

CABINET
24 JUNE 2021**RESOURCES REPORT – PROVISIONAL FINANCIAL RESULTS**
2020/21

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendations

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses financial performance for the year ended 31 March 2021 and the unaudited Annual Financial Report and Statement of Accounts 2020/21,**
 - (b) **approves updates to earmarked reserves and general balances as detailed in paragraphs 42 to 49,**
 - (c) **considers the draft Annual Governance Statement for 2020/21 for comment before final approval is sought from the Audit and Governance Committee, and**
 - (d) **notes the use of grant funding from Central Government in responding to the COVID-19 pandemic during 2020/21.**

Introduction

2. This report details the provisional financial results for the year ended 31 March 2021 subject to external audit and notes the expenditure and income in relation to responding to the COVID-19 pandemic.
3. The report identifies that the Council underspent its £346 million budget by £0.783 million (-0.2%), that is in line with the forecast previously reported to Cabinet. Additionally, the Council received nearly £88 million from Central Government with regard to COVID-19, with £74 million spent in year on providing vital and urgent support, including but not limited to: personal protective equipment (PPE), test and trace site and activities, supporting our care providers and schools, providing laptops to schools and top up payments for self-isolation. A more detailed list of activities funded by the County Council is provided at Table 2 of this report.
4. Considering the scale of activity during 2020/21, which included managing changes in demand for services at a time of significant pressures on our workforce, to maintain service delivery to end the year with a small underspend is a significant achievement and reflects the amazing effort from staff and partners to ensure public services were still delivered where most needed, and this is to be commended.

5. It is recommended that the small £0.783 million underspend is added to the General Fund Balances.
6. Cabinet is asked in this report to endorse the outturn position and approve the carry forward of the Council's Earmarked Reserves and unspent grant monies to the 2021/22 financial year.
7. Financial performance for the Council's Capital Budget and the Worcestershire Pension Fund is also reported.

Provisional Financial Results for the year ended 31 March 2021

8. The provisional overall outturn, as set out in Table 1 below, is a net underspend of £0.783 million.

Table 1: Provisional Outturn 2020/21

2020/21 Outturn Summary

Directorate	Budget £000	Actual £000	Variance £000	Transfer to Reserves £000	COVID-19 Income £000	Outturn Variance £000	% Var
WCF / Education / Home to School Transport	101,540	105,920	4,380	1,750	-6,243	-113	-0.1%
Economy & Infrastructure	55,924	59,263	3,339	1,279	-4,629	-11	0.0%
Commercial and Change	6,954	11,689	4,735	266	-5,646	-645	-9.3%
Chief Executive / HR	1,005	945	-60	319	-789	-530	-52.7%
People - Adults	130,863	152,413	21,550		-22,152	-602	-0.5%
People - Communities	19,008	23,952	4,944	124	-5,632	-564	-3.0%
Public Health	1,762	6,062	4,300		-4,229	71	4.0%
Total Services	317,056	360,244	43,188	3,738	-49,320	-2,394	-0.8%
Financing Transactions	15,593	13,254	-2,339	364		-1,975	-12.7%
Minimum Revenue Provision	10,782	5,326	-5,456			-5,456	-50.6%
Finance / Other Corporate Items	3,400	1,905	-1,495			-1,495	-44.0%
Non-Assigned Items	-1,692	-1,762	-70			-70	4.1%
Education and High Needs	0	0	0	2,400		2,400	
Waste PFI	0	0	0	5,207		5,207	
Future Capital Investment - Economic Development	0	0	0	3,000		3,000	
Corporate COVID expenditure	0	9,924	9,924		-9,924	0	
Funding - Transfer To Reserves	1,112	-105	-1,217	1,217		0	0.0%
Sub total	346,251	388,786	42,535	15,926	-59,244	-783	-0.2%
Increase General Balances				783		783	
Total	346,251	388,786	42,535	16,709	-59,244	0	

9. The Council's formal statutory accounts have been prepared and it is proposed that they will be presented in draft form to the 29 July 2021 meeting of the Audit and Governance Committee. Similar to last year, the statutory deadline for signing off the accounts has been deferred and the External Audit fieldwork will take place later than usual with the aim of enabling the accounts to be signed off with an unqualified audit opinion at the 24 September 2021 Audit and Governance committee meeting within the statutory deadline. An extract of the provisional unaudited accounts is included in this report at Appendix 1(a). The Public Inspection period will be advertised on the Council's website at ([Link](#)).
10. Whilst school balances increased from a net surplus of £1.4 million at 31/3/2020 to £3.9 million at 31/3/2021, the non-schools Dedicated Schools Grant (DSG) will carry

forward a slightly (£0.3 million) increased deficit of £6.5 million due to continued underfunding by Government of high needs and Special Educational Needs and Disabilities (SEND). Whilst the carried forward deficit will be offset against future DSG income this is a two year accounting adjustment that needs to be addressed by Government going forward and the Council and Worcestershire Children First are lobby with other bodies to support schools in achieving their financial plans and finding a long term funding solution.

11. The Council's Earmarked Reserves have increased mainly reflecting the timing difference of funding received during the year and that committed to spend in future years. Usable reserves have increased from £71.6 million at 31/3/20 to £97.0 million at the end of the financial year. These reserves are set aside for specific purposes.
12. Another challenge faced during COVID-19 was the balance of income collection versus hardship on our residents and businesses. The Council suspended its debt collection process by 3 months during the initial lockdown and is complying fully with all government guidance around debt collection. As such we saw a slight rise in our overall debt position and whilst this was covered by some grant from Government we have increased our Bad Debt Provision by £2.8 million (£1.2 million increase for social care liabilities and £1.6 million relating to trade debtors) to reflect the ongoing position. We are reviewing our debt collection procedures and expect to be able to reduce this provision in future years.

COVID-19 Spend

13. Table 1 above shows that COVID-19 grant income of £59.2 million was used to fund specific County Council expenditure relating to pandemic recovery.
14. After accounting for the additional COVID-19 grants and income, including the Hospital Discharge Programme, the Service Directorates underspent their budgets by £2.4 million and the Council's General Fund Balances can be increased by £0.783 million to £13 million.
15. The following table analyses at a high level the underlying impact of COVID-19 on income and expenditure during the year:

Table 2: 2020/21 COVID-19 Expenditure funded from grant Income

WCF/Education / Home to School Transport	£m	Comments
WCF COVID-19 Expenditure	0.9	Overtime, care leavers support, fostering support, agency staff and short breaks
Education	2.2	Storage containers, skips, laptops, free school meals, early years furlough and devices for schools
HTST spend	2.2	Home to school transport (HTST)
HTST income	0.9	Lost income relating to HTST
Total	6.2	WCF / Education

E&I	£m	Comments
Income loss	1.1	Including County Enterprises, Economic Development, Public Rights of Way (PROW), Driver Training & Development Control
Support existing corporate contracts and response costs	1.3	Waste Management, including support at HRCs, highways issues, contractor issues and additional capacity for key services.
Savings deferred	1.2	Savings Programme planned for - County Enterprises, Lean Review and Staffing were either part implemented or deferred to 2021/22.
Public transport grant	1.0	Continuing to pay bus operators at 100% to ensure economic market stability and to reflect alternative services, for example test centre transport.
Total	4.6	Economy & Infrastructure

CoaCh	£m	Comments
Purchase of PPE	1.0	Provision of Personal Protective Equipment (PPE) for staff, partners and test centres
Programme Management	1.1	Supporting and co-ordinating the set up and running of test centres, other property changes and Local Outbreak Response Team (LORT)
Digital Support	0.5	Provision of additional digital software and equipment to ensure agile working, for example zoom licences and additional band width and Wi-Fi provision.
Savings Deferments	1.8	Corporate Savings Programme planned for business support was deferred to 2021/22.
Other Council wide costs	1.0	Including furniture, couriers and general supplies
Loss of income	0.2	For example, legal services
Total	5.6	Commercial & Commissioning (CoaCh)

Chief Exec	£m	Comments
Savings Deferment	0.7	Savings Programme planned for HR and Communications were deferred to 2021/22.
Loss of income	0.1	For example, marketing and communications
Total	0.8	Chief Exec Services

Adults	£m	Comments
Additional staffing costs	0.8	Agency staff, overtime and temporary staff to support delivery of additional demand
Additional demand	1.1	To fund price increases for Older People, Physical Disabilities, Learning Disabilities and Mental Health services, and purchase care over and above a person's agreed care and support plan in response to COVID-19 requirements.
Additional provider fees	4.2	A 5% uplift in fees paid to care providers from April to August
Savings Deferment	1.3	A number of savings programmes planned for adult services were deferred to 2021/22.
Hospital discharge	12.5	To ensure prompt hospital discharge and enable greater numbers of people to be seen in hospital.
Infection control	1.8	Additional payments to providers for PPE, testing and additional staffing
Sales Fees and Charges	0.6	Lost income for day services and from pausing of fairer charging reviews.
Total	22.3	Adults

Communities	£m	Comments
Clinically Extremely Vulnerable (CEV)	0.9	Food parcels, payments to Worcestershire Community Foundation to enhance support, redeployment of staff to contact CEV clients payment to Age UK for support and provision of a County wide advice network
Emergency Assistance including Energy, Food and Holiday activities	2.3	Food parcels and voucher schemes for the most vulnerable families with children, Ready Steady Worcestershire, and energy provision payments.
Hospital Discharge reablement	1.3	Additional reablement service redeployed into clients discharged from hospital to recover at home and avoid residential care.
Sales Fees and Charges	0.4	Lost income for archives, libraries, registration services and provider services.
Support for rough sleepers	0.7	Additional funds to support and keep rough sleepers safe.
Total	5.6	Communities

Public Health	£m	Comments
Public Health	4.2	Additional specific activities lead by Public Health to manage the COVID-19 response and recovery, including data analytics, reporting, COVID-19 marshals, lateral flow testing and communication.
Total	4.2	Public Health

Corporate	£m	Comments
Corporate	9.9	Including PPE for staffing, test centres and partners, provision to write of some bad debts, provide £3 million support to businesses and £0.8 million additional Council Tax hardship relief
Total	9.9	Corporate

Grand Total	59.2	
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Directorate outturn details

16. The causes of significant Directorate outturn variations for 2020/21 are summarised in the following section at paragraphs 19 to 35, and variances by individual service area greater than £0.250 million are set out in more detail in Appendix 3.
17. The summary table below shows outturn variances for each service with greater detail shown at Appendix 2.

Table 3: Summary Outturn - 2020/21 Net Directorate Variances (after COVID-19 adjustments) then applied accounting adjustments – capitalisation, use of reserves and carry forward

Service	2020/21 Gross Budget	2020/21 Net Budget	2020/21 Actual	20/21 Draft Variance Before Adj's	Transfer to Capital	Use of Reserves	Proposed C/Fwds	2020/21 Total	Variance After Adj's
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Dedicated Schools Grant (DSG)	234,861	0	0	0	0	0	0	0	0
WCF (Excl DSG)	117,995	101,541	99,677	(1,863)	0	0	1,750	101,427	(113)
Economy & Infrastructure	93,012	55,924	58,303	2,379	(2,408)	(1,261)	1,279	55,913	(11)
Commercial and Change	31,001	6,954	6,060	(893)	0	(18)	266	6,308	(645)
Chief Executive	6,838	1,005	156	(849)	0	0	319	475	(530)
People - Adult Services	220,825	130,863	130,261	(602)	0	0	0	130,261	(602)
People - Communities	48,692	19,008	18,320	(688)	0	0	124	18,444	(564)
People - Public Health	34,108	1,762	1,833	71	0	0	0	1,833	71
Total : Services (Excl DSG)	552,470	317,056	314,610	(2,445)	(2,408)	(1,279)	3,738	314,661	(2,394)
Finance / Corporate Items	36,821	29,775	20,486	(9,289)	0	0	0	20,486	(9,289)
Non-Assigned Items	(1,692)	(1,692)	(1,762)	(70)	0	0	0	(1,762)	(70)
Funding - Transfer To/(From) Reserves	1,112	1,112	(105)	(1,217)	0		12,188	12,083	10,971
Total (Excl DSG)	588,712	346,251	333,229	(13,022)	(2,408)	(1,279)	15,926	345,468	(783)

18. There are a number of significant cost pressures that arose across services during the year. Whilst these have been provided to Cabinet previously, their updated position is outlined below in more detail.

People Services Total Budget £151.6m, £1.1m underspend

19. The People Directorate, comprising Adult Social Care, Communities and Public Health, underspent its £151.6 million budget by £1.1 million (-0.4%). The outturn includes the following significant variations:

People Services (Adult Social Care) Budget £130.9m, £0.6m underspend

20. The £0.6 million underspend includes the following significant variances before COVID-19:

- £1.3 million overspend in respect of Learning Disability services due to increased cost of placements.
- £0.2 million overspend in Mental Health services due to an increase in average individual packages of care costs.
- £2.8 million underspend in Older People services which includes £1.6 million Liberty Protection Safeguards growth no longer required in 2020/21 following national regulation changes and reductions in the number of residential and nursing placements from what was estimated when the budget was set pre COVID-19.
- £1.3 million underspend in Physical Disability services as a result of lower than budgeted number of people receiving services due to COVID-19.

People Services (Communities) Budget £19.0m, £0.6m underspend

21. The £0.6 million underspend comprises of a number of small variances due to COVID-19 conditions:
- £0.3 million overspend on Provider Services due to agency and overtime costs and under-achievement of Homecare income.
 - £0.6 million underspend on Library Services relating primarily to reimbursing staff costs who were re-deployed to support the council's Here to Help service.
 - £0.3 million underspend in Children's Commissioning and Partnership services following receipt of grant income to fund staff redeployed to activities linked to COVID-19 recovery.

People Services (Public Health) – includes £30.1m Public Health Grant income – balanced; and other services with a net budget of £1.8m that saw a £0.07m overspend

22. The £30.077 million Public Health Ring Fenced Grant income in 2020/21 represented an increase of £1.7 million compared with 2019/20. The ring-fenced Public Health Grant was understandably due to COVID-19 fully spent for 2020/21.
23. The Public Health Ringfenced grant reserve stands at £6.4 million and will be carried forward to support future years services.

Education / Worcestershire Children First (excl. Dedicated Schools Grant) - Budget £101.5m, £0.1m underspend

24. The Worcestershire Children First (WCF) outturn is presented alongside services that remain within the County Council. In total all of these services (WCC £0.113 million and WCF £0.567 million) achieved an underspend of £0.680 million. These figures will be incorporated into the Council's Group Financial Statements.
25. The Council's Children's Services contract budget with WCF on its own achieved an underspend after COVID-19 adjustments of £0.113 million for 2020/21. As reported during the financial year to WCF Board and Cabinet there were though a small number of significant variations during the year:
- The Children's Placements and Provision budget of £50 million incurred an overspend of £3.2 million due to increases in both the number of placements and their costs during the year. Net favourable one-off variances on other areas including safeguarding services have brought this overspend down to £1.6 million in total for all Children's Social Care.
 - Education and Early Help services underspent its £11.8 million budget by £0.7 million mainly as a result of staffing budget underspends, and resources/support services budget of £11.7 million similarly underspent by £0.5 million for the same reasons.
26. The Dedicated Schools Grant (DSG) position for the end of the financial year comprised a £4 million overspend in the High Needs Block, partly offset by £3.2 million underspends in the Schools and Early Years blocks. This resulted in an in-year deficit of £0.3 million.
27. The cumulative DSG deficit brought forward from last financial year was £6.2 million which will now be increased by £0.3 million deficit from 2020/21 and the deficit to carry forward into 2021/22 is now £6.5 million. Looking forward this is a significant

concern. The Schools and Early years blocks underspends were a result of a timing difference of pupil growth income which is expected to be distributed in 2021/22. The forecast cost pressure for High Needs is also growing and the DSG forecast deficit for future years will be reviewed over the Summer.

Table 4: Dedicated Schools Grant – Future Years Forecast

	£m	£m
Accumulated Deficit 1 April 2020		6.2
High Needs Deficit 2020/21		4.0
Schools Block Pupil Growth Contingency Adjustments	-2.1	
Early Years and Central Block Underspends	-1.6	-3.7
Deficit 31 March 2021		6.5

28. It is important to note that accounting guidance has been issued to clarify that this deficit is carried separately from the Council's Earmarked Reserves in the Balance Sheet, which represents the position that the Council expects and is lobbying for the Department for Education is responsible for making good this deficit, noting that the Council has a role to play in achieving service redesign and savings to support future cost and activity increases. This issue is being experienced nationally, and Worcestershire is not alone in facing these pressures. The County Council will continue to lobby through County Council Network, Local Government Association, and other groups.
29. School's balances ended the year with a net £3.9 million surplus (2019/20 £1.4 million surplus), however just over a quarter of all schools are in deficit totalling £10.2 million (2019/20 £9.3 million):

Table 5: Schools Outturn Position - Summary

£10.2m	32 Schools in Deficit
£14.1m	91 Schools in Surplus
£3.9m	Net Surplus

Economy & Infrastructure (E&I) – Budget £55.9m, £0.011m Underspend

30. The Economy and Infrastructure Directorate recorded a small underspend of £11k on its £55.9 million budget after COVID-19 adjustments.
31. Within this forecast, the most significant variations are as follows:
- £0.9 million overspend in the Planning and Regulation budget due to additional advisory and redundancy costs, and reduced capacity to charge appropriate costs to capital budgets,
 - £0.4 million underspend for Strategic Commissioner – Major Projects relating to staff vacancies and a reduction in energy costs

- £0.3 million underspend on Transport Operations relating to reduced patronage in public transport leading to a reduction in spend in concessionary fares
- £0.6 million underspend for Network Control relating to additional income for streetworks and permits, and an increased amount of staffing costs capitalisation
- £0.6 million overspend within Operations, Highways and Public Rights of Way, relating to hard to recruit vacant posts and increase transport costs
- £0.9 million charge to a Waste Transformation Reserve for use in 2021/22 in preparation for contract update and to support the development of the updated Waste Strategy.

Commercial and Commissioning – Budget £6.9m, £0.6m underspend

32. The Commercial and Commissioning Directorate underspent its £6.9 million budget by £0.643 million (9%), virtually unchanged from previously reported. The most significant variances from budget were:
- £0.4 million underspend as a result of reduced contract expenditure and underspend on additional works for administrative buildings in the Property Services budget.
 - £0.2 million underspend on Democratic Services due to reduced supplies, including paper.

Chief Executive/HR – Budget £1.0m, £0.5m underspend

33. The Chief Executive/HR function underspent its net £1 million budget by £0.530 million. The most significant variance from budget was a £0.4 million variance as a result of underspends in the Talent Management Programme and staffing vacancies.

Finance / Corporate / Non-assigned Budget £28.1 million, £9 million underspend before transfers to earmarked reserves

34. The Financial Services budget includes the Financial Services Team, as well as corporate items such as Debt Interest and the Minimum Revenue Provision (MRP).
35. The £28.1 million budget for Finance/Corporate underspent in total by £9 million. The significant variances being:
- £2 million underspend in Financing Transactions Borrowing Costs largely as borrowing was deferred due to COVID-19 and cash balances were maintained at higher levels than originally forecast resulting in additional interest.
 - A net £5.5 million underspend of MRP budget due again to the impact of COVID-19 on borrowing, noting that £3.7 million was used to offset saving targets no longer able to be delivered in year due to COVID-19.
 - £0.1 million underspend in Pension Fund Back Funding Liabilities due to the timing of the prepayment for the years 2020/21 to 2022/23.
 - £0.4 million Whole Organisation Contingency was not drawn down.
 - £0.3 Miscellaneous Services underspend as a result of additional reimbursement for energy spend to save schemes (£0.25 million), and £0.050 million additional dividend income.
 - £0.3 million underspend on Financial Services due to delivery of saving targets and transformation.

Savings Programme Update

36. The target for 2020/21 was £13.7 million, broken down between £9.6 million for 2020/21 and £4.1 million brought forward from previous years.
37. COVID-19 had an impact on the Council's ability to achieve planned savings, balanced with the need to protect service continuity and respond to the pandemic. Funding from Government allowed that local authority change activity be reprioritised and thus the County Council achieved planned savings where it could and utilised the additional funding to ensure no adverse organisational or service impact occurred in year.
38. The budget for 2021/22 reset the baseline for savings and efficiency targets at £7.1 million and work is in hand during the current financial year to achieve them.

General Fund Balances

39. The County Council's General Fund Balances are a contingency sum available to pay for unforeseen or exceptional circumstances. External auditors often refer to the level of general balances when considering an organisation's financial health. The value of general balances after the 2020/21 overall underspend outturn of £0.783 million is as follows:

Table 6: General Fund Balances

	£m
Balance at 31 March 2020	12.2
Transfer to / (from) General Balances	0.8
Balance at 31 March 2021	<u>13.0</u>

40. Worcestershire's General Fund Balance stand at £13 million, or 3.7% of 2021/22 net expenditure. There is no defined minimum balance. It is the responsibility of the Section 151 Officer to advise the Council of that level based on an assessment of risk. This was reported in February 2021 as being £12.2 million as part of the Cabinet 2021/22 Budget and Medium Term Financial Plan Update ([Link](#)).
41. The outturn position for 2020/21 has enabled a modest increase in General Fund Balances to be made in addition to what was anticipated earlier in February this year. This enables continued strengthening of the Council's overall financial resilience.

Earmarked Reserves and Grant Reserves

42. All earmarked and grant reserves are retained either under the delegated authority given to Chief Officers in the Financial Regulations or by Cabinet/Cabinet Member approval, this is subject to recommendations jointly by a Chief Officer in agreement with the Chief Financial Officer for carry forward each year.
43. The February 2021 Cabinet 2021/22 Budget and Medium-Term Financial Plan Update report included a forecast of Earmarked Reserves which was based on the best knowledge available at that time. This is broadly consistent with the amount of reserves available at the end of 2020/21.
44. During the year, the Council drew down funding from unspent grant and earmarked reserves to help fund expenditure. A full list of use of grants / earmarked reserves is included at Appendix 5.

45. Further, it is also proposed that for a number of areas with unspent grant monies or other funding is carried forward to next financial year or onwards. Details of these carry forwards are contained at Appendix 6.
46. It is proposed that the following increases are made to Earmarked Reserves:
- £2.4 million. Creation of a new risk reserve for Education and High Needs set aside for adverse financial changes which fall to the County Council to resolve after exhausting support from the Department for Education.
 - £5.2 million maintained in the Waste PFI reserve to support future planned expenditure.
 - £3 million increase to the Future Capital Investment Reserves to support capacity for Economic Development investment with the first call against these monies for Redditch Rail Station redevelopment.
 - £0.8 million increase to Children's Safeguarding risk reserve
 - £0.9 million creation of new reserve set aside for SEND Transport additional costs
47. Due to the cumulative impact of prior year's economic growth in the County for business rates income, and following a risk review it is proposed that £10.6 million is released from the Business Rates Risk Reserve to support wider economic and social recovery from the impacts of the pandemic and the Council's ability to reform in light of future working processes. It is proposed to reduce the business rates reserve and increase / set up new earmarked reserves as follows:
- £2 million to create a new Smarter Ways of Working Reserve.
 - £2 million new reserve for Infrastructure Project Support to enable the Council to move forward with highways and transport/connectivity.
 - £3 million to extend the Council's Open For Business economic development ambitions.
 - £1.1 million to extend for a further two years 2022/23 and 2023/24 the Councillors Divisional Funds Scheme confirming support for local schemes in each division.
 - £2.5 million to extend for a further two years 2022/23 and 2023/24 the Local Member's Capital Highways Fund to enable local level improvement scheme.
48. Appendix 7 provides a list of the Earmarked Reserves and Grant reserves at 31 March 2021.
49. It is important to recognise that some of the Earmarked Reserves are already committed or held for specific risk purposes. The County Council has managed its financial resources closely and on a net basis has contained most financial pressures in year and avoided depleting reserves by a significant effect.

Annual Governance Statement

50. The County Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2020/21. This will be signed by the Leader of the Council and the Chief Executive with final approval by the Audit and Governance Committee in September 2021. The AGS is part of the Statement of Accounts and included at Appendix 1b. Any significant

revision needed between now and September 2021 will be included in a future Cabinet report.

51. The AGS is informed by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers with the Council, internal and external auditors, and inspection agencies. The AGS highlights how the Council is addressing significant matters of governance both over the last year and in the coming year. It is also noted that the Internal Audit opinion remains moderate and no significant issues have been raised in the Annual report.
52. The current draft AGS will be revised in the light of any observations of Cabinet, the Audit and Governance committee and external audit.
53. Cabinet are invited at this stage to consider the AGS and make any comments.

Summary Capital Outturn 2020/21

54. Capital expenditure outturn for 2020/21 is set out in Table 7 below.

Table 7: Capital Summary Outturn 2020/21

	LATEST FORECAST 2020/21	YEAR-END OUTTURN 2020/21	VARIANCE 2020/21
TOTAL EXPENDITURE	£000	£000	£000
CHILDREN AND FAMILIES	26,466	13,778	-12,688
OPEN FOR BUSINESS	102,556	62,142	-40,414
THE ENVIRONMENT	57,823	44,293	-13,530
HEALTH & WELL-BEING	3,412	270	-3,142
EFFICIENCY & TRANSFORMATION	12,553	2,752	-9,801
TOTAL	202,810	123,235	-79,575

55. Progress has been made on a number of significant capital projects with £123.2 million spent in 2020/21 with a number of major schemes being progressed or finalised during the year.
56. The more significant schemes include walking and cycling initiatives and road resurfacing works across the whole County area, and specific improvements around A38 Bromsgrove, Pershore northern access, Worcester Shrub Hill and Kidderminster station improvements and Holyoakes Field First School Redditch relocation.
57. Overall, the capital programme saw a slippage largely due to COVID-19 and weather impacts, however individual projects and their funding will be carried forward to 2021/22 for completion.
58. The capital programme expenditure will be financed in 2020/21 in the following ways: £82.4 million Government Grants and other contributions, £36.5 million long term borrowing, £3.4 million capital receipts, and £0.9 million from the capital reserve / revenue budget contributions.

59. Overall, it is concluded that the forecast expenditure for the Capital Programme is within the budget limit. An exercise will be undertaken to establish the carry forward impact of schemes to future years.
60. Appendix 8 details the Capital Programme outturn for 2020/21 and estimates for future years.

Pension Fund Update

61. For 2020/21 there was a surplus resulted on the Pension Fund account (aside from the net investments returns) totalling £116.6 million, an increase of £107.4 million compared to 2019/20 mainly as a result of employers paying their three-year pension contributions upfront. Income from contributions increased similarly by 230%, (£201.2 million from £87 million) for the same reason.
62. The value of the Fund's net assets increased by £719.4 million from £2,645.4 million at 31 March 2020 to £3,364.8 million at 31 March 2021.
63. Net investment returns increased by £742.7 million compared to 2020/21 which was mainly due to the substantial recovery in the financial markets following the impact of COVID-19.
64. An actuarial valuation of the Fund was carried out by Mercer as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023. The key outcomes of the valuation at that point in time are detailed below:
- The Fund's assets of £2,795 million represented 90% of the Fund's past service liabilities of £3,090 million (the "Funding Target") at the valuation date. This is an increase on the 75% funded position at the 2016 valuation.
 - A common rate of contribution of 17.5% of pensionable pay per annum is required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. Different rates apply across fund employers based on specific factors. This ranges from 13.6% to 26.5%.
 - The deficit of £295 million would be eliminated by a contribution addition of £28 million per annum increasing at 3.9% per annum for 15 years.
65. Whilst this net liability will change each year due to the volatility in share prices and changes in the assumptions used regarding financial risk and uncertainties, it remains consistent with the prudent long-term funding strategy agreed at the 2019 valuation of the Pension Fund to be effective from 1 April 2020 to ensure assets and liabilities are balanced over a 15-year period.

2021/22 COVID-19 Pandemic ongoing response and recovery

66. Central Government has continued to issue grants to local authorities for cost pressures incurred in the new financial year and the County Council has received a further £19.5 million for 2021/22.
67. The Council continues to work with the CCG and NHS England to recover additional costs in ensuring prompt and safe discharges from hospital to enable effective care and treatment through the whole system.

68. Looking forward, we will be refreshing our Medium-Term Financial Plan in light of the impact of COVID-19 and working with Central Government around funding arrangements. Our Corporate Plan is due to be revised taking account of what is most important for citizens and businesses of Worcestershire to continue to manage services that support a strong local economic recovery, support our partners in enabling service to support vulnerable adults and children and helping our residents and service users to return to a normal way of life.

Legal Implications

69. Legal advice will be provided to support any changes in service delivery in accordance with the requirements of the Council's policies and procedures.

Financial Implications

70. Members are required under Section 25 of the Local Government Act 2003 to have regard to the Chief Financial Officer's report when making decisions about the budget calculations for each financial year. This is undertaken through the approval of the annual budget in January/February each year.
71. Section 25 of the Act also covers budget monitoring and this process monitors the robustness of budgets, adequacy of reserves and the management of financial risk throughout the year. This Cabinet report highlights forecast variances arising from current financial performance and the possible impact of existing pressures on future expenditure so that appropriate action may be taken.
72. In discharging governance and monitoring roles, Members are asked to consider the issues arising and the potential impact on the budget as well as the financial risks arising.
73. The Council's procedures for budget monitoring is reinforced through close financial support to managers and services on an ongoing basis to ensure processes and controls are in place to enable tight financial control.
74. Looking forward to 2021/22 the use of any reserves would always need to be considered as part of the financial resilience so further grants and funding announcements are key. However, compared at this stage to 31 March 2020 the Council has managed to strengthen its financial standing and resilience despite an exceptional year.

HR Implications

75. A number of existing and new proposed savings may impact on staff roles and responsibilities and where appropriate senior officers take advice from the Council's Human Resources team.
76. This will include undertaking consultations with staff, trade unions and any other affected body as appropriate.

Equality Duty Considerations

77. The Council will continue to have due regard to proactively addressing the three elements of the Public Sector Equality Duty in all relevant areas – in particular the planning and delivery of our services. The Council will continue to assess the equality impact of all relevant transformational change programmes and will ensure that Full Council has sufficient equalities assessment information to enable it to have due regard to the three elements of the Equality Duty when considering any changes to

the budget. The Council will continue to ensure best practice is followed with regard to these requirements.

Risk Implications

78. The Cabinet report includes recommendations regarding the Council's financial outturn for 2020/21 and the carry forward of earmarked reserves and unspent grants.
79. If approved, there are normal risks regarding ensuring that appropriate qualifying expenditure is incurred, and that spending is within the cash limited for budgets. These risks are mitigation through the regular budget monitoring process.

Privacy and Public Health Impact Assessment

80. A Health Impact Assessment has been undertaken with regard to this report and recommendations relating to new spending decisions to understand the potential impact they can have on Public Health outcomes across the county area.
81. This report is mainly about confirming the forecast outturn financial position for the end of the financial year reflecting existing Cabinet decisions and policies and requesting approval for spending new specific grant monies with spending restrictions associate with these grants.
82. Taking this into account, it has been concluded that there are no other specific health impacts as a result of new decisions arising from this Cabinet report.
83. A similar assessment has been undertaken with regard to privacy/data protection and has confirmed that there is no impact anticipated as a result of this report.

Supporting Information

- **Appendix 1a** – Unaudited Annual Financial Report and Statement of Accounts 2020/21 Extract
- **Appendix 1b** – Draft Annual Governance Statement
- **Appendix 2** – Summary Financial Results 2020/21
- **Appendix 3** - Budget variances greater than £0.250 million
- **Appendix 4** - Capitalisation
- **Appendix 5** - Use of Grants/Reserves
- **Appendix 6** – Proposed Carry Forwards – Grants / Earmarked Reserves
- **Appendix 7** – Proposed Grants / Earmarked Reserves at 31/3/21
- **Appendix 8** – Capital Budget Financial Results 2020/21

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- 2020/21 Council Budget setting
- Previous Cabinet 2020/21 Resources Reports