

Cabinet

17 June 2021

Financial Outturn Report 2020/21

Recommendations

Cabinet are recommended to:

- a) Note the net spend in 2020/21 and the consequent revenue underspend for the organisation at the end of the year;
- b) Note the explanations and mitigating actions for variations to budgets, and the implications on the Medium-Term Financial Strategy, as set out in Appendix A;
- c) Note the capital spend in 2020/21 and its financing and the explanations for variations on individual projects set out in paragraph 5.6 and Appendix B.
- d) Approve the £6.221m carry forward of specific services' revenue budget from 2020/21, to support the delivery of the Council Plan in 2021/22, as outlined in paragraph 4.4 and Appendix D;
- e) Approve the reprofiling of the capital programme as set out in Annexes A to M and require Corporate Board to give an enhanced focus to the accurate phasing of capital spend in 2021/22 and over the medium term;
- f) Note the current reserves position for the organisation as set out Section 4 and Appendix N.

1. Purpose of the Report

- 1.1 The purpose of the report is to provide an analysis of the financial position of the organisation at 31 March 2021, including:
 - Capital and revenue performance during the financial year 2020/21;
 - Explanations and mitigating actions for potentially longer-term pressures;
 - Savings achievement over the course of the financial year; and
 - The resulting reserves position as at 1st April 2021.

2. Executive Summary

- 2.1 2020/21 has been a highly unusual financial year due to Covid and this has impacted on our financial position at the end of the year. Services in some areas have faced unprecedented increases in demand and significant drops in planned income as well as the need to set up and deliver a range of new services almost overnight (for example PPE or test and trace activities). In other areas Covid has reduced or depressed demand and limited our ability and capacity to invest in change and deliver our planned capital investments.
- 2.2 We received significant and very welcome additional funding from government, in many different tranches, with numerous conditions attached, and at various times during the year, to help us support our communities through the Pandemic. The nature of the Pandemic and therefore the funding provided in response does not fit neatly into financial years. The incremental provision of in-year funding, proliferation of small funding pots and understanding the financial impact of Covid on our costs and income have provided for a challenging financial management environment.
- 2.3 The outturn figures reflect these factors and have led to a significantly higher variation than would usually be expected. We remain a financially strong and resilient Authority and have not had to identify additional savings in-year. Although implementation of some planned savings has been delayed, we have had the flexibility to manage this through our sustainable and resilient financial position and the additional Government funding. It is important that the headline underspend, and its largely exceptional causes, are fully understood as significant underlying financial pressures remain in the medium-term.
- 2.4 The Council has ended the financial year with a revenue underspend of £38.839m. Just under half of this (£16.172m) is the additional Covid funding from Government and funding from Health to support Adult Social Care. We continue to use this funding in 2021-22 to support the ongoing efforts to reduce the spread of Covid via our contain, test and trace activities, as well as to support the most vulnerable members of our communities and aid the recovery of Warwickshire from the impact of the Pandemic. After allowing for technical adjustments and the reprioritisation of plans and priorities in light of the Pandemic on the phasing of projects across more than one financial year, the net underspend on services is £5.869m, as shown in the table below.

| | £m |
|--|---------------|
| Revenue Underspend | 38.839 |
| Less: | |
| • Covid funding from Government and Health covering more than one financial year | (16.172) |
| Headline non-Covid underspend | 22.667 |
| Less: | |
| • Additional non-covid grant income received after the budget was agreed | (2.497) |
| • Technical year-end accounting adjustment for the leasing of IT equipment | (1.395) |
| Underspend after technical/funding changes | 18.775 |
| Less: | |
| • Project activity spanning more than one financial year | (6.221) |
| • Underspend of externally earmarked resources | (6.695) |
| Underspend after technical, funding and phasing adjustments | 5.869 |

- 2.5 We spent £51.020m on our Covid response and recovery activity during 2021/22, with our Covid Recovery Plan setting out the short and long-term priority actions for laying the foundations for longer term recovery into 2021/22 and beyond. We have started this work with our partners and spreading the Covid funding over more than one financial year will enable many of these important initiatives to continue. It will not only allow us to continue to focus on test, trace and contain activities but also to provide further support to local businesses via our grant schemes, as well as to mitigate the impact of Covid on communities most vulnerable to it and help reduce the impact of the Pandemic on mental health. During the year we supported 21,000 vulnerable people in Warwickshire (including food parcels, prescription deliveries and welfare calls) and the funding carried forward will also enable us to continue to help those most in need due to the impact of Covid on their well-being, employment and communities.
- 2.6 The remainder of the underspend reflects the impact of reprioritising our plans to adapt to the ever-changing circumstances relative to a cut-off point at 31 March 2021.
- 2.7 The largest element of the remaining underspend was in adult social care. The Covid-19 pandemic disrupted normal expenditure trends. During the year essential services were adapted to continue to deliver in Covid-19 secure ways and to keep staff and customers healthy and safe. Services redesigned their offer, maximising delivery through virtual or digital means leading to a temporary decrease in transport costs. Taking a partnership approach, we maintained and strengthened the health and care system in Warwickshire to support people leaving hospital who still required care services. This enabled us to utilise the Hospital Discharge Grant and other temporary NHS resources during the year. We worked with our providers to ensure that there was good availability of care home places and, where appropriate, people were supported to leave hospital and move to or return quickly into care homes. This work was recognised by the

Local Government Association as a Covid-19 good practice case study. The additional government funding to aid hospital discharges and support our providers as well as temporary NHS resources for nursing funded our Covid response provided alternative sources of funding for services and health settings were the source of much of the additional demand in 2020/21 making the year atypical. As a result, the current year non-covid underspend of £9.323m should not be treated as an indication of the ongoing position. As a comparison, in 2019/20, the last full financial year before Covid adult social care underspent the approved budget by £0.610m or just 0.4%. It is likely to be at least six months into 2021/22 before a more stable post-pandemic position begins to emerge as the underlying demand pressures remain.

- 2.8 At the same time, we continue to face increasing, financially material challenges relating to our Children's and Education Services (including SEND). The overall revenue underspend masks a £4.506m overspend in Education from increased placement costs for children with disabilities as well as increased demand and complexity of needs and a £4.476m overspend in Children and Families again due to demand-driven placement costs.
- 2.9 These areas of overspend reflect national, not local issues. In common with other upper tier councils across the country, Covid impacts are increasing volumes and complexity of work after the success of recent work to reduce numbers of looked after children, highlighting the serious issues inherent in the children's market. In the 2020/21 financial year we experienced an increase in the number of children in care from 679 to 776 and this is partly due to delays in court processes making it harder to return children home or move children out of care. We are expecting to see the impact of latent demand post-lockdown throughout 2021/22. Cumulatively, these factors are presenting significant cost increases and uncertainty which cannot be fully covered within our existing resources on an ongoing basis.
- 2.10 When taking this into account, as well as the medium-term impact of the demand for other services temporarily suppressed by Covid, despite the in-year underspend the medium-term position has become more challenging, and we anticipate significant issues to resolve in reaching a balanced budget for 2022/23, especially in the absence of a national solution to funding for SEND. Our robust approach to managing Covid funding puts us in the best possible position to respond to the financial challenges ahead, but medium term financial planning will remain a challenge requiring an agile and flexible approach.
- 2.11 Despite the Pandemic throughout the 2020/21 financial year we have moved forward with our ambitious capital programme. Although we had to delay some plans, 2020/21 was the second consecutive year where our capital investment in

Warwickshire was around £100m, delivering on the priorities set out in our Capital Strategy. We also delivered £3.510m of our planned savings for the year.

2.12 The tables and charts below provide a summary picture of the headline numbers. The remainder of the report provides further detail and narrative to explain the figures.

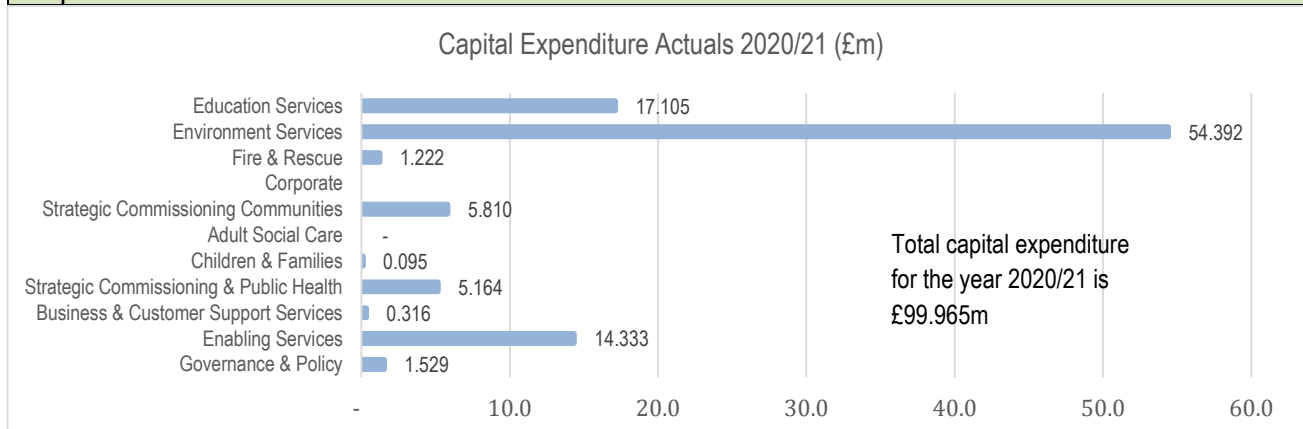
| Revenue Outturn 2020/21 | |
|--|------------------|
| 2020/21 Financial Year | £m |
| Approved Budget | £248.798 |
| Outturn exc. Covid income | £277.151 |
| Over/Underspend | £28.353 |
| Government Covid funding | (£67.192) |
| Net over/(underspend) | (£38.839) |
| of which | |
| Covid funding above Covid pressures | (£16.172) |
| Non-Covid underspend against core budget | (£22.667) |

Savings Achievement

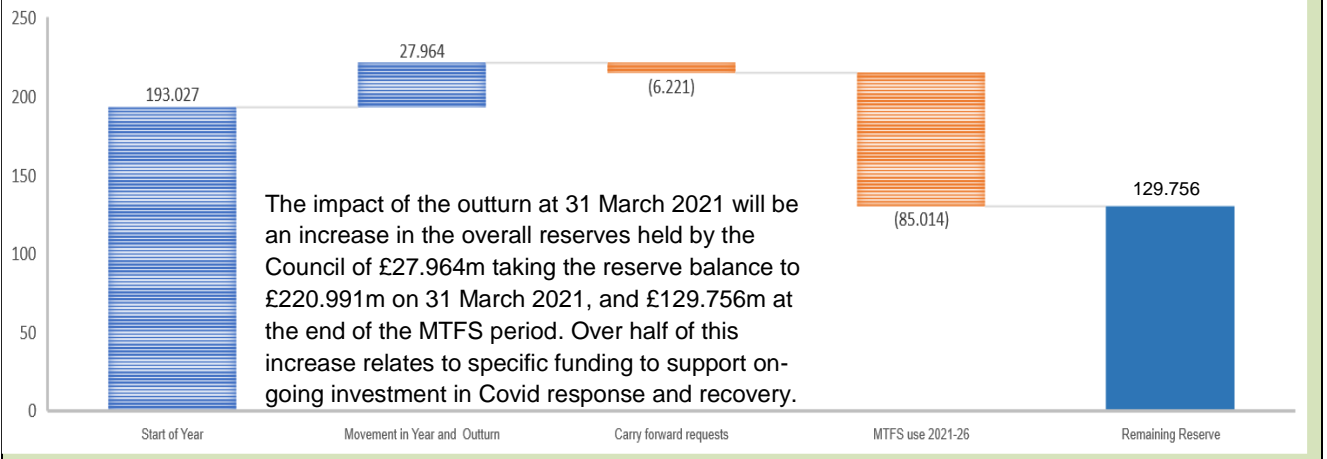
The savings plan for 2020/21 required the delivery of £6.2m of savings from 19 individual savings initiatives. £3.5m (56%) were delivered in line with the plan with £2.7m delayed, mainly due to Covid.



Capital Outturn 2020/21



Reserves Summary



3. Revenue Outturn

- 3.1 The table below shows the approved budget against the outturn, including gross Covid pressures, to show the pressure before Covid related Government funding is applied. This gives an overspend of £28.353m against the approved budget. This variance is then separated into costs relating to Covid response and those relating to non-Covid spend/income.

Revenue outturn by service

| Service Area | 2020/21 Approved Budget | 2020/21 Outturn | 2020/21 (Under)/ Overspend | Covid-19 Pressures | Non- Covid-19 Pressures |
|---|-------------------------------|--------------------|----------------------------------|-----------------------|-------------------------------|
| | £m | £m | £m | £m | £m |
| Communities | | | | | |
| Education Services - Non-DSG | 35.123 | 41.948 | 6.825 | 4.274 | 2.551 |
| Environment Services | 26.363 | 26.177 | (0.186) | 2.986 | (3.172) |
| Fire and Rescue | 21.370 | 21.285 | (0.085) | 0.258 | (0.343) |
| Strategic Commissioning for Communities | 22.376 | 27.311 | 4.935 | 5.917 | (0.982) |
| Subtotal Communities | 105.232 | 116.721 | 11.489 | 13.435 | (1.946) |
| People | | | | | |
| Adult Social Care | 155.210 | 158.538 | 3.328 | 12.651 | (9.323) |
| Children and Families | 64.026 | 67.803 | 3.777 | 3.689 | 0.088 |
| Strategic Commissioning for People | 34.662 | 32.674 | (1.988) | 1.509 | (3.497) |
| Subtotal People | 253.898 | 259.015 | 5.117 | 17.849 | (12.732) |
| Resources | | | | | |
| Business and Customer Services | 18.506 | 23.322 | 4.816 | 5.730 | (0.914) |
| Commissioning Support Unit | 6.392 | 12.673 | 6.281 | 6.951 | (0.670) |
| Enabling Services | 25.836 | 23.267 | (2.569) | 0.903 | (3.472) |
| Finance | 6.420 | 6.576 | 0.156 | 0.431 | (0.275) |
| Governance and Policy | 2.723 | 3.734 | 1.011 | 0.929 | 0.082 |
| Subtotal Resources | 59.877 | 69.572 | 9.695 | 14.944 | (5.249) |
| Corporate Services and Resourcing | (170.209) | (173.472) | (3.263) | 4.792 | (8.055) |
| DSG expenditure | 233.813 | 239.128 | 5.315 | 0 | 5.315 |
| DSG income | (233.813) | (233.813) | 0 | 0 | 0 |
| Subtotal Corporate Services and DSG | (170.209) | (168.157) | 2.052 | 4.792 | (2.740) |
| Sub-total | 248.798 | 277.151 | 28.353 | 51.020 | (22.667) |
| Covid-19 related grants (including NHS funding) | 0.000 | (67.192) | (67.192) | (67.192) | 0.000 |
| Total | 248.798 | 209.959 | (38.839) | (16.172) | (22.667) |

3.2 Our spend on Covid response and recovery in 2020/21 was £51.020m which can be fully funded from government grants and NHS discharge claims offsets provided for this purpose. Our focus for much of 2020/21 has been to effectively manage the immediate response to the Pandemic. The second wave has impacted the profile of spend on some major recovery initiatives despite the excellent progress made implementing our recovery plan. We therefore have £16.172m Covid-19 funding we have received available for managing our continued Covid response and recovery in 2021/22. The table below summarises the covid spending and grant, 60% of which was new Covid grants announced in the last quarter. A further breakdown is provided in **Appendix C** that includes how the grants have been used in 2020/21 and the £10.961m committed to projects to be delivered in future years.

| | Amount £m | Number of Grants | Spent £m | Committed £m | Available to support recovery £m |
|-----------------------|---------------|---------------------|---------------|-----------------|---|
| Covid General Grants | 31.834 | 4 | 25.599 | 3.948 | 2.287 |
| Covid Specific Grants | 35.358 | 12 | 25.421 | 7.013 | 2.924 |
| Total | 67.192 | 16 | 51.020 | 10.961 | 5.211 |

- 3.3 After adjusting for Covid spend/income, the outturn position is a £22.667m underspend. This overall underspend masks material overspends in Education Services (both DSG and non-DSG funded) and material underspends in Adult Social Care, Enabling Services, Environment Services and Strategic Commissioning for People and the Commissioning Support Unit as well as delays in the delivery of projects. The underspend in Corporate Services and Resourcing is primarily due to non-covid grant levels being higher than expected when the budget was agreed in February 2020. After allowing for technical adjustments and the phasing of projects across more than one financial year the net underspend on services is £5.869m or 2.4%.
- 3.4 Further details of the variation and mitigating actions on both Covid and non-Covid related activity at Service level can be found in **Appendix A** and at a Team level within each Service in **Annexes A to M**.
- 3.5 The total revenue underspend for the year of £38.839m, an increase of £29.569m from the position reported at Quarter 3. A breakdown of this is shown in the table below. Other than Covid, there are two main causes for spend being lower than forecast – the delays in projects as a result of the third lockdown, covering the whole of the last quarter, being announced after the Quarter 3 forecasts had been completed and the lower than expected use of the schools funding contingency for in-year growth in pupil numbers.

| | £m |
|--|---------------|
| Increase in Covid funding | 9.820 |
| Spend on Covid response/recovery lower than forecast | 5.351 |
| Spend on non-Covid activity lower than forecast | 14.398 |
| Total Change | 29.569 |

- 3.6 At the end of the financial year the £22.667m underspend will transfer into the Council's reserves, of which £16.172m will go into specific reserves to manage our future response to Covid. However, this does not mean all this funding is available for use. £6.685m of the underspend relates to activity funded from earmarked reserves. These reserves are held for this specific purpose and the funding can only be used for the purpose intended. Section 4 of this report has more details on the Authority's reserves position and the options available to the

Authority to use reserves to support the delivery of the ambitions in the Council Plan in 2021/22 and future years.

- 3.7 The net overspend on the Dedicated Schools Grant (DSG) in 2020/21 is £5.315m, comprised of four blocks. All parts of this overspend cannot be funded by Council funds outside of the DSG grant, and the blocks cannot cross-subsidise each other. The table below shows how the overall DSG overspend is broken down across the four blocks.

| DSG deficit to be carried into 2021/22 | £m |
|---|--------------|
| Central Block | (0.258) |
| Early Years Block | (0.262) |
| High Needs Block | 8.610 |
| Schools Block | (2.775) |
| Total Impact | 5.315 |

- 3.8 The overspend on the High Needs Block of £8.610m, when added to the deficit brought forward from 2019/20 of £5.240m means a total of £13.850m needs to be met by future years' underspend in the High Needs Block. The annual (and increasing) overspend emphasises the structural deficit in funding for this service. Plans to start to reduce the structural deficit, through the Special Educational Needs Change and Inclusion Plan, have been approved by Cabinet and work to implement these plans is underway. However, these plans are insufficient to fully meet the current and expected future deficit. Therefore, without a change in government policy, the Authority will continue to need to set aside sufficient reserves to offset the position until such time as the DSG is back in balance. This position is shared by most upper tier councils across the country and the Department for Education has recently agreed recovery plans with 5 councils with the highest deficits (over £23m average).
- 3.9 The Council's accounts will also include a £7.163m underspend by maintained schools from their delegated budgets. The decisions on the use of this funding are for the individual schools concerned and the County Council cannot make any decisions as to how this funding is used. The underspend will be transferred to an earmarked reserve.

Savings Performance

- 3.10 To achieve a balanced budget in 2020/21 required the delivery of £6.209m of savings. Delivery of the service changes required to monetarise these savings has been impacted by Covid diverting focus to response and recovery for much of the year. As a result, there has been a shortfall in the delivery of the savings plan by £2.699m. This is summarised in the table below with achievement against all the individual savings targets are listed in Annexes A to M.

| 2020/21 | No. of Savings Options | Saving Delivered £m | Savings Not Delivered £m |
|--------------------------------------|------------------------|------------------------|-----------------------------|
| Savings target achieved/overachieved | 9 | 1.907 | 0 |
| Savings target partially achieved | 5 | 1.603 | 2.462 |
| No saving delivered against target | 5 | 0 | 0.237 |
| Total | 19 | 3.510 | 2.699 |

3.11 Below are details of those savings which were not fully delivered in 2020/21. It is currently expected that for most of these savings plans the position will be recovered in 2021/22 and therefore there will not be a long-term impact on the sustainability of the Medium Term Financial Strategy.

| Description | Target £m | Outturn £m | Reason for variance and associated management action |
|---|--------------|---------------|--|
| Capital Resourcing - Reinvestment of the capital receipts from the sale of strategic sites will reduce the Council's borrowing costs. | 2.523 | 1.284 | Delays on the sale of two sites as a result of preferred bidders withdrawing offers at the start of the Covid lockdown has impacted on the ability to reduce borrowing costs in line with targets. |
| Business support - Service wide restructure of business support, including delayering of the entire model and reductions in levels of agency spend. | 0.880 | 0.111 | A delay in implementing the service redesign impacted the Service's ability to deliver the savings this year. A request has been made to reprofile the savings in line with the re-engineering of business support processes and the implementation of digital solutions as appropriate. |
| Project and programme management - Organisation-wide restructure of programme and project support. | 0.395 | 0.208 | Service redesigns being delayed until October coupled with the impact of Covid, has delayed the implementation of the proposed changes. |
| Contract Management - Reduction in the cost of contracted services and third party spend through improved contract management at all stages of the procurement process. | 0.500 | - | Delays in implementation due to the impact of Covid response. This saving plan has been reprofiled to future years. |
| Legal Services additional surplus - Additional surplus from external trading with other local authorities and public sector bodies | 0.030 | - | External trading was greatly reduced due to Covid, so this savings target was not met in 2020/21 |
| Review of provision of passenger transport assistants - Reduced cost of passenger assistants as a result of their withdrawal from routes except for cases where a learner has an Education and Health Care Plan. | 0.012 | - | Demand has outstripped the budget leading to an overspend and prohibiting the delivery of the saving target. |
| Electronic record keeping - Reduced storage requirements as a result of the move to electronic record keeping. | 0.010 | - | The project was delayed due to Covid, so the savings were not made. However, the Cost Centre to which the savings were attributed has reported an underspend on in year salary savings. |

| Description | Target £m | Outturn £m | Reason for variance and associated management action |
|---|--------------|---------------|---|
| Home to school transport eligibility - Risk assessment and review of eligibility within the home to school transport policy. The first year of this new approach has demonstrated avoided costs, mainly due to reassessment of single-occupancy taxis to multi-occupancy taxis. | 0.209 | - | With COVID priorities of the service and the maintenance of Transport contracts, it has not been possible to progress this further at this point. As part of the MTFS and strategic projects for 21/22 onwards a series of reviews (governance through WCC PMO) of Transport have been initiated. |
| Education transport route optimisation - Using route optimisation software to map the most efficient way to transport groups of learners to school will reduce home to school transport costs. | 0.058 | - | With COVID priorities of the service and the maintenance of Transport contracts, it has not been possible to progress this further at this point. As part of the MTFS and strategic projects for 21/22 onwards a series of reviews (governance through WCC PMO) of Transport have been initiated. |
| Optimism bias - Provision for a 10% optimism bias for the benefits from the transformation programme. | (0.315) | - | Used to offsetting savings not delivered this year. |
| Total | 4.302 | 1.603 | |

4. Reserves

4.1 At the start of the 2020/21 financial year the Council's reserves were £193.027m. After the approved changes to reserves in year and the impact of the overall revenue underspend the level of reserves increased by £27.964m to £220.991m. However, whilst this is positive in terms of our financial sustainability, it is more important to understand why the figure has increased from that assumed when the 2021/22 budget and 2021-26 Medium Term Financial Strategy was agreed. The position is summarised in the Table below and Appendix N provides further details on the individual reserves.

| | Reserves at 1 Apr 1 2020 £m | Forecast Movement in year £m | Forecast Reserves at Budget Setting £m | Movement since Budget Setting £m | Reserves at 31 March 2021 £m | 2021-26 Planned Use £m | Remaining Reserves £m |
|-------------------------------|---|---------------------------------------|--|--|--|---------------------------------|-----------------------------|
| Schools Reserves | 12.143 | (2.119) | 10.024 | (3.195) | 6.829 | (29.949) | (23.120) |
| Externally Earmarked Reserves | 10.865 | (0.603) | 10.262 | 2.548 | 12.810 | - | 12.810 |
| Covid Funding | 18.111 | (17.003) | 1.108 | 14.834 | 15.942 | (15.942) | - |
| Internal policy/projects | 14.947 | (0.427) | 14.520 | 2.957 | 17.677 | (2.941) | 14.536 |
| Corporate Investment Funds | 36.917 | (2.664) | 34.253 | 6.255 | 40.508 | (40.508) | - |
| Volatility reserves | 32.145 | (2.326) | 29.819 | 2.393 | 32.212 | 7.000 | 39.212 |
| Management of Financial Risk | 43.751 | (10.391) | 33.360 | 7.043 | 40.403 | (6.221) | 34.182 |
| Contingency for DSG overspend | 12.314 | - | 12.314 | - | 12.314 | 29.949 | 42.263 |
| Available for Use | 11.834 | 34.588 | 46.422 | (3.925) | 42.297 | (32.622) | 9.875 |
| Total | 193.027 | (0.945) | 192.082 | 28.910 | 220.992 | (91.234) | 129.758 |

4.2 The main reasons for the increase in reserves between budget setting in February and the end of the financial year are:

- £14.8m Covid funding being carried forward to support response and recovery in 2021/22 and beyond. As set out above, a significant amount of this funding has already been committed but it does provide greater financial resilience should additional spending be required over the coming months.
- £6.2m of project funding not utilised in 2020/21 of which £3.6m relates to projects funded from the Corporate Investment Funds that have been delayed due to Covid and spend will now take place in 2021/22 and £2.6m that was made available for Revenue Investment Fund projects but allocations to specific projects were not made during the year.

| Fund | Movement since budget setting (£m) | Reason |
|--------------------------------|------------------------------------|---|
| Fire Transformation Fund | 0.093 | Delay in delivery of approved project |
| Children's Transformation Fund | 1.362 | Delay in delivery of approved project |
| Council Change Fund | 0.580 | Delay in delivery of approved project |
| Revenue Investment Funds | 3.044 | £0.397m relates to delay in delivering approved projects, the remaining £2.647m represents provisions made for thematic programmes where the individual projects are still under development. |
| Education Transformation Fund | 1.176 | Delay in delivery of approved project |
| Total | 6.255 | |

- £6.2m of service projects and initiatives that have also been delayed due to Covid where the Services are seeking approval to carry this funding forward into 2021/22 (see paragraph 4.4).
- £2.4m increase in the Volatility Reserves largely driven by an increase in the Financial Instruments Reserve because of our leasing arrangements for IT equipment. This cost is variable in any one year, but annual fluctuations are averaged out over the medium-term. This is a technical accounting adjustment that is made at the end of the financial year.

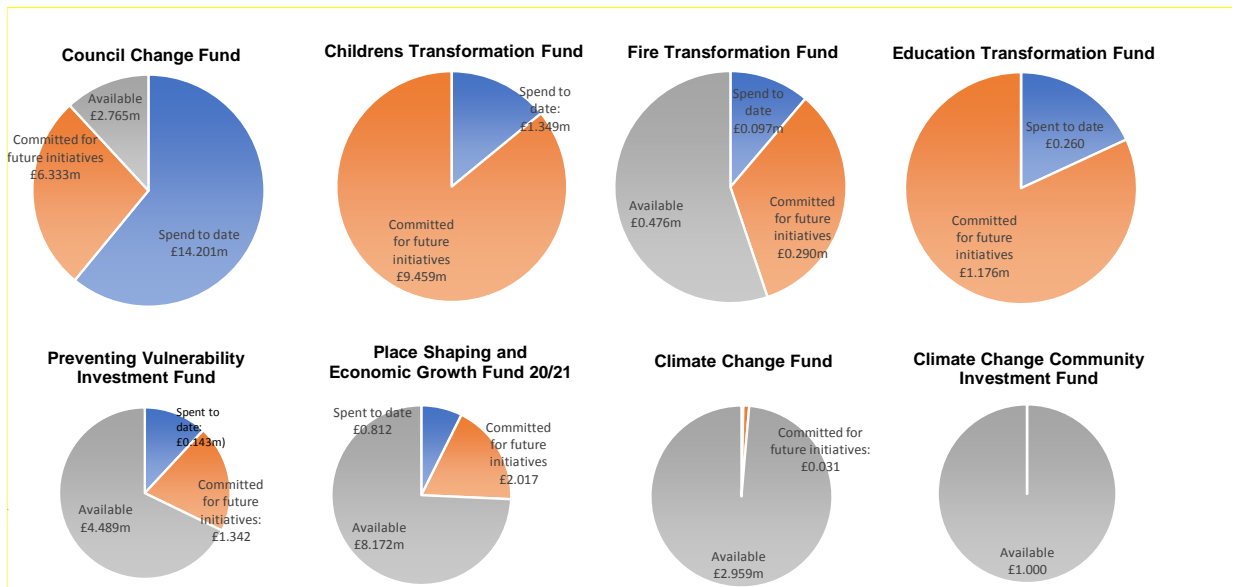
4.3 The net effect of these changes is that the "Available for Use" reserve has decreased by £3.9m from the position at budget setting in February. This does still leave £9.875m available to support the delivery of the new Council Plan as part of the 2022/23 MTFs refresh. Corporate Board strongly recommend that none of this resource is allocated at this time pending the development of the delivery plans to support the new Council Plan, the sufficiency of the remaining Covid funding to support the response and recovery activity required, the progress on the delivery of the SEND Change and Inclusion Plan and whether the allocations made in the 2021/22 to resource the demand-led overspending in 2020/21 are sufficient.

- 4.4 As mentioned in paragraph 4.2, Services have requested approval to carry forward £6.221m of these reserves to support spending in 2021/22. The £6.221m is made up of 32 different requests from Services to carry forward some of their 2020/21 resources into 2021/22 for spend against a specific project or initiative. The individual requests, and planned use of the funds are listed in Appendix D and summarised in the table below alongside the Services' 2020/21 Covid adjusted outturn position. Cabinet are recommended to approve these requests.
- 4.5 The carry forward request for Education (non-DSG) relates to underspends held for forward funding of places and the Warwickshire Academy site that is not needed until 2021/22 due to the delay in the opening date from January 2021 to September 2021. Taking this into account their underlying overspend is higher than the net £2.348m reported, driven by the cost of placements for Children with Disabilities.

| Service | 20/21 Outturn Over/(Under)Spend (Non-Covid) £m | Carry forward requested £m |
|--|---|----------------------------------|
| Education Services – non-DSG | 2.348 | 0.847 |
| Environment Services | (3.171) | 0.500 |
| Fire and Rescue Service | (0.343) | 0.245 |
| Strategy & Commissioning - Communities | (0.980) | 0.507 |
| Adult Social Care | (9.324) | 2.235 |
| Strategic Commissioning – People | (3.497) | 0.475 |
| Business and Customer Services | (0.911) | 0.207 |
| Commissioning Support Unit | (0.670) | 0.160 |
| Enabling Services | (3.472) | 1.008 |
| Finance | (0.275) | 0.037 |

Corporate Investment Funds

- 4.6 At the end of 2020/21 there is £40.508m remaining in the Corporate Investment Funds. £20.648m has already been allocated from the funds for projects, including scoping the Warwickshire Property and Development Company, supporting the Dedicated Schools Grant recovery, developing Integrated Care Records across the care sector and a number of projects to support high streets and businesses through the pandemic. This means there is £19.860m available for allocation for future invest to save initiatives and to support the delivery of the new Council Plan.



5. Capital

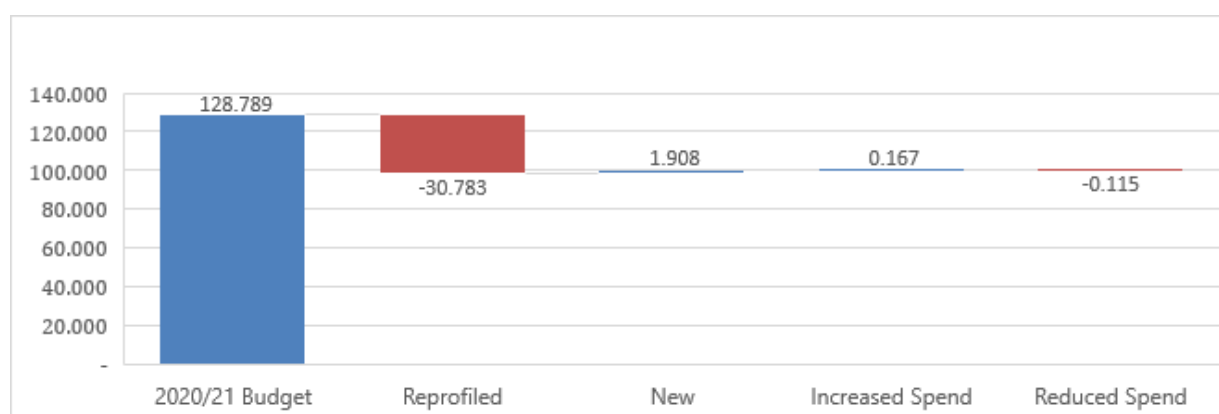
- 5.1 The level of capital payments was £99.965m in 2020/21, with a further £477.328m of payments forecast over the medium term. The remaining Capital Investment Fund (CIF) allocation of £18.473m from 2020/21, which is not included in these figures, has been carried forward. Along with the future years CIF funding approved figure of £24.914m per annum this results in a total amount available in the Capital Investment Fund (CIF) of £98.999m at 31 March 2021.
- 5.2 The outturn position shows that during the last quarter there was a net variance of £28.823m in the planned spend for 2020/21. Of this variance £30.783m is delays partly caused by the third lockdown in the new year meaning plans could not be delivered as envisaged before the Christmas break, with the balance being newly approved projects and net overspends. The net variance includes delays of £11.797m of S278 schemes where the Council has little control over the timing of any spend. Net of S278 the delays reported for this quarter are £18.986m. The summary position by Service for 2020/21 and the future capital programme is summarised in the table below.

Capital actuals by service

| | 2020/21 Approved Budget £'000 | 2020/21 Actual Spend £'000 | 2020/21 Variance £'000 | 2021/22 to 2024/25 Approved Budget £'000 | 2021/22 to 2024/25 Forecast Spend £'000 | 2021/22 to 2024/25 Variance To Q3 position £'000 | Total Variance £'000 |
|---|--|-------------------------------------|------------------------------|--|---|---|----------------------------|
| Education Services | 17,750 | 17,105 | (645) | 40,578 | 48,036 | 7,459 | 6,814 |
| Environment Services | 70,431 | 54,392 | (16,040) | 122,041 | 166,237 | 44,196 | 28,156 |
| Fire and Rescue | 3,820 | 1,222 | (2,598) | 4,111 | 7,545 | 3,434 | 836 |
| Strategic Commissioning Communities | 11,472 | 5,810 | (5,662) | 80,631 | 98,991 | 18,360 | 12,698 |
| Communities | 103,473 | 78,529 | (24,944) | 247,360 | 320,809 | 73,448 | 48,504 |
| Adult Social Care | - | - | - | 313 | 313 | - | - |
| Children and Families | 287 | 95 | (192) | 424 | 742 | 317 | 125 |
| Strategic Commissioning and Public Health | 4,587 | 5,164 | 577 | 63 | 344 | 281 | 858 |
| People | 4,874 | 5,259 | 385 | 801 | 1,399 | 598 | 983 |
| Business and Customer Support Services | 310 | 316 | 6 | 1,640 | 1,629 | (11) | (5) |
| Enabling Services | 17,872 | 14,333 | (3,539) | 13,786 | 29,765 | 15,980 | 12,440 |
| Governance and Policy | 2,259 | 1,529 | (730) | 2,250 | 3,626 | 1,376 | 645 |
| Resources | 20,442 | 16,178 | (4,264) | 17,676 | 35,020 | 17,345 | 13,081 |
| Warwickshire Property Development Group | - | - | - | 120,100 | 120,100 | - | - |
| Total | 128,789 | 99,965 | (28,823) | 385,937 | 477,328 | 91,391 | 62,568 |

Capital variance analysis

5.3 The latest 2020/21 Approved Capital Budget of £128.789m was approved by Cabinet in January 2021. The chart below explains the changes between the Approved Budget and the actual spend of £99.965m.



5.4 Further explanation of these changes is as follows:

- a) **Reprofiled projects** – these are schemes where there has been a delay in the time scale for delivery. The project is still being delivered and with no material change in cost, but the impact is that the benefits of projects are not realised and available to the taxpayers of Warwickshire in the timeframe originally anticipated. In Quarter 4 there was £30.783m of project expenditure which has been delayed until future years. Much of the delay has been due to factors outside of the control of the council.

However, work is ongoing to make initial estimates of planned delivery as realistic as possible to ensure only uncontrollable delays occur.

- b) New projects – these are projects recently added to the capital programme or projects where costs have risen as a result of a substantial change in scope. These schemes have been added through formal governance, with financing made available from Capital Investment Fund or capital grants.
- c) Projects with Increased Spend – these are schemes where project costs have risen above the level previously expected. This means additional funding has had to be identified. This may be in the form of a revenue contribution from a Service's revenue budget, the use of basic need funding for education projects or through the collection of additional S278 money from developers. Apart from S278 projects the impact of this is that there is less funding available for other projects/activity.
- d) Underspent projects – these are schemes which have been delivered under budget. The impact of this is that funds are no longer required for a specific scheme. This may mean the authority will be able to recycle funds to alternative projects or will borrow less.

Whole year reprofiling summary

- 5.5 The £30.783m reprofiling of projects since the last update reported to Cabinet in January brings the total value of delayed projects (spend reprofiled into future years) for the year to £98.073m or £64.261m (net of S278). This equates to delays of 50.6% or 44.9% (net of S278) for the whole year. The 2020-21 financial year has suffered from unprecedented disruption to planned activity because of Covid lockdowns and social distancing. Specific issues have arisen on materials acquisition, construction team availability, design-work, and negotiations. All these areas have impacted on expected progress of the capital programme.

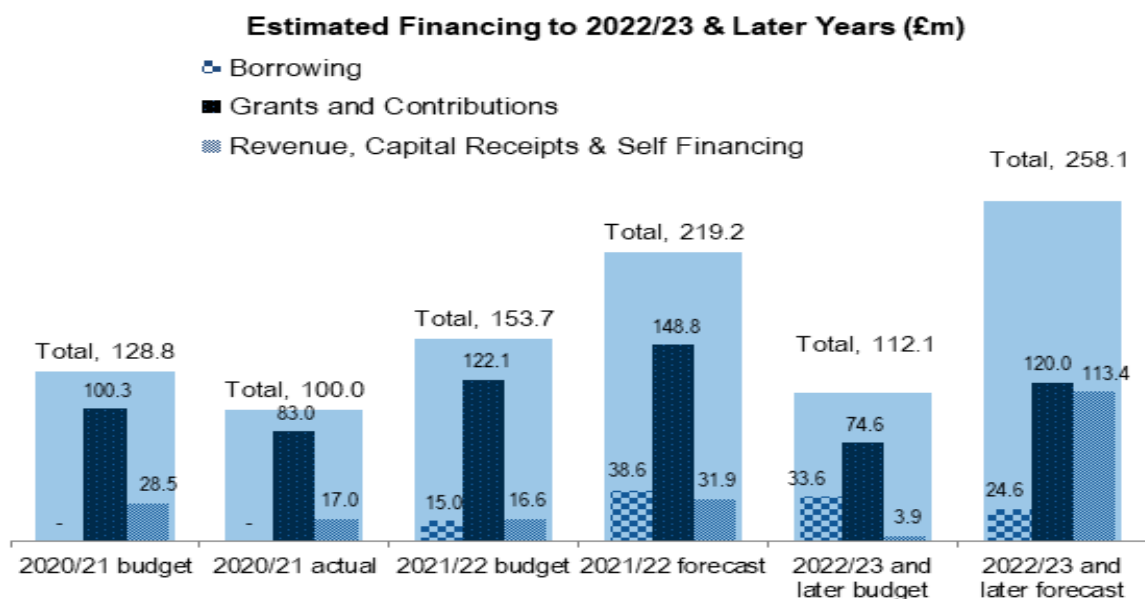
| Service | Opening 2020-21 capital programme | New projects in year | Net over / underspend | Total capital programme | Delays | In year capital spend |
|---|-----------------------------------|----------------------|-----------------------|-------------------------|-----------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Education Services | 12,484 | 5,022 | 1,890 | 19,396 | (2,291) | 17,105 |
| Environment Services | 32,880 | 27,691 | 128 | 60,699 | (27,053) | 33,647 |
| Fire and Rescue | 7,523 | (139) | | 7,384 | (6,161) | 1,223 |
| Strategic Commissioning for Communities | 27,138 | 5,042 | (35) | 32,145 | (23,810) | 8,335 |
| Children and Families | 230 | 49 | 20 | 299 | (204) | 95 |
| Strategic Commissioning & Public Health | 100 | 5,125 | (2) | 5,223 | (59) | 5,164 |
| Business and Customer Support | 168 | | (4) | 164 | 153 | 317 |
| Enabling Services | 16,563 | (350) | (10) | 16,203 | (1,869) | 14,334 |
| Governance and Policy | 3,706 | (9) | 796 | 4,493 | (2,967) | 1,526 |
| Sub Total (excluding S278) | 100,792 | 42,431 | 2,783 | 146,006 | (64,261) | 81,746 |
| S278 | 47,095 | 3,447 | 1,489 | 52,031 | (33,812) | 18,219 |
| Grand Total | 147,887 | 45,878 | 4,272 | 198,037 | (98,073) | 99,965 |

5.6 The total delay in the delivery of the capital programme in 2020/21 for Quarter 4 was £18.986m after adjusting for the delays in s278 schemes. There is no single reason or common theme for this delay, rather it is spread across a large number of schemes within the programme. The largest variations are listed below with further details shown in **Appendix B**:

- £1.165m delay on the A46 Stoneleigh due to the approval negotiations between Highways England and Coventry City Council being protracted. The timescale around gaining Highways England approvals was a known risk at the outset of the project and as such costs associated with it have been allowed for in the risk budget. The shift in spend from 2020/21 to 2021/22 will not result in any increased costs that cannot be managed in the available budget.
- £0.990m delay on Stanks Island, Warwick resulting from contract disputes not being finalised this financial year as expected. In addition to this phase 2 works are awaiting Highways England technical approval.
- £0.588m delay on the Warwickshire Academy school site due to additional conversion requirements. These have arisen due to a revised specification required as a result of the change in the expected student cohort.
- £1.891m relates to delays to the Fire and Rescue training capital programme as a result of the decision not to progress with the original Southam site and pending a review of the future response locations.
- £1.200m of area delegated schemes have been pushed back as a result of changes to the use of these funds (see Cabinet report dated 11th June 2020). The proposals recommended the creation of a biddable pot of funding and the process to develop this is underway.

Capital Financing

- 5.7 All local authorities are required to consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before taking out additional borrowing. In 2020/21 we have used £14.137m of Education capital grant to support other capital spending. When the funding is required to finance the Education capital programme the Council will need to take out additional borrowing to fund gap between our spend and available funding for capital projects in that year.
- 5.8 These technical financing adjustments are managed on an on-going basis that also encompasses the cash balances we have available at the time. The capital resource required to fund the whole capital programme is reflected in the Medium Term Financial Strategy and any scope to delay borrowing by the effective use of our capital resources provides a one-off underspend that can be redirected to Members priorities.
- 5.9 The most significant variable in financing the capital expenditure is forecasting the timing of the delivery of capital receipts. Forecasts are determined by the Council's programme of disposals and subsequent income from capital receipts is used to avoid the need to incur additional borrowing. Any shortfall in the level of expected receipts may require the Authority to borrow sooner than expected.
- 5.10 The chart and table below provide further detail on how the 2020/21 capital programme was financed.



| | 2020/21 Budget | 2020/21 Actuals | 2021/22 Budget | 2021/22 Forecast | 2022/23 And Later Budget | 2022/23 And Later Forecast |
|----------------------------|-------------------|--------------------|-------------------|---------------------|--------------------------------|----------------------------------|
| | £m | £m | £m | £m | £m | £m |
| Corporate Borrowing | - | - | 14.967 | 38.604 | 33.632 | 24.630 |
| Self-financed Borrowing | (1.919) | - | 0.995 | 1.326 | - | - |
| Grants and Contributions # | 100.285 | 82.960 | 122.149 | 148.791 | 74.570 | 120.047 |
| Capital Receipts | 28.612 | 15.033 | 14.484 | 29.177 | 3.907 | 113.402 |
| Revenue | 1.811 | 1.972 | 1.133 | 1.351 | - | - |
| Total | 128.789 | 99.965 | 153.728 | 219.249 | 112.109 | 258.079 |

The income from grants and contributions includes grants from Government and contributions from developers and other third parties.

WCC manages cash as a whole, so even where borrowing is shown as a form of financing in this graph it does not mean new borrowing will be necessary. The borrowing figure shown is the gap between our spending and the funding available to us which is called the CFR (Capital Financing Requirement).

6. Environmental Implications

- 6.1 There are no specific environmental implications as a result of the information and decisions outlined in the report.

7. Background Papers

- 7.1 None

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|--------------------|---|
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No elected members have been consulted in the preparation of this report.