

**REPORT TO:** Executive Board

**DATE:** 30 July 2020

**REPORTING OFFICER:** Operational Director – Finance

**PORTFOLIO:** Resources

**SUBJECT:** 2020/21 Revenue Spending as at 31 May 2020

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 To report the Council's overall revenue net spending position as at 31 May 2019 together with an initial forecast outturn position.
- 1.2 To report on the financial impact of Covid19 and to outline Government funding made available to the Council to date.

## **2.0 RECOMMENDED: That;**

- (i) **All spending continues to be limited to only absolutely essential items;**
- (ii) **Strategic Directors seek to implement those approved budget savings proposals which are currently proving difficult to action or seek alternative saving proposals;**
- (iii) **Strategic Directors take urgent action to identify areas where spending could be reduced or suspended for the remainder of the current financial year.**

## **3.0 SUPPORTING INFORMATION**

### **Revenue Spending**

- 3.1 Appendix 1 presents a summary of spending against the operational revenue budget (ie. excluding internal recharges) up to 31 May 2020. At this point in overall terms spending is £463,000 above budget. The outturn forecast for the year estimates that total spending will be over budget by £6.616m. This is inclusive of additional costs and estimated income losses incurred as a result of Covid19.
- 3.2 The spending position to date is made up of two elements. Operational day to day net spending is forecast to be over the approved budget by £4.878m, whilst additional costs for Covid19 (inclusive of income losses) is forecast to add a further £1.738m to the budget pressures for the year, after allowing for grant income already received.

- 3.3 Given the scale of this overspend and continuing spending pressures, it is considered important for Executive Board to receive this interim snapshot of revenue spending, prior to receiving the full quarter 1 budget monitoring report.
- 3.4 In March 2020 Council approved the 2020/21 net budget position of £115.770m. To address previous year overspends, budgets have been increased in 2020/21 by £5.2m across Adults and Children's Social Care and £0.490m for the Community and Environment Department.
- 3.5 It should be noted that a prudent approach has been taken to establishing the forecast outturn. At this stage the forecast has largely been based upon 2019/20 spending and income patterns, along with the latest available information from Budget Managers with regard to their spending plans and known service demands. Finance Officers will continue to work closely with Budget Managers and updated forecasts will be provided in future reports.
- 3.6 The forecast position follows the trend of the past number of years where the final outturn for the Council has been a steadily increasing overspend position. In 2016/17 the Council's overall overspend was £0.559m, followed by £1.026m in 2017/18, £2.407m in 2018/19 and £5.296 in 2019/20.

#### **Revenue Spending – COVID19 Related**

- 3.7 The impact of Covid19 has resulted in additional costs for the Council across many services, although particularly within Adult Social Care. In addition to costs, the temporary closure of some services will result in significant shortfalls of income over the financial year. There is also the possibility that the impact will continue to be felt in future years, which will need to be addressed within the Medium Term Financial Forecast.
- 3.8 For the purpose of this report it is assumed the majority of lockdown measures will end in September 2020 and services will then begin to resume to operate as they had done so before the pandemic. Even with this assumption, there is the likelihood of additional costs and loss of income continuing beyond this point and this has been taken into account within the figures. For example, it is considered it will take some considerable time before leisure services volumes will return to the same levels as prior to March 2020. Similarly, additional costs for Adult Social Care may continue to be incurred to support the provision of bed places in the event of a second wave of the pandemic.
- 3.9 The forecast of Covid19 related costs for the year to 31 March 2021 is estimated at £8.531m, with income losses estimated at £2.053m, giving a total cost of £10.584m.
- 3.10 Income losses exclude the impact upon the Collection Fund (council tax and business rates collection). The Collection Fund is accounted for on an estimated basis, of the amount of council tax and business rates income expected to be collected when setting the Council's 2020/21

budget. The Council is allowed to carry forward a year-end deficit on the Collection Fund and therefore any deficit for the current year will be carried forward into 2021/22 and funded in that year. This is likely to have a significant impact upon balancing the 2021/22 budget, which will need to be addressed as part of a review of the Medium Term Financial Forecast. However, Government are considering allowing councils to spread the recovery of the Collection Fund deficit over three years which would smooth the budget impact, although this would negate much of the Council's future growth in business rates and council tax.

- 3.11 The cost to the Collection Fund during 2020/21 as a result of Covid19 is forecast to be £9.973m. This assumes a 35% increase in the number of claimants for the Council Tax Reduction Scheme and an increase in the bad debt provisions for council tax and business rates of 5% and 13% respectively.
- 3.12 To date the Council has received three tranches of un-ringfenced funding to cover general costs associated with Covid19. In total the funding allocated to date is £9.284m of which £0.438m was used in meeting costs incurred in 2019/20, leaving £8.846m available for 2020/21.
- 3.13 In total there is currently a forecast shortfall in Government funding for Covid19 of £11.711m, as summarised in Table A below:

Table A

	£m
Funding Received	9.284
less	
Covid19 Related Costs 2020/21	8.531
Estimated Income Losses	2.053
Covid19 Costs Incurred in 2019/20	0.438
<b>Forecast 2020/21 Deficit</b>	<b>1.738</b>
Collection Fund Shortfall	9.973
<b>Shortfall in Funding</b>	<b>11.711</b>

#### **Funding the Shortfall / Reserves.**

- 3.15 Government have announced that further Covid19 funding will be provided towards funding fees and charges and sales income losses. They will not fund commercial income losses and will only fund 75% of estimated losses excluding the first 5%. The detailed guidance and definitions surrounding this funding are still awaited. However, it is understood that it will be provided on the basis of claims submitted by the Council around the end of August 2020 and also possibly March 2021.

- 3.16 Without further Covid19 funding from Government the Council has few options to fund the shortfall position, other than reducing spending or use of reserves. The latter however, can only be only a temporary measure to provide time to identify permanent spending reductions.
- 3.17 As at 31 March 2020 the Council's General Reserve was £4.004m. This is considered to be the minimum acceptable level of the General Reserve, in order to ensure the Council remains in a financially sustainable position moving forward. Earmarked reserves of £42.2m (excluding Mersey Gateway) were held by the Council at 31 March 2020. Earmarked reserves are set aside for specific purposes and so are not available for general use, however, regular reviews are undertaken to identify whether reserves are still required.
- 3.18 Within the overall spending position to 31 May 2020, the key variations from budget for each Department are as follows;

(i) **Community & Environment Department**

**Operational**

The Department's net spending position for the year is forecast to show an overspend against budget of £0.833m based upon the latest available information. This shows an improvement to the Department's overspend of £1.179m for the last financial year

Work was undertaken during budget preparation to reduce the burden on certain income generation targets which were under-achieving. Whilst this has helped improve the overall position for the Department, there continues to be significant pressure in achieving income targets for leisure management, The Brindley, Stadium and catering.

**Covid19**

Forecast spend on Covid19 requirements for the year is estimated at £0.449m, the majority of which relates to funding the rental of the ice-rink and for the hire of a temporary cremator.

Closure of culture and leisure sites within the Borough has resulted in income targets being £0.921m less than expected for the year. This is the net position after allowing for savings achieved by reducing variable costs within the Department.

(ii) **Economy, Enterprise & Property**

**Operational**

The Department's net spending position for the year is forecast to show an overspend against budget of £0.254m based upon the latest available information. The forecast compares to an underspend of £0.246m for the financial year 2019/20

The forecast movement in net spend can be mainly linked to spend on repairs and maintenance costs within the Council's

buildings. In 2019/20 there was a conscious plan to reduce spending by £0.250m, as the cost for the development of Stadium office space was capitalised.

Staffing costs are forecast to overspend during the coming year based on existing staff structures. A number of vacancies held during 2019/20 helped to control the overall cost.

The difficulty in filling vacant commercial properties will contribute to the Department not achieving income targets for the year.

### **Covid19**

The Department is estimated to incur additional costs of £0.095m due to Covid, due to additional staffing and support needs.

The Department is expected to lose £0.356m in income over the year as rental costs for the first quarter of the year have been suspended within the markets and for commercial properties.

## **(iii) Finance**

### **Operational**

Net operational spend for the year is forecast to be £0.328m under budget compared to the underspend position of £0.528m in 2019/20.

The most significant reason for the underspend position relates to costs on Concessionary Travel being less than in previous years due to the closure of Halton Borough Transport. Even after the effect of Covid19, concessionary travel journeys are expected to be less than in previous years.

The Council continues to pay bus operators similar rates as in previous years despite a significant reduction in service over the last few months. This will help support the sustainability of bus routes after the cessation of lockdown measures.

### **Covid19**

The financial impact of Covid19 on the Department is expected to be minimal, with a net impact of £0.034m. This is to cover overtime costs associated with the administration of business rate support grants and loss of income on the supplier early payment scheme which has been suspended for the first quarter of the financial year.

## **(iv) ICT and Support Services**

### **Operational**

Net operational spend for the year is forecast to be £0.630m over budget compared to the overspend position of £0.043m in 2019/20.

The cost of repairs and software is estimated to be £0.320m over budget due to increased software & licencing costs and demand, predominantly Microsoft based.

Fees and charges income will be short by £0.363m due to external client income targets not being achieved.

### **Covid19**

Covid19 costs for the year are expected to total £1.041m. This includes £0.500m spent on Personal Protective Equipment (PPE), central purchasing and disbursement of equipment. Efficiency saving proposals involving staff restructures are assumed to not be able to happen this year as a result of the impact of Covid19 at a cost of £0.467m.

## **(iv) Legal and Democratic Services**

### **Operational**

Net operational spend for the year is forecast to be £0.125m under budget compared to the underspend position of £0.043m in 2019/20.

The main areas for the underspend to date include, no costs being incurred as a result of the postponement of the 2020 local elections and a reduction in spend on promotions and advertising.

### **Covid19**

Costs and loss of income for the year is estimated at £0.082m. The main element of this figure is as a result of a reduction in budgeted income for licensing applications, this may recover during the year as lockdown measures are eased. There have also been costs associated with staff overtime and legal expenses.

## **(v) Planning and Transportation**

### **Operational**

Net operational spend for the year is forecast to be £0.148m under budget compared to the underspend position of £0.400m in 2019/20.

The main reason for the movement between years is an expected drop in the levels of generated income. Particularly around sales, grants, recharges to capital schemes and School SLA income.

### **Covid19**

The total additional costs and loss of income associated with Covid19 is forecast to be £1.694m.

Additional costs make up £1.254m of this amount, the majority of which are being incurred by contractors for aborted time and additional equipment requirements on capital schemes

Income levels are estimated to be £0.440m down on this point during the year. This involves income generated from planning, fees and charges and reimbursements.

**(vi) Policy, People, Performance and Efficiency**

Net operational spend for the year is forecast to be £0.041m over budget compared to the underspend position of £0.051m in 2019/20.

**Operational**

The main reason for the adverse movement between reported periods is a drop in SLA income as less schools have bought in to the SLA service from previous years.

**Covid19**

Very minimal financial impact with some costs for staff overtime.

**(vii) Adult Social Care (Incl. Care Homes and Complex Care)**

**Operational**

Net operational spend for the year is forecast to be £2.613m over budget, this is inclusive of community care costs now accounted for outside of the pool budget.

Of this total;

Net costs of the four care homes the Council has acquired over the past year continue to have a significant adverse impact on the Council's overall budget position. Spend is forecast to be £1.416m over the available budget for the year.

The main reason for the overspend against budget is due to staffing costs which are higher than the available budget for all care homes. Staffing structures are in place but it is taking time to fill posts with permanent staff, as a result the volume of agency staff continues to be high.

Net spend on community care for the year is forecast to be £1.197m over budget.

Direct Payments, as in previous years, continues to be a budget pressure and will be scrutinised closely to ascertain how services can be delivered to service users within budget.

Approximately 15 internal care home beds, previously funded by the CCG (CHC/FNC) have become vacant due to Covid19. This represents a loss of income, however the Council are seeking to fund this cost from the CCG by way of Covid19 funding which the CCG received from Government.

There is a risk to the Council that once the pandemic is over and the Covid19 funding ceases, the cost of Covid19 funded care packages will have to be funded by the Council. Presently there is uncertainty about when this will be. We estimate if the funding ended in September, the cost of those packages from October to the end of the financial year would be approximately £905k.

### **Covid19**

Covid19 costs for the year are estimated at £3.830m, this is inclusive of estimated additional staffing costs of £0.925m and contract costs of £0.996m for the emergency care provision created at Lilycross.

## **(ix) Children and Families**

### **Operational**

Net operational spend for the year is forecast to be £2.043 m over budget compared to the overspend position of £4.289m in 2019/20.

In setting the budget for the current financial year additional funding was provided to help mitigate the rapid increase in costs and service demand over the past four years.

Despite the increase in budget, there is still concern that since the turn of the year the Department has seen the cost of External Provider Placements continue to increase. In 2019/20 the cost of placements was £7.129m whereas the forecast for the current year (based on existing demand) is forecast to be £8.069m, an increase of £0.940m (13%).

Overspends against budget of £0.512m on Supplies and Services and £0.297m for the Early Years service continue to be a strain on the budget for the Department.

### **Covid19**

Covid19 costs for the year are estimated at £1.138m, the majority of which relate to residential placements (£0.556m). The pandemic has restricted the number of placements available which has increased the cost of individual packages. Restrictions have also suspended the transitional moves of young people into lower cost leaving care placements or housing moves.

## **(x) Complex Care Pool**

### **Operational**

Net operational spend for the year is forecast to be £0.439m under the allocated budget.

The current pandemic has changed how some of our services are delivered. An Intermediate Care review being undertaken may result in resources and budgets being reallocated.

### **Covid19**

There are minimal Covid19 costs, currently forecast at £0.060m for the year.

## **(xi) Education, Inclusion and Provision**

### **Operational**

Net operational spend for the year is forecast to be £1.331m over budget compared to the overspend position of £0.921m in 2019/20.

The main service budget pressures for the year are employee costs which are forecast to be £0.501m over budget and School Transport costs forecast to be £0.625m over budget.

Employee budgets include £0.322m and school transport budgets include £0.375 of approved savings which are proving difficult to implement.

## **(xii) Public Health and Public Protection**

### **Operational**

Net operational spend for the year is forecast to be £0.021m under budget compared to the underspend position of £0.024m in 2019/20.

### **Covid19**

The estimated impact of Covid19 on the budget has been calculated at £0.215m. This predominantly involves increased costs in the delivery of contracts and there is also some loss of planned income.

## **(xiii) Corporate & Democracy**

### **Operational**

Net operational spend for the year is forecast to be £1.668m under budget compared to the underspend position of £1.686m in 2019/20.

The underspend for the year assumes there will be minimal call on the Council £1.0m contingency budget and £0.5m budget set aside for actions stemming from the Peer Review.

### **Covid19**

Covid19 has resulted in interest receivable rates being lower than would have been expected. The cost of this on the Council's planned investment income is estimated at £0.182m. The Council has held an investment of £5m in a Property Fund for the last three years and the economic downturn which has resulted from the pandemic is forecast to reduce the value of the investment by £0.438m.

## **4.0 CONCLUSIONS**

- 4.1 As at 30 May 2020 total Council spending is £463,000 over budget and net spending to year-end (including the net impact of Covid19) is forecast to be £6.616m over budget.
- 4.2 To address day-to-day operational budget pressures, Departments should ensure that all spending continues to be restricted and tightly controlled throughout the year, to ensure that the forecast outturn overspend is reduced as far as possible
- 4.3 It remains imperative that lobbying of Government continues in order for them to support Local Government by providing further funding for the Covid19 pandemic. Whilst funding is to be provided in respect of estimated income losses, it is unlikely to be sufficient and the Council will still be left with a significant shortfall to meet.
- 4.4 A number of budget savings proposals approved for 2019/20 and 2020/21, are proving difficult to implement due to particular circumstances. This is a concern and should be addressed by the relevant Departments as a matter of urgency.
- 4.5 Work will be undertaken to review the 2020/21 budget position in light of the impact of Covid19, to enable the Council to decide how it wishes to address any resulting overspend.
- 4.6 In addition, the Medium Term Financial Forecast will be reviewed in order to establish the Council's financial position over the coming three years, based upon a number of scenarios regarding levels of Government funding etc.

## **5.0 POLICY AND OTHER IMPLICATIONS**

- 5.1 None.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 6.1 There are no direct implications, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

## **6.0 RISK ANALYSIS**

- 6.1 There are a number of financial risks within the budget. However, the Council has internal controls and processes in place to ensure that spending remains in line with budget.
- 6.2 A budget risk register of significant financial risks was prepared when setting the budget and is kept under regular review.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None.

**8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072**

8.1 There are no background papers under the meaning of the Act.



## Summary of Revenue Spending to 31 May 2020

## APPENDIX 1

Directorate / Department	Annual Budget £'000	Budget To Date £'000	Actual To Date £'000	Variance (Overspend) £'000	Forecast Outturn (Overspend)
Community & Environment	15,252	2,254	1,937	317	(833)
Economy, Enterprise & Property	4,693	1,074	1,145	(71)	(254)
Finance	7,079	1,027	1,010	17	362
ICT & Support Services	7,026	1,388	1,483	(95)	(630)
Legal & Democratic Services	1,915	234	220	14	125
Planning & Transportation	9,543	1,548	1,482	66	148
Policy, People, Performance & Efficiency	1,878	-86	-25	(61)	(41)
<b>Enterprise, Community &amp; Resources</b>	<b>47,386</b>	<b>7,439</b>	<b>7,252</b>	<b>187</b>	<b>(1,123)</b>
Adult Social Care (inc Care Homes and Community Care)	38,564	5,517	6,023	(506)	(2,613)
Children & Families	20,592	2,189	2,439	(250)	(2,043)
Complex Care Pool	4,060	169	162	7	439
Education, Inclusion & Provision	5,147	3,617	3,829	(212)	(1,245)
Public Health & Public Protection	304	51	43	8	21
<b>People</b>	<b>68,667</b>	<b>11,543</b>	<b>12,496</b>	<b>(953)</b>	<b>(5,441)</b>
<b>Corporate &amp; Democracy</b>	<b>1,747</b>	<b>5,266</b>	<b>4,963</b>	<b>303</b>	<b>1,686</b>
<b>Operational Net Spend</b>	<b>117,800</b>	<b>24,248</b>	<b>24,711</b>	<b>(463)</b>	<b>(4,878)</b>
Covid-19 Additional Costs	0	0	2,635	(2,635)	(8,531)
Covid-19 Shortfall in Budgeted Income Targets	-2,030	-962	0	(962)	(2,053)
Government Grant	0	962	-2,635	3,597	8,846
<b>Covid Net Spend</b>	<b>-2,030</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,738)</b>
<b>Net Spend (Including Covid-19)</b>	<b>115,770</b>	<b>24,248</b>	<b>24,711</b>	<b>(463)</b>	<b>(6,616)</b>



