

CABINET

18 NOVEMBER 2021

RESOURCES REPORT – REVENUE BUDGET MONITORING - MONTH 6 (30 SEPTEMBER) 2021/22

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 his conclusions concerning revenue budget monitoring up to 30 September 2021;**
 - (b) **notes the financial impact and forecast for COVID-19 expenditure;**
 - (c) **notes the current progress regarding savings plans approved by Council in February 2021; and**
 - (d) **notes the report on borrowing and lending transactions during 2020/21 detailed in paragraphs 39-40.**

Executive Summary

2. This report details the 2021/22 outturn forecast for the Council's £355 million net revenue budget as at Month 6 (30 September 2021), the estimated financial impact of COVID-19 and progress to date on the savings and reforms programme.

3. The Council is forecasting a £1.3 million cost pressure after utilisation of COVID-19 grant income, that is 0.4% of its net revenue budget. As such the Council's financial resilience and standing remains strong.

4. The Council is managing around £52 million of additional one-off funding to support our response to COVID-19. This includes working alongside partners and suppliers to ensure vital support services are enabled across the County area. The Council's spend is in line with the additional funding allocated by Central Government and all funds are forecast to be utilised.

5. This latest position on Schools Dedicated Schools Grant (DSG) spending indicates that there will be a net deficit at year end (-£3.6m) with 35 schools in deficit and 81 in surplus. In addition, spend on the High Needs Block is forecast to overspend by £6.1 million. The funding of schools in the County remains an issue the Council is raising with Government and we understand more funding is being allocated and will be assessing the impact as part of setting next year's budget. The Council will continue to work with schools to look at any actions possible to reduce the forecast deficit by year end.

Summary Revenue Budget Monitoring 2021/22 Forecast at Month 6 (30 September 2021)

6. The County Council's net budget of £355 million was set by Full Council in February 2021.
7. This report covers the forecast financial position for 2021/22 to the end of Month 6 (30 September 2021) and shows an overall outturn forecast, as set out in Table 1, at Month 6 of a net overspend of £1.3 million, this is 0.4% of the annual net revenue budget.

Table 1: 2021/22 Month 6 Forecast

Service area	Budget £m	Forecast £m	Variance £m
People – Adults	133.807	133.797	-0.010
People – Communities	20.105	20.107	0.002
People – Public Health	-2.420	-2.425	-0.005
Children's Services/WCF	106.791	106.791	0.000
Economy & Infrastructure	55.349	55.533	0.184
Commercial & Change	7.762	7.821	0.059
Chief Executive	1.114	1.108	-0.006
Total: Service excl DSG	322.508	322.732	0.224
Finance/Corporate Items	34.525	34.081	-0.444
Non-assigned items	-1.500	0.000	1.500
TOTAL	355.533	356.813	1.280

8. Table 1 identifies a net £0.244 million overspend on services, a £0.444 million underspend on corporate areas as a result of no commitments allocated against the corporate contingency budget, and a £1.5 million overspend as a result of pausing the Organisational Redesign project during the pandemic.
9. A further breakdown for each service area, including spending on the pandemic, is set out in Appendix 1 and in the following paragraphs.

Detailed summary

COVID-19 Funding and Spending

10. The following key assumptions are made in the forecast this year.
- COVID-19 expenditure is contained within the grant monies provided by Central Government
 - Qualifying expenditure that supports hospital discharges will be fully reimbursed via CCG's from Department of Health
11. Central Government has continued to issue grants to local authorities for cost pressures incurred in the new financial year in response to COVID-19. At the end of last financial year unspent COMF monies of £13.7 million and General Grant of £9.4 million were carried forward to 2021/22, and we have received a further £29.2 million to date bringing the total additional grants to £52.0 million. This is set out in more detail in Table 2.

Table 2: 2021/22 COVID-19 Grant Funding

Grants for 2021/22	£m
2021/22 General Grant	11.4
2021/22 CCG forecast	5.7
2021/22 COMF	2.9
2021/22 Transport	0.4
2021/22 Self Isolation	0.8
2021/22 Winter grant	2.1
2021/22 Housing Support Grant	3.9
2021/22 Holiday Activities & Food	1.4
2021/22 Community Lateral Flow Testing	0.6
Sub Total	29.2
General Grant used in 19/20	-0.3
Add unspent General Grant b/f from 2020/21	9.4
Add unspent COMF b/f from 2020/21	13.7
TOTAL	52.0

12. This funding will enable the Council to continue its response and it is forecast all these funds will be utilised this financial year. Some of this spend is through our partners and providers, including a large element of the latest Holidays activities and Food Grant that will provide support to families and vulnerable members of our community. At this stage all spending is in line with allocations and is expected to be spent on responding and recovering from the pandemic.

Service area spending

13. Forecast commentary on the more significant financial issues is included below in the following paragraphs and variances by individual service area greater than £0.250 million are set out in more detail in Appendix 2.

People Services Total Budget £151.5m, £0.013m underspend

14. The People Directorate, comprising Adult Social Care, Communities and Public Health, is forecasting an overall underspend of £0.013 million against its £151.5 million budget, that is less than one percent.

15. This forecast assumes the Council will continue to receive funding from the CCG for the Hospital Discharge Programme, and that broadly demographic and cost pressures can be managed from within existing budget limits. The more significant variations within the overall Directorate budgets are as follows:

People Services (Adult Social Care) Budget £133.8m, forecast to breakeven

16. The Adult Social Care budget is forecast to breakeven overall, with variances from budget as follows:

- Lower than expected placement costs resulting in underspend forecasts for Physical Disabilities (£0.8 million).
- £3.1 million overspend in respect of Learning Disability services due to higher than expected placement costs which are forecast to continue for the rest of the financial year.
- £2.0 million underspend in Support Services due mainly to a planned and targeted one-off recovery of direct payments income, and a reduction in spend on staffing.

17. Whilst the forecast at Period 6 is for a broadly breakeven position, demand for adult social care is expected to rise over the winter and with additional pressures faced in the care sector, including pay costs and hard to fill vacancies, this remains a key risk for the authority for this and future financial years.

People Services (Communities) Budget £20.1m, forecast to breakeven

18. The forecast position includes the following managed risks:

- Provider Services is forecast to break even following use of one-off COVID funding for loss of income and additional staffing costs at Howbury.

People Services (Public Health) includes £30.4m Public Health Grant Income and related expenditure.

19. As a result of the pandemic the service is taking several actions alongside its business as usual. As such the spending across the service straddles both costs under various COVID grants such as the Containment Outbreak Management Fund (COMF) and within the Public Health Ring-fenced Grant (PHRG). Overall, the service is forecasting a one-off underspend as a result of the use of other COVID grant monies, and it is anticipated we are able to carry forward £2.7 million into 2022/23. The service has and continues to identify plans to spend its reserves over the next two years, many of which are linked to recovery from the pandemic.

Childrens / WCF (excluding DSG) - Budget £106.8m, £0.797m overspend

20. The Children's Services relating to those services that remain within WCC budget is forecasting a break-even position at P6. Whilst the WCF forecast position is a £0.797 million deficit (less than 1% of the WCF budget). This mainly relates to increased demographic pressures in Placements for Looked After Children giving rise to a forecast £1.0 million overspend in this provision for an estimated 6.5% increase in placements over the remainder of this financial year.

21. The pressure in the social care budget remains due to an increased number of external placements since April 2020 which is consistent across the country where other local authorities are experiencing significant increases in costs for placements and overspends greater than Worcestershire. There has been a Covid-19 impact on our ability to move children and young people onto permanent arrangements which has contributed to increased costs, however the primary increase is due to the rising cost of residential and external foster care provision.

22. The overspend is being partially offset by other underspends across the Children and Young Peoples Social Care service, for example £0.4 million underspend on vacant posts, or where there are active efforts to reduce non-staffing spend. This is not a sustainable option as this the savings in staffing are a one-off short-term solution and will be picked up in the budget process for 2022/23.

23. The current DSG position is a forecast overspend of £6.1 million against a total budget of £224 million. This is consistent with previous forecasts. The overspend is exclusively within the High Needs block of the DSG and this together with a £3.2 million estimated catch up on School and Early Year Blocks will increase the overall DSG deficit brought forward from 2020/21 of £6.5 million to £15.7 million at the end of the year.

24. A high needs recovery plan is in place and this has been discussed at the Schools Forum and with Special School Heads. This remains a national issue with other councils in a significantly worse deficit than ours and we understand that the Department of Education is reviewing proposals to address and fund this.

Economy & Infrastructure (E&I) – Budget £55.4m, £0.184m overspend

25. The Economy and Infrastructure Directorate is forecasting to overspend its £55.4 million budget by £0.184 million.

26. Within this forecast there are a number of significant variances:

- £0.26 million forecast overspend in Transport Planning and Strategic Planning (part of Planning and Regulation) due to reduction in expected levels of capitalisation and impact of agency costs to cover hard to recruit vacancies.
- £0.25 million forecast underspend in Street Lighting due to reduction in energy costs following conversion to LED lighting.

27. Waste Services has an outstanding savings target of £3.8 million which relates to the WCC element of the waste contract. This remains a key area of risk for the Directorate and contract discussions are taking place to address this.

28. There are a number of other small pressures relating to reduction in levels of income partly due to COVID-19 and work is underway to monitor this and establish mitigating action to ensure budget pressures can be contained.

Commercial and Commissioning – Budget £7.8m, £0.059m overspend

29. The Commercial and Commissioning Directorate is forecasting to overspend its £7.8 million budget by £0.059 million. There are a number of small variations that are being managed successfully across the directorate.

30. Property services are forecasting their £0.4 million savings target as amber risk due to emerging works and this position is being closely monitored to ensure this is delivered.

Chief Executive/HR – Budget £1.1m, forecast to breakeven

31. The Chief Executive/HR function is forecasting a breakeven position on its £1.1 million budget. There are no significant variances to report.

Finance / Corporate / Non-assigned Budget £34.5 million, underspend £0.444 million underspend

32. The Financial Services budget includes corporate items such as Debt Interest and Minimum Revenue Provision (MRP). The £34.5 million budget for Finance / Corporate Items is forecast to underspend in total by £0.444 million.

33. Underspends arising due to treasury management, such as lower borrowing costs and slippage in the capital programme reducing borrowing need were transferred to the Financial Risk Reserve at the last Cabinet. The only other significant difference since that report is the Whole Organisation Contingency remains uncommitted giving rise to a £0.4 million underspend forecast, as such this is being used to offset overall cost pressures.

Savings programme Update

34. The savings target for 2021/22 is £12.2 million. £7.1 million was identified as part of the 2021/22 Budget Setting Process and £5.1 million was brought forward from last financial year. Progress is set out in Table 3:

Table 3: Savings Forecast as at Month 6 2021/22

Service Area	Target £m	F'cast £m	Var £m	Detail
WCF	2.950	2.950	0.000	A review of back-office posts and vacancies is forecast to yield £0.650m; the restructure is now complete, and budgets have been removed. The in-sourcing of school improvement has enabled us to grow our traded element and we forecast to seek an additional £0.6m in 2021/22. Specific budget reductions have been identified and worked through with Service leads across the business.
E&I	2.200	2.142	0.058	Capitalisation of staffing costs across a range of service areas along with other income generation opportunities.
E&I (b/fwd)	0.030	0.030	0.000	County Enterprises efficiencies
E&I (b/fwd)	0.830	0.830	0.000	Review of management structures
E&I (b/fwd)	0.500	0.434	0.066	LEAN systems reviews continuing
E&I (b/fwd)	3.800	3.800	0.000	Waste Services
Commercial and Change	0.400	0.400	0.000	There is an ongoing review of property charges and costs following both COVID and the in-sourcing of PPL that expects to save £0.4m.
Corporate	1.500	0.000	1.500	This is a continuation of the Organisational Redesign target set in 2020/21 following work supported by external advisors to change the way we work and review structures and posts. This has been deferred due to work responding to the pandemic, however alternative plans are being reviewed to address this shortfall by year end.
Total	12.210	10.586	1.624	

35. The above table shows that £1.624 million of savings are not forecast to be achieved this year. This is almost solely due to redirection of work to responding to the pandemic. The full programme with RAG status for each project is included at Appendix 6.

Schools in financial difficulty

36. Table 4 shows the latest summary forecast position for Schools to 31 March 2022.

Table 4: Schools 2021/22 Forecast Position - Summary

-£7.0m	35 Schools in Surplus
£10.6m	81 Schools in Deficit
£3.6m	Net Deficit

37. The net forecast position may deteriorate if schools convert to academy status in 2021/22. Schools with a forecast surplus will transfer these balances on conversion; where schools with a forecast deficit convert to academy status, the deficit will remain with the Council. The maximum risk remaining if deficit balance schools convert is £10.6 million.

38. Cabinet earlier this year approved a new Earmarked Reserve with £2.4 million set aside for adverse financial changes which fall to the County Council to resolve after exhausting support from the Department for Education. This would be used in part to offset the risk relating to deficit balances, however we continue to work with schools to seek actions to manage and recover deficits.

Borrowing and Lending Transactions 2021/22 Mid-Year Update

39. In accordance with Financial Regulations and the County Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation. There has been no significant activity during the first half of the year.

40. The key highlights are: -

- The Council's treasury activities were managed successfully within the approved Prudential Indicator limits.
- The Base Rate remained at 0.10% for the entirety of the Financial Year.
- Investments of £101.0 million as at 30 September 2021 were prudently made to the UK Debt Management Office, other local authorities, Money Market Funds and Ultra-Short duration Bond Funds and are in line with the existing County Council Treasury Management Policy.
- £14.1 million of existing loans have been repaid during the year, in line with their contractual maturity.
- No new borrowing has been taken so far in 2020/21.
- Total long-term debt outstanding is within plan and stood at £508.6 million at 30 September 2021 at an average rate of 3.32% (3.27% as at 31 March 2021).

Summary Capital Budget Monitoring 2021/22 Forecast at Month 6 (30 September 2021)

41. The timing of capital expenditure over the current and future years has been reviewed and an updated profile is provided at Appendix 7.

42. The revised profile has taken account of schemes from last financial year and the impact that has on the current year's profile of expenditure and estimate for future years, along with re-profiling across financial years based on current best information available. This profile will continue to be reviewed and progress to achieve this year's programme of works is made.

43. There have been changes to values of capital schemes due to changes in external income and specific grants expected, and reallocations between schemes to take account of current information.

44. The overall revised Capital Budget for 2021/22 totals £198 million.

Table 4: Capital Programme

TOTAL EXPENDITURE	YEAR-END	REVISED	REVISED	REVISED	REVISED
	OUTTURN	FORECAST	FORECAST	FORECAST	TOTAL
	2020/21	2021/22	2022/23	2023/24	(Incl. Outturn
				and Beyond	20/21)
	£000	£000	£000	£000	£000
CHILDREN AND FAMILIES	13,734	30,125	8,970		52,829
OPEN FOR BUSINESS	55,358	71,290	2,600	200	129,448
THE ENVIRONMENT	51,076	77,378	4,403	1,000	133,857
HEALTH & WELL-BEING	314	3,689			4,003
EFFICIENCY & TRANSFORMATION	2,752	15,421	5,056		23,229
TOTAL	123,234	197,902	21,029	1,200	343,365

Legal Implications

45. 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

46. 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 February each year.

47. 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. A 0.4% overspend is significantly within the levels of tolerance and thus the Council's financial position and standing remains strong and resilient.

48. 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. The sums for 2022/23 and beyond reflect the position as last February before any Government announcements still awaited on areas such as schools basic need, and a further update due to the timings of our local elections. The actual sums will therefore be significantly higher and more in line with 2021/22 in the budget setting process for 2022/23.

49. The Council's procedures for budget monitoring are 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.

HR Implications

50. A number of existing savings may impact on staff roles and responsibilities and where appropriate senior officers take advice from the Council's Human Resources team.

51. This will include undertaking consultations with staff, trade unions and any other affected body as appropriate.

Equality Duty Considerations

52. 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

53. The Cabinet report includes recommendations regarding the Council's forecast financial position for 2021/22 and the carry forward of earmarked reserves and unspent grants.

54. 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 mitigated through the regular budget monitoring process.

Privacy and Public Health Impact Assessment

55. 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.

56. This report is mainly about confirming the forecast financial position at this stage of the year reflecting existing Cabinet decisions and policies, and where appropriate utilising specific grant monies with spending restrictions associate with these grants.

57. 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.

58. 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 1** – Budget Monitoring Outturn Forecast for Month 6 - 30 September 2021
- **Appendix 2** - Budget variances greater than £0.250 million
- **Appendix 3** - Capitalisation
- **Appendix 4** – Proposed withdrawal from Grants/Reserves
- **Appendix 5** – Proposed Carry Forwards – Grants / Earmarked Reserves
- **Appendix 6** – List of Savings / RAG Analysis
- **Appendix 7** – Capital Programme

Contact Points

County Council Contact Points

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Specific Contact Points for this Report

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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:

Previous Cabinet Resources Reports [Browse meetings - Cabinet - Worcestershire County Council \(moderngov.co.uk\)](#)