Appendix A – Commentary on Service revenue forecasts

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

Communities Directorate

Education Services DSG - (£9.890m net overspend; +4%. £0.009m Covid pressures)

- The DSG overspend primarily relates to the excessive growth and demand on services within the High Needs Block of the DSG. Detailed reports on the issues and the required Recovery and Sustainability Plans were presented to Cabinet in June and July with further updates going forward.
- In the summary table in section 3.4, the overall DSG overspend includes the High Needs Block overspend of £11.313m being offset mainly by an Early Years Block underspend of £1.312m (due to a forecast lower than funded uptake of Free Early Years provision and additional in year EY block allocation by DfE). However, the DfE rules do not allow an actual transfer of funds between the two blocks, hence the requirement of High Needs Recovery and Sustainability plans.
- Overall, the forecast expenditure has not changed since Q1, but the variance has decreased by £1.021m due primarily to additional DSG income following summer census refreshes and adjustments by the DfE.

Education Services Non- DSG - (£7.413m net overspend; +21%. £3.682m Covid pressures)

- Covid Pressures consist primarily of £0.420m Early Years Hubs, £2.418m loss of income pressures; £0.673m of Home to School Transport the latter of which WCC has received a specific grant for.
- Within this, the traded income pressures include over £1.708m of pressures relating to Warwickshire Attendance Service, WCC Music Service and Marle Hall. The WCC Music service loss of income has increased significantly since Q1 due to now forecasting less buy back for a longer period of time that initially predicted.
- Of the non-Covid net overspend of £3.731m, £3.508m of this relates to the cost of placements for Children with Disabilities in residential care as well as preventative care & assistance to avoid the costs of taking children into care. This is a forecast increase of £3.228m since Q1. This is because the forecasted purchased weeks has increased by a further 30% (311 weeks – 6 FYE children) for forecast residential placements, coupled with the average unit cost of these additional packages increasing by 30%, from £2,513 per week to £3,270 per week. To avoid an even greater number of Children going into placements, preventative care and assistance expenditure is also being incurred (e.g. direct payments, specialist agency staff/home care, short breaks/respite).
- Delays in the restructure of the staffing arrangements, coupled with additional costs to enable transformation, has resulted in an increased staffing forecast and overspend of £0.500m.
- The remaining £0.278m net under-spend relates to minor variances on operational expenditure.

Environment Services - (£1.666m net overspend; +4%. £2.442m Covid pressures of which £1.118m is grant funded)

- The vast majority of this overspend is related to Covid pressures consisting of:
    - Additional spending relating to payments to Bus Operators which is offset by grant funding from the DfT totalling £1.118m.
    - Additional costs relating to emergency Highways maintenance and compensation payments for Highways contracts (£0.190m).

  - The requirement to reallocate road space and carry out works in town centres and to enable social distancing (£0.782m).
  - Income losses within Forestry, Planning Delivery and Trading Standards and Community Safety (£0.305m).
  - There is a Covid-related pressure as a result of additional payments being made within Transport Delivery to voluntary organisations so that operations could continue during Covid. This overspend is partially offset by an underspend in planning delivery due to staff vacancies.
- The underspend of £0.776m after removal of Covid pressures is mostly due to in year staff savings across the service arising from delays in the implementation of the service redesign.
- The reduction in forecast compared to Q1 of £0.792m is due to thorough reviews of Covid related pressures being undertaken and the reduction in forecasts where Covid related costs, such as compensation claims, have not materialised.

Fire and Rescue - (£0.540m net overspend; +3%. £0.293m Covid pressures)

- The forecast overspend includes £0.293m due to Covid related factors where overtime has been required to maintain operational crewing to ensure availability of emergency response and provide additional services to the public during the lockdown phase and under increased new restrictions.
- The overspend after Covid Pressures relates to one-off spend relating to the National Workwear project and cover for long term absence and the Firefighter Recruitment Plan recently approved by Corporate Board.
- The forecast also includes the costs of running a Pilot Citizenship scheme for which Early Intervention Funding has been received. It is likely this will carry forward into 2021/22.

Strategic Commissioning for Communities – (£4.106m net overspend; +18%. £4.104m Covid pressures)

- The most significant part of the forecast overspend is related to Covid pressures consisting of:
  - Losses of income totalling £3.914m split between Parking Services (£2.490m), County Parks (£0.488m), rental income through Business Centres (£0.368m), Waste Services (£0.346m) and Speed Awareness courses (£0.222m).
- Additionally, there is expenditure of £0.190m as a result of Covid for social distance modelling and active travel monitoring.
- The reduction on the forecast overspend from Q1 of £1.430m is due to:
  - Reduced losses of income being forecast within Parking Services and Country Parks as restrictions have begun to be lifted.
  - Reduced spending on legal fees.
  - Savings identified within staff pay budgets following in depth reviews.

People Directorate

Adult Social Care - (£2.660m net overspend; +2%. £10.330m Covid expenditure)

- The impact of Covid on the forecasts is:
  - £3.321m financial support to providers to enable them to manage the impact of Covid.
  - Increased package costs following hospital discharge of £6.500m. It is expected that this will be fully reimbursed from the £1.3bn Hospital Discharge Grant via SWCCG.
  - Staffing costs of £0.342m, which are predominantly agency staff.
  - £0.167m of Covid related increases in direct payments to people with disabilities; and increased Mental Health package of care costs.

- After removing the Covid related expenditure, the net variance is a £7.670m underspend. Caution must be taken in analysing this largely non-recurrent position for the following reasons:
  - The £6.500m income from the Hospital Discharge Grant has funded some areas of support which we otherwise would have had to pay for. It has either paid for this activity in totality; or has delayed the point from which the package of care will be paid for from Council budgets. This has a one-off positive impact unlikely to stretch beyond the current financial year.
  - Sadly, excess deaths during Covid have disproportionately impacted the over 65's cohort. This, in financial terms, may see expenditure in this group reduce in year. Conversely, some people have started receiving Adult Social Care sooner, due to Covid. In the short-term there has been net reduced expenditure.
  - During the Covid response period until 1 September the Clinical Commissioning Groups (CCG) have fully funded those people requiring nursing care. Under usual circumstances some of this cohort could have been funded via the council with the CCG giving a minority financial contribution for the nursing funded element. This means that for this financial year the demand for this type of provision is unnaturally suppressed and will increase through the rest of this year, back to normal level of demand for 2021/22 as we complete transition from the initial period of Covid response.
  - Certain areas of Social Care have seen a delay in demand as day and respite activities are impacted by Covid restrictions; while in some cases people have delayed coming to the Council for support as they are reluctant to start their support journey during these uncertain times. All of these factors have suppressed demand in a one-off, short-term way.
  - Whilst significant financial relief has supported Adult Social Care providers (current forecast £3.321m), this has in some instances replaced the expenditure that WCC would have otherwise incurred. Therefore, when the Covid situation recovers, there is an expectation that demand and service delivery will return and therefore this is a one-off rather than permanent underspend. Further, the Council has been awarded funding of £13.404m Infection Control Grant to support Adult Social Care Residential and Community providers with a primary purpose of reducing transmission of Covid. This has been a significant step in supporting the market without which the support to providers funded by WCC could potentially have been significantly higher.

- Other key points to note are:
  - Mental Health is showing a pressure of £1.889m across all services. The pressure is experienced most significantly in residential and supported living services with the greatest pressure in the north of the county.
  - A forecast underspend in Integrated Care Services of £1.228m of which equal amounts are attributed to reduced demand for community equipment and staffing underspends.
  - A forecast underspend in Disabilities of £0.829m due to a reduction in use of and/or closure of day opportunities, short breaks and services such as domiciliary care during the Covid pandemic.
  - Project expenditure has decreased by £0.357m and there are some minor operational underspends.
  - The key changes from the Q1 forecast of £5.666m are due to:
    - Refined forecasts for Disabilities, client contributions and Integrated Care following comprehensive reviews in these areas.
    - Expenditure associated with the Hospital Discharge Grant has now increased as the implications/impact of Covid have grown.
    - Greater analysis and understanding of the wider impacts of Covid on current and future budgets and how funding is being applied.

Children and Families - (£3.749m net overspend; +6%. £2.959m Covid pressures)

- The major Covid pressures include the following:
  - £1.100m additional placement costs.
  - £0.356m for additional staffing costs.
  - £0.211m for Youth Justice Remand placement.
  - £0.128m for loss of income related to the 4 Youth Centres.
  - £0.527m for increased Fostercare/emergency/care leaver and UASC payments.
  - £0.500m for additional costs of Legal Services due to Court delays.
  - £0.137m for Working from Home equipment and Social Distancing equipment for Family meetings.
- After removing the Covid related pressures, the net variance for Children & Families is a £0.790m overspend. This headline overspend has increased by £1.113m since quarter 1, and masks a number of ear-marked funding streams (see reserves table) which, when taken account of, change the variance to an underlying overspend of £2.982m, an increase of £1.707m since Q1.
- The major contributors to this underlying position as well as the increased over-spend position since Q1 are:
  - £3.039m Children in Care / Leaving Care Placements overspend mostly related to increased numbers and complexity (affecting average unit cost as well as market failure) The Children's Transformation Programme, including the objective to address the placement mix, continues – in order to address the overspend; the pressure has been raised as part of the current MTFS refresh. The issue of market failure is a national one which is being addressed through various national forums such as DCS's groups as well as direct with the DfE.
  - There is increasing pressure on the service's legal budget which, excluding the effect of Covid, is forecasting £0.351m over-spend.
  - As the result less face to face contact due to Covid, there is an under-spend on staff travel of £0.360m.

Strategic Commissioner for People - (£1.375m net underspend; -4%. £0.171m Covid pressures)

- The impact of Covid on the forecasts is:
  - £0.101m housing support initiative to keep homeless off the streets.
  - £0.035m overspend on the Meals on Wheels Service.
  - £0.020m contribution towards sub regional Midlands Track & Trace.
  - £0.015m spend for infection control services to the homeless.
- After removing the Covid related pressures, the net variance is a £1.546m underspend.
- The major contributors to this underlying position as well as the increased underspend position since Q1 of £1.150m are:
  - £0.772m underspend on the Test & Trace Grant received in year to be spent in 2021/22. This grant must be carried forward so that the grant can be utilised as intended on Test and Trace activity.
  - £0.161m staffing related underspends.
  - £0.190m underspend on Domestic Abuse due to delays in getting new services commissioned.
  - £0.200m underspend on Housing Support.
  - £0.127m underspends across a range of Health and Wellbeing Contracts due to reduced activity as a result of Covid.

Resources Directorate

Business and Customer Services - (£2.825m net overspend; +16%. £3.214m Covid pressures)

- The Covid related pressure of £3.214m consists of:
  - £1.347m expenditure for Shielding Hubs and the Local Welfare Scheme. This represents an increase of £0.409m due to Estates costs to keep Shielding Hubs open until June 2021 and then revert them to their former use and additional costs of free school meals provision during school holidays.
  - Forecast losses of income within the community hubs area (predominantly weddings and library) income of £0.865m. This has increased by £0.113m following an in-depth review of registration income in the light of continued Covid restrictions.
  - Non-delivery of £0.763m of MTFS savings relating to the business support functional operating model which has been delayed due to Covid.
  - Additional costs of £0.239 being incurred to facilitate remote working, deal with increased call volumes and for the digital mailroom and post redirection.
- The remaining non-Covid related underspend is made up of £0.455m staff underspends due to vacancies, which is offset with a £0.142m overspend forecast within the Local Welfare Scheme, the latter of which is expected to either be refunded or carried forward for use in future years.
- The primary reason for the reduction in forecast overspend compared to Q1 of £0.969m is that a thorough review of the staffing and centralised budget position has been undertaken since the full implementation of the Functional Operating Model and forecasts adjusted accordingly.

Commissioning Support Unit - (£1.974m net overspend; +27%. £1.630m Covid pressures)

- The Covid related expenditure includes £1.450m for PPE expenditure and £0.175m of staffing costs incurred due to Covid.
- After taking account of the Covid pressures, there is a net overspend within CSU of £0.344m. This position requires further investigation and analysis and is likely to be refined following this work which will include identifying the extent to which funding may potentially offset an element of this.
- The increased overspend compared to Q1 of £0.502m is as a result salary reviews taking place as part of the service redesign within the PMO. Work is ongoing to finalise the position once the redesign is complete.

Enabling Services - (£0.776m net underspend; -3%. £1.199m Covid pressures)

- The Covid related expenditure across Facilities Management and Property Construction and Engineering is currently forecast to be £1m related to making offices safe, additional cleaning and security.
- The remaining Covid related pressure is made up of equipment for staff working from home and income losses in Catering, Maintenance and Minor Works, Recruitment and Vetting.
- The underspend within the service is primarily due to a forecast underspend in Digital and ICT of £0.968m which has been calculated as part of the detailed zero-based budgeting exercise. These savings have mostly been incorporated into the refresh of the MTFS.
- Facilities Management is forecasting to underspend by £0.282m largely as a result of savings on utilities.
- Underspends of £0.506m are forecast within the Pears project and the graduate scheme which are likely to be required for carry forward into 2021/22.
- The reduction to the forecast since Q1 of £0.964m is largely related to the Pears project, graduate scheme and additional savings being identified within ICT as a result of the MTFS refresh.

Finance Service – (£0.110m net underspend; -2%. £0.004m Covid pressures)

- The forecast underspend is mainly attributable to staff vacancies which are offsetting some minor operational overspends. This underspend may be partly utilised within year for the use of agency staff to maintain service delivery.

Governance and Policy – (£0.758m net overspend; +27%. £0.674m Covid pressures)

- The Covid related expenditure comprises of £0.240m is as a result of Communications and Marketing Covid related costs, lost income within Legal Service of £0.369m and £0.065m of consultancy costs in Corporate Policy.
- Excluding Covid, there is a staffing pressure of £0.093m in HROD, where agreements to transfer funding between services are to be finalised.
- Legal and Democratic are forecasting a net non Covid pressure of £0.170m due to the use of agency staff to backfill maternity leave (£0.241m) being offset by savings in Democratic Services as a result of a reduction in meetings and travel (£0.071m).
- Due to the numbers of vacancies and delays to service redesign there are staff savings of £0.239m within Strategic Asset Management and Corporate Policy which largely offset these pressures.
- The reduction to the forecast since Q1 of £0.342m is mainly due to reviewing and adjusting the forecasts for staff and consultancy within Strategic Asset Management and small increases in the expected external income within Legal Services.

Corporate Services and Resourcing - (£3.374m net overspend; +3%. £6.127m Covid pressures)

- A number of Covid related pressures are included within this budget area. These relate to:
  - Payment for Mortuary costs of £1.417m.
  - Educaterers potential costs of £0.974m.
  - Loss of income from the Oxygen Finance rebate of £0.240m.
  - Interest on treasury balances pressure of £1.721m (including increased management fees).
  - £1.274m borrowing cost savings unachievable due to cancellation of property sales (offset by capital contingency).
  - £0.500m contract management savings undeliverable during Covid response phase.
- Non-Covid underspends are:
  - Higher than expected grant income (£1.309m).
  - £1.274m of the provision for capital financing costs not required to fund the capital programme in 2020/21 (offsetting under-achievement of saving target due to Covid).
  - £0.110m due to a lower top-up contribution to the Pension Fund deficit being required in the first year of the latest triennial valuation.
  - £0.265m reduction in members allowances and expenses.
  - £0.286mfavourable variance on MRP.
- These are offset by reduced income from Schools using WCC insurance services (£0.521m).
- The increase to the forecast variance of £6.049m is due to the transfer of surplus capital borrowing budget to reserves as agreed in quarter 1 budget monitoring.

Risks to Forecasts

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

Education Services

- Although the high needs block is currently showing an overspend of £11.313m this could vary significantly if the savings in the DSG recovery plan are delayed or not achieved this year or if demand increases more than anticipated.

Adult Social Care

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

Children and Families & Children with Disabilities

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

CSU

- Further analysis is required to investigate and refine the non-Covid forecast overspend and to identify the extent to which the current forecast overspend may potentially funded from other sources.

Enabling Services

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

Covid related forecasts

- All Covid-related forecasts (expenditure and income pressures; and forecasts relating to grant income) are based on the best data, knowledge, national guidelines and intelligence at a given point in time. As the local and national landscape and impact of Covid evolves; and as restrictions change, it is inevitable that the forecasts will be updated and will also change.