

REVENUE AND CAPITAL OUTTURN REPORT 2020/21

SECTION 1: SUMMARY

- 1.1 The overall revenue outturn position for 2020/21 is an underspend of £3.5m. This is a net position after the application of Covid-19 funding to cover the additional expenditure and losses of income directly related to the pandemic. The underspend of £3.5m will increase the General Fund Balance and is as planned within the Medium-Term Financial Strategy. This position also means the contribution from reserves of £4.9m to set the budget for 2020/21 is no longer required, allowing those balances to be retained to aid financial resilience and future investment.
- 1.2 It must be recognised that the underspend for 2020/21 is one-off in nature, due to the exceptional circumstances during the year. In the earlier part of 2020/21, the Government recognised that Local Authorities were facing financial pressures arising from their immediate response to Covid-19, and provided some financial support, in the first instance to alleviate the immediate pressures and to assist with cashflow in the initial stages of the lockdown period. However, the quantum of that additional funding was significantly below the financial pressures that the Council was forecasting it was facing as a result of its response to the pandemic and the Council recognised the need for actions and reductions in its expenditure to protect its financial position and ensure ongoing stability and resilience.
- 1.3 The Council continued to lobby the Government for additional funding to meet cost and demand pressures, as well as the huge drops in a number of its income streams. Throughout the course of 2020/21, the Government subsequently provided additional resource via a series of tranches and separate schemes (shown in Annex A). In the absence of the additional funding the Council's outturn position would have been significantly different and, whilst welcome, this piecemeal approach has been extremely difficult to manage.
- 1.4 The key portfolio variations are detailed within section 2.8 of the report. These include savings arising from a proactive approach from the Council to vacancy management and the introduction of a recruitment freeze in some business areas (aligned in many cases to current and future service reviews), alongside planned expenditure reductions, primarily in relation to supplies and services.

The introduction of new Ways of Working in 2020/21 has allowed for reductions in premises and supplies and services costs, which will continue into future years and equate to savings made early in relation to the 2021/22 budget. In addition, there was a significant (£860k) one-off release of provision following the Court of Appeal ruling in March 2021 in relation to payments to care staff undertaking 'sleep-in' duties. Additional New Burdens Grant Funding was also received for the administration of various Covid-19 support programmes, with the majority of this sum being announced towards the end of the financial year.

- 1.5 Covid-19 has impacted the residents and businesses of St Helens significantly in 2020/21, which has been an unprecedented year and the implications of the global pandemic will continue to impact into the foreseeable future. The Council has been no different and the impact on its finances, as it responds to the pandemic, has been challenging.

- 1.6 The Council relies on a number of sources of income to provide its services and 2020/21 saw significant losses in many areas, including council tax, business rates, parking income, leisure services fee income and rents.
- 1.7 The Council has also incurred increased costs as it responded to the pandemic with significant spend within adult care services to support and maintain a sustainable care sector, provide funding for infection control, and to implement new and revised care packages to enable increased numbers of hospital discharges and avoid hospital admissions.
- 1.8 Additional expenditure was also incurred in other areas, including the provision of extended support to children's early years providers; accommodation to homeless / rough sleepers; provision of community food hubs and the purchase of personal protective equipment for front-line staff.
- 1.9 This combination of increased costs and lost income would ordinarily have caused a service overspend position of £7.3m. However, with the provision of £14.7m from the Covid-19 Emergency Grant funding and Sales, Fees and Charges Compensation Scheme, income losses and increased costs arising from the pandemic have been funded.
- 1.10 Furthermore, the net underspend in services is partially due to £1.8m of costs that have been funded from specific Covid-19 grants, for work undertaken on schemes such as Contain Outbreak Management Fund (COMF); Systematic, Meaningful, Asymptomatic, Rapid Testing (SMART); and support to Clinically Extremely Vulnerable (CEV) residents.
- 1.11 The pandemic has also led to some cost reductions, such as reduced spend on supplies, services and premises costs due to homeworking and decreased costs due to lower levels of care home occupancy.
- 1.12 However, it should be cautioned that as the economy looks to recover, and the pandemic outlook improves, the financial situation remains uncertain. The impact is forecast to be felt over a sustained period, unquestionably impacting upon the current financial year's budget, as well as those of future years. The level of Covid financial support from government to Councils will also reduce in 2021/22 and coupled with a challenging savings programme that plans to deliver £13.4m of savings and uncertainty around future local government funding it is clear that the 2020/21 outturn position will be a 'one off' and 2021/22 will be a financially difficult year requiring strong financial management.

SECTION 2: REVENUE BUDGET OUTTURN 2020/21

- 2.1 The outturn position, subject to audit, is summarised in Table 1 below. It must be recognised that the outturn underspend against budget of £3.521m is one-off in nature, primarily due to the exceptional circumstances arising from Covid-19, including the closure or change in delivery of some services for significant parts of the year, and lower demands for some services.
- 2.2 Table 1 excludes the impact of Covid-19 additional spending pressures and income losses in the year to 31 March 2021, which are funded from Covid-19 Emergency Grant funding and/or the Sales, Fees and Charges Compensation Scheme. Section 3 of this report provides a summary of the financial position arising from Covid-19 in terms of additional costs, losses of income and Government funding.

2.3 In order to ensure sufficient resources were in place to implement the Council's response to the pandemic, some staff were deployed to provide support in dealing with the outbreak, and specific funding was available to support a number of these activities. As detailed in Table 1, £1.793m of the variance against budget is attributable to budgeted costs being funded via specific Covid-19 grants, including COMF, SMART and CEV.

Table 1 - Outturn variations against approved budget 2020/21	Variance 2020/21 + / (-) £000	Budgeted costs funded from Covid Grants £000	Net Portfolio Variance 2020/21 + / (-) £000
Education, Skills and Business	(811)	(13)	(798)
Children and Young People	(1,546)	(140)	(1,406)
Integrated Care and Health	(2,222)	(832)	(1,390)
Wellbeing, Leisure and Libraries	(704)	(237)	(467)
Finance and Governance	(862)	(300)	(562)
Reset and Recovery	(182)	(75)	(107)
Environment and Transport	(240)	(44)	(196)
Regeneration and Planning	(332)	-	(332)
Safer, Stronger Communities	(457)	(152)	(305)
TOTAL PORTFOLIO BUDGETS	(7,356)	(1,793)	(5,563)
Council-Wide budgets	+3,835	-	-
TOTAL OUTTURN VARIATION AGAINST APPROVED BUDGET 2020/21	(3,521)	-	-

2.4 The position detailed above highlights that net portfolio spend was below budget by £7.356m. The overall net position for the Council is an underspend of £3.521m after adjusting for £3.835m of variations in Council Wide budgets, as detailed in Annex B.

2.5 The portfolio variations include the cost of employee termination payments and pension capital strain costs (£1.182m), where decisions have been made in the year to 31 March 2021 to release employees.

2.6 It should be noted that Table 1 shows the position after:

- (i) Neutral adjustments in accounting treatment and movements on "uncontrollable" budgets (e.g. depreciation and support service charges)
- (ii) the carry forward of unspent budget provision for any continuing earmarked reserve funded schemes (£893k) into future years as detailed in Annex C
- (iii) the acceleration of the usage of earmarked reserves from future years (£159k) as detailed in Annex C

- (iv) allowing for a £110k carry forward of budget provision from 2020/21 into 2021/22 in relation to Revenue Contribution to Capital Outlay (RCCO) and previously approved carry forwards
- (v) allowing for an additional £187k carry forward of budget provision from 2020/21 into 2021/22 where specific service commitments continue into 2021/22, as detailed in Table 2.

Table 2 – Proposed carry forward of budget provision into 2021/22		£000
<u>Education, Skills and Business</u>		
Match funding to support the application to bid for additional ESF resources to allow for the continuation of the Adults Ways to Work employment programme to the end of June 2023		187
TOTAL		187

2.7 The portfolio budgets will be revised in 2021/22 as appropriate to reflect the carry forward sums. This will be reported to Cabinet within the Financial Monitoring Report in July 2021.

2.8 The key portfolio variations are detailed below. The direct additional costs and losses of income arising from the pandemic are referenced in section 3.

2.8.1 Education, Skills and Business

The main variations against the cash limit budget within the Education, Skills and Business portfolio related to an underspend against the budgeted position for staffing costs across a range of services of £537k, but particularly within Educational Psychology (£222k) and Virtual School services (£126k), where advertised posts could not be recruited to during the year due to the specialised nature of the roles. There was also an underspend of £130k in relation to historical retirement costs associated with school-based staff.

There was a significant pressure within the high needs block of the Dedicated Schools Grant. Funding within this block was not sufficient to meet the underlying level of demand for pupils with Statements or Education, Health and Care Plans, and those pupils who cannot be educated in a mainstream setting and require a place in a specialist independent provision.

In addition, there was an underspend on employee budgets of £90k in relation to the Place based services within the portfolio.

2.8.2 Children and Young People

Within the Children and Young People portfolio there was an underspend of £594k in respect of placement and other associated costs for children looked after due to the profile of children accommodated during the year. The delay in the commencement of the Edge of Care service also resulted in an underspend of £1.159m against the budget position.

There were, however, pressures in respect of direct payments supporting families caring for disabled children, and family support packages designed to help young

people remain in the family environment to avoid the need to be brought into fostering or residential care of £108k and £156k respectively.

2.8.3 Integrated Care and Health

The outturn position for the Integrated Care and Health portfolio reflects activity during the year which included both increased activity in some services and lower demand for others.

The budget for people with Learning Disabilities saw a significant overspend of £2.1m due to a number of new complex support packages. However, this has been offset by an underspend of £1.5m on services for people with Physical Support and Memory and Cognition Support needs, mainly due to lower levels of occupancy in residential and nursing settings.

The portfolio continues to work closely with the sector to understand the on-going effects of the pandemic going into 2021/22.

Following a final court ruling, a long-standing provision for the payment of higher rates for sleep-ins within Supported Living Services is no longer required and has contributed £860k to the underspend position.

2.8.4 Wellbeing, Culture and Heritage

Underspends have been generated from the Public Health Grant in 2020/21 due to the utilisation of Covid-19 grant funding and lower activity for some externally commissioned contracts. As a result, the balance of Public Health Grant carried forward has increased to £1.165m.

There was an underspend of £467k across the non-Public Health services within the portfolio.

The main variances related to an underspend on employee (£255k) and supplies and services (£101k) budgets across the portfolio due to closure of Leisure and Libraries facilities during the pandemic, in addition to an internal Council freeze on recruitment. A net underspend of £100k occurred on the Tourism and Events budget, arising from the cessation of public events during the pandemic.

The loss of leisure services income related to the pandemic is referenced in section 3.3 of the report.

2.8.5 Finance and Governance

The outturn position for the Finance and Governance portfolio is due to underspends in a number of areas. There was an underspend of £260k against staffing budgets, due to vacancies in a number of services within the Finance division. The postponement of local and mayoral elections in 2020/21 resulted in savings of £100k and there were also underspends of £232k in supplies and service budgets across most service divisions within the portfolio, because of changes in Ways of Working.

Additional New Burdens Grant Funding of £530k was receivable in relation to 2020/21 for the administration of various Covid-19 support programmes, with the majority of this sum being announced towards the end of the financial year.

The outturn position also includes a pressure of £150k in relation to a budgeted YPO dividend, which was not realised in year.

The portfolio outturn position includes the funding of £410k restructuring costs as detailed in section 2.5.

2.8.6 Reset and Recovery

The outturn position for the Reset and Recovery portfolio is due to an underspend of £30k against staffing budgets due to vacancies in a number of service areas, alongside underspends of £90k in supplies and service budgets across the portfolio.

2.8.7 Environment and Transport

Overall, the Environment and Transport portfolio outturn position was an underspend of £196k.

The Recycling service had an overall overspend of £664k. The main variations relate to reduced income from the sale of dry recyclates (£202k); reduction in income from garden waste due to the rephasing of charging arising from the pandemic (£257k); and additional tipping fee costs for the disposal of significantly increased volumes of cardboard (£154k). The re-sale value of dry recyclates and tipping fee charges for cardboard can be volatile and vary during the year depending on market prices.

In relation to Waste Collection, additional tipping fees amounted to £136k on Trade Waste as a result of increases in waste tonnage.

An overspend occurred on the Cemetery and Crematorium budget of £211k mainly due to additional cost of maintenance on the cremators, additional grounds maintenance costs due to flooding issues, and general repair and maintenance work.

Highways, Street Lighting, Traffic Management and Parking Services had an overall underspend position of £732k. The main variations related to additional Engineering fee income for capital works (£253k); reduced employee costs arising from vacant posts and freezes on some recruitment (£273k); savings on street lighting energy costs and highways contract costs (£94k) and underspends on utilities and equipment repairs (£97k).

The loss of car parking income related to the pandemic is referenced in section 3.3 of the report.

Within the Direct Services division there was an overall underspend of £545k, mainly arising in Catering, Cleaning and Caretaking (£376k) - whilst schools were closed during the pandemic or operating at reduced capacity for children of key workers, savings have been made on staffing, materials and food costs. Additional income was generated for Grounds Maintenance, Transport, and Cleaning services of £159k.

2.8.8 Regeneration and Planning

Within Building and Support Services there was an underspend on premises related costs of £466k, of which £370k was in relation to reduced utility costs due to buildings being closed during the pandemic and the introduction of new Ways of Working. These related mainly to public buildings, Libraries and Leisure facilities.

In relation to Estates' industrial and commercial properties there was a net overspend of £137k, consisting of a shortfall in income against budget on the Hardshaw Centre of £63k and an overspend of £74k on some premises related costs and supplies and services.

2.8.9 Safer, Stronger Communities

The main single variation in the Safer, Stronger Communities portfolio was the underspend against Supporting People Contracts of £232k due to demand being less than the budget allocation. Other variations included slippage on employees due to vacant posts and underspends on car allowances due to introduction of new Ways of Working.

SECTION 3: COVID-19 FINANCIAL IMPLICATIONS

- 3.1 Table 3 details the additional spending and income loss as a result of Covid-19 during 2020/21, alongside the available funding from Covid-19 Emergency Grant Funding and the Sales, Fees and Charges Compensation scheme. The uncommitted grant has been earmarked, to be used in future years.

Table 3 - Covid-19 Position	£000
Total Emergency Funding received in 2020/21	10,736
Sales, Fees and Charges (SFC) Compensation scheme *	4,342
Total Emergency & SFC Compensation Funding 2020/21 (Annex A)	15,078
Less Additional Spending Pressures 2020/21	6,410
Less Loss of Sales, Fees & Charges Income 2020/21	7,618
Less Loss of Commercial and Other Income 2020/21	640
Total Additional Costs & Losses of Income	14,668
Total Emergency Funding Available for future years and to be earmarked to the Covid-19 Reserve at 31 March 2021	410

* subject to final reconciliation and agreement with Ministry of Housing, Communities and Local Government

- 3.2 The most significant areas of additional expenditure are related to social care, particularly within Integrated Care and Health who have carried out activities including:
- Support to the care sector where occupancy levels have reduced due to Covid-19, to ensure a sustainable market continues to exist
 - Review and implementation of care packages supporting increased hospital discharge / avoidance
 - Payments to care providers for additional PPE supplies and staff cover required due to Covid-19.

In addition, costs have been incurred supporting the nursery and childcare provider market, providing accommodation for homeless / rough sleepers, shielding, community food hubs, purchase of PPE for Council staff and adaptations to public buildings.

- 3.3 There were significant reductions in income from sales, fees and charges during 2020/21 due to the temporary cessation and reduction in some services, the most significant including Leisure Services, Car Parking and Recycling and Waste Collection Services.

SECTION 4: CAPITAL PROGRAMME OUTTURN 2020/21

- 4.1 The outturn figures for 2020/21, subject to audit, are summarised in Table 4 below. The table shows a net decrease (for 2020/21) of £1.418m from the previously reported position.

Table 4 – Capital Programme summary outturn 2020/21	Approved Provision 2020/21 £000	Provisional Outturn 2020/21 £000	Variance 2020/21 £000
PORTFOLIO SPENDING			
Education, Skills and Business	4,113	4,035	(78)
Children and Young People	20	0	(20)
Integrated Care and Health	160	105	(55)
Wellbeing, Leisure and Libraries	1,212	1,020	(192)
Reset and Recovery	248	302	+54
Environment and Transport	14,937	14,413	(524)
Regeneration and Planning	1,523	934	(589)
Safer, Stronger Communities	2,319	2,305	(14)
TOTAL	24,532	23,114	(1,418)
FINANCED BY			
Grants and Other Contributions	16,153	16,068	(85)
Capital Receipts *	1,691	5,177	+3,486
Revenue Contribution	1,312	1,844	+532
Borrowing *	5,376	25	(5,351)
TOTAL	24,532	23,114	(1,418)

* The financing profile between Borrowing and Capital Receipts has been amended by £4.129m to enable savings to be generated against the Council's debt servicing costs in future years.

- 4.2 The net variance (for 2020/21) since the previously reported position arises from a combination of factors as detailed in Table 5. Annex D provides further detail.

Table 5 – Variations in 2020/21 Capital Programme spend (outturn compared to previously reported position)	£000
Rephasing of schemes into 2021/22	(3,191)
Rephasing of schemes from future years into 2020/21	+1,261
Additional Funding to Existing Schemes	+619
Completed Schemes	(44)
Other Variations	(63)
TOTAL	(1,418)

SECTION 5: RESERVES AND BALANCES

5.1 General Balances

The movement in General Balances is summarised in Table 6. The revenue and capital budget approved by Cabinet on 24 February 2021 noted, after having regard to a series of potential risks including the deliverability of services within the baseline level of available resources, that an underlying level of approximately £12m General Balances was considered appropriate.

Table 6 - Movement in General Balances	£000
General Balances as at 1 April 2020	9,329
Budgeted use of General Balances 2020/21	(367)
Outturn variation against approved budget 2020/21* (see table 1)	3,521
Available General Balances as at 31 March 2021*	12,483

* This figure assumes the provisional carry forward (£187k) from 2020/21 into 2021/22 as detailed in section 2.7 is approved, and also includes RCCO and previously approved carry forwards (£110k). The level of General Balances prior to any carry forward is £12.780m.

5.2 Earmarked Balances

- 5.2.1 The overall position in relation to Earmarked Balances at 31 March 2021 is provided in Table 7, with Annex E providing further detail. It should be noted there are approved commitments on these reserves extending to 2023/24. In-year movements include the use of reserves in 2020/21 for revenue and capital schemes, and the earmarking of specific funds, including Covid-19 resources required for future years.

Table 7 – Earmarked Balances	Balance at 1 April 2020 £000	In-year Movement £000	Balance at 31 March 2021 £000
5.2. General Earmarked Reserves	37,586	4,154	41,740
Covid-19 Reserve	6,177	22,570	28,747
TOTAL	43,763	26,724	70,487

2 The Medium Term Financial Strategy (MTFS) approved by Council at its meeting on 3 March 2021 contained provision that, in the event that Covid-19 related funding received during 2020/21 remained uncommitted, it would be set-aside and carried forward in an earmarked reserve to be applied against Covid-19 related pressures falling in future years.

- 5.2.3 The MTFS also explained the need to set aside £20.169m of funding in the Covid-19 Reserve during 2020/21 as a result of the terms of the Government's Extended Retail, Hospitality and Leisure Scheme. This element of the reserve is earmarked specifically to address a timing difference between the receipt of the funding (in 2020/21) and its application (in 2021/22).

5.3 Schools Balances

The position in respect of school balances is detailed in Table 8.

Table 8 – School Balances	£000
School Balances as at 1 April 2020	7,107
In Year movements 2020/21	4,549
Balances as at 31 March 2021	11,656

- 5.3.1 The above balances are ringfenced for schools, and in accordance with the requirements of the Department for Education, the local Scheme for Financing Schools makes provision to permit the carry forward of resources into future financial years. This is an important mechanism for schools to support the delivery of a medium-term budgeting strategy.
- 5.3.2 During 2020/21, school balances have increased by £4.5m. This is due to a number of factors, including an overall increase in the national level of school funding; increased flexibility in grant conditions to allow monies to be carried forward for use in 2021/22 (for example Covid-19 Catch Up Premium, P.E. and Sports Premium); several funding streams being made available relatively late in the financial year; and a decision of Merseyside Pension Fund in March 2021 to defer anticipated pension contribution increases for 2020/21.

In addition, the impact of Covid-19 has resulted in reduced levels of expenditure during periods when fewer children were attending school because of lockdown restrictions.

5.4 Usable Capital Receipts

The position in respect of general capital receipts is detailed in Table 9.

Table 9 – Usable Capital Receipts	£000
Available Capital Receipts brought forward at 1 April 2020	28,031
<u>Receipts generated in year</u>	
Sale of Council Assets and Grant Repayments	477
Repaid - Other Loans and Advances	135
Amounts applied to finance new capital investment in the year	(5,177)
Available Balance 31 March 2021 (prior to future commitments)	23,466
Required to fund the Capital Programme in 2021/22 to 2023/24	(6,135)
Transfer of uncommitted Capital Receipts to the Land and Property Acquisition Fund	(10,000)
Available Balance (after taking commitments into account)	7,331

5.5 Collection Fund

The position in respect of the Council's Collection Fund is provided in Table 10.

5.5. Table 10 – Collection Fund	Surplus / (Deficit) 31 March 2021 £000	Applied in setting the 2021/22 Budget £000	Surplus / (Deficit) to be Carried Forward £000
Council Tax	(997)	992	(5)
Business Rates	(21,560)	21,948	388
TOTAL	(22,557)	22,940	383

1 The overall deficit on the Council's Collection Fund includes £20.169m arising from the terms of the Government's Extended Retail, Hospitality and Leisure Scheme in 2020/21. Funding to cover this element of the deficit has been set aside in the Covid-19 Reserve, as referenced in section 5.2.3 and has been applied when setting the Council's budget for 2021/22.

5.5.2 The deficit also includes irrecoverable Covid-19 driven losses in both Council Tax and Business Rates income in 2020/21, for which £1.183m compensation has been received via the Government's Local Tax Income Guarantee Scheme. This funding has also been earmarked in the Covid-19 Reserve to partially offset impact of the deficit on future years' budget position.

SECTION 6: TREASURY MANAGEMENT OUTTURN REPORT 2020/21

6.1 A summary of the Council's Treasury position at the end of March 2021 is included in Table 11. The Treasury Management Outturn Report for 2020/21 is included at Annex F.

Table 11 – Treasury position 2020/21	As at 1 April 2020	As at Previous Period	As at 31 March 2021
Investments Outstanding	£118.5m	£144.5m	£137.4m
Investment Returns (average for the year)	-	0.57%	0.54%
Benchmark Returns	-	0.11%	0.09%
Borrowing	£124.7m	£121.6m	£121.6m

Annex A

EMERGENCY GRANT FUNDING RECEIVED DURING 2020/21

AND FUNDING FROM THE SALES, FEES AND COMPENSATION SCHEME

Source of Funding	Type	Date Received	Amount £000
Emergency Grant Funding Tranche 2	Unconditional – No Grant Conditions	14 May 2020	4,973
Emergency Grant Funding Tranche 3		3 August 2020	1,860
Emergency Grant Funding Tranche 4		16 November 2020	3,903
Total Emergency Grant Funding			10,736
Sales, Fees and Charges Compensation Period 1	Claim for transactional income which is irrecoverably lost at 31 March 2021	27 November 2020	2,444
Sales, Fees and Charges Compensation Period 2		31 March 2021	1,283
Sales, Fees and Charges Compensation Period 3		Claim made 28 May 2021	615
Total Sales, Fees and Charges Compensation			4,342
Total			15,078

In addition, to the above, the Council received £6.391m of Emergency Grant Funding in March 2020, of which £6.177m was earmarked into the Covid-19 Reserve in 2019/20.

COUNCIL WIDE VARIATIONS

Council Wide Variations	Outturn Variance 2020/21 £000 + /(-)	Explanation of Variances
Levies	(15)	Relates to Apprenticeship Levy payable to HMRC.
Section 31 Grants	(142)	Additional Section 31 funding is primarily related to small business/retail rates relief and compensates the Council for losses in business rates yield as a result of Government policy.
Treasury Management	(989)	<p>This is a combination of:</p> <ul style="list-style-type: none"> • Reduction in the Minimum Revenue Provision as a consequence of the re-phasing of schemes within the 2019/2020 capital programme into future years • Reduction in debt management costs due to the deferral of borrowing • Reduction in investment income as a result of the historically low Bank Rate and suppressed investment returns available.
Earmarked Balances Budgeted contribution approved for use in 2020/21 and no longer required	+79	Primarily this relates to the Children and Young People portfolio, where permanent funding has been built into the 2021/22 budget.
Earmarked Balances Budgeted contribution to 2020/21 budget gap and no longer required	+4,902	The budgeted contribution to balance the 2020/21 budget is not required as a result of the favourable outturn position.
Total	+3,835	

CONTINUATION OF FUNDING FROM EARMARKED RESERVES INTO 2021/22 AND ACCELERATION OF FUNDING

	Continuation of Funding into 2021/22			Acceleration of Funding from 2021/22		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Education, Skills and Business	158	-	158	-	-	-
Children and Young People	21	-	21	-	-	-
Integrated Care and Health	-	-	-	-	-	-
Wellbeing, Leisure and Libraries	141	-	141	-	-	-
Finance and Governance	27	-	27	-	-	-
Reset and Recovery	48	-	48	159	-	159
Environment and Transport	176	-	176	-	-	-
Regeneration and Planning	267	15	282	-	-	-
Safer, Stronger Communities	40	-	40	-	-	-
Total	878	15	893	159	-	159

Annex D

CAPITAL PROGRAMME VARIATIONS 2020/21

EDUCATION, SKILLS AND BUSINESS PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
Primary Schools			
Ashurst Primary Roof Repairs	5	6	1
Ashurst Primary Rebuild	285	212	-73
Bleak Hill Primary Expansion	1,700	1,869	169
Broad Oak Primary Playing Field Drainage	13	14	1
Broad Oak Primary Roof Replacement	33	32	-1
Eaves Primary Remodel Entrance	3	0	-3
Eaves Primary Roof Repairs	1	0	-1
Eaves Primary Windows Phase 2	35	35	0
Eccleston Lane Ends Water Main Replacement	32	33	1
Garswood DDA	9	9	0
Grange Valley Primary Roof Replacement	56	58	2
Longton Lane Primary Condition and Risk Assessment Works	156	154	-2
Oakdene Primary Heating	3	3	0
Rainford CE Primary School DDA	1	1	0
Rivington Primary Playground and External Works	34	32	-2
Robins Lane Primary Heating	137	124	-13
Sutton Oak Primary Condition Works	48	49	1
Thato Heath Primary - Flooring	20	14	-6
Thatto Heath Primary Fire Compartmentation Works	1	0	-1
Thatto Heath Structural Repairs	63	60	-3
The District CE Primary Safeguarding/DDA Works	1	1	0
The District CE Primary Heating	145	156	11
Wargrave CE Primary External Facia	1	1	0
Wargrave Replacement Water Main	29	31	2
Secondary Schools			
Cowley High Boiler Replacement	65	64	-1
Cowley High - Damp Remediation Works	25	32	7
Haydock High Lift / DDA	4	0	-4
Haydock High Phase 3 Rewire	0	5	5
St Cuthberts MUGA Resurfacing	135	135	0
Special & Other Schools			
Lansbury Bridge Retile Pool	75	74	-1
Lansbury Bridge Roof Repairs	23	14	-9
Mill Green Key Stage 5 Base	0	2	2
Mill Green Boiler Replacement	31	31	0
Penkford Refurbishment	66	46	-20
Penkford Relocation	280	168	-112
EDUCATION, SKILLS AND BUSINESS		2020/21	

PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
Other Schemes			
Harnessing Technology	11	10	-1
Various Schools Roller Shutters	40	14	-26
Various Schools Fire Risks	89	75	-14
Various Schools Heating	0	1	1
Committed Grant Funding			
School Devolved Formula Capital	400	470	70
Uncommitted Grant Funding			
School Condition Funding Uncommitted	58	-	-58
TOTAL	4,113	4,035	-78

CHILDREN AND YOUNG PEOPLE PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
Children and Families Accommodation	20	0	-20
TOTAL	20	0	-20

INTEGRATED CARE AND HEALTH PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
Mental Health Support Tenancy	30	0	-30
Brookfield Centre Internal Door Replacement	117	92	-25
Prior Year Schemes	13	13	0
TOTAL	160	105	-55

WELLBEING, CULTURE AND HERITAGE PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
Refurbishment of Newton Le Willows Health and Fitness Centre	380	408	28
St Helens Arts and Cultural Centre	277	260	-17
Sutton Leisure Centre - Swimming Provision	58	59	1
Sutton Leisure Centre - Third Generation Pitch	497	293	-204
TOTAL	1,212	1,020	-192

RESET AND RECOVERY PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
ICT Device Refresh	195	249	54
WFI Upgrade	53	53	0
TOTAL	248	302	54

ENVIRONMENT AND TRANSPORT PORTFOLIO	2020/21		
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	Period 4	Outturn	Variance
	£000	£000	£000
Highway Schemes			
A49 to M6 Junction 22 Link Road	1,013	1,766	753
A57 / M62 Warrington Road Junction 7	843	912	69
A570 Linkway	788	828	40
A58 Improvements (STEP) Year 3-6	61	45	-16
A58 Liverpool Rd/A580 East Lancs Rd Junction.Impvts (Pewfall). KRN (Employment Hubs)	4,696	4,382	-314
Accessibility Improvements-Supporting Regeneration	40	27	-13
Active Travel Fund - Tranche 1	340	312	-28
Active Travel Fund - Tranche 2	0	4	4
Additional Highway Maintenance (Pothole Funding)	141	181	40
Bridge Strengthening & Maintenance	100	172	72
Carriageway Maintenance	540	1,032	492
Eastern Regional Interchange	25	26	1
Haydock Industrial Estate Access (STEP) Year 3-6	81	74	-7
Highways Challenge Fund	1,741	1,281	-460
Highway / Road Investment	334	0	-334
Key Route Network	551	551	0
LCR Sustainable Urban Development	600	440	-160
Local Safety Schemes	104	60	-44
Parking Meter Upgrades	84	96	12
Safer Routes to Schools	50	11	-39
SCP - Amber Flashing Lights	10	0	-10
Section 106 Arrangements - (Highway Schemes)	83	0	-83
St Helens Active Travel East (STEP) Year 3-6	20	47	27
Street Lighting - Invest to Save Phase 2	500	537	37
Street Lighting	400	63	-337
Traffic Management & Signing	40	21	-19
Traffic Calming & Restraint	40	2	-38
Urban Traffic Control	162	103	-59
Walking and Cycling Measures	40	44	4
Environmental Schemes			
Air Quality Monitoring	1	0	-1
Recycling & Waste Collection	438	438	0
Section 106 Arrangements - (Non - Highway Schemes)	3	4	1
Taylor Park and Sutton Park Play Equipment	4	4	0
Other Schemes			
Vehicle Replacement Programme	1,064	950	-114
TOTAL	14,937	14,413	-524

	Period 4	Outturn	Variance
	£000	£000	£000
Demolition of Chalon Way Car Park	150	335	185
Town Centre - Car Park Lighting	78	71	-7
Town Centre Development	104	66	-38
Town Centre Strategic Acquisition	15	15	0
Town Hall Roof - Remedial Works	91	31	-60
Hardshaw Brook Depot	596	234	-362
Modernisation of St Helens Crematorium	250	37	-213
The Gamble Building and Earlestown Town Hall	239	145	-94
TOTAL	1,523	934	-589

SAFER, STRONGER COMMUNITIES PORTFOLIO	2020/21		
	Period 4	Outturn	Variance
	£000	£000	£000
Housing Schemes			
Disabled Facilities Grants and Adaptations	1,790	1,759	-31
General Fund Housing (Housing Assistance)	0	10	10
Sherdley Road Site	442	440	-2
Housing Clearance and Enforcement	1	1	0
Insulation Measures and Fuel Poverty	86	95	9
TOTAL	2,319	2,305	-14

PORTFOLIO TOTALS	24,532	23,114	-1,418
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EARMARKED BALANCES POSITION AT 31 MARCH 2021

	Balance at 1 April 2020 £000	In-year Movement £000	Transfers in-year £000	Balance at 31 March 2021 £000
Transformation Reserve *	10,750	2,081	5,546	18,377
Growth Reserve	4,418	(1,536)	3,689	6,571
Children's Services Reserve	4,256	(205)	(4,051)	-
Essential Equipment Fund	424	1,058	-	1,482
Councillor Improvement Fund	677	25	-	702
Insurance & Contingent Liability Reserve	6,918	600	(3,000)	4,518
Waste Management Development Fund	1,641	(392)	-	1,249
Inflation Reserve	4,000	1,000	(4,000)	1,000
Equal Pay Reserve	425	-	(425)	-
Community Improvement Reserve	1,292	(295)	-	997
Strategic Priorities Fund	567	(16)	(551)	-
Service Investment Reserve	1,753	(10)	(1,743)	-
Restructuring Reserve	465	617	535	1,617
Funding Reform and Volatility Reserve	-	1,227	4,000	5,227
TOTAL (exc. Reserves earmarked for COVID)	37,586	4,154	-	41,740
Covid-19 Reserve	6,177	22,570	-	28,747
TOTAL	43,763	26,724	-	70,487

* During 2021/22 £9.1m will be used to fund the Pensions prepayment to Merseyside Pension Fund, with this sum being reimbursed during 2022/23.

TREASURY MANAGEMENT OUTTURN REPORT 2020/21

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2020/21, the agreed reporting requirements were as follows:
- (i) An annual Treasury Management Strategy Statement (approved by Cabinet on 26 February 2020 and by Council on 4 March 2020);
 - (ii) A mid-year treasury update report (considered by Audit and Governance Committee on 23 November 2020);
 - (iii) An annual review following the end of the year describing the activity compared to the strategy (this report); and
 - (iv) In addition, Cabinet has received regular treasury management reports via each Financial Monitoring Report.
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies, previously approved by Members.
- 1.4 The Council confirms that it has complied with the requirement under the Code to give scrutiny to the relevant treasury management reports by the Cabinet before they were reported to the full Council.
- 1.5 The main contents of this report are:
- (i) Borrowing activity 2020/21;
 - (ii) Investment activity 2020/21;
 - (iii) Effects on the Council budget;
 - (iv) The Council's treasury position at 31 March 2021;
 - (v) Performance measurement; and
 - (vi) Compliance with Treasury Limits and Prudential Indicators.

BORROWING ACTIVITY 2020/21

- 2.1 The Treasury Management Strategy Statement for 2020/21 did not envisage any new borrowing being undertaken outside any prudential borrowing agreed within the capital programme. Whilst the Council's Capital Financing Requirement at that point indicated that the Council had an underlying need to borrow, the general strategy adopted by the Council has been to finance capital expenditure by running down reserves and balances in lieu of new borrowing. In the event, no new borrowing was undertaken during the year.
- 2.2 During the year, the Council monitored PWLB certainty rates. Table 1 below shows how rates have overall remained fairly subdued, although there has been volatility in

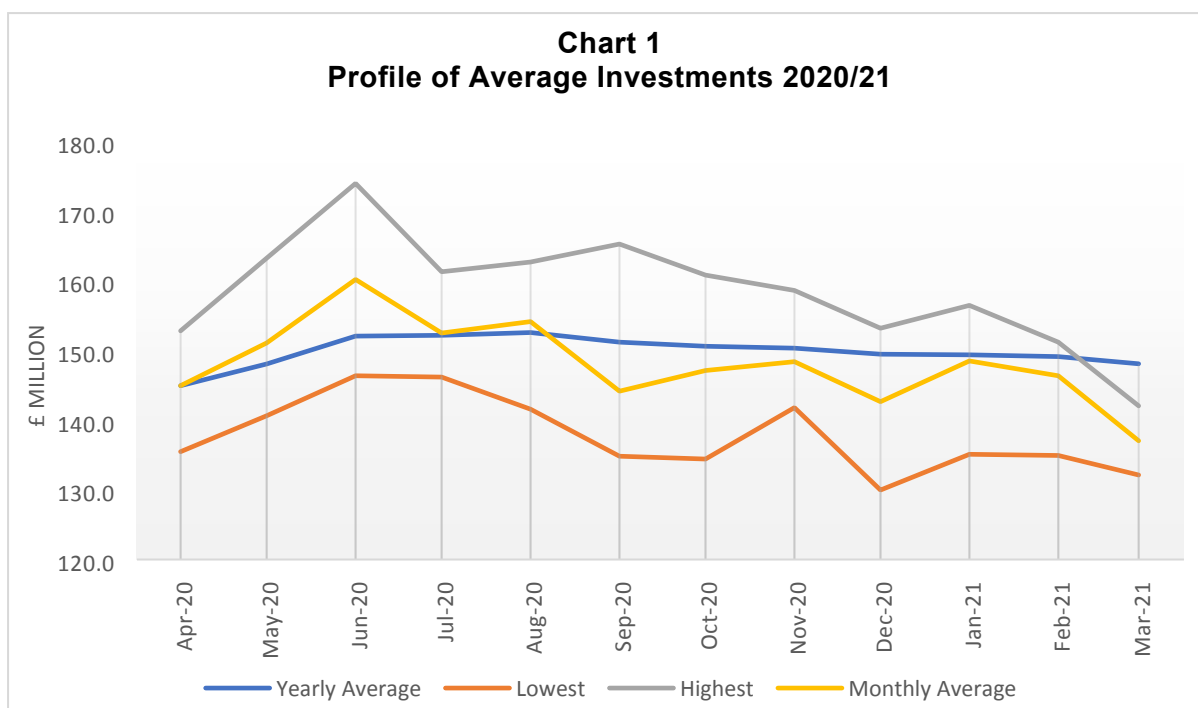
rates during the year, with a historic low reached during December 2020 and January 2021.

Table 1 - PWLB borrowing rates 2020/21 for 1, 5, 10, 25 & 50 years					
	1 Year	5 Year	10 Year	25 Year	50 Year
1 April 2020	2.09%	2.13%	2.33%	2.80%	2.54%
31 March 2021	0.99%	1.44%	1.95%	2.39%	2.19%
Low	0.85%	0.94%	1.24%	1.73%	1.51%
Date	04/01/2021	11/12/2020	04/01/2021	11/12/2020	11/12/2020
High	2.14%	2.20%	2.51%	3.07%	2.90%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.63%	1.73%	2.04%	2.53%	2.33%

- 2.3 On 9 October 2019, the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps, on top of the current margin of 80bps, which the Council can access under the Certainty Rate. During 2020/21, as part of the Spending Review 2020, Treasury have reversed this decision, following changes made to PWLB lending terms, in order to stop authorities utilising PWLB borrowing to fund investment acquisitions primarily for yield.
- 2.4 Despite PWLB borrowing attracting low rates of interest for a significant part of the year, no debt rescheduling was undertaken during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

INVESTMENT ACTIVITY 2020/21

- 3.1 The Bank Rate started the year at 0.10% following two emergency reductions in the rate during March 2020, in response to the Covid-19 pandemic, and remained at this level for the rest of the year. Economic forecasters' original expectations were that the Bank Rate would remain at this rate during 2020, which proved accurate.
- 3.2 Since the financial crisis of 2008, financial markets have faced significant uncertainty, which has promoted a cautious approach whereby investments continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. The rates of return dropped even lower as a result of the Covid-19 pandemic and continue to remain at a suppressed level.
- 3.3 As detailed in the Annual Investment Strategy the general policy objective of the Council is the prudent investment of its surplus funds. The Council's investment priorities are the security of capital and liquidity of investments. The Council's investment dealings in the year have been undertaken in order to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity and having properly assessed all inherent risks. All investments made during the year have been made in accordance with this strategy.
- 3.4 The Council maintained an average balance of £148.087m during the year; Chart 1 profiles the monthly average balances.



EFFECTS ON THE COUNCIL BUDGET

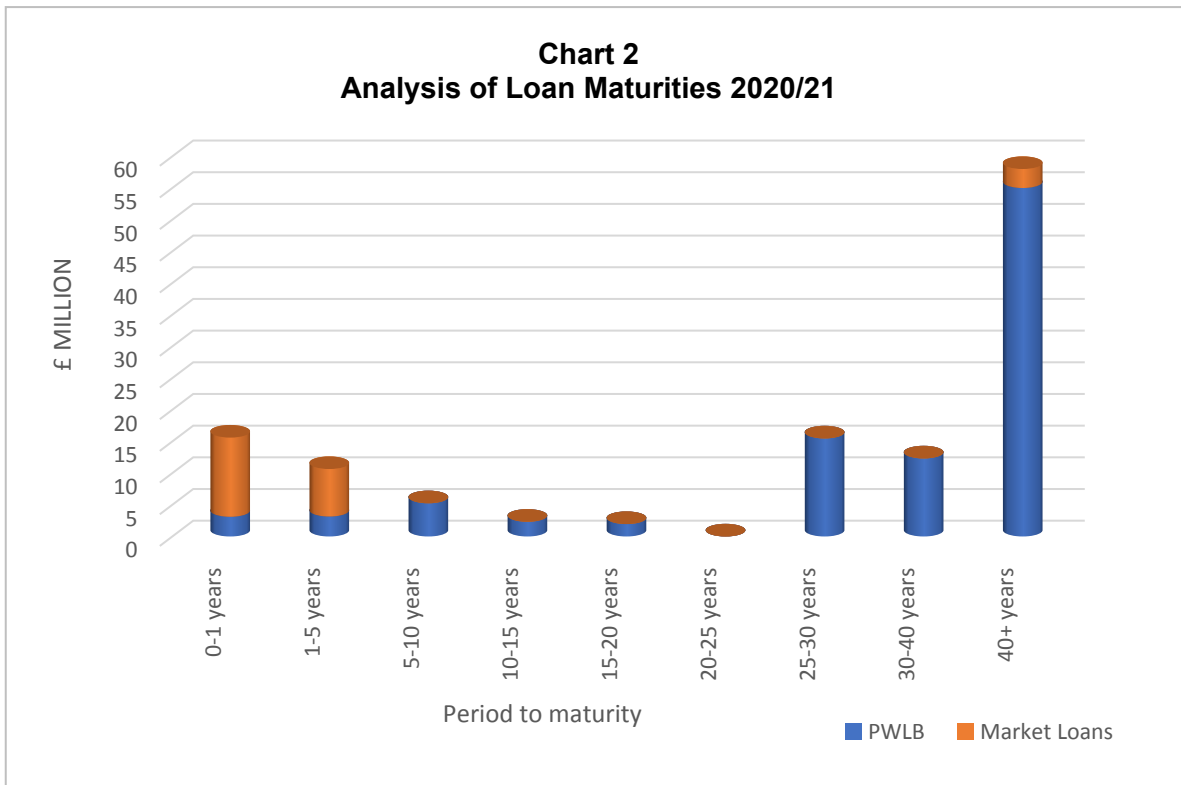
4.1 The overall effect on the Council's General Fund budget in 2020/21 was as follows:

Table 2 - Treasury Allowed Estimate & Outturn 2020/21		
	Allowed Estimate £m	Outturn £m
Minimum Revenue Provision (MRP)	3.401	3.125
Debt Management Costs	9.444	7.737
SUB-TOTAL	12.845	10.862
Investment Income	(2.015)	(1.021)
NET TREASURY COSTS	10.830	9.841

4.2 The Minimum Revenue Provision has reduced by £276k as a consequence of the re-phasing of schemes within the 2019/2020 capital programme into future years, as reported to Cabinet at its meeting on the 24 June 2020. Debt management costs are reduced as a result of decisions around the continued deferral of additional borrowing, whilst investment income is reduced as a result of the historically low Bank Rate and suppressed investment returns available.

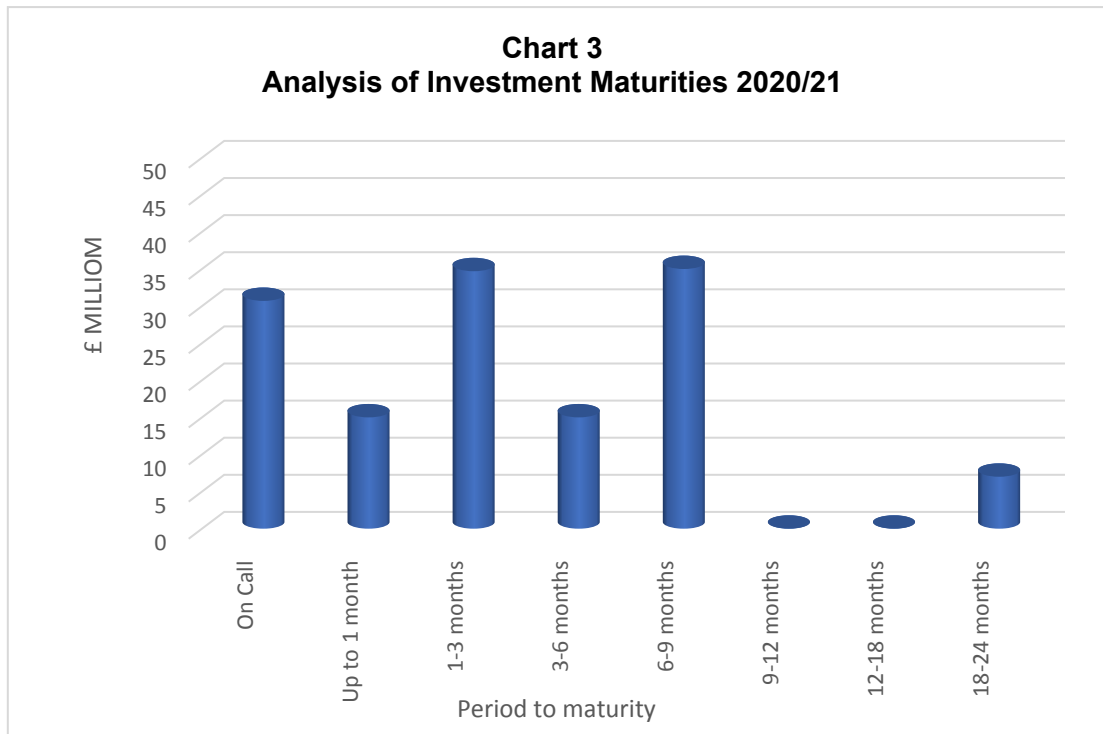
COUNCIL'S TREASURY POSITION

5.1 As at 31 March 2021, the Council's debt portfolio comprised of PWLB and market debt totalling £121.563m. The maturity profile of the debt outstanding is highlighted in Chart 2.



In accordance with the revised Prudential Code, the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender does have the right to increase the interest rate payable (as is the case with a Market Loan (LOBO – Lender Option Borrower Option loan)), then this should be treated as a right to require payment. Due to this guidance the maturity dates of the Council’s LOBO loans have been profiled as the next call date for each. This has made the Council’s position look much more short-term when all of these loans have maturity dates of 28+ years. In the current interest climate, it is unlikely that these loans will be called imminently.

- 5.2 The investments held at 31 March 2021 amounted to £137.400m. The composition of these are shown in Chart 3 and includes those managed on behalf of Schools (balances of circa £11.655m) and MRWA (cash of circa £8.716m).



5.3 The detailed investment holdings as at 31 March 2021 are included at Annex (i).

PERFORMANCE MEASUREMENT

- 6.1 No new borrowing was undertaken during 2020/21, therefore no table can be produced to provide a comparison of debt performance.
- 6.2 When analysing performance of the Council's investment activity there are more readily identifiable indicators available to determine performance, as detailed in Table 3.

Investment Returns 2020/21

Table 3

Month	Returns Achieved			Benchmark Returns			Performance relative to Benchmarks		
	Fixed Term Investments	Call Accounts	Combined Return	1 Year LIBID	7 Day LIBID	Combined LIBID	Fixed Term	Call	Overall +/- return
April	1.076%	0.322%	0.781%	0.730%	-0.020%	0.436%	0.346%	0.342%	0.344%
May	1.032%	0.254%	0.678%	0.550%	-0.050%	0.277%	0.482%	0.304%	0.401%
June	0.905%	0.120%	0.627%	0.390%	-0.070%	0.227%	0.515%	0.190%	0.400%
July	0.834%	0.095%	0.615%	0.230%	-0.060%	0.144%	0.604%	0.155%	0.471%
August	0.688%	0.113%	0.552%	0.140%	-0.070%	0.091%	0.548%	0.183%	0.462%
September	0.592%	0.119%	0.494%	0.050%	-0.070%	0.025%	0.542%	0.189%	0.469%
October	0.612%	0.102%	0.514%	0.010%	-0.080%	-0.007%	0.602%	0.182%	0.522%
November	0.671%	0.096%	0.537%	0.010%	-0.080%	-0.011%	0.661%	0.176%	0.548%
December	0.541%	0.104%	0.451%	-0.020%	-0.090%	-0.034%	0.561%	0.194%	0.485%
January	0.521%	0.092%	0.424%	-0.040%	-0.090%	-0.051%	0.561%	0.182%	0.476%
February	0.497%	0.077%	0.394%	0.020%	-0.090%	-0.007%	0.477%	0.167%	0.401%
March	0.480%	0.078%	0.371%	0.030%	-0.080%	0.000%	0.450%	0.158%	0.371%
Average rate of return *	0.704%	0.131%	0.537%	0.175%	-0.071%	0.091%	0.529%	0.202%	0.446%

* Inclusive of treasury costs and exclusive of interest from third parties.

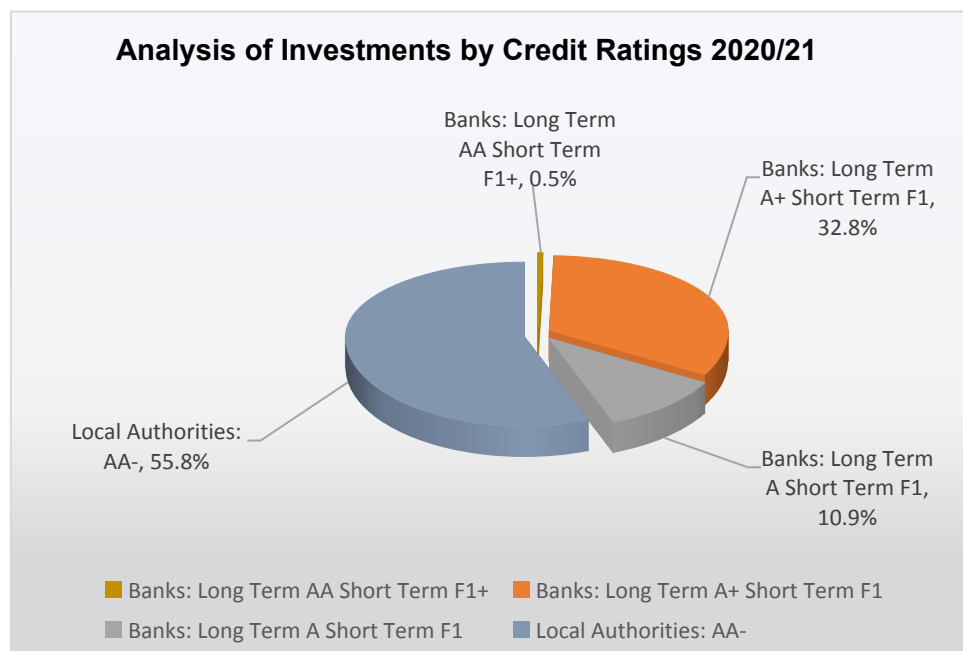
- 6.3 Throughout the year, the Council has performed above the accepted benchmark levels even though these fluctuated throughout the year. Any sudden changes in rates will impact upon performance against benchmarks as investment decisions need to be made based upon both the desire to maximise interest returns and, more importantly, managing the liquidity of the Council's investments for cashflow purposes. For a number of years, where possible, the Council has taken advantage of favourable rates and locked into investment deals for longer periods.

COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

- 7.1 During 2020/21 the Council complied with its legislative and regulatory requirements. The revised Treasury Limits and Prudential Indicators are included at Annex (ii) and, where appropriate, outturn figures for the indicators have been produced by analysis.

Annex (i)

Investments held at 31 March 2021			
Counterparty	Sum Invested £m	Maturity Date	Interest Rate %
<u>Banks</u>			
Danske	15.000	Call	0.15%
Handelsbanken	0.680	Call	0.02%
NatWest	5.020	Call	0.01%
Santander – Call Account	10.000	Call	0.08%
Santander – 35 Day Notice	15.000	13/04/2021	0.30%
Barclays – 3 Month Notice	15.000	25/06/2021	0.35%
<u>Local Authorities</u>			
Blackburn with Darwen Borough Council	5.000	19/10/2021	0.45%
Broxbourne Borough Council	4.700	10/06/2021	0.95%
Cherwell District Council	10.000	14/05/2021	0.30%
Guildford Borough Council	10.000	12/07/2021	0.40%
Lancashire County Council	5.000	23/11/2021	0.40%
Lancashire County Council	5.000	29/11/2021	1.20%
Liverpool City Council	10.000	14/10/2021	0.50%
London Borough of Croydon	5.000	23/07/2021	0.89%
Staffordshire Moorlands District Council	2.000	26/10/2021	0.85%
South Cambridgeshire District Council	5.000	22/03/2021	0.75%
Sedgemoor District Council	5.000	27/05/2021	1.00%
Woking Borough Council	10.000	22/11/2021	0.12%



Key to Credit Ratings

Local Authorities	AA	Very high credit quality
Sovereign (part nationalised banks)	A+	High credit quality
Long Term	AA-	High credit quality
Short Term	F1+ F1	Highest short-term credit quality

Annex (ii)

Treasury Limits and Prudential Indicators 2020/21			2020/21 Revised Estimate	2020/21 Outturn
1(i)	Proposed capital expenditure that the Council plans to commit to during the forthcoming and subsequent two financial years.	Capital Expenditure (£m)	24.532	23.114
1(ii)	Additional in-year borrowing requirement for capital expenditure.	In Year Capital Financing Requirement (CFR) (£m)	2.250	(3.101)*
2	The CFR is an aggregation of historic and cumulative capital expenditure, which has yet been paid for by either revenue or capital resources.	Capital Financing Requirement as at 31 March (£m)	183.104	177.753*
3	The “net borrowing” position represents the net of the Authority’s gross external borrowing and investments sums held.	Net Borrowing Requirement: External Borrowing (£m) Investments Held (£m) Net Requirement (£m)	121.563 (120.000) 1.563	121.563 (128.700) (7.137)
4	Identifies the impact and trend of the revenue costs of capital financing decisions will have on the General Fund Budget over time.	Ratio of financing cost to net revenue stream	5.70%	5.40%
5	The Council’s Budget Strategy with regards to unsupported borrowing is such that there is no incremental impact to Council Tax.	Incremental impact of capital investment decisions (increase in Council Tax Band D equivalent)	NIL	NIL

Treasury Limits and Prudential Indicators 2020/21			2020/21 Estimates	2020/21 Outturn
6	This represents an absolute limit of borrowing at any one point in time. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.	Authorised Limit for External Debt (£m)	183.298	Complied within limit
7	This is the limit beyond which external debt is not normally expected to exceed.	Operational Limit for External Debt (£m)	165.160	Complied within limit
8	These limits seek to ensure that the authority does not expose itself to an inappropriate level of interest rate risk and has a suitable proportion of debt.	Upper Limit for Fixed Interest Rate Exposure	100%	Complied within limit
		Upper Limit for Variable Interest Rate Exposure	50%	Complied within limit
9	This limit seeks to ensure liquidity and reduce the likelihood of any inherent or associated risk.	Upper Limit for Sums Invested over 365 Days	60%	Complied within limit
10	This indicator is used to highlight where an authority may be borrowing in advance of need.	Gross Debt and the CFR (£m)	(39.452)	(34.101)*

* As detailed in Section 4.1 of the report, the financing profile between Borrowing and Capital Receipts has been amended by £4.129m to enable savings to be generated against the Council's debt servicing costs in future years. This has a related impact on the outturn position of these Indicators.