

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	4 February 2021
<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 - February 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 December 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 current forecast revenue outturn position for 2020/21;
- 4) Acknowledge that the forecast outturn position will continue to be reviewed to

ensure a balanced forecast outturn position and financial sustainability can be achieved;

- 5) Note the Government Rapid Testing Fund grant that has been received to support Lateral Flow Device testing at care homes and which will be distributed in accordance with central government guidance;
- 6) Approve that decisions on the use of 20% of the Rapid Testing Fund are delegated to the Executive Director of Adult Social Care and Health in consultation with the Cabinet Members for Adult Social Care and Health and Wellbeing;
- 7) Note the Council's successful bid for £0.500m from the Community Champions Fund to enable the Council and VCF sector to support people shown to be most at risk from COVID-19 to follow safer behaviours and reduce the impact of the virus on themselves and those around them;
- 8) Note the transfer of £0.500m from the Redundancy Reserve to the Transforming Sefton Reserve in order to fund the Cost of Change budget. This transfer has been approved by the Section 151 officer in consultation with the Chief Executive in line with the Council's Financial Procedure Rules.

### **Capital Programme**

- 9) Note the spending profiles across financial years for the approved capital programme (paragraph 6.1.1);
- 10) Note the latest capital expenditure position as at 31 December 2020 of £13.466m (paragraph 6.2.1) with the latest full year forecast of £29.713m (paragraph 6.3.1);
- 11) Note explanations of variances to project budgets (paragraph 6.2.3);
- 12) Recommend to Council the approval of a supplementary capital estimate for £0.155m for phase one of the scheme at Crosby Marine Lake (paragraph 6.4);
- 13) Recommend to Council the approval of a supplementary capital estimate for £0.250m for Litherland Sports Park Improvements (paragraph 6.5);
- 14) Recommend to Council the approval of a supplementary capital estimate for £0.164m for Bootle Golf Driving Range (paragraph 6.6); and,
- 15) 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 6.7.3).

### **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 December 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 £0.683m. Mitigating measures have been identified in order to arrive at this deficit. It should be noted that this assumes a break-even position for Adult Social Care. Due to current lower occupancy rates it is anticipated that the service will underspend. However, this won't be known until the outturn position is finalised. Should a deficit remain at the end of the financial year this will be a call on the Council's General Balances.

**(B) Capital Costs**

The Council's capital budget in 2020/21 is £29.842m. As at the end of December 2020 expenditure of £13.466m has been incurred and a full year outturn of £29.713m 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:

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

There is currently a budget deficit of £0.683m forecast for 2020/21. However, it should be noted that significant pressure and risk remains in five key business areas, namely Children's Social Care, Children with Disabilities, Education Excellence, Locality Services and Winter Maintenance. 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.

**Legal Implications:**

None

**Equality Implications:**

None

**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.

**Protect the most vulnerable:**

See comment above

**Facilitate confident and resilient communities:**

See comment above

<b><u>Commission, broker and provide core services:</u></b> See comment above
<b><u>Place – leadership and influencer:</u></b> See comment above
<b><u>Drivers of change and reform:</u></b> See comment above
<b><u>Facilitate sustainable economic prosperity:</u></b> See comment above
<b><u>Greater income for social investment:</u></b> See comment above
<b><u>Cleaner Greener:</u></b> See comment above

## **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 6272/21)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 4473/20).

### **(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

<b>Contact Officer:</b>	Paul Reilly
Telephone Number:	Tel: 0151 934 4106
Email Address:	paul.reilly@sefton.gov.uk

### **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 6.1. Sections 6.2 and 6.3 review progress of the capital programme. Finally, Section 6.7 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 7 January 2020, Members were provided with an update that based on an update to the monthly return to central government (MHCLG) the Council would have a net shortfall of £20.4m 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 November 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.

### Latest Submission to MHCLG – January 2021

- 2.3 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 December is due to be provided on 29 January 2021. The latest estimates of the figures to be included on the return are detailed below along with the figures included in the return for November:

	November 2020 £'m	December 2020 £'m
Forecast cost of responding the pandemic	17.0	17.0
Loss of income from fees and charges	14.9	16.1
Reduced Council Tax receipts	5.2	5.1
Reduced Business Rates receipts	7.0	4.7
<b>Sub Total</b>	<b>44.1</b>	<b>42.9</b>
Government Funding Received	(23.7)	(23.7)
<b>Current Shortfall</b>	<b>20.4</b>	<b>19.2</b>

- 2.4 The forecast loss of income from sales, fees and charges has increased due to the reinstatement of the national lockdown. The current forecast for reduced Business Rates receipts has improved due to an assessment of the current levels of collection and the potential impact of appeals; further work will be undertaken to refine the assessment.

#### Central Government Advice and Guidance

- 2.5 As outlined in previous reports to Cabinet, 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 £10.7m of the overall losses shown in 2.3 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 £6.8m. Therefore, the Council will need to fund £3.9m of these losses.

Those losses for which the Council is not entitled to any support is estimated to be £5.4m. Therefore, total losses of £9.3m will need to be funded by the Council during the current year.

In addition, in the Spending Review for 2020, the government announced a further scheme to support 75% of irrecoverable losses in 2020/2021 for Council Tax and Business Rates. More details of the scheme were announced in the Provisional Local Government Finance Settlement. Based on the figures reported to the MHCLG, the Council is estimating losses of £9.8m. However, not all of this amount is eligible for support, e.g. losses due to non-collection of Council Tax. It is estimated that the Council would need to fund £4.8m of the estimated losses. However, under regulations this sum would need to be funded in future years. This will need to be funded from the emergency funding received by the Council and other temporary measures.

#### Potential Impact for Sefton

##### 2020/21

- 2.6 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.
- 2.7 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.

- 2.8 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.
- 2.9 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**

- 2.10 It can be seen from the table presented earlier in this report that the current forecast is that the Council has potential commitments totalling £17.0m from its emergency fund budget (this includes the contingency sum previously agreed by members).
- 2.11 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**

- 2.12 The Government announced a one-year Spending Review for 2021/2022 on 25 November 2020. This provided some details of the overall funding available for local government and what additional support will be provided to address the ongoing impact of COVID into next year. Some of the main announcements were:
- An additional £300m of Social Care Grant would be paid to local authorities in 2021/22
  - The core principle for Council Tax increases will remain at 2%.
  - Local authorities have been given the power raise Council Tax by a further 3% on top of the core principle as an Adult Social Care Precept
  - Additional emergency funding of £1.55bn nationally will be made available to support the ongoing financial implications of COVID-19 in 2021/22.
  - An additional £670m to support reductions in Council Tax receipts due to increases in the number of Council Tax Reduction Scheme claimants.
  - Extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.
- 2.13 The Local Government Finance Settlement for 2021/22 was announced on 17 December 2020 and included more detail on the exact implications of the above

announcements on Sefton. These implications will be included in the Council's budget report to be published at the beginning of February 2021.

- 2.14 A report to Cabinet in October 2020 presented an updated Medium-Term Financial Plan (MTFP) for 2021/2022 – 2023/2024 which included an assessment of the ongoing financial implications of the pandemic. Work is ongoing within the Council to update the MTFP and evaluate the potential impact of COVID-19 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, as well as the implications of the Settlement. A Budget Plan for 2021/22 will be presented to Budget Cabinet on 11 February 2021 that will allow the Council to set and then deliver a sustainable budget for the year.

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

- 2.15 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.

#### Rapid Testing Fund

- 2.16 On 23 December 2020, the government announced an extra £149 million Rapid Testing Fund to support the rollout of Lateral Flow Device (LFD) testing in care homes. The main purpose of this funding is to support additional rapid testing of staff in care homes, and to support visiting professionals and enable indoors, close contact visiting where possible. This includes adult social care providers with whom the local authority does not have a contract.
- 2.17 Sefton's allocation is £1.184m. Local Authorities are required to pass 80% of this funding to care homes within the local authority's geographical area on a 'per beds' basis. This includes residential drug and alcohol services.
- 2.18 The remaining 20% of the funding must be used to support the care sector to implement increased LFD testing but can be allocated at the local authority's discretion. It is proposed that decisions on the use of the 20% are delegated to the Executive Director of Adult Social Care and Health in consultation with the Cabinet Members for Adult Social Care and Health and Wellbeing.

#### Community Champions Fund

- 2.19 In December 2020 the government invited councils to bid for an allocation from the Community Champions Fund, a Fund to support people shown to be most at risk from COVID-19 to follow safer behaviours and reduce the impact of the virus on themselves and those around them.
- 2.20 Sefton submitted a bid for £0.500m, to be split equally between the Council and the VCF sector, to build a joined-up approach and galvanise the response between now and March 2021. The actions to be put in place will support the Borough's recovery post March. The proposed activities include:

- **Recruiting Community Champions** to connect with residents and support them to follow safer behaviours and navigate people towards available support and services;
- In conjunction with **our SMART pilot scheme**, we will galvanise the VCF to make it easy for people to understand and comply with the guidelines, so that an easy to

navigate process is readily available to support individuals undergoing self-isolation by supporting their practical needs following positive COVID-19 diagnosis.

- **Recruiting from local communities** who will act as ‘natural partners’ working with individuals and focusing on ‘what matters to me’. They will take a holistic approach to support and improve people’s health and wellbeing.
- **Supporting the VCF to expand and build resilience** into their infrastructure offering a broad understanding of the cultural diversity within vulnerable communities, increasing trust and engagement and being sensitive to cultural norms
- **Extending the current community programme**, building capacity by recruiting specific BAME and LD Champions, to work with our most vulnerable people, including our travelling communities, providing a wide range of social, emotional or practical needs.
- **Improving mental health and physical well-being support** tailored and targeted for people with mild or long-term mental health problems, people with learning difficulties, vulnerable groups, BAME communities, people who are socially isolated, and those who frequently attend either primary or secondary health care.

2.21 On 25 January 2021 the government announced that Sefton was one of 60 bids that had been accepted as part of £23m being made available.

### 3. Summary of the Forecast Outturn Position as at the end of December 2020

3.1 Members are provided with updates of the Council’s forecast financial position each month during the financial year from June onwards.

3.2 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.

3.3 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>

- 3.4 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.
- 3.5 As a result of this work undertaken, the latest forecast of service expenditure indicates an overspend of **£0.683m**, an increase of £0.078m from the November position. However, this represents the forecast with three 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 will vary in value over the next three months (there is a specific risk that should the recent cold weather continue into February and March that the winter maintenance budget will be under significant pressure). 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 October Position</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Services</b>				
Strategic Management	3.136	2.936	-0.200	-0.017
Adult Social Care	94.800	94.800	0.000	0.000
Children's Social Care	34.977	39.791	4.814	-0.085
Communities	18.359	19.464	1.105	-0.051
Corporate Resources	7.605	7.337	-0.268	-0.043
Economic Growth & Housing	5.659	5.747	0.088	-0.011
Education Excellence	9.783	10.208	0.425	0.077
Health & Wellbeing	18.498	18.198	-0.300	-0.190
Highways & Public Protection	10.553	10.572	0.019	0.015
Locality Services	12.240	12.579	0.339	0.144
<b>Total Service Net Expenditure</b>	<b>215.610</b>	<b>221.632</b>	<b>6.022</b>	<b>-0.161</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	14.360	15.632	1.272	0.239

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>225.389</b>		
<b><u>Forecast Year-End Deficit</u></b>			<b><u>0.683</u></b>	<b><u>0.078</u></b>

3.6 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 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 and have paid an initial sum; there are also ongoing discussions with the CCGs relating to other ongoing costs that need to be funded. Similarly, detailed work continues to be undertaken to evaluate and then estimate the financial impact of the pandemic on the services residential and day care services budgets. This will impact not only this year's budget but also that for 2021/22. Due to current lower occupancy rates it is anticipated that the service will underspend. However, this won't be known until the outturn position is finalised.
- Children's Social Care (£4.814m net overspend)** – Based on the current numbers of Looked After Children (612 at the time of writing), and assuming a further increase in line with the increase seen in 2019/20, the Placement and Packages budget is forecast to overspend by £4.427m in 2020/21.

In addition, there is a forecast overspend on staffing costs of £0.387m. 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 – (£1.105m overspend)** – The cost of placements and packages for Children with Disabilities is forecast to overspend by £0.917m (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 (£0.425m overspend)** - Home to School transport external provision has a projected overspend of £0.767m 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 (£0.339m overspend)** – Some of the service pressures experienced in 2019/20 have continued into 2020/21.
  - Security Service (£0.680m 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 (£0.384m 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**

3.7 The forecast budget deficit as at December 2020 is **£0.683m**. 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.

### **Cost of Change Budget**

- 3.8 Budget Council on 27 February 2020 approved the extension of a Cost of Change budget (first approved in March 2017) to deliver the Framework for Change 2020 Programme and future years' budget packages. The report stated that in order to access this funding the Chief Executive and s151 officer would evaluate any proposed expenditure. The Chief Executive is then required to consult the Leader prior to any spend being authorised.
- 3.9 As the Framework for Change Programme has developed the funding identified has now been fully committed. To ensure the Programme can be fully delivered it is estimated that a further £0.500m needs to be added to the Cost of Change budget.
- 3.10 A review of the Council's Redundancy Reserve has identified that £0.500m can be released from this reserve. It is proposed that this will be added to the Transforming Sefton Reserve in order to fund the increase in the Cost of Change budget. This transfer has been approved by the Section 151 officer in consultation with the Chief Executive in line with the Council's Financial Procedure Rules.

### **4. Council Tax Income – Update**

- 4.1 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.
- 4.2 The forecast outturn for the Council at the end of December 2020 is a deficit of +£4.355m. 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 (-£0.405m);
  - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£1.300m). This is mainly as a result of a significant increase in the number of claimants for the Council Tax Reduction Scheme (CTRS).
  - An increase in the amounts assumed for debt at risk both in the current year and previous years (+£3.413m).
- 4.3 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.
- 4.4 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.

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

- 5.1 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.
- 5.2 The forecast outturn for the Council at the end of December 2020 is a deficit of £37.823m 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 (£0.601m);
  - 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 (+£38.341m).
- 5.3 When taking into account the additional Section 31 grants due on the additional reliefs, a net surplus of £0.807m 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 £4.7m deficit.
- 5.4 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.
- 5.5 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.

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

### 6.1 **Capital Budget**

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

<b>2020/21</b>	<b>£29.842m</b>
<b>2021/22</b>	<b>£37.211m</b>
<b>2022/23</b>	<b>£1.452m</b>

6.1.2 The following updates have been made to the Capital Programme since the last report to Cabinet:

- Adult Social Care:

- £0.572m has been added to the 2021/22 programme for additional Disabled Facilities Grant following approval by Cabinet on 7 January 2021.

- Communities:

The following projects funded from Section 106 contributions have been added to the capital programme under delegated authority:

- £0.015m – Victoria Park Play Equipment
- £0.050m – North Park Play Equipment
- £0.017m – Moorhey Shops Parking Scheme.

- Economic Growth and Housing:

- £0.131m has been phased from 2020/21 to 2021/22 for the final phase of Southport Pier Project.
- £0.200m has been phased from 2020/21 to 2021/22 for Crosby Lakeside Redevelopment Project.

- Education Excellence:

- £0.681m has been added to the 2021/22 programme for an additional Schools Maintenance Grant allocation from DfE following approval by Cabinet on 7 January 2021.

- Highways & Public Protection

- £0.700m has been added to 2021/22 for Active Travel Trance Two funding from the Combined Authority following approval by Cabinet on 7 January 2021.
- £0.030m has been added to 2021/22 for Schools Streets Schemes funding from the Combined Authority following approval by Cabinet on 7 January 2021.
- £0.025m has been added to Strategic Planning budgets in 2020/21, under delegated authority, following confirmation of new grant funding from the Combined Authority.

- Locality Services

- £1.230m has been phased from 2020/21 to 2021/22 for delivery of new wheeled bins now anticipated next financial year.
- £0.200m has been phased from 2020/21 to 2021/22 for work on golf driving range developments now anticipated next financial year.

## **6.2 Budget Monitoring Position to December 2020**

6.2.1 The current position of expenditure against the budget profile to the end of December 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 Dec-20</b>	<b>Actual Expenditure to Dec-20</b>	<b>Variance to Dec-20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adult Social Care</b>	1.206	1.167	-0.039
<b>Communities</b>	0.106	0.094	-0.012
<b>Corporate Resources</b>	0.359	0.335	-0.024
<b>Economic Growth &amp; Housing</b>	1.079	1.081	0.002
<b>Education Excellence</b>	2.911	2.888	-0.023
<b>Highways &amp; Public Protection</b>	7.150	7.061	-0.089
<b>Locality Services</b>	0.906	0.840	-0.066
<b>Total Programme</b>	<b>13.717</b>	<b>13.466</b>	<b>-0.251</b>

6.2.2 Due to the impact of the COVID-19 crisis, delivery of schemes during the first six months (April to September) was 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. Spending has increased since the end of quarter two as contractors returned 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.

### **6.3 Capital Programme Forecast Outturn 2020/21**

6.3.1 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:

<b>Service Area</b>	<b>Full Year Budget 2020/21</b>	<b>Forecast Out-turn</b>	<b>Variance to Budget</b>	<b>Full Year Budget for Ongoing Schemes 2021/22</b>	<b>Full Year Budget for Ongoing Schemes 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adult Social Care</b>	<b>2.923</b>	<b>2.869</b>	<b>-0.054</b>	<b>8.255</b>	<b>-</b>
<b>Communities</b>	<b>0.339</b>	<b>0.323</b>	<b>-0.016</b>	<b>0.265</b>	<b>-</b>
<b>Corporate Resources</b>	<b>1.244</b>	<b>1.241</b>	<b>-0.003</b>	<b>4.147</b>	<b>-</b>
<b>Economic Growth &amp; Housing</b>	<b>5.098</b>	<b>5.098</b>	<b>-</b>	<b>4.250</b>	<b>-</b>
<b>Education Excellence</b>	<b>3.617</b>	<b>3.562</b>	<b>-0.055</b>	<b>6.059</b>	<b>0.426</b>
<b>Highways &amp; Public Protection</b>	<b>13.756</b>	<b>13.756</b>	<b>-</b>	<b>4.231</b>	<b>-</b>

<b>Locality Services</b>	<b>2.865</b>	<b>2.864</b>	<b>-0.001</b>	<b>10.004</b>	<b>1.026</b>
<b>Total Programme</b>	<b>29.842</b>	<b>29.713</b>	<b>-0.129</b>	<b>37.211</b>	<b>1.452</b>

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

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

#### **Education Excellence**

<b>Scheme</b>	<b>Variation</b>	<b>Reason</b>	<b>Action Plan</b>
<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.

6.3.3 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. With only four months of the financial year remaining, achieving the current forecast for the year will be challenging hence the comprehensive review each quarter. This estimate is the best available at this time but will be dependent on a number of factors including local restrictions.

## **6.4 Crosby Marine Lake – Phase One**

6.4.1 The Marine Lake was constructed in the 1970s following a land reclamation exercise when the seawall was built. The lake had a sluice gate in the seawall to exchange water with the sea for water quality and level management, but this is unusable due to the beach burying the outfall. A pumping station was therefore constructed in 2009 to exchange water instead.

6.4.2 Since 2012 the pumping system has suffered from multiple failures. Investigations into the system have identified that it wasn't built to the original design which led to several of the failures. Consequentially the operation of the lake has suffered disruption reducing the ability generate income from leisure activities. Windblown sand is filling in the western side of the lake rendering it unusable and has led to the pump chamber becoming clogged with sand.

6.4.3 The Crosby Marine Lake Management Group has been established to develop a management plan for the operation of the lake and to develop options for the restoration of the lake to a suitable standard.

6.4.4 Phase one of proposals to restore the lake will be to repair and upgrade the existing pumping station and accommodating works to remove wind-blown sand from adjacent footpaths and areas. Cabinet is therefore recommended to recommend to Council the approval of a supplementary capital estimate of £0.155m for this project to be funded from Council resources.

## **6.5 Litherland Sports Park – Improvement to Facilities**

- 6.5.1 Litherland Sports Park is an important part of the Council's playing pitch strategy and at present needs some major investment. A scheme has been developed to resurface and upgrade the pitch, as well as upgrade the existing lighting to LED.
- 6.5.2 The estimated cost of this scheme is £0.250m to be funded from previously released earmarked reserves. This allocation of reserves has been approved, under delegated authority, following the identification of reserves no longer required for their intended purpose. This review of earmarked reserves was reported to Cabinet on 5 December 2019.
- 6.5.3 Cabinet is now recommended to recommend to Council the approval of a supplementary capital estimate of £0.250m for inclusion in the capital programme so that this project may proceed.

## **6.6 Bootle Golf Driving Range**

- 6.6.1 In February 2020 £0.256m of capital funding was approved by Council on an invest to save basis for the construction of a new golf driving range at Bootle Golf Course. This was based on a business case developed for the two municipal golf courses in Sefton. Following this approval, work has been ongoing during 2020 developing the design of the first range at Bootle Golf Course. Site surveys have been undertaken and planning has been approved.
- 6.6.2 The overall project costs have now increased since the original business case was submitted due to unforeseen site survey and outfield remediation costs. Building costs in 2020 have also increased significantly due to the effects of Covid-19 and increased building material costs. These were unforeseen circumstances and the design has been revised to minimise these additional costs as much as possible through value engineering.
- 6.6.3 To take this project forward however, will require an additional £164,346 of funding to complete the driving range in 2021. Cabinet is therefore recommended to recommend to Council to approve a supplementary capital estimate funded from borrowing on an invest to save basis. Provision for the repayment costs for this capital investment will be contained within the business model for the driving ranges.

## **6.7 Programme Funding**

- 6.7.1 The table below shows how the capital programme will be funded in 2020/21:

<b>Source</b>	<b>£m</b>
Grants	22.677
Contributions (incl. Section 106)	0.420
Capital Receipts	1.475
Prudential Borrowing	5.270
<b>Total Programme Funding</b>	<b>29.842</b>

- 6.7.2 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.
- 6.7.3 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	975,000	1,421,407	-
Wider Social Care Programme	1,846,439	6,833,271	-
<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	-	-
S106 – Victoria – Victoria Park Play Equip & Surfacing	14,871	-	-
S106 – Linacre – North Park Play Equipment	50,000	-	-
S106 – Sudell – Moorhey Shops Parking Scheme	16,625	-	-
<b>Corporate Resources</b>			
Corporate Maintenance	20,000	2,480,082	-
STCC Essential Maintenance	100,000	1,298,634	-
Victoria Baths Essential Works	393,873	147,374	-
St John Stone Site - Infrastructure Works	623,210	-	-
Public Sector Reform – Cost of Change	106,914	220,738	-
<b>Economic Growth &amp; Housing</b>			
Housing Investment (HMRI)	4,500	49,758	-
Next Steps Accommodation Programme	90,000	-	-
Southport Pier Project	48,993	130,927	-
Southport Tree Lights	100,000	-	-
Strategic Acquisitions - Land at Bootle	1,398,500	149,000	-
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	1,000,000	2,100,000	-
Strategic Acquisitions – Ainsdale	301,859	1,000,000	-
<b>Education Excellence</b>			
Healthy Pupils Fund	26,241	-	-
Schools Programme	2,596,248	4,543,581	401,625
Planned Maintenance	400,831	681,186	-
Special Educational Needs & Disabilities	593,075	834,662	25,000
<b>Highways and Public Protection</b>			
Accessibility	107,320	180,000	-
Completing Schemes/Retentions	20,000	-	-

	2020/21 £	2021/22 £	2022/23 £
Healthy Lifestyles	2,500,000	560,200	-
Road Safety	15,000	125,000	-
A565 Route Management and Parking	780,000	1,280,000	-
Strategic Planning	328,000	45,000	-
Traffic Management and Parking	815,000	289,550	-
Emergency Active Travel Fund	610,457	730,000	-
Port Access	179,000	-	-
Highway Maintenance	4,005,433	820,000	-
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	987,500	200,000	-
<b>Locality Services</b>			
Burials & Cremation Insourcing - Vehicles & Equipment	45,000	90,210	-
Formby Strategic Flood Risk Management Programme	-	43,851	-
Merseyside Groundwater Study	-	31,508	-
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	46,847	87,631	-
Surface Water Modelling & Mapping	15,020	5,000	-
Small Watercourse Works	15,000	-	-
Water Level Monitoring Pilot	13,000	5,000	-
Hightown Coastal Protection Interim Options	10,000	-	-
Parks Schemes	64,420	218,147	-
Tree Planting Programme	85,750	38,600	126,783
Golf Driving Range Developments	56,080	480,280	-
Green Sefton – Plant & Machinery	177,000	123,000	-
Vehicle Replacement Programme	1,344,000	7,281,905	113,000
Wheeled Bins	420,000	1,230,000	-
<b>TOTAL PROGRAMME</b>	<b>29,841,607</b>	<b>37,211,061</b>	<b>1,452,247</b>