

CABINET**27 JULY 2020****REVENUE MONITORING 2020/21, QUARTER 1**

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

“As we continue to deal with huge financial pressures, resulting from a combination of the COVID pandemic and the continually increasing demand on services, we have to completely re-prioritise and re-design how our services are delivered and operated.

“The total forecast budget gap for 2020/21 is in the region of £34m which stems, in part, from the impact on operations in addressing the COVID-19 crisis, such as lost income, an increase in demand pressures and an inability to deliver planned savings.

“We are not alone in our budget challenge, and although some funding has been received from Government, it will not go all the way to plugging the budget gap.

“We will now begin a full review of council’s revenue streams and continue to call on central government to deliver on their pledge to ‘do whatever is necessary’ to support local councils.”

REPORT SUMMARY

This Statement provides a summary of the projected year-end revenue position as at the end of Quarter 1 (June 2020) of the 2020/21 financial year, including:

- the financial risk profile presented by the COVID-19 pandemic
- a review of pressures and savings contained within the original budget position and
- an update to the Medium Term Financial Plan.

The year-end forecast recorded as part of June’s financial monitoring activity represents an adverse variance to revenue budget of £30.432m; this comprises:

- £23.987m forecast variance in relation to revenue budget overspends (including a forecast increase to in-year, earmarked reserves of £0.546m), the adverse position has arisen largely due to matters arising through the COVID-19 pandemic.
- £2.150m forecast capital receipts, which support the revenue budget position via flexible use of capital receipts and;
- £4.296m gap in direct COVID-19 funding against forecast requirements.

Additional financial support has recently been announced by the government, including:

- £500m of funding to cover national local authority spending pressures (tranche 3).
- A co-payment mechanism for irrecoverable sales, fees and charges income, with the Government due to cover 75% of losses beyond 5% of planned income and is designed to mitigate the sales and fees income losses for Local Authorities.

This funding will mitigate, in part, the budget gap, however the details relating to the implementation of the additional financial support is unknown at the time of report writing, meaning the impact on Wirral's position is yet to be determined.

Some savings have been identified through building closures (£0.4m) and the suspension of events (£0.413m). Many buildings have been re-purposed for COVID-19 activity, and most others are still incurring the fixed costs associated with longstanding assets (such as rates, rents, insurance), the savings are primarily from reduced utilities costs.

The Councils financial position remains challenging with much uncertainty given the recent announcement of further funding and a forthcoming Spending Round. The financial position is fluid and developing with the government having stated its continuing support to the sector. That said, the Council continues to limit spending to essential areas of service delivery only and Corporate Directors are supported to mitigate the risk of overspending.

RECOMMENDATIONS

- 1 To note the year-end forecast position at Quarter 1 of £30.432m adverse.
- 2 To note the risks posed to delivering on the savings proposals withing the 2020-21 budget.
- 3 To note the impact of funding and expenditure as a direct consequence of COVID-19.
- 4 To note the revisions to the Medium Term Financial Strategy (MTFS) 2020-2025

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Regular monitoring and reporting of the Revenue Budgets, savings achievements and MTFS position enables decisions to be taken faster, which may produce revenue benefits and will improve financial control of Wirral Council.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

- 3.1.1 This Statement provides a summary of the projected year-end revenue position as at the end of Quarter 1, Month 3 (June 2020) of 2020/21 financial year.
- 3.1.2 The year-end forecast recorded as part of June's financial monitoring activity represents an adverse variance to budget of £30.432m.
- 3.1.3 The expenditure on COVID-19 activity, which represents a separate source of funding, is projecting an overspend of £4.296m.
- 3.1.4 Capital receipts, which underpin revenue activity, are forecast to under-deliver by £2.150m.

TABLE 1 2020/21 BUDGET & FORECAST

	Full Year					Adv/Fav
	Budget	Forecast	Movement on Reserves	Variance (+ Fav, - Adv)		
	£000	£000	£000	£000	%	
Chief Executive Office	1,374	1,543	0	(169)	-12%	Adverse
Resources	23,217	22,427	(394)	1,183	5%	Favourable
Neighbourhoods	60,686	73,410	0	(12,724)	-21%	Adverse
Legal and Governance	6,611	6,991	0	(380)	-6%	Adverse
Regeneration and Place	36,623	35,773	54	904	2%	Favourable
Children, Families & Education	81,014	81,933	0	(919)	-1%	Adverse
Adult Care and Health	106,912	107,152	(206)	(34)	0%	Adverse
Cross Cutting Initiatives	(11,740)	0	0	(11,740)	-100%	Adverse
Total Surplus / (Deficit)	304,697	329,229	(546)	(23,987)	-8%	Adverse
Other Budget Impact						
Capital Receipts	(4,500)	(2,350)		(2,150)	-48%	Adverse
Covid - 19 Direct Expenditure	20,748	25,044		(4,296)	-21%	Adverse
Budget Gap	320,945	351,923	(546)	(30,432)	-9%	Adverse

**An adverse variance is one where the forecast position is worse than the planned position by £0.1m, conversely, a favourable variance is where the forecast position is better than the planned position by £0.1m.*

3.2 Directorate Summaries

3.2.1 Adult Care and Health

3.2.2 Access to Government COVID-19 monies and the current Clinical Commissioning Group's (CCG) responsibility to provisionally fund hospital discharges has helped manage the Council's 'cost of care' burden in the first quarter of the financial year. To date, the Council has allocated the Government's COVID-19 monies to:

- fund emergency bed provision;
- provide payments to care providers to help with additional costs;
- increase fees to help providers pay the Real Living Wage and;
- To cover Care Provider payments at the planned level of hours rather than actual hours (frustrated care hours).

The CCG is also expected to bear the Council costs of hospital discharges (approximately £0.8m) during this period and has further alleviated costs by funding additional emergency bed provision.

3.2.3 However, this reduced 'cost of care' burden on the revenue budget will be offset by the increased risk of non-achievement of the £3.75m of efficiency savings, approved at the start of the financial year and prior to the COVID-19 pandemic. In the current circumstances, it is difficult to forecast with confidence the likely progress toward the achievement of these savings. There is also the added risk of, potentially significant,

increases in demand for care services as we move through the year and the impact of COVID-19 and the period of lockdown is realised.

TABLE 2 2020/21 Adult Care and Health – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Adult Social Care Central Functions	9,965	9,944	21	0%	
Older People Services - WCFT	44,893	44,524	369	1%	Favourable
Mental Health & Disability Services - CWP	48,293	48,812	(519)	-1%	Adverse
Other Care Commissions	(148)	(63)	(85)	-58%	Adverse
Public Health	(4,726)	(5,112)	385	8%	Favourable
Movement on Reserves	5,059	5,264	(206)		
Directorate Surplus / (Deficit)	103,335	103,369	(34)	0%	
Support / Admin Building Overhead	3,577	3,577	0	0%	
Total Surplus / (Deficit)	106,912	106,947	(34)	0%	

3.2.4 Central Functions: Full year forecast is broadly in line with budget.

3.2.5 Older People Services: The cost of care within Older Peoples Services has been eased in the first quarter of the financial year due to access to Government COVID-19 monies and the current CCG's responsibility to provisionally fund hospital discharges. These additional funds have helped to offset the increased risk of non-achievement of the efficiency savings approved at the start of the financial year.

3.2.6 Mental Health & Disability Services: The forecast deficit position is due to the increased risk of non-achievement of efficiency savings, approved at the start of the financial year and prior to the COVID-19 pandemic. In the current circumstances, it is difficult to forecast with confidence the likely progress toward the achievement of these savings at this time.

3.2.7 Other Care Commissions: The forecast adverse variance in this area relates to early intervention and prevention (EIP) commissions. Many of these commissions have been extended longer than initially anticipated due to the COVID-19 pandemic. A review is currently being undertaken in light of the current environment and this will inform future forecasts.

3.2.8 Public Health: Public Health is a ringfenced grant, annual value £29.686m and projected to be fully utilised. £6.7m of this funding supports public health activities delivered by the Council, representing a significant funding stream. The forecast surplus within this Service Area is due to vacant posts within the Intelligence Team.

TABLE 3 2020/21 Adult Care and Health – Subjective Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(82,923)	(83,298)	375	0%	Favourable
Expenditure					
Employee	6,477	5,859	618	10%	Favourable
Non Pay	47,125	47,278	(153)	0%	Adverse
Cost of Care	127,598	128,267	(669)	-1%	Adverse
Total Expenditure	181,199	181,403	(204)	0%	Adverse
Directorate Surplus / (Deficit)	98,276	98,105	171	0%	Favourable
Support / Admin Building Overhead	3,577	3,577	0		
Movement on Reserves	5,059	5,264	(206)		
Total Surplus / (Deficit)	106,912	106,947	(34)	0%	

3.2.9 Movement on reserves: The movement within reserves relates to the CHAMPS budget. A project is underway to realign the budget for CHAMPS outcomes, which is expected to inform on the reserves position.

3.2.10 Adult Care and Health – Pressures and Savings Statement

The reduced 'cost of care' burden on the revenue budget as noted above, will be offset by the increased risk of non-achievement of the £3.75m of efficiency savings. These savings are considered a high risk of non-achievement.

3.3 Children, Families and Education

3.3.1 The overall financial forecast of Children, Families and Education shows a full year adverse position of £0.919m. The indirect financial impact of COVID-19 across this area has been minimal to date, there is a recognised risk of significant placement demand pressures transpiring later in 2020/21 as the full impact of COVID-19 emerges. Further to this, the £1.271m savings target in residential placements may be unachievable.

TABLE 4 2020/21 Children, Families and Education – Service Budget & Forecast

	Full Year		Variance (+ Fav, - Adv)	Adv/Fav
	Budget	Forecast		
	£000	£000	£000	%
Children and Families	48,806	49,806	(1,000)	-2% Adverse
Early Help and Prevention	12,236	12,199	37	0%
Modernisation and Support	4,648	4,605	44	1%
Education	6,843	6,843	0	0%
Schools - DSG	507	507	0	0%
Movement on Reserves	464	464	0	0%
Directorate Surplus / (Deficit)	73,505	74,424	(919)	-1% Adverse
Support / Admin Building Overhead	7,509	7,509	0	0%
Total Surplus / (Deficit)	81,014	81,933	(919)	-1% Adverse

- 3.3.2 Children and Families:** Although the indirect financial impact of COVID-19 across this area has been minimal to date there is a risk of significant pressures transpiring later in 2020/21 as the full impact of COVID-19 emerges a conservative estimate of 5% increase in demand has been forecast. There is an expectation that the number of looked after children (LAC) will increase due to reduced community-based activities in the current climate which support families and prevent children entering the care system. There has also been a delay in court proceedings resulting in a slower transition to adoption. This is difficult to predict and is being closely monitored.
- 3.3.3 Early Help and Prevention:** Early Help & Prevention is forecast to be in surplus by £0.037m. This surplus is mostly due to a delay in the implementation of the PAUSE program. PAUSE is a programme which aims to reduce the demand for Children's social services by working with women who are at risk of repeated pregnancies that result in children being removed from their care. This programme will be delivered with Liverpool City Region for a more joined-up service, which has delayed the start date.
- 3.3.4 Modernisation and Support:** Overall, a relatively small full-year favourable variance is predicted due to staffing vacancies across the department, which are expected to be filled in future months.
- 3.3.5 Education:** It is expected that services will be delivered within budget. Additional pressure was identified in relation to education psychologists where additional resources are required to meet demand and comply with DfE KPI's at a cost of £0.1m. This has been included in the 2020-21 budget position. There is an opportunity to deliver a saving in relation to reducing recipients of teacher pensions/gratuities and a project is ongoing to ascertain the financial impact.
- 3.3.6 Schools – Dedicated Schools Grant (DSG):** A requirement is in place that services are delivered within DSG funds. Any under and overspends are contained within the DSG reserve balance. The opening deficit balance on DSG reserve as at 31st March

2020 was £1.3m. A deficit recovery plan is being developed and this may impact on budgets.

TABLE 5 2020/21 Children, Families and Education – Subjective Budget & Forecast

	Full Year			
	Budget	Forecast	Variance	Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%
Income	(317,816)	(317,816)	0	0%
Expenditure				
Employee	42,767	42,758	9	0%
Non Pay	323,093	323,021	72	0%
Cost of Care	24,997	25,997	(1,000)	-4% Adverse
Total Expenditure	390,857	391,775	(919)	0% Adverse
Directorate Surplus / (Deficit)	73,041	73,960	(919)	-1% Adverse
Support / Admin Building Overhead	7,509	7,509	0	0%
Movement on Reserves	464	464	0	0%
Total Surplus / (Deficit)	81,014	81,933	(919)	-1% Adverse

3.3.7 Movement on reserves: Full year forecast in line with budget.

3.3.8 Children, Families and Education – Pressures and Saving Statement

Although the indirect financial impact of COVID-19 across this directorate has been minimal to date there is a risk of significant placement demand pressures transpiring later in 2020/21, as the full impact of COVID-19 emerges, but this is presently difficult to estimate. The forecast includes a £1.271m savings target in residential placements, although these have been included in the forecast, these savings are considered high risk of non-achievement.

3.4 Resources

3.4.1 The Resources directorate is showing a favourable variance, largely driven by delayed recruitment to vacant posts. However, many services in this Directorate have been reassigned to deliver urgent COVID-19 tasks, meaning that business as usual activity, and longer-term project delivery is subject to severe delays.

TABLE 6 2020/21 Resources – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Finance & Investment	2,766	2,757	9	0%	
HR & OD	1,948	1,897	51	3%	
Digital & Improvement	13,249	11,745	1,504	11%	Favourable
Revenues & Benefits	1,606	1,628	(21)	-1%	
Audit, Risk & Business Continuity	600	565	35	6%	Favourable
Movement on Reserves	(394)	0	(394)		
Directorate Surplus / (Deficit)	19,774	18,591	1,183	6%	Favourable
Support / Admin Building Overhead	3,442	3,442	0	0%	
Total Surplus / (Deficit)	23,217	22,033	1,183	5%	Favourable

- 3.4.2 **Finance & Investment:** Overall, there is a small favourable variance, however within this area, there is £3.081m adverse variance in income from treasury investments, this is primarily due from supporting COVID-19 activity, as there has been a significant impact on the Council's cash balances and its ability to maximise returns on funds held. In addition, there is £0.800m of commercial income that will not be collected due to traded service closures plus reduced use of agency staff, which has a knock-on effect to contract fees collected (there is a net benefit in employee costs however). Delayed recruitment to vacant posts (£2.0m), the reduced cost of capital (£1.6m), as a result of capital programme delays and some smaller non-pay favourable variances mitigating the overall position.
- 3.4.3 **HR & OD:** A small, favourable, forecast variance is evident, which is driven by staff vacancies and a reduction in non-pay costs of occupational health referrals - activity has dropped considerably with new working from home practices.
- 3.4.4 **Digital & Improvement:** £1.5m favourable forecast variance against budget, which is driven by savings from vacancies within ICT and project officer costs being charged to capital projects and Head of Departments seconded to other units.
- 3.4.5 **Revenues & Benefits:** There are known budget pressures from housing benefit payments and associated payment from the Department Works and Pensions. The team are currently conducting a capacity and process review to improve the performance in non-payments which is expected to reduce the pressure by year-end.
- 3.4.6 **Audit, Risk & Business Continuity:** Small, favourable, forecast variance driven by delays to recruitment in the Internal Audit team.

TABLE 7 2020/21 Resources – Subjective Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(176,881)	(173,800)	(3,081)	-2%	Adverse
Expenditure					
Employee	30,439	27,109	3,330	11%	Favourable
Non Pay	166,611	165,282	1,328	1%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	197,049	192,391	4,658	2%	Favourable
Directorate Surplus / (Deficit)	20,168	18,591	1,577	8%	Favourable
Support / Admin Building Overhead	3,442	3,442	0		
Movement on Reserves	(394)	0	(394)		
Total Surplus / (Deficit)	23,217	22,033	1,183	5%	Favourable

3.4.7 **Movement on reserves:** The budgeted, drawing on reserves position represents agreed funding for small ongoing programmes that have been paused, reducing the requirement for the reserve.

3.4.8 **Resources – Pressures and Savings Statement**

Savings proposals were targeted through improvements to treasury income through investment. The reliance on cash for COVID-19 activity has severely limited the ability to invest and will not be achieved.

3.5 **Legal & Governance**

3.5.1 The Legal and Governance directorate were subject to a significant restructure, which included a change to the service model for the Legal Function and a change to the Committee system, COVID-19 has delayed the implementation of these projects, which has increased reliance on locum support.

TABLE 8 2020/21 Legal & Governance – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Law & Governance	1,770	1,878	(108)	-6%	Adverse
Legal Services	1,116	1,688	(573)	-51%	Adverse
Democratic & Member Services	3,476	3,176	300	9%	Favourable
Coroners Services	680	680	0	0%	
Movement on Reserves	0	0	0	0%	
Directorate Surplus / (Deficit)	7,042	7,422	(380)	-5%	Adverse
Support / Admin Building Overhead	(431)	(431)	0	0%	
Total Surplus / (Deficit)	6,611	6,991	(380)	-6%	Adverse

3.5.2 **Law & Governance:** COVID-19 has seen the temporary closure of the registrars income generating services resulting in an adverse forecast variance.

3.5.3 **Legal Services:** The combination of a delay to the implementation of the Legal team restructure means a reliance on temporary staffing and COVID-19 driven temporary closure of services which generate income, such safeguarding and licencing, has resulted in an adverse forecast variance.

3.5.4 **Democratic & Members Services:** COVID-19 has delayed the local elections, and so expected expenditure was reduced.

3.5.5 **Coroners Service:** Zero forecast variance. Excess death costs caused by COVID-19 are covered by COVID-19 specific funding.

TABLE 9 2020/21 Legal & Governance – Subjective Budget & Forecast

	Full Year			
	Budget	Forecast	Variance	Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%
Income	(3,516)	(3,253)	(263)	-7% Adverse
Expenditure				
Employee	4,207	4,422	(215)	-5% Adverse
Non Pay	6,352	6,253	99	2% Favourable
Cost of Care	0	0	0	0%
Total Expenditure	10,558	10,675	(117)	-1% Adverse
Directorate Surplus / (Deficit)	7,042	7,422	(380)	-5% Adverse
Support / Admin Building Overhead	(431)	(431)	0	0%
Movement on Reserves	0	0	0	0%
Total Surplus / (Deficit)	6,611	6,991	(380)	-6% Adverse

3.5.6 Movement on reserves: Full year forecast in line with budget.

3.5.7 Legal & Governance – Pressures and Savings Statement

No savings targets were highlighted in this area.

3.6 Regeneration & Place

TABLE 10 2020/21 Regeneration & Place – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Director of Regeneration & Place	691	677	14	2%	Favourable
Regeneration	25,120	24,707	413	2%	Favourable
Housing	6,821	6,325	496	7%	Favourable
Asset Management & Investment	4,856	4,731	124	3%	Favourable
Planning	995	1,193	(198)	-20%	Adverse
Local Plan	1,522	1,522	(0)	0%	Adverse
Movement on Reserves	(1,122)	(1,068)	54		
Directorate Surplus / (Deficit)	38,883	38,087	904	2%	Favourable
Support / Admin Building Overhead	(2,260)	(2,260)	0	0%	
Total Surplus / (Deficit)	36,623	35,827	904	2%	Favourable

3.6.1 **Director of R&P:** the forecast is largely in line with budget.

3.6.2 **Regeneration:** £0.413m favourable forecast is evident due to no major cultural events being planned in 20/21 at present: vacancy savings of £0.2m approximately, including the secondment of an Assistant Director to Liverpool City Region Combined Authority, also contribute to the forecast position.

3.6.3 **Housing:** The housing service is maximising the use of one-off grants to address homelessness and the opportunities to utilise the Better Care Fund to offset service expenditure (£0.481m) plus a £0.15m favourable forecast variance is predicated on the current cost of Supported Housing contracts based on current occupancy rates.

3.6.4 **Asset Management & Investment:** Asset Management is forecast to deliver £0.124m favourable variance, this is due to £0.1m staff vacancy saving, £0.1m carbon reduction scheme balance due to the end of the programme and the remainder (£0.4m) is due reduction in running costs of the council buildings. It should be highlighted, that even if buildings are not in use, they still incur significant fixed costs, the savings are largely due to reduced utilities usage. These favourable balances are offsetting the adverse forecast from rent income loss anticipated mainly from Birkenhead Market (£0.49m) as a result of COVID-19.

3.6.5 **Planning:** A £0.198m forecast adverse variance is evident mainly due to the reduction of Planning Application income, driven by lack of applications as a result of COVID-19.

3.6.6 **Local Plan:** Although the forecast variance from budget is minimal, it should be noted that the Local Plan is heavily reliant on the use of reserves.

TABLE 11 2020/21 Regeneration & Place – Subjective Budget & Forecast

	Full Year			
	Budget	Forecast	Variance (+ Fav, - Adv)	Adv/Fav
	£000	£000	£000	%
Income	(9,777)	(10,263)	487	5% Favourable
Expenditure				
Employee	12,573	12,488	85	1% Favourable
Non Pay	37,209	36,931	278	1% Favourable
Cost of Care	0	0	0	0%
Total Expenditure	49,782	49,418	363	1% Favourable
Directorate Surplus / (Deficit)	40,005	39,155	850	2% Favourable
Support / Admin Building Overhead	(2,260)	(2,260)	0	
Movement on Reserves	(1,122)	(1,068)	54	
Total Surplus / (Deficit)	36,623	35,827	904	2% Favourable

3.6.7 Movement on Reserves: The Local Plan reserve will not be fully utilised in-year due to lower revenue requirements in year.

3.6.8 Regeneration & Place – Pressures and Saving Statement

No savings targets were highlighted in this area. However, growth items have been paused to support the organisational gap.

3.7 Neighbourhoods

3.7.1 The Neighbourhoods directorate is predicting an adverse budget variance of £12.724m at year-end. This is due to income losses within Leisure Centres, Floral Pavilion, Car Parking and Garden Waste Subscriptions due to temporary closures and suspension of these services from the beginning of the year, due to the outbreak of COVID-19. Although Garden Waste and Golf have already reopened, at present the forecast assumes that the other services will commence again from August 2020 but this is dependent on government guidance. No government guidance has been issued to date to advise when these services can reopen, but the service will follow this advice and start a phased reopening when it is safe to do so. Income is expected to take until at least Quarter 4 to return to pre COVID-19 levels.

3.7.2 Many of the staff have been redeployed onto COVID-19 emergency response functions such as the Food Hub, PPE Distribution and the COVID-19 Helpline, meaning that the costs incurred in Neighbourhoods directorate remain high even though income has fallen.

3.7.3 Financial projections pre COVID-19 would have anticipated a forecast balanced budget, but COVID-19 has decimated the income possibilities for 2020/21. Total income for the affected areas was budgeted at £15.654m for the year, therefore as the total income shortfall is currently predicted to be in excess of £10m, a reduction of almost 65% is evident in the forecast.

TABLE 12 2020/21 Neighbourhoods – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Neighbourhood Safety & Transport	6,652	6,947	(295)	-4%	Adverse
Highways and Infrastructure	6,482	7,909	(1,427)	-22%	Adverse
Leisure, Libraries and Customer Engagement	10,266	20,216	(9,950)	-97%	Adverse
Parks and Environment	34,797	35,849	(1,052)	-3%	Adverse
Movement on Reserves	(1,341)	(1,341)	0	0%	
Directorate Surplus / (Deficit)	56,855	69,579	(12,724)	-22%	Adverse
Support / Admin Building Overhead	3,830	3,830	0	0%	
Total Surplus / (Deficit)	60,686	73,410	(12,724)	-21%	Adverse

3.7.4 **Neighbourhood Safety & Transport:** An adverse variance of £0.295m is projected as at Quarter 1. This is mainly due to an under achievement of income within Community Patrol following the loss of several contracts in previous years. The service has attempted to seek additional income generation opportunities for new clients, however there is an insufficient market for this. There is a planned review of the future staffing requirements for the service later in the year to mitigate the loss.

3.7.5 **Highways & Infrastructure:** An adverse variance of £1.427m is projected as at Quarter 1. This is due to a loss of Car Parking income following temporary suspension of charges from April until at least August 2020 (£1.592m). There are some overall favourable variances relating to employee costs within other areas, which offset the loss in income, in part.

3.7.6 **Leisure, Libraries and Customer Engagement:** This area covers Leisure Centres, Golf Courses, Libraries, Museums and the Floral Pavilion. All income associated with these services ceased from 23rd March. Government guidance remain under review as to determine when these services can recommence in a safe manner.

An adverse variance of £9.950m is projected as at Quarter 1. This is predominantly due to loss of income within Leisure Centres (£7.5m) because of their temporary closure. The forecast is based on Leisure Centres reopening in August and receiving half their usual expected income until Quarter 4. The reopening of Indoor Leisure Centres is dependent on government guidance and a phased approach of opening one centre at a time is planned, with some leisure centres remaining closed for longer than others as they are being utilised for COVID-19 activities.

The Floral Pavilion is projecting an adverse variance due to underachievement of income of £2.2m. This assumes that the service will not fully reopen for live shows for the remainder of the year. A small amount of income is projected relating to the catering offer. There are smaller income losses expected relating to Libraries (£0.179m) and Museums (£0.021m), with neither service projected to achieve any of their income targets this year. Capital projects which were planned to improve income generation in these areas have been delayed due to COVID-19 but there are plans to continue with them later this financial year.

- 3.7.7 Parks & Environment:** An adverse variance of £1.052m is projected as at Quarter 1. This is due to temporary suspension of the Garden Waste Service (£0.54m) and loss of income from football and bowling clubs within Parks (£0.59m), with most of this being front loaded towards the beginning of the spring season. Work is underway to attract additional garden waste subscribers for 2020/21 through marketing campaigns and there are plans to implement payment through the direct debit scheme. Parks plan to reopen their facilities to sports clubs in line with government guidance, which may lead to recovery of some of the lost income.

TABLE 13 2020/21 Neighbourhoods – Subjective Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(31,957)	(18,544)	(13,414)	-42%	Adverse
Expenditure					
Employee	32,974	32,218	757	2%	Favourable
Non Pay	57,106	57,173	(67)	0%	Adverse
Cost of Care	73	73	0	0%	
Total Expenditure	90,153	89,464	690	1%	Favourable
Directorate Surplus / (Deficit)	58,196	70,920	(12,724)	-22%	Adverse
Support / Admin Building Overhead	3,830	3,830	0	0%	
Movement on Reserves	(1,341)	(1,341)	0	0%	
Total Surplus / (Deficit)	60,686	73,410	(12,724)	-21%	Adverse

- 3.7.8 Movement on Reserves:** Full year forecast is in line with budget.

3.7.9 Neighbourhoods – Pressures and Savings Statement

The savings targets of £0.2m related to expected income from Leisure related activities, these services have been unable to open and as such will not be achieved.

3.8 Chief Executive's Office

TABLE 14 2020/21 Chief Executive Office – Subjective Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(438)	(260)	(178)	-41%	Adverse
Expenditure					
Employee	3,664	3,653	11	0%	Favourable
Non Pay	377	379	(2)	0%	Adverse
Cost of Care	0	0	0	0%	
Total Expenditure	4,042	4,032	10	0%	Favourable
Total Surplus / (Deficit)	3,603	3,772	(169)	-5%	Adverse
Support / Admin Building Overhead	(2,229)	(2,229)	0	0%	
Movement on Reserves	0	0	0	0%	
Total Surplus / (Deficit)	1,374	1,543	(169)	-12%	Adverse

3.8.1 **Income:** The adverse forecast variance reflects reduced activity in external marketing income expectations from the Communications service, for which demand has reduced in light of COVID-19.

3.8.2 **Employee Expenditure:** Small favourable variance driven by delays to recruitment in the team.

3.8.3 **Non Pay Expenditure:** Full year forecast largely in line with budget.

3.8.4 **Movement on Reserves:** Full year forecast is in line with budget.

TABLE 15 2020/21 Cross Cutting Initiatives

	Full Year Saving Proposal £000	Forecast £000	Variance (+ Fav, - Adv) £000	Adv/Fav %
Savings Initiative				
Income	0	0	0	0%
Expenditure				
Employee - New Council Model	(5,000)	0	(5,000)	-100% Adverse
Employee - Capitalisation of Salaries	(1,550)	0	(1,550)	-100% Adverse
Non Pay - Contract Reduction	(4,550)	0	(4,550)	-100% Adverse
Non Pay - Zero Based Budget	(640)	0	(640)	-100% Adverse
Total Surplus / (Deficit)	(11,740)	0	(11,740)	-100% Adverse
Capital Receipts	(4,500)	(2,350)	(2,150)	-48% Adverse

3.8.5 This table represents the savings value of the budgets required to deliver the organisational balanced position, as agreed at Council in March 2020. All other initiatives are held within the directorate-specific areas.

3.8.6 When a saving is delivered, the budget reduction is reflected in the directorate that has supported the saving.

3.8.7 Savings of this nature require large scale, organisational-wide strategic activity. The COVID-19 pandemic reduced the availability of resources and time to be able to deliver these plans, and as such, are considered to be largely undeliverable at present.

3.8.8 In addition to this, the flexible use of capital receipts, which can be used to support transformational change (revenue expenditure), are limited by issues arising through assets which will not achieve their expected selling price. The Q1 Capital monitoring report should be referenced for more detail.

3.9 COVID-19 Direct Funding and Expenditure

3.9.1 Government has provided emergency funding relating to specific additional expenditure for COVID-19. Although relatively few restrictions were placed on the discretionary funding, all additional direct expenditure is authorised through a strong governance process to ensure it met the immediate needs of the residents of Wirral.

TABLE 14 2020/21 SUMMARY COVID-19 BUDGET & FORECAST

	Full Year				Adv/Fav
	Budget £000	Forecast £000	Variance £000	%	
Covid-19 Activity					
Discretionary	20,748	25,044	(4,296)	-21%	Adverse
Passported Expenditure	77,974	77,974	0	0%	
Total Surplus / (Deficit)	98,723	103,018	(4,296)	4%	Adverse

3.9.2 In addition to the COVID-19 direct costs outlined in the table above, there are a number of financial risks arising in relation to the revenue budget of the Council. Where there is enough information to include it in the forecast, it has been provided in the body of this document. A brief summary of the full financial impact of COVID-19 in 2020/21 is detailed in Table 15, however it should be recognised that the global situation is changing and additional pressures or savings may materialise or change.

TABLE 15 2020/21 FINANCIAL RISK OF COVID-19

	Pressure £000	Saving £000	Subtotal £000
Direct COVID-19 expenditure pressure	(4,296)		
Service closure income losses	(16,936)		
Savings initiatives now undeliverable	(12,115)		
Additional expenditure pressures	(1,573)		
Temporary service cessation savings		813	
Total Surplus / (Deficit)	(34,920)	813	(34,107)

3.9.3 Government funding has been made available to the Council in relation to the COVID-19 pandemic response efforts, to support businesses, council tax-payers, care homes, rough sleepers as well as the direct costs and loss of income falling to the Council.

3.9.4 The impact of COVID-19 will require a fundamental review of the Council's budget for 2020/21 and this will be reported to Policy and Resources Committee in October 2020.

3.9.4 Central Government Funding relating to COVID-19

3.9.5 At the time of the report the Government has announced the following funding allocations in response to the COVID-19 pandemic which has had a significant

effect on the finances of all local authorities. Further details of this funding are included in the paragraphs below

TABLE 16 2020/21 NATIONAL COVID-19 ADDITIONAL FUNDING AND ALLOCATION

Funding Source	National £m	Wirral £000
Support for Residents		
COVID-19 Emergency Funding for Local Government - Tranche 1	£ 1,600.0	£ 11,862
COVID-19 Emergency Funding for Local Government - Tranche 2	£ 1,600.0	£ 8,886
Council Tax Hardship Fund	£ 500.0	£ 3,900
Emergency Support for Rough Sleepers	£ 3.2	£ 4
Care Home Infection Control Fund (£600m nationally)	£ 600.0	£ 4,744
Test and Trace Funding (£300m nationally)	£ 300.0	£ 2,733
Reopening High Streets Safely Fund (£50m nationally)	£ 50.0	£ 286
	£ 4,653.2	£ 32,415
Support for Business		
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	£12,300.0	£ 61,014
Local Authority Discretionary Grants Fund		£ 2,638
Business Improvement Districts Fund	£12,300.0	£ 23
		£ 63,675

- 3.9.6 On 19 March the Government announced £1.6bn of additional funding (the first tranche) to support local authorities in responding to COVID-19. The funding is not ring fenced and is intended to help authorities address pressures they are facing across all service areas as a result of the pandemic.
- 3.9.7 For the first tranche of funding the allocation to individual local authorities was based on the Adults Relative Needs Formula (RNF) for £1.4bn of the allocation, with the remaining £200m based on the 2013/14 Settlement Funding Assessment (SFA).
- 3.9.8 On 18 April a further £1.6bn was made available by the Government to support local authorities in dealing with the immediate effects of the pandemic (the second tranche). Of this amount £6m was top-sliced nationally for a contingency fund for the Home Office to support fire authorities with the remainder allocated on a per capita basis using ONS population projections. It did not take into account the demand or need for services.
- 3.9.9 On 2 July a third tranche of funding of £500m was announced to reimburse Local Authorities for direct COVID-19 related expenditure. Allocations have yet to be announced for each Council but this will go some way to offsetting the forecast overspend against the first two tranches in Table 14 as reported above. If the allocation is made before the Cabinet meeting, a verbal update will be provided at the meeting.

3.10 Council Tax Hardship Fund

- 3.10.1 Wirral was allocated £3.9m from the £500m council tax hardship fund announced at the March 2020 Budget. This will allow more than 9,000 people currently in receipt of working-age Local Council Tax Support in 2020/21 to receive a further discount of up to £150. In addition, some of the allocation is expected to boost the support available to the most in-need residents. This includes the local welfare assistance scheme.

3.11 Emergency Support for Rough Sleepers

- 3.11.1 A total of £3.2m was allocated by the government to help rough sleepers to self-isolate. The Council can claim a maximum of £4k which was calculated based on the number of rough sleepers reported in the Autumn 2019 snapshot. The fund is to assist local authorities with funding to provide accommodation and support to people who are at high risk or have been diagnosed with COVID-19. The fund is targeted at those who are currently rough sleeping or in accommodation where bedrooms are shared and who as a result, are unable to follow guidance on self-isolation.

3.12 Care Home Infection Control Fund

- 3.12.1 The government has announced an allocation of £600m for an Infection Control Fund. The fund is to support adult social care providers to reduce the rate of transmission in and between care homes and support wider workforce resilience. The allocation between authorities has been based on the number of care beds with an area cost adjustment applied. The Council will receive an amount of £4.7m paid in two equal instalments.
- 3.12.2 The guidance note issued states that it is expected that each care home should receive an amount per Care Quality Commission registered care beds. The amount per bed represents 75% of the funding. The remaining 25% must be used for infection control measures, however local authorities are able to allocate this based on need. This may involve support for domiciliary care workforce measures.

3.13 Reopening High Streets Safely Fund

- 3.13.1 On 24 May the Government announced £50m to support the recovery of high streets. The fund is to provide Council's additional funding to support business communities with measures that enable safe trading in public places. The fund will particularly focus on high streets as well as other public places at the heart of towns. The Council will work in accordance with the guidance issued by the Government when developing the scheme. Business Rates Expanded Retail Discount.

3.14 Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund

- 3.14.1 The Council is delivering grants to businesses, including funding of £10k for businesses currently in receipt of small business rate relief or rural rate relief, and for businesses in the retail, hospitality and leisure sectors with a rateable value of up to £15,000. For businesses in retail, hospitality and leisure, a grant of £25k is available where their rateable value is between £15,001 and £50,999. The Department of Business, Energy and Industry Strategy (BEIS) has provided funding of £63.6m to Wirral to meet these grant payments. This total includes the allocation for the Local Authority Discretionary Grants Fund (paragraph 3.15).

3.15 Local Authority Discretionary Grants Fund

- 3.15.1 A discretionary grant fund has been administered which accommodates certain small businesses previously outside the scope of the original grants scheme with £2.638m funding made available to Wirral by the Government.

3.15.2 All successful businesses have received a standard grant payment of up to £10,000.

3.16 Test and Trace Funding

3.16.1 On 22 May the Government announced £300m additional funding for local authorities to support them to develop and action their plans to reduce the spread of the virus in their area as part of the launch of the wider NHS Test and Trace Service. This funding would enable local authorities to develop and implement tailored local COVID-19 outbreak plans through, for example, funding the recruitment of additional staff where required.

3.17 Required Changes to the Revenue Budget 2020/21

3.17.1 The revenue budget for 2020/21 will need to be updated to reflect the additional grant funding for COVID-19 as outlined in this report.

3.17.2 The balance of the first allocation of the COVID-19 emergency funding for local government of £20.748m is currently in a COVID-19 reserve and is being allocated under the Council's emergency powers, delegated to the Chief Executive, and therefore will form part of a revised budget position.

3.18 Un-ringfenced COVID-19 Expenditure

3.18.1 The two tranches of the COVID-19 Emergency funding provided in March and April were un-ringfenced, in that they were to provide a direct response to the COVID-19 emergency but within the discretion of Local Authorities as to where they would direct this funding. Table 17 provides the value of actual and forecast expenditure from this funding.

3.18.2 A third tranche of funding to support the emergency was announced 2nd July 2020, when £500m national funding was announced to cover local authority spending pressures. The allocation of this funding and monies to offset income losses in part is still to be determined. The Council may face the position of having to fund unsupported costs from its own budget position. This will result in funding being diverted from areas it was originally intended and may have a detrimental impact on the services that can be provided.

TABLE 17 2020/21 DIRECT COVID-19 EXPENDITURE

Expenditure forecast to end of the year	£000
Children, Families and Education <ul style="list-style-type: none">• Block residential placements• Free school meals• Nursery grants	1,288
Adult Care & Health <ul style="list-style-type: none">• Support to the care sector to pay the Real Living Wage• Payments on planned care• Block placements• One off funding for cleaning• Personal Protective Equipment	

<ul style="list-style-type: none"> • Sickness cover and agency staff • Provision of digital tablets for the most vulnerable • Support to Age Concern 	13,363
Public Health <ul style="list-style-type: none"> • Personal Protection Equipment • Infection Control Measures 	4,085
Neighbourhoods <ul style="list-style-type: none"> • Signage • Streaming cremations • Activation of the major events plan for coastal areas for social distancing 	1,779
Humanitarian <ul style="list-style-type: none"> • Food parcels • Enablement of on-line communication • Stewarding & security at hubs 	4,318
Economic Resilience <ul style="list-style-type: none"> • Digital infrastructure for COVID-19 • Staffing for Helpline 	198
Workforce and Communications <ul style="list-style-type: none"> • Homeworking kit • Media communication 	13
Total	25,044

3.18.3 Each month, the Council is required to submit a return to the Ministry of Housing, Communities and Local Government (MHCLG) identifying in what areas the funding has been spent and the indirect impact of the crisis e.g. on lost income from fees and charges and the Collection Fund and from unachieved budget savings.

3.19 Lost income: Fees and Charges

3.19.1 The Council expects to generate around £32m a year in income from fees and charges such as leisure centres, theatre, outdoor sports, parking, green waste collection and events. Since the start of the COVID-19 crisis, these activities have been halted to avoid the spread of the infection, although as a result of the relaxation of lockdown, some activities have been restarted e.g. golf, green waste collection, etc.

3.19.2 An analysis of the estimate of the irrecoverable income from such fees and charges has been undertaken. An assumption has been made that even if all functions and activities are allowed to reopen before the end of the financial year, take up may well not get back to pre-COVID-19 levels. The impact of the income lost from fees and charges as a result of the COVID-19 emergency is around £17m for the full 2020/21 year. For the purposes of the 2021/22 budget planning, it is so far assumed that income from fees and charges will be back to pre-COVID-19 levels from April 2021, however this is being reviewed and may result in a downward trajectory.

3.19.3 Additional funding has been announced which will mitigate some losses of income through a co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income. The value available to Wirral Council has not been announced, but early indicators are that £7m of lost income could be mitigated.

3.20 Lost income: Collection Fund

3.20.1 The Council has so far seen over 2,000 direct debit cancellations for Council Tax and over 500 Business Rate direct debit cancellations since April. There has been a subsequent impact on the collection rate of Council Tax and Business Rate income of 0.7% and 3.3% respectively. The financial impact of this is a loss in income from local taxation of just under £8m. The impact of this will not be felt in the Council's budget until 2021/22 at the earliest as the Collection Fund is accounted for a year in arrears but to offset this the council will need to consider savings options now to enable a full 12 months effect from April 2021.

3.20.2 The Secretary of State has committed to consider the apportionment of irrecoverable Council Tax and Business Rates losses between central and local government. However, as these losses materialise in budgets in 2021-22, details of this measure will be determined at the Spending Review. The repayment of collection fund deficits arising this year will be spread over the next three years rather than the usual one, and the expectation is that this will enable breathing room for long term budget planning before a fuller announcement at the Spending Review.

3.21 Unachievable 2020/21 Budget Savings

3.21.1 On 2 March 2020, the Council agreed a package of just under £30m savings proposals to balance the 2020/21 budget. To ensure the budget could be balanced, it was imperative that these proposals were in place from 1 April to enable a full year effect. As a result of the COVID-19 emergency situation, some of these proposals have not been able to be progressed. These include:

- £3.75m Adult Care & Health proposals that would have a detrimental impact on the care sector when more financial support is being provided to this sector
- £1.27m Children and Families proposals relating to a managed movement of looked after children due to capacity of staff to progress this in an emergency situation
- £5m savings resulting from a council wide restructure to support a new model of council provision as a result of staff capacity in dealing with the emergency situation (although some minimal savings from this proposal may still be achievable)
- £4.55m contract review savings in renegotiating supplier contracts to support a new council model as a result of a change of focus to the sourcing of PPE and the potential fragility of the market
- £2.19m from a zero based review of services and capitalisation of salaries as a result of staff capacity following redeployment into key areas to support the emergency and the pausing of capital projects.

3.22 Ongoing expenditure pressures as a result of COVID-19

3.22.1 As a result of supporting the response to the COVID-19 emergency, the Council have made some decisions that will impact on the budget on a permanent basis. In order to support the care sector to be sufficiently resourced in terms of staffing and to ensure care sector are being paid adequately, the Council provided permanent funding for the care sector to pay its staff supporting Wirral commissioned contracts the Real Living

Wage. The ongoing annual impact of this is £5.9m which will need to be factored into the 2021/22 budget setting process.

- 3.22.2 In addition, to ensure homeless people had access to a safe place to stay and did not have to sleep on the streets thereby exposing themselves and others to infection, the Council provided accommodation for all rough sleepers. This is a key priority for the Council going forward and a permanent solution is being planned. The Government have recently announced funding to support this however it is not envisaged that this will be sufficient to cover costs so a permanent growth item in the 2021/22 budget will be required.

3.23 Overall impact of COVID-19 on the Council budget

- 3.23.1 The direct impact on the Council budget as a result of the COVID-19 emergency is currently forecast at around £79m over the next two years (paragraph 3.25). This is as a result of:

- Lost income from fees and charges in 2020/21. The Government announcement on 2 July enables councils to reclaim 75% of income from sales fees and charges (new of expenditure savings) after funding the first 5%. The resulting impact of this is an estimated £7m improvement to the forecast budget position.
- A forecast overspend on the direct expenditure above the funding available in 2020/21
- Unachievable budget savings from the 2020/21 budget
- Lost income from Council Tax and Business Rates in 2021/22
- Ongoing growth pressures in 2021/22 as a longer term impact of COVID-19

3.24 Options to ensure a balanced budget in 2020/21

- 3.24.1 As highlighted above, the current financial impact of COVID-19 on the 2020/21 council budget contributes to a forecast deficit of £30.432m. This is as a result of lost income from fees and charges, unachievable budget savings and an overspend on the emergency funding received.

- 3.24.2 Unringfenced reserves are £46m. These reserves are earmarked and are not available to support the budget gap.

- 3.24.3 The Government have recently confirmed that it will be providing a third tranche of funding for Local Government, although the details are not yet known. In this situation the Council has a number of options:

1. Wait until the detail of the Government announcement on additional funding to determine whether any action needs to be taken in year to balance the 2020/21 and 2021/22 budget
2. Start planning for a partial budget deficit in 2020/21 in determining the extent of savings that will need to be made to balance the budget to the end of the year
3. Start planning for a partial budget deficit in 2020/21 and a known deficit in 2021/22 in determining the extent of savings that will need to be made to balance the budget over the next two years

3.24.4 The Council is taking the approach to bullet point 3 and assuming that any funding or flexibilities from Government may not fully offset the deficit in 2020/21 and will have a knock-on impact in 2021/22. In doing this, it is currently considering the services and functions that it provides to residents, communities, businesses and visitors to Wirral and assessing the extent of the beneficial outcomes that can be evidenced. Where there is little or no beneficial outcome, a decision will be taken as to whether those services and functions can still be provided.

3.24.5 This work will form the basis of an emergency budget to Policy and Resources Committee in October 2020. Over the past ten years since austerity hit, the Council has been utilising its reserves and balances to support the annual budget. The value of those reserves and balances are now at a level that must be maintained and are therefore not considered available for use to support the Council over what maybe, depending on the Government's forthcoming announcement, a temporary problem in balancing the budget.

3.25 Medium Term Financial Strategy 2020 -2025

3.25.1 Each quarter the revisions to the Medium Term Financial Strategy (MTFS) will be reported to Cabinet. The MTFS is a dynamic document which changes as a result of many factors e.g. changes to market growth, revisions to savings plans, changes to legislation, delays or accelerations to ongoing projects etc. Each year in order to reset the MTFS to ensure it is robust, all the current savings plans and pressures are removed to assess the extent of the budget gap for the following year. This is to enable a true representation of the financial position.

3.25.2 At the beginning of 2020-21 there was an expectation that the approved budget mitigated the financial risks at that time, but there was a recognition that future year's still had a budget gap to address.

TABLE 18 2020/21 MEDIUM TERM FINANCIAL PLAN (EXTRACT)

	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
MTFP as at March 2020					
Directorate net costs	304.7	284.5	290.6	297.7	304.5
Costs charged to reserves	8.2	0.0	-	-	-
	312.9	284.5	290.6	297.7	304.5
20/21 Revenue Adverse Budget Gap	30.4				
Undeliverable Savings (delayed to to COVID-19)					
Cross Cutting		11.7			
Adult Care and Health (Demand Management)		3.8			
Children (LAC Demand)		1.3			
Investments Income		2.5			
Neighbourhoods Leisure Income		0.2			
Pressures					
Commitment to Living Wage in Care Homes		5.9	6.1	6.3	6.4
Supporting the Homeless		0.8	0.8	0.8	0.8
Payrise		3.4	3.4	3.4	3.4
Changes to Unpaid Leave		0.8			
Waste		1.3			
Public Health Grant		6.7			
Changes to Funding					
Collection Fund (£8m over three years)		2.7	2.7	2.7	
19/20 Earmarked Reserves	3.4				
Flexible Use of Capital Receipt		4.5			
Budget Gap	33.8	45.5	12.9	13.1	10.6

Summary of the Key Issues arising for Medium Term Financial Strategy

1. COVID-19 activity has limited the Council's ability to deliver in-year savings, which would have supported a more sustainable position in 2021-22 and onwards. Key areas of concern are: reduced business rates / council tax collection; reduced income from services, increased costs for care and increased demand for services. As the situation is changing, the ability to assess the scale of the ongoing issue is limited.
2. It is reasonable to note that some savings initiatives which were predicted to be delivered in 2020/21 could be partially delivered in 2020/21, dependent on changes to the current environment. If this materialises, this would reduce the gap in 2021/22.
3. Government have indicated that the impact of business rates / council tax losses may be smoothed over a longer period of time, which will alleviate the immediate pressure in 2021/22 but at the time of writing, not enough information was provided to assess the financial impact of this.
4. The announcement of the national fair funding review is delayed, this makes long term financial planning more difficult to assess.
5. Access to reserves / use of capital receipts. These are one-off sources of funding, which are depleted and therefore the use of them to support revenue budgets is limited.
6. There are likely to be pressures arising as a result of changes in the environment driven by COVID-19.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn for the Council for 2020/21. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is routinely reported at Directorate Management Team meetings and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

- 5.1 The entire report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114A to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure. The current financial situation is at a point in time and further funding and flexibilities is awaited from Government to offset the budget gap. If this is not sufficient to offset the forecast and no alternatives can be sound, this position will be revisited.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 The possible failure to deliver the Revenue Budget is being mitigated by:
1. Senior Leadership / Directorate Teams regularly reviewing the financial position.
 2. Availability of General Fund Balances.
 3. Review of existing services and service provision.
 4. Emergency Budget (as outlined in paragraph 3.24)

8.0 ENGAGEMENT/CONSULTATION

- 8.1 No consultation has been carried out in relation to this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 This report is essentially a monitoring report on financial performance

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 This report is essentially a monitoring report on financial performance

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APPENDICES

APPENDIX 1: Government Grant notifications

BACKGROUND DOCUMENTS

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Council	2 March 2020

APPENDIX 1

Government Grant notifications and further details can be found through the following links

[£1.6bn COVID-19 funding for local government to help them respond to coronavirus announced 19 March 2020](#)

[Further £1.6bn COVID-19 funding for local government to help them respond to coronavirus announced 18 April 2020](#)

[£3.2 million emergency support for rough sleepers during coronavirus outbreak announced 17 March 2020](#)

[Council tax: COVID-19 hardship fund 2020 to 2021 - guidance](#)

[£600 million Infection Control Fund announced 15 May 2020](#)

[Coronavirus \(COVID-19\): business support grant funding - guidance for local authorities updated 13 May 2020](#)

[£50 million boost to support the recovery of our high streets](#)