Appendix A – Commentary on Service revenue forecasts

Detailed explanation at a Team level within each Service is provided in **Appendix D - Annexes A to M.** Below is a summary of the main variations and potential ongoing impacts from these.

Communities Directorate

Education Services DSG - (£7.647m net overspend; +3%. £0.198m Covid pressures)

- The DSG overspend primarily relates to the excessive growth and demand on services within the High Needs Block of the DSG. Detailed reports on the issues and the required Recovery and Sustainability Plans were presented to Cabinet in June and July with further updates going forward.
- In the summary table in section 3.4, the overall DSG overspend includes the High Needs Block overspend of £10.716m being offset in part by an Early Years Block underspend of £0.583m (due to a forecast lower than funded uptake of Free Early Years provision and additional in year Early Years block allocation by DfE), as well as a £2.452m underspend in the Schools block (contingency/Growth fund). However, the DfE rules do not allow an actual transfer of funds between the blocks, hence the requirement of High Needs Recovery and Sustainability plans.
- The High Needs block forecasted underspend has decreased since Q2 by £0.597m, this is the result of reduced pressures on Flexible Learning, Alternative Provision as well as payments to the Independent Special settings, which reflects the objectives of the Recovery Plan.
- The Early Years block although forecasting a £0.583m underspend due to fewer anticipated hours for early years provision, this underspend has reduced from Q2 by £0.729m due revised upward numbers from the revised pupil data based on the latest census. The grant allocation will be updated based on the January 2021 census data and will be adjusted in July 2021.This will require an accrual at year end to reflect the estimated clawback as calculated at March 2021.
- Overall, the forecast underspend has decreased since Q2 by £2.243m. This is primarily the result of the underspend in the School block contingency (held within Other Services) which the School Forum usually approve to transfer to the School Growth Fund. However, the School Forum have recently supported WCC's application to the Secretary of State for "dis-application" of funding transfers between blocks. If successful, this underspend will in-part be used to contribute to the High Needs block underspend and relieve some pressure on the MTFS.

Education Services Non- DSG - (£5.813m net overspend; +17%. £3.915m Covid pressures)

- Covid Pressures consist primarily of £0.412m Early Years Hubs, £2.418m loss of Traded income pressures; £0.973m of Home to School Transport, the latter of which WCC is off-set WCC has received a specific grant for.

- Within this, the traded income pressures include over £1.735m of pressures relating to Warwickshire Attendance Service, WCC Music Service and Marle Hall. In particular the WCC Music service loss of income is significant as the service is now forecasting less buy back for a longer period of time that initially predicted.
- Of the non-Covid net overspend of £1.898m, £3.914m of this relates to the cost of placements for Children with Disabilities in residential care as well as preventative care & assistance to avoid the costs of taking children into care. This is a forecast increase of £0.426m since Q2. This is because the forecasted purchased weeks has increased by a further 6% (83 weeks) for forecast residential placements, coupled with the average unit cost of these additional packages increasing by 3%, from £3.270 per week to £3,353 per week. To avoid an even greater number of Children going into placements, preventative care and assistance expenditure is also being incurred (e.g. direct payments, specialist agency staff/home care, short breaks/respite). A report will be taken to Corporate Board on the demand, market and financial challenges facing the Children with Disabilities service in early February.
- The primary area reporting underspends include the one off budget of £0.788m that is being held for the forward funding of places and the Pears site that is not needed now until 2021/22 due to the delay in the opening date from Jan'21 to Sept'21. This underspend will need to be carried forward at year end, subject to Member approval.
- There are some one -off underspends relating to staff vacancies / delays in recruitment as well as some operational reduced expenditure i.e. travel costs, due to Covid.

<u>Environment Services - (£1.577m net overspend; +6%. £3.051m Covid pressures</u>

- The Covid related pressures are largely as previously reported and the key Covid pressures consist of:
    - Payments to Bus Operators which is offset by grant funding from the DfT totalling £1.441m.
    - Costs relating to emergency Highways maintenance and compensation payments for Highways contracts (£0.190m).
    - The reallocation of road space and works in town centres and to enable social distancing (£0.911m offset by £0.129m grant funding to give a net £0.782m).
    - Income losses within Forestry, Planning Delivery and Trading Standards and Community Safety (£0.334m).
    - The remaining Covid-related pressures (£0.106m) are as a result of additional payments being made within Transport Delivery to voluntary organisations so that operations could continue during Covid. This overspend is partially offset by an underspend in planning delivery due to staff vacancies.
- The non-Covid underspend has increased by £0.700m compared to the Q2 report, to £1.474m after the removal of Covid pressures. This is mostly due to an increase in charges being made to capital, in year staffing underspends across the service arising from delays in the implementation of the service redesign, and an underspend on budget held within the management cost centre for special projects which will not be utilised in year.

Fire and Rescue - (£0.275m net overspend; +1%. £0.277m Covid pressures)

- The £0.277m of Covid related pressures are primarily overtime.
- The position after Covid Pressures has changed largely due to the fact that funding received for the Pilot Citizenship scheme (£0.188m) during 2020/21, had previously been forecast to be spent in year. Due to delays in the programme this will no longer be the case and a carry forward request will be made at year end.
- The underspend position is further increased by underspends in budgets for legal costs and salaries.
- These underspends are offset by an overspend of £0.222m due to the roll out of uniform, cover for long term absence and the recently approved Firefighter Recruitment plan and £0.101m on Firefighter pensions, for which a draw down from specific reserves will be requested.

Strategic Commissioning for Communities – (£6.615m net overspend; +29%. £6.889m Covid pressures)

- The forecast overspend due to the Covid pressures has increased by £2.785m to £6.889m compared to the Q2 report.
- The predicted income losses have increased by £0.588m to £4.502m and is split across Parking Services (£2.726m), Waste Services (£0.910m), County Parks (£0.470m) and rental income through Business Centres (£0.396m). The main reason for the increased forecast is a review having been undertaken of the position on Waste Services and the forecast loss of income due to Covid increasing. This is largely because there have been significant reductions in the amount of trade waste and sale of recyclables.
- A further £2m of support to businesses to enable Covid recovery is forecast to be required expenditure.
- Additionally, there is expenditure of £0.280m as a result of Covid for social distance modelling and active travel monitoring and £0.106m in waste services due to increases in kerbside waste collections.
- The underspend after Covid pressures is largely made up of projects that have been delayed due to Covid, for which carry forwards will be requested at year end and are offset by overspends on other projects where revenue contributions may be required. These forecasts are subject to change as the position becomes clearer and there will be a focus on Transport and Highways to ensure that a clearer picture is presented at P9. As such these carry forward requests have not been included in the table in paragraph 2.1 of the main report.

People Directorate

Adult Social Care – (£5.701m net overspend; +4%. £13.701m Covid Expenditure)

- The impact of Covid on the forecasts is:
  - £4.467m financial support to providers to enable them to manage the impact of Covid

- Increased package costs following hospital discharge of £8.500m. It is expected that this will be fully reimbursed from the £1.3bn Hospital Discharge Grant via SWCCG.
    - Staffing costs of £0.567m
    - £0.167m of Covid related increases in direct payments to people with disabilities; and increased Mental Health package of care costs.
- After removing the Covid related expenditure, the net variance is an £8m underspend. Caution must be taken in analysing this largely non-recurrent position for the following reasons:
    - The £8.500m income from the Hospital Discharge Grant has funded some areas of support which we otherwise would have had to pay for. This has a one-off positive impact unlikely to stretch beyond the current financial year.
    - Sadly, excess deaths during Covid have disproportionately impacted the over 65's cohort. This, in financial terms, may see expenditure in this group reduce in year. Conversely, some people have started receiving Adult Social Care sooner, due to Covid. In the short-term there has been net reduced expenditure.
    - During the Covid response period until 1 September the Clinical Commissioning Groups (CCG) have fully funded those people requiring nursing care. Under usual circumstances some of this cohort could have been funded via the Council with the CCG giving a financial contribution for the nursing funded element. This means that for this financial year the demand for this type of provision is unnaturally suppressed and is expected to increase through the rest of this year, back to normal level of demand for 2021/22 as we complete transition from the Covid response.
    - Certain areas of Social Care have seen a delay in demand as day and respite activities are impacted by Covid restrictions; while in some cases people have delayed coming to the Council for support as they are reluctant to start their support journey during these uncertain times. All of these factors have suppressed demand in a one-off, short-term way.
    - Whilst significant financial relief has supported Adult Social Care providers (current forecast £4.467m), this has in some instances replaced the expenditure that WCC would have otherwise incurred. When the Covid situation recovers, there is an expectation that demand and service delivery will return and therefore this is a one-off rather than permanent underspend. Further, the Council has been provided with funding of £13m Infection Control Grant to passport to Adult Social Care Residential and Community providers with a primary purpose of reducing transmission of Covid. This has been a significant step in supporting the market without which the support to providers funded by WCC could potentially have been significantly higher.

- Other key points to note are:
    - Mental Health is showing a pressure of £1.658m across all services, from increased client numbers, clients over 65 years of age and transitions from childrens to adult mental health services.
    - Older People is showing a pressure of £2.195m due to increased demand and unit costs for domiciliary and residential care packages as a result of

Covid, partially offset by reduced nursing care costs and additional income from client contributions due to the direct relationship of increased expenditure leading to increased client contributions. This overspend represents an upward swing from Q2 due to a reduction in the rate of income collected proportionate to expenditure as we have progressed through the year, this is owing to the hospital discharge guidelines.

- A forecast underspend in Integrated Care Services of £0.813m most of which is attributed to reduced demand for community equipment with a smaller element due to assistive technology as Covid has the impact of temporarily cessing elective surgery and the ability to start pilot schemes as planned.
- A forecast underspend in Disabilities of £1.252m due in particular to learning disability services as Covid reduced the use of and closed day opportunities, short breaks and services such as domiciliary care during the Covid pandemic, the reduced activity also means there has been a reduction in client contributions towards these activities.
- The key changes from the Q2 forecast of £3.041m is due to:
    - A reduction in the rate of client contributions relative to expenditure received by older people services as a result of Covid hospital discharge guidelines.
    - An increase in the financial support being provided to adult social care providers. The increase in driven by forecast targeted support over the final six months of the financial year.

<u>Children and Families - (£4.636m net overspend; +7%. £3.559m Covid pressures)</u>

- The major Covid pressures include the following:
    - £1.100m additional placement costs.
    - £0.957m for additional staffing costs.
    - £0.211m for Youth Justice Remand placement.
    - £0.121m for loss of income related to the 4 Youth Centres.
    - £0.516m for increased Foster care/emergency/care leaver and UASC payments.
    - £0.500m for additional costs of Legal Services due to Court delays.
    - £0.154m for Working from Home equipment and Social Distancing equipment for Family meetings.
- After removing the Covid related pressures, the net variance for Children & Families is a £1.078m overspend. This headline overspend has increased by £0.288m since quarter 2, and masks a number of ear-marked funding streams (see reserves table) which, when taken account of, result in an underlying overspend of £4.267m, an increase of £1.285m since Quarter 2.
- The major contributors to this underlying position as well as the increased overspend position since Quarter 2 are:
    - £4.422m Children in Care / Leaving Care Placements overspend mostly related to increased numbers and complexity of Residential Placements (affecting average unit cost as well as market failure). The Children's Transformation Programme, including the objective to change the placement mix, continues in order to address the overspend. The issue

of market failure is a national one which is being pursued through various national forums such as DCS's groups as well as direct with the DfE.
    - Leaving Care accommodation costs and allowances for young people continue to be an area of increasing cost/demand and despite the investment of budget this area is forecast to overspend by £0.961m which is an increase of £0.156m since Quarter 2.
    - There is increasing pressure on the service's legal budget which, excluding the effect of Covid, is forecasting £0.351m overspend. This is a direct result in the large increase in the number of referrals into the Child Social Care system and then the rising number which have to be referred to WCC Legal Services with a direct cost / charge by Legal services,
- As the result of less face to face contact due to Covid, there is an underspend on staff travel of £0.405m.

<u>Strategic Commissioner for People - (£3.350m net overspend; +10%. £4.084m Covid pressures)</u>

- The impact of Covid on the forecasts is:
    - £2.138 Test and Trace Grant funded expenditure on infection control nurses, contributions to the Districts/Boroughs for test and trace activity, communication and staffing, of which £1.385m is required to be carried forward into 2021/22.
    - £0.116m housing related and medical support to keep homeless people off the streets.
    - £0.055m contribution towards sub regional Test & Trace and a Covid testing centre in Nuneaton.
    - £0.035m overspend on the meals on wheels service.
    - £1.740m to be spent on Covid recovery projects on 'Improving Mental Health' and 'Mitigating the impact of Covid on the BAME community', the majority of which will need to be carried forward into 2021/22.
- After removing the Covid related pressures, the net variance is a £0.734m underspend.
- The major contributors to this underlying position are:
    - £0.572m underspends across a range of contracts due to reduced activity as a result of Covid including homelessness, housing support and health and wellbeing
    - £0.358m underspend on staffing, travel, conferences and training associated with Covid, the impact of which is reduced by an overspend on medically assisted drug and alcohol treatment in the community.
- The key changes from the Q2 forecast is due to revised accounting treatment of the Test and Trace Grant and approval of the Covid recovery projects.

<u>Resources Directorate</u>

<u>Business and Customer Services - (£4.884m net overspend; +28%. £5.419m Covid pressures)</u>

- The Covid related pressure of £5.419m has increased by £2.205m compared to the last report. This increase is largely attributable to forecast expenditure following receipt of specific grant funding of £2.134m for the Winter Support Grant (£1.405m), Additional Welfare Support (£0.521m) and Critically Extremely Vulnerable support (£0.208m) which has been received since the last report. Also, a new Education response team has been set up as a result of Covid (£0.052m).
- The other Covid pressures have not changed significantly from those previously reported for Shielding Hubs, the local welfare scheme, income losses and non-achievement of savings.
- The remaining non-Covid related underspend of £0.535m is made up of staff underspends due to vacancies. This is in part due to funding (£0.214m) that was allocated to undergo service redesign in customer support which has been delayed and will be requested for carry forward into 2021/22.

<u>Commissioning Support Unit - (£7.295m net overspend; +117%. £7.288m Covid pressures)</u>

- Within the Covid related pressures of £7.288m there is £5.989m of forecast activity following receipt of specific grant funding for Contain Outbreak Management Fund (COMF) of £4.623m, £1.140m for Community Lateral flow testing. It also includes £0.226m for PPE funded by the Infection Control Grant.
- The remaining Covid related expenditure of £1.299m consists mainly of £1.174m for central PPE supplies and £0.125m for staffing costs for team members who, due to working on Covid related projects, were unable to be recharged across WCC.
- After taking account of the Covid pressures, there is a net overspend within CSU of £0.007m which is a decrease of £0.337m compared to Q2. This reduction in forecast overspend is the result of the detailed work that was undertaken to review the work activity, funding allocations and re-charges following the final movements related to the service re-design.

<u>Enabling Services - (£1.828m net underspend; -7%. £1.248m Covid pressures)</u>

- Covid pressures within the service are largely the same as previously reported around making offices safe, additional cleaning, security and income losses in Catering, Maintenance and Minor Works, Recruitment and Vetting.
- The forecast underspend has increased by £1.052m to £1.828m from Q2 and excluding the Covid pressures there would be an underspend of £3.076m.
- The main reasons for the reduction in the forecast are:-
    - £0.411m reductions in salary forecasts to reflect vacancies and delays in recruitment.
    - An additional £0.185m in reduced costs for Shire Hall due to no bookings and reduced utility costs as the lockdown periods have extended.
    - £0.225m from reduced demand for consultancy whilst the service responded to the demands from Covid.
    - £0.110m one off benefit from the release of an accrual no longer required.
    - £0.081m increase in WES income.

- The underspend within the service is primarily due to the following:

- A forecast underspend in Digital and ICT of £1.312m which has been calculated as part of the detailed zero-based budgeting exercise. These savings have mostly been incorporated into the refresh of the MTFS.
- Facilities Management underspends of £0.479m in relation to Shire Hall as no bookings are being taken
- Underspends of £0.493m are forecast within the Pears project and the graduate scheme which are likely to be required for carry forward into 2021/22.
- The remaining underspend is mostly due to staff vacancies being held ahead of the new structure to be implemented in April, when these savings will be released as part of the MTFS.

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<u>Finance Service – (£0.300m net overspend; 5%. £0.673m Covid pressures)</u>

- The movement of £0.490m additional spending within the forecast compared to Q2 is predominately as a result of Covid pressures. In the last quarter it has become apparent that the call on schools absence insurance scheme has significantly increased in year due to Covid and has created an additional pressure of £0.630m.
- The additional spending on Covid pressures of £0.043m is a mixture of agency staffing, equipment and other charges.
- Excluding Covid the underspend of £0.373m is due to delays in populating the full structure following the Functional Operating Model and some additional Pension Fund income.

<u>Governance and Policy – (£0.997m net overspend; +36%. £0.428m Covid pressures)</u>

- The Covid pressures have reduced from £0.674m to £0.428m due to revisions in the forecast loss of income.
- The non-Covid forecast overspend has increased since the last quarterly report by £0.485k.
    - £240k of this increase is due to the expectation that a revenue contribution will be required to fund the Hawkes Point capital project.
    - The remaining increase relates to agency staff for maternity cover and a funding gap which is still be resolved for HROD.

<u>Corporate Services and Resourcing </u>- (£840m net overspend; +1%, £5,641m Covid pressures)

- A number of Covid related pressures and income are included within this budget area. These relate to:
    - Payment for Mortuary costs of £1.417m.
    - Educaterers potential costs of £0.360m.
    - Loss of income from the Oxygen Finance rebate of £0.240m.
    - Interest on treasury balances pressure of £1.721m (including increased management fees).
    - £1.238m borrowing cost savings unachievable due to cancellation of property sales (offset by capital contingency).
    - £0.500m contract management savings undeliverable during Covid response phase.

    - £0.165m increase in Coroner cost
- Non-Covid underspends are:
    - Higher than expected grant income (£1.109m), including £0.427m business rates s31 grant, £0.350m Extended rights to home to school transport grant, £0.165m Fire Pension grant, £0.097m Fire Link Grant, and £0.088m War Pension Disregard Grant.
    - £3.508m of the provision for capital financing costs not required to fund the capital programme in 2020/21 (offsetting under-achievement of saving target due to Covid and school liabilities).
    - £0.110m due to a lower top-up contribution to the Pension Fund deficit being required in the first year of the latest triennial valuation.
    - £0.321m reduction in members allowances and expenses.
    - £0.286m favourable variance on MRP.
    - £0.647 reduction in other administrative expenses.
- These are offset by reduced income from Schools using WCC insurance services (£0.521m), £2.137m schools' liability cost and a £0.350m increase in election cost.
- The reduction to the forecast variance of £1.920m is due to the reduced capital contingency forecast offset by the school's liability cost.

Risks to Forecasts

A number of forecasts carry risks, of which the key ones are listed below:

Education Services

- Although the High Needs Block (within the DSG budget) is currently showing an overspend of £10.716m this could vary if the savings in the DSG recovery plan are delayed or not achieved this year; or if demand increases more than anticipated.
- A major area of non-DSG volatility is within the Children with Disability Service where the volatility of both placement numbers and costs (low volume / high cost) within the service can impact forecasts through the year. Drivers include complexity and activity levels; market prices and share, social and economic impacts; and Covid.

Adult Social Care

- The key risk to this forecast is the impact on demand from Covid, including any further 'waves' both in the short term and long term and the continuing availability of government/NHS funding for Covid.
- There is a risk to the client contributions forecast as social care assessments continue to be carried out on customers who were discharged from hospital into a care setting.

Children and Families & Children with Disabilities

- The volatility of both placement numbers and costs within Children and Families can impact forecasts through the year – drivers include complexity and activity levels; market prices and share, social and economic impacts; and Covid.
- Financial plans for transformation funding and grants are reviewed and revised on a monthly basis and can be subject to change. With the effect of Covid, these plans are at risk of not being able to fulfil original plans in year and underspends are transferred to earmarked reserves at year end for use in future years.

Enabling Services

- ICT and Property Services – both services are currently undertaking a zero-based budgeting exercise and so it is possible that the forecast will change dependent on the findings of the exercise.

Covid related forecasts

- All Covid-related forecasts (expenditure and income pressures; and forecasts relating to grant income) are based on the best data, knowledge, national guidelines and intelligence at a given point in time. As the national and local landscape and impact of Covid evolves; and as restrictions change, it is inevitable that the forecasts will be updated and will also change. As we progress towards the end of the financial year, further reviews of actual spend/income loss compared to forecasts will be undertaken.