



POLICY AND RESOURCES COMMITTEE

Wednesday, 11 November 2020

REPORT TITLE:	2020/21 REVENUE BUDGET MONITOR FOR QUARTER TWO (APR - SEP)
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This Statement provides a summary of the projected year-end revenue position as at the end of Quarter 2 (September 2020) of the 2020/21 financial year, including:

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

The year-end forecast recorded as part of September's financial monitoring activity represents an adverse variance to revenue budget of £24.074m; this comprises:

- £21.448m adverse forecast variance in relation to revenue budget, stemming largely from matters arising through the COVID-19 pandemic.
- £2.480m forecast deficit on expected capital receipts, which support the revenue budget position via flexible use of capital receipts and;
- £0.145m gap in direct COVID-19 funding against forecast requirements.

Government recently have announced further funding for Wirral of £5.428m for a Tranche 4 allocation, and £9.3m mitigations for Sales, Fees and Charges losses, which we are waiting receipt.

The Council's financial position remains challenging and to a certain degree uncertain, with work underway to develop response activity following the initiation of Tier 3 status in the Liverpool City Region whilst details of the forthcoming Spending Round are awaited in relation to 2021/22 funding.

The financial position is fluid and developing with the government having stated its continuing support to the sector. That said, the Council continues to limit spending to essential areas of service delivery only and Corporate Directors are supported to mitigate the risk of overspending.

RECOMMENDATIONS

That the Policy & Resources Committee be requested to:-

1. Note the year-end forecast position at Quarter 2 of £24.074m adverse.
2. Note the risks posed to delivering on the savings proposals within the 2020-21 budget.
3. 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.
4. Note the revisions to the Medium Term Financial Strategy (MTFS) 2020-2025.
5. Recommend to Council the increased budget in relation to Covid-19 funding of £42.538m, which is for Council use and note the additional £132.793m of funds that is to be made available to the Council for onward relay to other organisations as passported funding; a total sum of £175.33m is therefore the combined Covid-19 funding being received by the Council based on current information. This recommendation supersedes the recommendation made by Policy & Resources Committee on 7th October, following the recent notification of additional funding.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1.1 This report provides a summary of the projected year-end revenue position as at the end of Quarter 2, Month 6 (September 2020) of 2020/21 financial year.
- 3.1.2 The year-end forecast recorded as part of September's financial monitoring activity represents an adverse variance to budget of £24.074m.
- 3.1.3 An additional source of funding has been identified, which are expected to mitigate the position by £9.3m, in relation to Government commitment to offset losses of Sales, Fees and Income. This would improve the budget gap to an adverse variance to budget of £14.774m. However, at the time of reporting, the full value had not been received and as such has not been fully integrated into the forecast position.
- 3.1.4 The expenditure on COVID-19 activity, which represents a separate source of funding, is projecting an overspend of £0.145m.
- 3.1.5 Capital receipts, which underpin revenue activity, are forecast to under-deliver against plan by £2.480m.
- 3.1.6 Service Committees monitor and challenge budget and forecast positions. The breakdown of the revenue position by Service Committee is shown in Appendix 1.

TABLE 1 2020/21 BUDGET & FORECAST

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Chief Executive Office	1,026	1,457	(431)	-42%	Adverse
Resources	20,977	22,293	(1,317)	-6%	Adverse
Neighbourhoods	56,197	68,469	(12,271)	-22%	Adverse
Legal and Governance	5,715	6,139	(424)	-7%	Adverse
Regeneration and Place	35,616	35,249	367	1%	Favourable
Children, Families & Education	83,910	85,968	(2,058)	-2%	Adverse
Adult Care and Health	106,627	106,571	56	0%	Favourable
Cross Cutting Initiatives	(5,370)	0	(5,370)	-100%	Adverse
Total Surplus / (Deficit)	304,697	326,197	(21,448)	-7%	Adverse
Other Budget Impact					
<i>Capital Receipts</i>	(4,500)	(2,020)	(2,480)	-55%	Adverse
<i>Covid - 19 Direct Expenditure</i>	23,937	24,083	(145)	-1%	Adverse
Budget Gap	324,135	348,260	(24,074)	-7%	Adverse

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

3.2 Directorate Summaries

3.2.1 Adult Care and Health

3.2.2 As at the end of September 20 (Quarter 2), the forecast year end position for Adult Care and Health is small favourable variance of £0.056m against a budget of £106.6m. Access to Government COVID-19 monies and the current Clinical Commissioning Group (CCG) responsibility to provisionally fund hospital discharges has continued to help manage the Council's 'cost of care' burden. The CCG has confirmed that they will bear the Council costs of hospital discharges and deflections until 31 Aug 20 (approximately £0.9m) and has further alleviated costs by funding additional emergency bed provision. As at the 1 September 20, a revised and reduced Hospital Discharge Policy will apply which will again be funded by CCG.

3.2.3 This reduced 'cost of care' burden on the revenue budget will be offset by the increased risk of non-achievement of the £3.75m of efficiency savings, approved at the start of the financial year and prior to the COVID-19 pandemic. In the current circumstances, amidst an evolving position in relation the care sector in response to the pandemic, it is difficult to forecast with confidence the likely progress toward the achievement of these savings. At present, our forecast position assumes £1m of these savings will be achieved. There is also the added risk of, potentially significant, increases in demand for care services as we move through the year and the impact of COVID-19 and the period of lockdown is realised.

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

	Full Year				
	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv)	%	
Adult Social Care Central Functions	9,778	9,369	409	4%	Favourable
Older People Services - WCFT	44,903	45,079	(175)	0%	Adverse
Mental Health & Disability Services - CWP	48,293	48,421	(128)	0%	Adverse
Other Care Commissions	(148)	(44)	(104)	-70%	Adverse
Public Health	(6,126)	(6,307)	181	3%	Favourable
Wirral Intelligence Service	485	431	54	-11%	Adverse
Directorate Surplus / (Deficit)	97,185	96,949	237	0%	Favourable
Support / Admin Building Overhead	3,577	3,577	0	0%	
Movement on Reserves	5,864	6,045	(181)		
Total Surplus / (Deficit)	106,627	106,571	56	0%	

3.2.4 **Central Functions:** A favourable variance of £0.4m is forecast at quarter 2. This variance is largely due to savings from employee costs. This position will continue to be monitored throughout the year.

3.2.5 **Older People Services:** An adverse variance of £0.2m is forecast at quarter 2. The main contributing factor for the variance in this area is due to the increased risk of non-achievement of the efficiency savings approved at the start of the financial year. This pressure has been offset by access to Government COVID-19 monies and the current CCG's responsibility to provisionally fund hospital discharges and deflections.

3.2.6 **Mental Health & Disability Services:** An adverse variance of £0.1m is forecast at quarter 2. The forecast deficit position relates to the increased risk of non-achievement of efficiency savings, approved at the start of the financial year and prior to the COVID-19 pandemic. In the current circumstances, it is difficult to

forecast with confidence the likely progress toward the achievement of these savings at this time. The current forecast assumes £0.5m of the £1.65m of savings within this area will be achieved

- 3.2.7 **Other Care Commissions:** An adverse variance of £0.1m is forecast at quarter 2. The forecast adverse variance in this area relates to early intervention and prevention (EIP) commissions. Many of these commissions have been extended longer than initially anticipated due to the COVID-19 pandemic. A review is currently being undertaken in light of the current environment and this will inform future forecasts.
- 3.2.8 **Public Health:** A favourable variance position of £0.2m is forecast at quarter 2 in relation to the Cheshire and Merseyside Public Health Partnership (CHAMPS) budget – the surplus will be transferred to reserves as part of active financial planning. Public Health is a ringfenced grant with an annual value £29.7m and projected to be fully utilised. £6.7m of this funding supports public health activities delivered by the Council, representing a significant funding stream. Costs relating to the Council's response to the pandemic are dealt with in section 3.9 of this report and do not impact here.
- 3.2.9 **Wirral Intelligence Team:** A favourable variance of £0.05m is forecast at quarter 2. The minor forecast surplus within this service area is due to notional slippage against various posts.
- 3.2.10 **Movement on reserves:** The movement within reserves relates to the Cheshire and Merseyside Public Health Partnership (CHAMPS) budget. A project is underway to realign the budget for CHAMPS outcomes, which is expected to inform on the reserves position.
- 3.2.11 **Pressures and Savings Statement:** The reduced 'cost of care' burden on the revenue budget as noted above, will be offset by the increased risk of non-achievement of the full £3.75m of efficiency savings. £2.75m of these savings are considered high risk of non-achievement.

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

	Full Year		Variance		Adv/Fav
	Budget	Forecast	(+ Fav, - Adv)		
	£000	£000	£000	%	
Income	(83,919)	(84,235)	316	0%	Favourable
Expenditure					
Employee	5,786	5,288	499	9%	Favourable
Non Pay	47,506	47,716	(210)	0%	Adverse
Cost of Care	127,813	128,180	(367)	0%	Adverse
Total Expenditure	181,105	181,184	(79)	0%	
Directorate Surplus / (Deficit)	97,185	96,949	237	0%	Favourable
Support / Admin Building Overhead	3,577	3,577	0	0%	
Movement on Reserves	5,864	6,045	(181)	-3%	Adverse
Total Surplus / (Deficit)	106,627	106,571	56	0%	

3.2.12 Income: A favourable variance of £0.3m is reported at quarter 2. There has been an increase in the number of care packages within Adult Social Care that are jointly funded with Wirral CCG which is contributing to the over-achievement of income.

3.2.13 Employees: A favourable variance of £0.5m is reported at quarter 2. £0.2m of the forecast surplus relates to Public Health and CHAMPS grant funded services – this will be carried forward in reserves and the forecast above reflects this accordingly. There are minor variances against various posts within Wirral Intelligence Service and Adult Social Care.

3.2.14 Non Pay: An adverse variance of £0.2m is reported at quarter 2. £0.1m relates to the early intervention and prevention (EIP) commissions and £0.1m is an unplanned contribution to the LCR relating to previous financial years.

3.2.15 Cost of Care: An adverse variance of £0.4m is reported at quarter 2. The forecast deficit position is due to the increased risk of non-achievement of efficiency savings, approved at the start of the financial year and prior to the COVID-19 pandemic. In the current circumstances, it is difficult to forecast with confidence the likely progress toward the achievement of these savings at this time.

3.3 Children, Families and Education

3.3.1 The overall financial forecast of Children, Families and Education shows a full year adverse position of £2.058m.

The Covid-19 pandemic has resulted in a recognised risk of significant placement demand pressures transpiring later in 2020/21; as the full impact of Covid-19 emerges, the current estimate of this is a 5% increase in placements, which amounts to £0.6m forecast for the full financial year. A forecast overspend on In House Foster Care Skills payments, which is a 5% contingency of £0.19m for additional Covid-19 pressure for the rest of year. This is due to in house foster carers being unable to work as children are self-isolating or unable to attend school due to covid-19 restrictions meaning the year group are unable to attend. Willowtree Residential Unit has a £0.133m pressure on staffing which is due to extra staff being required to cover shifts were other staff members or children have been self-isolating. Within Schools-Core, there is £1m overspend projected on Transport is due to social distancing on the vehicles resulting in less children in each vehicle and more vehicles required to provide transport.

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

	Full Year		Variance		Adv/Fav
	Budget	Forecast	(+ Fav, - Adv)		
	£000	£000	£000	%	
Children and Families	48,415	49,862	(1,447)	-3%	Adverse
Early Help and Prevention	11,868	11,791	77	1%	
Modernisation and Support	5,032	4,720	312	6%	Favourable
Schools - Core	10,110	11,110	(1,000)	-10%	Adverse
Schools - DSG	(5,544)	(5,544)	0	0%	
Directorate Surplus / (Deficit)	76,118	78,176	(2,058)	-3%	Adverse
Support / Admin Building Overhead	7,792	7,792	0	0%	
Movement on Reserves	6,238	6,238	0	0%	
Total Surplus / (Deficit)	83,910	85,968	(2,058)	-2%	Adverse

3.3.2 Children and Families: Children and Families area is reporting a £1.447m forecast deficit. This is due to a £0.472m pressure on placements particularly on independent residential and semi residential placements as high rate increases are impacting on the service and £0.242m on Allowances which is made up of a £0.052m forecast overspend on in house foster care skills payments (no budget), plus a 5% contingency of £0.190m for additional Covid-19 pressure in rest of year and £0.133m on staffing in Willowtree residential service. The service reviews high cost placements on a two-week basis to manage and reduce their prevalence. The service has started a project to improve the offer for residential services, including Willowtree, to improve outcomes and drive future efficiencies.

Although the indirect financial impact of Covid-19 across this area has been managed to date there is a risk of significant pressures transpiring later in 2020/21 as the full impact of Covid-19 emerges; a conservative estimate of 5% increase in demand has been forecast. There is an expectation that the number of looked after children (LAC) will increase due to reduced community-based activities in the current climate which support families and prevent children entering the care system (amounting to £0.6m for the remaining 6 months Oct to March). The Covid-19 impact on referrals is reviewed weekly by the service, to date no action had been required.

3.3.3 Modernisation and Support: Overall, full year favourable forecast variance of £0.077m is reported due to staffing being budgeted at the top of the pay scale but not all staff are at this level, in addition not all staff are members of the pension scheme.

3.3.4 Early help & Prevention: Early Help & Prevention is forecast to be £0.312m in surplus at year-end. This surplus is mostly due to staffing being budgeted at top of scale but not all staff are paid at top of scale as well as staff on maternity leave and/or have opted out of the pension scheme. There is also a delay in the implementation of the PAUSE program until October 2020. PAUSE is a programme which aims to reduce the demand for Children's social services by working with women who are at risk of repeated pregnancies that result in children being removed from their care.

The new Emergency Duty Team staffing model, which was to reduce cost pressures, was planned for implementation in April 2020 but has been delayed until January 2021 due to the current Covid-19 pandemic. There is also a £0.1m Agency Staff pressure of whom are mostly backfilling vacancies.

3.3.5 Schools – core: It is expected that services will be delivered with a deficit of £1m at year-end. The Children's Assisted Travel total annual budget of £3.5m has been transferred into Children's Services. This service was previously held in the Neighbourhoods directorate and has moved to this area to more closely manage the key driver of expenditure, demand for the service. This is to assist in monitoring the quality and cost of the service to ensure value for money. The £1m overspend projected on transport is split £0.560m transport autumn term; £0.440m transport spring 21 term. This is due to social distancing on the vehicles resulting in less children in each vehicle and more vehicles being required to provide transport. The transport position for 2020-21 and Covid-19 restrictions is currently being reviewed weekly.

3.3.6 Schools – DSG: The full year position for 2020-21 is forecast to be balanced. Schools DSG reflects the position reported at Schools Forum on 29th September which is currently forecasting an operational overspend of £1.7m due to demand for High Needs support. The overspend will be off-set by use of the DSG reserve to deliver a balanced position at the end of the financial year. This is the third consecutive year that the DSG reserve has been used to off-set in-year expenditure and this will result in a deficit (overcommitted) reserve of £3m by the end of 2020-21. The deficit position will need to be recovered in future years and the service are currently developing a deficit recovery plan. It should be noted that the DSG reserve is entirely ringfenced to DSG activity and does not impact Wirral Council reserves position.

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

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(383,306)	(384,116)	810	0%	Favourable
Expenditure					
Employee	167,039	167,034	5	0%	
Non Pay	261,151	265,231	(4,081)	-2%	Adverse
Cost of Care	24,997	26,665	(1,668)	-7%	Adverse
Total Expenditure	453,186	458,930	(5,744)	-1%	Adverse
Directorate Surplus / (Deficit)	69,880	74,814	(4,934)	-7%	Adverse
Support / Admin Building Overhead	7,792	7,792	0	0%	
Movement on Reserves	6,238	6,238	0	0%	
Total Surplus / (Deficit)	83,910	85,968	(2,058)	-2%	Adverse

- 3.3.7 **Income:** Income is forecast to overachieve due to holding no budget for Adoption Support Fund, Leaving Care grant and Unaccompanied Asylum-Seeking Children grant income.
- 3.3.8 **Employees:** Employees cost has a variance of £0.005m favourable although the Modernisation and Early Years and prevention have staffing surpluses the use of agency staff in other areas Children’s and Families and Schools Core off set this surplus.
- 3.3.9 **Non pay:** The £4.08m adverse variance is made up of the following main variances. A £2.3m pressure in the High Needs Service due to increased demand, which is off set using reserves. The £1m overspend projected on Transport is due to social distancing on the vehicles resulting in less children in each vehicle and more vehicles required to provide transport. Pressure on placements particularly on independent residential and semi residential placements as high rate increases are impacting on the service.
- 3.3.10 **Cost of Care:** Cost of care had an adverse variance of £1,668m. This is due to a £0.472m pressure on placements particularly on independent residential and semi residential placements as high rate increases are impacting on the service and £0.242m on Allowances. There is an expectation that the number of looked after children (LAC) will increase due to reduced community-based activities in the current

climate which support families and prevent children entering the care system (amounting to £0.6m for the remaining 6 months Oct to March).

3.3.11 **Reserves:** Reserves show a forecast variance of £2.876m. This is due to Schools DSG contribution to reserves forecast to be £2.36m less than planned due to demand in the High Needs service. It should be noted that the DSG reserve is entirely ringfenced to DSG activity and does not impact Wirral Council reserves position. £0.204m is to be used in Early years to support the intensive family intervention Project. Schools core Reserves – forecast usage of £0.313m being Carried forward School Brokerage & Monitoring Grant to support related costs in School Improvement £0.208m. Carried forward SEND Implementation grant to cover the cost of 2 posts for 12 months £0.105m.

3.4 Resources

3.4.1 As at the end of September 20 (Quarter 2), the forecast for Resources is an adverse variance of £1.3m against a budget of £21m. This is largely driven by COVID-19 pressures on services, which include Treasury Management, additional ICT requirements, Traded Services with Schools and additional staffing.

TABLE 6 2020/21 Resources – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv)	%	
Finance & Investment	9,396	8,361	1,036	11%	Favourable
HR & OD	(921)	(969)	48	-5%	Adverse
Digital & Improvement	5,419	6,245	(826)	-15%	Adverse
Revenues & Benefits	518	2,127	(1,609)	-310%	Adverse
Audit, Risk & Business Continuity	2	(33)	35	1906%	Favourable
Directorate Surplus / (Deficit)	14,415	15,731	(1,317)	-9%	Adverse
Support / Admin Building Overhead	6,562	6,562	0	0%	
Movement on Reserves	0	0	0		
Total Surplus / (Deficit)	20,977	22,293	(1,317)	-6%	Adverse

3.4.2 **Finance & Investment:** There is an anticipated favourable variance of £1.036m. There are two key drivers, an adverse position relating to treasury income, due to a number of factors - interest rates reducing from 0.75% to 0.1% in the last 6 months, minimising interest receipts plus the response to COVID-19 whilst investment

opportunities have been further curtailed in-year leading to lower returns than anticipated. This is mitigated by the favourable variance due to delays to the borrowing requirements for the capital programme. A £0.284m pressure from additional finance staffing due to additional monitoring and reporting requirements relating to COVID-19 and to backfill posts vacant due to sickness also contributes to the forecast position.

3.4.3 Digital & Improvement: The ICT Division has an expected adverse variance of £0.826m. £0.290m pressure is related to a drop in custom for Schools Technical Services, £0.172m combined income pressure from ICT traded services due to COVID-19. £0.217m pressure as a direct result of providing additional software and devices to enable working from home and for council departments to work more independently under the new COVID-19 work environment. £0.169m pressure from additional mobile phone purchases and running cost increase again due to COVID-19 restrictions and work environments. Mobile phones are in high demand due to the number of staff working from home. To try and reduce costs the ICT department is working with council Heads of Service to drive efficient use of mobile phones at home.

3.4.4 Revenue & Benefits: £1.60m Income target for Summons is not anticipated to be achieved in 20/21 due to a cabinet decision to pause recovery actions in respect of council tax debt. If recovery actions are re-instated, some income may be recoverable in future years, income that cannot be recovered will become a bad debt pressure.

TABLE 7 2020/21 Resources – Subjective Budget & Forecast

	Full Year				
	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(192,439)	(169,032)	(23,407)	-12%	Adverse
Expenditure					
Employee	28,389	24,126	4,263	15%	Favourable
Non Pay	178,465	160,637	17,828	10%	Favourable
Total Expenditure	206,853	184,763	22,091	11%	Favourable
Directorate Surplus / (Deficit)	14,415	15,731	(1,317)	-9%	Adverse
Support / Admin Building Overhead	6,562	6,562	0	0%	
Movement on Reserves	0	0	0	0%	
Total Surplus / (Deficit)	20,977	22,293	(1,317)	-6%	Adverse

3.4.5 **Income:** The income has been severely impacted by Covid-19 which has affected treasury income due to dropping interest rates; traded services have seen reduced custom from schools for technical services and court summons income is reduced to courts being closed.

3.4.6 **Employees:** The favourable variance is largely driven by vacancy slippage.

3.4.7 **Non Pay:** The favourable variance is driven by under-utilisation of the capital programme and there is budget for contingency of £3.16m, which is forecast to zero and is held to support the wider organisational pressure.

3.4.8 **Resources – Pressures and Savings Statement:** The original savings contained within the Resources directorate related to Treasury Investment income, which as described in paragraph 3.4.5, are negatively impacted by COVID-19. Delays in the implementation of the Capital Programme have reduced the revenue cost of capital pressures.

3.5 Legal & Governance

3.5.1 As at the end of September 2020 (Quarter 2) the forecast year-end position for Legal & Governance is an overspend of £0.424m against a budget of £5.7m. The Legal and Governance directorate were subject to a significant restructure, which included a change to the service model for the Legal Function and a change to the Committee system, COVID-19 has delayed the implementation of these projects, which has increased reliance on locum support.

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

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Law & Governance	1,770	1,827	(56)	-3%	Adverse
Legal Services	1,305	1,641	(336)	-26%	Adverse
Democratic & Member Services	3,182	3,099	84	3%	Favourable
Coroners Services	680	680	0	0%	
Directorate Surplus / (Deficit)	6,937	7,246	(309)	-4%	Adverse
Movement on Reserves	(741)	(626)	(115)	15%	Favourable
Support / Admin Building Overhead	(481)	(481)	0	0%	
Total Surplus / (Deficit)	5,715	6,139	(424)	-7%	Adverse

- 3.5.2 **Law & Governance:** Reporting a forecast £0.056m adverse variance which consists of £0.015m departmental turnover savings not being achievable, £0.055m Court Costs not expected to be realised, both of which are caused by COVID-19. This is offset by £0.011m small underspends on staff and advertising costs.
- 3.5.3 **Legal Services:** Reporting a £0.336m adverse variance. £0.062m is driven reduced demand for licencing, negatively impacting income. The remainder consists the use of agency staff (adverse variance £0.833m) to support delays in the recruitment of vacant posts (favourable variance of £0.621m) mainly in the Safeguarding Team.
- 3.5.4 **Democratic & Members Services:** Reporting a £0.084m favourable forecast variance. This includes an adverse variance of £0.277m income shortfall for wedding bookings due to Covid-19, and some low level adverse variances across a range of non-pay expenditure. The overall favourable variance is driven by £0.326m underspend on vacancies and £0.033m non-pay expenditure relating to Municipal Elections not going ahead in 20/21.
- 3.5.5 **Coroners Service:** Reporting a balanced budget. Excess death costs caused by COVID-19 are covered by COVID-19 specific funding.

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

	Full Year				
	Budget	Forecast	Variance	Adv/Fav	
	£000	£000	(+ Fav, - Adv) £000 %		
Income	(3,516)	(3,197)	(320)	-9%	Adverse
Expenditure					
Employee	4,112	4,062	50	1%	Favourable
Non Pay	6,342	6,381	(39)	-1%	Adverse
Cost of Care	0	0	0	0%	
Total Expenditure	10,454	10,443	11	0%	Favourable
Directorate Surplus / (Deficit)	6,937	7,246	(309)	-4%	Adverse
Movement on Reserves	(741)	(626)	(115)	15%	
Support / Admin Building Overhead	(481)	(481)	0	0%	
Total Surplus / (Deficit)	5,715	6,139	(424)	-7%	Adverse

3.5.6 **Income:** The income within Law & Governance has been severely impacted due to services being closed during the current pandemic. There is still a great deal of uncertainty driven by changes to national guidelines, and this income will be alleviated, in part, by the national Sales, Fees and Income mitigation, however the situation is being closely monitored.

3.5.6 **Movement on reserves:** The reserves for Legal & Governance are held to support a permanent restructure. Due to delays in recruitment to the permanent restructure £0.115m of reserves are not being drawn down at this time but will be required in the future.

3.5.7 **Legal & Governance – Pressures and Savings Statement**

No savings targets were highlighted in this area.

3.6 **Regeneration & Place**

3.6.1 As at the end of September 20 (Quarter 2) the forecast year-end position for Regeneration & Place is a small favourable variance of £0.367m against a budget of £35.6m. This is largely in the Housing Service and Asset Management.

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

	Full Year		Variance		Adv/Fav
	Budget	Forecast	(+ Fav, - Adv)	%	
	£000	£000	£000	%	
Regeneration	25,380	25,639	(259)	-1%	Adverse
Housing	6,714	6,180	534	8%	Favourable
Asset Management & Investment	4,416	4,060	356	8%	Favourable
Planning	827	1,040	(213)	-26%	Adverse
Special Projects	141	141	(0)	0%	Adverse
Local Plan	1,522	1,522	(0)	0%	Adverse
Directorate Surplus / (Deficit)	38,999	38,581	419	1%	Favourable
Support / Admin Building Overhead	(2,261)	(2,261)	0	0%	
Movement on Reserves	(1,122)	(1,071)	(51)	5%	Adverse
Total Surplus / (Deficit)	35,616	35,249	367	1%	Favourable

3.6.2 **Regeneration:** £0.259m adverse position has been driven by the in-year delay to the strategic restructure for the Regeneration and Place team. Originally, permanent budget growth was agreed to enable a full a restructure. In light of the difficulties for the organisation caused by Covid-19, both the restructure and budget growth have been rephased to 2021/22. However urgent activity did need to be conducted, and this is being delivered by locum staff, the expense of this shows within this service.

As this represents a temporary expense, the adverse variance is offset by the wider directorate favourable variances.

- 3.6.3 **Housing:** Reporting a favourable forecast position of £0.534m. The service is maximising the use of one-off grants for Homelessness and the opportunities to utilise Better Care Fund to offset service expenditure thus alleviating budget. £0.15m favourable forecast variance is from Supported Housing as the revised forecast of the supported housing contract is based on current occupancy rates and increased income recovery from minor works carried out by the home adaptation team.
- 3.6.4 **Asset Management & Investment:** Reporting a favourable forecast position of £0.356m. The favourable forecast variance is due to the temporary closure of buildings, and represents an under-utilisation of the Disabled Access scheme (£0.1m) and the reduction in running costs, including the carbon offsetting scheme, of Council buildings due to closures of these buildings. These favourable balances are offsetting the adverse forecast from rent income loss anticipated from Birkenhead Market, which has been significantly impacted by Covid-19.
- 3.6.5 **Chief Planner:** The adverse forecast variance of £0.213m is due to the reduction of Planning Application income and additional pressure from the increased contract/exceedance costs of Merseyside Environmental Advisory Service.
- 3.6.6 **Local Plan:** Reported balanced position utilising the earmarked reserve.
- 3.6.7 **Movement of Reserves:** This reserve is primarily held for the Local Plan.

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

	Full Year				
	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Income	(10,331)	(11,369)	1,038	10%	Favourable
Expenditure					
Employee	12,052	12,476	(424)	-4%	Adverse
Non Pay	37,279	37,473	(195)	-1%	Adverse
Cost of Care	0	0	0	0%	
Total Expenditure	49,331	49,950	(619)	-1%	Adverse
Directorate Surplus / (Deficit)	38,999	38,581	419	1%	Favourable
Support / Admin Building Overhead	(2,261)	(2,261)	0		
Movement on Reserves	(1,122)	(1,071)	(51)		
Total Surplus / (Deficit)	35,616	35,249	367	1%	Favourable

3.6.8 **Income:** The favourable position of income is due to one off grants and utilisation of capital funding within the Housing Services, which is offset by increased forecast in Employee and Non Pay which are shown as adverse position.

3.6.9 **Employee:** Permanent recruitment has been delayed meaning that Regeneration and Place are reliant on more expensive locum staff.

3.6.10 **Non Pay:** The adverse variance has been caused by pressure from the increased contract/exceedance costs of Merseyside Environmental Advisory Service, within the Chief Planning department.

3.7 Neighbourhoods

3.7.1 The Neighbourhoods directorate is predicting an adverse budget variance of £12.271m at year-end. This is due to income losses within Leisure Centres, Floral Pavilion, Car Parking and Garden Waste Subscriptions due to temporary closures and suspension of these services from the beginning of the year, due to the outbreak of COVID-19. Garden Waste collections recommenced in May, with subscriptions for 2020/21 being received in August. Income generated from other services affected by COVID-19 has been minimal for the first 2 quarters.

Plans for the phased reopening of Leisure Centres, Libraries and Museums were delayed until the necessary work was carried out to make them COVID secure. This work is underway in the Leisure Centres and one centre partially reopened in September. However, given the recent government guidance Leisure centres were ordered to temporarily close and plans for phased reopening of buildings were put on hold. This impacts on income generation across the service, with all forecasts now assuming no income generation for the first 3 quarters of the year and minimal income achieved for the final quarter. The service is attempting to partially mitigate the losses by maximising income generation from activities that are permitted. In addition, some savings have been achieved relating to utilities and premises costs.

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

Financial projections pre COVID-19 would have anticipated a forecast balanced budget, but COVID-19 has decimated the income possibilities for 2020/21. Total income for the affected areas was budgeted at £15.654m for the year, therefore as the total income shortfall is currently predicted to be in excess of £12m, a reduction of almost 65% is evident in the forecast.

TABLE 12 2020/21 Neighbourhoods – Service Budget & Forecast

	Full Year				Adv/Fav
	Budget	Forecast	Variance (+ Fav, - Adv)		
	£000	£000	£000	%	
Director of Neighbourhoods	(489)	(489)	0	0%	Favourable
Neighbourhood Safety & Transport	3,388	3,584	(196)	-6%	
Highways and Infrastructure	6,447	8,211	(1,764)	-27%	Adverse
Leisure, Libraries and Customer Engagement	9,944	19,431	(9,487)	-95%	Adverse
Parks and Environment	34,763	35,589	(825)	-2%	Adverse
Directorate Surplus / (Deficit)	54,054	66,325	(12,271)	-23%	Adverse
Movement on Reserves	(1,341)	(1,341)	0	0%	
Support / Admin Building Overhead	3,484	3,484	0	0%	
Total Surplus / (Deficit)	56,197	68,469	(12,271)	-22%	Adverse

3.7.1 **Neighbourhood Safety & Transport:** An adverse variance of £0.196m is projected as at Quarter 2. This is mainly due to an under achievement of income within

Community Patrol following the loss of several contracts in previous years. The service has attempted to seek additional income generation opportunities for new clients, however there is an insufficient market for this.

The overall position has improved since Quarter 1 as Assisted Travel and SEN Transport budgets have been transferred out of Neighbourhoods to Children's Services as they are responsible for commissioning this service. There is a planned review of the future staffing requirements for the service later in the year to mitigate the loss that will be incorporated into the wider Neighbourhoods review.

- 3.7.2 Highways & Infrastructure:** An adverse variance of £1.764m is projected as at Quarter 2. This is due to a loss of Car Parking income following temporary suspension of charges. In Quarter 1 it was assumed car parking would recommence in August. However, given recent decisions taken by Members, it is now assumed that there will be no income generated from car parking this year.

At present, Car Parking is projecting an adverse variance of £1.834m (other minor variances in this service area offset this in part). 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.

- 3.7.3 Leisure, Libraries and Customer Engagement:** This area covers Leisure Centres, Golf Courses, Libraries, Museums and the Floral Pavilion. All income associated with these services ceased from 23rd March due to COVID-19 restrictions. Government guidance allowed for these services to recommence from the end of July, however planned reopening was delayed so that work could be carried out to make them COVID secure at significant additional costs. The service planned a phased reopening of these buildings from August onwards. However, the phased reopening is subject to delay due to additional activity required to make leisure centres Covid secure.

As a result of this, the area is projecting an adverse variance of £9.49m. This is predominantly due to loss of income within Leisure Centres (£7.8m) because of their temporary closure. The service has worked to mitigate losses through premises and contracts savings. Work is also being carried out to maximise income generation from Golf, outdoor football, and outdoor exercise classes.

In future the service may be limited further in the amount of income generated from Leisure Centres as there are plans to utilise some sites for vaccination centres and there is the possibility sites could be required again if the food hub is reinstated later in the year. Additional income may be available from partnership agencies to fund the additional costs of running these centres.

The Floral Pavilion is projecting an adverse variance due to underachievement of income of £2.2m. This assumes that the service will not fully reopen for live shows for the remainder of the financial year. The service has partially mitigated this through savings against Supplies and Third-Party payments to production companies.

A small amount of income is projected relating to the catering offer. There are smaller income losses expected relating to Libraries (£0.179m) and Museums (£0.021m), with neither service projected to achieve any of their income targets this year. Capital projects which were planned to improve income generation in these areas have been delayed due to COVID-19 but there may be plans to continue with them later this financial year subject to review.

3.7.4 Parks & Environment: An adverse variance of £0.825m is projected as at Quarter 2. This is due to temporary suspension of the Garden Waste Service (£0.54m) 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 £0.098m. The other main loss relates to income from football and bowling clubs within Parks (£0.55m), 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 £0.167m, which has resulted in cost avoidance and contributed towards supporting the pollinator programme.

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

3.7.5 Movement on Reserves: Full year forecast is in line with budget

TABLE 13 2020/21 Neighbourhoods – Subjective Budget & Forecast

	Full Year				
	Budget	Forecast	Variance		Adv/Fav
	£000	£000	£000	%	
Income	(31,743)	(18,318)	(13,425)	-42%	Adverse
Expenditure					
Employee	32,577	32,577	(0)	0%	Adverse
Non Pay	53,147	51,993	1,154	2%	Favourable
Cost of Care	73	73	0	0%	
Total Expenditure	85,797	84,643	1,154	1%	Favourable
Directorate Surplus / (Deficit)	54,054	66,325	(12,271)	-23%	Adverse
Support / Admin Building Overhead	3,484	3,484	0	0%	
Movement on Reserves	(1,341)	(1,341)	0	0%	
Total Surplus / (Deficit)	56,197	68,469	(12,271)	-22%	Adverse

3.7.6 The overall projected adverse position of £12.271m 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 mitigation, Please see table 1.

3.8 Chief Executive's Office

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

	Full Year				Adv/Fav
	Budget £000	Forecast £000	Variance (+ Fav, - Adv) £000 %		
Chief Executive Office	3,255	3,686	(431)	-13%	Adverse
Directorate Surplus / (Deficit)	3,255	3,686	(431)	-13%	Adverse
Movement on Reserves	0	0	0	0%	
Support / Admin Building Overhead	(2,229)	(2,229)	0	0%	
Total Surplus / (Deficit)	1,026	1,457	(431)	-42%	Adverse

3.8.3 **Chief Executive Office:** There is a £0.431m forecast adverse variance which is mainly due to £0.155m loss of income in Corporate Marketing, £0.348m due to the secondment of a senior member of staff to the Corporate Office.

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

	Full Year				Adv/Fav
	Budget £000	Forecast £000	Variance (+ Fav, - Adv) £000 %		
Income	(438)	(284)	(155)	-35%	Adverse
Expenditure					
Employee	3,316	3,664	(348)	-11%	Adverse
Non Pay	377	306	71	19%	Favourable
Cost of Care	0	0	0	0%	
Total Expenditure	3,693	3,970	(277)	-7%	Adverse
Total Surplus / (Deficit)	3,255	3,686	(431)	-13%	Adverse
Support / Admin Building Overhead	(2,229)	(2,229)	0	0%	
Movement on Reserves	0	0	0	0%	
Total Surplus / (Deficit)	1,026	1,457	(431)	-42%	Adverse

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

3.8.2 **Employee Expenditure:** The adverse variance driven by the secondment of a senior officer to the Corporate Office.

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

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

TABLE 16 2020/21 Cross Cutting Initiatives

	Full Year		Variance		Adv/Fav
	Original Saving Proposal	Saving Achieved	(+ Fav, - Adv)		
	£000	£000	£000	%	
Savings Initiative					
Income	0	0	0	0%	
Expenditure					
Employee - New Council Model	(5,000)	(4,466)	(534)	-11%	Adverse
Employee - Capitalisation of Salaries	(1,550)	(1,550)	0	0%	
Non Pay - Contract Reduction	(4,550)	0	(4,550)	-100%	Adverse
Non Pay - Zero Based Budget	(640)	(354)	(286)	-45%	Adverse
Total Surplus / (Deficit)	(11,740)	(6,370)	(5,370)	-46%	Adverse
Capital Receipts	(4,500)	(2,020)	(2,480)	-55%	Adverse

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

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

3.8.7 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 (see table 18), but work is underway to ensure that savings of this nature are deliverable in future periods.

- 3.8.8 The allocation of savings to New Council Model represent a temporary salary saving driven by organisational-wide vacancy slippage and the implementation of a recruitment freeze, which started in September. The Senior Leadership Team review, and where appropriate, authorise any recruitment to vacant posts. Recruitment activity will reduce the value of this saving over time.
- 3.8.9 The zero based budget activity represents savings from stationery and mileage, largely driven by the workforce largely working from home. If home-working continues to operate in the same way as it is currently operating, this saving will be permanent.
- 3.8.10 A large scale review of contract reduction is underway, the full saving is limited by both the availability of internal resources to deliver the project and national restrictions imposed due to Covid-19, however a full view will be reported in quarter 3.
- 3.8.8 In addition to this, the flexible use of capital receipts, which can be used to support transformational change (revenue expenditure), are limited by issues arising through assets which will not achieve their expected selling price.

TABLE 17 2020/21 NATIONAL COVID-19 ADDITIONAL FUNDING AND ALLOCATION

Funding Title	Received for Council use £000	Received and Passported £000
Emergency Covid-19 Funding (three tranches)	23,937.380	0
Council Tax Hardship Fund	3,910.992	0
Emergency Fund for Rough Sleepers	4,000	0
Care Home Infection Control Fund Round 1	1,185.880	3,557.641
Care Home Infection Control Fund Round 2	817.461	3,268,844
Re-opening High Streets Safely Fund	286.292	0
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	0	61,014.250
Local Authority Discretionary Grant Funding	0	2,637.750
Business Grants New Burdens Grant	170.000	0
Test and Trace Funding	2,733.018	0
Local Authority Emergency Assistance Grant for Food and Essential Supplies	453.829	0
Business Improvement District Funding	0	21.844
Test & Trace £500 Payments	0	165.500
Test & Trace £500 Discretionary	0	99.321
Test & Trace Administration Costs	44.626	0
LA Compliance & Enforcement Grant	198.512	
Total Funding	33,741.990	70,765.150
Additional funding notified but not yet received:		
Tranche 4 Funding	5,428.456	
<i>Tier 3 Funding notified to LCR – Proposed Wirral share – Total £3.368m:</i>		
Enforcement	478.000	
Test and Trace	2,701.000	
Clinically Extremely Vulnerable People (Shielded)	189.000	
Revised Total	42,538.446	70,765.150
Total LCR Allocation support for businesses – as yet unallocated		30,000.000
Section 31 Grants Business Rate Relief		32,028.000
Budget Recommendation Total	42,538.446	132,793.150

3.9.1 **Additional Grants:** We have been awarded an additional 2 Grants since we reported in Q1 totalling £4.286m.

3.9.2 **Care Home Infection Control Fund – Tranche 2:** £4.087m

The Adult Social Care Infection Control Fund was first introduced in May 2020 and was initially worth £600 million. The purpose of this fund is to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of COVID-19 transmission within and between care

settings, in particular by helping to reduce the need for staff movements between sites. Due to its success in limiting the transmission of COVID-19 within and between care settings, the Adult Social Care Infection Control Fund has been extended until March 2021, with an extra £546 million of funding. Wirral Council's element of this funding is £4.087m .

The guidance issued with the funding states that the monies must be used for COVID-19 infection control measures. Local authorities should pass 80% of each instalment to care homes within the local authority's geographical area on a 'per beds' basis and CQC-regulated community care providers (domiciliary care, extra care and supported living) within the local authority's geographical area on a 'per user' basis. The other 20% of the funding must be used to support care providers to take additional steps to tackle the risk of COVID-19 infections but can be allocated at the local authority's discretion.

3.9.3 Compliance & Enforcement Funding: £0.199m

On the 22nd September 2020 the Prime Minister announced that £60m will be made available across the police and local authorities for compliance and enforcement activities.

Of the £60m, £30m is being allocated to all district and unitary authorities including Metropolitan borough and London borough councils in England to spend on COVID-19 related compliance and enforcement activities.

It has been indicated that where appropriate, they would encourage local authorities to consider using this funding for the deployment of COVID-19 secure marshals, or their equivalents, to support compliance. The guidance given focuses on supporting local authorities who are deploying marshals, wardens, stewards, ambassadors or similar roles to support compliance social distancing in public places.

3.9.4 Emergency Covid-19 Funding – Tranche 4

The three tranches of the COVID-19 Emergency funding provided in March, April and July were un-ringfenced, in that they were to provide a direct response to the COVID-19 emergency but within the discretion of Local Authorities as to where they would direct this funding.

A fourth tranche of funding to support the emergency COVID-19 response was announced on 22nd October 2020, of which £5.428m was awarded to Wirral. The allocation of this funding and monies will be on the same basis as the first three Tranches and will be at Wirral's discretion but with clear expectations. We have yet to receive the payment and the allocation of this grant will much depend on the emergency response needed in the coming weeks and months.

3.9.5 Tier 3 Support Funding: Government has indicated that there will be additional funding available to support Wirral's move into Tier 3 restrictions. This amount is currently estimated at £3.368m. £0.478m will support Enforcement activity, £2.701m will support Test and Trace and £0.189m will be aimed at supporting clinically

vulnerable people. This funding is expected to cover additional Tier 3 expenses not yet included in the Quarter 2 forecast, and will not reduce the organisational gap.

3.9.6 The request for Policy and Resources Committee recommend to Council the increased budget in relation to Covid-19 funding of £42.538m, which is for Council use and note the additional £132.793m of funds that is to be made available to the Council for onward relay to other organisations as passported funding; a total sum of £175.33m is therefore the combined Covid-19 funding being received by the Council based on current information. This recommendation supersedes the recommendation made by Policy & Resources Committee on 7th October, following the recent notification of additional funding.

3.10 Medium Term Financial Plan (MTFP)

TABLE 18: 2020/21 Medium Term Financial Plan Summary

BUDGET GAP	20-21 £m	21-22 £m	22-23 £m	23-24 £m	24-25 £m	25-26 £m
20-21 Budget Requirement / Baseline	304.7	304.7	346.1	348.0	363.6	374.9
Pressures/Investments	30.3	53.5	15.1	15.6	11.3	11.4
Savings	(8.6)	(12.2)	(13.2)	-	-	-
Total Budget Requirement	326.3	346.1	348.0	363.6	374.9	386.3
Funded By :						
Business Rates	(138.2)	(120.1)	(121.7)	(124.3)	(126.3)	(126.3)
Council Tax	(150.2)	(153.1)	(157.6)	(162.2)	(166.9)	(166.9)
Other funding arrangements	(13.8)	(12.2)	(7.5)	(7.4)	(11.3)	(11.3)
Total Funding (excluding Covid)	(302.2)	(285.3)	(286.7)	(293.8)	(304.5)	(304.5)
Total Budget Gap at Q2	24.1	60.8	61.3	69.8	70.4	81.8
Mitigations anticipated:						
<i>Estimated Government support for lost Sales, fees & charges (SFC) income</i>	(9.3)					
Estimated Budget Gap	14.8	60.8	61.3	69.8	70.4	81.8

3.10.1 A more detailed extract from the MTFP can be found in Appendix 2.

3.10.2 COVID-19 activity has limited the Council's ability to deliver in-year savings, which would have supported a more sustainable position in 2021-22 and onwards. Key areas of concern are: reduced business rates / council tax collection; reduced income from services, increased costs for care and increased demand for services. As the situation is changing, the ability to assess the scale of the ongoing issue is limited.

- 3.10.3 It is reasonable to note that some savings initiatives which were predicted to be delivered in 2020/21 could be partially delivered in 2020/21, dependent on changes to the current environment. If this materialises, this will reduce the gap in 2021/22. The recent move of the Liverpool City Region into tier 3 status may further limit opportunities for recovery.
- 3.10.4 Government have indicated that the impact of business rates / council tax losses may be smoothed over a longer period of time, which will alleviate the immediate pressure in 2021/22 but at the time of writing, information is still awaited from central government as to whether this flexibility will be granted and which would be needed to assess the impact of this measure.
- 3.10.5 The announcement of the national fair funding review is delayed, this makes long term financial planning more difficult to assess.
- 3.10.6 Access to reserves / use of capital receipts. These are one-off sources of funding, which are depleted and therefore the use of them to support revenue budgets is limited.
- 3.10.7 There are likely to be pressures arising as a result of changes in the environment driven by COVID-19.
- 3.10.8 Following agreement at Policy and Resources Committee in October 2020, a capitalisation directive was submitted for an in-principle sum of £63.528m (£23.910m for 2020/21 and £39.618m in 2021/22). A review of this request is underway, by the Local Government Association (LGA). However, since the original request was submitted, further work on the in-year savings has resulted in a more favourable position, and this could reduce the request. It should be noted that in order to continue to develop our longer-terms financial sustainability strategy, additional resource requirement has been identified for a fixed-term, which would be included as part of the capitalisation request. The LGA review will validate the revised submission.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 2 budget monitoring report that provides information on the forecast outturn for the Council for 2020/21. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is routinely reported at Directorate Management Team meetings and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

5.1 The entire report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114 to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 The possible failure to deliver the Revenue Budget is being mitigated by:

1. Senior Leadership / Directorate Teams regularly reviewing the financial position.
2. Availability of General Fund Balances.
3. Review of existing services and service provision.
4. Capitalisation directive, please see 3.10.8

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

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APPENDICES

Appendix 1: Revenue Budget and Forecast by Service Committee
Appendix 2: 2020/21 MEDIUM TERM FINANCIAL PLAN (EXTRACT)

BACKGROUND PAPERS

2020/21 & 2021/22 Covid-19 Budget Position Statement
2021/22 Budget Process

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	7 October 2020

Appendix 1: Revenue Budget and Forecast by Service Committee

Please note that these figures will be provided in the Performance Report at each Service Committee

Environment, Climate Emergency and Transport Committee

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Environment (including parks and open spaces)	7,318	7,701	(383)	-5%	Adverse
Highways management and infrastructure	7,254	9,018	(1,764)	-24%	Adverse
Recycling and waste	28,612	29,054	(442)	-2%	Adverse
Total Surplus / (Deficit)	43,185	45,774	(2,589)	-6%	Adverse

Tourism, Communities, Culture & Leisure Committee

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Community Development	13,013	22,695	(9,682)	-74%	Adverse
Promotion of Community Engagement	1,293	1,293	0	0%	
Total Surplus / (Deficit)	14,306	23,988	(9,682)	-68%	Adverse

Adult

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Adult Social Care	106,142	106,086	56	0%	Favourable
Public Health	485	485	0	0%	

Total Surplus / (Deficit)	106,627	106,571	56	0%	Favourable
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Children

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Education	4,566	5,566	(1,000)	-22%	Adverse
Social Care Services	79,344	80,402	(1,058)	-1%	Adverse
Total Surplus / (Deficit)	83,910	85,968	(2,058)	-2%	Adverse

Housing

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Homelessness	1,159	1,159	0	0%	
Housing Related Support Services	4,703	4,169	534	11%	Favourable
Licensing of Residential Accommodation	886	886	0	0%	
Strategic Housing (Including the Housing Investment Programme)	848	848	0	0%	
Total Surplus / (Deficit)	7,596	7,062	534	7%	Favourable

Economy Regeneration & Development

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Development Projects	23,130	23,277	(147)	-1%	Adverse
Growth and Economic Development	1,640	1,854	(214)	-13%	Adverse
Planning Policies	1,451	1,664	(213)	-15%	

Total Surplus / (Deficit)	26,221	26,795	(574)	-2%	Adverse
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Policy and Resources

	Full Year				
	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Company and Asset Ownership	506	150	356	70%	Favourable
Chief Executive Office	1,026	1,457	(431)	-42%	Adverse
Legal and Governance	5,715	6,139	(424)	-7%	Adverse
Resources	20,977	22,295	(1,318)	-6%	Adverse
Cross Cutting Initiatives	(5,370)	0	(5,370)	100%	Favourable
Total Surplus / (Deficit)	22,853	30,040	(7,187)	-31%	Adverse

Business Rates	(138.2)	(120.1)	(121.7)	(124.3)	(126.3)	(126.3)
Council Tax:						
Council Tax base position	(142.4)	(148.7)	(153.1)	(157.6)	(162.2)	(162.2)
Annual increase in number of properties	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)
Inflation	(2.9)	(3.0)	(3.1)	(3.2)	(3.3)	(3.3)
Local Council Tax Reduction Scheme	0.8	-	-	-	-	-
Adult Social Care precept	(2.8)	-	-	-	-	-
	(148.7)	(153.1)	(157.6)	(162.2)	(166.9)	(166.9)
Council Tax surplus - 19/20 - one-off impact in 20/21	(1.5)	-	-	-	-	-
Council Tax	(150.2)	(153.1)	(157.6)	(162.2)	(166.9)	(166.9)
Collection Fund shortfall	-	3.9	3.9	3.9	-	-
New Homes Bonus	(0.5)	(0.1)	(0.1)	-	-	-
Social Care Support Grant	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)
Capital Receipts	(2.0)	(4.7)	-	-	-	-
Budget difference	(0.0)	-	-	-	-	-
Total Funding (excluding Covid)	(302.2)	(285.3)	(286.7)	(293.8)	(304.5)	(304.5)
Total Budget Gap at Q2	24.1	60.8	61.3	69.8	70.4	81.8
Mitigations anticipated:						
<i>Estimated Government support for lost Sales, fees & charges (SFC) income</i>	(9.3)					
Estimated Budget Gap	14.8	60.8	61.3	69.8	70.4	81.8