

a) Appendix A – Finance 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.

Variations to budget have been given as the service forecast from the finance system, then the adjusted forecast including Covid-19 pressures outside of service forecasts. The former matches the Annexes in Appendix B, while the latter matches the analysis in section 3.2, as detailed in section 3.1.

Communities Directorate

Education Services DSG - (£10.934m net overspend; +5%. £0.020m 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.
- In the summary table in section 3.2.1, the overall DSG overspend includes the High Needs Block overspend of £11.701m being offset mainly by an Early Years Block underspend of £0.748m (due to a forecast lower than funded uptake of Free Early Years provision). However, note that 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.

Education Services non- DSG - (£3.011m net overspend; +9%. £2.528m Covid pressures)

- Covid Pressures consist of £0.690m Early Years Hubs, £0.300 Home to School Transport refunds and £1.538m traded income pressures;
- The traded income pressures include over £1.1m of pressures relating to Warwickshire Attendance Service, County Music Service and Marle Hall;
- Of the non-Covid net overspend of £0.483m, £0.258m of this overspend is relating to the cost of placements for Children with Disabilities in residential care. The remaining £0.225m net overspend relates to minor variances on operational expenditure;
- Not included in the current forecast is the potential cost of implementing social distancing rules within the Home to School Transport service. Based on a crude methodology (and an assumption of a 1 metre social distancing rules) this could be in the region of £2.750m.

Environment Services - (£2.458m net overspend; +9%. £2.402m Covid pressures)

- The vast majority of this overspend is related to Covid pressures consisting of:
 - the risk of additional costs relating to emergency Highways maintenance and compensation payment for Highways contracts (£1m);
 - the requirement to reallocate roadspace and carry out works in town centres and to enable social distancing and (1.040m);

- 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.

Fire and Rescue - (£0.243m net overspend; +1%. £0.168m Covid pressures)

- The forecast overspend is primarily 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.

Strategic Commissioning for Communities – (£5.536m net overspend; +25.3%. £5.174m Covid pressures)

- £4.806m loss of income in relation to Covid split between: £3.361m Parking Services, £0.594m County Parks, £0.443m rental income through Business Centres, £0.240m from Waste Services and £0.168m from Speed awareness courses;
- Additionally, there is expenditure of £0.236m as a result of Covid for the re-allocation of road space in town centres and equipment, £0.200m for employee costs which cannot be charged to capital projects as a result of Covid;
- Within Economy & Skills there is a £0.130m overspend for which funding is set aside in the European Match Funding and Rural Growth Network reserves.

People Directorate

Adult Social Care - (£8.326m net overspend; +6%. £8.906m Covid pressures)

- The Covid related forecast includes £3.846m financial support to Adult Social Care providers to assist them in managing the pressures of Covid 19;
- In addition, the Covid related expenditure includes a forecast of £4.700m to be incurred on discharges. This is forecast to be wholly offset by a corresponding reimbursement of £4.700m from the £1.3bn Covid Health Grant;
- There is a potential risk resulting from Covid that may see expenditure on Adult Social care increase over the longer term. This has not been included as a forecast within 2020/21 – but is highlighted as a risk in Section 3.4.;
- The Disabilities Service are forecasting a £1.987m overspend due to increasing costs and numbers of packages relating to supported living and an increase in home care packages relating to individuals with drugs and alcohol dependency;
- Mental Health is showing a pressure of £1.762m across all areas due to increased numbers of clients particularly in residential and supported living and in the north of the county;
- There are also underspends being forecast for the following:
 - Older People – a refined analysis of client contribution income has led to an increase in the income forecast of £2.953m;
 - There is an underspend of £1.836m on residential nursing both due to a significant reduction in demand and as the NHS are currently picking up some of these costs during the Covid-19 pandemic, and an underspend of £0.642m as a result of reduced demand for equipment to aid independent living.

Children and Families - (£2.636m net overspend; +4%. £2.247m Covid pressures)

- The major Covid pressures include the follows:
 - £1m additional placement costs;
 - £0.388m for additional staffing costs;
 - £0.189m for Youth Justice Remand placement;
 - £0.146m for loss of income related to the 4 Youth Centres;
 - £0.389m for increased Fostercare/emergency/care leaver and UASC payments.
- After removing the Covid related pressures, the net variance for Children & Families is a £0.389m overspend. This headline overspend is masked by a number of ear-marked funding streams (see reserves table) which, when taken account of, change the variance to an underlying overspend to £1.275m;
- The major contributors to this underlying position are:
 - £2.076m Children in Care Placements overspend mostly related to increased numbers and complexity (affecting average unit cost);
 - £0.180m unfunded Agency T3 post;
 - Forecasted grant in excess of budget (due to notified in year increases & grant maximisation) of £0.882m.

Strategic Commissioner for People - (£0.225m net underspend; -1%. £0.028m Covid pressures)

- Despite a small overspend on one contract due to increased Covid related demand, there is a net underspend primarily as a result of reduced spend on commissioned services across a range of contracts.

Resources Directorate

Business and Customer Services - (£3.794m net overspend; +23%. £2.353m Covid pressures)

- The Covid related pressure of £2.353m consists of:
 - £0.488m expenditure for Shielding Hubs;
 - Local welfare scheme and forecast losses of (wedding and library) income of £0.985m;
 - Non-delivery of £0.880m of MTFs savings relating to the FOM which has been delayed due to Covid.
- The remaining non-Covid related overspend is predominately made up of staffing pressures; where budget transfers to other service areas need to be agreed and finalised as part of the FOM.
- There continues to be some direct staffing underspends (excluding Covid related staff above) with recruitment and retention of staff being a major risk to the service. The directly employed staff budget is over £1m underspent but almost matched by an equivalent overspend on Agency staff. At a spot point in mid-June there were the equivalent of 74 FTE posts vacant in support to Childrens and Families (10%).

Commissioning Support Unit - (£1.472m net overspend; +30%. £1.778m Covid pressures)

- The Covid related expenditure in CSU is £1.778m and this consists of £1.400m for the PPE expenditure and £0.378m of staffing costs incurred due to Covid;
- After taking account of the Covid pressures, there is a net underspend within CSU of £0.306m resulting from a carry forward into 2020/21 not being fully utilised for the service redesign, largely due to delays experienced as a result of Covid.

Enabling Services - (£0.188m net overpend; +1%, £1m 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 underspend is primarily due to an overall underspend in Digital and ICT of £0.529m which has been calculated as part of the detailed zero based budgeting exercise being undertaken across all budgets in this service area;
- Facilities Management is forecasting to underspend by £0.174m largely as a result of savings on equipment spend in relation to Shire Hall;
- Within Property Construction and Engineering there is a forecast underspend of £0.080m due to savings on utilities.

Finance Service – (£0.073m net overspend; +2%)

- The forecast overspend is attributable to use of agency staff to cover vacancies within the Pensions team and to provide additional capacity during the closure of the Accounts.

Governance and Policy – (£1.100m net overspend; +45%. £0.150m Covid pressures)

- The Covid related expenditure of £0.150m is as a result of Communications and Marketing Covid related costs;
- There is a staffing pressure of £0.142m in HROD, where agreements to transfer funding between services are to be finalised;
- There is a Property Management £0.190m pressure on staffing, mainly agency related, whilst the FOM is being finalised, and a £0.150m pressure in relation to Hawkes Point;
- Legal and Democratic are forecasting a £0.492m pressure related to the need to cover a high number of maternity absences with agency staff, combined with a projected under recovery of income because of the impacts of Covid in the early part of the year. Most lost income would have come from external customers and a review of this will take place prior to Q2 with a view to recover the position as much as possible through the course of the financial year.

Corporate Services and Resourcing - (£2.675m net underspend; £7.333m Covid pressures)

- A number of Covid related pressures are included within this budget area. These include:
 - Payment for Mortuary costs of £1.417m;
 - Educaterers potential costs of £0.974m;
 - Loss of income from the Oxygen Finance rebate of £0.226m;
 - Interest on treasury balances pressure of £1.308m;
 - £1.358m borrowing cost savings unachievable due to cancellation of property sales;
 - £0.500m contract management savings undeliverable during Covid-19 response phase;
 - Other minor Covid pressures across the services totalling £1.311m.
- Non-Covid underspends are
 - Higher than expected NNDR grant income (£0.427m), which will be transferred to the NNDR reserve;
 - Higher than expected Public Health Grant (£0.565m);
 - £9.488m of the provision for capital financing costs not required to fund the capital programme in 2020/21;
 - £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;
- These are offset by reduced income from Schools using WCC insurance services (£0.521m).

Risks to Forecasts

A number of forecasts carry risks due to, for example, volatility of demand. Future reports will indicate those forecasts where there is a risk of change as the financial year progresses.

Mitigating Actions

As part of the reporting to Directorate Leadership Teams, they will be asked to confirm what actions are planned/being taken to address variations. This information will feed into future reports.