

Report to:	Cabinet Council	Date of Meeting:	5 November 2020 19 November 2020
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		
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 September 2020:
 - The forecast expenditure to year end;
 - Variations against the approved budgets and an explanation of those variations for consideration by Members;
 - Updates to spending profiles and proposed amendments to capital budgets necessary to ensure the efficient delivery of capital projects are also presented for approval.

Recommendation(s):

Cabinet is recommended to:

Revenue Budget

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

to local businesses;

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

Capital Programme

- 6) Note the spending profiles across financial years for the approved capital programme (paragraph 7.1.1);
- 7) Note the latest capital expenditure position as at 30 September 2020 of £9.551m (paragraph 7.2.1) with the latest full year forecast of £39.388m (paragraph 7.3.1);
- 8) Note explanations of variances to project budgets (paragraph 7.2.3);
- 9) Note the capital programme outputs to the end of September (paragraph 7.4)
- 10) Recommend to Council the approval of a supplementary capital estimate of £1.2m for an Essential Maintenance Programme at Dunes Splashworld, to be funded from Council resources paragraph 7.5); and,
- 11) Note that capital resources will be managed by the Executive Director Corporate Resources and Customer Services to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council (paragraph 7.6.3).

Council is recommended to:

Approve a supplementary capital estimate of £1.2m for an Essential Maintenance Programme at Dunes Splashworld, to be funded from Council resources (paragraph 7.5).

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 September 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 £0.547m. 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 £39.194m. As at the end of September 2020 expenditure of £9.551m has been incurred and a full year outturn of £39.388m 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 £0.547m 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 6157/20)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 4349/20).

(B) External Consultations

N/A

Implementation Date for the Decision

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

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Appendices:

The following appendix 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 7.1. Sections 7.2 and 7.3 review progress of the capital programme. Finally, Section 7.6 confirms that there are adequate levels of resources available to finance the capital programme.

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

- 2.1 At the Cabinet meeting on 30 July 2020, Members received a comprehensive report that outlined the full range of financial issues that were being faced by the Council (and all other councils within the country) arising from the pandemic.
- 2.2 At the Cabinet meeting on 1 October 2020, Members were provided with an update that based on the monthly return to central government (MHCLG) the Council would have a net shortfall of £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 September 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 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.
- 2.3 Subsequently, additional restrictions were placed on the Liverpool City Region (LCR) which were then increased further when the region was placed in Tier 3 when the government introduced its three-tier alert system. Funding to support enhanced test and trace capability and enforcement activity will be provided to the LCR. In addition, discussions are continuing with the government over additional funding for LCR authorities to support cost pressures and income losses, as well as provide additional support to businesses.
- 2.4 Details of new government grant funding that has been received, that will be used to support the response to the pandemic, and which will be distributed in accordance with central government guidance, are outlined in section 3.

Latest Submission to MHCLG - October 2020

- 2.5 As Members will be aware each month the Council has been required to outline its cost pressures in its return to MHCLG. The latest submission relating to the end of October will need to be provided by 7 November 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:

	September 2020 £'m	October 2020 £'m
Forecast cost of responding the pandemic	14.2	14.2
Loss of income from fees and charges	15.3	14.9
Reduced Council Tax receipts	6.4	5.3
Reduced Business Rates receipts	7.0	7.0
Sub Total	42.9	41.4
Government Funding Received	(20.1)	(20.1)
Current Shortfall	22.8	21.3

- 2.6 The current forecast for reduced Council Tax receipts has improved based on the current levels of collection and numbers of Council Tax Reduction Scheme claimants.

Central Government Advice and Guidance

- 2.7 As outlined in the last Cabinet report on 1 October, the government has introduced a scheme to cost share the income losses being incurred by the Council from sales, fees and charges.

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

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

Potential Impact for Sefton

2020/21

- 2.8 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.
- 2.9 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.

- 2.10 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.
- 2.11 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

- 2.12 It can be seen from the table presented earlier in this report that the current forecast is that the Council has potential commitments totalling £14.2m from its emergency fund budget (this includes the contingency sum previously agreed by members). This remains unchanged from the forecast of the previous month. However, there have been new commitments totalling £0.330m relating to additional staffing resources to support Children's Social Care. In addition, the Council have committed £0.125m to put in place a scheme to support families / children on Free School Meals during the autumn half-term holiday. These new commitments were made under the delegation approved at the July meeting.
- 2.13 Within the dialogue with Central Government that led the Liverpool City Region moving into Tier 3 , each council will receive a sum of £8 per head of population. For Sefton that will amount to approximately £2.2m. This sum is to support track and trace activity and enforcement and plans are currently being developed with public sector partners, Public Health England government on how this will be utilised.
- 2.14 When the cost of responding to the pandemic to date and the loss of income that needs to be funded are taken into account then the preferred approach to meeting the cost of the pandemic can be delivered. However, there would be little room for any further expenditure or income losses to be funded. At a recent Prime Minister's press conference, it was announced that a further £1bn would be made available to local authorities across the country. Of this £900m will be allocated to councils as a fourth tranche of emergency funding, with the remaining £100m being used to provide support to council leisure centres most in need of support. Sefton has been allocated £3.544m as its share of the fourth tranche. The basis of the allocation means that this is a much lower proportion of funding than has been received in previous allocations. 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 local restrictions, it is anticipated that the fourth tranche of emergency funding will be fully utilised in directly supporting the Council's response to the pandemic and the further loss of income that is anticipated between now and the end of the year.

2021/22

- 2.15 Quite naturally there is a large focus across the country in how local authorities will balance their 2020/21 budget and the Council's approach to this has been set out

and agreed in previous meetings. As progress is made through the financial year there is now increased attention on the 2021/22 budget. A report to Cabinet in October 2020 presented an updated Medium-Term Financial Plan for 2021/2022 – 2023/2024 which included an assessment of the ongoing financial implications of the pandemic. Work nationally continues to progress in terms of engagement and lobbying of government in order that councils receive an early indication of the funding they will receive next year and importantly, additional support is provided to compensate for loss of income from council tax and business rates, loss of income for fees and charges which will fall into next year and the additional pressure that is being, and will continue to be, experienced on key demand led services, e.g. Adults and Children's Social Care. As information is received from central government the Council's MTFP will be updated and budget package developed.

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

- 3.1 As part of its role in responding to the pandemic, Central Government has requested that all councils administer a number of grant programmes that have been designed to support residents, businesses and care homes. These are:-
- Infection Control Fund;
 - Test and Trace Support Payments;
 - Local Restrictions Support Grant Scheme; and,
 - Kickstart Job Creation Scheme.
- 3.2 For each of these programmes, government advice and guidance has been prescriptive with little or no flexibility offered to local government on how to apply them. A summary of each of the programmes, key details and their value is included below.
- 3.3 In addition, the local authorities in the Liverpool City Region have introduced a Hospitality & Leisure Support Grant scheme, a summary of which is also included below.

Infection Control Fund

- 3.4 The Adult Social Care Infection Control Fund was first introduced in May 2020 and was initially worth £600 million. The second-round national allocation is a further £546 million. The purpose of this fund is to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of COVID-19 transmission within and between care settings, in particular by helping to reduce the need for staff movements between sites.
- 3.5 Round 2 of the grant covers the period October to 31 March 2021 and will be paid in two tranches (October and December). The total fund to be paid to the Council is £4,260,125
- 3.6 It is expected that 80% of the funding will be used to provide each care home with an amount per CQC registered bed and each community care provider should receive an amount per CQC registered community care user. This has been administered by the Council for the October tranche of funding. The remaining 20% is to be allocated by the local authority to other care settings which can include voluntary sector, day care or care homes or to support wider workforce resilience.

Further work will be undertaken to determine how the remaining 20% will be used and brought to Cabinet in a future report.

Test and Trace Support Payments

- 3.7 The Department of Health & Social Care recently announced the introduction of a Test and Trace Support Payment Scheme to assist employed / self-employed individuals who have been told to stay at home and self-isolate by NHS Test and Trace, either because they have tested positive for coronavirus or have recently been in close contact with someone who has tested positive.
- 3.8 The main components of the scheme are as follows:
- The amount payable is a one-off lump sum of £500.
 - If a person has to self-isolate more than once, they can make claims for each period of incidence;
 - Sefton's scheme went live on Monday 12 October and applications can be backdated from 28 September 2020;
 - The scheme will operate until 31 January 2021.
- 3.9 The scheme applies to people who have tested positive for coronavirus through the NHS test and trace system and are in receipt of at least one of the following benefits:
- Universal Credit
 - Working Tax Credit
 - Income based Employment and Support Allowance
 - Income based Job Seeker's Allowance
 - Income Support
 - Housing Benefit and / or Pension Credit
 - Payments will subject to taxation

Local Restrictions Support Grant Scheme

- 3.10 The Chancellor of the Exchequer has announced that businesses legally required to close on or after the 14 October 2020 as a result of the latest Covid-19 Tier 3 restrictions in the Liverpool City Region (LCR), will be eligible for support for each two-week period the measures are in place. The Council will be funded for the cost of these grants, although the specific arrangements regarding payment – frequency and timings – is still to be finalised.
- 3.11 Assistance will be given in the form of a grant payment for each complete two-week period a business is instructed to remain closed. Grants will be tied to Business rates liability and the rateable value (RV) of the business property.
- 3.12 Grants will be payable on a complete two-week cycle in accordance with RV of the business property:
- £667 for properties with a RV up to and including £15,000
 - £1,000 for properties with a RV of between £15,001 and £51,000
 - £1,500 for properties with a RV greater than £51,000

Kickstart Job Creation Scheme

- 3.13 The Kickstart Scheme provides funding to employers to create new 6-month job placements for young people, aged 16-24, who are receiving Universal Credit and are at risk of long-term unemployment.
- 3.14 The scheme is due to launch the introductory phase on the 2 November 2020 and is due to close for new opportunities in December 2021, with final placements in place for six months to June 2022.
- 3.15 The Sefton@work team will enter into a contract with the Department for Work & Pensions (DWP) for the Kickstart Job Creation Scheme introductory phase of up to 60 starters at a maximum value of £492,000 which will be fully funded by Department for Work and Pensions. This was approved by the appropriate Cabinet Members in line with the Financial Procedure Rules.
- 3.16 For each job placement the funding available from Department for Work and Pensions (DWP) will include
- 100% of the relevant National Minimum Wage for age for 25 hours a week
 - The associated sum to cover employer National Insurance contributions
 - Employer minimum automatic enrolment contributions
- 3.17 There will be additional start-up funding of £1,500 per person to support young people to build on their experience and help them move into sustained employment after they have completed the Kickstart Scheme funded job. It can be used to fund training, licenses, travel and provide necessary “wrap around support” to help young people with improving their employability and job search.

Hospitality & Leisure Support Grant Scheme

- 3.18 The Hospitality & Leisure Support Grant is focused on supporting the retention of jobs in the sector during periods of difficult trading, creating a link between the amount of grant provided and the Government’s new Job Support Scheme and providing an additional grant on top of the Local Restrictions Support Grant.
- 3.19 The grant fund will be co-ordinated and administered by the six local authorities that form the Liverpool City Region Combined Authority and will adopt the following priorities:
- Providing the greatest assistance to those eligible micro and small businesses which protect the highest number of jobs;
 - Providing support to as many businesses as possible within the available financial resource;
 - Providing support for businesses in the hospitality sector employing one or more full time equivalent (FTE) staff;
 - Delivering a grant application which is simple, straightforward and makes decisions as quickly as possible.
- 3.20 The grant will support hospitality and leisure businesses that are remaining open and those ordered to close subject to eligibility criteria and availability of funds. Applications opened on the 15 October and will close a fortnight later on the 29 October. In an announcement on 18 October 2020, Central Government has provided £30m in support for this scheme. The Liverpool City Region authorities

had previously announced that up to £40m of local emergency funding would be made available to support the scheme.

4. **Summary of the Forecast Outturn Position as at the end of September 2020**

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

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

- 4.4 Given the uncertainty around COVID-19 it is vital that the Council ensures the 2020/21 budget does not overspend. Therefore, following the April monitoring position being determined, it was identified that a remedial plan needed to be developed. This has initially focussed on vacancy management with external recruitment being prioritised in Children's Services, Family and Well Being Centres/Early Help and SEND, stopping all non-essential expenditure within the Council, with the exceptions of Children's Social Care (due to the budget issues in that service) and Public Health (due to the current pandemic) and as per the Budget Report of February 2020, bringing through savings from the Framework for Change programme - these will be developed and shared with Members as per the Council's established governance processes. A budget shortfall of £5.7m equates to needing to identify savings to the value of 3.5% of the Council's remaining budget and as this pressure is permanent long-term savings to this value are required moving into next year.
- 4.5 As a result of this work undertaken, the latest forecast of service expenditure indicates an overspend of **£0.547m**, an increase of £0.155m from the August 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 six months. It is however critical that in

the event that budget pressure increases, corresponding savings are identified within the Council's existing budget. The table below highlights the variations:

	Budget	Forecast Outturn	Variance	Variance to August Position
	£m	£m	£m	£m
Services				
Strategic Management	3.140	2.974	-0.166	0.000
Strategic Support	2.374	2.363	-0.011	-0.005
Adult Social Care	94.335	94.335	0.000	0.000
Children's Social Care	34.681	39.338	4.657	0.082
Communities	17.916	19.037	1.121	0.260
Corporate Resources	4.605	4.364	-0.241	-0.010
Economic Growth & Housing	5.513	5.629	0.116	0.046
Education Excellence	9.688	9.968	0.280	0.337
Health & Wellbeing	18.473	18.390	-0.083	0.000
Highways & Public Protection	10.404	10.370	-0.034	-0.037
Locality Services	11.837	12.183	0.346	-0.027
Total Service Net Expenditure	212.966	218.951	5.985	0.646
Budget Pressure Fund	6.411	0.000	-6.411	0.000
Council Wide Budgets	17.004	18.177	1.173	-0.291
Levies	34.701	34.701	0.000	0.000
General Government Grants	(46.376)	(46.576)	-0.200	-0.200
Total Net Expenditure	224.706	225.253		
Forecast Year-End Deficit			0.547	0.155

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

- **Adult Social Care (forecast nil variance)** – The current forecast assumes that the Adult Social Care budget will break-even during 2020/2021. However, there are a number of significant assumptions and uncertainties relating to COVID-19 that could impact on this position before the year-end. It is currently assumed that £1.7m of expenditure relating to hospital discharges due to COVID-19 will be funded by the CCGs from the allocations of funding they have received for this purpose from the Government, the CCGs have now been invoiced for this funding; there are ongoing discussions with the CCGs relating to ongoing costs that need to be funded. Similarly, detailed work is underway to evaluate and then estimate the financial impact of the pandemic on the services residential and day care services budgets. An outline position was reached on this in September however as a result of the recent surge in cases, this will now need to be fundamentally reviewed.

- **Children's Social Care (£4.657m 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 £3.299m 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 £4.149m.

In addition, there is a forecast overspend on staffing costs of £0.508m. 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.

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 – (£1.121m overspend)** – The cost of placements and packages for Children with Disabilities is forecast to overspend by £0.916m (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 (£0.280m overspend)** - Home to School transport external provision has a projected overspend of £0.527m 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 (£0.346m overspend)** – Some of the service pressures experienced in 2019/20 have continued into 2020/21.
 - Security Service (£0.722m 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 (£0.405m underspend) – The underspend is mainly due to the reduced costs of vehicles as the purchase of the new fleet will occur later than originally anticipated, resulting in lower prudential borrowing costs.

Measures to close the residual gap in 2020/2021

4.7 The forecast budget deficit as at September 2020 is **£0.547m**. This reflects the risks that are inherent in the Council's financial position, particularly around demand for Children's Social Care and other demand led services. With a budget deficit being forecast and further pressure likely based on experience in previous years and the need to manage the impact of COVID on the Council's financial sustainability, financial principles utilised over the last decade will once again be maintained:

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

4.8 As has been discussed previously, the financial landscape for local government this year is uncertain – it is hoped based on some briefings that central government will support the sustainability of the sector 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 were considered in the report on the Medium-Term Financial Plan for 2021/2022 – 2023/2024 presented to Cabinet in October 2020.

5. Council Tax Income – Update

5.1 Council Tax income is shared between the billing authority (Sefton Council) and the three major precepting authorities (the Fire and Rescue Authority, the Police and Crime Commissioner and the Combined Authority – Mayoral Precept) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax

Requirement of £139.830m for 2020/21 (including Parish Precepts), which represents 84.1% of the net Council Tax income of £166.267m.

5.2 The forecast outturn for the Council at the end of September 2020 is a deficit of +£1.338m. 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 (-£0.145m);
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£1.436m). This is mainly as a result of a significant increase in the number of claimants for the Council Tax Reduction Scheme (CTRS).

5.3 It should be noted that the deficit is expected to increase due to an increasing number of CTRS claimants (the current estimated deficit is a further £0.3m in addition to the figure quoted in paragraph 5.2) and the impact of a reduction in the amount of Council Tax being collected (currently estimated at £2.8m).

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

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

6. **Business Rates Income – Update**

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

6.2 The forecast outturn for the Council at the end of September 2020 is a deficit of £37.565m 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 (£0.475m);
- 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 (+£38.209m).

- 6.3 When taking into account the additional Section 31 grants due on the additional reliefs, a net surplus of £0.927m is forecast. However, it should be noted that this doesn't take account of the impact of the number of appeals being registered by businesses in response to the pandemic or the reduction in the amount of Business Rates being collected. A significant forecast deficit is therefore anticipated with the current estimate being a £7.0m deficit.
- 6.4 Due to Collection Fund regulations, a Business Rates deficit will not be transferred to the General Fund in 2020/21 but will be carried forward to be recovered in future years.
- 6.5 A forecast surplus of £0.622m was declared in January 2020. Sefton's share of this is £0.616m. This is the amount that will be distributed from the Collection Fund in 2020/21 and any additional surplus or deficit will be distributed in future years.

7. Capital Programme 2020/21 – 2022/23

7.1 Capital Budget

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

2020/21	£39.194m
2021/22	£24.655m
2022/23	£1.427m

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

- **Adult Social Care**
 - £0.335m has been allocated from the Wider Social Care Programme to 2020/21 for the Community Equipment Store upgrade and vehicle replacement approved in August.
 - £0.076m has been reallocated to 2021/22 for double to single handed care equipment.
- **Education Excellence:**
 - £0.136m has been phased to 2020/21 from the £3.444m previously approved for new education schemes to fund brick work and minor schemes at 3 schools and to commence rewiring and fire alarm system works at 6 schools;
 - Hudson Primary School – £0.234m has been rephased from 2020/21 to future years due to asbestos issues.
- **Highways and Public Protection:**
 - Highways maintenance budgets have been updated to include the £2.625m Highways Challenge Fund (HCF) and the £0.590m Emergency Active Travel Fund allocated from the Combined Authority in July and approved for inclusion in the capital programme in August;

- £0.389m has been allocated to the M58 Junction 1 project from the £2.680m additional funding approved for the Transport programme in January 2020;
 - Several Highways schemes (£1.364m) have now been rephased to 2021/22 due to the need to prioritise limited resources available for delivery of essential schemes including the new HCF and Emergency Active Travel funding identified above.
- £0.650m has been added to the Strategic Acquisitions scheme in Bootle following the allocation of additional funding from the Combined Authority.
 - Green Sefton:
 - An allocation of £0.075m has been rephased to future years for 4 flood defence schemes;
 - £0.145m has been rephased to future years for the CERMS project;
 - £0.129m has been reallocated to future years for park schemes.

7.2 Budget Monitoring Position to September 2020

7.2.1 The current position of expenditure against the budget profile to the end of September 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 Sep-20	Actual Expenditure to Sep-20	Variance to Sep-20
	£m	£m	£m
Adult Social Care	0.631	0.672	0.041
Communities	0.069	0.073	0.004
Corporate Resources	0.059	0.058	-0.001
Economic Growth & Housing	0.802	0.701	-0.101
Education Excellence	2.269	2.248	-0.021
Highways & Public Protection	5.159	5.159	-
Locality Services	0.622	0.640	0.018
Total Programme	9.611	9.551	-0.060

7.2.2 Due to the impact of the COVID-19 crisis, delivery of schemes during the first five months (April to September) has been relatively low and the budget has been profiled accordingly, similarly the opportunity to conduct large elements of the schools' programme during summer 2020 will also have been lost. It is anticipated that spending will increase towards the end of quarter two as contractors return on site to complete scheduled works. The budgets will therefore reflect increases in activity later in the year. It may also be necessary to reprofile allocations to future

years where schemes have been delayed and cannot be completed in the current year. These schemes will be kept under review and any adjustments to the budgets will be reported to Cabinet on subsequent monitoring reports.

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

Education Excellence

Scheme	Variation	Action Plan	Progress to Date
Hudson Primary School – Heating Ducts	-£138,444	Works have experienced delays but will catch up and the year-end forecast remains unchanged.	The project has been reviewed due to asbestos and drainage issues and budgets realigned over 2020/21, 2021/22 and 2022/23.

7.3 Capital Programme Forecast Outturn 2020/21

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

Service Area	Full Year Budget 2020/21	Forecast Out-turn	Variance to Budget	Full Year Budget 2021/22	Full Year Budget 2022/23
	£m	£m	£m	£m	£m
Adult Social Care	2.873	3.055	0.182	7.733	-
Communities	0.258	0.258	-	0.265	-
Corporate Resources	1.610	1.610	-	4.001	-
Economic Growth & Housing	6.750	6.760	0.010	1.286	0.402
Education Excellence	3.597	3.599	0.002	5.423	-
Highways & Public Protection	15.348	15.348	-	1.864	-
Locality Services	8.758	8.758	-	4.083	1.025
Total Programme	39.194	39.388	0.194	24.655	1.427

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

7.3.2 The Council has a significant forecast delivery (£29.837m) for the remainder of the financial year. An update on the major schemes profiled for the second half of 2020/21 is provided in the table below:

Capital Project	Budget	Comment
Care Home Improvements (Wider Social Care Programme)	£0.400m	Grant programme is due to launch in quarter 4 but delivery will depend upon number of applications received and processed before the year end.

Victoria Baths Essential Works	£0.541m	Tender process has now been successful. Work is anticipated in quarters 3 and 4.
St John Stone – Infrastructure Works	£0.623m	Grant payment for the work is anticipated to be made before the end of the financial year.
Strategic Acquisitions – Bootle	£1.399m	Land and property acquisitions have now been completed. The second phase of the project to carry out demolition and temporary site treatment work will now commence.
Cambridge Road Redevelopment	£1.252m	Tender process has now been completed successfully. Work is anticipated in quarters 3 and 4.
Crosby Lakeside Redevelopment	£3.100m	The scheme and spend profile are currently under review and a further update will be provided in future reports.
Town Centre Fund	£0.500m	A business case has been agreed for the scheme at Southport Market Hall and the delivery plan will now commence. Scheme anticipated to complete in 2021/22.
Highways Challenge Fund	£2.625m	Funding has been allocated to maintenance schemes and the Highways team are working to profile the spend.
Vehicle Replacement Programme	£7.053m	Purchase of the vehicles is anticipated in Feb/Mar 2021.
TOTAL	£17.493m	

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

7.4 Capital Programme Outputs and Progress

7.4.1 The Council has spent £9.551m on its Capital Programme to the end of September 2019. The paragraphs below summarise the key areas of delivery and progress to date:

7.4.2 Adult Social Care – Disabled Facilities Grant Core Programme

From 1st April to 30th September, 31 adaptations were certified as complete on behalf of clients including items such as stair lifts, vertical lifts, bathroom adaptations, extensions and hoists.

7.4.3 Education Excellence

Schools Programme –

- Farnborough Road Infants – new boiler replacement works completed;

- Hudson Primary – continuation of the replacement of the existing deteriorating heating installation;
- Netherton Moss Primary – completion of Phase 2 of the electrical rewiring scheme;
- Grange Primary – installation of a high efficiency boiler completed;
- Great Crosby Primary – extension to form three new classrooms, a range of supporting accommodation and a programme of external improvements;
- Freshfield Primary School – new high efficiency boiler installation;
- Woodlands Primary School – phase 1 of a 2-phase rewiring scheme complete.

Special Educational Needs and Disabilities (SEND) –

The following has been accomplished in support of SEND provision:

- Crosby High – widening of door openings for DDA compliance;
- Rowan Park School – extension to form new classroom, hygiene room, physiotherapy office, store and external works.

7.4.4 Highways and Public Protection

- Approximately £100k has been used to support 100,000m² of carriageway surface dressing, 42,000m² of carriageway micro surfacing and 2,500m² of carriageway resurfacing.
- The maintenance programme has replaced:
 - 42 Street Lighting Columns;
 - 57 Bollards;
 - 54 Illuminated signs; and
 - 340 Street Lighting Lanterns.
- The M58 Junction 1 slip roads scheme has been completed and the slip roads open following the inspection and safety audit by Highways England.
- Works are nearing completion on the North Liverpool Key Corridor scheme. This follows the demolition of the last remaining building over the border in Liverpool and the rebuilding of a potentially dangerous building on Regent Road allowing for the final surfacing works to be undertaken.
- Outline Business cases for a series of improvement works within both the Maritime Corridor (in Bootle) and the Southport Eastern Access are nearing completion and will shortly be submitted to the Liverpool City Region Combined Authority (LCRCA) for scrutiny and approval. A period of consultation will follow, and a Full Business case developed.

- Works are nearing completion on the Southport East-West cycle links. Much of the work to the coastal road was completed during the summer when a closure to traffic was implemented.
- Following the successful completion of the works to the junction of the A59 and Dover Road, the LCRCA approved the underspend on the project to be allocated to further improvements on the corridor, including the junction with Damfield Lane. Design works are progressing with a view to tenders being invited shortly.
- Following approval of the proposals for the cycleway at Great Georges Road and some further site investigation at the bridge spanning the A565, the scheme for the introduction of the cycle track has been designed and tenders invited.
- Works for the remainder of the Maghull to Kirkby cycle track have been tendered and works will shortly commence. This follows the successful negotiation for the acquisition of the remaining land required for the scheme.
- Sustrans have been appointed to work with the Council on the development of a Southport Liveable Neighbourhoods scheme where the scheme will be developed with the local community.
- Two Emergency Active Travel schemes have been implemented at short notice following the award of funding from the LCRCA. Further measures are planned.
- Works have commenced on the surfacing of Dibb Lane in Little Crosby to provide a surface capable of being used by cyclists, walkers and horse riders.
- Design works are being undertaken on the delivery of a new cycle and walking route in Crosby Coastal Park. Consultation, planning and detailed design will follow.
- Works have commenced on the stairs and ramps at Hightown Footbridge.
- The purchase of the Winter Service Facility located at Heysham Road, Nethererton has now been completed.

7.4.5 Locality Services – Green Sefton

- Surface Water Management Plan – initial modelling updates and hotspot analysis has been completed for the three areas: Formby, Maghull and Seaforth & Litherland.
- The Pool Watercourse – the project has completed the modelling of options that includes a range of natural flood management features, deculverting of watercourse and wider improvements to existing drainage systems.
- Regional Coastal Monitoring Programme – work has been ongoing to deliver the programme with the collection of topographic and hydrodynamic data.

Bathymetric surveys and data processing have been completed for the open North West coast. A tender was awarded for systems to collect topographic, bathymetric, and tide data that can operate around the clock and collect data in all conditions. Locations are now being identified to install them across the North West. In addition, an asset management programme for the North West is being developed to be consistent with the Environment Agency's standards. Information gathered by this programme is being used to support the review and delivery of the Shoreline Management Plan and several coastal schemes.

- Plant & Equipment – procurement has been completed for essential plant and machinery to support routine grounds maintenance of our parks and green spaces, sports fields, football pitches, bowling greens and coastal sites. Purchases include: tractor trailed flail field mowers, ride on rotary mowers and hand & pedestrian machines for strimming, mowing, hedge trimming and cleansing, and also supporting specialist mowing machinery required for commercial works.
- Burial & Cremation – procurement has been for essential plant and machinery to support burial excavations and routine mowing and grounds maintenance of our cemetery and crematorium sites. Including a 360 mini-excavator, ride on and stander rotary mowers and hand & pedestrian machines for strimming, mowing, hedge trimming and cleansing.

7.5 Essential Maintenance Programme – Dunes Splashworld

7.5.1 Essential repairs are required to the structure and fabric of this key Council facility, which was closed in December 2019 due to significant health and safety concerns. The period of closure has resulted in a considerable loss in income for the Council. The repair works will allow for it to re-open and thereby continue to generate income for the Council, as well as attracting visitors to the area and in turn stimulating the local economy. The programme of essential repair work is estimated to cost £1.2m and will be funded from Council resources pending the outcome of an ongoing legal claim regarding defects with the developer. Approval is therefore sought for a supplementary capital estimate.

7.6 Programme Funding

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

Source	£m
Grants	25.499
Contributions (incl. Section 106)	0.680
Capital Receipts	1.722
Prudential Borrowing	11.293
Total Programme Funding	39.194

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

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

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

Capital Project	Budget		
	2020/21 £	2021/22 £	2022/23 £
Adult Social Care			
Care Homes - Fire Alarms & Emergency Lighting	102,000	-	-
Core DFG Programme	666,000	1,158,000	-
Wider Social Care Programme	2,104,884	6,574,826	-
Communities			
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	-	-
Corporate Resources			
Corporate Maintenance	17,799	2,703,000	-
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			
Housing Investment (HMRI)	18,078	36,180	-
Southport Pier Project	179,920	-	-
Strategic Acquisitions - Land at Bootle	1,398,500	-	-
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	2,528,745	4,611,384	401,625
Planned Maintenance	400,831	-	-
Special Educational Needs & Disabilities	641,238	811,499	-
Highways and Public Protection			
Accessibility	107,320	180,000	-
Completing Schemes/Retentions	20,000	-	-
Healthy Lifestyles	2,912,200	148,000	-
Road Safety	140,000	-	-

	2020/21 £	2021/22 £	2022/23 £
A565 Route Management and Parking	1,090,000	970,000	-
Strategic Planning	303,000	45,000	-
Traffic Management and Parking	1,084,550	20,000	-
Emergency Active Travel Fund	590,457	-	-
Port Access	179,000	-	-
Highway Maintenance	4,425,433	400,000	-
Bridges & Structures	232,670	1,000	-
Drainage	50,000	-	-
Street Lighting Maintenance	300,000	-	-
UTC Maintenance	193,660	-	-
Winter Service Facility	2,632,000	-	-
Major Transport Schemes	1,087,500	100,000	-
Locality Services			
Burials & Cremation Insourcing - Vehicles & Equipment	135,210	-	-
Formby Strategic Flood Risk Management Programme	-	43,851	-
Merseyside Groundwater Study	10,000	21,508	-
Four Acres Multi Agency Flood Options	-	1,570	-
CERMS	458,213	220,000	-
Natural Flood Risk Management	10,000	-	-
The Pool & Nile Watercourses	38,179	-	-
Crosby Flood & Coastal Scheme	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	127,867	154,700	-
Tree Planting Programme	85,750	38,600	126,783
Golf Driving Range Developments	256,080	280,280	-
Green Sefton – Plant & Machinery	300,000	-	-
Vehicle Replacement Programme	7,052,905	3,223,000	113,000
TOTAL PROGRAMME	39,194,419	24,655,460	1,427,247