

Report to:	Cabinet	Date of Meeting:	1 October 2020
Subject:	Revenue and Capital Budget Update 2020/21 including the Financial Impact of COVID-19 on the 2020/21 Budget		
Report of:	Executive Director of Corporate Resources & 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 August 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;

Capital Programme

- 5) Note the spending profiles across financial years for the approved capital programme (paragraph 6.1.1);
- 6) Note the latest capital expenditure position as at 31 August 2020 of £5.417m (paragraph 6.2.1) with the latest full year forecast of £36.871m (paragraph 6.3.1);
- 7) Note explanations of variances to project budgets (paragraph 6.2.3);
- 8) Approve the proposal to upgrade Sefton's Community Equipment Store and replace the current vehicle fleet at a cost of £0.335m funded from the Disabled Facilities Grant (paragraph 6.4.2);
- 9) Note the outcome of the approved procurement process for the replacement fleet for the Cleansing Service (section 6.5);
- 10) Accept the most favourable tenders received for the required Cleansing Service vehicles (section 6.5);
- 11) Authorise the Head of Highways & Public Protection and Chief Legal and Democratic Officer to enter into contracts with the successful tenderers for supply of the required Cleansing Service vehicles (section 6.5);
- 12) Approve a supplementary capital estimate of £0.610m in the 2020/21 programme for phase two of the Bootle Strategic Acquisitions scheme (paragraph 6.6.2);
- 13) Subject to approval by the Combined Authority of a request for further funding for phase two of the Bootle Strategic Acquisitions scheme, approve an additional supplementary capital estimate of £0.040m in the 2020/21 programme (paragraph 6.6.3); and,
- 14) 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 August 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 £0.392m. Mitigating measures have been identified in order to arrive at this deficit. Should this deficit remain at the end of the financial year this will be a call on the Council's General Balances, therefore further remedial action will be required if the forecast returns to a deficit.

(B) Capital Costs

The Council's capital budget in 2020/21 is £36.704m. As at the end of August 2020 expenditure of £5.417m has been incurred and a full year outturn of £36.871m 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 £0.392m forecast for 2020/21. However, it should be noted that significant pressure and risk remains in four key business areas, namely Children's Social Care, Children with Disabilities, Education Excellence and Locality Services. These budgets may experience further demand pressure during the remainder of the year in which case corresponding savings will need to be identified. If this cannot take place there will be a call on the Council's General Balances.
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.

<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 6130/20)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 4321/20).

(B) External Consultations

N/A

Implementation Date for the Decision

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

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Appendices:

The following 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 6.7 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 meeting on 3 September 2020 members were provided with an update that based on the monthly return to central government (MHCLG) the Council would have an income shortfall of £22.8m in 2020/21 when these issues had been taken into account and the use of the £20.1m emergency fund from central government had been applied. These figures reflected actual expenditure and receipts as at the end of July and estimates until the end of the year. It was acknowledged that these figures would be the subject of material change depending on when lockdown measures were relaxed, the potential for a second COVID 19 wave, social behaviour and the conditions within the local economy that drive employment and business activity.

Latest Submission to MHCLG - September 2020

- 2.3 As Members will be aware each month the Council has been required to outline its cost pressures in its return to MHCLG. It is expected that the latest submission will need to be provided by 2 October 2020. At the time of this report being published work is ongoing on the return, however an estimate of the latest figures that will be provided are detailed below:

	August 2020 £'m	September 2020 £'m
Forecast cost of responding the pandemic	14.2	14.2
Loss of income from fees and charges	15.3	15.3
Reduced Council Tax receipts	6.4	6.4
Reduced Business Rates receipts	7.0	7.0
Sub Total	42.9	42.9
Government Funding Received	(20.1)	(20.1)
Current Shortfall	22.8	22.8

Central Government Advice and Guidance

- 2.4 Since the last Cabinet report on 3 September, the Council has received further guidance from central government on how it should manage the financial impact from the pandemic in 2020/2021 relating to the loss of income from sales, fees and charges.

Officers are currently assessing the guidance on how the cost sharing proposal will operate, specifically around what income losses will fall under the scheme and which losses we won't receive any support for. It is currently estimated that the impact on the current year could be between £5 - £7m of losses after the receipt of government support.

The Council will make three claims relating to 2020/2021. The first claim is due by the end of September 2020 and will cover losses incurred between April and July.

Potential Impact for Sefton

2020/21

- 2.5 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 loss of fees and charges of £15.3m (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.
- 2.6 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 a future local outbreaks and 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 £5m-£7m, however this figure will be refined, together with the strategy for meeting the shortfall, when guidance from central government is assessed.
- 2.7 In respect of cashflow the current analysis suggests that the Council will need to borrow funds (with an approximate maximum value of £20.0m) from the end of February 2021 in order to support its expenditure plans during 2020/21. The approved Treasury Management Strategy and prudential indicators for 2020/21 can accommodate this.
- 2.8 As Members have discussed in recent months this position will 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

- 2.9 It can be seen from the table presented earlier in this report that the current forecast is that the Council has commitments totalling £14.2m from its emergency fund budget. This remains unchanged from the forecast of the previous month and

there have been no new commitments made under the delegation approved at the last meeting.

2021/22

- 2.10 Quite naturally there is a large focus across the country in how local authorities will balance their 2020/21 budget and the council's approach to this has been set out and agreed in previous meetings. As progress is made through the financial year there is now increased attention on the 2021/22 budget. A report elsewhere on today's agenda presents an updated Medium-Term Financial Plan for 2021/2022 – 2023/2024 which includes an assessment of the ongoing financial implications of the pandemic.

3. Summary of the Forecast Outturn Position as at the end of August 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
	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 overspend of **£0.392m**, an increase of £0.111m from the July position. However, this represents the forecast at this relatively early stage of the year and both each services outturn forecast and those savings that are being developed will vary in value over the next seven months. It is however critical that in the event that budget pressure increases, corresponding savings are identified within the Council's existing budget. The table below highlights the variations:

	Budget	Forecast Outturn	Variance	Variance to July Position
	£m	£m	£m	£m
Services				
Strategic Management	3.140	2.974	-0.166	0.002
Strategic Support	2.374	2.368	-0.006	-0.004
Adult Social Care	94.335	94.335	0.000	0.000
Children's Social Care	34.681	39.256	4.575	-0.034
Communities	17.916	18.777	0.861	-0.090
Corporate Resources	4.105	3.874	-0.231	0.143
Economic Growth & Housing	5.513	5.583	0.070	0.000
Education Excellence	9.688	9.631	-0.057	-0.223
Health & Wellbeing	18.973	18.890	-0.083	0.029
Highways & Public Protection	10.404	10.407	0.003	0.082
Locality Services	11.837	12.210	0.373	0.039
Total Service Net Expenditure	212.966	218.305	5.339	-0.056
Budget Pressure Fund	6.411	0.000	-6.411	0.000
Council Wide Budgets	17.004	18.468	1.464	0.167
Levies	34.701	34.701	0.000	0.000
General Government Grants	(46.376)	(46.376)	0.000	0.000
Total Net Expenditure	224.706	224.754		
Forecast Year-End Deficit			0.392	0.111

- 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 £1.7m of expenditure relating to hospital discharges due to COVID-19 will be

funded by the CCGs from the allocations of funding they have received for this purpose from the Government; there are ongoing discussions with the CCGs to ensure this funding is received.

- **Children's Social Care (£4.575m net overspend)** – Based on the numbers of Looked After Children at the beginning of the year, the Placement and Packages budget is forecast to overspend by £3.242m in 2020/21. Assuming a further increase in the number of Looked After Children in line with the increase seen in 2019/20, the forecast overspend will increase by a further £0.850m, i.e. a total forecast overspend of £4.092m.

In addition, there is a forecast overspend on staffing costs of £0.483m. 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. Work is currently being undertaken to determine if any of this sum can be attributed to the impact that the pandemic has had on the service.

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, and it is expected that the position will be the subject of further change between now and the year end. 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 – (£0.861m overspend)** – The cost of placements and packages for Children with Disabilities is forecast to overspend by £0.626m (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.

- **Locality Services (£0.373m overspend)** – Some of the service pressures experienced in 2019/20 have continued into 2020/21.
 - Security Service (£0.777m 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 (£0.391m 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 August 2020 is **£0.392m**. 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.

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

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 August 2020 is a deficit of +£1.545m. 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 (-£0.072m);
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£1.570m). This is mainly as a result of a significant increase in the number of claimants for the Council Tax Reduction Scheme (CTRS).

4.3 It should be noted that the deficit is expected to increase due to an increasing number of CTRS claimants (the current estimated deficit is a further £0.6m in addition to the figure quoted in paragraph 4.2) and the impact of a reduction in the amount of Council Tax being collected (currently estimated at £4.2m).

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

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

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 August 2020 is a deficit of £37.410m 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 (£0.471m);
- 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 (+£38.058m).

5.3 When taking into account the additional Section 31 grants due on the additional reliefs, a net surplus of £0.915m is forecast. However, it should be noted that this doesn't take account of the impact of the number of appeals being registered by businesses in response to the pandemic or the reduction in the amount of Business Rates being collected. A significant forecast deficit is therefore anticipated with the current estimate being a £7.0m deficit.

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	£36.704m
2021/22	£20.353m
2022/23	£1.026m

6.1.2 The following updates have been made to the capital programme budget since the last report to Cabinet:

- Special Educational Needs Schemes at Daleacre, Oakfield, Pinefield and Rowan Tree – an allocation of £0.200m has been rephased to 2020/21 from the future years' capital programme Impact PRU scheme to meet revised needs.
- Emergency Active Travel Scheme – this is a new capital scheme (£0.590m) to fund segregated cycle lanes in Southport and Bootle town centres in response to Covid-19 and is fully funded by the Department of Transport.
- Pothole Funding – an additional £0.167m has been allocated through the Liverpool City Region Combined Authority to further support improvements to the highways in response to Covid-19.
- An allocation of £0.100m has been rephased from the future years' capital programme to 2020/21 for STCC Essential Maintenance.
- An allocation of £0.165m has been rephased from 2020/21 to future years for Woodlands Primary as the rewiring scheme is now scheduled to be undertaken in two phases.

6.2 **Budget Monitoring Position to August 2020**

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

Service Area	Budget to Aug-20	Actual Expenditure to Aug-20	Variance to Aug-20
	£m	£m	£m
Adult Social Care	0.452	0.547	0.095
Communities	0.051	0.066	0.015
Corporate Resources	0.060	0.058	-0.002
Economic Growth & Housing	0.635	0.638	0.003
Education Excellence	1.664	1.486	-0.178
Highways & Public Protection	2.032	2.069	0.037
Locality Services	0.479	0.553	0.074
Total Programme	5.373	5.417	0.044

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

6.2.3 Analysis of significant spend variations over (+) / under (-) budget profile:

Education Excellence

Scheme	Variation	Reason	Action Plan
Hudson Primary School – Heating Ducts Provision	-£138,444	Works have experienced delay due to drainage issues affecting ducts where asbestos removal was due to take place. This has impacted on the spend incurred to date.	The work will catch up and the year-end forecast remains unchanged.

6.2.4 In the July report schemes that reported variances to budget contained action plans to address the variance. Progress on these is as follows:

Highways & Public Protection

Scheme	Variation	Action Plan	Progress to Date
Healthy Lifestyles	-£299,104	The work will catch up and full spend on the contract is anticipated by the end of the financial year.	This work is now catching up and the variance is now -£166,350.

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 2021/22	Full Year Budget 2022/23
	£m	£m	£m	£m	£m
Adult Social Care	2.614	2.761	0.147	7.992	-
Communities	0.256	0.260	0.004	0.265	-
Corporate Resources	1.610	1.610	-	1.299	-
Economic Growth & Housing	6.100	6.100	-	1.337	-
Education Excellence	3.712	3.713	0.001	5.726	-
Highways & Public Protection	13.304	13.319	0.015	-	-
Locality Services	9.108	9.108	-	3.734	1.026
Total Programme	36.704	36.871	0.167	20.353	1.026

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

6.3.2 The current 2020/21 budgeted spend is £36.704m with a budgeted spend to August of £5.373m. The full year budget includes an exceptional item of £7.3m for vehicle replacement. Typically, on an annual basis the capital programme spends in the region of £20m. Given this typical annual level of spend it is likely that reprofiling of spend into 2021/22 will occur as the year progresses. This will be compounded by the effect of COVID-19 which may mean that some works scheduled for completion in 2020/21 will be rescheduled to 2021/22.

6.4 Sefton Community Equipment Store Improvements and Vehicle Fleet Replacement

6.4.1 It is proposed to upgrade Sefton's Community Equipment Store in response to increasing demand for equipment and the need to provide additional storage capacity on site. The current vehicle fleet is also reaching end of life and is scheduled for replacement.

6.4.2 Two new schemes will be included in the Wider Social Care capital programme and funded from resources currently allocated under the Disabled Facilities Grant. The estimated cost is £0.335m which incorporates £0.284m for replacement of vehicles and £0.051 for the upgrade of premises. This proposal was presented to SCIG on the 9 September 2020 and is now presented for approval and inclusion in the capital programme for 2020/21.

6.5 Vehicle Replacement Programme Update

6.5.1 In April 2019, Cabinet considered a report "Cleansing Services Vehicle Fleet Procurement", seeking permission to commence the 12-month procurement

process for a replacement vehicle fleet for the cleansing service, and determined that:

- (1) *the requirement to replace the vehicle fleet in 2020/21 be noted and officers be requested to commence the necessary procurement process to obtain tender prices accordingly; and*
- (2) *it be noted that no commitment will be entered into prior to a further report upon completion of the initial procurement process detailing costs and options and funding proposals.*

6.5.2 In February 2020, Cabinet and Council considered the reports “Revenue and Capital Budget Plan 2020/21 – 2022/23 and Council Tax 2020/21” and “Capital Strategy 2020/21 to 2024/25” and agreed provision for the estimated additional revenue costs of the above procurement and inclusion of a capital scheme for Vehicle Plant & Equipment Purchase (5 year programme approved total expenditure £11.780m) within the Capital Programme, respectively.

6.5.3 Following the Cabinet Decision in April 2019, a procurement process has been undertaken under Lot 2 of the North East Procurement Organisation HGV & Specialist Vehicles Procurement Framework – Ref: NEP0224, and tender prices have been received for the required vehicles, namely eleven 26-tonne chassis vehicles and fifteen 32-tonne chassis vehicles of the required specification. The returned tenders were evaluated using the following criteria: Price 50%; Quality 50%. The most favourable tender for the 26-tonne vehicles was from Dennis Eagle with a bid of £178,562.00 per vehicle. The most favourable tender for the 32-tonne vehicles was from Faun Zoeller with a bid of £205,460.96 per vehicle.

6.5.4 It is proposed to award contracts to the successful tenderers and to purchase the vehicles through Prudential Borrowing, which would allow the asset to be purchased over a fixed term (7 years) with the borrowing being repaid in annual instalments of £756,915.00 per annum for all twenty-six vehicles. The annual cost, together with all operating costs, will be recharged to the Cleansing revenue budget on a monthly basis and can be met in full by the budget available. At the end of the 7-year term the vehicles will be paid in full and belong to the Council, with a residual value that can be used to offset any costs of future vehicle replacements and reduce departmental annual revenue costs. The cost to hire equivalent vehicles be excess of £1.217m per annum with no return at the end of the term.

6.5.5 The approved Vehicle Replacement Programme 2020/21 included £5.875m for the replacement of cleansing vehicles. Price increases since the original allocation was approved now mean that this is estimated to be £6.197m which will result in a shortfall in funding of £0.322m. This potential shortfall however, will be managed within the total Vehicle Replacement Programme by postponing and managing other less urgent renewals within the scheme.

6.6 Bootle Strategic Acquisitions – Phase Two

6.6.1 The 2019/20 and 2020/21 capital programmes included a total budget of £0.999m for the acquisition of land and property adjacent to the Strand Shopping Centre in Bootle. This is a key regeneration and economic development project for the Council and the acquisitions are fully funded by a grant from the Liverpool City Region Combined Authority (CA).

- 6.6.2 Further funding has now been secured from the CA for the second phase of the project to carry out demolition and temporary site treatment work to enable wider repurposing of the site. Approval is sought to include a supplementary capital estimate of £0.610m in the 2020/21 programme, fully grant funded by the CA, for the delivery of the phase two scheme.
- 6.6.3 An additional request for further funding of £0.040m has also been submitted to the CA for this scheme. If this is successful, approval is sought to include a further supplementary capital estimate of £0.040m in the 2020/21 programme.

6.7 Programme Funding

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

Source	£m
Grants	23.139
Contributions (incl. Section 106)	10.704
Capital Receipts	2.052
Prudential Borrowing	0.809
Total Programme Funding	36.704

- 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 £
Adult Social Care			
Care Homes - Fire Alarms & Emergency Lighting	102,000	-	-
Core DFG Programme	666,000	1,158,000	-
Wider Social Care Programme	1,845,787	6,833,923	-
Communities			
Libraries - Centres of Excellence	80,000	265,088	-
Bootle Library	42,372	-	-
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	-	-
Corporate Resources			
Corporate Maintenance	17,799	-	-
STCC Essential Maintenance	100,000	1,298,634	-
Victoria Baths Essential Works	541,247	-	-
St John Stone Site - Infrastructure Works	623,210	-	-
Magdalen House Alterations	44,004	-	-
ICT Transformation	30,038	-	-
Southport Town Hall Community Base	7,872	-	-
Family Wellbeing Centres	245,738	-	-
Economic Growth & Housing			
REECH Project	-	37,162	-
Southport Commerce Park - 3rd Phase Development	-	13,173	-
Housing Investment (HMRI)	18,078	36,180	-
Southport Pier Project	179,920	-	-
Strategic Acquisitions - Land at Bootle	748,500	-	-
Town Centre Fund	500,000	250,000	-
Cambridge Road Centre Development	1,252,000	-	-
Crosby Lakeside (CLAC) Development	3,100,000	-	-
Strategic Acquisitions - Sandbrook Way	301,859	1,000,000	-
Education Excellence			
Healthy Pupils Fund	26,241	-	-
Schools Programme	2,642,954	4,915,843	-
Planned Maintenance	400,831	-	-
Special Educational Needs & Disabilities	642,038	810,699	-
Highways and Public Protection			
Accessibility	287,320	-	-
Completing Schemes/Retentions	20,000	-	-
Healthy Lifestyles	2,885,200	-	-
Road Safety	140,000	-	-

	2020/21 £	2021/22 £	2022/23 £
A565 Route Management and Parking	2,020,000	-	-
Strategic Planning	348,000	-	-
Traffic Management and Parking	1,004,350	-	-
Emergency Active Travel Fund	590,457		
Highway Maintenance	2,005,780	-	-
Bridges & Structures	233,670	-	-
Drainage	225,000	-	-
Street Lighting Maintenance	300,000	-	-
UTC Maintenance	112,660	-	-
Winter Service Facility	2,632,000	-	-
Major Transport Schemes	500,000	-	-
Locality Services			
Burials & Cremation Insourcing - Vehicles & Equipment	135,210	-	-
Formby Strategic Flood Risk Management Programme	21,926	21,925	-
Merseyside Groundwater Study	31,508	-	-
Four Acres Multi Agency Flood Options	1,570	-	-
CERMS	603,213	75,000	-
Natural Flood Risk Management	10,000	-	-
The Pool & Nile Watercourses	38,179	-	-
Crosby Flood & Coastal Scheme	105,000	-	785,839
Seaforth & Litherland Strategic Flood Risk	30,000	-	-
Hall Road & Alt Training Bank - Rock Armour	6,000	44,000	-
Ainsdale & Birkdale Land Drainage Scheme	4,000	25,340	-
Surface Water Management Plan	134,478	-	-
Surface Water Modelling & Mapping	20,020	-	-
Small Watercourse Works	15,000	-	-
Parks Schemes	256,917	25,650	-
Tree Planting Programme	85,750	38,600	126,783
Golf Driving Range Developments	256,080	280,280	-
Vehicle Replacement Programme	7,352,905	3,223,000	113,000
TOTAL PROGRAMME	36,703,815	20,352,497	1,025,622