

Report to:	Cabinet	Date of Meeting:	4 March 2021
Subject:	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 - March Update		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	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 January 2021:
 - 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 Workforce Capacity Fund grant that has been received to help local authorities to boost staffing levels and which will be utilised in accordance with central government guidance;
- 6) Note the transfer of any unspent Council resources from the Council Tax Exceptional Hardship Fund and the Emergency Limited Assistance Scheme into Earmarked Reserves to help support more residents in 2021/22. These transfers will be approved by the Section 151 officer, in consultation with the Chief Executive where applicable, in line with the Council's Financial Procedure Rules.

Capital Programme

- 7) Note the spending profiles across financial years for the approved capital programme (paragraph 6.1.1);
- 8) Note the latest capital expenditure position as at 31 January 2021 of £14.572m (paragraph 6.2.1) with the latest full year forecast of £27.237m (paragraph 6.3.1);
- 9) Note explanations of variances to project budgets (paragraph 6.2.3);
- 10) Approve of a supplementary capital estimate of £0.788m for the Bootle and Southport Town Hall retrofit energy saving works scheme, to be funded from a Public Sector Decarbonisation Fund (PSDF) Section 31 grant allocated by the Government. (paragraph 6.4); 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 6.5.3).

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 January 2021, 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 2020/21 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 surplus of £1.049m. This includes mitigating measures that have been identified in order to arrive at this surplus.

(B) Capital Costs

The Council's capital budget in 2020/21 is £28.118m. As at the end of January 2021 expenditure of £14.572m has been incurred and a full year outturn of £27.237m 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 surplus of £1.049m 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 may be a call on the Council's General Balances.
Legal Implications:
None
Equality Implications:
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.

<u>Protect the most vulnerable:</u>
See comment above
<u>Facilitate confident and resilient communities:</u>
See comment above
<u>Commission, broker and provide core services:</u>
See comment above
<u>Place – leadership and influencer:</u>
See comment above
<u>Drivers of change and reform:</u>
See comment above

<u>Facilitate sustainable economic prosperity:</u> See comment above
<u>Greater income for social investment:</u> See comment above
<u>Cleaner Greener:</u> 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 6309/21)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 4460/21).

(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 appendices are 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 6.5 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 4 February 2021, 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 £19.2m 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 December 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 January is due to be provided on 26 February 2021. The latest estimates of the figures to be included on the return are detailed below. At the time of writing these figures are expected to be in line with those included in the return for December:

	December 2020 £'m	January 2021 £'m
Forecast cost of responding the pandemic	17.0	17.0
Loss of income from fees and charges	16.1	16.1
Reduced Council Tax receipts	5.1	5.1
Reduced Business Rates receipts	4.7	4.7
Sub Total	42.9	42.9
Government Funding Received	(23.7)	(23.7)
Current Shortfall	19.2	19.2

- 2.4 The forecast losses of income from sales, fees and charges and receipts from Council Tax and Business Rates will continue to be monitored and assumptions refined during the remainder of the year.

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. The second claim was submitted in December 2020 and covered losses incurred between August and November. 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.

Central Government Grant Programmes in Response to COVID-19

- 2.12 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.

Workforce Capacity Fund

- 2.13 On 17 January 2021, the government announced an extra £120 million Workforce Capacity Fund to help local authorities to boost staffing levels, a direct ask of the sector. The funding can:
- provide additional care staff where shortages arise
 - support administrative tasks so experienced and skilled staff can focus on providing care
 - help existing staff to take on additional hours if they wish with overtime payments or by covering childcare costs
- 2.14 Sefton's allocation is £0.762m.

3. Summary of the Forecast Outturn Position as at the end of January 2021

- 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
	5.700

- 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 underspend of **£1.049m**, an improvement of £1.732m from the December position. However, this represents the forecast with two 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 two months (there is a specific risk that should the recent cold weather continue into 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:

	Budget	Forecast Outturn	Variance	Variance to December Position
	£m	£m	£m	£m
Services				
Strategic Management	3.136	2.930	-0.206	-0.006
Adult Social Care	94.800	93.284	-1.516	-1.516
Children's Social Care	34.977	39.147	4.170	-0.644
Communities	18.359	19.263	0.904	-0.201
Corporate Resources	7.605	7.254	-0.351	-0.083
Economic Growth & Housing	5.659	5.686	0.027	-0.061
Education Excellence	9.783	9.972	0.189	-0.236
Health & Wellbeing	18.498	18.198	-0.300	0.000
Highways & Public Protection	10.553	10.588	0.035	0.016
Locality Services	12.240	12.427	0.187	-0.152
Total Service Net Expenditure	215.610	218.749	3.139	-2.883
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	16.783	2.423	1.151
Levies	34.701	34.701	0.000	0.000
General Government Grants	(46.376)	(46.576)	-0.200	0.000
Total Net Expenditure	224.706	223.657		
Forecast Year-End Deficit			<u>-1.049</u>	<u>-1.732</u>

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

- **Adult Social Care (forecast £1.516m underspend)** – Previous forecasts assumed that the Adult Social Care budget would break-even during 2020/2021. However, previous reports to Cabinet highlighted that there were a number of significant assumptions and uncertainties relating to COVID-19 that could impact on this position before the year-end. Detailed work has now been undertaken on the level of expenditure relating to hospital discharges due to COVID-19 which will be funded by the CCGs from the allocations of funding they have received for this purpose from the Government, and how much will need to be funded by the Council. 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. The impact of this work is that an underspend is now forecast. However, the level of underspend won't be fully known until the outturn position is finalised.

- **Children's Social Care (£4.170m net overspend)** – Based on the current numbers of Looked After Children (617 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 £4.152m in 2020/21.

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. Work has been undertaken to determine to what extent central government support via the emergency fund can contribute to this pressure. This has resulted in a reduction in the forecast overspend compared to the December position.

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 – (£0.904m overspend)** – The cost of placements and packages for Children with Disabilities is forecast to overspend by £0.896m (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 (£0.189m overspend)** - Home to School transport external provision has a projected overspend of £0.436m 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.

Work has been undertaken to determine to what extent central government support via the emergency fund can contribute to the pressure on Home to School Transport due to the impact of the current COVID restrictions. This has resulted in a reduction in the forecast overspend compared to the December position.

- **Locality Services (£0.187m overspend)** – Some of the service pressures experienced in 2019/20 have continued into 2020/21.
 - Security Service (£0.678m 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 (£0.474m 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.
- **Council Wide Budgets (£2.423m overspend)** – The report relating to the Strand Shopping Centre presented to Cabinet on 4 February 2021 outlined that the potential outturn deficit for 2020/21, as a consequence of the impacts of the COVID-19 pandemic, is expected to be between £2.650m and £3.180m.

However, there remain factors that will influence this outcome for the financial year, including uncertainty on the end of the current lockdown and the nature of any reopening of retail; the continued uncertainty on the moratorium on landlords' ability to pursue enforcement; and the ongoing pursuit of rent and service charge arrears. The budget monitoring position for January assumes a deficit of £2.900m.

Continuing measures to ensure a balanced budget position in 2020/2021

- 3.7 The forecast budget surplus as at January 2021 is **£1.049m**. This includes the risks that are inherent in the Council's financial position, particularly around demand for Children's Social Care and other demand led services. Whilst a budget surplus is being forecast further pressure is likely based on experience in previous years and there is also a need to manage the impact of COVID on the Council's financial sustainability. Therefore, financial principles utilised over the last decade will once again be maintained for the remainder of the year:
- 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.

- 3.8 Members will note that the Budget report that will be considered at the Council meeting on 4 March 2021 assumes that a £1m underspend will be carried forward as a one-off measure to support the budget in 2021/22.

Council Tax Exceptional Hardship Fund / Emergency Limited Assistance Scheme

- 3.9 The Council has annual budget provision to help support residents who may be having difficulty with paying their council tax (Exceptional Hardship Fund). In 2020/21, due to the impact of COVID-19, the government provided additional funding to enable all Council Tax Reduction scheme claimants to receive a discount of £150. Any residual funding could be used to provide discretionary support for those facing payment difficulties. Due to this additional funding it is forecast that the Council's own budget provision will not be fully utilised in 2020/21. It is

proposed that any underspend be transferred to an Earmarked Reserve to enable more support to be provided in 2021/22. This transfer, currently forecast to be £0.090m, will be approved by the Section 151 officer in line with the Council's Financial Procedure Rules.

3.10 The Council also has annual budget provision to help support residents who may be experiencing other financial difficulties (Emergency Limited Assistance Scheme). In 2020/21, due to the impact of COVID-19, the government has provided additional funding streams to allow the Council to support a greater number of residents. Due to this additional funding it is forecast that the Council's own budget provision will not be fully utilised in 2020/21. It is proposed that any underspend be transferred to an Earmarked Reserve to enable support to be provided to more residents in 2021/22. This transfer, currently forecast to be £0.310m, will be 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 January 2021 is a deficit of +£4.237m. 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 (-£0.500m);
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£1.276m). 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 (+£3.414m).

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 January 2021 is a deficit of £42.057m 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 (£0.778m);
 - 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 (+£38.141m).
 - Increase in the Bad Debt and Appeals Provisions due the impact of the number of appeals being registered by businesses in response to the pandemic and the reduction in the amount of Business Rates being collected (£4.257m).
- 5.3 When taking into account the additional Section 31 grants due on the additional reliefs, a net deficit of £3.604m is forecast.
- 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:

2020/21	£28.118m
2021/22	£38.986m
2022/23	£2.202m

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

- Adult Social Care:
 - £1.5m for the Extra Care Housing project has now been re-profiled from 2021/22 for delivery over two years: 2022/23 and 2023/24.
- Communities:
 - £1.2m has been added for essential maintenance work at Dunes Splash World following approval by Council on 21 January 2021.
- Economic Growth and Housing:
 - Cambridge Road Redevelopment – £0.450m has been rephased from the current year to 2021/22 due to a revised schedule of works and cashflow for the project.
- Highways & Public Protection:
 - Highways Maintenance – £0.759m has been reprofiled from 2020/21 for works now programmed in 2021/22.
- Locality Services:
 - Ainsdale Coastal Gateway – £0.352m has been added to the budget for a new scheme following approval by Council on 21 January 2021.
 - £0.420m has been phased from 2020/21 for new wheeled bins now anticipated for delivery in 2021/22.

6.2 Budget Monitoring Position to January 2021

6.2.1 The current position of expenditure against the budget profile to the end of January 2021 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.

Service Area	Budget to Jan-21	Actual Expenditure to Jan-21	Variance to Jan-21
	£m	£m	£m
Adult Social Care	1.428	1.363	-0.065
Communities	0.174	0.163	-0.011
Corporate Resources	0.486	0.371	-0.115
Economic Growth & Housing	1.239	1.194	-0.045
Education Excellence	3.126	3.133	0.007
Highways & Public Protection	8.064	7.464	-0.600
Locality Services	0.982	0.884	-0.098
Total Programme	15.499	14.572	-0.927

6.2.2 Analysis of significant spend variations under budget profile in 2020/21:

Corporate Resources

Scheme	Variation	Reason	Action Plan
Victoria Baths Essential Works	-£111,976	Work on the roof is a month behind schedule due to poor weather conditions.	Remaining work is anticipated to catch up before the end of the financial year.

Highways & Public Protection

Scheme	Variation	Reason	Action Plan
Kirkby to Maghull Cycle Route	-£272,758	Scheme has been delayed due to the protracted time required for land acquisitions and wet ground conditions causing delays on site.	Funding will be carried forward to complete the scheme in early 2021/22 financial year.
A565 Corridor Improvements	-£200,000	Tenders for the scheme were less than anticipated and rail permissions have been problematic leading to delays.	Scope of the project will be reviewed, and funding will be carried forward to complete in early 2021/22 financial year.
Active Travel Schemes	-£134,902	Schemes have been under review for delivery in the next financial year.	Approval is being sought from the CA to incorporate funding into tranche 2 of Active Travel in 2021/22.

6.2.3 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 included in the first monitoring report to Cabinet in 2021/22.

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:

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
Adult Social Care	2.923	2.882	-0.041	6.755	0.750
Communities	0.339	0.324	-0.015	1.465	-
Corporate Resources	1.247	1.244	-0.003	4.144	-

Economic Growth & Housing	4.648	4.648	-	4.699	-
Education Excellence	3.661	3.591	-0.070	6.015	0.427
Highways & Public Protection	12.881	12.123	-0.758	5.105	-
Locality Services	2.419	2.425	0.006	10.803	1.025
Total Programme	28.118	27.237	-0.881	38.986	2.202

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

Scheme	Variation	Reason	Action Plan
Linaker Primary – Additional 1 Form Entry Classroom	-£59,349	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.

Highways & Public Protection

Scheme	Variation	Reason	Action Plan
Kirkby to Maghull Cycle Route	-£140,000	See 3.2 above.	Funding will be carried forward to complete the scheme in early 2021/22 financial year.
A565 Corridor Improvements	-£241,000	See 3.2 above.	Scope of the project will be reviewed, and funding will be carried forward to complete the in early 2021/22 financial year.
Active Travel Schemes	-£406,457	See 3.2 above.	Approval is being sought from the CA to incorporate funding into tranche 2 of Active Travel in 2021/22.

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 Public Sector Decarbonisation Fund (PSDF) – Bootle & Southport Town Hall retrofit energy saving works

6.4.1 A bid for £788,087 was submitted to the Public Sector Decarbonisation Fund (PSDF) on 11 January 2021 to improve the thermal efficiency of Bootle Town Hall and Southport Town hall, via insulation and glazing works. The fund is newly created as part of the Government’s response to the Covid 19 ‘build back better’

programme. Funding is being allocated via a Section 31 agreement in order to allocate funding before the end of the financial year.

- 6.4.2 The total cost of the works (plus contingency) is £788,087. This represents 100% of the estimated cost of the works with no matched funding requirement. An additional bid of £86,000 for project management has also been made but would be funded separately to the Section 31 money.
- 6.4.3 Cabinet is therefore recommended to approve of a supplementary capital estimate of £0.788m for this project to be funded from Section 31 grant allocated by the Government.

6.5 Programme Funding

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

Source	£m
Grants	21.521
Contributions (incl. Section 106)	0.520
Capital Receipts	1.242
Prudential Borrowing	4.835
Total Programme Funding	28.118

- 6.5.2 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.
- 6.5.3 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 £
Adult Social Care			
Care Homes - Fire Alarms & Emergency Lighting	102,000	-	-
Core DFG Programme	975,000	1,421,407	750,000
Wider Social Care Programme	1,846,439	5,333,271	-
Communities			
Crosby Lakeside Watersports	2,217	-	-
Dunes Splashworld – Essential Repairs	-	1,200,000	-
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	-	-
Corporate Resources			
Corporate Maintenance	22,878	2,477,204	-
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	-
Economic Growth & Housing			
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	804,165	519,552	-
Crosby Lakeside (CLAC) Development	1,000,000	2,100,000	-
Strategic Acquisitions – Ainsdale	301,859	1,000,000	-
Education Excellence			
Healthy Pupils Fund	26,241	-	-
Schools Programme	2,629,841	4,508,938	401,625
Planned Maintenance	399,929	683,138	-
Special Educational Needs & Disabilities	605,075	822,662	25,000
Highways and Public Protection			
Accessibility	80,653	206,667	-

	2020/21 £	2021/22 £	2022/23 £
Completing Schemes/Retentions	20,000	-	-
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	318,000	55,000	-
Traffic Management and Parking	815,000	289,550	-
Emergency Active Travel Fund	590,457	750,000	-
Port Access	149,874	29,126	-
Highway Maintenance	3,246,086	1,579,347	-
Bridges & Structures	203,000	30,670	-
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	-
Locality Services			
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	59,939	45,061	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	39,962	94,516	-
Surface Water Modelling & Mapping	10,020	10,000	-
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	18,030	518,330	-
Ainsdale Coastal Gateway	20,000	332,000	-
Green Sefton – Plant & Machinery	177,000	123,000	-
Vehicle Replacement Programme	1,344,000	7,281,905	113,000
Wheeled Bins	-	1,650,000	-
TOTAL PROGRAMME	28,118,379	38,986,289	2,202,247