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Town Hall
Trinity Road
Bootle
L20 7AE

To all Members of Cabinet

Date: 19 June 2020
Our Ref: PGF
Your Ref:

Contact: Paul Fraser
Contact Number: 0151 934 2068
Fax No:
e-mail: paul.fraser@sefton.gov.uk

Dear Councillor

CABINET - THURSDAY 25TH JUNE, 2020

I refer to the agenda for the above meeting and now enclose the following report that was unavailable when the agenda was published.

Agenda No.	Item
5	Financial Management 2020/21 to 2022/23 and Framework for Change - Issues Arising from COVID-19 - June Update (Pages 51 - 70) Report of the Executive Director of Corporate Resources and Customer Services

Yours faithfully,

DAVID MCCULLOUGH

Chief Legal and Democratic Officer

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Report to:	Cabinet	Date of Meeting:	25 June 2020
Subject:	Finance Update- Revenue Budget 2019/20 to 2021/22		
Report of:	Executive Director of Corporate Resources and Customer Services	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 provides members with an initial view on the financial issues that may affect the Council's finances and financial sustainability as a result of the COVID 19 pandemic. The report provides details of the key areas that will require monitoring and reporting together with an early estimate of the financial impact in both the current year and future years. In doing so, the report updates members on the dialogue that is ongoing with central government and the required guidance and support that the Council requires.

This is the first in a series of reports that will be provided to each future Cabinet meeting on the financial impact of the pandemic, with revisions being made to future reports both in terms of the financial estimates and the proposed approach to addressing each issue as per central government guidance.

Recommendations:

Cabinet are recommended to:-

1. Approve that a report be presented to each future Cabinet meeting on the financial implications arising from the COVID 19 pandemic until further notice;
2. Note the revised timetable for the closure of the 2019/20 year-end accounts and the proposed dates for receipt of the accounts by Audit and Governance committee;
3. Note the potential impact of the COVID 19 pandemic on the final outturn for 2019/20;

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4. Note the key financial issues that are facing the Council in the financial year 2020/21 especially with regard to income due from Council Tax, Business Rates and fees and charges;
5. Approve that when firm financial estimates are available to the Council in respect of 2020/21 and central government guidance is available as to how these should be addressed, a subsequent report be presented to Cabinet agreeing the Council's approach to delivering financial sustainability in the current year and the proposed approach for the financial years 2021/22 and 2022/23. Where these decisions require Council approval as per the constitution and financial procedure rules, decisions will be escalated as appropriate;
6. Note the position with regard to the potential cash flow implications arising from the COVID 19 pandemic in 2020/21 for the Council and agree that in accordance with the Council's approved Treasury Management Strategy that the Council's s151 officer be authorised to raise borrowing as a result of the council being 'internally borrowed' as set out in this report. This action would be conducted in accordance with the Treasury Management Strategy and Financial Procedure Rules;
7. Note the potential impact on the Council's debt management arrangements and provision and approve that a full review of this be undertaken across the Council within 6 months with the outcome being reported to cabinet and subsequently included in future budget setting plans;
8. Approve the utilisation of the 'Emergency Fund' as set out in Appendix A where firm estimates are known and grant delegated authority to the Chief Executive and s151 officer to incur additional expenditure on the other areas detailed up to the value of funding that has been made available by central government. Detail of this expenditure and approvals should be reported within future Cabinet reports; and
9. Approve that the Council's Framework for Change 2020 programme continues as approved by Budget Council but that each workstream is reviewed and updated to include the Councils response to the pandemic. These will be presented to Cabinet and Council in due course for approval

Reasons for the Recommendation(s):

The recommendations will give Cabinet full visibility of the potential financial impact of the pandemic both in the current year and future years and will provide the basis for future decision making that will ensure that financial sustainability is maintained.

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

There are no alternative options available to the Council

What will it cost and how will it be financed?

(A) Revenue Costs

All revenue issues and costs are reflected in the body of the report.

(B) Capital Costs

There are no capital costs arising from this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
All resource implications are reflected in the body of the report.
Legal Implications:
The Council has a legal responsibility to set a robust and balanced budget each financial year. The issues contained within this report will directly impact the setting of the 2021/22 and 2022/23 revenue budgets.
Equality Implications:
There are no equality implications arising from this report.

Contribution to the Council's Core Purpose:

Financial Sustainability will enable the delivery of each element of the Council's core purpose as approved by Council.

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services:
Place – leadership and influencer:
Drivers of change and reform:
Facilitate sustainable economic prosperity:

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Greater income for social investment:
Cleaner Greener

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources & Customer Services (FD6012/20) and the Chief Legal & Democratic Officer (LD4195/20) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

(Please delete as appropriate and remove this text)

Contact Officer:	Stephan Van Arendsen
Telephone Number:	0151 934 4082
Email Address:	Stephan.vanarendsen@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

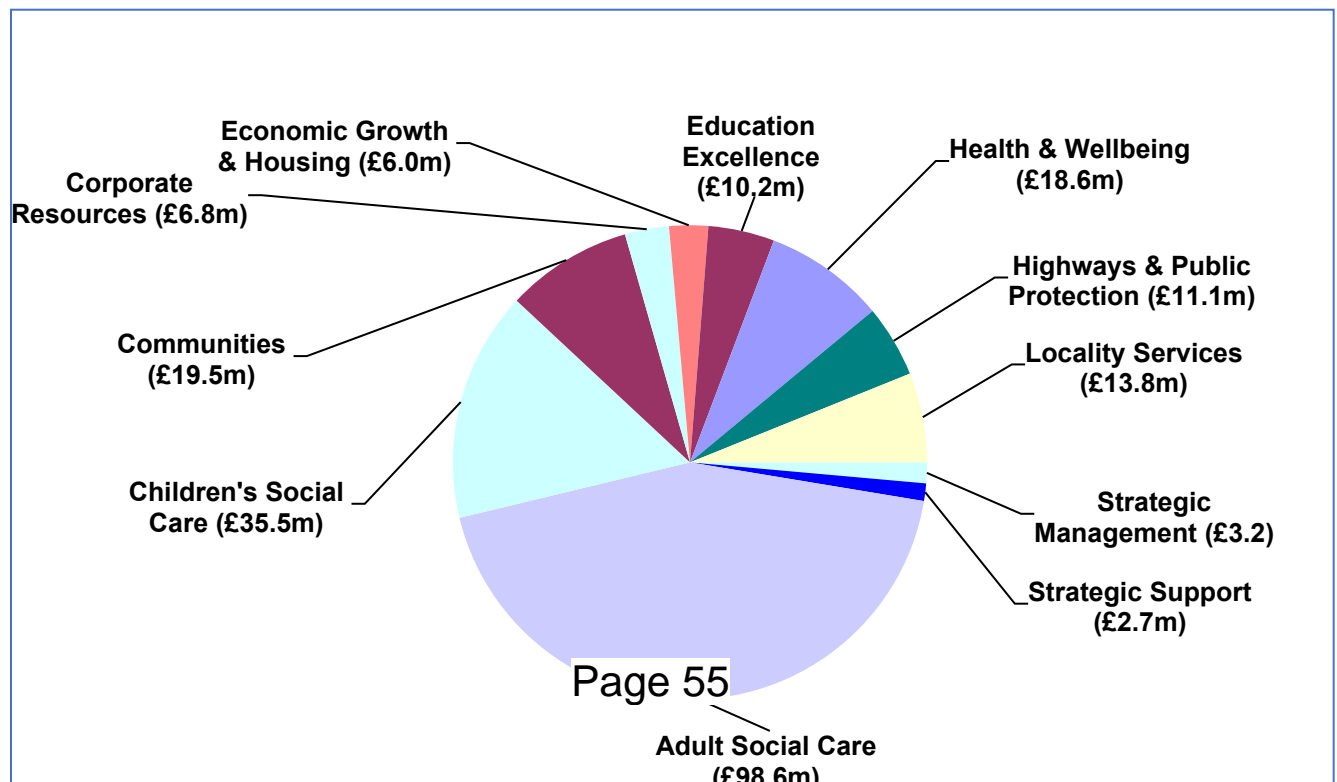
There are no background papers in support of this report

1.0 Introduction

- 1.1 This report provides Members with an update on the financial issues that are arising for the Council from the COVID 19 crisis.
- 1.2 As would be expected this is a developing scenario and regular updates will be presented to Members at each meeting in order to aid both decision making and information provision.
- 1.3 All local authorities within the United Kingdom have been at the forefront of the response to COVID 19 as has been well documented, with support to residents, communities and business being at the heart of the work that has been and continues to be undertaken.
- 1.4 As with all sectors within society, the impact of COVID 19 will have a significant impact on the Council both in the current year and future years. There will be reports that are presented to Members in due course that reflect this impact, the Council's approach both directly and indirectly to the reset/recovery phase of the pandemic and how this will be reflected in the Framework for Change 2020 programme. This report however will identify the key financial issues that will be raised for the Council, what information is currently available in respect to a response and the management of these issues and what additional work will be required over future months.

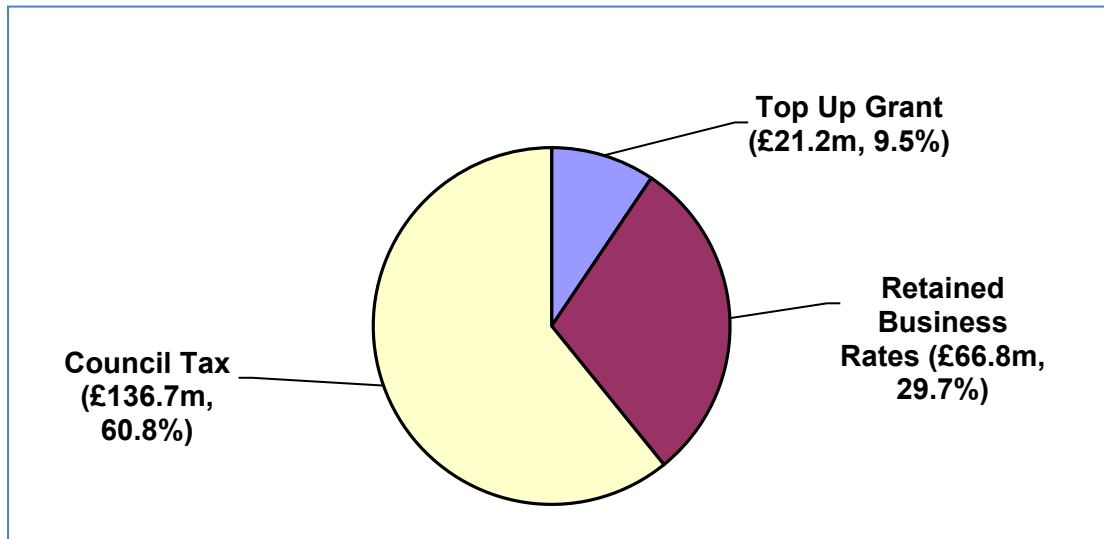
2.0 Key Issues for Sefton

- 2.1 As Members will be aware the net annual revenue budget for Sefton Council in 2020/21 is £224.706m. The net budget for each service is shown in the following graph:



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- 2.2 In terms of funding of the Council's net revenue budget, this is made up of three key sources, Council Tax income, Business Rates income and Revenue Support Top-Up Grant. A summary of the value of these in respect of how they fund the Council's net revenue budget is shown in the following chart:



- 2.3 As would be expected there will be an impact as a result of COVID 19 on a number of areas of the Council's finances. Therefore, this report will initially focus on:-

- Impact upon the 2019/20 outturn position and closure of accounts process;
- Immediate impact upon the 2020/21 revenue budget including:
 - council tax collection;
 - collection of business rates;
 - loss of income from fees and charges;
 - cash flow;
 - additional spending pressure and delivery of savings; and
 - debt management.

3.0 **2019/20 outturn position and closure of accounts process**

- 3.1 As Members will be aware at the end of February 2020, the Council were forecasting that with one month of the financial year remaining a modest overspend of £0.5m would be incurred, with this position being dependent on any final variations, particularly in respect of the Council's Looked after Children Budget, and winter maintenance.

- 3.2 During March 2020, the impact of the pandemic started to be felt across the United Kingdom and within society, with government guidance limiting movement that ultimately resulted in the lockdown of most areas. As a result of these measures,

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it is expected that there will be a material impact on the Council's finance from this period that will influence the final outturn position together with further pressure on the Looked after Children Budget.

- 3.3 Predominantly at this stage it is anticipated that there will have been reductions in car park income and other key income sources, for example from leisure centres, etc. The Council has started to work through its outturn process and understanding any key differences between the end of February forecast position and the actual position at the end of March. This will be critical to determine how any changes will be funded. It is estimated at this stage that £0.6m in reduced income will have been received during this period.
- 3.4 Central Government on 15th April 2020, started a process for Council's to articulate the impact of the pandemic on their outturn positions in both 2019/20 and 2020/21. This return is to be completed each month in order that the impact and magnitude can be refined as more information becomes available. This return has asked for the financial impact that will have been experienced in March 2020.
- 3.5 At this stage it is not known if any budget shortfall and impact will be met by central government, whether the allocation of 'emergency funding' will be to meet this requirement or the Council will need to fund this from reserves and balances. This is one of the key outstanding issues that the Council will continue to lobby on both individually and through the Local Government Association (LGA), SOLACE, CIPFA etc.
- 3.6 Members will be aware that at the end of the financial year, a closure of accounts process is undertaken that results in the draft accounts being published by 31st May and subsequently presented to Audit and Governance Committee by 30th June each year. These accounts are the subject of external audit with the final accounts being approved by Audit and Governance Committee and subsequently published by 31st July.
- 3.7 Due to the current crisis work has been undertaken between Her Majesty's Treasury, CIPFA, the LGA and external auditors to determine what the approach should be to this year's process. From that dialogue, it has been agreed that the comprehensive Statement of Accounts will still need to be produced for 2019/20 (despite lobbying from local authorities) with draft accounts being published by 31 August 2020 and the final accounts being approved by Audit and Governance Committee and subsequently published by 30th November 2020. As a result of this, the Council has revised its closure of accounts timetable and engaged with the external auditor to agree a process whereby these deadlines will be met.
- 3.8 In addition to the final outturn position being affected and to what extent any variation caused by the pandemic will be funded by central government or may need to be met by each council (either on a temporary or permanent basis) there will be other key issues that may also be materially affected by the pandemic,

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including the valuation of property, buildings and investments plus the overall Value for Money conclusion that is made by the external auditor.

- 3.9 At present there is no firm guidance on the approach to these issues but as this becomes available this will be communicated to Members.

4.0 **Impact on 2020/21 Revenue Budget**

- 4.1 Whilst there will be an impact on the final 2019/20 revenue budget the biggest impact will be on the Council's immediate 2020/21 budget together those in future years, especially 2021/22 to 2022/23.

- 4.2 Members will recall that at the Council meeting of 27th February 2020, a budget for 2020/21 was approved together with the approach to developing the budget for the forthcoming two financial years, that reflected the approved Medium-Term Financial Plan. The intention was that this would take account of changes in central governments approach to local government finance and the Council's Framework for Change 2020 programme. This budget for 2020/21, due to the work in preceding years, had no requirement for budget savings to be made and reflected a reserves strategy that would address some of the findings from the recently published CIPFA resilience index. The budget did reflect however that due to the forecast funding gap in 2021/22 and 2022/23 that work would commence on the Framework for Change 2020 programme and savings would be identified at an early stage in order to meet this shortfall and would contribute to any pressure that maybe experienced in 2020/21- this work did indeed commence.

- 4.3 Due to the current situation this budget will inevitably be the subject of review in 2020/21 and it is anticipated that future years will also be materially affected- this will reflect both the funding that may or may not be available (from both central government and raised locally) and the Council's role in both the pandemic and recovery phase. At this stage an analysis of this potential impact has been made in addition to the thinking around future years implications. These will both need to be continually refined (at this stage this is happening on a week by week basis) and be the subject of regular reporting to Members in order that remedial plans can be developed and approved as required . The following have been identified at this stage.

Council Tax Collection

- 4.4 As stated earlier in this report, the Council budgeted for the collection of £138.651m of Council Tax in 2020/21 less a £1.974m deficit to be recovered. This sum represents 61% of the Council's income. Within this sum approximately £3.700m relates to Council Tax received from those on the Council Tax Reduction Scheme (CTRS).

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- 4.5 It can be seen from these statistics that this income source is critical to supporting the Council's overall budget and with the huge dislocation within the economy it could be affected by the current situation.
- 4.6 In the initial response to the pandemic the government made available nationally £500m to support those on the Council Tax Reduction Scheme with a reduction of £150 being made to each bill. Sefton received £3.037m and £2.137m was applied to these bills leaving a balance of £0.900m to fund the support for any further claimants who come forward during the course of the year.
- 4.7 The issue around Council Tax is fourfold:-
- As residents' circumstances change will Council Tax continue to be paid?
 - Will there be an increase in those moving from 100% payment to the Council Tax Reduction Scheme as a result of, for example, loss of job and applying for universal credit?
 - Will the level of Council Tax debt for the Council increase and is the provision that is held sufficient? and,
 - What impact will each of these have on future years' budget planning in terms of income that is available to fund core services.
- 4.8 As stated earlier it is hoped but yet to be confirmed that central government will meet any shortfall in both the current year and future years from this current crisis where this can be evidenced. It is clearly early stages in understanding the potential impact, but it is widely recognised that there has been a significant increase in Universal Credit claimants nationally.
- 4.9 As at the end of May 2020, within Sefton there has been an increase in Universal Credit claimant notifications which has resulted in an increase in claimants for the Council Tax Reduction Scheme of 1,000 with a further 2,000 currently being processed (it should be noted that not all of these will result in additional CTRS cases and in total is about 2,000 more than would typically be received). Having taken into account available relief, and assuming a continuing increase in claimant numbers, this could equate to an annual reduction in Council Tax income to the Council of around £3.1m with the potential for this to rise over forthcoming months if claimant numbers increase more than anticipated.
- 4.10 With regard to overall Council Tax collection, having initially reviewed levels of direct debit and monthly payments over the first period of the financial year, the Council has seen an overall reduction in income of approximately 0.7% compared to 2019/20. Both of these factors could lead to a reduction in income of £7.8m with the risk increasing the longer that society and the economy is disrupted for. As stated, this figure represents a view on the initial part of the financial year and will be the subject of material change as the year progresses.
- 4.11 In terms of local authority accounting, this reduction would not impact upon the Council Tax collection fund in 2020/21, however would impact directly on the

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funding that would be available to the Council in 2021/22- i.e. there could be a budget shortfall of around £7.8m. Due to the scale of this income reduction a review of the bad debt provision will also need to be undertaken with additional financial provision being made. As stated, at present the exact approach to this and how this will be managed by central government in respect of all local authorities is yet to be determined but is a key issue and risk for the Council in terms of financial sustainability and cash flow in the current year.

Business Rates Collection

- 4.12 As stated earlier within this report, the Council has budgeted to collect £66.779m of business rates in 2020/21. After the application of the extension to 100% relief as set out by central government including to all retail, hospitality and leisure businesses, plus nurseries, that amounts to an additional £37.228m of relief, the Council will need to collect £29.551m in year.
- 4.13 Business Rates are mainly collected via direct debit and during the start of this financial year, the Council has seen a reduction in rates collected that would equate to £5.5m over the course of the full year. Of the amount to be collected, about £22.0m relates to commercial or industrial premises (who aren't eligible for any central government relief) which is the level of income considered at risk (the balance relates to educational establishments, hospitals, etc.).
- 4.14 Similar to the position on Council Tax this would have a significant impact on the Council's cash flow in 2020/21. From an accounting point of view the position is more complex. As with Council Tax, this would impact on the Collection Fund in 2020/21 and also on funding available in 2021/22. As part of the business rates retention model, a safety net is in place. This safety net is a minimum level at which the government guarantee funding to local authorities. For Sefton in 2020/21 this is set at £86.7m compared to net income of £93.8m (including reliefs and top-up grant), therefore any reduction if not supported by central government would be limited to £7.1m.

It can be seen, that reductions in income from Council Tax and Business Rates will have a direct impact upon the Council's cash flow position in 2020/21 and the amount of available funding that is available to support core services in future years. These base positions in terms of funding to be collected have been built up over a number of years and a reduction in excess of £13m would leave the Council not being able to deliver one of its key objectives, i.e. financial sustainability. As stated, how central government propose to address this issue remains unclear as there is an impact not only on the current but future years (as long as it takes to return to pre COVID 19 economic levels) and this therefore is currently a key risk to the Council.

Income from fees and charges

- 4.14 As previously discussed, the Council also relies on a significant level of income within its overall revenue budget. This ranges from car park and leisure centre income to tourism funding and income due from ASC clients etc and amounts to approximately £45m. As the Council has had to close certain income generating assets or has seen income generating activities reduce or stop, this level of income has reduced significantly. In response to this, officers have undertaken some initial modelling of the potential impact of major disruption to services being in place for a period of six months during the year with reduced levels thereafter. At this stage it is estimated that this would amount to £15.6m for the year. This includes the loss of income from the Council's commercial property portfolio.
- 4.15 In considering the three areas covered to date, namely Council Tax, Business Rates and fees and charges, and to inform the engagement with government around the impact in this year and next year, it is important that all local authorities are able to articulate and track the impact beyond this point. This exercise is currently in progress and is being led by the Finance service. The ability of the Council to reach pre crisis levels of income will be dependent on both the length of time that any restrictions apply and how long it will take the economy to recover with significant unemployment and a reduction in business activity forecast.

As a result of this at this stage it is estimated that the Council's income based on the current estimate would be £15.6m lower than budgeted for in the current year with a financial impact of up to £13.3m for 2021/22 (excluding the ongoing impact). This estimate will be continually reviewed. Such as sum will directly impact upon this year's cash flow and next year's revenue budget. A meeting to discuss these issues has been set up between officers and the Council's external auditor for Friday 26th June 2020 to review this, the latest guidance and information that is available and to discuss the Councils approach to ensuring financial sustainability.

Cashflow

- 4.16 As stated it is hoped that both the current year and future years financial impact of this crisis will be neutral for councils, however this is yet to be determined. Within that context the other immediate issue facing all councils and Sefton will be the impact upon cashflow. The Council in determining its annual budget produces a cashflow forecast that aligns with its treasury management activity and prudential indicators that are approved at Budget Council each year.
- 4.17 With expected reductions in all forms of income in the year, this cash flow forecast has needed to be reviewed. The impact of this is known to central government who have written to section 151 officers advising that if problems are anticipated then they should be contacted immediately and a number of grants that were due to be received over 12 months will now be received 'up front' thereby helping.

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- 4.18 From the work undertaken to date and taking into account the issues discussed in this report, the Council has updated its cashflow forecast for 2020/21. From this exercise it is estimated that that based on expected levels of income and expenditure the Council would need to borrow or secure additional income from central government towards the end of quarter 3 of 2020 (October to December). As Members will be aware, part of the Council's treasury management strategy over the last decade due to an environment of low interest rates has been to 'internally borrow' funding, i.e. from balances as opposed to borrow money to fund, for example, capital projects. As at 31st March 2020, the Council was internally borrowed to a sum of approximately £26.000m This is a strategy employed by most local authorities based on advice from Treasury Management advisors and means that borrowing of this sum could be undertaken to support the current year's budget. As the Council gains increased visibility on its collection rates on both Council Tax and Business Rates together with income from fees and charges this cashflow position will be revised weekly but like most authorities who will be in a similar position, central government will be lobbied and advised of the position and support will be sought. The Council's position on cashflow will be a key feature of subsequent reports to Cabinet and Audit and Governance committee throughout the year together with proposed strategy's for dealing with those issues that arise.

Additional demand for services – future years impact

- 4.19 As has been widely reported and stated within this report the Council has been at the forefront of the response to COVID 19 and will be for some time. This has led to an increased demand for both new and existing services. In order to fund this demand, the Council has received from the government two tranches of funding that amount to £17.554m. As at the 19 June 2020, £15.923m has been incurred or committed against this sum. A full analysis of this is shown at Appendix A to this report.
- 4.20 Whilst this funding has been made available, a key part of the Council's future planning will need to be to determine any continued commitments that may arise that will need to be funded thereafter. This will need to be factored in or addressed as part of future budget planning.
- 4.21 Similarly, the Council's budget report in February 2020 outlined the Framework for Change 2020 programme that would deliver the Council's core purpose and financial sustainability over the three-year period 2020/21 to 2022/23. As stated earlier in this report there was no savings requirement in 2020/21 due to the work undertaken in previous years however there was a forecast funding shortfall reported for both 2021/22 and 2022/23. The report outlined the key elements of FFC 2020, namely, Council of 2023, demand management and growth and strategic investment. The workstreams in these programmes commenced during 2019 in order to support the three-year strategy and as part of this initial work, the Council identified a range of savings that could be delivered within the demand management workstream (within the Adult Social Care and Children's Social Care

areas). These amounted to around £8.600m and following development by officers were due to be shared with Members in accordance with the agreed governance procedures in June 2020. Following approval these savings would have provided the Council with financial flexibility in the current year and a significant contribution towards next year's shortfall. As a result of the pandemic work has ceased on some of these areas which means delivery has been compromised. These savings plans can be substantiated however they will not now be delivered in full. Details of these will be included within the Council's assessment of financial loss as a result of the pandemic.

Based upon the information provided in respect of forecast loss of income, costs of responding to the pandemic and government funding the Council's current position can be summarised as follows:

	£'m
Forecast cost of responding the pandemic	15.9
Loss of income from fees and charges	15.6
Reduced Council Tax receipts	7.8
Reduced Business Rates receipts	5.5
Sub Total	44.8
Government Funding Received	(17.5)
Current Shortfall	27.3

Debt Management

- 4.22 The Council like all authorities holds bad debt provisions that are established to meet any non-recovery of income that the Council raises. Although this covers a wide range of activities the three main areas are:-
- Council Tax income
 - Business Rates income
 - All Sundry Debt including Adult Social Care payments.

By way of illustration the total level of debt held at the end of March 2020 was £51.2m, with a provision of £22.3m.

The level of debt, and the management of this, will be a crucial activity over the forthcoming months. The ability to recover this income will not only have a direct impact on the Council's current and future budgets and cash flow but will also determine the level of debt that the Council deems will be unrecoverable and which it will have to fund itself. Similar to other elements discussed in this report, this could have a material impact on the Council's budget and will require additional financial support either from central government or as part of future financial planning and budget processes.

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5.0 Overall Financial Management- 2020/21

- 5.1 Within a traditional financial year, although due consideration is given to collection rates on Council Tax and Business Rates and this is reported monthly to Members, the main emphasis has been on the delivery of savings and day to day expenditure. Over the next six months operational expenditure will remain important with key decisions around service provision inevitably being required to ensure that the Council remains within the budget it has set, but in addition the most crucial aspect with regard to financial management will be monitoring the collection of these major income sources as these will be the ones that underpin the finances of the Council in both the current year and will directly impact future years' budget setting.
- 5.2 As stated, central government has started the process of collecting from local authorities information with regard to the financial impact of COVID 19 and it is hoped that this is the mechanism to provide financial support to this extent in both the current year and future years either through the emergency fund, the provision of other specific allocations or changes to accounting policies. At this stage to what extent any further government support will be forthcoming is not known however the Council continues to lobby extensively its case for additional funding alongside all other local authorities across the country.

Whilst this engagement and lobbying continues, in the event that this does not occur due to the scale of the potential issues or the level of support provided does not meet the Council's requirements in full, more immediate decisions and interventions will be required by Members in order to maintain operational activity and financial sustainability-this relates to both the current year and subsequent years. As such work will commence on developing a range of potential financial scenarios that could be faced by the Council in the current year and how the Council could potentially respond to those based on central government guidance. Although it is early in the financial year and it is inevitable that the financial estimates within this report will change on a continual basis (with these changes potentially being material) this planning needs to start now in order that the Council can respond whenever guidance is received from central government. This is the key issue in the current year and the longer that the Council has to wait for that guidance and certainty the higher the risk presented will be due to a reduced amount of time to put in any remedial measures, especially when the level of reserves held by the Council is considered against the scale of the loss of income.

- 5.3 As a result of this and the pace of change and developments that are currently being experienced, It will be important during the year that Members are kept fully up to date on progress on this therefore it is proposed that a report be presented to each cabinet meeting on progress and impact in addition to a summary report being provided to Audit and Governance committee due to the impact on Treasury Management Activity and that committees governance role.

5.4 In addition as with any other financial year it is also essential that the Council delivers its existing budget during 2020/21 with no overspend, so as not to place further pressure on its reserves position (that maybe required should government support not meet the Council's requirements in full). As with previous years there remains inherent risk within the budget in respect of the Looked after Children Budget and the winter maintenance budget therefore control will be key in this regard as will developing immediate remedial plans for any such pressure.

6.0 Framework for Change 2020

6.1 As previously detailed at Budget Council, Members agreed the workstreams and key areas that would be the subject of work and development in the Framework for Change 2020 programme. This focussed on :-

- Demand Management;
- Growth and Strategic Investment; and,
- Council of 2023

6.2 At this stage it is considered that these three workstreams remain valid, however the content and aims and objectives will need to be the subject of review. Each workstream will quite rightly need to take account of the recovery / reset phase that will take place both within the Council, communities and the economy / business community. In addition, the Council will be keen to retain some of the excellent work that has taken place with partners and the community as it seeks to deliver its core purpose. Like most organisations the Council has fundamentally changed the way it works in recent months with an increased emphasis on the use of technology, agile and flexible working, working closer to residents and businesses. This has helped deliver the business need of the Council and also supported the health and wellbeing of staff. These elements will be evaluated with a view to maintaining the many positives that have come from this and maximising the investment that has been made.

6.3 Similarly as discussed throughout this report the financial scenario facing the Council over the next 2 years will inevitably be the subject of change as there will be material changes to both the level of income that can be raised locally and what will be provided for by central government. Financial Sustainability is at the core of the Framework for Change programme and therefore as with previous years the Council will start to commence its planning for the remaining 2 years of its current MTFP period from this point. As the outlook is uncertain this planning will focus on developing a range of options that will allow the Council to respond to a number of potential financial scenarios. These options will need to be developed and approved by members in order that they can be in place by April 2021 as part of a package of measures.

7.0 Conclusion

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- 7.1 As would be expected, the financial implications arising for the Council from the COVID 19 pandemic will be both significant in scale and will span not only the current financial year but future years budgets also. At this stage of the response, central government has provided support to local authorities to directly meet the cost of that response. These costs will need to be kept under review to ensure that this funding is sufficient.
- 7.2 In addition to this, due to the lockdown and the impact on household and business income and the Council's own income generating activities, all councils will experience a reduction in income levels in the current year (2020/21) compared to what was budgeted for. The impact of this is two-fold, firstly there will be an impact on the Council's cashflow with additional support being required and secondly there will be a budget shortfall from that reduction in income generating activities. These issues have been recognised by central government who have requested monthly returns from all councils in England outlining the financial impact of the pandemic. This is a welcome exercise however all councils then need to understand as a matter of urgency what support will be made available to them to address the issues and budget shortfall's that are arising. To date this guidance has not been received therefore lobbying and engagement will need to continue. Due to this uncertainty it is important that the Council continually reviews and updates its financial position and reports will be presented to each subsequent meeting of cabinet and where appropriate Council. Alongside this a range of scenarios and impacts will be developed that outline what the Council will need to do and how it will need to respond depending on the level (if any) of support that maybe provided.
- 7.3 In managing such a position its is essential that the budget set by Council for 2020/21 is met and any pressure that arises (e.g. in Children's Social Care) is met be corresponding remedial actions. Work has commenced at a much earlier stage this financial year to develop a forecast for the year and a plan will be implemented immediately to offset any pressure.
- 7.4 Similarly it is evident that these financial issues facing the Council in the current year will extend to future years also. Lower expected Council Tax and Business Rates receipts together with reduced income due changes in society and the 'new normal' will have a direct impact on the Council's Medium-Term Financial Plan. Again, extensive lobbying is being undertaken with central government and additional support being requested to return to the Council's position to that before the pandemic, however at this stage it is uncertain what support will be offered.
- 7.5 As a result of this and in line with previous budget setting exercises, work will commence on developing budget and policy options as part of the Framework for Change 2020 programme that align with a range of financial scenarios that the Council may face. These will reflect the detail of the Framework for Change 2020 programme reported to Budget Council and also the recovery/reset programme that will be required post pandemic. These proposals will come through the agreed

governance route of the Council as will regular updates to the Council's Medium-Term Financial Plan as new information is received.

- 7.6 The financial impact of the pandemic on all councils has been significant and will have long term implications therefore it is important that central government guidance is received as a matter of urgency that will enable effective financial planning to take place. The Council has an excellent record of medium-term planning and delivering financial sustainability however the current situation is unprecedented in both scale and severity. It is hoped that central government support will be received which will restore the Council's position to that pre-pandemic however if this is not the case then a range of proposals will need to be developed to meet a revised Medium-Term Financial Plan.

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Appendix A

Current Expenditure Commitments relating to the Council's response to COVID-19

Activity	Estimated Cost (if known) £m
Homelessness – Re-provision incl. temporary accommodation	1.692
Housing Options Support	0.092
PPE Supplies – applicable to all services	1.259
Additional food & shopping support to be provided by Vol Sector	0.287
Care Homes and Care at Home - additional payments to Care Homes and Care at Home & Supported Living.	2.840
Care Homes - Supporting the Market	3.000
Additional support to struggling home care sector, e.g. additional costs staffing / PPE above 5% provided	1.000
Supported Living - Community Support	0.500
Direct Payments & Individual Service Fund Support	0.500
ASC hospital discharge guidance service	0.100
New Directions - inflationary price rise to block contract to support providers	0.358
Community Equipment- additional equipment and staffing to support discharge	0.096
Adult Social Care – Additional Staffing Support	0.207
Other Adult Social Care Costs	0.090
Estimated Shortfall in ASC Demand Management / Price Increase Mitigation savings	1.129
Delay in discharging children as a result of COVID / Other LAC and CWD Support	0.340
Additional External Support for Children's Social Care	0.440
Estimated Shortfall in CSC Demand Management savings	0.675
Children's Social Care / Early Help / SEND – Additional Staffing Support	0.159
Additional Support for Early Years PVI nursery settings	0.065
Community Infection Control	0.236
Mental Wellbeing Support	0.082
Death Management Costs (incl. share Merseyside Extra Deaths Management Group costs)	0.122
Cleansing – Additional vehicle and staffing costs	0.041
Additional ICT Requirements	0.445

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Social Media - information & advice, production of leaflets, communications, etc.	0.039
Additional costs re. extended hours for Contact Centre, keeping Bootle Town Hall open, additional cleaning, etc.	0.072
Other incurred costs	0.057
Total Costs	15.923

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