

POLICY AND RESOURCES COMMITTEE

Wednesday, 30 June 2021

REPORT TITLE:	REVENUE OUTTURN FOR FINANCIAL YEAR 2020/21
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report provides a summary of the year-end revenue position for the 2020/21 financial year as at the end of March 2021. As part of the budget monitoring cycle, the financial position of the Council has been reported to Members quarterly, the first from April to June 2020 was reported to Cabinet. The following three reports – from July to September 2020; October to December 2020 and this report, to the Policy and Resources Committee.

This is a key decision.

RECOMMENDATIONS

That the Policy & Resources Committee:

1. Agree that the draft, unaudited outturn variance for 2020/21 is £6.525m as compared to the end of December forecast outturn variance of £8.9m.
2. Agree that following the approval of 'not exceeding £9m' Exceptional Financial Support from MHCLG that the outturn of £6.525m is capitalised in line with the relevant guidance.
3. Note the impact of funding and expenditure as a direct consequence of Covid-19, including the additional funding sources that has been received for 2020/21.
4. 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.
5. Recommend to full Council the 2020/21 budget of £46.574m in relation to Covid-19 funding for Council use and note the additional £22.963m 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 17th February 2021, following the recent notification of additional funding.
6. That the debts in excess of £10,000 included within Appendix 2 be approved for write off against the Provision for Bad Debts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The Local Government Finance Act 1988, section 114 requires the Section 151 officer to report to all of the authority's councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget; failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
- 1.2 In reference to the exceptional finance support, the request must meet the following conditions: Accordingly, the Secretary of State directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 ("the Act"), that Wirral Council ("the Authority") treat as capital expenditure, expenditure which is either:
- revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with the Ministry of Housing, Communities and Local Government (MHCLG) through the Authority's formal request for exceptional financial support; or
 - any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the Authority's application, and;
 - is properly incurred during the financial period 2020/21 and does not exceed a total of £9.0m.
- 1.3 This is not a full list of conditions, and as yet, this is still awaited from MHCLG.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council could reject the exceptional financial support and reduce the General Fund balance; however, this would negatively impact the financial resilience of the organisation by limiting its ability to deliver the medium term financial strategy and respond to emergencies in the borough. This may also result in intervention and/or a public interest report issued by the Council's external auditor.

3.0 BACKGROUND INFORMATION

- 3.1.1 At the start of the year, the financial impact of Covid-19 was really starting to show. At the end of June, the overall forecast position was a projected overspend of £30m. This was mainly as a result on an adverse forecast on the first tranche of Covid-19 government funding, which was expected to be £4.3m above the funding received; a full year forecast loss on income from fees and charges, as at the time notification of the Government compensation scheme had not been announced; and the significant capacity issues that the Council was facing by mobilising all available staff to supporting the response to pandemic on a full time basis, meaning that most

business as usual functions, including the ability to achieve the 2020/21 savings that had been agreed by Full Council a few months earlier, were all put on pause.

3.1.2 The response by the Council was extraordinary and laid the foundations for how the Council would operate going forward, including harnessing the support and engagement of volunteers, community organisations, the third sector and the health system. The financial pressure on the Council to respond quickly was huge and decisions were made with the best interest of the residents at heart on the premise that future Government funding would be available for reimbursement. The Council set 5 priorities in response to supporting the pandemic which were the cornerstone of all decisions taken:

1. Preserve life
2. Protect the vulnerable people in our communities
3. Safeguard our children and young people
4. Support local businesses and the economy
5. Maintain the health and safety, and support the wellbeing, of our staff.

3.1.3 These priorities followed the declaring of an emergency by the Chief Executive in March and were part of a command and control structure whereby delegated authority was given to the Chief Executive for all emergency spending decisions. This was in conjunction with an emergency governance structure of a Strategic Coordinating Group, a Tactical Coordinating Group and a variety of specific Cells. Each item of expenditure was approved through this structure on the completion of a Joint Emergency Services Interoperability Principles (JESIP) template to maintain a full rationale and audit trail for all expenditure agreed.

3.1.4 By the end of September 2020, the forecast position had improved slightly with the allocation of further tranche funding and specific ringfenced funding available to Adult Social Care. At this time, the direct impact of the pandemic to front line service provision was forecast to be fully covered by tranche funding received. Savings proposals were still forecast as unachievable as the majority of the staff were still supporting the direct response. However, pressures were starting to materialise with regards Children Looked After and SEN transport due to the requirement for social distancing. At this time, notification had also been received of the government compensation scheme for sales, fees and charges losses however no funding had yet been received.

3.1.5 During October, Exceptional Financial Support (also known as the capitalisation directive) was formally applied for to MHCLG and the process for agreeing and negotiating this commenced. The forecast position was still around a £20m deficit for the year, based on known and estimated assumptions as to how much the response to the pandemic would cost. Appendix 1 provides more information about Exceptional Financial Support.

3.1.6 Reporting at the end of December 2020 had significantly improved with further allocations of tranche funding, a further allocation of Adult Social Funding, new funding for Test and Trace, Community Testing and the Contain Outbreak Management Fund. Other smaller grants and funding allocations announced also helped to reduce the forecast pressure across other areas of the Council. The

process for compensation for income losses for sales, fees and charges had commenced and the reimbursement was included within the forecast to the end of the year. The value of funding received from Government between July and December, saw the forecast position improve from a £20m adverse variance to a £9m adverse variance.

- 3.1.7 In March 2021, MHCLG approved the request for Exceptional Financial Support (EFS) for 2020/21 based on the December 2020 estimates, on the premise that this still may reduce as funding was still being allocated to support Covid-19 pressures, especially around the Contain Management Outbreak Funding.
- 3.1.8 Now, at the end of the year, the position has improved once more and an adverse variance of £6.525m is reported as the final position and the value that the Council will borrow under the EFS approval. As the lockdown restrictions started to relax, there was an opportunity for the Council to take stock and review whether the assumptions made during the year for demand and expenditure commitments had come to fruition. As nothing like this had been experienced before, there was no real way to accurately predict the value of funding and support required so best estimates had been used and had been firmed up as more of the situation became known.
- 3.1.9 Not all the additional demand within Children and Families has materialised but this does pose a question as to whether this is just a delay as it is anticipated that there will be longer lasting impact from the pandemic on children. The humanitarian effort was significant with many vulnerable people and communities supported throughout. Although the additional funding for school means and winter grants and the increase in universal credit meant that the burden was not felt on core council budgets.
- 3.1.10 Adult Care and Health and Public Health has been fully funded in providing its response via a variety of grants, and flexibilities within the NHS and additional funding provided has meant that contributions have been forthcoming to support the overall response from the care sector.
- 3.1.11 Although many of the savings agreed at Full Council in March 2020 have still not been achieved, offsetting alternative savings have been available as a result of the way the Council has been working under lockdown restrictions. As the majority of Council buildings have remained closed and the majority of staff have been working at home, savings have been made from utilities costs, staff mileage and supplies and services costs such as printing, stationery and face to face training events.
- 3.1.12 In total, in 2020/21, £205m funding has been provided to Wirral by the Government to support the emergency pandemic. This is described in detail in paragraph 3.9 and a summary is provided below:

Funding Category	£
Funding received by the Council and given straight out as ring-fenced grants e.g. business grants, business rate reliefs	£134m
Funding received by the Council which has been split between ring-fenced grants and funding for council services e.g. Care Home Infection Control Grants	£14m
Funding received by the Council for own Council response to Covid-19 e.g. Tranche funding, Contain Outbreak Management Fund, Community Testing	£57m
Total funding received in 2020/21	£205m

3.1.13 An additional £10m of Tranche 5 funding has been notified as being received in 2021/22 which has been fully committed to Covid-19 pressures already identified in 2021/22.

3.1.14 The year-end position represents an adverse variance of £6.525m which will be the subject of borrowing under EFS approval from MHCLG. It must be noted that this is a draft position as this is subject to External Audit sign-off of the accounts by the Council's auditor, Grant Thornton.

TABLE 1 2020/21 BUDGET & OUTTURN

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Chief Executive Office	1,766	1,911	-145	-8%	Adverse
Resources	27,126	26,358	769	3%	Favourable
Neighbourhoods	50,987	63,001	-12,014	-24%	Adverse
Legal and Governance	5,715	6,382	-667	-12%	Adverse
Regeneration and Place	34,766	34,440	327	1%	Favourable
Children, Families & Education	83,232	81,825	1,407	2%	Favourable
Adult Care and Health	106,627	105,525	1,101	1%	Favourable
Cross Cutting Initiatives	-5,522	-1,494	-4,028	73%	Favourable
Total Surplus / (Deficit)	304,697	317,948	-13,251	-4%	Adverse
Sales, Fees, Charges Compensation	0	-11,011	11,011	0%	Favourable
Operating Budget Gap	304,697	306,936	-2,240	-1%	Adverse
Covid-19 Expenditure	46,574	46,574	0	0%	
Total Revenue Gap	351,271	353,510	-2,240	0%	Adverse
Funding	-304,697	-300,412	-4,285	-1%	Adverse
Total Funding	46,574	53,099	-6,525	-14%	Adverse
Exceptional Financial Support			-6,525		

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

3.2 Directorate Summaries

3.2.1 Adult Care and Health

- 3.2.2 The financial outturn for 2020/21 is a favourable position of £1.101m against a total net budget of £106.627m. This represents a significant improvement from the £0.036m forecast adverse position reported at the end of December 2020.
- 3.2.3 It should be noted that this position includes £0.6m joint funded income relating to two historic invoices which only came light in March 21. This historic adjustment relates to financial performance before 2020/21 but nevertheless does need to be reflected in the figures as a favourable adjustment.
- 3.2.4 Other significant differences from the position which had previously been reported include a £0.14m increase in the Better Care Fund (BCF) position due to winter pressure not materialising as expected, this was due to additional national funding received in response to Covid-19.
- 3.2.5 Throughout this financial year, the cost of care pressure has been managed through access to increased Government funding for the Covid-19 response as the Clinical Commissioning Group (CCG) had responsibility to provisionally fund hospital discharges and deflections; usually these costs would be incurred by Wirral Council.
- 3.2.6 The pandemic also limited the ability to achieve £3.75m of efficiency savings, approved at the start of the financial year and prior to the Covid-19 pandemic, exacerbating financial pressures. Despite this, £1.5m of savings were achieved in 2020-21 across the two provider Trusts.
- 3.2.7 Overall, the Adult Care and Health budget experienced substantial one-off pressures in 2020/21 relating to Covid-19 which would have led to a significant overspend had it not been for the CCG and Covid grant support.

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

	Budget	Outturn	Variance (+ Fav / - Adv)		Adv/ Fav
	£000	£000	£000	%	
Adult Social Care Central Functions	9,778	8,574	1,235	13%	Favourable
Older People Services - WCFT	44,903	44,998	-95	0%	Adverse
Mental Health & Disability Services - CWP	48,293	48,170	123	0%	Favourable
Other Care Commissions	-148	75	-223	-151%	Adverse
Public Health	215	-4,789	5,003	2,327%	Favourable
Wirral Intelligence Service	485	438	47	10%	Favourable
Directorate Surplus / (Deficit)	103,525	97,465	6,091	6%	Favourable
Support/Admin Building Overhead	3,577	3,548	29	1%	Favourable
Movement in Reserves	-476	4,512	-5,019	1,054%	
Total Surplus/ (Deficit)	106,627	105,525	1,101	1%	Favourable

3.2.8 Central Functions: A favourable variance of £1.235m is reported for 2020/21. This is due to savings from employee costs from vacancies and short delays in filling vacant posts. The BCF surplus, due to winter pressure monies not being utilised as expected, is also shown against this service area.

3.2.9 Older People Services: An adverse variance of £0.095m is reported for 2020/21. Expected efficiency savings have not materialised fully as a direct consequence of Covid-19, however the overall position has been mitigated the CCG's responsibility to fund hospital discharges and deflections during the pandemic.

3.2.10 Mental Health & Disability Services: A favourable variance of £0.123m is reported for 2020/21. The cost of care within Mental Health & Disability Services has been eased due to access to Government Covid-19 monies and the current CCG's responsibility to provisionally fund hospital discharges. This has helped to offset the pressures from the reduced achievement of the efficiency savings within the provider trust that were approved at the start of the financial year.

3.2.11 Other Care Commissions An adverse variance of £0.223m is reported for 2020/21, this 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.

3.2.12 Public Health: A balanced position is reported for 2020/21 after accounting for reserves movements (see 3.2.19). Public Health is a ringfenced grant with an annual value £29.7m. £6.7m of this funding supports public health activities delivered by the Council, representing a significant funding stream. Access to additional Covid funding and projects affected by the impact of Covid-19 and local restrictions have led to a larger than initially expected contribution to reserves at the year end, entirely relating to the delayed business as usual activity undertaken by Public Health. Costs relating to the Council's response to the pandemic are highlighted in in section 3.9.

3.2.13 Wirral Intelligence Team: Favourable variance of £0.05m 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. It should be noted that a saving was agreed in the 2021/22 budget for staffing costs that are not at the top of the grade, so this saving is a one-off and will not recur.

3.2.14 Pressures and Savings Statement The pandemic limited the ability to achieve £3.75m of efficiency savings, approved at the start of the financial year and prior to the Covid-19 pandemic, exacerbating financial pressures. Despite this, £1.5m of savings were achieved in 2020/21 across the two Trusts.

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

	Budget	Outturn	Variance (+ Fav / - Adv)		Adv/ Fav
	£000	£000	£000	%	
Income	-83,919	-87,319	3,400	4%	Favourable
Expenditure:					
Employee	5,786	5,115	671	12%	Favourable
Non Pay	53,846	53,585	291	1%	Favourable
Cost of Care	127,813	126,084	1,729	1%	Favourable
Total Expenditure	187,445	184,784	2,691	1%	Favourable
Directorate Surplus / (Deficit)	103,525	97,465	6,091	6%	Favourable
Support/Admin Building Overhead	3,577	3,548	29	1%	Favourable
Movement in Reserves	-476	4,512	-5,019	1,054%	
Total Surplus/ (Deficit)	106,627	105,525	1,101	1%	Favourable

3.2.15 Income: A favourable variance of £3.400m is reported for 2020/21. Within this position, it should be noted that there are a number of historic income adjustments relating to the correction of client income accruals and joint funded income. The

Cheshire and Merseyside Transforming Care Partnerships Community Discharge grant income (£0.950) is shown here, as it is administered by Wirral Council. This income was not represented in Directorate's original budget figures and hence shows up as a variance.

3.2.16 Employees: A favourable variance of £0.671m is reported for 2020/21. 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) and short delays in filling vacant posts.

3.2.17 Non Pay: A favourable variance of £0.291m is reported for 2020/21. Adverse variances relating to the contract extensions to the Early intervention and prevention (EIP) commissions have been offset by favourable variances in non-pay expenditure largely within Public Health, where project spend has been affected by the impact of Covid-19 and local restrictions.

3.2.18 Cost of Care: A favourable variance of £1.729m is reported for 2020-21. It should be noted that the outturn position would have been significantly adverse had it not been for the substantial grant support which has helped to temporarily alleviate in-year financial pressures.

3.2.19 Movement on reserves (Revenue Impact): The movement within reserves largely (98%) relates to year end movement to Public Health reserves. The Public Health team have been at the forefront of Covid-19 response, which, combined with local restrictions, has delayed some business as usual activity. The ring-fenced nature of Public Health funding means that any un-utilised funding, must be held in reserves for Public Health projects, which will recommence once the Covid-19 situation is resolved.

Table 4 – Adult Care and Health Earmarked Reserves

2020/21 Reserve Movements £000						
	Opening Balance	Revenue		Non Revenue		Closing Balance
		Reserve Increase	Reserve Call Out	Reserve Release	Reserve Transfer	
Public Health	-1,900	-4,538	11	0	-1,636	-8,063
Adult Social Care	-147	0	15	21	-71	-181
Total	-2,047	-4,538	26	21	-1,706	-8,244

3.2.20 Earmarked Reserves: In addition to the revenue movements noted in 3.2.19, £0.002m has been released support the Financial Resilience reserve, these reserves were held for historic projects which are now complete. A further £1.7m has been transferred from a pooled reserve, with no impact on the organisational position.

3.3 Children, Families and Education

- 3.3.1 The overall financial outturn of Children, Families and Education shows a full year favourable position of £1.407m. This is a significant positive change to the forecast position as at December 2020 (favourable £0.433m). There are several reasons for this.
- 3.3.2 There were a number of one-off implications of Covid actions and funding in 2020/21 which have impacted on the service and financial outturn in a positive way. Grants have been provided outside of the council's budget for crisis management and providing food during school holidays and during school closures. The humanitarian service has been funding community services that have benefited the families that would normally use many of the services that are provided by Children's Services. Due to the Covid-19 response and the other council initiatives the service has seen a decrease in activity against some budgets, inclusive of those that have significantly overspent in previous years. An example of this is the children in need budgets which often go to help families in significant poverty by providing food and other essentials. Covid-19 funding along with winter pressures has supported activity in this regard and the reported saving is therefore not considered repeatable.
- 3.3.3 An increase in universal credit of £20 per week reduced some of the pressure on family incomes and therefore it is suspected that a reduction in family breakdowns/family poverty has impacted favourably on the demand for the service. As at the end of December, 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 accordingly. Early indications suggest that demand will transpire later, and a rise is expected still in 2021/22
- 3.3.4 The service continues to manage the high placement costs but have a favourable variance at the end of the year of £1.275m for the Looked After Children service which includes placements and staffing. There are favourable variances in Early Help and Prevention and Modernisation and Support of £0.930m and £0.530m due to staff being budgeted for higher costs and some projects and contracts being delayed due to the current government restrictions.

TABLE 5 2020/21 Children, Families and Education – Service Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Children and Families	48,404	47,134	1,269	3%	Favourable
Early Help and Prevention	10,920	9,990	929	9%	Favourable
Modernisation and Support	5,032	4,502	529	11%	Favourable
Schools - Core	11,552	11,589	-36	0%	Adverse
Surplus / (Deficit)	75,907	73,216	2,691	4%	Favourable
Support / Admin Building Overhead	7,324	7,387	-63	-1%	Adverse
Movement on Reserves	0	1,221	-1,221	0%	
Total Surplus / (Deficit)	83,232	81,825	1,407	2%	Favourable

3.3.5 Children and Families: Favourable variance of £1.269m (-£0.676m at the end of December 2020). Throughout the year placements and allowances have been forecasting a contingency for a 5% increase in demand due to Covid-19, amounting to £1m. This demand has not transpired in 20/21 due to extra help and funding for families on the edge of care due to the Covid -19 pandemic. Some of the initiatives around residential care during Covid-19 have helped keep costs significantly lower than were previously anticipated. The in-year establishment of the semi-independent living units have produced a saving in advance of the planned budget saving next year.

The service has a £0.915m underspend on allowances as the contingency for cost increases was not required as the demand has not materialised. Placements are £0.252m overspent but this was lower than previously forecast due to the in-year average price being lower than the regional average. The 20/21 demand for looked after children has been lower than previously forecast due to the impact of Covid-19 and the interventions from Covid-19 related monies as well as activities in the community including monies and services that have target vulnerable families. Underspends have been partially off-set by additional non-staff costs of £0.284m.

The service has underspent on staffing (£0.896m) which is mainly due to unfilled vacancies. Some of the vacant posts have been filled by agency, but some posts are not filled due to difficulties in recruiting permanent staff. In other areas staffing expenditure is underspent due to externally funded projects, this means that the services have received additional external funding to pay for staffing. Where staff are

funded in this way, their centrally funded posts are held as vacant to ensure that when this short-term funding ends staff can be realigned into the existing structure.

- 3.3.6 **Early help & Prevention:** Favourable variance of £0.929m (£0.384m at end of December). This surplus is in part due to various employee budget variances. There was a delay in the implementation of the PAUSE program resulting in a surplus of £0.193m. The PAUSE program has been implemented to help vulnerable women and is a voluntary programme for women who have experienced, or are at risk of, repeat removals of children from their care.
- 3.3.7 **Modernisation and Support:** The full-year favourable variance of £0.529m (£0.425m as at end of December) relates to employee budgets and delays in establishing contracts to modernise services due to the impact of Covid-19.
- 3.3.8 **Schools – core** is an adverse position of £0.036m against a budget of £11.6m. The Schools core service budget includes Private Financing Initiative (PFI) which overspent by £1.5m against a budget of £1.4m which is due to the recognition of both in-year and future liabilities to reflect the ‘closed’ status of Kingsway School. The PFI position includes the final instalment (£0.160m) of £1.2m of additional funding and the continuation of the annual grant of £0.941m both of which have been secured from Department of Education to reflect the closed status of Kingsway School. The Council must meet the annual PFI costs whilst the building is non-operational, and it is not expected that this status will change during the coming year. Under advice from the Council’s auditors, the full value of the potential liability has been recognised in the financial year 2020/21 and this accounts for £1.3m of the of the £1.5m PFI overspend.

The PFI overspend has been off-set by underspends on both staff related and project based activities. Staff related underspends include historic pensions/retirement commitments where the reduction in the number of recipients was greater than expected (£0.409m) and other short-term vacancies (£0.107m). Project based activity includes School Improvement (£0.515m) where there has been slippage, mainly due to Covid-19 restrictions, but plans are in place to deliver the activities to schools in 2021/22. The ‘Wirral Ways to Work’ programme which supports eligible young people to move into education, employment and training has underspent by £0.204m due to the slippage of activities into 2021/22. In addition, funding of £0.2m that had been set aside in the budget to meet any shortfalls in Dedicated Schools Grant (DSG) contributions for services delivered to schools was unused in 2020/21.

TABLE 6 2020/21 Children, Families and Education – Subjective Budget & Outturn

	Budget £000	Outturn £000	Variance (+ Fav, - Adv) £000 %		Adv/Fav
Income	-18,847	-22,058	3,211	17%	Favourable
Expenditure					
Employee	39,321	36,613	2,708	7%	Favourable
Non Pay	30,544	33,708	-3,164	-10%	Adverse
Cost of Care	24,888	24,952	-64	0%	Adverse
Total Expenditure	94,754	95,274	-520	-1%	Adverse
Total Surplus / (Deficit)	75,907	73,216	2,691	4%	Favourable
Support / Admin Building Overhead	7,324	7,387	-63	-1%	
Movement on Reserves	0	1,221	-1,221	0%	
Total Surplus / (Deficit)	83,232	81,825	1,407	2%	Favourable

3.3.9 **Income:** Favourable variance of £3.211m. Children's services have received grants during the year that were not included in the base budget as they were 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. Of the £3.211m additional grant income, £1.484m relates to Children and Families, £0.909m to Early Help and Prevention and £0.819m for Schools Core.

3.3.10 **Employees:** Favourable variance of £2.708m. There are surpluses in all areas due to vacancies as well as a number of staff not being paid at the top of their pay scales although the budget is set assuming that this is the case. Pension costs have reduced for non-teachers and teachers. Teacher's historic pension costs were less than expected and can fluctuate significantly year on year with the reduction in 2020-21 higher than expected. In several areas there are vacancies due to a number of staff seconded on externally funded projects which will transfer back into the organisation once those projects end.

3.3.11 **Non pay:** Adverse variance of £3.164m, this relates to additional costs of £1.854 have been incurred which is mainly due to activity on grant funded schemes and thus is off-set by grant income. In addition, Private Placements overspent by £0.135m due to high fees from providers in year.

Schools core services have an adverse variance of £1.491m which is mainly due to PFI (£2.105m) where costs include the recognition of in-year and future years liability for Kingsway school (£1.521m) plus additional in-year costs off-set by income of £0.584m. The PFI overspend has been partially off-set by slippage in School Improvement activity to be carried forward to 2021-22 of £0.3m, slippage in match-

funded 'Ways to Work' project £0.204m plus balance of DSG contribution to combined budgets of £0.186m

3.3.12 Cost of Care: Cost of care illustrates an adverse variance of £0.064m.

3.3.13 Movement on Reserves (Revenue Impact): net transfer to reserves of £1.221m which includes an increase in reserves of £1.516m mainly due to the slippage in activities resulting from Covid-19 restrictions, particularly where funding has been provided by grants and schools to enable the services to be delivered in 2021/22. Reserve call of £0.295m includes £0.169m for a Capacity Project, encompassing an 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, a contribution to capitalisation works for Birkenhead Children's Centre of £0.069m plus £0.057m to support Troubled Families.

TABLE 7 2020/21 Children, Families and Education – Dedicated Schools Grant (DSG)

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Schools Block	108,514	108,514	0	0%	
Schools de-delegated	1,744	1,691	53	3%	Favourable
Central School Costs	2,139	2,100	39	2%	Favourable
High Needs	40,073	41,446	-1,374	-3%	Adverse
Early Years	21,208	20,645	563	3%	Favourable
Total	173,678	174,397	-719	0%	Adverse
DSG Grant Income	-174,321	-173,982	-339	0%	Adverse
Movement on DSG Reserves	644	-414	1,058	164%	
Total Surplus / (Deficit)	0	0	0	0%	

3.3.14 **Schools Block:**

Individual school balances have been carried forward to 2021/22 in the designated schools reserve thus delivering an in-year balanced position. The cumulative schools' reserves brought forward were £7.9m and this increased by £5.6m to £13.5m by the end of the financial year.

3.3.15 **De-delegated funds:** Small favourable variance due to business rates differentials being less than expected.

3.3.16 **Central Schools Costs:** relate to central functions carried out on behalf of maintained schools and academies e.g., School Admissions and has a small favourable variance due to staff vacancies.

3.3.17 **High Needs Block:**

Adverse variances of £1.374m due to additional demand in both volume and complexity. In particular:

- specialist/individual educational needs are overspent by £0.679m due to an increase in demand particularly in latter half of the year.
- top-ups to school budgets for post-16 SEN pupils is overspent by £0.326m due to an increase in school places.
- exceptional needs support is overspent by £0.405m due to the growth in applications since September 2020.
- the cost of independent school places has exceeded budget by £1.033m due to places being 31 more than planned. It is expected that the increased demand will continue into 2021/22 thus the relevant budgets have been increased to reflect this.

Adverse variances are partially offset by special school places where the additional 40 places agreed for 2021/22 had not been fully allocated in 2020/21 (£0.301m), additional demand for Alternative Provision top-ups being less than expected (£0.191m). In addition, savings due to staff vacancies and additional recharges/contributions from other budgets underspent by £0.487m. This is a priority area for the service and although it is difficult to recruit to a number of posts due to the current employment market the service plan is to staff this service fully.

3.3.18 The **Early Years** budget is used to provide Early Education to young 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. The 20-21 underspend mainly reflects the reduction in attendance due to COVID-19. The underspend is partially offset with the shortfall of DSG income.

3.3.19 **DSG income:** Shortfall due to adjustment to reflect expected final grant for Early Years. The final grant income will be confirmed in July.

3.3.20 **DSG reserves:** The planned transfer to reserve of £0.644m reflected the expected underspend on High Needs. The actual outcome reflects a total net overspend of £0.414m requiring a use of reserves rather than a contribution to reserves. The

opening DSG reserve balance reflected a deficit of £1.264m which, after including the in-year deficit of £0.414m, gives a closing deficit position of £1.678m.

Table 8 – Children, Families and Education Earmarked Reserves

2020/21 Reserve Movements £000						
	Opening Balance	Revenue		Non Revenue		Closing Balance
		Reserve Increase	Reserve Call Out	Reserve Release	Reserve Transfer	
Children, Families and Education	-1,376	-1,516	295	708	-458	-2,347
Schools DSG	1,264	0	414	0	0	1,678
Total	-111	-1,516	709	708	-458	-669

3.3.21 Earmarked Reserves: In addition to the revenue movements noted in 3.3.13 and 3.3.20, £0.708mm has been released support the Financial Resilience Reserve, these reserves were held for historic projects which are now complete. A further £0.458m has been transferred from a pooled reserve, with no impact on the organisational position.

3.4 Resources

3.4.1 The Resources directorate illustrates a favourable budget variance of £0.769m at year-end against a budget of £27.126m. This represents a deteriorated position from the end of December, where a favourable position of £2.222m was forecast. The reasons for the deterioration are the identification of additional requirements for bad debt in relation to Edsential, and a non-achievement of the Treasury investment income, where market conditions have limited the opportunity to refinance loans.

TABLE 9 2020/21 Resources – Service Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Finance & Investment	20,402	22,696	-2,293	-11%	Adverse
HR & OD	4,478	3,880	598	13%	Favourable
Digital & Improvement	6,283	6,979	-696	-11%	Adverse
PMO & Change Programme	4,559	1,035	3,524	77%	Favourable
Revenues & Benefits	2,157	3,493	-1,337	-62%	Adverse
Audit, Risk & Business Continuity	599	562	37	6%	Favourable
Surplus / (Deficit)	38,479	38,645	-167	0%	Adverse
Support / Admin Building Overhead	-10,959	-10,959	0	0%	
Movement on Reserves	-394	-1,329	936	-238%	Favourable
Total Surplus / (Deficit)	27,126	26,358	769	3%	Favourable

3.4.2 Finance & Investment: The service is reporting an adverse variance mainly as a result of savings that have not been made during the year and a reduction in income as a result of low global interest rates on investments. One area that materialised during this period, is related to difficulties being experienced within the Council's part owned company, Edsential, who have suffered short term income losses as a result of the pandemic. The Council has a credit agreement with Edsential and in-line with proper accounting treatment, has assumed that the loan may not be repaid. This has resulted in an adverse variance on the bad debt provision budget. If the position at Edsential improves, then this transaction can be reversed in 2021/22. Traded services continue to see reduced demand, generating an adverse variance of £0.110m, although part of these income losses are partially mitigated by the Sales, Fees and Changes compensation scheme, which is reported separately.

3.4.3 Human Resources and Organisational Development; There is a favourable variance of £0.598m, which is mainly related to staff vacancies of £0.670m offset by other small non-pay variances.

3.4.4 Digital & Improvement: An adverse variance of £0.696m is reported as a result of increased cost of software licences, staff cover for sickness and reduced income from Schools Traded Services in ICT. This is partially mitigated by the national Sales, Fees and Charges Compensation Scheme.

3.4.5 PMO and Change Programme: There is a favourable variance of £3.524m due to the pause and delay of delivering projects due to Covid-19, the capitalisation of staff delivering capital projects and secondment of staff to Covid-19 response initiatives.

3.4.6 Revenue & Benefits: There is an adverse variance of £1.337m which represents an improvement to the Q3 adverse variance forecast £1.484m. The position is due to the pausing of debt recovery through court summons during the past 12 months of,

£1.6m. This is in part offset by is a favourable variance of £0.3m in non-pay costs, 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 10 2020/21 Resources – Subjective Budget & Outturn

	Budget £000	Outturn £000	Variance (+ Fav, - Adv) £000	%	Adv/Fav
Income	-170,036	-149,515	-20,521	-12%	Adverse
Expenditure					
Employee	29,729	32,032	-2,302	-8%	Adverse
Non Pay	178,785	156,129	22,657	13%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	208,515	188,161	20,354	10%	Favourable
Total Surplus / (Deficit)	38,479	38,645	-167	0%	Adverse
Support / Admin Building Overhead	-10,959	-10,959	0	0%	
Movement on Reserves	-394	-1,329	936	-238%	
Total Surplus / (Deficit)	27,126	26,358	769	3%	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. The largest part of income directly relates to Housing Benefit claims, which is vary directly with actual payments, shown as a favourable variance on non-pay expense.

3.4.8 **Employees:** The adverse variance reflects the organisational provision for the cost of the Early Retirement / Voluntary Redundancy scheme (EVR). EVR is a strategic activity deigned to deliver future year savings and is usually funded by capital receipts, however as there is an adverse position on this funding stream, the expense has been funded by reserves. The directorate position is favourable variance, driven by staff vacancies as a result of the recruitment review, secondment to supporting the Covid-19 pandemic and additional capitalisation of staff working on capital projects.

3.4.9 **Non Pay:** The favourable variance is largely driven by the reduced costs of financing capital activity (£0.542m); reduced supplies and services costs (£1.8m) as a result of staff working from home. The remaining reduced expenditure in directly attributable to reduced Housing Benefit claims, the exact offset being shown in income.

3.4.10 Movement on Reserves (Revenue Impact); The depletion of reserves relates to the provisions for Early Retirement / Voluntary Redundancy payments. These costs are usually funded by Flexible Use of Capital Receipts funding, but these have not materialised this year, see paragraph 3.8.17.

TABLE 11 – Resources Earmarked Reserves

	2020/21 Reserve Movements £000					
	Opening Balance	Revenue		Non Revenue		Closing Balance
		Reserve Increase	Reserve Call Out	Reserve Release	Reserve Transfer	
Resources	-2,656	-1,376	46	2,868	-176	-1,293
Total	-2,656	-1,376	46	2,868	-176	-1,293

3.4.11 Earmarked Reserves: In addition to the revenue movements noted in 3.4.10, £2.868m has been released support Financial Resilience Reserve, these reserves were held for historic projects which are now complete. A further £0.176m has been transferred from a pooled reserve, with no impact on the organisational position.

3.5 Legal & Governance

3.5.1 The outturn position for Legal & Governance is an adverse position of £0.667m against a budget of £5.7m. The main reason for this is additional cost of locum staff following a delay in the implementation of the Directorate restructure, as a result of Covid-19. There are also income losses in the Registrars and Licensing services as a result of national guidance in response to the Covid-19 pandemic.

TABLE 12 2020/21 Legal & Governance – Service Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Legal & Governance	1,770	1,775	-5	0%	Adverse
Legal and Licensing	1,314	1,661	-348	-26%	Adverse
Democratic & Member Services	2,825	2,685	140	5%	Favourable
Coroner Service	680	733	-53	-8%	Adverse
Electoral Service	584	338	245	42%	Favourable
Registrar Service	-226	44	-271	120%	Favourable
Total Surplus / (Deficit)	6,946	7,237	-291	-4%	Adverse
Support / Admin Building Overhead	-481	-478	-3	1%	
Movement on Reserves	-750	-377	-373	50%	
Total Surplus / (Deficit)	5,715	6,382	-667	-12%	Adverse

3.5.2 Legal & Governance: There is a small adverse variance of £0.005m at outturn.

3.5.3 Legal & Licensing: Reporting an overall £0.348m adverse outturn 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 (adverse variance of £0.459m). These income losses, in part, are mitigated by the Sales, Fees and Charges income compensation scheme.

3.5.4 Democratic & Members Services: Reporting a £0.140m favourable outturn largely due to vacancy slippage caused by in year due to delays in the introduction of the new Committee system.

3.5.5 Coroners Service: There is an adverse outturn position of £0.053m due to an increase in Coroner costs.

3.5.6 Electoral Service: Reporting a £0.245m favourable outturn variance due to the postponement of elections during the year.

3.5.7 Registrar Service: Reporting an adverse outturn variance from budget of £0.271m. Reduced income for Registrar services, caused by the national lockdown restrictions, e.g. in respect of weddings, is a main component of the reported variance. These income losses, in part, are mitigated by the Sales, Fees and Charges income compensation scheme.

TABLE 13 2020/21 Legal & Governance – Subjective Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	-3,516	-3,078	-439	-12%	Adverse
Expenditure					
Employee	4,121	4,096	25	1%	Favourable
Non Pay	6,342	6,219	123	2%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	10,463	10,315	147	1%	Favourable
Total Surplus / (Deficit)	6,946	7,237	-291	-4%	Adverse
Support / Admin Building Overhead	-481	-478	-3	1%	
Movement on Reserves	-750	-377	-373	50%	
Total Surplus / (Deficit)	5,715	6,382	-667	-12%	Adverse

3.5.8 **Income:** Demand for services such as Registrars and Licencing has been 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 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 adverse position has in part, been mitigated by staff vacancies in Electoral Services and Democratic and Members Services

3.5.10 **Non Pay:** There is a favourable variance due to the reduced need for Electoral activity in the 2020/21 year.

3.5.11 **Movement on reserves (Revenue Impact):** The reserves for Law & 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. The £0.392m represent the actual cost of the restructure activity which has been delivered.

TABLE 14 – Legal & Governance Earmarked Reserves

2020/21 Reserve Movements £000						
	Opening Balance	Revenue		Non Revenue		Closing Balance
		Reserve Increase	Reserve Call Out	Reserve Release	Reserve Transfer	
Safeguarding	-425	0	283	0	0	-142
Litigation & Governance	-77	0	15	0	0	-62
Property & Planning	-82	0	65	0	0	-17
Contracts & Commercial	-90	0	29	0	0	-61
Democratic & Member Services	-76	-15	0	0	0	-91
Total	-750	-15	392	0	0	-373

3.5.12 Earmarked Reserves: There are no non-revenue movements to these reserves.

3.6 Regeneration & Place

3.6.1 Regeneration and Place shows a favourable variance of £0.327m against a budget of £34.8m, which is an improvement on the December forecast adverse variance of £0.89m. The Covid-19 pandemic has affected this Directorate in a number of ways. Housing and Homelessness has seen significant rises in demand and changes to the statutory requirements of service provision, however, access to additional financial support has supported the activity. The Assets function shows the financial savings as a result of the workforce shift to homeworking, reducing the revenue costs of the Council buildings. Regeneration activity slowed at the outset of the pandemic as staff were diverted to the emergency response, but as the year progressed, the projects were able to recommence.

TABLE 15 2020/21 Regeneration & Place – Service Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Regeneration	25,159	25,440	-280	-1%	Adverse
Housing	6,159	6,057	102	2%	Favourable
Asset Management & Investment	4,416	3,764	651	15%	Favourable
Planning	827	1,033	-206	-25%	Adverse
Special Projects	141	169	-29	-20%	Adverse
Local Plan	1,075	809	266	25%	Favourable
Total Surplus / (Deficit)	37,777	37,272	504	1%	Favourable
Support / Admin Building Overhead	-2,335	-2,335	0	0%	
Movement on Reserves	-675	-497	-178	26%	
Total Surplus / (Deficit)	34,766	34,440	327	1%	Favourable

3.6.2 Regeneration: £0.280m adverse position is due to the 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 was delivered by locum staff, the expense of this shows within this service.

3.6.3 Housing: £0.102m favourable outturn variance against a budget of £6.2m. This was made up of an adverse variance of £0.300m for the Homelessness service, which has been significantly impacted by Covid-19, both in terms of demand and changes to statutory requirements. The Housing service has also utilised the Better Care Fund more efficiently to offset eligible service expenditure across the Housing function. There was a Supported Housing favourable variance of £0.205m due to an increase in income recovery from minor works carried out by the home adaptation team. The Housing Standards area showed a favourable variance of £0.195m due to lower non-pay costs of £0.080m and selective licence fee income of £0.123m.

3.6.4 Asset Management & Investment: Reporting a net £0.651m favourable outturn, 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

- £0.244m in maintenance costs, £0.165m for other supplies and £0.093m in staffing costs due to closed council buildings
- £0.164m favourable variance for Hired & Contracted services, which includes cleaning and security.

These favourable variances are partially offset by the impact of the £0.401m adverse variance for Birkenhead Market rent income losses and other small income losses for rental of buildings. The income losses, are in part, mitigated by the Sales, Fees and Charges Compensation Scheme.

- 3.6.5 **Planning:** The adverse outturn variance of £0.206m is due to income losses as a result of reduced demand for Planning fee income due to the Covid-19 pandemic and additional pressure from the increased contract/exceedance costs of Merseyside Environmental Advisory Service who provide statutory advice on ecology, archaeology and waste, specifically relating to increased volume and complexity from Development Management planning applications. The income losses, are in part, mitigated by the Sales, Fees and Charges Compensation Scheme.
- 3.6.6 **Special Projects:** There is a small adverse variance of £0.029m. This is due to projects requiring additional external support.
- 3.6.7 **Local Plan:** The in-year revenue position is £0.266m favourable variance due to changes to the activity programme, however, the funding for this project is ringfenced, and the underspend has been held in an earmarked reserve for use in financial year 2021/22. Reported balanced position utilising the earmarked reserve.

TABLE 16 2020/21 Regeneration & Place – Subjective Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	-10,886	-10,544	-342	-3%	Adverse
Expenditure					
Employee	11,834	12,118	-284	-2%	Adverse
Non Pay	36,829	35,698	1,131	3%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	48,663	47,816	847	2%	Favourable
Total Surplus / (Deficit)	37,777	37,272	504	1%	Favourable
Support / Admin Building Overhead	-2,335	-2,335	0	0%	
Movement on Reserves	-675	-497	-178	26%	
Total Surplus / (Deficit)	34,766	34,440	327	1%	Favourable

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

3.6.9 **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 to be 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 a reduced need for temporary staffing. The additional expense was mitigated by employing only those required for urgent, time-limited and statutory items.

3.6.10 **Non Pay:** Overall there is a favourable variance which sits predominantly within in Asset Management & Investment. This is for premises utility expenditure, maintenance costs for closed council buildings, staff costs and Hired & Contracted services, such as cleaning and security. In addition, a significant amount of project activity has paused to enable the staff to deliver the Covid response.

3.6.11 **Movement of Reserves:** The net release of reserves relates to the ongoing revenue requirement for the local plan (£0.394m) and Wirral Ways to Work (£0.104m), both schemes are funded by earmarked reserves.

TABLE 17 – Regeneration & Place Earmarked Reserves

	2020/21 Reserve Movements £000					
	Opening Balance	Revenue		Non Revenue		Closing Balance
		Reserve Increase	Reserve Call Out	Reserve Release	Reserve Transfer	
Regeneration and Place	-3,883	0	497	618	-141	-2,908
Total	-3,883	0	497	618	-141	-2,908

3.6.12 Earmarked Reserves: In addition to the revenue movements noted in 3.6.12, £0.618m has been identified as available to release to support the Financial Resilience Reserve. These reserves were held for historic projects which are now complete. A further £0.141m has been transferred from a historic pooled reserve, with no impact on the organisational position.

3.7 Neighbourhoods

3.7.1 The Neighbourhoods Directorate outturn represents an adverse budget variance of £12.014m, which has improved slightly from £12.849m projected at the end of December. This adverse variance 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 this financial year. A proportion of these losses have been reimbursed from central government through the sales, fees and charges income loss compensation scheme.

Plans for the phased reopening of Leisure Centres, Libraries and Museums were delayed until the necessary work was carried out to ensure they were Covid secure. The work was completed in the Leisure Centres in September and some sites reopened for a brief period. However subsequent government guidance and restrictions meant that services were only open for a short period during October – December and were not permitted to reopen until May 2021/22. This impacted income generation across the service, as no income was received between January and March 2021. The service partially mitigated the losses earlier in the year by maximising income generation from activities that were permitted and there were plans to continue with this in the final part of the year. However, as outdoor activities were not permitted until very late in the financial year, income mitigation opportunities have been severely limited. The service has worked to achieve some limited savings relating to utilities and premises costs.

During the financial year many of the staff were 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.

TABLE 18 2020/21 Neighbourhoods – Service Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Neighbourhood Safety & Transport	3,446	3,122	324	9%	Favourable
Highways and Infrastructure	7,224	10,367	-3,143	-44%	Adverse
Leisure, Libraries and Customer Engagement	4,822	12,816	-7,994	-166%	Adverse
Parks and Environment	35,494	36,697	-1,202	-3%	Adverse
Total Surplus / (Deficit)	50,987	63,001	-12,014	-24%	Adverse

3.7.2 Neighbourhood Safety & Transport: A final year-end favourable variance of £0.324m is reported against this area. This is mainly due to a credit allocated to Employees following reassessment of the pension deficit liability.

The service has attempted to seek additional income generation opportunities for new clients, however there has been an insufficient market for this. Most of the additional costs within Community Patrol 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. It is anticipated that this will continue in 2021/22 and additional COVID-19 funding has been secured as part of the Summer Plan 2021.

3.7.3 Highways & Infrastructure: This area is reporting an adverse variance of £3.143m. This is mainly due to a loss of £1.867m from Car Parking income following temporary suspension of charges. Car Parking charges were reinstated from February generating some income for the service. The remaining adverse variance within this area consists of:

- An underachievement of Developer Income (£0.198m)
- An underachievement of Inspection income (£0.248m)
- Design Team under recovery (£0.215m)
- Highways Management (£0.919m).

The service has attempted to mitigate some of these losses through generating additional income from road closures, permits and traffic signals due to an increase in demand for utilities companies work.

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 2020 due to Covid-19 restrictions. Government guidance allowed for these services to recommence from the end of July, however planned reopening was contingent on work being carried out to make them COVID secure at significant additional costs. The planned remobilisation of these services has been interrupted by 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 reporting an adverse variance of £7.994m. This is predominantly due to loss of income within Leisure Centres (£7.63m) due to the 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. These services have now recommenced in accordance with Government guidance. However, this was too late to have any impact on 2020/21 figures.

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. Additional income may be available from partnership agencies to fund part of the additional costs of running these centres.

The Floral Pavilion reported an adverse variance due to underachievement of income of £2.161m. The service did not fully reopen for live shows during the financial year and the only income received related to funding from partnership agencies in relation to the time the site was used as a testing facility. The service has partially mitigated the income shortfall through savings against Supplies and payments to external agencies such as production companies.

A small amount of income was received relating to the catering offer for the months it was permitted to open. There are smaller income losses evident in relation to Libraries (£0.177m), One Stop Shops (£0.095m) and Museums (£0.021m). Capital projects which were planned to improve income generation in these areas have been delayed due to Covid-19 and did not recommence in- year. Several new capital projects are underway within this area and will continue in 2021/22.

3.7.5 Parks & Environment: This area is reporting a final adverse variance of £1.202m. This is due to temporary suspension of the Garden Waste Service (£0.516m) 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 (£0.677m), 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. A small number of additional garden waste subscribers were enrolled later in

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. Parks have reopened their facilities to sports clubs in line with government guidance. However, this happened too late in the financial year to have any impact on 2020/21 figures.

TABLE 19 2020/21 Neighbourhoods – Subjective Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	-35,217	-25,174	-10,043	-29%	Adverse
Expenditure					
Employee	32,190	31,164	1,026	3%	Favourable
Non Pay	51,682	54,480	-2,798	-5%	Adverse
Cost of Care	0	0	0	0%	
Total Expenditure	83,872	85,644	-1,772	-2%	Adverse
Total Surplus / (Deficit)	48,655	60,470	-11,815	-24%	Adverse
Support / Admin Building Overhead	3,484	3,477	8	0%	
Movement on Reserves	-1,152	-946	-206	18%	
Total Surplus / (Deficit)	50,987	63,001	-12,014	-24%	Adverse

3.7.6 Income: The overall adverse position for the Directorate of £12.014m 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. The overall income figure appears more favourable than at the end of December as the figures include additional income derived from internal charges for work carried out by Highways Management. This is offset by an overall adverse variance against Non Pay.

3.7.7 Employee: The overall favourable position of £1.026m is due to activity associated with Parks and Environment and Community Safety & Transport. Employees in these areas were engaged in COVID-19 specific activity and available grants were utilised accordingly.

3.7.8 **Non Pay:** The adverse position is largely driven by costs associated with Highways Management in relation to work carried out for other services across the Authority. Expenditure in excess of the budget has been recovered through internal charges across the Authority. This is reflected within income and accounts for the improvement in the overall income position in the final quarter.

3.7.9 **Movement on Reserves (Revenue Impact):** Reserves were utilised as planned in relation to Waste and Tree Maintenance. However several new reserves were created to support the Directorate in 2021/22, reducing the overall net position by £0.206m. In 2020/21, reserves were utilised to support tree maintenance, improvement of waste and recycling facilities and project work in association with partnership agencies.

TABLE 20 – Neighbourhoods Earmarked Reserves

	2020/21 Reserve Movements £000					
	Opening Balance	Revenue		Non Revenue		Closing Balance
		Reserve Increase	Reserve Call Out	Reserve Release	Reserve Transfer	
Neighbourhoods	-3,064	-657	1,603	97	-389	-2,410
Total	-3,064	-657	1,603	97	-389	-2,410

3.7.10 **Earmarked Reserves:** In addition to the revenue movements noted in 3.7.9, £0.097m has been identified as available to release to support the Corporate Savings position, these reserves were held for historic projects which are now complete and a further £0.389 has been transferred from a historic pooled reserve, with no impact on the organisational position.

3.8 Chief Executive Office

3.8.1 The Chief Executive Office directorate is predicting an adverse budget variance of £0.145m at year-end against a budget of £1.766m. 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 21 2020/21 Chief Executive Office – Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Chief Executive Office	304	284	20	7%	Favourable
Communications and Marketing	878	1,097	-219	-25%	Adverse
Executive Support	584	531	54	9%	Favourable
Total Surplus / (Deficit)	1,766	1,911	-145	-8%	Adverse

3.8.2 **Chief Executive Office:** The outturn position is a favourable variance of £0.020m on non-pay expenditure due to reduced activity.

3.8.3 **Communications and Marketing:** There is a £0.219m outturn adverse variance which is mainly due to loss of income in Corporate Marketing, this is mitigated in part by reduced requirement for non-pay costs associated with income generation.

3.8.4 **Executive Support:** The outturn position for Executive Support is a small favourable variance of £0.054m from salary underspends.

TABLE 22 2020/21 Chief Executive Office – Subjective Budget & Outturn

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	-321	-55	-266	-83%	Adverse
Expenditure					
Employee	1,752	1,770	-18	-1%	Adverse
Non Pay	178	39	139	78%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	1,930	1,809	121	6%	Favourable
Total Surplus / (Deficit)	1,609	1,754	-145	-9%	Adverse
Support / Admin Building Overhead	157	157	0	0%	
Movement on Reserves	0	0	0	0%	
Total Surplus / (Deficit)	1,766	1,911	-145	-8%	Adverse

- 3.8.5 **Income:** The adverse outturn variance reflects reduced activity in external marketing income expectations from the Communications service, for which demand was reduced in light of Covid-19.
- 3.8.6 **Employee Expenditure:** The adverse variance is the result of staff secondment into the Corporate Office.
- 3.8.7 **Non Pay Expenditure:** The favourable variance is driven by the reduced cost of sales associated with Marketing income.
- 3.8.8 **Movement on Reserves:** There are no reserves held by this Directorate.

TABLE 23 2020/21 Cross Cutting Initiatives

	<i>Original Saving Proposal</i>	<i>Allocated to Directorate s</i>	Budget	Outturn
Savings Initiative	<i>£000</i>	<i>£000</i>	£000	£000
Expenditure				
Employee - New Council Model	-5,000	-4,427	-573	-573
Employee - Capitalisation of Salaries	-1,550	-1,550	0	0
Non Pay - Contract Reduction	-4,550	-1381	-4,595	-3,169
Non Pay - Zero Based Budget	-640	-354	-354	-286
Total Surplus / (Deficit)	-11,740	-7,712	-5,522	-4,028

- 3.8.9 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. When a saving is delivered, the budget reduction is reflected in the directorate that has supported the saving.
- 3.8.10 As part of the Final Year Accounting activity, three items were identified as a benefit to the organisation. Over-recovery of Support Service Overheads £0.289m, CIES Income £0.752m and the release of historic income relating to ESG from DSG £0.317m.
- 3.8.11 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.

3.8.12 The allocation of savings to New Council Model represents a temporary salary saving driven by organisational-wide vacancies and a recruitment freeze. The Senior Leadership Team reviewed, and when appropriate, authorised any recruitment to vacant posts to minimise and control expenditure.

3.8.13 The allocation of savings to Capital is complete.

3.8.14 The zero-based budget activity represents savings from stationery and mileage, largely driven by a large contingent of the workforce predominantly working from home.

3.8.15 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 24 2020/21 Flexible Use of Capital Receipts

	Budget	Outturn	Variance (+ Fav, - Adv)	Adv/Fav
	£000	£000	£000	%
Capital Receipts	-4,500	-784	-3,716	-83% Adverse

3.8.16 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. At year end, the income is used to fund the capitalisation of applicable revenue expenditure. This is known as Flexible Use of Capital Receipts, and the programme has been extended for an additional 3 years, from the original end date of March 2022.

3.8.17 In, 2020/21 £4.5m of assets sales had been built into the budget. This has not been achieved for a number of reasons. Staff capacity has been limited in supporting asset sales due to supporting the management of Covid-19 secure buildings; a receipt was assumed for the sale of Land at Arrowe Park Road which requires planning approval and a fire at Rock Ferry High School reduced the expected sale value. Responding to the pressures of Covid-19 eliminated the ability to mitigate the material income losses in-year.

3.9 Covid Funding

3.9.1 Covid funding received, or expected to be received, as at the end of March 2020/21 totals £216.556m, of which £46.574m is for use by the Council, and £11.011m relates to the sales, fees and charges compensation scheme reimbursement.

Utilisation of this funding over 20/21 to 21/22 is summarised in the table below, demonstrating an overall balanced impact on the Council's year end position:

TABLE 25 Covid Grant Activity

	Covid Grant Income	Covid Grant Expenditure Incurred
	£m	£m
19/20 Grants - held in Reserves, released for use in 20/21	11.862	
20/21 Grants	193.623	
20/21 Expenditure Incurred		162.974
20/21 Unclaimed business grant funding to be repaid in 21/22		15.699
20/21 Transfers to Reserves		26.196
20/21 Agency grants held for use in 21/22		0.615
20/21 Total	205.485	205.485
21/22 Grants due/receivable in 21/22	11.072	11.072
Total 20/21 & 21/22	216.556	216.556

TABLE 26 TOTAL NATIONAL COVID-19 ADDITIONAL FUNDING

Funding Title	Value £
FULLY PASSPORTED FUNDING:	
Small Business Grant Fund (SBGF) & Retail, Hospitality and Leisure Grant Fund (RHLGF)	49,970,000
Local Authority Discretionary Grant Funding	2,637,750
Ministry of Housing, Communities & Local Government (MHCLG) - Local Restriction Support Grants	38,749,781
Department for Business, Energy & Industrial Strategy (BEIS)- LRSG Christmas Support Payment (Wet-led Pubs)	136,000
Business Improvement District Funding	21,844
Section 31 Grants - Business Rates Relief	33,430,422
Council Tax Hardship Fund	3,910,992
Liverpool City Region (LCR) Combined Authority - LCR Hospitality & Leisure Support Grant	6,000,000
TOTAL FULLY PASSPORTED FUNDING	134,856,789
PARTIALLY PASSPORTED FUNDING:	
Local Authority Emergency Assistance Grant for Food and Essential Supplies	453,829
Test & Trace £500 Payment Support Payment Scheme & Administration	1,104,951
Department for Work & Pensions - Covid Winter Grant Scheme	1,650,351
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	14,107,834

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	42,952
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	10,135,755
Local Covid Alert Level Surge Funding Grant	
Local Authority Practical Support for those Self-isolating	83,278
MHCLG - Clinically Extremely Vulnerable (CEV) grant	712,280
Community testing - MRF LCR SMART SILVER	2,137,405
MHCLG – Community Champions	375,000
MHCLG – Next Steps Accommodation Programme	494,269
TOTAL FOR COUNCIL USE 2020/21 (Budget)	46,574,089
Sales, Fees & Charges Compensation	11,011,347
FUNDING FOR COUNCIL USE (2021/22):	
Emergency Covid-19 Funding 21/22 - Tranche 5	10,006,249
TOTAL FOR COUNCIL USE 2021/22	10,006,249
TOTAL COVID FUNDING	216,556,308

3.9.2 Additional Grants: Since the end of December 2020/21, anticipated Covid funding has increased by £22.964m, as summarised in the table below, with further detail on the key increases provided in the narrative that follows:

TABLE 27 2020/21 Covid Funding Changes from December 2020 to March 2021

	<i>Increase/ (decrease) £</i>
FULLY PASSPORTED FUNDING:	
Small Business Grant Fund (SBGF) & Retail, Hospitality and Leisure Grant Fund (RHLGF)	139,750
Ministry of Housing, Communities & Local Government (MHCLG) - Local Restriction Support Grants	9,172,950
Department for Business, Energy & Industrial Strategy (BEIS)- LRSG	20,800
Christmas Support Payment (Wet-led Pubs)	
Section 31 Grants - Business Rates Relief	1,400,509

Liverpool City Region (LCR) Combined Authority - LCR Hospitality & Leisure Support Grant	2,519,788
FULLY PASSPORTED FUNDING DECREASE	13,253,797
PARTIALLY PASSPORTED FUNDING:	
Test & Trace £500 Payment Support Payment Scheme & Administration	795,504
Department for Work & Pensions - Covid Winter Grant Scheme	425,734
PARTIALLY PASSPORTED FUNDING INCREASE:	1,221,238
FUNDING FOR COUNCIL USE:	
Re-opening High Streets Safely Fund *	-243,340
DHSC - Test & Trace Contain Outbreak Management Fund Local Covid Alert Level Surge Funding Grant	4,235,287
Local Authority Practical Support for those Self-isolating	83,278
MHCLG - Clinically Extremely Vulnerable (CEV) grant	485,280
MHCLG – Community Champions	375,000
MHCLG – Next Steps Accommodation Programme	494,269
INCREASE IN FUNDING FOR COUNCIL USE	5,429,774
Sales, Fees & Charges Compensation Estimate (December 2020 to March 2021)	3,543,000
TOTAL COVID FUNDING INCREASE SINCE 31 DECEMBER for Financial Year 2020/21	23,447,809
CHANGE IN FUNDING FOR COUNCIL USE (2021/22):	
Lower Tier Services Grant 21/22 (<i>now confirmed as Non-Covid funding</i>)	-483,995
TOTAL COVID FUNDING INCREASE SINCE Q3 2020/21	22,963,814

** Total funding available under the Re-opening High Streets Safely Fund remains at £286,292, as reported at Q3 20/21. However, this funding is subject to costs being incurred and a claim being submitted in 21/22 once lockdown is eased. For Q4 reporting, it has been assumed that funding is only received to the level of costs actually incurred as at 31 March 2021 (£42,952).*

3.9.3 Fully passported funding increase (£13.3m)

Key components of the increase in fully passported funding: Additional Local Restriction Support Grants totalling £9.2m have been made available to support businesses required to close, or which have been severely impacted by local or national restrictions. Further funding of £2.5m has also been received to provide additional support for businesses in the form of the LCR Hospitality & Leisure Support grant. Section 31 grants in respect of business rate reliefs have also increased by £1.4m.

3.9.4 Partially passported funding increase (£1.2m)

Test & Trace £500 Payment Support Payment Scheme increase (£0.8m):

Additional funding to cover the ongoing costs of the delivery of the Support Payment Scheme to support those self-isolating.

Covid Winter Grant Scheme (£0.4m): Additional funding to cover the extension of the Covid Winter Grant Scheme into April 2021 to provide direct assistance to vulnerable households and families with children particularly affected by the pandemic.

3.9.5 Increase in funding for Council use (£5.4m 2020/21)

The key movements in funding for Council use are set out below:

Contain Outbreak Management Fund increase (£4.2m): The Contain Outbreak Management Fund has been increased since December following the continuance of local and national lockdown periods. This £4.2m of funding is ring-fenced for Public Health and is being utilised to fund activities such as Enforcement, Test & Trace and support for the Clinically Extremely Vulnerable.

Next Steps Accommodation Programme (£0.5m): Additional funding has been made available to ensure measures taken to safeguard people who were taken safely from the streets is able to continue for an appropriate length of time, with a planned transition to more sustainable interim accommodation options until longer-term move-on accommodation can be put in place.

Community Champions (£0.4m): The Council has successfully secured £0.4m of Community Champions funding to support BAME outreach and health literacy.

Sales, Fees & Charges compensation (£3.5m): Compensation for loss of Sales, Fees and Charges income from April to the end of November 2020 of £7.5m has now been received. The increase of £3.5m from Q3 to Q4 of 2020/21 represents the estimated value of the final 2020/21 claim from December 2020 to March 2021. This final claim for 2020/21 brings the total expected compensation for the year to £11m (Table 1). Further claims will be submitted into 21/22 as the scheme has been extended until June 2021.

3.10 2020/21 Collection Fund Performance**TABLE 28 Council Tax Collection Summary 2020/21**

Net	Council Tax	
	£	£
Arrears brought forward		26,341,004
Original debit raised	212,447,390	
Adjustments (reliefs, discounts, refunds etc)	-32,457,778	
Cash collected	-174,780,042	

Net movement in arrears	5,209,570
Closing balance	31,550,574

3.1

0.1 **Irrecoverable Council Tax:** Recovery of Council Tax is maximised wherever possible and year on year collection continues to be high. In some circumstances, however, cases need to be put forward for write off, for example where the liable person is deceased with no estate or the person cannot be traced.

3.10.2 The total Bad Debt provision for 2020/21 was £20.36m (including preceptor's provision). During the year a total of £1.214m in Council Tax debt was approved for write off by the Section 151 Officer under delegation. The write off categories are detailed in Appendix 2.

3.10.3 As part of the response to the Covid 19 crisis the government announced a Hardship Fund to assist authorities in providing additional council tax relief to vulnerable households affected most by Covid 19. Wirral received an allocation of £3.9m. This has been fully committed to award eligible households a credit of up to £150 on their council tax account with the balance of the funding used to offer support to households in multiyear debt.

TABLE 29 – Council Tax Statistics comparison

	2020/21	2019/20
Number of properties	149,870	149,486
Number of Council Tax Support claimants	31,327	30,318
Council Tax Collection Rate	93.8%	94.8%

TABLE 30: Business Rates (National Non-Domestic Rates) Collection Summary 2020/21

Business Rates		£	£
Arrears brought forward			5,628,826
Original debit raised	97,253,337		
Adjustments (reliefs, discounts, refunds etc)	-58,162,731		
Cash collected	-37,937,139		
Net movement in arrears			1,153,467
Closing balance			6,782,293

3.10.4 **Irrecoverable Business Rates:** The total Bad Debt provision for Business Rates was £3.983m in 2020/21 (including preceptors) . During the year, a total of £0.475m in Business Rates was approved for write off by the Section 151 Officer. The write off categories shown in Appendix 2.

3.10.5 The collection rate of 94.83% in 2020/21 was achieved despite a climate of economic uncertainty.

TABLE 31 – Business Rates Statistics comparison

	2020/21	2019/20
Properties on Valuation List	8,573	8,606
Rateable Value	£188,653,163	£191,488,255
Collection Rate	94.83%	97.53%

Accounts Receivable (Sundry Debts)

3.10.6 Accounts Receivable invoices, often referred to as Sundry Debtors, are issued in respect of a wide and varying range of services, including charges for Adult Social Care. In 2020/21, invoices totalling £96.6m were raised and income of £102.3m collected.

TABLE 32– Accounts Receivable Collection Statement

	2020/21	2019/20
	£	£
Balance brought forward	32,073,161	23,066,564
Debits (Invoices Raised)	96,642,280	96,074,729
	128,715,441	119,141,293
Write offs	-391,735	-344,648
	128,323,706	118,796,645
Payments received	-102,368,891	-86,557,083
Adjustments (including credit notes)	1,038,906	-166,401
Balance carried forward at 31/03/2021	26,993,721	32,073,161

- 3.10.7 Irrecoverable Accounts Receivable: The bad debt provision for 2020/21 was £8.45m. During 2020/21 debts totalling £0.283m were approved by the S151 Officer for write off and those written-off comprised of £0.233m of Adult Social Services debtors and a further £50,698 of other Directorate debts. The write off categories are shown in Appendix 2.

Housing Benefit Overpayment Debts

- 3.10.8 The total Bad Debt provision for Housing Benefit overpayments was £8.965m 2020/21 (including preceptors). During the year a total of £0.068m in Housing Benefit overpayments was approved for write off by the Section 151 Officer. The write off categories are shown in Appendix 2.

FINANCIAL IMPLICATIONS

- 4.1 This is the year-end financial monitoring report that provides information on the draft outturn for the Council for 2020/21; this will go forward to the external audit for completion. The Council has robust methods for reporting and forecasting budgets in place and alongside formal 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 matters.
- 4.2 Debts written off as irrecoverable are charged against the Council's provisions for bad debts which are reviewed annually in accordance with the requirements of accounting practice. At 31 March 2021 the provision for Council Tax stood at £20.365m, Business Rates £3.983m, Sundry Debts £8.452m and Housing Benefit £8.965m.

5.0 LEGAL IMPLICATIONS

- 5.1 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.

- 5.2 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.
- 5.3 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.
- 5.4 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.
- 5.5 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.
- 5.6 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
- 5.7 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.
- 5.8 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.
- 5.9 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.

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 a retrospective monitoring report on financial performance.

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APPENDICES

Appendix 1 – Exceptional Financial Support

Appendix 2 – Collection Summary

BACKGROUND PAPERS

[Wirral Capitalisation Direction Mar 2021.pdf \(publishing.service.gov.uk\)](#)

[Councillor workbook: local government finance](#)

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
 Sales, Fees & Charges Compensation Guidance
 DHSC - Test & Trace Contain Outbreak Management Fund Local Covid Alert Level Surge Funding Grant Guidance
 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
Budget Council	2 March 2020
Policy and Resources Committee	7 October 2020
Policy and Resources Committee	3 November 2020
Policy and Resources Committee	17 February 2021
Budget Council	4 March 2021

APPENDIX 1

Exceptional Financial Support

In March, the Ministry for Housing, Communities and Local Government (MHCLG) made an offer of £10.7m to the Council for exceptional financial support, sometimes called a capitalisation direction of capitalisation directive. This means that MHCLG approved the Council, in principle, to borrow £10.7m of funds to help ensure a balanced budget could be agreed by Full Council on 1 March. Borrowing to fund revenue (day to day) expenditure is not normally allowed under law, but on this occasion, a special case was put to HM Treasury and approved.

The Council had not been able to identify sufficient savings to balance the budget, due to additional financial pressures present as a result the outcome of Covid-19. Such pressures include Adults and Children's Social Care increases, SEN transport increases and Homelessness increases. Ordinarily, a Council would use its reserves and balances to help balance its budget in times of crisis and would not have to apply for exceptional financial support, however the Council does not have the level of reserves and balances to be able to do this.

The borrowing has to be paid back over a 20 year timeframe and costs the Council an additional 1% in interest over and above what it would it normally expect to pay, so it is prudent for the Council to identify any further proposals to reduce the level of exceptional financial support that it requires, so that the interest payments can also reduce.

The offer of exceptional finance support from MHCLG came with conditions which included an external assurance review that would review the authority's financial position and its ability to meet any or all of the identified budget gap without any additional borrowing. Therefore, as part of the external assurance review, MHCLG will be looking for areas that the Council can reduce its expenditure so that it may not have to provide all or any of the exceptional financial support offered.

This means that a further £10.7m proposals could be recommended to be implemented in year. If the Council fails to comply with MHCLG recommendations, the exceptional financial support may not be provided and a balanced budget could not be forecast to the end of the year.

In this circumstance, the Section 151 Officer would have to issue a Section 114 notice which states that the Councils' expenditure exceeds its funding and this would be reported to Full Council. The outcome of this would result in Government intervention and Commissioners appointed to manage the financial affairs of the Council. During the period of issuing a Section 114 notice, only statutory and contracted expenditure is allowed to take place, all other expenditure must stop.

Appendix 2 – Collection Summary

Irrecoverable Council Tax

Recovery of Council Tax is maximised wherever possible and year on year collection continues to be high. In some circumstances, however, cases need to be put forward for write off, for example where the liable person is deceased with no estate or the person cannot be traced. The total Bad Debt provision for 2020/21 was £20.36m (including preceptor's provision). During the year a total of £1,213,704 in Council Tax debt was approved for write off by the Section 151 Officer. The write off categories were as follows:

Category	2020/21	2019/20
	£	£
Deceased	100,093	105,533
Insolvency	406,050	255,945
Care Leavers	0	(74)
Non Traceable	165,058	45,359
Uncollectable	542,503	1,111,554
Total	1,213,704	1,518,317

Irrecoverable Business Rates

The total Bad Debt provision for Business Rates was £3.983m in 2020/21 (including preceptors). During the year, a total of £475,430 in Business Rates was approved for write off by the Section 151 Officer. The write off categories are as follows:

Category	2020/21	2019/20
	£	£
Absconded	79,356	52,195
Insolvency	160,145	192,505
Irrecoverable (including deceased)	235,929	6,204
Total	475,430	250,904

Sums over the limit of delegation £10,000 require Member approval and for each case over £10,000 explanations are provided to Members as follows.

Category	2020/21
	£
Absconded	312,937
Insolvency	211,444
Irrecoverable (incl deceased)	210,100
Total	734,481

Irrecoverable Accounts Receivable

The bad debt provision for 2020/21 was £8.45m. During 2020/21 debts totalling £283,382 were approved by the S151 Officer for write off and those written-off comprised £232,684 of Adult Social Services debtors and a further £50,698 of other Directorate debts. The write off categories were as follows.

Category	Adult Social Services	Other Directorates
	£	£
Deceased	173,829	0
Irrecoverable	52,871	1,417
Liquidation	0	1,756
No Trace	0	2,606
Settlement	1,411	0
Small Amount	0	91
Statute Barred	1,714	36,111
Uneconomical	2,859	282
Debt Advise	0	8,435
Total	232,684	50,698

Sums over the limit of delegation £10,000 require Member approval and for each case over £10,000 explanations are provided to Members as follows.

Category	2020/21
	£
Deceased	108,352
Total	108,352

HOUSING BENEFIT OVERPAYMENT DEBTS

The total Bad Debt provision for Housing Benefit overpayments was £8.965m 2020/21 (including preceptors) . During the year a total of £68,270 in Housing Benefit overpayments was approved for write off by the Section 151 Officer. The write off categories are as follows:

Reason	£
Elderly	701
Bankrupt	21,524
Deceased	27,768
Statute Barred	12,478
Small Balance	375
Uneconomic to pursue	294
No Trace	5,130
Total	68,270

Sums over the limit of delegation £10,000 require Member approval and for each case over £10,000 explanations are provided to Members as follows.

Category	2020/21
	£
Statute barred	10,416
Total	10,416