

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	3 December 2020
<b>Subject:</b>	Financial Management 2020/21 to 2023/24 and Framework for Change 2020 - Revenue and Capital Budget Update 2020/21 including the Financial Impact of COVID-19 on the 2020/21 Budget - December Update		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

To inform **Cabinet** of:

1. The current estimated financial impact of COVID-19 on the 2020/21 Budget;
2. The current forecast revenue outturn position for the Council for 2020/21;
3. The current forecast on Council Tax and Business Rates collection for 2020/21;
4. The monitoring position of the Council's capital programme to the end of October 2020:
  - The forecast expenditure to year end;
  - Variations against the approved budgets and an explanation of those variations for consideration by Members;
  - Updates to spending profiles and proposed amendments to capital budgets necessary to ensure the efficient delivery of capital projects are also presented for approval.

### Recommendation(s):

**Cabinet** is recommended to:

#### Revenue Budget

- 1) Note the current estimated impact of COVID-19 on the 2020/21 Budget together with the key issues that will influence the final position.
- 2) Recognise the financial risks associated with the delivery of the 2020/21 revenue budget and the material variations that are to be expected to the current estimates contained in this report, and agree that subsequent reports provide updates and where appropriate remedial actions plans as appropriate;
- 3) Note the Government grant funding that has been received to support individuals and businesses with the response to the pandemic, and which has been

- distributed in accordance with central government guidance;
- 4) Note the current forecast revenue outturn position for 2020/21;
  - 5) Acknowledge that the forecast outturn position will continue to be reviewed to ensure a balanced forecast outturn position and financial sustainability can be achieved;

### **Capital Programme**

- 6) Note the spending profiles across financial years for the approved capital programme (paragraph 7.1.1);
- 7) Note the latest capital expenditure position as at 31 October 2020 of £10.600m (paragraph 7.2.1) with the latest full year forecast of £33.233m (paragraph 7.3.1);
- 8) Note explanations of variances to project budgets (paragraph 7.2.3);
- 9) Recommend to Council to approve the supplementary capital estimate of £0.352m for Ainsdale Coastal Gateway (paragraph 7.4);
- 10) Approve the capital virement of £0.149m to the Bootle Strategic Acquisitions project from Council Wide Essential Maintenance (paragraph 7.5); and,
- 11) Note that capital resources will be managed by the Executive Director Corporate Resources and Customer Services to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council (paragraph 7.6.3).

### **Reasons for the Recommendation(s):**

To ensure Cabinet are informed of the forecast outturn position for the 2020/21 Revenue Budget as at the end of October 2020, including delivery of a remedial action plan, and to provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

To keep members informed of the progress of the Capital Programme against the profiled budget for 2019/20 and agreed allocations for future years.

To progress any changes that are required in order to maintain a relevant and accurate budget profile necessary for effective monitoring of the Capital Programme.

To approve any updates to funding resources so that they can be applied to capital schemes in the delivery of the Council's overall capital strategy.

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

N/A

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

The report indicates that for 2020/21 there is currently a forecast deficit of £0.598m. Mitigating measures have been identified in order to arrive at this deficit. Should this deficit remain at the end of the financial year this will be a call on the Council's General Balances, therefore further remedial action will be required if the forecast returns to a deficit.

## **(B) Capital Costs**

The Council's capital budget in 2020/21 is £33.122m. As at the end of October 2020 expenditure of £10.600m has been incurred and a full year outturn of £33.233m is currently forecast.

### **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:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
There is currently a budget deficit of £0.598m forecast for 2020/21. However, it should be noted that significant pressure and risk remains in four key business areas, namely Children's Social Care, Children with Disabilities, Education Excellence and Locality Services. These budgets may experience further demand pressure during the remainder of the year in which case corresponding savings will need to be identified. If this cannot take place there will be a call on the Council's General Balances.
<b>Legal Implications:</b>
None
<b>Equality Implications:</b>
There are no equality implications.

### **Contribution to the Council's Core Purpose:**

Effective Financial Management and the development and delivery of sustainable annual budgets support each theme of the Councils Core Purpose.

<b>Protect the most vulnerable:</b>
See comment above
<b>Facilitate confident and resilient communities:</b>
See comment above
<b>Commission, broker and provide core services:</b>
See comment above
<b>Place – leadership and influencer:</b>
See comment above
<b>Drivers of change and reform:</b>
See comment above
<b>Facilitate sustainable economic prosperity:</b>
See comment above
<b>Greater income for social investment:</b>
See comment above

<b>Cleaner Greener:</b> See comment above
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**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources & Customer Services is the author of the report (FD 6188/20)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 4380/20).

**(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

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**Appendices:**

The following appendix is attached to this report:

APPENDIX A – Capital Programme 2020/21 to 2022/23

**Background Papers:**

There are no background papers available for inspection.

## 1. **Introduction**

- 1.1 In February 2020, Council approved the budget for 2020/21. This report provides an update on the forecast revenue outturn position for 2020/21, including the significant impact of COVID-19 on the Council's 2020/21 budget.
- 1.2 The report also outlines the current position regarding key income streams for the Authority, namely Council Tax and Business Rates. Variations against expected receipts in these two areas will also affect the Council's financial position in future years.
- 1.3 The capital section of the report informs Members of the latest estimate of capital expenditure for 2020/21 and forecast expenditure for 2021/22 and 2022/23. The capital budget to date is presented in section 7.1. Sections 7.2 and 7.3 review progress of the capital programme. Finally, Section 7.6 confirms that there are adequate levels of resources available to finance the capital programme.

## 2. **Impact of COVID 19 on 2020/21 Budget**

- 2.1 At the Cabinet meeting on 30 July 2020, Members received a comprehensive report that outlined the full range of financial issues that were being faced by the Council (and all other councils within the country) arising from the pandemic.
- 2.2 At the Cabinet meeting on 5 November 2020, Members were provided with an update that based on the monthly return to central government (MHCLG) the Council would have a net shortfall of £21.3m in 2020/21 when these issues had been taken into account and the use of the £23.7m emergency fund from central government had been applied. These figures reflected actual expenditure and receipts as at the end of October and estimates until the end of the year. It was acknowledged that these figures could be the subject of material change depending on the impact of local and national restriction measures, social behaviour and the conditions within the local economy that drive employment and business activity.
- 2.3 Subsequently, additional national restrictions were introduced on 5<sup>th</sup> November for a period of four weeks. Funding had already been provided to support enhanced test and trace capability and enforcement activity, as well as provide additional support to businesses, when the LCR moved into Tier 3 restrictions. In addition, discussions are continuing with the government over additional funding for LCR authorities to support cost pressures and income losses.
- 2.4 Details of new government grant funding that has been received, that will be used to support the response to the pandemic, and which will be distributed in accordance with central government guidance, are outlined in section 3.

### Latest Submission to MHCLG - October 2020

- 2.5 As Members will be aware each month the Council has been required to outline its cost pressures in its return to MHCLG. The latest submission relating to the end of October was provided by 7 November 2020. At the time of the previous report being published work was ongoing on the return. The provisional figures were subsequently revised; the provisional and final figures are detailed below:

	October 2020 - Provisional £'m	October 2020 - Final £'m
Forecast cost of responding the pandemic	14.2	16.0
Loss of income from fees and charges	14.9	14.9
Reduced Council Tax receipts	5.3	4.3
Reduced Business Rates receipts	7.0	7.0
<b>Sub Total</b>	<b>41.4</b>	<b>42.2</b>
Government Funding Received	(20.1)	(23.7)
<b>Current Shortfall</b>	<b>21.3</b>	<b>18.5</b>

- 2.6 The forecast cost of responding to the pandemic is expected to increase due to the continued restrictions in place. The current forecast for reduced Council Tax receipts has improved based on the current levels of collection and numbers of Council Tax Reduction Scheme claimants.
- 2.7 The MHCLG have indicated that it is expected that there will be no return required at the end of November.

#### Central Government Advice and Guidance

- 2.8 As outlined in the last Cabinet report on 5 November, the government has introduced a scheme to cost share the income losses being incurred by the Council from sales, fees and charges.

The Council will make three claims relating to 2020/2021. The first claim was submitted in September 2020 and covered losses incurred between April and July. It is estimated that £9.1m of the overall losses shown in 2.5 fall under the remit and the conditions set out by central government for the scheme. Under the cost sharing arrangement, the Council is estimated to receive £5.6m. Therefore, the Council will need to fund £3.5m of these losses.

Those losses for which the Council is not entitled to any support is estimated to be £5.8m. Therefore, total losses of £9.3m will need to be funded by the Council during the current year.

#### Potential Impact for Sefton

##### **2020/21**

- 2.9 As stated, there are two primary issues that need to be addressed in the current year for the Council:-
- The Council has a statutory responsibility to balance its budget, therefore needs to meet the net loss of fees and charges of £9.3m after government support (this assumes that the approved budget for the year is balanced); and
  - The Council needs to have sufficient cash within its bank account to meet its ongoing costs throughout the year, i.e. cashflow.
- 2.10 The proposed approach to balancing this year's budget was set out in the previous Cabinet report and this remains the Council's preferred approach but will be dependent on the potential cost of responding further to the pandemic and the receipt of any further government support. As previously stated, it is estimated that

the Council's share of this loss of income from fees and charges will be £9.3m and will be met from emergency funding.

- 2.11 In respect of cashflow, the current analysis suggests that the Council will not need to borrow funds before the end of 2020/21 in order to support its expenditure plans. However, if any borrowing is required later in the year the approved Treasury Management Strategy and prudential indicators for 2020/21 can accommodate this.
- 2.12 As Members have discussed in recent months this position will inevitably be the subject of change between now and the end of the financial year and both the approved budget and the impact of the pandemic will require forensic monitoring and cost and income control as the risk to the financial sustainability of the Council has been significantly escalated.

### **Cost of responding to the pandemic**

- 2.13 It can be seen from the table presented earlier in this report that the current forecast is that the Council has potential commitments totalling £16.0m from its emergency fund budget (this includes the contingency sum previously agreed by members). This is an increase of £1.8m from the forecast of the previous month due to the estimated costs arising from additional restrictions being put in place.
- 2.14 When the cost of responding to the pandemic to date and the loss of income that needs to be funded are taken into account then the preferred approach to meeting the cost of the pandemic can be delivered. However, there would be little room for any further expenditure or income losses to be funded. It is clear that the current wave of the pandemic and the restrictions that are being applied will require the Council to support residents as it did in the first wave and will see further pressure being placed upon income streams. Therefore, due to the increase in cases of COVID-19 and national and local restrictions, it is anticipated that the fourth tranche of emergency funding will be fully utilised in directly supporting the Council's response to the pandemic and the further loss of income that is anticipated between now and the end of the year.

### **2021/22**

- 2.15 Quite naturally there is a large focus across the country in how local authorities will balance their 2020/21 budget and the Council's approach to this has been set out and agreed in previous meetings. As progress is made through the financial year there is now increased attention on the 2021/22 budget. A report to Cabinet in October 2020 presented an updated Medium-Term Financial Plan for 2021/2022 – 2023/2024 which included an assessment of the ongoing financial implications of the pandemic. Work nationally continues to progress in terms of engagement and lobbying of government in order that councils receive an indication of the funding they will receive next year and importantly, additional support is provided to compensate for loss of income from council tax and business rates, loss of income for fees and charges which will fall into next year and the additional pressure that is being, and will continue to be, experienced on key demand led services, e.g. Adults and Children's Social Care. It is clear that the pandemic is going to continue into the next financial year, therefore the financial impact will also continue. As such the key risk is what will central government's approach to supporting councils be that will allow them to set and then deliver sustainable budgets.

2.16 Work is ongoing within the Council to evaluate the potential impact of these pressures, with the loss of income from council tax and business rates the most significant risk to the 2021/2022 budget position depending on what support is made available by the Government. The table at paragraph 2.5 shows the loss of income from these sources in the current year and this information will be required to inform the setting of a base position for 2021/22. As such it will be critical that additional central government support is provided to offset these reductions. Previous central government advice was that as wave one of the pandemic came to an end there would be a natural return to council tax and business rate collection levels to those pre pandemic, however this is clearly not the case. As such officers and now starting to develop estimates for 2021/22 and any loss that is not supported by central government will need to be added to the financial estimates that were published in the recent MTFP.

2.17 The Government is expected to announce the one-year Spending Review for 2021/2022 on 25 November 2020. This will provide details of the overall funding available for local government and will allow officers the opportunity to provide Members with an indication of the funding that might be available for Sefton and what additional support will be provided to address the ongoing impact of COVID into next year and the years beyond. A verbal update will be provided at the meeting on the outcome of the Spending Review and the potential impact on the Council.

Members will be aware that actual funding allocations for the Council will not be known until the Local Government Finance Settlement is announced. It is hoped that this will be in the second week of December, however this is yet to be confirmed.

### **3. Central Government Grant Programmes in Response to COVID-19**

3.1 As part of its role in responding to the pandemic, Central Government has requested that all councils administer a number of grant programmes that have been designed to support residents and businesses. These are:-

- Contain Outbreak Management Fund;
- Local Restrictions Support Grant Scheme – National Restrictions;
- Local Restrictions Support Grant Scheme – Open Businesses;
- Additional Funding for the Clinically Extremely Vulnerable; and,
- COVID Winter Grant Scheme.

3.2 For each of these programmes, government advice and guidance has been prescriptive with little or no flexibility offered to local government on how to apply them. A summary of each of the programmes, key details and their value is included below.

#### **Contain Outbreak Management Fund**

3.3 The Government announced a package of support for the Liverpool City Region (LCR) as a result of the latest Covid-19 Tier 3 restrictions being implemented. This funding was to cover enhanced test and trace, enforcement and shielding support. The LCR was due to receive £21.197m of which Sefton's share was £3.917m.

### **Local Restrictions Support Grant Scheme – National Restrictions**

- 3.4 The Chancellor of the Exchequer has announced that businesses legally required to close on 5 November 2020 as a result of the implementation of national restrictions, will be eligible for support for each two-week period the measures are in place. The Council will be funded for the cost of these grants.
- 3.5 Assistance will be given in the form of a grant payment for each complete two-week period a business is instructed to remain closed. Grants will be tied to Business Rates liability and the rateable value (RV) of the business property.
- 3.6 Grants will be payable on a complete two-week cycle in accordance with RV of the business property:
- £667 for properties with a RV up to and including £15,000
  - £1,000 for properties with a RV of between £15,001 and £51,000
  - £1,500 for properties with a RV greater than £51,000

### **Local Restrictions Support Grant Scheme – Open Businesses**

- 3.7 The Chancellor of the Exchequer has also announced that businesses that remained open but were severely impacted on or after the 14 October 2020 as a result of the latest Covid-19 Tier 3 restrictions in the Liverpool City Region, will be eligible for support for each two-week period the measures are in place. The Council will be funded for the cost of these grants.
- 3.8 Assistance will be given in the form of a grant payment for each complete two-week period a business was severely impacted. Grants will be tied to Business Rates liability and the rateable value (RV) of the business property. Grants will be payable on a two-week cycle at 70% of the values shown in paragraph 3.6.

### **Additional Funding for the Clinically Extremely Vulnerable**

- 3.9 The Government has announced that over £32 million is to be given to Local Authorities to enable them to provide support to Clinically Extremely Vulnerable people who need it. This will include helping people to access food and meeting other support needs to enable them to stay at home as much as possible for the 28-day period that the restrictions are in force. The Council has received £0.328m of this funding.

### **COVID Winter Grant Scheme**

- 3.10 The Government has announced that £170 million is to be given to local authorities to fund a COVID Winter Grant Scheme, to support those most in need across England with the cost of food, energy and water bills and other associated costs. The Winter Grant Scheme will enable local authorities to provide support to families with children, other vulnerable households and individuals from early December 2020 and covers the period until the end of March 2021. The Council has received £0.980m of this funding.

#### 4. Summary of the Forecast Outturn Position as at the end of October 2020

- 4.1 Members are provided with updates of the Council's forecast financial position each month during the financial year from June onwards.
- 4.2 Given the unprecedented financial challenges faced by the Council in relation to COVID-19, it is vital that the Council is able to achieve a balanced forecast outturn position for its normal activities, ignoring the impact of COVID-19 pressures. Therefore, the Council undertook initial budget monitoring during April and May to get an earlier indication on the likely pressures to be incurred.
- 4.3 As in previous years, significant pressures have been identified in several service areas at this early stage of the year, particularly Children's Social Care, Communities (Children with Disabilities) Education Excellence (Home to School Transport) and Locality Services. Initial indications of the budget pressures are shown below:

<u>Service</u>	<u>Budget Pressure</u>
	£m
Children's Social Care – Placements & Packages	4.100
Communities – Children with Disabilities / PSR2	1.050
Education Excellence – Home to School Transport	0.200
Locality Services – Security Force	0.350
	<b>5.700</b>

- 4.4 Given the uncertainty around COVID-19 it is vital that the Council ensures the 2020/21 budget does not overspend. Therefore, following the April monitoring position being determined, it was identified that a remedial plan needed to be developed. This has initially focussed on vacancy management with external recruitment being prioritised in Children's Services, Family and Well Being Centres/Early Help and SEND, stopping all non-essential expenditure within the Council, with the exceptions of Children's Social Care (due to the budget issues in that service) and Public Health (due to the current pandemic) and as per the Budget Report of February 2020, bringing through savings from the Framework for Change programme - these will be developed and shared with Members as per the Council's established governance processes. A budget shortfall of £5.7m equates to needing to identify savings to the value of 3.5% of the Council's remaining budget and as this pressure is permanent long-term savings to this value are required moving into next year.
- 4.5 As a result of this work undertaken, the latest forecast of service expenditure indicates an overspend of **£0.598m**, an increase of £0.051m from the September position. However, this represents the forecast with 5 months of the financial year remaining which encompasses the winter period which can have a material impact on the budget in a number of areas hence the outturn forecast and those savings that are being developed will vary in value over the next six months. It is however critical that in the event that budget pressure increases, corresponding savings are identified within the Council's existing budget. The table below highlights the variations:

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Variance to September Position</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Services</b>				
Strategic Management	3.136	2.965	-0.171	-0.005
Adult Social Care	94.752	94.752	0.000	0.000
Children's Social Care	34.977	39.774	4.797	0.140
Communities	18.359	19.443	1.084	-0.037
Corporate Resources	7.605	7.374	-0.231	0.021
Economic Growth & Housing	5.659	5.779	0.120	0.004
Education Excellence	9.759	10.087	0.328	0.048
Health & Wellbeing	18.498	18.392	-0.106	-0.023
Highways & Public Protection	10.553	10.584	0.031	0.065
Locality Services	12.273	12.672	0.399	0.053
<b>Total Service Net Expenditure</b>	<b>215.571</b>	<b>221.822</b>	<b>6.251</b>	<b>0.266</b>
Budget Pressure Fund	1.000	0.000	-1.000	0.000
In year savings	5.411	0.000	-5.411	0.000
Council Wide Budgets	14.399	18.177	0.958	-0.215
Levies	34.701	34.701	0.000	0.000
General Government Grants	(46.376)	(46.576)	-0.200	0.000
<b>Total Net Expenditure</b>	<b>224.706</b>	<b>225.253</b>		
<b>Forecast Year-End Deficit</b>			<b>0.598</b>	<b>0.051</b>

4.6 The key areas relating to the outturn position are as follows:

- Adult Social Care (forecast nil variance)** – The current forecast assumes that the Adult Social Care budget will break-even during 2020/2021. However, there are a number of significant assumptions and uncertainties relating to COVID-19 that could impact on this position before the year-end. It is currently assumed that £1.7m of expenditure relating to hospital discharges due to COVID-19 will be funded by the CCGs from the allocations of funding they have received for this purpose from the Government, the CCGs have now been invoiced for this funding; there are also ongoing discussions with the CCGs relating to other ongoing costs that need to be funded. Similarly, detailed work is underway to evaluate and then estimate the financial impact of the pandemic on the services residential and day care services budgets. An outline position was reached on this in September however as a result of the recent surge in cases, this will now need to be fundamentally reviewed. This will impact not only this year's budget but also that for 2021/22.

- **Children's Social Care (£4.797m net overspend)** – Based on the current numbers of Looked After Children, and assuming a further increase in line with the increase seen in 2019/20, the Placement and Packages budget is forecast to overspend by £4.149m in 2020/21.

In addition, there is a forecast overspend on staffing costs of £0.648m. This relates to the cost of additional social workers that have been required to deal with increased caseloads, and agency staff. Levels of staffing and this budget are kept under constant review and relate directly to the level of service that is required.

The pressure in this area of the Council will continue to be evaluated during the remainder of the year and the current and potential final financial position will inevitably be further impacted by the current COVID restrictions. As a result, work will be undertaken to determine to what extent central government support via the emergency fund will contribute to this pressure.

As has been regularly reported over the last two years, the cost of Placements and Packages is the largest risk to the Council's budget position. The Council is currently working on developing a range of options to address the inherent demand and costs of Looked After Children whilst supporting the most vulnerable residents, but this budget remains under pressure and purely from a financial point of view this is likely to continue during this year and into the next financial year.

- **Communities – (£1.084m overspend)** – The cost of placements and packages for Children with Disabilities is forecast to overspend by £0.920m (excluding the estimated additional costs relating to COVID-19). This budget has been under increasing pressure in recent years but overspends have previously been offset by underspends elsewhere on the service.

In addition, there is a residual savings target from PSR2 of £0.584m for which specific savings have yet to be identified. In 2019/20 these were achieved by vacancy savings and a number of one-off measures which are only partially contributing to achieving the target in 2020/21.

- **Education Excellence (£0.328m overspend)** - Home to School transport external provision has a projected overspend of £0.681m due to an increase in the number of children being transported plus an increase in the number of children in receipt of personal travel budgets. These demand pressures have meant the budget has overspent for a number of years, despite increases being made to the budget, including £0.200m in 2020/21.
- **Locality Services (£0.399m overspend)** – Some of the service pressures experienced in 2019/20 have continued into 2020/21.
  - Security Service (£0.710m overspend) – The forecast deficit is a reflection of an under recovery of income to support the cost base. The forecast overspend is based on a prudent view of the income due. The Service is to undertake a full review as part of the saving proposals below.
  - Cleansing (£0.368m underspend) – The underspend is mainly due to the reduced costs of vehicles as the purchase of the new fleet will occur later than originally anticipated, resulting in lower prudential borrowing costs.

## **Measures to close the residual gap in 2020/2021**

4.7 The forecast budget deficit as at October 2020 is **£0.598m**. This reflects the risks that are inherent in the Council's financial position, particularly around demand for Children's Social Care and other demand led services. With a budget deficit being forecast and further pressure likely based on experience in previous years and the need to manage the impact of COVID on the Council's financial sustainability, financial principles utilised over the last decade will once again be maintained:

- All Heads of service as a minimum should contain expenditure within the budget forecast that had been made at the end of June - if there is to be any budget pressure above this, remedial measures will be required to meet the pressure or further savings being required across all services.
- To that end expenditure should only be incurred on essential activities during the year and a targeted approach to vacancy management as set out.
- Heads of Service and senior managers to place an increased emphasis on budget monitoring throughout the year to ensure all financial forecasts are robust and can be substantiated.
- The remedial action plan and mitigations proposed by Services be tracked for the remainder of the financial year to ensure they are being achieved.

4.8 As has been discussed previously, the financial landscape for local government this year is uncertain – it is hoped based on some briefings that central government will support the sustainability of the sector in future years and this is critical especially in respect of the Collection Fund however this budget position will not be helped by that process so as a minimum this in year budget must be balanced as this also directly impacts the Council's reserves and cash flow position which are two of the biggest risk areas arising from the current pandemic. As the year progresses monthly reports will be provided to members on all financial issues and proposals for how financial sustainability can be maintained and the decisions that are required to enable this. It should also be noted that the pressures identified this year will be permanent, i.e. will exist next year. These will need to be funded from that point therefore an assessment will be needed as to whether the measures included in the remedial plan can be extended into next year. The implications for 2021/2022 and beyond were considered in the report on the Medium-Term Financial Plan for 2021/2022 – 2023/2024 presented to Cabinet in October 2020.

## **5. Council Tax Income – Update**

5.1 Council Tax income is shared between the billing authority (Sefton Council) and the three major precepting authorities (the Fire and Rescue Authority, the Police and Crime Commissioner and the Combined Authority – Mayoral Precept) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £139.830m for 2020/21 (including Parish Precepts), which represents 84.1% of the net Council Tax income of £166.267m.

5.2 The forecast outturn for the Council at the end of October 2020 is a deficit of +£1.241m. This variation is primarily due to: -

- The deficit on the fund at the end of 2019/20 being higher than estimated (+£0.047m);
- Gross Council Tax Charges in 2020/21 being higher than estimated (-£0.199m);
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£1.393m). This is mainly as a result of a significant increase in the number of claimants for the Council Tax Reduction Scheme (CTRS).

5.3 It should be noted that the deficit is expected to increase due to an increasing number of CTRS claimants and the impact of a reduction in the amount of Council Tax being collected (currently estimated at £2.8m).

5.4 Due to Collection Fund regulations, the Council Tax deficit will not be transferred to the General Fund in 2020/21 but will be carried forward to be recovered in future years.

5.5 A forecast deficit of £2.348m was declared on the 23 January 2020 of which Sefton's share is £1.975m (84.1%). This is the amount that will be recovered from the Collection Fund in 2020/21. Any additional surplus or deficit will be distributed in 2021/22 and future years.

## 6. **Business Rates Income – Update**

6.1 Since 1 April 2017, Business Rates income has been shared between the Council (99%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £66.169m for 2020/21, which represents 99% of the net Business Rates income of £66.838m. Business Rates income has historically been very volatile making it difficult to forecast accurately.

6.2 The forecast outturn for the Council at the end of October 2020 is a deficit of £37.847m on Business Rates income. This is due to:

- The surplus on the fund at the end of 2020/21 being higher than estimated (-£1.119m);
- Reduction in the gross charge on rateable properties (£0.624m);
- A number of additional reliefs were announced after January 2020 to support businesses during the COVID-19 pandemic. These include expanded retail discount, pub relief, newspaper relief, and private nursery relief. The loss of income as a result of these reliefs will be covered by Section 31 grant payments. Due to the timing of these announcements the impact of these reliefs could not be incorporated into the budget figures reported in the NNDR1 return (+£38.342m).

6.3 When taking into account the additional Section 31 grants due on the additional reliefs, a net surplus of £0.785m is forecast. However, it should be noted that this doesn't take account of the impact of the number of appeals being registered by businesses in response to the pandemic or the reduction in the amount of Business Rates being collected. A significant forecast deficit is therefore anticipated with the current estimate being a £7.0m deficit.

- 6.4 Due to Collection Fund regulations, a Business Rates deficit will not be transferred to the General Fund in 2020/21 but will be carried forward to be recovered in future years.
- 6.5 A forecast surplus of £0.622m was declared in January 2020. Sefton's share of this is £0.616m. This is the amount that will be distributed from the Collection Fund in 2020/21 and any additional surplus or deficit will be distributed in future years.

## **7. Capital Programme 2020/21 – 2022/23**

### **7.1 Capital Budget**

- 7.1.1 The Capital Budget and profile of expenditure for the three years 2020/21 to 2022/23 is as follows:

<b>2020/21</b>	<b>£33.112m</b>
<b>2021/22</b>	<b>£31.651m</b>
<b>2022/23</b>	<b>£1.452m</b>

- 7.1.2 Officers have conducted a full mid-year review of the Capital Programme and, mainly as a result of COVID19, the budget for 2020/2021 has reduced from £39.2m to £33.1m. The following updates have been made since the last report to Cabinet:

- **Adult Social Care:**

- £0.242m has been rephased to 2021/22 pending delivery of new vehicles for the replacement Community Equipment Stores fleet.
- £0.090m has been rephased from 2021/22 to 2020/21 to fund additional project work on ICT development and transformation.

- **Corporate Resources:**

- Victoria Baths Essential Works – £0.147m of works scheduled for 2021/22.

- **Growth and Strategic Investment:**

- An additional £0.900m has been added to the budget for Southport Market Redevelopment following an award of grant funding from the Southport Town Deal and approval by Council on 17th September 2020 for a supplementary capital estimate. This is in addition to the £0.500m already approved from the Town Centre Commission bringing the total project to £1.400m phased over 2020/21 and 2021/22 financial years.
- £1.900m for Crosby Lakeside Development has been phased into 2021/22 following an evaluation of the impact of Covid-19 on proposals and the signing of the grant funding agreement with the Combined Authority.

- Education Excellence:
  - £0.236m has been rephased to 2021/22 for schemes that are now programmed for delivery next year: Forefield Juniors, Linaker Primary, Waterloo Primary and Woodlands Primary.
  - £0.050m has been rephased to 2020/21 for initial fees on a SEND project at Rowan High 6th Form.
- Vehicle Replacement Programme:
  - £4.059m has now been rephased to 2021/22 following an update on the delivery timescales for new vehicles. A significant number of new cleansing vehicles will be delivered in May 2021 and this will fall within in the next financial year.

## **7.2 Budget Monitoring Position to October 2020**

7.2.1 The current position of expenditure against the budget profile to the end of October 2020 is shown in the table below. It should be noted that budgets are profiled dependent upon the timing of when works are to be carried out and the anticipated spend over the financial year. For example, Education Excellence will typically carry out most of its capital works during key school's holiday periods such as the summer recess (quarter two), whilst Highways and Public Protection will complete most of its programmed works during quarters two and four. The budget to date in the table below reflects the profiles of each individual scheme.

<b>Service Area</b>	<b>Budget to Oct-20</b>	<b>Actual Expenditure to Oct-20</b>	<b>Variance to Oct-20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adult Social Care</b>	0.747	0.837	0.090
<b>Communities</b>	0.089	0.077	-0.012
<b>Corporate Resources</b>	0.099	0.097	-0.002
<b>Economic Growth &amp; Housing</b>	0.802	0.690	-0.112
<b>Education Excellence</b>	2.528	2.517	-0.011
<b>Highways &amp; Public Protection</b>	5.592	5.703	0.111
<b>Locality Services</b>	0.704	0.678	-0.026
<b>Total Programme</b>	<b>10.561</b>	<b>10.600</b>	<b>0.039</b>

7.2.2 Due to the impact of the COVID-19 crisis, delivery of schemes during the first five months (April to September) has been relatively low and the budget has been profiled accordingly, similarly the opportunity to conduct large elements of the schools' programme during summer 2020 will also have been lost. It is anticipated that spending will increase towards the end of quarter two as contractors return on site to complete scheduled works. The budgets will therefore reflect increases in activity later in the year. It may also be necessary to reprofile allocations to future years where schemes have been delayed and cannot be completed in the current year. These schemes will be kept under review and any adjustments to the budgets will be reported to Cabinet on subsequent monitoring reports.

### 7.3 Capital Programme Forecast Outturn 2020/21

7.3.1 The current forecast of expenditure against the budget profile to the end of 2020/21 and the profile of budgets for future years is shown in the table below:

Service Area	Full Year Budget 2020/21	Forecast Out-turn	Variance to Budget	Full Year Budget for Ongoing Schemes 2021/22	Full Year Budget for Ongoing Schemes 2022/23
	£m	£m	£m	£m	£m
<b>Adult Social Care</b>	<b>2.721</b>	<b>2.901</b>	0.180	7.885	-
<b>Communities</b>	<b>0.258</b>	<b>0.258</b>	-	0.265	-
<b>Corporate Resources</b>	<b>1.463</b>	<b>1.463</b>	-	4.077	-
<b>Economic Growth &amp; Housing</b>	<b>5.252</b>	<b>5.252</b>	-	3.756	-
<b>Education Excellence</b>	<b>3.411</b>	<b>3.352</b>	-0.059	5.584	0.427
<b>Highways &amp; Public Protection</b>	<b>15.348</b>	<b>15.348</b>	-	1.884	-
<b>Locality Services</b>	<b>4.660</b>	<b>4.660</b>	-	8.199	1.025
<b>Total Programme</b>	<b>33.112</b>	<b>33.233</b>	<b>0.121</b>	<b>31.651</b>	<b>1.452</b>

A full list of the capital programme by capital scheme is at **appendix A**.

7.3.2 Analysis of significant spend variations over budget profile in 2020/21:

#### Adult Social Care

Scheme	Variation	Reason	Action Plan
<b>Disabled Facilities Grants</b>	<b>£207,113</b>	Forecast over-achievement against initial estimates for provision of grants in 2020/21.	External funding, available through the Better Care Fund, can be utilised to meet the extra demand.

#### Education Excellence

Scheme	Variation	Reason	Action Plan
<b>Linaker Primary – Additional 1 Form Entry Classroom</b>	<b>-£59,631</b>	Project is now complete and a saving on the scheme has been identified.	Surplus resources will be used to fund essential works on the Schools General Planned Maintenance budget.

7.3.3 Schemes will be kept under review, but it is anticipated that due to the limited amount of resource available to complete delivery, plus the impact of COVID-19, some schemes may have to be rescheduled into 2021/22 financial year. An update will be provided on subsequent monitoring reports.

## **7.4 Ainsdale Coastal Gateway**

7.4.1 Ainsdale Beach saw significant visitor numbers in 2020. To cope with these additional visitors, beach parking was provided free of charge for a number of months until August and portable temporary toilets and skips were provided to deal with the extra numbers.

7.4.2 There are now opportunities for improvements to parking facilities at the coastal gateway in advance of the 2021 summer season, that will mitigate the impact of larger visitor numbers on local communities and will create long-term revenue streams for the council.

7.4.3 It is proposed to make a capital investment in the Ainsdale Gateway over Winter 2020, so that by Spring/Summer 2021 there are new and semi-permanent facilities in place to provide for anticipated increased visitor numbers, to reduce impact on local communities, and to create potential income streams.

7.4.4 Cabinet is therefore recommended to recommend to Council to approve a supplementary capital estimate of £0.352m for inclusion in the capital programme funded by Council resources (Public Works Loans Borrowing and other available funding sources) the cost of which will be met from income generated. In the event of a deficit existing this will be funded by the service's existing revenue budget.

## **7.5 Bootle Strategic Acquisitions – Phase Two**

7.5.1 The 2020/21 capital programme includes a budget of £0.749m for the acquisition of land and property adjacent to the Strand Shopping Centre in Bootle. This is a key regeneration and economic development project for the Council and the acquisitions are fully funded by a grant from the Liverpool City Region Combined Authority (CA).

7.5.2 Further funding of £0.650m (as per the October Cabinet Budget Report) has now been secured from the CA for the second phase of the project to carry out demolition and temporary site treatment work to enable wider repurposing of the site. To support this work and the ongoing acquisitions, of the two-year Essential Maintenance Programme approved in January 2020, £0.149m will now need to be deployed on this Strand project as per the original CA grant conditions. Approval is therefore sought for a capital virement of £0.149m from the Essential Maintenance budget to the Bootle Strategic Acquisitions budget for phase two in 2021/22.

## **7.6 Programme Funding**

7.6.1 The table below shows how the capital programme will be funding in 2020/21:

<b>Source</b>	<b>£m</b>
Grants	23.630
Contributions (incl. Section 106)	0.671
Capital Receipts	1.577
Prudential Borrowing	7.234
<b>Total Programme Funding</b>	<b>33.112</b>

7.6.2 The programme is reviewed on an ongoing basis to confirm the capital resources required to finance capital expenditure are in place, the future years programme is fully funded, and the level of prudential borrowing remains affordable.

7.6.3 The Executive Director Corporate Resources and Customer Services will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the Council.

## APPENDIX A – Capital Programme 2020/21 to 2022/23

Capital Project	Budget		
	2020/21 £	2021/22 £	2022/23 £
<b>Adult Social Care</b>			
Care Homes - Fire Alarms & Emergency Lighting	102,000	-	-
Core DFG Programme	666,000	1,158,000	-
Wider Social Care Programme	1,952,773	6,726,937	-
<b>Communities</b>			
Crosby Lakeside Watersports	2,217	-	-
Libraries - Centres of Excellence	83,623	265,088	-
Bootle Library	38,749	-	-
S106 - Derby – South Park Hut Extension	50,614	-	-
S106 - St Oswalds – Marion Gardens Play Equipment	3,022	-	-
S106 - Netherton & Orrell – Abbeyfield Park Play Area	11,942	-	-
S106 - Cambridge – Hesketh Park Improvement Works	15,016	-	-
S106 - Netherton & Orrell – Zebra Crossing, Park Ln West	19,540	-	-
S106 - Linacre - Strand Living Wall	33,000	-	-
<b>Corporate Resources</b>			
Corporate Maintenance	17,799	2,631,283	-
STCC Essential Maintenance	100,000	1,298,634	-
Victoria Baths Essential Works	393,873	147,374	-
St John Stone Site - Infrastructure Works	623,210	-	-
Magdalen House Alterations	44,004	-	-
ICT Transformation	30,038	-	-
Southport Town Hall Community Base	7,872	-	-
Family Wellbeing Centres	245,738	-	-
<b>Economic Growth &amp; Housing</b>			
Housing Investment (HMRI)	18,078	36,180	-
Southport Pier Project	179,920	-	-
Strategic Acquisitions - Land at Bootle	1,398,500	-	-
Town Centre Fund	-	250,000	-
Southport Market Redevelopment	900,000	500,000	-
Cambridge Road Centre Development	1,253,717	70,000	-
Crosby Lakeside (CLAC) Development	1,200,000	1,900,000	-
Strategic Acquisitions - Sandbrook Way	301,859	1,000,000	-
<b>Education Excellence</b>			
Healthy Pupils Fund	26,241	-	-
Schools Programme	2,292,439	4,847,690	401,625
Planned Maintenance	400,831	-	-
Special Educational Needs & Disabilities	691,238	736,499	25,000
<b>Highways and Public Protection</b>			
Accessibility	107,320	180,000	-
Completing Schemes/Retentions	20,000	-	-
Healthy Lifestyles	2,912,200	148,000	-
Road Safety	140,000	-	-

	2020/21 £	2021/22 £	2022/23 £
A565 Route Management and Parking	1,090,000	970,000	-
Strategic Planning	303,000	45,000	-
Traffic Management and Parking	1,064,550	40,000	-
Emergency Active Travel Fund	610,457	-	-
Port Access	179,000	-	-
Highway Maintenance	4,425,433	400,000	-
Bridges & Structures	232,670	1,000	-
Drainage	50,000	-	-
Street Lighting Maintenance	300,000	-	-
UTC Maintenance	193,660	-	-
Winter Service Facility	2,632,000	-	-
Major Transport Schemes	1,087,500	100,000	-
<b>Locality Services</b>			
Burials & Cremation Insourcing - Vehicles & Equipment	135,210	-	-
Formby Strategic Flood Risk Management Programme	-	43,851	-
Merseyside Groundwater Study	10,000	21,508	-
Four Acres Multi Agency Flood Options	-	1,570	-
CERMS	458,213	220,000	-
Natural Flood Risk Management	10,000	-	-
The Pool & Nile Watercourses	38,179	-	-
Crosby Flood & Coastal Scheme	56,439	48,561	785,839
Seaforth & Litherland Strategic Flood Risk	-	30,000	-
Hall Road & Alt Training Bank – Rock Armour	6,000	44,000	-
Ainsdale & Birkdale Land Drainage Scheme	4,000	25,340	-
Surface Water Management Plan	134,478	-	-
Surface Water Modelling & Mapping	20,020	-	-
Small Watercourse Works	15,000	-	-
Water Level Monitoring Pilot	18,000	-	-
Parks Schemes	119,112	163,455	-
Tree Planting Programme	85,750	38,600	126,783
Golf Driving Range Developments	256,080	280,280	-
Green Sefton – Plant & Machinery	300,000	-	-
Vehicle Replacement Programme	1,344,000	7,281,905	113,000
Wheeled Bins	1,650,000	-	-
<b>TOTAL PROGRAMME</b>	<b>33,112,124</b>	<b>31,650,755</b>	<b>1,452,247</b>