



POLICY AND RESOURCES COMMITTEE

Wednesday, 17 February 2021

REPORT TITLE:	2020/21 REVENUE BUDGET MONITORING FOR QUARTER THREE (APR - DEC)
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report provides a summary of the projected year-end revenue position as at the end of Quarter 3 (December 2020) of the 2020/21 financial year, including:

- the financial risk profile presented by the Covid-19 pandemic and
- a review of pressures and savings contained within the original budget position.

The year-end forecast recorded as part of December's financial monitoring activity represents an adverse variance, net of exceptional financial support, from revenue budget of £8.948m; this comprises:

- £16.378m adverse forecast variance in relation to revenue budget, stemming largely from matters arising through the Covid-19 pandemic.
- £3.3m forecast deficit on expected capital receipts, which support the revenue budget position via flexible use of capital receipts and
- The above items are offset by £10.73m government funding to compensate for lost sales, fees and charges compensation due to the impact of Covid-19.

The change in the position from Quarter 2 to Quarter 3 forecast is mainly as a result of additional Covid-19 funding received by Government which was included in the Quarter 2 forecasts as being funded from Directorate budgets.

The Council's response to the Covid-19 pandemic continues to present financial risk due to uncertainty and fluidity in the external environment, however the ringfenced "tranche" funding, is forecast to a balanced position.

The overall financial position for the Council remains challenging, and a number of actions are in progress to mitigate the overall forecast position presented at quarter 3, including limiting spending to essential areas of service delivery only, with Corporate Directors supported to mitigate the risk of overspending.

In October 2020, the Policy and Resources Committee approved the request for exceptional financial support (capitalisation directive) from the Ministry of Housing, Communities and Local Government (MHCLG) to enable a balanced budget to be reported for 2020/21 and

2021/22. The Ministry have indicated that they are content to approve a capitalisation direction up to a maximum value of £14.8m for 2020/21, subject to conditions. This value is based on the Quarter 2 forecast at the time of the offer. The Policy and Resources Committee as part of the 2021/22 Budget Report, includes a recommendation to Full Council that:

The Council proceeds with the request for exceptional financial support with the conditions outlined in the letter from the Minister of State for Regional Growth and Local Government dated 2 February 2021.

It is assumed that the value of exceptional financial support will be provided at the level required, up to a maximum of £14.8m at the end of the 2020/21 financial year. Therefore a forecast balanced position for 2020/21 can now be reported.

This is not a key decision.

RECOMMENDATIONS

That the Policy & Resources Committee:

1. Note the balanced year-end forecast position.
2. Note the impact of funding and expenditure as a direct consequence of Covid-19, including the additional funding sources which have been identified, but as yet, not received.
3. Recommend to Council the 2020/21 budget of £41.144m in relation to Covid-19 funding for Council use and note the additional £134.490m of funds that is to be made available to the Council for onward relay to other organisations as passported funding. This recommendation follows on from the recommendation made by Policy & Resources Committee on 3rd November 2020, following the recent notification of additional funding.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other reporting frequencies could be considered, but quarterly reporting is standard practice.

3.0 BACKGROUND INFORMATION

- 3.1.1 This report provides a summary of the projected year-end revenue position as at the end of Quarter 3, Month 9 (December 2020) of 2020/21 financial year.
- 3.1.2 The year-end forecast recorded as part of December's financial monitoring activity represented an adverse variance from budget of £8.948m. Exceptional financial support provided as a conditional offer from MHCLG now results in a balanced forecast position for this financial year.
- 3.1.3 The expenditure on direct Covid-19 activity, which represents a separate source of funding, is projecting a balanced position.
- 3.1.4 Capital receipts, which underpin revenue activity, are forecast to under-deliver against plan by £3.3m.
- 3.1.6 The MTFP will be updated for the Budget Report to Council in March 2021.
- 3.1.7 Service Committees monitor and challenge budget and forecast positions.

TABLE 1 2020/21 BUDGET & FORECAST

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Chief Executive Office	1,471	1,649	(178)	-12%	Adverse
Resources	20,650	18,428	2,222	11%	Favourable
Neighbourhoods	55,922	68,771	(12,849)	-23%	Adverse
Legal and Governance	5,715	6,209	(494)	-9%	Adverse
Regeneration and Place	35,616	35,705	(89)	0%	Adverse
Children, Families & Education	84,082	83,649	433	1%	Favourable
Adult Care and Health	106,627	106,663	(36)	0%	Adverse
Cross Cutting Initiatives	(5,386)	0	(5,386)	-100%	Adverse
Total Surplus / (Deficit)	304,697	321,075	(16,378)	-5%	Adverse
Other Budget Impact					
Capital Receipts	(4,500)	(1,200)	(3,300)	-73%	Adverse
Covid - 19 Direct Expenditure	41,144	41,144	0	0%	
Sales, Fees, Charges Compensation	0	(10,730)	10,730	0%	Favourable
Operating Budget Gap	341,341	350,289	(8,948)	-3%	Adverse
Exceptional Financial Support			8,948		
Budget Gap			0		

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

3.1.8 The Government's compensation scheme for lost income from Sales, Fees and Charges enables 75% lost income to be reclaimed after offsetting the first 5%. The figures in the following Directorate tables represent the gross loss of income in each area to provide a view of the extent of these losses by Directorate. The full value of income to be compensated for of £10.730m is shown as a total for all Directorates in Table 1.

3.2 Directorate Summaries

3.2.1 Adult Care and Health

3.2.2 As at the end of December 2020 (Quarter 3), the forecast year-end position for Adult Care and Health is an adverse variance of £0.036m against a net budget of £106.627m.

3.2.3 The forecast had been expected to significantly deteriorate to an adverse position of approximately £1m due to steadily increasing client numbers, particularly in Domiciliary care, alongside increasing average cost of care packages. However, access to the Government's Covid-19 Tranche grant funding and grants received to support the Clinically Extremely Vulnerable (CEV) have helped to temporarily alleviate much of the in-year financial pressures.

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

	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv)	%	
Adult Social Care Central Functions	9,778	9,217	561	6%	Favourable
Older People Services - WCFT	44,903	45,062	(158)	0%	Adverse
Mental Health & Disability Services - CWP	48,293	48,428	(135)	0%	Adverse
Other Care Commissions	(148)	182	(330)	223%	Favourable
Public Health	215	13	202	94%	Favourable
Wirral Intelligence Service	485	458	27	6%	Favourable
Directorate Surplus / (Deficit)	103,525	103,360	166	0%	Favourable
Support / Admin Building Overhead	3,577	3,577	0	0%	
Movement on Reserves	(476)	(274)	(202)	42%	
Total Surplus / (Deficit)	106,627	106,663	(36)	0%	

3.2.4 **Central Functions:** Favourable variance of £0.561m is mainly due to savings from employee costs from vacancies, staff not at the top of their pay scales although the budget is set assuming that this is the case and short delays in filling vacant posts.

3.2.5 **Older People Services:** Adverse variance of £0.158m. The main contributing factor for the deficit forecast in this area is the increased risk of non-achievement of efficiency savings approved at the start of the financial year. This pressure has been partially offset by access to Government Covid-19 monies and the CCG's responsibility to provisionally fund hospital discharges and deflections. However,

since September the remit for CCG funding has reduced and the average cost of a care package has increased, placing greater financial pressure in this area.

- 3.2.6 **Mental Health & Disability Services:** Adverse variance of £0.135m. The main contributing factor for the deficit forecast in this area is the increased risk of non-achievement of efficiency savings approved at the start of the financial year. The cost of care within Mental Health & Disability Services has been partially eased due to access to Government Covid-19 monies.
- 3.2.7 **Other Care Commissions:** Adverse variance of £0.330m is caused by early intervention and prevention (EIP) commissions. Many of these commissions have been extended longer than initially anticipated due to the COVID-19 pandemic.
- 3.2.8 **Public Health:** The favourable variance of £0.202m is in relation to the Cheshire and Merseyside Public Health Partnership (CHAMPS), where responding to the Covid pandemic has led to some vacancy and project slippage. As Public Health variances cannot be utilised by Wirral Council for any other activity, a corresponding movement in reserves is shown, having the impact of fully utilising the grant in-year, which is in line with the ringfenced nature of the grant for Public Health activity. Public Health is a ringfenced grant with an annual value £29.7m and projected to be fully utilised. £6.7m of this funding supports public health activities delivered by the Council, representing a significant funding stream. Costs relating to the Council's response to the pandemic are dealt with in section 3.9 of this report and do not impact here.
- 3.2.9 **Wirral Intelligence Team** Favourable variance of £0.03m represents surpluses in staffing costs mainly due to staff not being at the top of their pay scales, although the budget is set assuming that this is the case, coupled with short delays in filling vacant posts.
- 3.2.10 **Movement on reserves:** The movement within reserves relates to the Cheshire and Merseyside Public Health Partnership (CHAMPS) budget as noted in 3.2.8. It should be noted that the Budget reserves position has moved from Quarter 2 (£5,864m) to Quarter 3 (-£0.476) to more appropriately reflect the controllable nature of the use of reserves by the Public Health team, as Wirral Council cannot access this funding stream.
- 3.2.11 **Pressures and Savings Statement:** 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, are exacerbating the financial pressures. In the current circumstances, it has been difficult to forecast with confidence the likely progress toward the achievement of these savings due to the operational disruption and delays caused by Covid-19. At present and based upon savings to date, our forecast position assumes £1m of these savings will be achieved. There also continues to be the 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. The reduced 'cost of care' burden on the revenue budget will be offset by the increased risk of non-achievement of the full £3.75m of efficiency savings. £2.75m of these savings are considered high risk of non-achievement.

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

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(83,919)	(83,734)	(185)	0%	Adverse
Expenditure					
Employee	5,786	5,291	495	9%	Favourable
Non Pay	53,846	53,987	(142)	0%	Adverse
Cost of Care	127,813	127,816	(3)	0%	
Total Expenditure	187,445	187,094	351	0%	Favourable
Directorate Surplus / (Deficit)	103,525	103,360	166	0%	Favourable
Support / Admin Building Overhead	3,577	3,577	0	0%	
Movement on Reserves	(476)	(274)	(202)	42%	Favourable
Total Surplus / (Deficit)	106,627	106,663	(36)	0%	

3.2.12 **Income:** Adverse variance of £0.185m due to the impact of Covid-19 through clients suspending packages of care during the pandemic.

3.2.13 **Employees:** Favourable variance of £0.495m. There are surpluses in all areas due to vacancies, staff not at the top of their pay scales although the budget is set assuming that this is the case, coupled with short delays in filling vacant posts.

3.2.14 **Non Pay:** Adverse variance of £0.142m relates to early intervention and prevention (EIP) commissions. Many of these commissions have been extended longer than initially anticipated due to the COVID pandemic.

3.2.15 **Cost of Care:** The adverse variance of £0.03m, is not material at this level. It should be noted that the forecast was expected to have significantly deteriorated to an adverse position of approximately £1m due to steadily increasing client numbers, particularly in Domiciliary care, alongside increasing average cost of care packages. However, access to the governments Covid-19 Tranche grant funding and other grants received to support the Clinically Extremely Vulnerable (CEV) have helped to temporarily alleviate much of the in-year financial pressures.

3.3 Children, Families and Education

3.3.1 The overall financial forecast of Children, Families and Education shows a full year favourable position of £0.433m. This is a significant change to the forecast position at quarter 2 (Adverse £2.058m). As at quarter 2, national assumptions for the additional demand for Children's Social Care were noted, and Wirral's forecast

reflected that, however, the demand has not materialised at this high rate, and therefore the forecast has been reduced by £0.771m. In addition to this, the increased costs associated with children requiring transport, to ensure social distancing is maintained, has been fully funded by Covid grants, which has reduced the core pressure previously presented by £0.976m. The remainder of the improved position has been through expense slippage as a result of delayed implementation of various contracts for Modernisation and Early Help and Prevention services, as services have been diverted to the Covid-19 response.

3.3.2 The service continues to manage the high placement costs but have an adverse forecast variance at quarter 3 of £0.6m for Looked After Children's Placements and allowances which included a contingency provision for a 5% increase in demand due to Covid-19 amounting to £0.3m (for the remaining 3 months January to March). This is offset by favourable variances in Early Help and Prevention and Modernisation and Support of £0.384m and £0.425m due to staff being budgeted for higher costs and some project and contracts being delayed due to the current government restrictions. The use of £0.275m reserves to fund project and salary costs also contribute to the position.

3.3.3 It should be noted that the Children's, Families and Education directorate also monitor the Schools budgets on behalf of the Council, however, these budgets are delegated to schools, who retain control of the expenditure. This has previously been reported as part of the Directorate, but as the scale of the grant (£173.96m) is significant on both the Non-pay and reserves position, it has been segregated from this reporting to improve transparency.

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

			Variance		Adv/Fav
	Budget	Forecast	(+ Fav, - Adv)		
	£000	£000	£000	%	
Children and Families	48,496	49,172	(676)	-1%	Adverse
Early Help and Prevention	11,772	11,388	384	3%	Favourable
Modernisation and Support	5,032	4,606	425	8%	Favourable
Schools - Core	11,545	11,520	24	0%	
Directorate Surplus / (Deficit)	76,844	76,686	157	0%	Favourable
Support / Admin Building Overhead	7,238	7,238	0	0%	
Movement on Reserves	0	(275)	275	0%	
Total Surplus / (Deficit)	84,082	83,649	433	1%	Favourable

3.3.4 **Children and Families:** Adverse variance of £0.676m consisting of £0.905m pressure on placements particularly on residential and semi-residential placements. This is mainly due to new, high-cost placements and extensions of others with time

limited funding and rate increases. Placement costs are closely monitored monthly with work ongoing to address the highest cost placements, by driving the costs down to a more sustainable level. This is offset by a £0.373m forecast favourable variance on staffing due to vacancies and to allow for staff who are not at the top of their pay scales.

Placements and allowances also have a contingency for a 5% increase in demand due to Covid-19 amounting to £0.3m (for the remaining 3 months January to March). Also £0.17m adverse variance on Allowances and Inter Agency Adoption fees. The allowances are addressed monthly to make sure the payments are not excessive and are sustainable on a longer-term basis.

- 3.3.5 **Early help & Prevention:** favourable variance forecast £0.384m. This surplus is mostly due to staffing not at the top of their pay scales, on maternity leave and not paying into the pension scheme. There was also a delay in the implementation of the PAUSE program until November 2020. This surplus forecast would have been more favourable, but for demand pressures in Emergency Duty Team meaning additional staffing costs and Agency staff covering vacancies and other duties. A new Emergency Duty Team staffing model, which has the aim of reducing costs, was to be implemented in April 2020 but has been delayed until January 2021.
- 3.3.6 **Modernisation and Support:** The full-year favourable forecast variance of £0.425m is due to staff not at the top of their pay scales, maternity leave and staff not paying into pension scheme across the department. A saving proposal of £0.102m has been included within the 2021/22 budget which will reduce the staff budget accordingly. There are also several contracts to modernise services that will not be fully utilised this year due to timing delays in setting up contracts due to Covid-19 impact on the service.
- 3.3.7 **Schools – core:** The full-year position for 2020-21 is forecast to be balanced as it is expected that services will be delivered within a small favourable variance on Education Psychologist and Special Educational Needs (SEN) Assessment due to staffing vacancies. In Quarter two, it was expected that there would be increased costs associated with children requiring transport, to ensure social distancing is maintained, has been fully funded by Covid grants, which has reduced the core pressure previously presented by £0.976m. Since quarter 2, two services have moved from the Resources Directorate to Schools Core, these are Kingsway PFI scheme and “Step Up to Social Work”.

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

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(17,910)	(19,956)	2,046	11%	Favourable
Expenditure					
Employee	39,323	38,522	801	2%	Favourable
Non Pay	30,542	32,569	(2,027)	-7%	Adverse
Cost of Care	24,888	25,551	(663)	-3%	Adverse
Total Expenditure	94,754	96,642	(1,889)	-2%	Adverse
Directorate Surplus / (Deficit)	76,844	76,686	157	0%	Favourable
Support / Admin Building Overhead	7,238	7,238	0	0%	
Movement on Reserves	0	(275)	275	0%	
Total Surplus / (Deficit)	84,082	83,649	433	1%	Favourable

3.3.8 **Income:** Favourable forecast variance of £2.046m. Children’s service has received grant in the year that was not included in the base budget as it is contingent on expenditure activity in the financial year, this favourable income variance is off set by the expenditure incurred and has no impact on the bottom-line position. Income on Children and Families (£1.396m) is forecast to overachieve mainly due to holding no budget for Adoption Support Fund against in-year activity (£0.482m), Unaccompanied Asylum Seeking Children grant income (£0.194m), additional grant income (£0.324m), which mostly relates to Early Help and Prevention grants from the National Lottery, funding voluntary organisations Community Coaches, additional Troubled Families projects and Holiday Activities and Food Programme grant. Schools core is forecast to overachieve on income (£0.189m) due to the receipt of additional grants in the year which were not originally expected.

3.3.9 **Employees:** Favourable forecast variance of £0.801m. There are surpluses in all areas due to vacancies, staff not at the top of their pay scales although the budget is set assuming that this is the case, maternity leave and staff not paying into the pension scheme reducing the Council’s contribution to the pension scheme.

3.3.10 **Non pay:** Adverse forecast variance of £2.027m. Children and Families have incurred expenditure for grant funded activities that is offset by grant income of £1.8m. This adverse position is due in the main to the expense incurred from the £0.483m from Adoption Support Fund (netted off with Income) and Step up to Social Work £0.720m (grant funded). There is £0.324m of non-pay expenditure being funded through grants reported in income and a £0.125m pressure on Inter Agency Adoption fees.

3.3.11 **Cost of Care:** Cost of care illustrates a forecast adverse variance of £0.663m. This is due to new high cost and extended existing placements, as well as allowances and on Asylum Seeking Children (offset by grant in income line).

3.3.12 **Reserves:** Reserves show a forecast variance of £0.275m. A £0.203m call on reserves is predicted to fund a Capacity Project, encompassing a complete overhaul of the early help branding, language, partner engagement, communications, digital platforms (website and apps development), online self-assessment for early help and reflection tool for own early help plan. There is also an expectation that £0.071m from schools' core will be required as a reserves release to meet unbudgeted pay costs of £0.094m, which is offset by a movement to reserves for as yet unutilised grant income of £0.023m.

TABLE 6 2020/21 Children, Families and Education – Dedicated Schools Grant (DSG)

	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Schools Block	108,739	108,739	0	0%	
Schools de-delegated	1,744	1,734	10	1%	Favourable
Central School Costs	2,139	2,129	10	0%	Favourable
High Needs	40,116	42,062	(1,946)	-5%	Adverse
Early Years	21,208	21,179	29	0%	
Directorate Surplus / (Deficit)	173,946	175,843	(1,896)	-1%	Adverse
DSG Grant Income	(174,590)	(174,423)	(167)	0%	
Movement on DSG Reserves	644	(1,419)	2,063	320%	
Total Surplus / (Deficit)	0	0	0	0%	

3.3.13 **Schools Block** - expenditure is forecast to be in line with budget. Any variances against schools' DSG allocations are off set with the school's own balances and not the general DSG reserve. Thus, financial pressures facing schools e.g., excess COVID costs are not reflected in the DSG financial statement but rather in the movement of the overall school balances. The cumulative schools reserve brought forward were £7.9m and it is expected that these will reduce by £0.8m to £7.1m by the end of the financial year.

3.3.14 **De-delegated funds** are a deduction from a school's budget share and are held centrally to fund relevant services. No significant variances are expected for 2020-21

3.3.15 **Central Schools Costs** relate to central functions carried out on behalf of maintained schools and academies e.g., School Admissions. No significant variances are expected for 2020-21.

- 3.3.16 **High Needs Block** – there are significant pressures on High Needs services mainly due to increases in demand and complexity. The demand for Independent School Places is forecast to overspend by £0.9m, Top-Ups to school place funding is forecast to overspend by £0.6m and additional support for resourced provision is expected to overspend by £0.4m.
- 3.3.17 The **Early Years** budget is used to provide Early Education to those 2 yrs. old and 3/4-year-old children who are entitled to receive it free of charge. Local authorities have been required to maintain funding to providers at pre-COVID levels and it is expected that this will be reflected in the funding from Education and Skills Funding Agency (ESFA), although the final grant allocation will not be confirmed until summer 2021.
- 3.3.18 **DSG income:** The 2020/21 budget includes an estimate for unpaid Early Years grant from the previous financial year. The actual grant received was £167k less than expected and this has generated a shortfall of income against budget for 2020-21.
- 3.3.19 **DSG reserves:** When the 2020/21 budget was set it was expected that there would be excess funding in the High Needs Block of £0.644m and this was to be transferred into the cumulative DSG reserve at the end of the financial year. Net costs for the financial year are currently forecast to be £1.4m greater than budget thus the year-end reserves position will reflect a usage of the DSG reserve rather than a contribution to reserve. The additional costs are mainly due to pressures in the High Needs Block.
- 3.3.20 The DSG reserve at the beginning of the financial year held a deficit balance of £1.3m and this is forecast to rise to a £2.7m cumulative deficit by the end of the financial year due to the £1.4m in-year forecast draw-down. In line with DfE requirements, Council officers are currently developing a DSG management plan that aims to bring expenditure back in line with funding by year 3 and to recover the deficit by year 5.

3.4 Resources

- 3.4.1 The Resources directorate forecasts a favourable budget variance of £2.222m at year-end against a budget of £20.65m. The in-year position is mitigated, in part, by the Sales, Fees and Charges compensation scheme however, which is reported separately.
- 3.4.2 At quarter 2, the Resource directorate showed an adverse position of £1.3m, which has moved to a favourable position of £2.222m. This has been caused, in large part to vacancies held as part of the recruitment freeze, the pausing of large scale organisational projects, the use of Covid-19 funding for Local Welfare Assistance and delays to business as usual activity, such as training, as a result of staff being diverted to the Covid-19 response.
- 3.4.3 Since quarter 2, two services have moved from the Resources Directorate to Children, Families and Education, these are Kingsway PFI scheme and “Step Up to Social Work”. The Commercial team has been consolidated within Finance & Investment, causing a budget movement from Neighbourhoods, and the Customer

Complaints team has been aligned with similar services in Digital and Improvement, causing a budget movement from Chief Executive Office.

TABLE 7 2020/21 Resources – Service Budget & Forecast

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Finance & Investment	1,595	(486)	2,081	130%	Favourable
HR & OD	4,401	3,819	581	13%	Favourable
Digital & Improvement	10,842	9,833	1,009	9%	Favourable
Revenues & Benefits	2,157	3,641	(1,484)	-69%	Adverse
Audit, Risk & Business Continuity	599	565	35	6%	Favourable
Directorate Surplus / (Deficit)	19,593	17,372	2,222	11%	Favourable
Support / Admin Building Overhead	1,451	1,451	0	0%	
Movement on Reserves	(394)	(394)	0		
Total Surplus / (Deficit)	20,650	18,428	2,222	11%	Favourable

3.4.3 Finance & Investment: There is a forecast favourable variance of £2.081m. Within this forecast are variances in relation to Treasury Activity, income from investment activity has an adverse variance of £1.946m although this is partially mitigated by the reduced costs to borrow for the Capital programme (£0.852m). Lower demand for traded services and a review of the bad debt provision has reduced the in-year need for bad debt, £0.840m. Traded services continue to see reduced demand, generating an adverse variance of £0.11m, although these income losses are partially mitigated by the Sales, Fees and Changes compensation scheme, which is reported separately. This forecast is being offset by temporary vacancies within the service and the utilisation of Covid New Burden funding.

3.4.4 Human Resources and Organisational Development; There is a favourable forecast variance of £0.581m, which is mainly related to employee costs from staff vacancies, £0.67m. There are also small non-pay favourable variances, in part, to delays to the training programme as a result of staffing re-assignment to the Covid-19 response. These favourable positions are partially offset by a forecast adverse variance relating to the reduced demand for Traded Services, £0.106m, however this is mitigated, in part, by the national Sales, Fees and Charges Compensation Scheme, which is reported separately.

3.4.5 Digital & Improvement: There is a favourable variance of £1.0m. The main reason of the favourable variance is slippage to the Change Programme, as a result of staff being realigned to deliver the Covid response. Some strategic change programmes

and projects have been paused or slowed, these include elements of the digital programme such as the development and deployment of the Firmstep Customer Service platform and Member Portal, the Local Plan Programme and the asset consolidation programme. Furthermore the development of the new strategic change programme linked to the Wirral plan has seen delay due to the resourcing, mobilisation and support to Covid response initiatives’.

This has a £0.355m favourable variance in Employment costs and £1.111m in non-pay costs. These are not permanent savings, as the projects are expected to recommence when the environment improves. However, the overall position does have a forecast adverse variance relating to the reduced demand for Traded Services (£0.457m), this is partially mitigated by the national Sales, Fees and Charges Compensation Scheme, which is reported separately.

3.4.6 **Revenue & Benefits:** There is an adverse variance forecast of £1.484m. This stems from the decision to pause debt recovery through court summons, £1.7m. When recovery actions are re-instated, some income may be recoverable in future years. Within the service, there is a favourable variance of £0.483m in non-pay costs, and this is as a result of reduced need for supplies and services due to home working and the utilisation of Covid-19 funds to provide Local Welfare Assistance.

TABLE 8 2020/21 Resources – Subjective Budget & Forecast

	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv)	%	
Income	(176,512)	(171,904)	(4,609)	-3%	Adverse
Expenditure					
Employee	29,729	29,331	399	1%	Favourable
Non Pay	166,376	159,945	6,432	4%	Favourable
Total Expenditure	196,106	189,275	6,830	3%	Favourable
Directorate Surplus / (Deficit)	19,593	17,372	2,222	11%	Favourable
Support / Admin Building Overhead	1,451	1,451	0	0%	
Movement on Reserves	(394)	(394)	0	0%	
Total Surplus / (Deficit)	20,650	18,428	2,222	11%	Favourable

3.4.7 **Income:** Generation of income has been impacted by Covid-19. This has resulted in reduced interest income, court summons fees and a reduction in demand for traded services.

3.4.8 **Employees:** The favourable variance is largely driven by staff vacancies as a result of the recruitment freeze, secondment to Public Health Covid-19 duties and additional capitalisation of postholders working on capital projects within the IT, PMO and HR &OD Team (£1.08m). It should be noted that the Finance team are experiencing pressures due to the additional management burden caused by the national funding for Covid-19 (£0.224m) and pension costs for Committee enhancements (£0.447m). the additional expense incurred by the Finance team may be covered by Covid-19 funding streams.

3.4.9 **Non Pay:** The favourable variance is largely driven by the reduced costs of financing capital activity due to the lower interest rates in the external market and proactive approach to the phasing and delivery of the capital programme (£0.851), the reduced need for bad debt (£0.840m), the delay to project delivery in Digital & IT (£1.111m), and £0.483m as a result of reduced need for equipment due to home working and the utilisation of Covid-19 funding for Local Welfare Assistance and new burdens.

3.4.10 **Resources – Pressures and Savings Statement:** The original savings contained within the Resources directorate related to Treasury Investment income, which had a target budget of £3.1m, inclusive of a savings target of £1.5m. As described in paragraph 3.4.6, a drop in interest rates have made this saving difficult to deliver. A revised approach to the implementation of the Capital Programme has had a positive impact on the revenue cost of capital however and offsets the issue evident against delivery of savings.

3.4.11 **Support Services Overheads:** This budget position moved from Quarter 2 (£6.562m) to the current position In Neighbourhoods to reflect the value of contribution of the Public Health monies to the Leisure and Environmental Health.

3.4.12 **Movement on Reserves:** The reserves are expected to be utilised as per budget.

3.5 Legal & Governance

3.5.1 As at the end of December 2020 the forecast for year-end for Legal & Governance is an adverse position of £0.494m against a budget of £5.7m. The key drivers for this adverse position are directly linked to Covid-19 which has delayed the implementation of the new structure in Legal and Governance which has increased reliance on locum support, and income losses in the Registrars service as a result of national guidance in response to the Covid-19 pandemic.

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

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Law & Governance	1,770	1,786	(16)	-1%	Adverse
Legal Services	1,314	1,889	(576)	-44%	Adverse
Democratic & Member Services	2,825	2,733	93	3%	Favourable
Coroner Service	680	680	0	0%	
Electoral Service	584	275	309	53%	Favourable
Registrar Service	(226)	78	(304)	-134%	Adverse
Directorate Surplus / (Deficit)	6,946	7,441	(494)	-7%	Adverse
Support / Admin Building Overhead	(481)	(481)	0	0%	
Movement on Reserves	(750)	(750)	0	0%	
Total Surplus / (Deficit)	5,715	6,209	(494)	-9%	Adverse

- 3.5.2 **Law & Governance:** Reporting a forecast of a small adverse variance of £0.016m as locum staffing are covering critical vacant posts.
- 3.5.3 **Legal Services:** Reporting an overall £0.576m adverse forecast variance. There has been a drop in Licencing income of £0.148m impacted by the current pandemic. There are pressures in staffing where locum staff are covering permanent roles, a forecast adverse variance of £0.459m.
- 3.5.4 **Democratic & Members Services:** Reporting a £0.093m favourable forecast largely due to vacancy slippage caused by in year delays in the introduction of the new Committee system, these are expected to materialise in the next financial year.
- 3.5.5 **Coroners Service:** Reporting a balanced budget. Excess death costs caused by Covid-19, are covered by Covid-19 specific funding.
- 3.5.6 **Electoral Service:** Reporting a £0.309m favourable forecast variance. The lack of election activity in 2020/21 as a result of Covid-19 has meant less need for Employee and Non-Pay costs, which vary with election activity.
- 3.5.7 **Registrar Service:** Reporting an adverse forecast variance from budget of £0.304m. Reduced income for Registrar services, caused by the national lockdown restrictions, e.g. in respect of weddings, is a main component of the forecast variance. These income losses, in part, are mitigated by the Sales, Fees and Charges income compensation scheme.

TABLE 10 2020/21 Legal & Governance – Subjective Budget & Forecast

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(3,516)	(3,104)	(413)	-12%	Adverse
Expenditure					
Employee	4,121	4,276	(156)	-4%	Adverse
Non Pay	6,342	6,268	74	1%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	10,463	10,544	(82)	-1%	Adverse
Directorate Surplus / (Deficit)	6,946	7,441	(494)	-7%	Adverse
Support / Admin Building Overhead	(481)	(481)	0	0%	
Movement on Reserves	(750)	(750)	0	0%	
Total Surplus / (Deficit)	5,715	6,209	(494)	-9%	Adverse

- 3.5.8 **Income:** Demand for services such as Registrars and Licencing has been significantly impacted by national guidelines instigated as a response to the Covid-19 pandemic. This is, in part, mitigated by the national Sales, Fees and Charges Compensation Scheme.
- 3.5.9 **Employees:** This adverse forecast variance is due to the reliance on locum support to cover the vacant posts within the structure. There have been challenges in recruiting to some of the permanent posts, all appointment of locums is subject to a rigorous process to ensure value for money is sought whilst meeting critical organisational needs. However, the overall forecast adverse position has been mitigated by staff vacancies in Electoral Services (lack of elections), and Democratic and Members Services (delay to full restructure implementation and recruitment freeze).
- 3.5.10 **Non Pay:** There is a small favourable forecast variance due to the reduced need for Electoral activity in the current year.
- 3.5.11 **Movement on reserves:** The reserves for Legal & Governance are in place to support a permanent restructure. The Covid-19 situation has caused delays to the restructure and the reserves will be held to ensure the permanent structure can later be implemented.

3.5.12 Legal & Governance – Pressures and Savings Statement

No savings targets were highlighted in this area, however there is an expectation that a pressure will transpire for the forthcoming elections called in the next fiscal year, some of this is mitigated by shared costs for the next election (IPCC and the City Region Mayor). It is likely there will be increased costs due to Covid-19 protective measures that will be required.

3.6 Regeneration & Place

3.6.1 As at the end of December 2020, the forecast year-end position for Regeneration & Place is a small adverse variance of £0.089m against a budget of £35.6m.

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

	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Regeneration	25,380	25,786	(406)	-2%	Adverse
Housing	6,714	6,481	233	3%	Favourable
Asset Management & Investment	4,416	4,146	270	6%	Favourable
Planning	827	1,024	(198)	-24%	Adverse
Special Projects	141	129	11	8%	Favourable
Local Plan	1,522	1,522	0	0%	
Directorate Surplus / (Deficit)	38,999	39,088	(89)	0%	Adverse
Support / Admin Building Overhead	(2,261)	(2,261)	0	0%	
Movement on Reserves	(1,122)	(1,122)	0	0%	
Total Surplus / (Deficit)	35,616	35,705	(89)	0%	Adverse

3.6.2 **Regeneration:** £0.406m adverse forecast position has as a result of the in-year delay to the strategic restructure for the Regeneration and Place team (£0.225m). In the original plan for this service, it had been agreed to fund growth to ensure a sustainable service could be delivered. In light of the difficulties for the organisation caused by Covid-19, this plan has been rephased to 2021/22, releasing funds to support the wider organisational budget gap. However urgent activity did need to be conducted, and this is being delivered by locum staff, the expense of this shows within this service.

3.6.3 **Housing:** £0.233m favourable forecast variance is evident against a budget of £6.7m. The service is maximising the use of one-off grants for Homelessness activity and are utilising the Better Care Fund more efficiently to offset eligible service expenditure. A Supported Housing favourable variance of £0.153 has been forecast using the current occupancy rates and taken into account an increase in income recovery from minor works carried out by the home adaptation team.

- 3.6.4 **Asset Management & Investment:** Reporting a net £0.270m favourable forecast, which can be broken down into several distinct areas. £0.1m saving against Disabled Access budgets due to the temporary or permanent closure of Council used buildings, with those buildings being used already being Equality Act compliant. £0.295m favourable variance from the premises budget for utility expenditure and £0.141m in maintenance costs for closed council buildings. These favourable variances are partially offset by the impact of the £0.254m adverse forecast variance for Birkenhead Market rent income losses, other small income losses for rental of buildings accounting for the remainder of the variance. The income losses, are in part, mitigated by the Sales, Fees and Charges Compensation Scheme.
- 3.6.5 **Chief Planner:** The adverse forecast variance of £0.198m is due to income losses as a result of reduced demand for Planning Applications as a result of Covid-19 and additional pressure from the increased contract/exceedance costs of Merseyside Environmental Advisory Service. The income losses, are in part, mitigated by the Sales, Fees and Charges Compensation Scheme.
- 3.6.6 **Special Projects & Regeneration:** There is a small favourable forecast variance of £0.011m. This is due to projects being put on hold as a consequence of Covid-19.
- 3.6.7 **Local Plan:** Reported balanced position utilising the earmarked reserve.
- 3.6.8 **Movement of Reserves:** This reserve is primarily held for the Local Plan.

TABLE 12 2020/21 Regeneration & Place – Subjective Budget & Forecast

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(10,331)	(10,320)	(11)	0%	Adverse
Expenditure					
Employee	12,052	12,734	(682)	-6%	Adverse
Non Pay	37,279	36,674	604	2%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	49,331	49,409	(78)	0%	Adverse
Directorate Surplus / (Deficit)	38,999	39,088	(89)	0%	Adverse
Support / Admin Building Overhead	(2,261)	(2,261)	0		
Movement on Reserves	(1,122)	(1,122)	0		
Total Surplus / (Deficit)	35,616	35,705	(89)	0%	Adverse

3.6.9 **Income:** The directorate is encountering significant income losses in areas such as planning and Birkenhead Market as a result of Covid-19 restrictions, however the overall position is mitigated by improvements in grant funding in Housing.

3.6.10 **Employee:** This adverse variance is due to agency costs covering time sensitive work. The team was subject to a restructure at the beginning of the year, which was paused to enable resources being diverted to the Covid-19 effort. These costs are not expected to be a permanent pressure, as once the team has been fully recruited, there will be reduced need for temporary staffing. The additional expense is mitigated by employing only those required for urgent, time-limited and statutory items.

3.6.11 **Non Pay:** Although the overall favourable variance here is representative of significant project activity paused to enable the Covid response, it should be noted that there an adverse variance in relation to the Transport Levy contained within this area (£0.266m).

3.7 Neighbourhoods

3.7.1 The Neighbourhoods directorate is predicting an adverse budget variance of £12.849m 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. Garden Waste collections recommenced in May, with subscriptions for

2020/21 being received in August. Income generated from other services affected by Covid-19 has been minimal for the first 3 quarters. The majority of income losses in this directorate are, in part, mitigated by the Sales, Fees and Compensation scheme, which is recorded as a separate and distinct funding stream within this report.

Plans for the phased reopening of Leisure Centres, Libraries and Museums were delayed until the necessary work was carried out to make them Covid secure. The work was completed in some Leisure Centres in September and some sites reopened for a brief period. However subsequent government guidance and restrictions has meant that services were only open for a short period in Quarter 3 and there is uncertainty around whether anything will reopen in the final Quarter. This impacts on income generation across the service, with all forecasts now assuming there will be no Quarter 4 income. The service partially mitigated the losses earlier in the year by maximising income generation from activities that are permitted and there were plans to continue with this in the final quarter. However, at present it is unclear as to whether any activities can recommence before the end of the financial year. The service has worked to achieve some limited savings relating to utilities and premises costs.

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 and core activity has fallen. Work is being undertaken to see if the cost of employment of re-assigned staffing can be funded by Covid-19 funding streams to mitigate these pressures.

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 £12m, a reduction of almost 65% is evident in the forecast.

TABLE 13 2020/21 Neighbourhoods – Service Budget & Forecast

	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Neighbourhood Safety & Transport	2,904	3,181	(276)	-10%	Adverse
Highways and Infrastructure	6,416	8,760	(2,344)	-37%	Adverse
Leisure, Libraries and Customer Engagement	9,640	19,030	(9,390)	-97%	Adverse
Parks and Environment	34,629	35,468	(839)	-2%	Adverse
Directorate Surplus / (Deficit)	53,590	66,439	(12,849)	-24%	Adverse
Support / Admin Building Overhead	3,484	3,484	0	0%	
Movement on Reserves	(1,152)	(1,152)	0	0%	
Total Surplus / (Deficit)	55,922	68,771	(12,849)	-23%	Adverse

3.7.2 Neighbourhood Safety & Transport: An adverse variance of £0.276m is projected as at Quarter 3. This is mainly due to an under achievement of income within Community Patrol following the loss of several contracts in previous years, resulting in an adverse variance of £0.134m. Employees is projecting an adverse variance of £0.82m due to Community Patrol and Transport Depot. The remaining adverse variance of £0.60m relates to payments to Suppliers. The service has attempted to seek additional income generation opportunities for new clients, however there is an insufficient market for this. The service is also exploring the possibility of utilising Covid-19 funding to mitigate some of the additional costs against employees with Community Patrol. Most of these costs have arisen because of increased pressure on the service due to a rise in footfall and anti-social behaviour within the local area directly related to the ongoing pandemic.

3.7.3 Highways & Infrastructure: An adverse variance of £2.344m is projected as at Quarter 3. This is mainly due to a loss of Car Parking income following temporary suspension of charges as directed by Members, however parking charges will be reinstated from January 2021. It is now assumed that there will be no material level of income generated from car parking this year in view of the latest restrictions announced by the Government in January.

At present, Car Parking is projecting an adverse variance of £1.898m. The remaining adverse variance within this area consists of an underachievement of Developer Income (£0.198m) and Inspection income (£0.248m). The service has attempted to mitigate some of these losses through generating additional income (circa £0.1m) from road closures, permits and traffic signals due to an increase in demand for utilities company works.

3.7.4 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 due to Covid-19 restrictions. Government guidance allowed for these services to recommence from the end of July, however planned reopening was delayed so that work could be carried out to make them Covid secure at significant additional costs. The planned remobilisation of these service has been interrupted by the constant changes in government guidance and restrictions in the form of the Tier System and further national lockdowns. This has severely limited income generation opportunities.

As a result of this, the area is projecting an adverse variance of £9.39m. This is predominantly due to loss of income within Leisure Centres (£7.55m) because of their temporary closure. The service has worked to mitigate losses through premises and contracts savings. Work is also being carried out to maximise income generation from Golf, outdoor football, and outdoor exercise classes. There are plans to recommence these services again in accordance with Government guidance.

In future the service may be limited further in the amount of income generated from Leisure Centres as several sites are currently being used as vaccination sites and the Food Hub has recently been reinstated at one site. Additional income may be available from partnership agencies to fund the additional costs of running these centres.

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 financial year. The service has partially mitigated this through savings against Supplies and Third-Party payments to production companies.

A small amount of income is projected relating to the catering offer. There are smaller income losses expected relating to Libraries (£0.177m), One Stop Shops (£0.095m) and Museums (£0.021m), with none of these services 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. They are unlikely to recommence this financial year, however there may be plans to continue with them later in 2021/22 subject to review. The Commercial team has been consolidated within Finance & Investment, causing a budget movement from Neighbourhoods.

3.7.5 Parks & Environment: An adverse variance of £0.839m is projected as at Quarter 3. This is due to temporary suspension of the Garden Waste Service (£0.540m) caused by Covid-19 as result of workforce prioritisation. The income loss within Waste is partially mitigated through projected favourable variances against payments to the contractor of £0.102m. The other main loss relates to income from football and bowling clubs within Parks (£0.562m), with most of this being front loaded towards the beginning of the spring season when these activities were not permitted. The income loss within Parks is partially mitigated through a projected reduction in Planned Preventative Maintenance work of £0.161m, which has resulted in cost avoidance and contributed towards supporting the pollinator programme.

The Garden Waste service achieved the target of 40,000 subscribers at a reduced rate. Work is underway to attract additional garden waste subscribers for 2020/21 through marketing campaigns. The new direct debit scheme has been implemented, which exceeded the initial target and will help with customer retention in future years. Plans are underway in Parks to reopen their facilities to sports clubs in line with government guidance and some income has been recovered.

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

TABLE 14 2020/21 Neighbourhoods – Subjective Budget & Forecast

	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(30,282)	(16,704)	(13,578)	-45%	Adverse
Expenditure					
Employee	32,190	32,292	(102)	0%	Adverse
Non Pay	51,682	50,851	831	2%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	83,872	83,143	729	1%	Favourable
Directorate Surplus / (Deficit)	53,590	66,439	(12,849)	-24%	Adverse
Support / Admin Building Overhead	3,484	3,484	0	0%	
Movement on Reserves	(1,152)	(1,152)	0	0%	
Total Surplus / (Deficit)	55,922	68,771	(12,849)	-23%	Adverse

3.7.7 **Income:** The overall projected adverse position of £12.849m is mainly due to income losses. This relates to 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. The service is attempting to mitigate these losses through a reduction in expenditure against Utilities, Planned Preventative Maintenance and through maximising income generation in other areas as far as possible. These incomes losses are, in part, mitigated by the national Sales, Fees and Charges compensation scheme, which is recorded separately.

3.7.8 **Employee:** The forecast adverse position is driven by additional staffing costs required for Community Patrol in response to Covid-19.

3.7.9 **Non Pay:** The forecast favourable position is largely driven by reduced costs associated with the reduction of income generating activity.

3.8 Chief Executive's Office

3.8.1 The Chief Executive Office directorate is predicting an adverse budget variance of £0.178 at year-end against a budget of £1.471m. Covid-19 has significantly impacted the ability of Wirral to generate marketing income but has also seen some savings materialising that have reduced the full impact.

TABLE 15 2020/21 Chief Executive Office –Budget & Forecast

	Budget £000	Forecast £000	Variance (+ Fav, - Adv) £000 %		Adv/Fav
Chief Executive Office	1,388	1,566	(178)	-13%	Adverse
Directorate Surplus / (Deficit)	1,388	1,566	(178)	-13%	Adverse
Support / Admin Building Overhead	83	83	0	0%	
Movement on Reserves	0	0	0	0%	
Total Surplus / (Deficit)	1,471	1,649	(178)	-12%	Adverse

3.8.2 **Chief Executive Office:** There is a £0.178m forecast adverse variance which is mainly due to £0.238m loss of income in Corporate Marketing, this is mitigated by reduced requirement for non-pay costs associated with income generation. The Customer Complaints team has been aligned with similar services in Digital and Improvement, causing a budget movement from Chief Executive Office

TABLE 16 2020/21 Chief Executive Office – Subjective Budget & Forecast

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(321)	(63)	(258)	-80%	Adverse
Expenditure					
Employee	1,534	1,594	(60)	-4%	Adverse
Non Pay	176	35	141	80%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	1,709	1,629	80	5%	Favourable
Total Surplus / (Deficit)	1,388	1,566	(178)	-13%	Adverse
Support / Admin Building Overhead	83	83	0	0%	
Movement on Reserves	0	0	0	0%	
Total Surplus / (Deficit)	1,471	1,649	(178)	-12%	Adverse

3.8.3 **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.

3.8.4 **Employee Expenditure:** The adverse forecast variance is the result of staff secondment into the Corporate Office.

3.8.5 **Non Pay Expenditure:** The favourable variance is driven by the reduced cost associated with Marketing.

3.8.6 **Movement on Reserves:** There are no reserves held by this Directorate.

TABLE 17 2020/21 Cross Cutting Initiatives

	Original Saving Proposal	Allocated to Directorates	To Achieve
Savings Initiative	£000	£000	£000
Expenditure			
Employee - New Council Model	-5,000	-4,427	-573
Employee - Capitalisation of Salaries	-1,550	-1,550	0
Non Pay - Contract Reduction	-4,550	-23	-4,527
Non Pay - Zero Based Budget	-640	-354	-286
Total Surplus / (Deficit)	-11,740	-6,354	-5,386

- 3.8.7 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.
- 3.8.8 When a saving is delivered, the budget reduction is reflected in the directorate that has supported the saving.
- 3.8.9 The original endeavour underpinning the New Council Model required 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 undeliverable in a sustainable manner and has been restated as a pressure in 2021/22, but work is underway to ensure that savings of this nature are deliverable in future periods.
- 3.8.10 The allocation of savings to New Council Model represents a temporary salary saving driven by organisational-wide vacancies and the implementation of a recruitment freeze, which started in September. The Senior Leadership Team review, and where appropriate, authorise any recruitment to vacant posts to minimise and control expenditure. Recruitment activity will reduce the value of this saving over time.
- 3.8.11 The allocation of savings to Capital is complete, and not expected to yield further gains.
- 3.8.12 The zero-based budget activity represents savings from stationery and mileage, largely driven by the workforce largely working from home.
- 3.8.13 A large scale review of contract expenditure has taken place, the full saving is limited by both the availability of internal resources to deliver the project and national restrictions imposed due to Covid-19.

TABLE 18 2020/21 Flexible Use of Capital Receipts

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Capital Receipts	(4,500)	(1,200)	(3,300)	-73%	Adverse

3.8.14 Until 2022/23, the Council have the option to use the receipts from assets sales to fund revenue expenditure, if it is of a transformational nature, i.e. that it delivers a long term revenue benefit.

3.8.15 In 2021/22, £4.5m of assets sales had been built into financial plans, which would be used to fund the revenue budget as per 3.8.13, however, there has been a further deterioration to the forecast from Quarter 1 as there is a delay in the sale of Arrowe Park Road, Upton which will not be realised in 2020/21. The forecast position at the end of quarter 3 is that £1.2m capital receipts will be realised by year-end, resulting in an adverse variance from budget of £3.3m.

3.9 Covid Funding

3.9.1 Covid funding received, or expected to be received, as at Quarter 3 of 2020-21 totals £193.592m, of which £41.1m is for use by the Council, and £7.468m mitigates the income pressures. It should be noted that some funding, specifically £10m Tranche 5 and the £0.483m Lower Tier Services Grant, is for use in 2021/22.

TABLE 19 NATIONAL COVID-19 ADDITIONAL FUNDING

Funding Title	Value £
FULLY PASSPORTED FUNDING:	
Small Business Grant Fund (SBGF) & Retail, Hospitality and Leisure Grant Fund (RHLGF)	49,830,250
Local Authority Discretionary Grant Funding	2,637,750
Ministry of Housing, Communities & Local Government (MHCLG) - Local Restriction Support Grants	29,576,831
Department for Business, Energy & Industrial Strategy (BEIS)- LRSG Christmas Support Payment (Wet-led Pubs)	115,200
Business Improvement District Funding	21,844
Section 31 Grants - Business Rates Relief	32,029,913
Council Tax Hardship Fund	3,910,992
Liverpool City Region (LCR) Combined Authority - LCR Hospitality & Leisure Support Grant	3,480,212

TOTAL FULLY PASSPORTED FUNDING	121,602,992
PARTIALLY PASSPORTED FUNDING:	
Local Authority Emergency Assistance Grant for Food and Essential Supplies	453,829
Test & Trace £500 Payment Support Payment Scheme & Administration	309,447
Department for Work & Pensions - Covid Winter Grant Scheme	1,224,617
Care Home Infection Control Fund Round 1	4,743,521
Care Home Infection Control Fund Round 2	4,087,305
Lateral Flow Device (LFD) Testing in Adult Social Care	1,167,692
Department of Health & Social Care - Workforce Capacity Fund (Care Home Staff)	900,185
TOTAL PARTIALLY PASSPORTED FUNDING	12,886,596
FUNDING FOR COUNCIL USE:	
Emergency Covid-19 Funding (Tranche 1 to 4)	29,365,836
Test and Trace Service Support	2,733,018
Re-opening High Streets Safely Fund	286,292
Emergency Fund for Rough Sleepers	4,500
BEIS - New Burdens: Small Business Grant Fund (SBGF) & Retail Hospitality & Leisure Grant Fund (RHLGF)	170,000
BEIS - New Burdens: Local Authority Discretionary Grant Funding (LADGF)	76,500
MHCLG - New Burdens (Council Tax Hardship Fund & Business Rate Reliefs)	44,784
LA Compliance & Enforcement	198,512
DHSC - Test & Trace Contain Outbreak Management Fund Local Covid Alert Level Surge Funding Grant	5,900,468
MHCLG - Clinically Extremely Vulnerable (CEV) grant	227,000
Community testing - MRF LCR SMART SILVER	2,137,405
TOTAL FOR COUNCIL USE 2020/21 (Budget)	41,144,315
Sales, Fees & Charges Compensation Receipt (to November 2020)	7,468,347

FUNDING FOR COUNCIL USE (2021/22):	
Emergency Covid-19 Funding 21/22 - Tranche 5	10,006,249
Lower Tier Services grant 21/22	483,995
TOTAL FOR COUNCIL USE 2021/22	10,490,244
TOTAL COVID FUNDING	193,592,494

3.9.2 **Additional Grants:** Since Quarter 2 of 2020/21, anticipated Covid funding has increased by £7.7m, as summarised in the table below, with further detail on the key increases provided in the narrative that follows:

TABLE 20 2020/21 Covid Funding Changes from Q2 to Q3 2020/21

	<i>Increase/ (decrease) £</i>
FULLY PASSPORTED FUNDING:	
MHCLG - Local Restriction Support Grants	29,576,831
LCR CA - LCR Hospitality & Leisure Support Grant	3,480,212
BEIS - LRSG Christmas Support Payment (Wet-led Pubs)	115,200
Section 31 Grants - Business Rates Relief	1,913
Small Business Grant Fund (SBGF) & Retail, Hospitality and Leisure Grant Fund (RHLGF)	-11,184,000
Total LCR allocation support for businesses	-30,000,000
FULLY PASSPORTED FUNDING DECREASE	-8,009,844
PARTIALLY PASSPORTED FUNDING:	
DWP - Covid Winter Grant Scheme	1,224,617
Lateral Flow Device (LFD) Testing in Adult Social Care	1,167,692
DHSC - Workforce Capacity Fund (Care Home Staff)	900,185
Care Home Infection Control Fund Round 2	1,000
PARTIALLY PASSPORTED FUNDING INCREASE:	3,293,494
FUNDING FOR COUNCIL USE:	
DHSC - Test & Trace Contain Outbreak Management Fund Local Covid Alert Level Surge Funding Grant	2,532,468
Community testing - MRF LCR SMART SILVER	2,137,405
MHCLG - Clinically Extremely Vulnerable (CEV) grant	227,000
BEIS - New Burdens: Local Authority Discretionary Grant Funding (LADGF)	76,500
MHCLG - New Burdens (Council Tax Hardship Fund & Business Rate Reliefs)	44,784
Emergency Fund for Rough Sleepers	500
INCREASE IN FUNDING FOR COUNCIL USE	5,018,657
Sales, Fees & Charges Compensation Receipt (to November 2020)	7,468,347

TOTAL COVID FUNDING INCREASE SINCE QUARTER 2 for Financial Year 2020/21	7,770,654
FUNDING FOR COUNCIL USE (2021/22):	
Emergency Covid-19 Funding 21/22 - Tranche 5	10,006,249
Lower Tier Services grant 21/22	483,995
	10,490,244
TOTAL COVID FUNDING INCREASE SINCE QUARTER 2 2020	18,260,898

3.9.3 Fully passported funding decrease (£8.0m)

Key components of the increase in fully passported funding: Additional Local Restriction Support Grants totalling £29.6m have been made available to support businesses required to close, or which have been severely impacted by local or national restrictions. Further funding of £3.5m has also been received to provide additional support for businesses in the form of the LCR Hospitality & Leisure Support grant. Funding of £0.1m, in the form of Local Restriction Support Grants, for wet-led pubs over the Christmas period has also been made available.

These funding increases are offset by the removal of £30m of LCR support for local businesses, resulting from the changes in the way that funding is being provided, and the formal return of un-utilised Small Business Grant Fund, £11.9m.

3.9.4 Partially passported funding increase (£3.3m)

Covid Winter Grant Scheme (£1.2m): On Sunday 8 November 2020, the Government package of extra targeted financial support for those in need over the winter period. The £170 million COVID Winter Grant Scheme will be provided to support those most in need across England with the cost of food, energy and water bills and other associated costs. The Council's allocation was £1,224,697.

Funding will be provided from DWP to Councils who will administer the scheme and provide direct assistance to vulnerable households and families with children particularly affected by the pandemic. This will include some families who normally have access to Free School Meals during term time.

The Winter Grant Scheme will enable Local Authorities to provide support to families with children, other vulnerable households and individuals from early December 2020 and covers the period until the end of March 2021.

Lateral Flow Device (LFD) Testing in Adult Social Care (£1.2m): The Government recently announced a £149 million grant to Local Authorities, ringfenced for lateral flow device testing in adult social care. Wirral's share of this grant is £1,167,692. Local authorities will be required to pass on 80% of the funding to care homes on a per beds basis, with 20% used at the local authority's discretion to support the care sector in delivering additional lateral flow device testing.

DHSC - Workforce Capacity Fund: Care Home Staff (£0.9m): As part of a package of £120 million funding, Wirral will receive a further £900,185 to help local authorities to boost adult social care staffing levels. The funding can also be used to provide additional care staff where shortages arise, to support administrative tasks so experienced and skilled staff can focus on providing care and to help existing staff to take on additional hours if they wish, with overtime payments or by covering childcare costs.

3.9.5 Increase in funding for Council use (£13m 2020/21 & £10.5m 2021/22)

Emergency Covid-19 Funding 2021/22 – Tranche 5 (£10m): Four tranches of the COVID-19 Emergency funding provided in March, April, July and October 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.

On 17 December 2020, the Secretary of State announced further Tranche 5 funding support for local authorities in financial year 2021 to 2022 of £1.55 billion, of which Wirral's share will be £10,006,249.

Sales, Fees & Charges compensation (£7.5m): Claims for compensation for loss of Sales, Fees and Charges income from April to the end of November 2020 of £7.5m have now been submitted and the first claim for the first four months has now been received (£4.4m). The full year forecast for this scheme is £10.7m (Table 1) Further claims will be submitted for the remainder of the year and into 21/22 as the scheme has been extended until June 2021.

Contain Outbreak Management Fund (£2.5m): The Contain Outbreak Management Fund has been increased since Quarter 2 following the continuance of local and national lockdown periods. This has resulted in an increase of £2.5m for Wirral to fund activities such as Enforcement, Test & Trace and support for the Clinically Extremely Vulnerable.

Community testing - MRF LCR SMART SILVER (£2.1m): This activity is an LCR and Combined authority partnership for asymptomatic testing but with a focus on a new SMART (Systematic, Meaningful, Asymptomatic, Repeated Testing) approach. It's focus is on reducing transmission of COVID 19 and reducing the impact it has on the elderly, the disadvantaged, hard to reach and those most at risk. Wirral's share of funding for this activity is £2,137,405.

Lower Tier Services grant 21/22 (£0.5m): As New homes bonus payments will reduce by £285m in 2021/22 in what the government has said will be the scheme's final year, Councils with responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services, will benefit from a new £111m lower tier services grant. Wirral's share of this grant will be £483,995, which is expected to be allocated to fund the increased costs of Waste services resulting from Covid-19.

Other small grants: Further funding to support the Clinically Extremely Vulnerable of £227,000 is anticipated, along with further New Burdens funding from both BEIS

(£76,500) and MHCLG (£44,784) to fund the costs of administering Covid reliefs and grants.

3.9.6 Additional Funding not yet received or fully confirmed: Further funding is anticipated in the following areas but remains as yet unconfirmed:

- Wirral Council is expected to receive a share of the £13,851,521 Additional Restrictions Support Grant top-up payment allocated to LCR, with allocations to be confirmed and;
- A further allocation of the Test & Trace £500 Payment Support Scheme is also anticipated from a central scheme totalling £20.4m. This fund is to provide continued support to those having to self-isolate.
- A further £10m (Tranche 5) was announced in the National Spending Review, this relates specifically to 2021/22

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 3 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 Policy & Resources Committee, 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 role of the Policy and Resources Committee, in consultation with the respective Policy and Service Committees, has been charged by Council to formulate a draft Medium Term Financial Plan (MTFP) and budget to recommend to the Council.

5.2 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

5.3 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11th March in the financial year preceding the one in respect of which the budget is set.

5.4 The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates

made for the purposes of the calculations and the adequacy of the proposed financial reserves.

- 5.5 Consultation must take place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. The detailed summary of responses provided are attached in the appendix to this report. It must be borne in mind that this is consultation on the budget proposals, not on the decision to take whatever decision is implied by the adoption of that budget. The consultation process, including the Council's consideration of the responses, is required to comply with the following overarching obligations (unless detailed statutory rules supplant these):
- (a) Consultation must be at a time when proposals are at a formative stage.
 - (b) The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly.
 - (c) Consulters must give sufficient time for responses to be made and considered.
 - (d) Responses must be conscientiously taken into account in finalising the decision. This is the same whether or not a public body was required to consult or chooses to do so. This is because all of those rules are aspects of an overriding requirement for 'fairness'. The process must be substantively fair and have the appearance of fairness. The setting of the budget and council tax by Members involves their consideration of choices.
- 5.6 When considering options, Members must bear in mind their fiduciary duty to the council taxpayers of Wirral. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.
- 5.7 Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.
- 5.8 The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 5.9 There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision.
- 5.10 The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it
- 5.11 Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to Committees when considering particular decisions.

- 5.12 Once a budget is in place, Council has delegated responsibility to the Policy and Services Committees to implement it. The Committees may not act contrary to the Budget without consent of Council other than in accordance with the Procedure Rules set out at Part 4(3) of the Constitution.
- 5.13 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.
- 5.14 Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

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.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. This report has no impact for equality implications at this stage, however any associated actions may require an assessment.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

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APPENDICES

BACKGROUND PAPERS

Small Business Grant Fund (SBGF) Guidance
Retail, Hospitality and Leisure Grant Fund (RHLGF) Guidance
Local Authority Discretionary Grant Funding Guidance
MHCLG - Local Restriction Support Grants Guidance
BEIS - LRSG Christmas Support Payment (Wet-led Pubs) Guidance
Business Improvement District Funding Guidance
Section 31 Grants - Business Rates Relief Guidance
Council Tax Hardship Fund Guidance
LCR CA - LCR Hospitality & Leisure Support Grant Guidance
DWP - Covid Winter Grant Scheme Guidance
Lateral Flow Device (LFD) Testing in Adult Social Care Guidance
DHSC - Workforce Capacity Fund (Care Home Staff) Guidance
Care Home Infection Control Fund Round 2 Guidance
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Community testing Guidance
Lower Tier Services grant Guidance
MHCLG - Clinically Extremely Vulnerable (CEV) grant Guidance
BEIS - New Burdens: Local Authority Discretionary Grant Funding (LADGF) Guidance
MHCLG - New Burdens (Council Tax Hardship Fund & Business Rate Reliefs) Guidance
Emergency Fund for Rough Sleepers Guidance

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	7 October 2020
Policy and Resources Committee	3 November 2020