

# Cabinet

11 June 2020

## 2019/20 Financial Outturn Report as at 31 March 2020 – Capital and Revenue

### Recommendations

Cabinet are recommended to:

- a) Note the net spend of £272.8m in 2019/20 and the consequent revenue underspend of £14.2m for the organisation at the end of the One Organisation Plan 2020;
- b) Note the explanations and mitigating actions put forward by Services for variations to budgets, and the implications on the Medium-Term Financial Strategy, as set out in paragraph 3.2;
- c) Note the capital spend in 2019/20 of £109.6m and its financing;
- d) Approve the carry forward of specific services' revenue budget from 2019/20, to support the delivery of the Council Plan in 2020/21, as outlined in paragraph 5.7 and Appendix O; and
- e) Note the current reserves position for the organisation, and the implications of diverting funds held for longer term plans and risk mitigation to meet any unfunded Covid-19 costs.

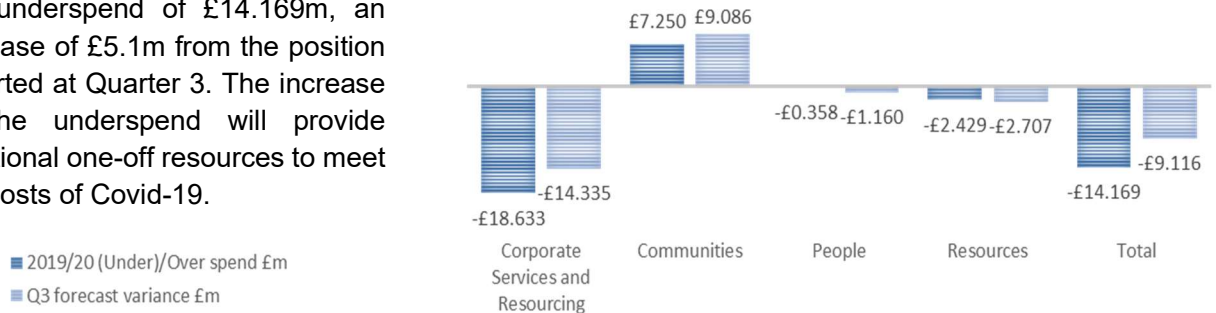
### 1. Purpose of the Report

- 1.1. The purpose of the report is to provide an analysis of the financial position of the organisation at 31 March 2020, including:
  - Capital and revenue performance during the financial year 2019/20;
  - Explanations and mitigating actions for potentially longer-term pressures;
  - Savings achievement over the course of the One Organisation Plan; and
  - The resulting reserves position as at 1st April 2020.

## 2. Graphical Summary

### 2.1. Revenue Outturn

The revenue outturn for the year is a net underspend of £14.169m, an increase of £5.1m from the position reported at Quarter 3. The increase in the underspend will provide additional one-off resources to meet the costs of Covid-19.

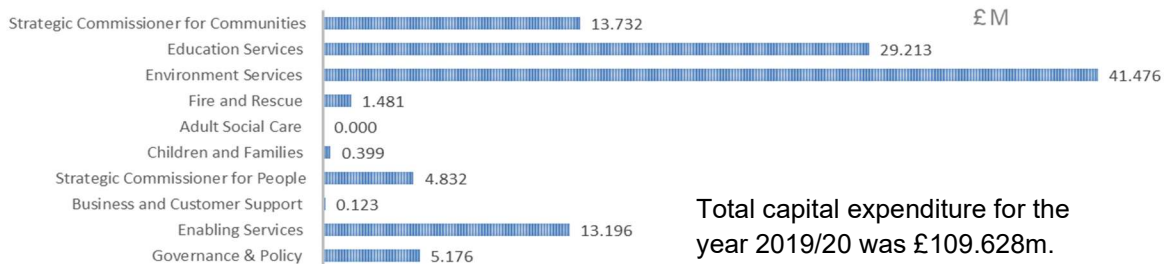


### 2.2. Savings Achievement

The savings plan for 2019/20 assumed the delivery of £14.2m of savings from 75 individual savings initiatives. £10.5m (74%) were delivered in line with the plan. The remaining £3.7m will be delivered in future years and/or has been replaced by budget allocations in 2021/22. As a result, there are no additional financial pressures in 2020/21 resulting from the non-delivery of savings.



### 2.3. Capital Outturn



### 2.4. Reserves Summary

At the end of 2019/20 the Authority's reserves were £178.957m after adjusting for the Covid-19 income received in March. This represents a £19.375m increase over the year. Carry forward requests, if approved, and use of reserves to fund the approved MTFs then bring available reserves level to £134.520m.



### 3. Revenue Outturn

#### 3.1. Revenue outturn by service

The revenue outturn for the year is a net underspend of £14.2m, an increase of £5.1m from the position reported at Quarter 3. This is shown by Service in the table below.

Throughout the year there has been an increased focus and scrutiny on the accuracy of forecasting and ensuring any variations are reported at the earliest opportunity. A variation from the Quarter 3 position of only £0.756m, excluding corporate services and resourcing, represents a significant step forward. And, whilst there is still more to be done, demonstrates a robust approach to financial management in a time of increasing uncertainty.

Service Area	2019/20 Approved Budget £m	2019/20 Outturn £m	2019/20 (Under)/ Over spend £m	Change from Q3 Forecast £m
<b>Communities</b>				
Education Services	110.866	120.013	9.147	-0.017
Environment Services	24.335	21.963	(2.373)	-1.289
Fire & Rescue	20.507	20.631	0.124	-0.277
Strategic Commissioner for Communities	23.262	23.615	0.353	-0.252
<b>Subtotal Communities</b>	<b>178.970</b>	<b>186.221</b>	<b>7.250</b>	<b>-1.835</b>
<b>People</b>				
Adult Social Care	148.751	148.141	(0.610)	1.154
Children & Families	54.536	55.701	1.164	0.073
Strategic Commissioner for People	33.374	32.461	(0.913)	-0.424
<b>Subtotal People</b>	<b>236.661</b>	<b>236.302</b>	<b>(0.358)</b>	<b>0.803</b>
<b>Resources</b>				
Business and Customer Services	18.978	18.708	(0.271)	0.328
Commissioning Support Unit	11.950	11.830	(0.120)	0.406
Enabling Services	21.051	20.312	(0.739)	0.738
Finance	4.578	4.165	(0.414)	-0.236
Governance & Policy	3.800	2.913	(0.886)	-0.960
<b>Subtotal Resources</b>	<b>60.357</b>	<b>57.928</b>	<b>(2.429)</b>	<b>0.276</b>
<b>Corporate Services and Resourcing</b>	<b>(189.054)</b>	<b>(207.687)</b>	<b>(18.633)</b>	<b>-4.298</b>
<b>Total</b>	<b>286.933</b>	<b>272.764</b>	<b>(14.169)</b>	<b>-5.053</b>

Included in the figures is Covid-19 expenditure of £0.694m incurred in late March 2019/20 on Personal Protective Equipment, Shielding Hubs and Local Welfare. This was not anticipated in any previous forecasts and will be financed from other underspends in 2019/20.

### **3.2. Variations to budget**

Detailed explanation of the variations between spend and the approved budget at a Team level within each Service is provided in **Annexes A to M**, below is a summary of the main variations at Service level and potential ongoing impacts from these.

#### **3.2.1. Education Services - (£9.147m overspend; +8.25%)**

We are now required to separate Education spend funded from Dedicated Schools Grant (DSG) and that funded from other sources in our reporting. This new requirement has been incorporated the first time as part of reporting the 2019/20 outturn position and will be a feature of all future reporting.

#### **DSG funded expenditure - £3.751m overspend:**

There was a £7.343m overspend on the DSG High Needs Block due to place funding for a growing Free School and placement pressures. In 2019/20, this overspend on the High Needs DSG Block was partially offset by a £2.103m contribution agreed as part of the 2019/20 Budget. Going forward, local authorities are no longer allowed to write-off any DSG overspends using Council resources. We are also no longer allowed to offset an overspend on one DSG sub-block with underspends on from the other blocks without the approval of the Secretary of State. As a result, the £2.282m underspend on the other DSG blocks cannot be used to offset this overspend and the resulting £5.240m deficit on the High Needs block will be carried forward to be funded from savings on the High Needs DSG in future years.

A strategy is being developed by the Service to bring the DSG High Needs Block into balance in future years, and this will need to include recouping the £5.240m carried forward deficit. This will be brought to Cabinet for approval by the Autumn. The overall DSG overspend equates to 1.34% of the total DSG allocation and the Council may be required to provide information to the DfE about its plans for managing the DSG in 2020/21 and subsequent years. In previous years, local authorities were requested to complete a prescribed DfE Recovery Plan if the 1% threshold was exceeded. The new requirements currently suggest that local authorities that have overspent must cooperate with the DfE with requests for information and/or a meeting as and when the DfE makes contact. Members will be informed if/when any approach is received.

**Local Authority funded expenditure - £5.396m overspend:**

Additional overspends within SEND and Inclusion of £4.743m were due to demand led pressures on Home to School Transport and Children with Disabilities, where high cost, specialist agency staff are required to support necessary community packages of care.

Overspends against the core budget have been rightsized as part of the 2020/21 budget. However, close monitoring of these budgets will be required to understand whether these services are now able to manage their costs within the level of resources provided.

**3.2.2. Environment Services - (£2.373m underspend; -9.75%)**

The net underspend was caused by an underspend in Highways and Transport, offset by an overspend in Gypsy and Traveller Services and a shortfall in the anticipated traded income from County Fleet Management. The underspend in Highways and Transport was driven by four factors:

- A mild winter resulting in less gritting of roads;
- Substantial income recovery from utility operator enforcement;
- Covid-19 lockdown resulting in lack of ability to complete planned Q4 spend; and
- Concessionary fares underspend due to lack of take up.

Income targets for Network Management have been realigned for the 2020/21 budgets which will reduce the potential for underspending in the future (the additional surplus was £1.3m in 2019/20). Therefore, the in-year underspend does not represent ongoing over-funding.

Environment Services spent £1.289m less than had been forecast at quarter 3, due to Network and Streetworks permits, where historically forecasts from the service area have been prudent and often over achieve; Highways Maintenance on account of a milder winter than anticipated; and from Section 106 funding and Concessionary Transport payments where forecasting assumptions did not materialise.

**3.2.3. Fire and Rescue (£0.124m overspend; +0.60%)**

The outturn position represented a slight overspend against budget, mainly owing to variations in rates of pension contributions, which will be covered by the volatility reserve set up for this purpose. Previous forecasts included the potential risk associated with probable national legal and or industrial action in respect of the Day Crewing System. This has now been settled and will result in an additional cost in 2020/21. The Council included a provision to meet these costs as part of the 2020/21 budget and once the detailed assessment of additional costs has been made a budget adjustment will be requested. Therefore, in year pressures do not represent an ongoing unfunded pressure.

3.2.4. Strategic Commissioner for Communities (£0.353m overspend; 1.52%)

Throughout the year, the Service faced a loss of income as a result of the delays in the implementation of changes to parking management. The Service worked to pro-actively mitigate this impact through managing spend elsewhere, but the overall overspend was largely driven by the gap in this unrealised income as well as other pressures such as legal and insurance fees being greater than budgeted.

Through the implementation of service redesign and Parking Management changes, it is not expected that the pressures will be ongoing.

3.2.5. Adult Social Care – (£0.610m underspend; -0.41%)

Due to annually increased one-off funding from government, demand management and effective collection of client contributions, there was an underlying ongoing underspend of circa £1.5m a year, which has been right-sized for 2020/21. A one-off increase in the bad debt provision has reduced this underspend in 2019/20. There remain growing pressures in budgets for Older People in Residential Care, especially a growing number of complex cases where mental health is also involved, and in the area of Supported Living for Younger Adults.

Pressures and underspends have been rightsized in the MTFs, and growth areas will be monitored throughout the year, particularly in light of likely ongoing pressures from people moving into care after recovering from Covid-19. If an additional future spending need emerges this will be reported as part of the regular monitoring reports to Members or as part of the MTFs refresh.

3.2.6. Children and Families – (£1.164m overspend; 2.13%)

The forecast overspend of £1.164m in the Children and Families Service was dampened by the impact of one-off funding in the financial year, as well as some underspends against earmarked funds which have to be set aside, to complete projects in future years. Without these, the Service had an underlying overspend of £4.698m.

The main areas of overspending were Children in Care Placements due to demand and unit cost increases; allowances paid for non-LAC children; and Leaving Care Accommodation packages and allowances for young people aged 16 years and above, which continue to be an area of growth both in activity and unit cost.

There were a number of offsetting underspends, in Priority Families, Adoption Central England, unspent government earmarked grant income and salary costs.

Pressures and underspends have been rightsized in the MTFs, and growth areas will be monitored and managed or escalated in the future, and so, subject to unknown Covid-19 impacts, there should not be a recurrence of the structural overspend against this budget.

3.2.7. Strategic Commissioner for People – (£0.913m underspend; -2.74%)

Last year saw financial pressure in the support service for drug and alcohol misuse due to demand for detox/inpatient services, increased support for homelessness and staffing overspends within Public Health.

These increased pressures were offset by underspends elsewhere within the Service including staffing underspends following the restructure, reduced expenditure for accommodation with support and non-payment of the contract incentive for Sexual Health services.

Pressures and underspends have been rightsized in the MTFs, and growth areas will be monitored and managed or escalated in the future.

3.2.8. Business and Customer Services - (£0.271m underspend; -1.43%)

There was a one-off underspend of £0.310m due to delayed Early Intervention Projects and Third Sector Grant payments, which will be restarted in 2020/21, partially offset by staffing pressures in the Contact Centre as part of the Covid-19 response. Therefore, the in-year underspend does not represent ongoing over-funding.

3.2.9. Commissioning Support Unit – (£0.120m underspend; -1.00%)

Vacancies in staffing due to redesigns and planned changes to teams in the latter half of the year created a £0.4m underspend, offset by unexpected Covid-19 expenditure on PPE. The main underspend was planned to help bridge the costs of creating the PMO and Change Hub during 2020-21. Therefore, the in-year underspend does not represent ongoing over-funding.

3.2.10. Enabling Services – (£0.739m underspend; -3.51%)

The underspend in Enabling Services was mainly due to the reduction in county buildings operational costs and other property related maintenance expenditure. An overspend on staffing costs was supported by this underspend. A small traded surplus was also realised.

Budgets have been right-sized in the MTFs from 2020/21 onwards, and further analysis will be carried out through the next year to confirm that the rightsizing has removed any ongoing underspend, in the context of work on the wider financial framework and simplification of the internal charging regime which particularly impacts Enabling Services.

3.2.11. Finance Service – (£0.414m underspend; -9.04%)

The main areas leading to the underspend were due to holding posts vacant during the service redesign. Now the restructure is in place the in-year underspend does not represent ongoing over-funding.

3.2.12. Governance and Policy – (£0.886m underspend; -23.33%)

The overall underspend for Governance and Policy comprised of smaller underspends across all areas of the Service. Underspends in HR and Legal Services totalled £0.663m and were due predominantly to increased trading and other income. An overspend on Montague Road was offset by underspends in Strategic Assets due to delayed projects, for which a carry forward of £0.340m is requested. Rightsizing means that remaining in year underspend does not represent ongoing over-funding.

3.2.13. Corporate Services and Resourcing (£18.500m underspend; -9.86%)

The Corporate and Resourcing variance is due to two areas. Less was spent on capital financing than budgeted as a result of unallocated Capital Investment funds and slippage in agreed capital programmes. While this was forecast through the year, the end of year position was a greater underspend than anticipated. In addition, more funding was received than budgeted from government grants and investments. This was expected due to uncertain information at the point of budgeting, and both have been forecast throughout the year, though in Quarter 4 this increased beyond the forecast when there were late announcements of additional Government funding.

Rightsizing means that income budgets have been increased next year, while capital financing budgets have been reset over the period of the MTFS to reflect the level and revised phasing of planned capital spend. However, it is likely to be several years before these adjustments fully work through. As a result, time-limited underspends are also likely to occur in 2020/21. Updated forecasts will be reported throughout 2020 and the expected underspends will be set aside, initially to meet some of the unfunded Covid-19 costs.

**3.3. Changes from Quarter 3 (MTFS)**

Funding for the MTFS was based on the forecast underspends at quarter 3, any variation to that forecast will have an impact on the MTFS plans – a greater underspend creates more available reserves, whilst a reduced underspend will create an MTFS pressure. The estimated outturn position for the authority is an increased underspend of £5.053m from quarter 3, which is positive in the context of covering any Covid-19 costs not fully funded by Government.



## 4. Savings Performance

4.1. Performance against individual savings targets are listed in Annexes A to M, with the summary position shown in the table below.

2019/20	Number of targets	Saving Delivered £m	Savings Not Delivered £m
Savings target achieved/overachieved	69	9.467	-
Savings target partially achieved	2	1.058	0.563
No saving delivered against target	4	-	3.133
<b>Total</b>	<b>75</b>	<b>10.525</b>	<b>3.696</b>

4.2. 92% of savings options were fully achieved, with a further 3% partially achieved. The non-achievement of the Looked After Children saving is the main cause for the large financial impact of shortfall, representing 72% of the savings amount not delivered. This shortfall had been anticipated and was resolved as part of setting the 2020/21 budget.

4.3. The high level of savings achieved throughout the three years of the One Organisation Plan is a positive outcome and has contributed to the stable financial position of the Authority. Those areas where targeted savings were not achieved and no specific correction has been made, will be reviewed as part of budget monitoring in 2020/21 to make sure they do not result in an overspend in the current year. Below are details of those 2019/20 savings which were not fully achieved. These have all been previously identified through budget monitoring and mitigated through other service underspends or escalated as risks.

<b>Saving Description</b>	<b>Target £m</b>	<b>Achieved £m</b>	<b>Reason for variance and associated management action</b>
<b>Communities</b> - Increased income by the introduction of a new charging schedule for parking permits.	0.698	0.330	The delay in the decision on the new parking fees to allow time for additional consultation meant the savings plan could not be implemented as planned. This was known at an early stage and some mitigation has taken place throughout the year.
<b>People</b> - Drugs and Alcohol - a reduction in costs, prioritised through a redesign and recommissioning process	0.923	0.728	An increase in prescribing costs for this demand led service meant this savings plan could not be implemented as planned. Careful monitoring is ongoing to achieve the most efficient and effective prescribing and management of costs; and the amount of savings that may feasibly be found in this programme will need to be reviewed.
<b>Savings 'Partially Achieved' Total</b>	<b>1.621</b>	<b>1.058</b>	
<b>Children &amp; Families</b> - Delivery of a reduction in the need for children to become or remain looked after in Warwickshire	2.760	0	Increased number of purchased weeks as well as significant unit cost increases (due to changes in the mix of placement types) meant that the service reported an overall over-spend.
<b>Children &amp; Families</b> - Develop the use of independent boarding schools	0.150	0	This is intrinsically linked with the reduction in Children Looked After. Any savings so far are cost avoidance (Children going into Care) rather than reducing numbers or the costs of provision for children already in care.
<b>Governance &amp; Policy</b> - Repayment of Hawkes Point self-financed borrowing.	0.198	0	Planning permission for Montague Road was not secured by developer. This has impacted on sale of site and timeframes.
<b>Savings 'Not Achieved' Total</b>	<b>3.133</b>	<b>0</b>	
<b>Total</b>	<b>4.754</b>	<b>1.058</b>	

## 5. Capital Outturn

- 5.1. The level of capital payments in 2019/20 was £109.628m, with a further £257.139m of payments forecast over the medium term. The remaining Capital Investment Fund (CIF) allocation of £5.711m from 2019/20, which is not included in these figures, has been carried forward. Along with the remaining future years CIF figure of £24.914m per annum this results in a total amount available in the Capital Investment Fund (CIF) of £130.281m over the period of the MTFs. There are £14.198m of priority schemes nominally earmarked against this, resulting in a remaining balance of £116.083m.
- 5.2. One of the concerns of Members over recent years has been whether there is sufficient capacity in the organisation to deliver an expanded capital programme. The spend in 2019/20 of £109.628m is £20m to £25m higher than in recent years and represents a step change in the level of capital investment. Whilst there are still improvements to be made, the level of spend in 2019/20

indicates a direction of travel that will support the Authority in delivering on its ambitions and supporting investment in the infrastructure of Warwickshire.

- 5.3. The outturn capital spend of £109.628m means that a further £31.380m of the planned spend for 2019/20 has moved into future years. This is shown by service in the table below, with variations at individual project level shown in Appendices A to M.

	2019/20 Approved Budget £m	2019/20 Outturn £m	2019/20 Variance £m	2020/21- 2023/24 Approved Budget £m	2020/21- 2023/24 Forecast £m	2020/21- 2023/24 Variance £m	Total Variance £m
Education Services	31.674	29.213	-2.461	11.654	29.467	17.813	15.352
Environment Services	58.794	41.476	-17.318	92.498	126.977	34.479	17.161*
Fire and Rescue	2.659	1.481	-1.178	5.622	8.081	2.459	1.281
Strategic Commissioner for Communities	16.947	13.732	-3.215	25.595	60.138	34.543	31.328
<b>Communities</b>	<b>110.074</b>	<b>85.902</b>	<b>-24.172</b>	<b>135.369</b>	<b>224.663</b>	<b>89.294</b>	<b>65.122</b>
Adult Social Care	2.100	0.000	-2.100	1.563	0.313	-1.250	-3.350
Children and Families	0.528	0.399	-0.129	0.157	0.402	0.245	0.117
Strategic Commissioner for People	5.356	4.832	-0.524	0.823	0.135	-0.688	-1.212
<b>People</b>	<b>7.984</b>	<b>5.231</b>	<b>-2.753</b>	<b>2.544</b>	<b>0.851</b>	<b>-1.692</b>	<b>-4.445</b>
Business and Customer Support	0.190	0.123	-0.067	1.867	1.950	0.084	0.016
Enabling Services	19.046	13.196	-5.850	9.339	25.953	16.613	10.763
Governance and Policy	6.685	5.176	-1.509	2.143	3.722	1.579	0.070
<b>Resources</b>	<b>25.921</b>	<b>18.495</b>	<b>-7.426</b>	<b>13.349</b>	<b>31.625</b>	<b>18.276</b>	<b>10.849</b>
New Projects and capital right sizing			-2.971			73.497	70.525
<b>Total</b>	<b>143.979</b>	<b>109.628</b>	<b>-31.380</b>	<b>151.262</b>	<b>257.139</b>	<b>32.381</b>	<b>1.001</b>

\* £13.985m of the Environment Services variance amount relates to S278 project delays.

- 5.4. The £31.380m of planned spend that has moved into future years includes £2.971m of new schemes and £13.985m of expected spend on S278 funded schemes where we have little control over the timing. Net of these the underspend for quarter 4 is £17.395m.
- 5.5. At 30%, the slippage between quarter 3 and outturn is significantly improved on previous years, due to more realistic phasing of the programme. Delays in the delivery of the capital programme means the benefits expected from the capital investment are delayed. It is for this reason, a key element of the financial framework in relation to improving forecasting will focus on effective

planning for the expected delivery of capital schemes from the outset, which should reduce slippage further.

- 5.6. The underspend of £17.395m brings the total value of delayed projects (movement of spend into future years) for the year to £64.148m. This equates to a movement of spending into future years of 33.6%. A breakdown of the spend of £17.395m that moved into future years in quarter 4 across services is shown in the table below.

	Approved Budget £m	Outturn £m	Variance £m	Adjustment for S278 slippage £m	New Projects and capital rightsizing £m	Delays in capital spend (slippage) £m
Education Services	31.674	29.213	-2.461		0.095	-2.556
Environment Services	58.794	41.476	-17.318	-13.985	-0.081	-3.252
Fire and Rescue	2.659	1.481	-1.178		0.000	-1.178
Strategic Commissioner for Communities	16.947	13.732	-3.215		-0.057	-3.158
<b>Communities</b>	<b>110.074</b>	<b>85.902</b>	<b>-24.172</b>	<b>-13.985</b>	<b>-0.044</b>	<b>-10.144</b>
Adult Social Care	2.100	0.000	-2.100		-2.100	0.000
Children and Families	0.528	0.399	-0.129		0.000	-0.129
Strategic Commissioner for People	5.356	4.832	-0.524		-0.553	0.029
<b>People</b>	<b>7.984</b>	<b>5.231</b>	<b>-2.753</b>		<b>-2.653</b>	<b>-0.100</b>
Business & Customer Support	0.190	0.123	-0.067		0.016	-0.083
Enabling Services	19.046	13.196	-5.850		0.000	-5.850
Governance and Policy	6.685	5.176	-1.509		-0.291	-1.218
<b>Resources</b>	<b>25.921</b>	<b>18.495</b>	<b>-7.426</b>		<b>-0.275</b>	<b>-7.151</b>
<b>Total</b>	<b>143.979</b>	<b>109.628</b>	<b>-34.351</b>	<b>-13.985</b>	<b>-2.971</b>	<b>17.395</b>

- 5.7. The main reasons for the additional £17.395m movement to future years in the quarter compared to the approved budget are:

5.7.1. Education Services – £2.556m

The slippage related to delays over multiple projects. The largest of these was the expansion of Long Lawford Primary School (£0.494m). The general reduction in 2019/20 spend on Education projects was partly as a result of the Covid-19 pandemic slowdown and lockdown towards the end of the financial year. In addition, outdoor construction projects were delayed due to poor weather conditions in February.

#### 5.7.2. Environment Services - £3.252m

The A46 Stoneleigh junction scheme accounted for £1.650m of the total movement, where procurement was delayed partly due to Covid-19 and partly due to the need for additional strategic modelling requirements to support the business case. Issues with HS2 resulted in a need to liaise on design and review work with HS2 consultants.

Gypsy and Travellers projects were delayed as funding planned for caravan refurbishments did not take place as a result of staffing issues within the team. The project will be progressed in 2020/21.

Street Lighting maintenance was delayed because a large road junction scheme that included planned cabling and street lighting works has not yet gone ahead; other delays to planned works were caused by the extreme wet weather and the Covid-19 lockdown.

There were also delays in annual maintenance projects, with funds being rolled forward into the new financial year (£0.958m). Staffing restructures in the team meant communications between WCC and Balfour between January and March were sub optimal and, in addition, the extreme wet weather in February 2020) caused delays on some schemes.

There have been some other small delays on projects less than £0.250m, please see the annexes for further details.

#### 5.7.3. Fire & Rescue Service – £1.178m

The underspend mainly related to delays to the Fire and Rescue training capital programme. The commencement of these projects has been realigned to the overall training programme with various elements now due for completion during 2020/21 and 2021/22. In addition to this, there was a delay in the WFRS emergency services network project resulting from a dependency on the upgrade of incident command and control systems, which is due for completion in January 2021.

#### 5.7.4. Strategic Commissioner for Communities - £3.158m

The main reason for the movement was delays in delivering the area delegated schemes of £1.875m, Members are involved in plans for the reorganisation of this area and have already contributed their requirements and suggestions.

There was also a delay of £0.572m on the Temple Hill Wolvey casualty reduction scheme and an additional £0.239m on other casualty reduction projects. Delays to projects at design stage meant the construction start date

was moved to later in the year and then Covid-19 delayed that further. Casualty reduction schemes were otherwise delayed due to poor weather in February.

The Bermuda Connectivity Scheme also suffered delays around sign-off (£0.237m). This was caused by technical approval delays impacting on design finalisation, combined with issues with the land negotiations which resulted in significant re-profiling being required to the project milestones with procurement and construction now expected to be during 2020/21.

5.7.5. Children & Families Services - £0.129m

£0.040m related to delays in projects coming forward for adaptations to carer properties. The spend is reactive and requirements vary significantly year-on-year making spend difficult to predict. £0.066m was due to delays in adaptations to children's centres so they can become children and family centres. This was because negotiations on estimates and final designs took longer than expected, but all are now agreed, and construction can be completed during 2020/21. £0.025m for the Westgate children's centre safeguarding walkway was delayed due to the Covid-19 pandemic.

5.7.6. Business & Customer Support Services - £0.083m

The underspend was caused by delays in the acquisition of three mobile library vans.

5.7.7. Enabling Services - £5.850m

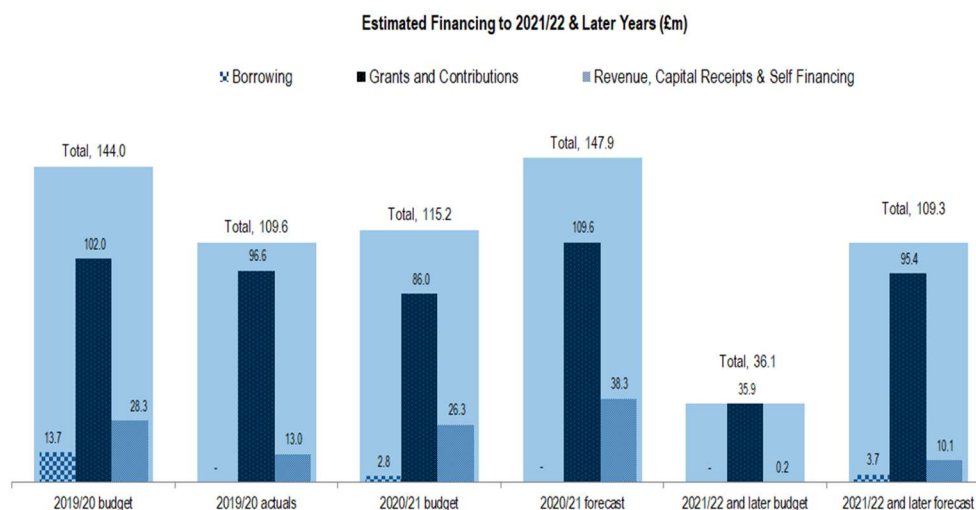
The largest element of slippage related to delays in the development of rural broadband (£4.219m). A revised delivery plan was received from Openreach during quarter 4 which has changed the phasing of the investment as a result of shortages of civil engineers and revised guidance from DCMS (Department for Culture, Media and Sport).

There was a £0.376m delay in Teams telephony roll out across WCC, some of this related to the speed of the cloud migration project which meant some planned hardware replacement was not required. The Covid-19 slowdown impacted on the works to the Veteran's Contact point (£0.384m). Across the organisation asbestos remediation work was delayed because of a long-term vacancy for an Asbestos Surveyor (£0.680m).

5.7.8. Governance & Policy Services - £1.218m

The underspend mostly related to changes in the phasing of spend on strategic site planning applications (£0.778m) where costs can be uncertain and the phasing dependent upon disposals and the progress of planning applications. Another £0.202m was due to delays in the rationalisation of county storage project resulting from changes to the plans for the relocation of the forestry team. Rural Services have slipped £0.236m of spend into 2020/21.

5.8. As well as approving the revised spending profile of 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 actual and forecast capital expenditure is to be financed compared to the approved plans.



	2019/20 budget	2019/20 outturn	2020/21 budget	2020/21 forecast	2021/22 and later budget	2021/22 and later forecast
	£m	£m	£m	£m	£m	£m
Corporate Borrowing	13.713	-	2.835	-	-	3.743
Self-financed Borrowing	-1.499	-	0.995	1.744	-	-0.995
Grants and Contributions	102.026	96.587	85.967	109.550	35.884	95.361
Capital Receipts	27.168	10.349	24.249	34.988	-	11.138
Revenue	2.571	2.692	1.138	1.605	0.192	0.005
<b>Total</b>	<b>143.979</b>	<b>109.628</b>	<b>115.184</b>	<b>147.887</b>	<b>36.076</b>	<b>109.252</b>

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

## **6. Reserves position**

- 6.1. The Reserves Strategy agreed by Council in February 2020 involves categorising and consolidating existing reserves to give greater oversight of the reserves position while maintaining a level of localised risk management within Directorate Leadership Teams. Reserves are categorised into groups according to whether they support risk management, funding volatility, ringfencing external funding or earmarking funds for specifically agreed investment.
- 6.2. The Strategy requires that reserves are reviewed by Finance at least twice a year, with input from the managers responsible for each reserve. The first review has been carried out during April 2020.
- 6.3. As a result of this review all reserves have been fully aligned to the new Reserves Strategy and 32 of the original 92 reserves have been closed. Justification has been sought for retaining all remaining reserves and work is underway to ensure there are planned timescales for use of the remaining reserves and clarity over the expected benefits.
- 6.4. The on-going work will be concluded by September 2020 to align with Council budget setting timetables and reported to Members as part of the 2021/22 MTFS refresh. This will enable the impact on reserves of managing the Covid-19 to be incorporated into the review.
- 6.5. The level of reserves on 1 April 2020 was £193.027m, including £14.071m Covid-19 government emergency grant and £4.125m carry forward requests (see paragraph 6.6). Excluding these elements, the reserves balances are £174.831m, which is an increase of £15.250m on the position as at 1 April 2019. Appendix N provides further details on the individual reserves.
- 6.6. Services have requested approval to carry forward £4.125m of these reserves to support spending in 2020/21 and £40.311m has been planned to fund the budgets in the 2020-25 MTFS. The remainder of the reserves will be used according to planned activity in the services or held as risk/volatility reserves and used to fund short term fluctuations or the immediate impact of unfunded pressures, which will then be planned into the MTFS for following years and funded through savings, to allow ongoing funding for pressures. All decisions on the use of reserves require Member approval.



	1st April Reserve £m	Carry Forward Request £m	MTFS Commitments £m	Available Reserve level £m
Earmarked - Schools Reserves	10,039	0	0	10,039
Earmarked - External Reserves	10,866	-856	-146	9,864
Reserves Subject to Annual Review - Internal Policy	13,149	0	-650	12,499
Reserves Subject to Annual Review – Volatility	46,564	0	0	46,564
Change Funds	55,026	-199	-32,899	21,928
Reserves Subject to Annual Review - Specific Investment Projects	1,798	-40	0	1,758
Management of Financial Risk	43,750	-2,299	0	41,451
Available for Use Reserves	11,834	-731	-6,616	4,487
<b>Total</b>	<b>193,026</b>	<b>-4,125</b>	<b>-40,311</b>	<b>148,590</b>

6.7. The £4.125m is made up of 20 different requests from Services to carry forward some of their 2019/20 resources into 2020/21 for spend against a specific project or initiative. Of these £0.896m is from earmarked or ringfenced funds, £0.199m from Children’s Transformation and the remaining £3.070m from general budgets. The individual requests, and planned use of the funds are listed in **Appendix O** and summarised in the table below alongside the Services’ 2019/20 outturn position. Cabinet are recommended to approve these requests.

Service	19/20 outturn Over/(Under)Spend £m	Carry forward requested £m
Strategic Commissioning for Communities	0.353	0.315
Education Services	9.147	0.450
Environment Services	(2.373)	0.200
Strategic Commissioning for People	(0.913)	0.280
Children and Families	1.164	0.795
Business and Customer Support	(0.271)	0.364
Commissioning Support Unit	(0.120)	0.400
Enabling Services	(0.739)	0.781
Governance and Policy	(0.886)	0.540

6.8. The latest forecast impact of Covid-19 on the County Council is £43.5m. This is £11.9m more than the total grant funding expected to be receivable via the £24.8m Emergency Response Fund grants from the Government and the reimbursement of £6.8m from the £1.3bn Health Grant. While it is recognised that some forecasts are worst case and we may receive additional Government funding in the future or deliver in-year underspends in 2020/21 to offset some of the increased cost, the level of both short and medium-term uncertainty means it is prudent to ensure we have a plan in place as to how we could release sufficient reserves to meet any residual funding gap, as well as

considering the wider implications for reserves of this 'ultimate rainy day' situation.

6.9. There are three options for how our remaining reserves could be used to meet the excess cost of our local response to Covid-19. The impact of these options on different areas of investment or risk varies. Cabinet are not being asked to make a decision on these options now as this will form part of the MTFS refresh when the cost of Covid-19 has stabilised. However, it was thought to be worthwhile to set the options out for Members at the earliest opportunity so they can be borne in mind as plans for the future are developed.

6.10. The three options are:

- Cancelling imminent investment plans:  
There is £4.487m in a contingency reserve to be allocated as part of future budget discussions. At least £0.750m of forecast Covid-19 response costs may be chargeable against relevant ringfenced reserves where specific Covid-19 expenditure which falls within the conditions of that funding. For example, welfare funds, youth remand costs and the loss of interest earned on investment. £3.229m could be released from 2020/21 service plans by only approving carry forwards of ringfenced funds, although this is not recommended.
- Using reserves set aside for use in years 4 and 5 of the MTFS  
This would give 3 years to rebuild the reserves, plan for additional savings or cancel future investment. £21.223m of reserves are planned to be used in creating the balanced MTFS from 2021-2025, predominantly the new Investment Funds and the remaining Council Change Fund. This option would mean we have longer to plan which areas would be impacted, but it would also signal a movement away from delivering the ambitions of the Council Plan and approved MTFS plans over the medium term.
- Utilise the risk reserves held by the Council to fund emergency or unexpected pressures/loss of savings  
Use of these reserves would require plans to rebuild the levels of these reserves to the level assessed as being required over the medium term; and would create a risk of further short-term pressures arising before the reserves are back to the planned levels. The relevant risk reserves are:
  - the £20.228m held in Directorate Risk Reserves to create short-term funding for unexpected pressures until these can be mitigated or built into future years' MTFS budgets. This is equivalent to 5% of each directorate's annual net budget.
  - The £21.200m minimum level of General Reserves. Replacing any General Reserves used, up to the minimum specified by the Strategic

Director for Resources in his risk assessment, would have to be the first call on the 2021/22 budget to meet statutory guidance on delivering a balanced budget.

## 7. Financial Implications

- 7.1. The report outlines the financial performance of the authority in the year 2019/20. There are no additional financial implications to those detailed in the main body of the report.
- 7.2. The key financial issue remains the need for the MTFs to reflect: the need to put sustainable solutions in place for those services reporting material demand-led overspends, the need to ensure the ambitions of the capital strategy are aligned to the capacity to deliver and 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.