

Cabinet

14 November 2019

2019/20 Financial Monitoring as at the end of September 2019 – Capital and Revenue

Recommendations

That Cabinet:

- a) Note the forecast underspend of £1.829m for the 2019/20 financial year on the Council's revenue budget.
- b) Note the forecast underspend on the capital programme of £12.113m.
- c) Approve the carry forward of the underspend on the capital programme of (£14.302m) in 2020/21 and future years and the changes totalling £2.189m to the cost and funding of schemes detailed in the report and Annexes A to M.

1. Purpose of the Report

- 1.1. This report outlines forecast financial position of the organisation at the end of 2019/20 based on the information known at the end of the second quarter. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and over spending.

2. Financial Overview - Revenue

- 2.1. The forecast outturn position is set out in the table below and shows a total forecast underspend of £1.829m, representing 0.6% of the Council's net revenue budget.
- 2.2. It is important to note that the forecast is based on expenditure for the first half of the year and forecast demands for the remainder of the year. The position is therefore likely to change throughout the year and Cabinet will be provided with a further update in January 2020.
- 2.3. Whilst the overall position is not one of an overspend, there are some areas that are continuing to forecast an overspend, primarily due to increasing demand for services. These have been reviewed by Corporate Board and will

be subject to on-going monitoring to ensure mitigating actions are in place to reduce and manage expenditure.

Directorate	Approved Budget £m	Forecast Outturn £m	Forecast Over/(Under) Spend £m
Communities	177.593	185.997	8.405
People	236.898	235.354	(0.544)
Resources	49.866	49.103	(0.763)
Corporate Services and Resources	(160.232)	(169.158)	(8.926)
Total	304.124	302.296	(1.829)

- 2.4. Further detail on the cost pressures are set out later in the report. **Annexes A to M** outline the reasons for all material variations between the forecast spending and the budget. These annexes are available electronically.
- 2.5. The forecast underspend reported to Cabinet in September was £6.298m. After adjusting for the net transfer to of funding to reserves of £2.692m, approved as part of the September report, this equates to a comparable underspend to that being reported here of £3.606m. The half year forecast of a £1.829m underspend is therefore a reduction in the forecast underspend of £1.777m.

3. Detailed Analysis - Revenue

3.1. COMMUNITIES DIRECTORATE - Forecast Overspend £8.405m

Service	Approved Budget £m	Forecast Outturn £m	Forecast Over/(Under) Spend £m
Education Services	110.024	117.183	7.159
Environment Services	24.069	23.877	(0.192)
Fire and Rescue	20.323	20.817	0.494
Strategic Commissioner for Communities	23.177	24.120	0.943
Total	177.593	185.997	8.405

- 3.1.1. The Communities Directorate is forecast to overspend by £8.405m and the reasons for this are as follows:

Education Services (£7.159m overspend)

- 3.1.2. The forecast overspend on Education Services is as a result of increased demand and costs for high needs placements (£4.334m), agency placements for children with disabilities (£1.757m) and home to school transport (£1.091m).
- 3.1.3. £4.427m of the Education Service forecast overspend is in relation to services funded from Dedicated Schools Grant (DSG). The DfE requires all local authorities to complete a recovery plan should their overspend on the DSG exceed 1%. The current DSG forecast overspend for the whole authority is £4.024m (some DSG is held in Resources Directorate) which at 0.94% of the overall budget does not exceed the 1% threshold set by the DfE but were the position to worsen then this could arise.
- 3.1.4. As this is a national issue, the Government has announced additional funding nationally of £700m of which the Authority will receive a share. This funding is to support high needs costs and should reduce some of the pressure on this budget for 2020/21.

Environment Services (£0.192m underspend)

- 3.1.5. Environment Services has a projected forecast underspend of £0.192m. This is comprised of:
- A forecast overspend of £0.163m as a result of additional staffing capacity in the Gypsy and Traveller service to increase site visits in order to improve conditions and an increase in spend on the repair and maintenance of sites;
 - A reduction in income from County Fleet Maintenance offset by lower than anticipated costs for Concessionary Travel due to reduced take up of free/renewal bus passes than expected (£0.294m forecast overspend);
 - Additional income from network management (£0.539m); and
 - Other minor variations due to staff vacancies and additional income (£0.110m forecast underspend).

Strategic Commissioning for Communities (£0.943m overspend)

- 3.1.6. Strategic Commissioning for Communities has a forecast overspend of £0.943m and this is largely due to the following:
- Parking Management – An under recovery of income totalling £0.612m due to planned increases in parking fees being delayed;
 - Economic Development – An in-year underspend of £0.126m as a result of reprofiling of work in future years in discussion with partners and businesses;
 - Business Centres – An overspend of £0.080m as a result of additional maintenance and refurbishment work to improve the Elliot Park Business Centre, as well as lower than anticipated income from business centres.

Additionally there is a £0.129m overspend caused by contributions to capital schemes where the intention is to drawdown from reserves at year end; and

- Staffing budgets – Forecast overspends in Transport Strategy (£0.133m) and Infrastructure & Regeneration (£0.143m).

Fire and Rescue (£0.494m overspend)

3.1.7. The Fire and Rescue Service has a forecast overspend of £0.494m. This is a combination of a planned spend on training (£0.204m) related to the new recruit intake in September 2019 and a forecast overspend on staffing (£0.277m) due to additional overtime needs until new recruits are fully trained and cover for long term sickness.

3.2. PEOPLE DIRECTORATE - Forecast Underspend £0.544m

Service	Approved Budget £m	Forecast Outturn £m	Forecast Over/(Under) Spend £m
Adult Social Care	148.540	146.608	(1.932)
Children and Families	54.510	55.697	1.186
Strategic Commissioner for People	33.848	34.049	0.201
Total	236.898	236.354	(0.544)

3.2.1. The People Directorate is forecast to underspend by £0.544m the main reasons for which are:

Children and Families (£1.186m overspend)

3.2.2. The forecast overspend of £1.186m is dampened by the impact of one-off funding in the current financial year, as well as some underspends against earmarked funds which will need to be set aside to complete projects in future years. Without these the service has an underlying overspend of £3.832m. The forecast overspend has increased by £0.4m over the last quarter.

3.2.3. The main areas of overspending are:

- Agency Placements: The overspend has increased to £4.918m and is due to increased placement costs covering internal and external foster care as well as residential placements. The forecast number of placement weeks to be purchased is slightly higher than the actual number purchased in 2018/19 but more significantly unit costs are rising as a result of increasing numbers of more costly residential and external foster-care packages; and
- Asylum Seekers: An overspend of £0.130m which cannot be claimed through the grant process.

3.2.4. These overspends are offset by underspends and additional income from:

- The House project (£0.094m);
- Adoption Central England (£0.716m). As this is a pooled funding arrangement the funds will be carried forward to the next financial year;
- Salary underspends within the Service, mainly due to social worker vacancies; and
- A contribution from adults services to support children transitioning to adulthood.

Adult Social Care (£1.932m underspend)

3.2.5. Adult Social Care is forecast to underspend by £1.932m. The main variations are:

- Learning Disability Supported Living is forecasting a £1.8m overspend with Residential Learning Disability forecasting an offsetting £1m underspend. This demonstrates that increased placements are being made in Supported Living, which is community-based care, and therefore is in line with national and local strategy;
- Older People Residential and Nursing (£1.0m underspend);
- Underspends on Reablement and Hospital Team budgets of £0.8m;
- Older People Homecare is overspending by £0.3m which is offset by a Direct Payments underspend of £0.5m that reflects the slower uptake of direct payments than anticipated;
- Mental Health support for people aged over 65 is overspending by £1m; and
- An underspend from delayed and unspent project funds of £1.9m.

Strategic Commissioner for People (£0.201m overspend)

3.2.6. The forecast overspend is the result of a forecast increase in Public Health staffing costs (although this is partly offset by Commissioning staff underspends) as well as increased spend on the demand driven Drug and Alcohol service as a result of increasing demand for detox/in-patient and prescribing services.

3.3. RESOURCES DIRECTORATE - Forecast Underspend £0.763m

Service	Approved Budget £m	Forecast Outturn £m	Forecast Over/ (Under) Spend £m
Business and Customer Support	19.004	18.729	(0.276)
Commissioning Support Unit	3.073	2.638	(0.436)
Enabling Services	20.939	19.565	(1.373)
Finance	4.550	4.592	0.042
Governance and Policy	2.300	3.580	1.280
Total	49.866	49.103	(0.763)

3.3.1. The Resources Directorate is forecast to underspend by £0.763m. The main variations are as follows:

Business & Customer Services (£0.276m underspend)

3.3.2. The forecast underspend consists of: a £0.198m forecast reduction in grants paid out for Third Sector support pending the introduction of the Voluntary and Community Sector Strategy 2020-25 that was approved by Cabinet in September; with the remaining underspend mainly relating to vacancies held pending the implementation of the Business Support operating model.

Commissioning Support Unit (£0.436m underspend)

3.3.3. The forecast underspend of £0.436m is predominantly due to vacancies being held pending the outcome of the service redesign in addition to a reduction in agency spend.

Enabling Services (£1.373m underspend)

3.3.4. The forecast underspend of £1.373m is due to:

- Uncommitted Corporate ICT Development Fund (£0.609m);
- Vacancies in ICT and Facilities Management (£0.421m);
- A lower than planned cost of running county buildings (£0.116m);
- Lower spend on corporate infrastructure hardware and software (£0.089m), primarily due to the introduction of Microsoft 365; and
- Additional traded income in Property and unused funding for investment in Alternative Energy.

Governance & Policy (£1.280m overspend)

3.3.5. The forecast overspend in Governance and Policy of £1.280m is an increase of £1.130m on the forecast overspend reported in September. The change is due to Cabinet approving an estimated £0.997m additional spend on the Montague

Road/Hawkes Point capital project, to be met by a revenue contribution from the Service, for which there is cover in the Service's reserves.

3.3.6. The balance of the overspend is due to a £0.290m under achievement of the savings target to be achieved through the disposal of property. To address the unachieved savings, there are planned material disposals in the pipeline, but these are not currently expected to be delivered by the end of 2019/20.

3.4. CORPORATE SERVICES AND RESOURCES - Forecast Underspend £8.926m

Service	Approved Budget £m	Forecast Outturn £m	Forecast Over/ (Under) Spend £m
Government Grants and Business Rates	(130.141)	(133.511)	(3.370)
Central Block DSG and other grants to support schools and pupils	(81.129)	(81.129)	-
Capital Financing Costs	40.263	33.565	(6.698)
Other corporate costs	10.775	11.917	1.142
Total	(160.232)	(169.158)	(8.926)

3.4.1. There are two material underspends, these are:

- Additional business rates income and compensatory government grants to offset the impact of changes to exemptions and discounts not known at the time the budget was set (£3.37m)
- Lower capital financing costs than provided for in the budget as a result of slippage in the capital programme and the level of the unallocated Capital Investment Fund requiring no additional borrowing to be taken out (£6.700m).

3.4.2. These forecast underspends are partially offset by £0.629m of redundancy and pension strain costs as a result of the restructuring of services and £0.169m of funding for services to work with schools in financial difficulty that were not planned at the start of the year. Both areas of overspend are covered by risk reserves specifically set up to meet these costs.

4. Delivery of the Savings Plan

4.1. Planned savings of £14.221m are included within the 2019/20 revenue budget. Four Services are presently forecasting that they will not meet their 2019/20 savings targets, with the overall shortfall expected to be £4.112m. These shortfalls are already reflected in the revenue monitoring position set out in the report and whilst they do not impact further on the monitoring position, it is important that there remains a focus on savings targets and whether these are being achieved or not. A summary position is set out in the table below.

Service	2019/20 Savings £m	Forecast to be achieved £m	Commentary
Strategic Commissioner for Communities	1.141	0.535	Shortfall of £0.606 million relating to the introduction of a new charging schedule for parking permits. This has been delayed while a public consultation takes place.
Children and Families	4.930	1.961	Shortfall £2.969 million as follows. £0.060 million saving for children's centres which has already been delivered needs to be transferred from reserves. Boarding services £0.150 million delay, although it is early in the financial year to predict trends in this highly volatile area of spend. Placement costs for Children looked after £2.760 million where the number of purchased weeks and cost of these weeks have both risen. This is the most significant element of the service's overall overspend.
Strategic Commissioner for People	2.820	2.625	There is a net shortfall of £0.195 million. £0.536 million is a shortfall arising from the increase in demand-led prescribing costs for Drugs and Alcohol Service giving rise to concerns about the feasibility of the savings target. This is presently offset in respect of savings from staffing and overheads which is exceeding its target by £0.341 million.
Environment Services	0.605	0.580	Shortfall of £0.025 million which relates to the delay in the move to Hawkes Point from Montague Road. This is in question because it relied on increased income being made from the installation of an MOT test facility at the new site.
Finance	0.095	0.061	Shortfall of £0.034m caused by delays in greater standardisation of procedures pending the service redesign.
Governance & Policy	0.886	0.603	Shortfall of £0.283m caused by the delay in the generating the capital receipt from the sale of Montague Road.

5. Reserves

- 5.1. At the end of 2018/19 the Council's reserves were £158.974m. At Quarter 1 Cabinet approved the following transfers:
- Education Services (£0.223m) to support the SEND demand management programme in 2019/20;
 - Business & Customer Support Services (£0.085m) to complete the Warwickshire Bytes project; and
 - Adult Social Care £3.000m transfer into reserves.
- 5.2. As a result of these contributions to and from reserves, the reserves are forecast to increase to £163.495m at the end of the financial year.
- 5.3. One third of reserves are held for specific purposes and cannot be used to support the budget more generally. The remaining reserves are held to manage known financial risks, to cash-flow timing differences between when spend is incurred and savings are delivered or for specific investment in projects. Financially this continues to place us in a healthy position to address the financial challenges facing the authority as a result of the current levels of uncertainty about future local government funding and the demand-led pressures that will need to be managed as part of developing a financially sustainable 2020-25 Council Plan.

6. Capital Programme

- 6.1. The Council's approved capital programme for 2019/20 as a result of the decisions made by Cabinet in September was £153.896m, excluding the Capital Investment Fund. Since then additional schemes have been added to the capital programme, funded from the Capital Investment Fund, Developer and other funding sources in accordance with the Council's approved capital strategy.
- 6.2. New schemes added to the capital programme forecast this quarter which have previously been approved include:
- Children & Families - Westgate Children & Family Centre Safeguarding Walkway - £0.025m;
 - People - Disabled Facilities Capital Grant - £4.517m;
 - Education Services – Numerous school expansion schemes - £0.993m;
 - Environment Services – Highways Winter Gritting Technology £0.150m; and
 - Environment Services – s.278 developer funded transport schemes - £10.855m

- 6.3. The net impact of these changes has been to increase the approved capital programme for 2019/20 to £170.436m.
- 6.4. The overall delivery of the capital programme at Quarter 2 is forecast to be £158.323m which is £12.113m lower than planned. This is largely as a result of changes to the phasing of projects such that spending will now be incurred in future years. Detail of these changes by Service is shown in the table below:

	2019/20 Approved Budget £m	2019/20 Forecast £m	2019/20 Variance £m	Future Years Approved Budget £m	Future Years Forecast £m	Future Years Variance £m	Total Variance £m
Adult Social Care	2.150	2.100	-0.050	1.513	1.563	0.050	0.000
Children & Families	0.528	0.547	0.019	0.157	0.157	0.000	0.019
People	5.707	5.576	-0.131	0.473	0.603	0.130	-0.001
People	8.385	8.223	-0.162	2.143	2.323	0.180	0.018
Communities	18.834	18.559	-0.275	18.835	19.092	0.257	-0.018
Education Services	34.457	34.009	-0.448	5.010	6.667	1.657	1.209
Environment Services	74.544	68.022	-6.522	43.200	67.170	23.970	17.448
Fire & Rescue	2.779	2.497	-0.282	3.638	4.851	1.213	0.931
Communities	130.614	123.087	-7.527	70.683	97.780	27.097	19.570
Business & Customer Support	0.033	0.115	0.082	2.024	1.942	-0.082	0.000
Enabling Services	23.567	19.061	-4.506	6.734	9.348	2.614	-1.892
Governance & Policy	7.837	7.837	0.000	2.484	2.484	0.000	0.000
Resources	31.437	27.013	-4.424	11.242	13.774	2.532	-1.892
Total	170.436	158.323	-12.113	84.068	113.877	29.809	17.696

- 6.5. Adjusting for other forecasted increases in spend reported this quarter of £2.189m does not commit the Council to using additional corporate resources. Therefore, the total slippage compared to the approved budget is £14.302m (8.4%). £6.900m of this slippage is attributable to factors outside the Council's control such as the BDUK project being delivered by an external contractor and delays relating to projects requiring funding from developer contributions. The main reasons for the £14.302m slippage compared to the approved budget are:

Environment Services – £6.6m

The rephasing into future years is across transport schemes including:

- £2.4m of developer funded schemes where spend on a number of schemes has been reprofiled to future years;
- Stanks Island (£0.8m) - Delayed because of unanticipated utilities works;

- Coton Arches (£0.2m) – Delays to approvals of preliminary layout, the land purchase will now take place in 2020/21;
- A3400 Birmingham Road, Stratford (£2.1m) – Estimated scheme costs are now forecast to exceed the available grant funding, so the scheme is currently being re-evaluated;
- Lawford Road Casualty Reduction (£0.7m) – Delays caused by the need for utility diversions; and
- Bermuda Bridge (£0.4m) – Works have not yet commenced and are now expected to take place in 2021/21.

Strategic Commissioner for Communities - £0.3m

The main reasons for this are:

- Safer Routes to Schools (£0.7m) – Funding has not yet been allocated to specific schemes so spend is now forecast to occur in future years;
- Casualty Reduction Schemes (£0.3m) – Schemes forecast to take longer than planned due to size/complexity of individual projects;
- Business Loans (£0.1m) – Reprofile of loans and repayments agreed with partners; and
- Area Delegated budgets – Spend of £0.9m has been incurred earlier than planned as additional works have now been allocated to a contractor and are expected to be completed in the current year.

Education Services – £1.6m

High Meadow Infant School (£1.6m) – A lengthy planning application process was resolved in September 2019 which has delayed the start of works.

Enabling Services - £4.5m

Development of Rural Broadband (£4.5m) - The delivery targets of the BDUK projects remains the same. However, the project contractors are struggling to deliver against the contractual targets at present.

Fire & Rescue Service – £1.2m

Fire Training Programme (£1.2m) - Various delays to planning, design etc means schemes unlikely to be completed in 2019/20.

Strategic Commissioner for People - £0.1m

Minor slippage in projects various projects on Adult Social Care modernisation and Client Information Systems (£0.1m).

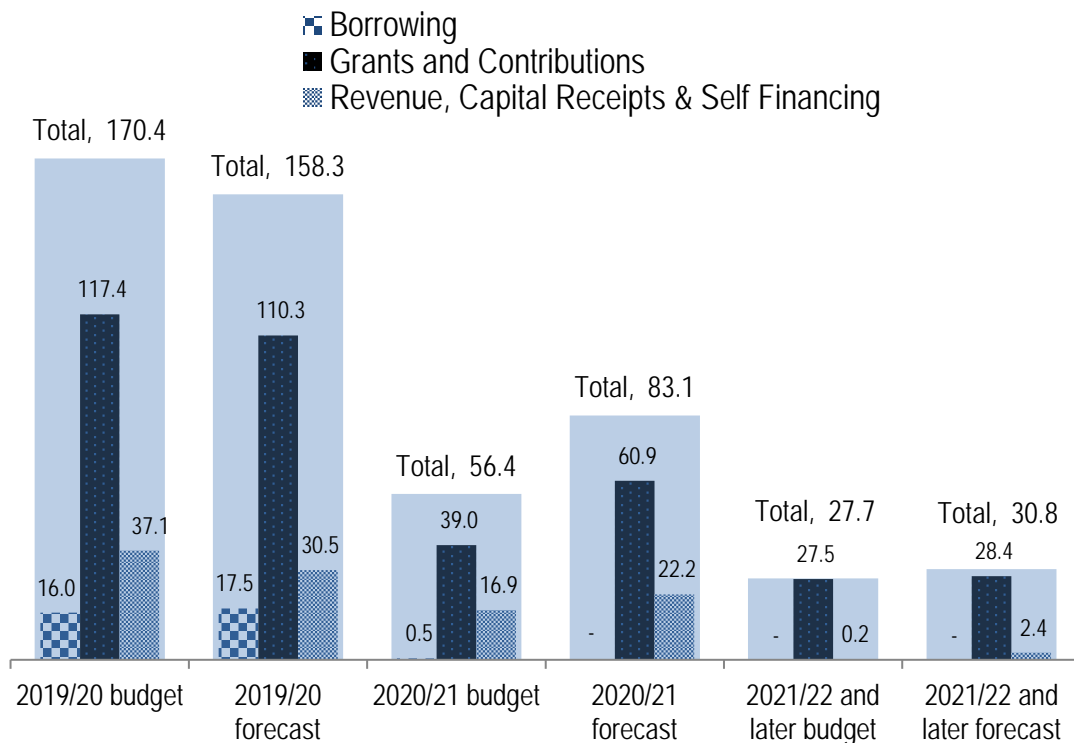
- 6.6. Some of the benefits expected from the capital investment are delayed. As a result, as part of developing the Medium Term Financial Strategy and associated capital strategy for Members' consideration later in the year, Corporate Board have been focussed on the actions needed to ensure a more

timely delivery of the capital programme. Any emerging proposals will be brought forward to Members for consideration.

- 6.7. As well as approving the revised spending in the capital programme, the County Council must also ensure it has sufficient funding available to meet its capital payments in each financial year. The chart and the table below show how the planned and forecast capital expenditure is to be financed. Later years will be updated as part of the development of the Council Plan 2025 and the Medium Term Financial Strategy These figures exclude the remaining unallocated Capital Investment Fund.

	2019/20 budget £m	2019/20 forecast £m	2020/21 budget £m	2020/21 forecast £m	2021/22 and later budget £m	2021/22 and later forecast £m
Corporate Borrowing	16.036	17.498	0.500	0	0	0
Self-financed Borrowing	-2.430	-1.499	0.995	0.995	0	0
Grants and Contributions	117.381	110.339	38.957	60.882	27.505	28.420
Capital Receipts	35.664	28.200	14.780	20.065	0	2.183
Revenue	3.786	3.786	1.138	1.138	0.192	0.192
Total	170.436	158.324	56.370	83.080	27.697	30.795

Estimated Financing to 2021/22 & Later Years (£m)



- 6.8. 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. £28.2m of capital receipts are currently being forecast to finance the 2019/20 capital programme. To date £12.3m receipts have been delivered with a further £15.9m still outstanding. Any shortfall in the level of expected receipts will require the Authority to borrow sooner than expected.

Variations

- 6.9. Financial Regulations require Cabinet to approve changes to schemes where the figures have a variance of more than 5% or are greater than £25,000 on any individual scheme. These schemes are included in all tables and figures within this report and are identified in the background Annexes, with reasons for the variations provided. All of these changes are fully funded and do not require the use of any additional borrowing/receipts.

7. Financial Implications

- 7.1. The report outlines the forecast financial performance of the authority for 2019/20. There are no additional financial implications to those detailed in the main body of the report. The key financial issue is the need for the Medium Term Financial Strategy to reflect the need to:
- put sustainable solutions in place for those services reporting material demand-led overspends;
 - ensure the ambitions of the capital strategy are supported by a stronger framework for delivery; and
 - ensure that any plans developed to balance the budget going forward are robust so any decisions can be taken promptly.

8. Environmental Implications

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

9. Background Papers

- 9.1. None

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