 to 2030/31;**
- (iii) Executive Directors supported by the Transformation Delivery Unit provide options for the Transformation Board, regarding how budget reductions on the scale outlined within this report might be achieved, along with details of the associated service delivery implications;**
- (iv) Executive Directors identify specific budget savings proposals to be implemented from 1st April 2026 as a matter of urgency, utilising the template in Appendix B, in order to support setting the 2026/27 budget.**

3.0 SUPPORTING INFORMATION

- 3.1 The Council's Medium Term Financial Strategy is being reported to Executive Board on 11 September 2025. It shows that based upon current levels of spend, income, and forecast growth in service costs and demand across the Council, by 2030/31 the cumulative deficit or funding gap on the Council's budget will have reached £118.613m.
- 3.2 The position is clearly unsustainable and action must be taken over the MTFs period to ensure the Council has a balanced budget position by 2030/31 at the latest, along with removing the dependency upon Exceptional Financial Support.

- 3.3 This report presents outline proposals regarding the action which must be taken to ensure this is achieved. It is by no means the answer to providing a balanced budget but provides data to start the process of setting targeted budget reductions and provoke discussion to set the Council on the way to a sustainable medium and longer term financial position, whilst also minimising Exceptional Financial Support costs over the shorter term.
- 3.4 The Council's Transformation Programme was established to identify and implement fundamental changes in service delivery with reductions in associated costs. Given the worsening financial position, the Transformation Programme is being reshaped to deliver greater reductions at an accelerated pace. The proposals within this report should encapsulate and support the work being undertaken via the Transformation Programme and are not in addition.

Scenario Planning

- 3.5 In addition to the financial forecast included within the MTFS, two additional scenarios are presented within this report:

Scenario A – this scenario is based primarily upon reductions in the budget being based upon benchmarking analysis of the Council's cost base across all services, compared to the average "nearest neighbour" comparators. Whilst this scenario significantly reduces the budget deficit, it is still insufficient to provide a future balanced budget.

Scenario B – this scenario adds to the benchmarking analysis, by suggesting further reductions to budgets to arrive at a balanced budget position over the medium term. The suggested reductions included within this scenario are by no means fixed, they are provided as examples of what needs to happen to achieve a balanced budget position. However, where a suggestion is not taken forward it would need to be replaced by alternative proposals.

- 3.6 Tables 1 and 2 below provide a summary of the two models. Further detail on each of the suggestions presented within the tables is provided within the report.

Table 1 – Budget Deficit Position under Scenario A

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Previous Year Budget Deficit	29.385	41.396	50.752	55.087	58.303
Annual Growth as per MTFS	15.552	14.027	15.693	19.450	24.506
Cumulative Budget Deficit	44.937	55.423	66.445	74.537	82.809
Scenario A Proposed Reductions					
Service Benchmarking Reductions:					
Adults Directorate	-1.466	-2.931	-4.397	-5.863	0.000
Childrens Directorate	-1.556	-3.112	-4.668	-6.224	0.000
Environment & Regeneration Directorate	-0.535	-1.069	-1.604	-2.138	0.000
Staffing Costs Associated with Benchmarking Reductions		2.500			-2.500
Change in EFS Financing Cost	0.015	-0.058	-0.689	-2.009	-3.500
Scenario A Budget Deficit	41.396	50.752	55.087	58.303	76.809

Table 2 – Budget Deficit Position under Scenario B

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Previous Year Budget Deficit	29.385	27.432	24.572	14.579	1.118
Annual Growth as per MTFS	15.552	14.027	15.693	19.450	24.506
Cumulative Budget Deficit	44.937	41.459	40.265	34.029	25.624
Scenario B Proposed Reductions					
Service Benchmarking Reductions:					
Adults Directorate	-1.466	-2.931	-4.397	-5.863	-0.130
Childrens Directorate	-1.556	-3.112	-4.668	-6.224	-0.138
Environment & Regeneration Directorate	-0.535	-1.069	-1.604	-2.138	-0.047
Staffing Costs Associated with Benchmarking Reductions	0.000	2.500	0.000	0.000	-2.500
Increase in Council Tax (8.3% increase 2026/27)	-2.260	-0.136	-0.145	-0.154	-0.162
Pay	-1.072	-1.168	-1.278	-1.348	-1.408
Prices	-1.977	-2.096	-2.220	-2.349	-2.465
Income	-0.260	-0.273	-0.286	-0.300	-0.315
Contingency	-0.500	-1.000	-1.000	-1.000	-1.000
Financing DSG Deficit	-0.430	-0.515	-0.600	-0.720	-0.870
Demand Pressures Children Social Care	-0.737	-0.770	-0.805	-0.841	-0.879
Demand Pressures Adult Social Care	-3.730	-4.145	-4.605	-5.118	-5.687
Supplies and Services	-1.546	0.000	0.000	0.000	0.000
Extended Producer Responsibility Spend	-1.000	0.000	0.000	0.000	0.000
Change in EFS Financing Cost	-0.437	-2.172	-4.078	-6.856	-10.023
Scenario B Budget Deficit	27.432	24.572	14.579	1.118	0.000

4.0 Proposed Budget Reductions

Benchmarking Reductions

- 4.1 The Council has undertaken an exercise to review its cost base across a number of services and compared this to its nearest neighbour group. The nearest neighbour group being a model designed by the Chartered Institute of Public Finance and Accountancy (CIPFA) creating a list of authorities that are most similar to each other based upon around 40 socio-economic factors. Each borough's "nearest neighbours" are those that are most similar to it in terms of its demographics, economy, deprivation and a range of other measures.
- 4.2 The nearest neighbour comparators for Halton are:
- Bury
 - Doncaster
 - Knowsley
 - North Lincolnshire
 - North Northamptonshire
 - Rochdale
 - Rotherham
 - St Helens
 - Stockton-on-Tees
 - Tameside
 - Telford and Wrekin
 - Wakefield
 - Warrington
 - Wigan
- 4.3 To help compare costs on a similar basis to the nearest neighbour group, the Council has used the 2023/24 Revenue Outturn (RO) submissions which each local authority has to submit to MHCLG on an annual basis following the end of each financial year. The latest available RO information is for 2023/24 which has been used here, but will be updated during the Autumn when the 2024/25 data becomes available. The RO submission is broken down into main service headings and then sub-totalled by more than 150 detailed service lines.
- 4.4 To give a snapshot view of how Halton compares to the nearest neighbour group, a calculation has been made of the average cost for each service across the nearest neighbours, broken down on a per-head basis. The difference per-head between Halton and the average cost for the comparators, is then multiplied up by population to give an indication of how much more or less the Council is spending compared to the nearest neighbour group average. The results are shown in Table 3.

Table 3 – Comparison of Halton Cost Base to Nearest Neighbours

	Cost per Head Nearest Neighbours	Cost per Head Halton	Difference per Head	Overall Cost Difference to Nearest Neighbour Group	Comments
	£	£	£	£m	
Education	713.73	534.00	179.73	23.091	Excluded as funded by ringfenced grant
Highways (excluding Mersey Gateway)	82.55	98.63	-16.08	-2.066	
Children's Social Care	295.62	174.50	121.12	15.561	
Adult's Social Care	422.82	308.73	114.09	14.658	
Public Health	84.24	56.44	27.81	3.573	Excluded as funded by ringfenced grant
Housing Services	28.48	14.11	14.37	1.847	Excluded, mainly funded by grant
Culture, Libraries, and Sports	35.34	15.66	19.68	2.529	
Regulatory Services (Licensing and Environmental Health)	9.33	9.71	-0.37	-0.048	
Community Safety Services	5.18	7.80	-2.62	-0.337	
Environment Services (Waste and Open Spaces)	100.93	86.16	14.77	1.897	
Planning and Building Control	6.38	7.41	-1.03	-0.132	
Economic and Community Development	18.84	11.69	7.15	0.919	
Central Services	90.02	115.53	-25.52	-3.278	
Total Cost Differential Halton to Nearest Neighbours				58.214	

4.5 Table 3 indicates that across all service headings the Council's cost base is £58.214m higher on an annual basis than the average of the nearest neighbour group. There are a number of services which have been initially excluded from the scenario planning in Section 3 of the report, these include Education and Public Health services given they are funded through a ringfenced grant. There are service heads which show the cost to Halton is lower than the average of the nearest neighbour group, these have been excluded from the scenario planning analysis also, including Central Services and Community Safety. Whilst initially removed from the scenario analysis, further in-depth review of costs should still be undertaken to assess whether it is feasible to further reduce the cost of these services.

4.6 Using the benchmarking analysis, a total saving target of £35.563m of reductions (on the 2023/24 cost base) has been included within Scenarios A and B. Given the time required to achieve cost reductions of this scale and nature, the model profiles that 10% of the savings target should be achieved by 01 April 2026, a further 20% by April 2027, a further 30% by April 2028 and a final 40% by April 2029. Achieving these reductions earlier than indicated will help bring forward the planned date of balancing the budget and reduce the EFS cost.

- 4.7 The benchmark related saving target of £35.563m used in Scenarios A and B, is split between the three Directorates which have the greatest variations from the average:
- Adult Social Care - £14.657m
 - Children Social Care - £15.561m
 - Environment and Regeneration - £5.345m
- 4.8 The benchmarking data above is intended merely to provide a starting point for identifying areas where changes to service delivery and associated costs might be achieved. Significant further work would need to be undertaken to drill down into the detailed data and investigate the reasons behind the variances, which will include discussing with other nearest neighbour councils how they appear to operate certain services at lower cost.

Other Reductions – Scenario B

- 4.9 As outlined in Scenario B a number of other reductions are proposed as follows.
- 4.10 There is a proposed increase to council tax of 8.3% in 2026/27. This is based on the current Fair Funding consultation by Government, which proposed a notional council tax Band D level of £2,000 (excl precepts). For Halton to achieve a Band D level of £2,000 it would require an increase of 8.3% on the current Halton Band D level. However, the council tax increase is expected to be capped at 4.99% for 2026/27, therefore, it would require permission from Government to implement an 8.3% increase without a public referendum.
- 4.11 Pay awards over the 5-year MTFS period have been assumed at a 3% increase in basic pay each year with a 1% decrease to the employer pension contribution rate for the first three years. Under Scenario B it is proposed the pay award forecast is reduced to 2% in each of the five years. This is in line with the Government's annual inflation target of 2%.
- 4.12 It is proposed that the future year contract inflation is capped at 2%. It is assumed this will be achieved through improved negotiation and commissioning of contracts. Where any increases are set above this, it is expected that departments will fund the increase from a reduction in other budgets they are responsible for.
- 4.13 Sales, fees and charges inflation is assumed at 2% over MTFS period, however, it is proposed that this is increased to 3%. This should be achieved via a thorough review of existing fees and charges with the approach that all chargeable services should only be provided through full cost recovery, with no council subsidy being provided. Service leads should also ensure that any work provided in line with external partners should be fully chargeable. To minimise the risk of uncollected debt from chargeable services, departments should ensure services are invoiced and paid in advance of being provided wherever possible.

- 4.14 Included within the MTFS is £1.5m contingency for 2026/27 and an additional £2m in each of the last 4 years. The further away from the current position the more uncertainty there is on the budget position, hence the need for a greater contingency amount. It is proposed that the contingency for each of the years in the MTFS is reduced to £1m per year. This presents a financial risk to the Council, but the MTFS is a fluid document and will be updated as and when further information on cost pressures is known.
- 4.15 The forecast deficit on the Dedicated Schools Grant (DSG) as at March 2030 is expected to reach £77.6m prior to any mitigating action. The impact of funding this deficit will be felt upon the Council's General Fund, therefore, the cost of financing the deficit must be recorded here as opposed to the DSG. It is clear nationally that the continued deficit position on DSG is unsustainable. Therefore, the Government are expected to issue a White Paper later this year to discuss the future funding of DSG and High Need pressures in particular. Scenario B therefore assumes Government will fully address these pressures and negate the need for council general funds to meet future DSG financing costs.
- 4.16 Increasing demand pressures have been a key feature of the Council's cost base over the past decade and the MTFS assumes this will continue to be the case based upon historical information. Included over the five years of the MTFS are demand pressures of £8.062 for Children Social Care (CSC) and £34.928m for Adult Social Care (ASC). To help achieve a balanced budget position it is proposed that forecast demand funding for CSC is reduced by 50% to £4.031m and for ASC is reduced by two thirds to £11.643m. It is proposed that demand will be managed by the service area based upon the funding available, through continuous service improvements and strategies to mitigate against the increasing level of demand.
- 4.17 Supplies and service budgets (including road and property maintenance) were cut by 10% in 2024/25, with the MTFS reinstating these reductions from 2026/27. Opting not to reinstate the budgeted reductions will save £1.546m in 2026/27. Service managers will therefore be expected to spend within budget for all supplies and service requirements.
- 4.18 An additional £1m of waste management costs arising from the introduction of statutory food waste collections and changes to recycling services has been included within the forecast for 2026/27. Government has committed to providing funding for additional waste recycling services, but as yet this is to be confirmed and as such no funding has been included with the MTFS. Scenario B now assumes Government grant funding for this. It will be expected that whatever the final grant allocation is, spending will have to fit within this.

5.0 Exceptional Financial Support

- 5.1 The cost of the Council carrying a year-on-year deficit is felt through financing the EFS borrowing required to provide a final balanced budget position. The longer the time period the Council carries an EFS requirement, increases the level of financing required to fund the additional borrowing cost. The MTFS

forecasts the annual cost of EFS by 2030/31 will be in the region of £32.435m. Following the principals applied in Scenario B will reduce the EFS impact greatly. Under Scenario B it is forecast that the annual cost of EFS by 2030/31 will be in the region of £8.869m.

- 5.2 The earlier the Council reduces the budget deficit, will have a significant and material impact upon EFS costs. The advantage will not only be felt in the MTFS 5-year period but also over the 20 years that the Council will have to repay the EFS borrowing.

6.0 Departmental Budgets

- 6.1 To help provide context on the level of savings required compared to the size of departmental budgets, analysis is provided at Appendix A on the level of departmental gross spend and income budgets as at 31 July 2025, excluding recharges.

7.0 Conclusions

- 7.1 It is clear from the updated Medium Term Financial Strategy the Council cannot continue to spend at current and forecast levels. That the five-year forecast estimates by 2030/31 the Council will have a budget deficit in excess of £100m is a significant concern. Clearly if the Council does not take action to immediately remedy this, then the implication will be to issue a Section 114 notice to force through the changes required.
- 7.2 Executive Directors should take immediate action to identify the savings, cost control and income generation proposals identified under Scenario B. This will include but not be limited to:
- Understanding and communicating the scale of efficiencies required.
 - Providing an initial outline of proposed areas for efficiencies and cost control.
 - Identifying the efficiencies and control of costs to be achieved.
 - Establishing the timescales involved, noting the earlier efficiencies are achieved the lower the EFS impact upon budgets and funding over the long term.
 - Consideration of all risks and service delivery impacts and that these are fully assessed.
- 7.3 To assist with undertaking the actions outlined at paragraph 7.2, a template is provided at Appendix B. This should be completed by Directorates as soon as possible to help outline and review proposed efficiencies.

8.0 POLICY IMPLICATIONS

- 8.1 The Council has a statutory duty to set a balanced budget position on an annual basis. This is currently only being achieved with a capitalisation direction (Exceptional Financial Support – EFS) from MHCLG, allowing the Council to borrow to fund day-to-day spend. This is unsustainable in the medium term,

therefore, the Council needs to urgently evidence how it intends to balance future budgets without the need for EFS.

9.0 FINANCIAL IMPLICATIONS

- 9.1 The report provides a suggested approach to how the Council can set a future balanced budget without the need for EFS. Where any suggestions of budget reductions within this report are rejected, they will need to be replaced by other planned and achievable reduction targets.

10.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 10.1 **Improving Health, Promoting Wellbeing and Supporting Greater Independence**
- 10.2 **Building a Strong, Sustainable Local Economy**
- 10.3 **Supporting Children, Young People and Families**
- 10.4 **Tackling Inequality and Helping Those Who Are Most In Need**
- 10.5 **Working Towards a Greener Future**
- 10.6 **Valuing and Appreciating Halton and Our Community**

There are no direct implications, however, the revenue budget supports the delivery and achievement of all the Council's priorities.

11.0 RISK ANALYSIS

- 11.1 The report is produced to help set future balanced budgets. Failure to take appropriate steps towards setting a balanced revenue budget, may lead to the requirement for the Council's Section 151 Officer to issue a Section 114 Notice.

12.0 EQUALITY AND DIVERSITY ISSUES

- 12.1 There are no direct equality and diversity issues.

13.0 CLIMATE CHANGE IMPLICATIONS

- 13.1 There are no direct climate change issues.

14.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
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Local Government
Grant Settlement
2025/26

Revenues and
Financial Management
Division, Halton
Stadium, Widnes

Steve Baker

Departmental Forecast 2025/26 Gross Operational Spend and Income

Appendix A

2025/26 Forecast Operational Spend and Income as at 31 July 2025	Forecast Operational Spend £000	Forecast Operational Income £000	Net Operational Income £000
Adult Services Directorate			
Adult Social Care excl Care Homes and Community Care	24,036	-4,356	19,680
Care Homes	11,030	-2,994	8,036
Community Care	56,014	-25,419	30,595
Complex Care Pool	31,176	-17,993	13,183
Total Adult Services Directorate	122,256	-50,762	71,494
Chief Executives Directorate			
Finance	45,951	-35,818	10,133
Legal & Democratic Services	2,923	-470	2,453
ICT & Support Services	9,153	-1,384	7,769
Chief Executives Delivery Unit	4,305	-731	3,574
Total Chief Executives Directorate	62,332	-38,403	23,929
Children Services Directorate			
Children & Families	66,196	-13,988	52,208
Education, Inclusion & Provision	50,014	-39,910	10,104
Total Children Services Directorate	116,210	-53,898	62,312
Environment & Regeneration Directorate			
Community & Greenspace	32,009	-15,961	16,048
Economy, Enterprise & Property	9,334	-3,352	5,981
Planning & Transportation	15,089	-4,508	10,581
Total Environment & Regeneration Directorate	56,432	-23,821	32,610
Corporate & Democracy	10,199	-10,760	-561
Public Health Directorate	13,349	-12,957	392
TOTAL SPEND	380,778	-190,601	190,176

Financial Recovery Proposed Saving Template

Appendix B

Directorate	
Proposal	
Proposed change / saving <i>Provide an overview of the change / saving proposal</i>	
Scope <i>Clearly define the service areas in focus and include any exclusions or limitations</i>	
Timeframe <i>Include any drivers / deadlines for the change</i>	
Stakeholders <i>Provide detail of those impacted by the change (you may wish to include a stakeholder map), consider cross-service implications</i>	
Current Service Overview	
Service Description <i>Provide an overview of the current service, including current KPIs, restrictions, limitations</i>	
Resource Allocation <ul style="list-style-type: none"> - Detail current costs associated with delivering the service – including budget for past 3 years, and actual outturn; and income / grants - Staffing establishment – to include vacancies and agency? - Other key areas of significant resource / expenditure (e.g. supplies, contracts for services, assets etc) 	
Benchmarking <i>Please include any other benchmarking or best practice discussions</i>	
Savings Option	
<i>Financial Impact (identify the potential savings of the option, detail any additional costs i.e. redundancy costs)</i>	
<i>Service Impact (impacts on outcomes, service users and other services)</i>	
<i>Risk Assessment (identify the key risks – reputational, financial, political)</i>	
Implementation Plan	
Action Steps <i>Outline the key steps required to implement the chosen option/s</i>	

Timeline <i>Provide details of the timeline for implementation, indicating when the saving should be realised</i>	
Resource Allocation <i>Identify the resources required for implementation including who will be leading this from the service</i>	
Communication Plan <i>Outline key stakeholders that need to be communicated with and when</i>	
Risk Mitigation <i>Detail any actions taken to mitigate / minimise the risk</i>	
Monitoring and Evaluation	
Performance Indicators <i>Identify the KPIs to support the effectiveness of the implemented changes</i>	
Benefits <i>Detail any non-financial benefits that may be achieved through the change</i>	