

Wiltshire Council

Cabinet

14 July 2020

Subject: **COVID-19 Financial update and Period 2 Budget Monitoring**

Cabinet Member: **Cllr Pauline Church – Cabinet member for Finance and Procurement, and Commercial Investment**

Key Decision: **Non Key**

Executive Summary

This report advises members of the updated forecast financial impact of COVID-19 and provides an early budget monitoring forecast position at the end of Period 2 (as at 31 May 2020) for the financial year 2020/21. The report also includes the final revenue outturn position for 2019/20, revision to the capital programme deferrals agreed at the previous Cabinet meeting (June) and the formal Treasury Management Annual Report 2019/20.

COVID-19 Financial Impact

The report provides full details on the current modelling, assumptions and estimated financial impact to the Council of responding to the COVID-19 pandemic and the anticipated impact for the remainder of the 2020/21 financial year. It gives detail on the Council's submission to the Government in that set out the forecast impact on the Council's finances and sets out the conditions and timing for the necessary action to be taken to mitigate against the current forecast financial position.

Period 2 Budget Monitoring

Given the impact on the Council's finances an overall picture for the Council has been undertaken for period 2. Early budget monitoring forecasts are based on information as at 31 May 2020 and are high level at this stage due to the level of uncertainty, to assess the overall financial position across services. These confirm the position that has been previously reported to Cabinet as part of the COVID-19 financial impact and indicate that the Council is facing significant financial pressure. A more detailed review of these forecasts will be carried out and included in the quarter 1 forecasts and will be included in the financial report to Cabinet in August.

Some services have identified large variances due to additional cost pressures in year and these forecasts indicate a general fund variance, if no further action is taken, of £36.753m. This is a variance of 10.7% of the Council's net budget.

Treasury Management Annual Report 2019/20

Lastly the report provides the Treasury Management Annual Report for 2019/20, setting out the activity for the year and the Prudential Indicators. This Annual Report will be considered by Council on 21 July 2020.

Proposal

Cabinet is asked to note:

- a) the final Revenue Outturn position for 2019/20 and the balance held in General Reserve and Earmarked Reserves;
- b) the 2019/20 Capital Receipts Flexibilities usage for 2019/20 and delivery narrative for each project;
- c) the Section 151 officer's summary of the impact of COVID-19 on the Council's 2020/21 budget and Medium-Term Financial Strategy;
- d) the current budget is forecast to overspend by £36.753m by the end of the financial year;

Cabinet are asked to approve:

- e) the transfer of the final revenue outturn underspend from 2019/20 financial year of £0.356m to the General Fund Reserve.
- f) the £1.378m use of Capital Receipts planned for Fostering Excellence for 2021/22 to be re-directed to transform services supporting children and young people with SEN and disabilities in 2020/21 and 2021/22.
- g) that the Area Board Capital Grants element of the capital programme that was deferred to 2021/22 at the previous Cabinet meeting be reversed and brought back into the 2020/21 Capital Programme.
- h) to recommend to Full Council the Treasury Management Annual report 2019/20 including the Prudential Indicators.

Reason for Proposal

To inform effective decision making and ensure a sound control environment.

To inform Cabinet on the forecast impact upon the financial position of the Council due to COVID-19 and of the Councils overall position on the 2020/21 budget as at Period 2 (31 May 2020), including highlighting any budget changes.

Terence Herbert – Chief Executive

Wiltshire Council

Cabinet

14 July 2020

Subject: **COVID-19 Financial Update and Period 2 Budget Monitoring 2020/21 (31 May 2020)**

Cabinet Member: **Cllr Pauline Church – Cabinet member for Finance and Procurement, and Commercial Investment**

Key Decision: **Non Key**

Purpose of Report

1. To provide Members with a final Revenue Outturn position for 2019/20 financial year detailing the final position on the General Fund Reserve and Earmarked Reserves and programmes funded by Capital Receipts flexibilities.
2. To provide an update on the financial impact on the Council of responding to the COVID-19 pandemic.
3. To advise Members of the Budget Monitoring position 2020/21 period 2 (31 May 2020) for the financial year 2020/21 with suggested actions as appropriate.
4. To request that the Area Board Capital Grants element of the capital programme that was deferred to 2021/22 at the previous Cabinet meeting be reversed and brought back into the 2020/21 Capital Programme.
5. To advise Members of the final Treasury Management outturn position for the financial year 2019/20, including the Prudential Indicators.

FINAL REVENUE OUTTURN POSITION - 2019/20 FINANCIAL YEAR

6. Since the provisional outturn position was reported to Cabinet at its meeting on 9 June 2020 there have been some minor adjustments to the revenue outturn position.
7. The main changes are in Waste Services where a late stock adjustment was processed for £0.074m and an adjustment for a reserve draw down in Homelessness for £0.030m. These changes, totalling £0.112m, will reduce the reported provisional underspend from £0.468m to a final underspend position of £0.356m, and subsequently the transfer to the General Fund Reserve will be adjusted accordingly.

8. Following this adjustment, as at 31 March 2020 the value of the Councils General Fund Reserve is £15.456m and the total value of Earmarked Reserves excluding schools' balances and DSG is £27.202m.

CAPITAL RECEIPTS FLEXIBILITIES 2019/20

9. The government allows Local Authorities to fund transformational activity that is designed to deliver ongoing revenue savings and/or transform service delivery to reduce costs or reduce demand for services in the future. This is known as Capital Receipts flexibilities. It is important that any Local Authority using this flexibility is transparent in reporting its plans and the individual projects that are to be funded or part funded and report the previous years' activity and whether the planned savings and/or service transformation have been or are being delivered as planned.
10. The outturn position for 2019/20 was included in the previous report to Cabinet but is included below and now also includes a narrative on each project and the delivery of benefits against the original plans.

Programme	Approval 2019/20 £m	Spend 2019/20 £m	Narrative on Outcomes
FACT Transformation	1.000	0.402	FACT is a joint programme with our partners with five driving principles: 1. Resilient communities with equal opportunity to thrive. 2. Help when you need it 3. We are Better Together 4. More time to be with Families 5. Investing in our Staff. The long term benefits of this strategic partnership are underway and ongoing.
Fostering Excellence	0.375	0.010	To develop a sufficient pool of in-house foster carers with the right skill and experience to meet the needs of our children in care population. Savings are scheduled for 21-22 however this timescale will need review once the impact of COVID is fully understood.
Early Help Support Hub	0.100	0.000	The Early Support Hub within the Integrated Front Door provides expert advice, call transfers and brokers support so families quickly find the support they need. Sharing information between partners means time with families can be maximised.
Contextual Safeguarding	0.100	0.030	Contextual safeguarding is an approach to understanding, and responding to risk to young people beyond their families, that is within the communities. The programme looks at how processes and interventions with young people and changes to environments can make young people safer. The long term benefits are that children are not at risk of exploitation.
Business Intelligence	0.100	0.119	Wiltshire Council has committed to the creation of a Business Intelligence Hub (BIH) to realise the opportunities to better exploit our management and use of data as identified by the CBIR review, commissioned in June 2019. Savings were scheduled for 2019-20 however these were not achieved.

Transport Co-Ordinator	0.070	0.000	To explore synergies and efficiencies in transport routes aligned with plans for independent living for young people.
Supporting the parents of under 1s	0.250	0.000	To set up an initial pilot service of intensive support for young parents, in particular fathers, with young babies with a view to prevent neglect and abuse, family breakdown and reduce future statutory social care intervention.
Adults Transformation Phase 2	0.764	0.387	3 pilots to move to a strengths-based professional practice, increasing customer independence and reducing reliance on expensive packages of care. 2019/20 was the first year and saw improvements with weekly staff engagement workshops, performance analysis, monitoring and reporting to programme board. The schemes are on track to deliver as expected.
Adult Social Care Transitions	0.086	0.084	Support for customers who had been waiting to transition from the Children and Young Peoples Disabilities Team (CYPDT) into the Community Team for People with Learning Disabilities (CTPLD). The scheme has achieved 96% of the expected outcomes in year 1 and year 2 will concentrate on improving the transition pathway as part of the FACT and Whole Life Pathway work.
Service Devolution & Asset Transfer	0.463	0.295	Programme of devolution of assets and services to local communities, towns and parish councils. Salisbury, Devizes, Chippenham and Pewsey have all completed, delivering £0.612 million revenue savings.
Waste Transformation	0.000	0.254	Service transformation, as part of the new Waste contracts, to deliver a materials recovery facility and a more effective method of kerbside recycling collection.
TOTAL	3.308	1.581	

11. As part of the Capital Receipts flexibilities funded programme Cabinet at its meeting in February 2020 approved a two-year principle plan for Fostering Excellence that was subject to a more detailed plan approval from CLT. CLT have approved the first year of the programme to be funded by Capital Receipts as originally anticipated and the second-year funding required for the Fostering Excellence on an 'invest to save' basis will be factored into the budget setting for 2021-22. CLT are proposing to re-direct the second year of funding of £1.378m for the Fostering Excellence scheme to fund a significant programme of transformational change required in 2020-21 around services supporting children and young people with SEN and disability and recovery plans around this in turn will positively impact the educational outcomes for the most vulnerable children as well as future levels of expenditure and mitigate the value of deficit in the DSG reserve.

FINANCIAL IMPACT OF THE COVID-19 EMERGENCY

Government Funding for the COVID-19 Emergency

12. Since the last financial report presented to Cabinet there has been one further announcement of emergency COVID-19 grant funding for Local Authorities by

the Government. The announcement was made by the Secretary of State on 2 July 2020 as a comprehensive new funding package for Councils to address coronavirus pressures and cover lost income during the pandemic.

13. It includes a further £500m nationally of non-ring-fenced grant to cover expenditure. This brings the total level of emergency funding support nationally to £3.7bn.
14. Critically for Wiltshire an additional scheme to compensate Councils for an element of lost income from services such as Car Parking was also announced. The new income loss scheme will involve a 5% deductible rate, whereby Councils will pay the first 5% of all lost planned sales, fees and charges income, with the Government compensating at a rate of 75p in every pound of loss thereafter.
15. Lastly the announcement also included a proposal to spread the impact of the losses from Council Tax and Business Rates (Collection Fund), across three years.
16. Details on individual local authority allocations have yet to be announced as well as the detail on how the income loss scheme and the collection fund deficit spread proposal will operate in detail.
17. This new announcement is now a clear indication around the Governments approach to funding and supporting Local Government during the COVID-19 pandemic. In addition to grant funding for specific activities e.g. test and trace, tranches of emergency funding have been released to ensure Councils have enough funding to avoid having to issue a section 114 notice during the financial year.
18. Due to the timing of this announcement these additional grants have not been included in the assumptions that are included in the following paragraphs.
19. Therefore, although the Council has to date received £25.542m of emergency COVID-19 funding from Government, of which £0.499m was allocated to costs and lost income in the last financial year, we are expecting a further allocation from the £500m announced.
20. In addition, we would then expect a larger amount of funding to come through from the new income loss scheme. Based on the third Ministry for Housing, Communities and Local Government (MHCLG) return to Government, detailed later in the report, the Council forecast a loss on its income from sales, fees and charges of £14.8m. Therefore, based on the high level announcement we could expect an to see funding of up to £10m through the scheme, however this should be caveated that detail has not yet been released.
21. As previously reported further revenue funding has also been received for hardship funding (£3.2m), rough sleepers (£0.015m), bus subsidy (£0.161m) and active travel (£1.135m), with the latter being a capital grant allocation.

Allocations of the funding for the 'test and trace' service have now been confirmed, and for Wiltshire Council the amount is £1.587m.

22. The Council has also submitted claims to HMRC against the furlough scheme and continue to estimate the full claims for the period March-October 2020 to be in the region of £1.3m excluding Wiltshire maintained schools. Claims against the scheme for Wiltshire maintained schools are estimated to be in region of £0.050m per month while schools were supporting Key Worker children. This funding will be passed directly to those schools.
23. In addition, the Council has received funding from the Government for which it will act as the paymaster in passporting the funding through to those that it has been intended. There have been no further announcements on the level of this funding since the last report.
24. An analysis of the total funding for Wiltshire, broken down between that which the Council has utilised to fund specific service provision and the overall financial impact as well as that funding which has been passported on e.g. to businesses.

Fund Description & National Funding	Wiltshire Allocation	Wiltshire Council	To be Passported
Business Grants (£12.3bn)	£108m	-	£108m
Business Rate Reliefs (£9.7bn)	£52m	-	£52m*
Emergency Funding (£3.2bn)	£25.5m	£25.5m	-
Infection Control Fund (£0.6bn)	£6.3m	-	£6.3m*
Hardship Funding (£0.5bn)	£3.2m	-	£3.2m*
Test and Trace (£0.3bn)	£1.6m	£1.6m	
Bus Subsidy (£0.2bn)	£0.2m	-	£0.2m*
Total Revenue Funding	£196.8m	£27.1m	£169.7m

* the asterix grant figures, together with the £27.1m funding for Wiltshire Council, and the £2.4m contribution from CCG provides the total £91.470m funding used to offset the financial impact reported to Government, as detailed below.

Modelling the Estimated Impact and Return to Government

25. Following the first two returns to MHCLG a third return was made on 19 June. Government continue to develop the return requirements to support a more consistent approach across all local authorities, however the basis of lockdown easing, assumptions on social distancing requirements remaining in some form and allowing Councils to judge and estimate impacts for the rest of the financial year remain.
26. A significant change in the third return is the presentation of estimated additional costs and reduction of income to be shown excluding compensatory grant that have been awarded for items such as infection control, test and trace, and compensatory grant for the mandated business rates reliefs that have been applied since the start of the COVID-19 emergency and any contribution from the CCG. This has the effect of presenting a higher 'gross' total financial impact with off-setting grants and income presented separately.
27. The Council has continued to refine the modelling however the drivers of the financial pressures facing the Council continue to be additional spend, lost income e.g. car parking, council tax and changes to Council plans that can no longer be delivered e.g. saving plans.
28. It should be noted that estimates at this stage still remain caveated, and whilst some are known and can be more confidently estimated e.g. lost income, others are assumptions and much depends on timescales as well as the uncertainty of fullness of impact on the economy, for businesses and individuals.
29. The underlying assumptions around income losses within the return have not changed significantly and the actual losses of income for May are in line with the original estimates.
30. At this stage the estimated total gross financial impact for the Council remains at £140m with £89m of grants from government and an estimated £2m contribution from the CCG relating to hospital discharges. With no further emergency funding announcements from government the estimated shortfall in Council finances would be £49m.
31. The table below provides a high-level summary of the third submission to Government.

	MHCLG JUNE 2020						MHCLG
	2019/20 FY TOTAL	2020/21				FY TOTAL	TOTAL
		Qtr 1	Qtr 2	Qtr 3	Qtr 4		IMPACT
	£m	£m	£m	£m	£m	£m	TOTAL MAY 2020 IMPACT £m
Additional Spend							
Adult Social Care	0.000	2.394	3.102	1.579	1.579	8.654	12.190
Children's Social Care	0.000	0.084	0.413	0.752	0.752	2.000	2.000
Education / Home to School Transport	0.000	0.000	1.077	3.232	3.232	7.542	7.542
Housing/Cultural/Environmental	0.053	1.047	0.642	0.462	0.519	2.670	4.685
Other (e.g. contracted relief)	0.065	1.648	1.632	1.270	1.270	5.821	3.022
Saving Plans	0.000	3.026	3.026	3.026	3.026	12.104	13.717
Test & Trace/Infection Control	0.000	2.360	3.933	0.793	0.793	7.879	0.000
Estimated Spend	0.118	10.559	13.825	11.114	11.171	46.669	43.156
Income Lost							
Council Tax / Business Rates	0.000	27.330	16.223	16.858	17.175	77.586	16.749
Highways & Transport (inc car parking)	0.081	1.990	1.340	1.000	0.663	4.993	5.405
Cultural & Related (inc Leisure)	0.143	2.192	1.792	0.897	0.897	5.778	6.553
Planning	0.000	0.437	0.396	0.396	0.396	1.625	3.238
Other Sales, Fees and Charges	0.000	1.023	0.526	0.348	0.336	2.233	3.000
Commercial	0.000	0.072	0.072	0.072	0.072	0.288	1.157
Other (bad debt, returns)	0.000	0.075	0.075	0.000	1.000	1.150	1.150
Estimated Lost Income	0.224	33.119	20.424	19.571	20.539	93.654	37.252
Total Financial Impact	0.342	43.678	34.249	30.685	31.711	140.323	80.408

NET FINANCIAL IMPACT FOR WILTSHIRE COUNCIL	£m
Total Financial Impact	140.665
COVID Grants & Income receivable	
<i>Passported</i>	
Rough Sleepers	-0.015
Bus Subsidy	-0.161
Infection Control	-6.292
Hardship Grant	-3.222
Business Rates Reliefs S31 Grant	-52.251
<i>Wiltshire Council</i>	
Emergency COVID-19 Grant Funding	-25.542
Test & Trace	-1.587
CCG contribution	-2.400
TOTAL Grants and Income	-91.470
Net Financial Impact	49.195

32. As set out in the next steps in the report to Cabinet in May, budget monitoring was undertaken as at the end of May to provide an overall bottom line position for the Council i.e. COVID-19 impact as well as all other impacts adverse or favourable.

33. The return to Government shows the worst case scenario, part of the budget monitoring exercise has reviewed some of the assumptions on cost forecasts and then the potential mitigations that could be applied. There is a level of risk around these areas of mitigations e.g. the Councils approach to supplier relief and moving into contractual resolution, but if successful it is forecast this would reduce the financial impact that was estimated to Government by over £5m.

REVENUE BUDGET MONITORING 2020/21 – MONTH 2

34. The Council approved a net budget for 2020/21 of £344.023m at its meeting on 25 February 2020. The following paragraphs focuses on forecast outturn variances against the approved budget based on information as at 31 May 2020. These variances are subject to a level of uncertainty as described in the returns on the estimated financial impact to Government and are therefore at a high level at this stage of the year.
35. The forecasts include the previously reported financial impact of COVID-19 as per the return to Government adjusted for any proposed mitigations, and then include other variances from within the Council to provide a high-level overall position for the Council.

Revenue Budgets

36. Although the Councils has moved to a Chief Executive and an interim management structure, the reporting is shown under the old reporting hierarchy, but will be amended moving forward to reflect the new structure. The breakdown of the projected year end position by services is set out as follows:

Summary Position	2020/21 Budget	Profiled Budget to date	Actual to date	Forecast for Year (before mitigation)	Forecast Variance	Variance due to COVID-19
	£ m	£ m	£ m	£ m	£ m	£ m
Adult Care, Public Health & Digital	159.819	25.601	24.038	162.865	3.046	8.106
Children & Education Service	82.909	26.074	28.437	93.292	10.383	11.234
Growth, Investment & Place Service	104.804	10.842	1.991	122.477	18.153	18.681
Corporate	(3.510)	(0.498)	(47.879)	(20.452)	(16.942)	(15.775)
General Fund Total	344.022	62.019	6.587	358.182	14.640	22.246
Collection Fund losses					22.113	22.113
TOTAL	344.022	62.019	6.587	358.182	36.753	44.359

Overview of Period 2 Monitoring

37. Overall the Period 2 report identifies a potential net year end forecast overspend of £36.753m before further mitigating action. This includes the variance forecast on the Council Tax and Business Rates (the Collection Fund), although this would normally arise as a deficit in the following financial year, there is some uncertainty as, owing to its size, whether this would need to be recognised in current financial year. Ultimately this will be a deficit that the Council will need to fund.
38. The Collection Fund losses are based on assumptions of losses to the Council Tax base, additional reliefs for both Council Tax and Business Rates and losses through non-payment and recoverability.
39. Collection rates for council tax are currently down by around 0.6% on those last year and 0.9% down on the expected collection rate, although a relatively small percentage, it equates to around £3m against the size of the total expected council tax income. The expectation is that losses will rise further during the year.
40. It is not clear on the timings for section 31 grants that are paid to the Council for the additional Business Rates mandatory reliefs that have been awarded which could reduce the overall Collection Fund losses up to a maximum of £14m.
41. Details of significant variances within service areas are included below. Directors and Heads of Service are identifying compensating actions in order to offset the current forecast year end position.

ADULT SOCIAL CARE, PUBLIC HEALTH, LEGAL AND DIGITAL SERVICE

Summary Position	2020/21 Budget £ m	Profiled Budget to date £ m	Actual to date £ m	Projected Position for Year (before mitigation) £ m	Projected Variance £ m	Variance due to COVID-19 £ m
Adults 18+	47.427	7.777	6.302	50.669	3.242	5.315
Mental Health	19.013	3.675	3.351	18.071	(0.942)	0.048
Learning Disabilities	54.727	8.281	10.802	53.925	(0.802)	1.179
Adults Commissioning	23.478	4.961	0.368	24.407	0.929	0.000
Total Adults	144.645	24.694	20.823	147.072	2.427	6.542
Public Health	0.414	(1.748)	(2.978)	1.033	0.619	0.500
Information Services	10.723	1.747	4.490	10.723	0.000	0.290
Legal & Democratic	4.037	0.908	1.703	4.037	0.000	0.774

Adult Care, Public Health & Digital Service Total	159.819	25.601	24.038	162.865	3.046	8.106
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Adult Social Care: Budget £144.645m – £2.427m overspend

42. Adult Social Care budgets are projecting a variance of £2.427m overspend. Without COVID-19 pressures, most notably within the 18+ service area, there would be an underspend of £4.215m, although the picture is very much complicated by current funding arrangements for hospital discharges and uncertainty on how long these arrangements will be in place for.
43. The overspends in the 18+ service area are due to current additional staffing requirements in the Reablement service to help with the Council's COVID-19 response which amount to £0.316m. In addition, there are costs of supporting the market with current extraordinary costs, and the impact of COVID on the ability of Adult Social Care to deliver its savings for the year.
44. The costs of supporting the market amount to an estimated £3.538m. This is based on the current offer to Care Homes and Domiciliary Care providers in respect of the costs of purchasing PPE, and the additional staffing costs they are currently having to meet. Just under half (47%) of the costs to date are for Personal Protective Equipment (PPE), the balance is predominantly higher staffing costs.
45. COVID-19 has had a significant impact on the ability of Adult Social Care to deliver their savings for the year. In the Adults 18+ service area, this amounts to £2.49m, the bulk of which is for Reablement.
46. Within the forecasts, care budgets across the different service headings (Adults 18+, Mental Health and Learning Disabilities) are contributing a £1.608m underspend. Domiciliary care (£4.548m) and Supported Living (£1.901m) are projected to be over spent while at the same time underspends against residential care (£1.830m), nursing care (£2.817m) and direct payments (£1.745m) are expected.
47. The Domiciliary care budget overspend will in part be due to there being a significant savings target build into the budget for delivery of savings from Reablement. Whilst some savings are still expected to be delivered from Reablement in the recovery period from COVID-19, the main focus in the early months of the year has been on the emergency response to COVID-19, impacting on the delivery of savings.
48. Admissions to residential and nursing care have significantly reduced, as all admissions to a care home for people leaving hospital have been funded through the COVID-19 response. Tragically, many COVID-19 deaths happen in care homes, so this means that deaths will have increased, and admissions reduced so it is possible these underspends will increase, subject to the comments in the above paragraphs, longer-term requirements for people accessing a reablement service. It is anticipated that the impact of COVID-19 is likely to see the trend of

moving from care home based spend to a more significant proportion of cost of care provision in peoples' own homes.

49. COVID-19 has had a significant impact on the ability of the Adult Services to deliver their savings for the year, with £3.617m considered at risk of non-delivery. There has been very little new demand for social care support, as all people leaving hospital, whether new clients, or people who are leaving hospital and returning to a care package, are having their costs met from the NHS in the short term. This broadly compensates for the undelivered savings.

50. Switching focus to Mental Health and Learning Disabilities, the underspends on care packages referred to are mostly to be seen in these service areas, £0.700m in Mental health and £0.600m in Learning Disabilities. These figures are vulnerable to price pressures, and this will be monitored closely.

51. In the Adults Commissioning budget the most significant variance is in respect of the Care Home block contracts at £0.630m; there is also a variance on the Community Contracts and Grants budget of £0.423m. These are compensated for by some staffing underspends due to some vacant posts being carried.

Public Health: Budget £0.414m – £0.619m overspend

52. There are favourable variances amounting to £0.360m in the staffing budgets for Public Health management due to a number of vacancies being carried here.

53. There is an adverse variance of £1m which reflects that the savings target built into the budget for this year is unlikely to be met as a result of focusing resources on responding to the COVID-19 pandemic.

CHILDREN & EDUCATION, COMMUNICATIONS AND HUMAN RESOURCES SERVICES

Summary Position	2020/21 Budget	Profiled Budget to date	Actual to date	Projected Position for Year (before mitigation)	Projected Variance	Variance due to COVID-19
	£ m	£ m	£ m	£ m	£ m	£ m
Children's Commissioning	4.380	5.956	5.420	4.320	(0.060)	0.000
Children's Social Care	52.397	6.410	7.656	56.330	3.933	5.161

School Effectiveness	3.379	1.647	1.320	3.533	0.154	0.154
SEN & Inclusion	13.711	7.892	10.744	19.282	5.571	4.593
Funding Schools	(0.005)	3.154	0.889	(0.005)	0.000	0.000
Children & Education Totals	73.862	25.058	26.029	83.460	9.658	9.908
Corporate Services	4.938	0.284	1.496	5.688	0.750	0.800
Communications	1.038	(0.019)	0.163	1.073	0.035	0.200
Human Resources & Org Development	3.071	0.751	0.749	3.071	0.000	0.326
Children & Education Service Totals	82.909	26.074	28.437	93.292	10.383	11.234

Children's Commissioning: Budget £4.380m – £(0.060)m underspend

54. Children's Commissioning have put mitigation plans in place to delay expenditure and hold vacant posts where safe and practical to do so. The forecast as a result is an underspend of £0.060m.

Children & Young People with Social Care Needs: Budget £52.397m – £3.933m overspend

55. This is a demand driven area. The Looked After Children (LAC) external placement budget is forecasting additional budget pressure due to a number of factors including increased numbers of children in our care and an increase in placement costs of residential and Independent Fostering Agency placements. The forecast also includes an assessment of latent demand as referral volumes have reduced, however referrals are likely to increase as children return to school in September. This pressure is offset by underspends in inhouse foster care and special guardianship orders. Significant effort is being put into individual case reviews and mitigating action through the LAC Placement budget monitoring project and FACT workstreams and work is ongoing in an effort to reduce the overspend by the year end, however Wiltshire's increase is in line with the national increase in social care activity and expenditure.

Education & Skills: Budget £3.379m – £0.154m overspend

56. The impact of the pandemic on schools not functioning as they would normally do extends to the amount of service being purchased from the local authority. The early estimate of reduced income is £0.154m.

SEN and Inclusion: Budget £13.711m – £5.571m overspend

57. All children with an education care and health plan (EHCP) are entitled to free school transport. The budget was increased significantly in 2020-21 to keep pace with demand, however the current forecast overspend is based around all children returning to school in September with the current social distancing measures in place.

Corporate Services: Budget £4.938m – £0.750m overspend

58. Following the decision to defer £100m of capital programmes, corporate services are unable to recharge staff to internal programmes of work. In addition, internal restructures have been paused due to COVID-19 and therefore savings have not been made as anticipated.

Human Resources & Organisational Development Services: Budget £3.071m – balanced position

59. The impact of the pandemic has resulted in a reduction in the services being delivered to external organisations and therefore a reduction in trading income is forecast. The early estimate of reduced income is £0.153m however, it is expected that this is mitigated by holding vacancies.

GROWTH, INVESTMENT & PLACE, COMMUNITIES & FINANCE SERVICES

Summary Position	2020/21 Budget	Profiled Budget to date	Actual to date	Projected Position for Year (before mitigation)	Projected Variance	Variance due to COVID-19
	£ m	£ m	£ m	£ m	£ m	£ m
Economic Development & Planning	2.757	0.238	0.509	4.270	1.513	1.782
Highways	20.198	2.801	1.450	20.449	0.251	0.251
Car Parking	(6.533)	(1.091)	0.251	(1.802)	4.731	4.731
Waste & Environment	41.898	1.696	(3.924)	42.665	0.767	0.668
Housing Services	4.174	1.287	0.893	4.174	0.000	0.366
Strategic Asset & Facilities Management	11.785	0.929	(0.729)	12.481	0.696	1.045

Libraries, Heritage & Arts	5.650	0.921	1.300	6.070	0.420	0.420
Leisure	(0.599)	(0.665)	1.294	5.067	5.666	5.666
Transport	18.101	2.244	1.022	20.930	2.829	3.181
Public Protection	1.133	0.081	0.386	1.133	0.480	0.480
Finance & Procurement	7.040	2.341	2.610	6.540	(0.500)	0.133
Revenues & Benefits - Subsidy	(0.800)	0.060	(3.071)	0.500	1.300	0.000
Growth, Investment & Place Service Totals	104.804	10.842	1.991	122.477	18.153	18.681

Economic Development & Planning: Budget £2.757m - £1.513m overspend

60. Economic Development & Planning is forecasting a £1.513m overspend, this is predominantly due to forecast underachievement on income in the Enterprise Centres, Development Management, Building Control and Local Land Charges from the impact of COVID-19. The total Income Budget across these areas total £7.314m, so this equates to an average loss of income of 21% for the year.

61. The Enterprise Centres offered businesses a two month rental holiday in April and May and a one month rent deferral in June in response to COVID-19. Projecting forward it is forecast that 40% of income will be lost over the rest of the year.

62. Development Management, Building Control and Local Land Charges are more difficult to forecast, across the board there was a 42% loss of income in April and May compared to prorated budget. Forecasting forward it is assumed there will be a 20% loss of income over the remainder of the year but this will be monitored closely as the impact of the furlough scheme, further restrictions and business failures come to light over time.

Highways: Budget £20.198m - £0.251m overspend

63. Highways are reporting £0.251m overspend, this is predominantly due to forecast underachievement of income in Development Control fees due to the impact of COVID-19. The total income budget for the year is of £0.820m, like Planning this budget is difficult to forecast, there was a 90% loss of income for April and May compared to prorated budget. Forecasting forward it is assumed there will be a 10% loss of income over the remainder of the year.

Car Parking: Budget £(6.533)m - £4.731m overspend

64. Car Parking is forecasting a £4.731m overspend and this is predominantly from underachievement of income after netting off any known saving efficiencies due to the impact of COVID-19.
65. On the 25 March 2020 the Government gave critical key workers the use of all council parking without time restriction or charge. On the 27th March 2020 Wiltshire Council went further, suspending all parking charges for parking including residential areas. All valid parking permits and season tickets were frozen at that time.
66. Charges were reintroduced from the 1st June 2020. However due to lockdown and the easing of social distancing it is forecast that income will continue to be affected. There was a 96% loss of income across April and May, totalling £1.346 million, and projecting forward it is assumed there will be a 50% loss of income over the remainder of the year in parking and a 25% loss of income on season tickets.

Waste & Environment Budget £41.898m - £0.767m overspend

67. Waste and Environment are forecasting a £0.767m overspend, this is predominantly due to a forecast underachievement of income.
68. The Council receives a share of the income from the sale of recyclable materials managed under the waste contracts. Though often volatile, UK and worldwide markets for key materials such as paper and cardboard have been in decline for several months. The continued reduction in material prices has prompted a significant re-assessment of the level of income forecast for 2020/2021 and this is now forecast to be £0.549m underachieved. Although the overall tonnage of recyclables at the kerbside has increased during the lockdown period, the low materials value has had a detrimental effect on the forecast income. The closure of two HRCs due to COVID-19 has also reduced the overall tonnage recyclable materials managed and sold on for reprocessing under the Lot 1 contract.
69. A forecast underachievement of £0.173m has been entered for Garden Waste based on a forecast 5% reduction/delay in sign up in response to COVID-19.
70. These overspend variances are being offset by £0.181m of efficiencies that are currently forecast across the other Waste contracts.
71. In addition, income for Markets, Fairs and Taxi Licencing are also forecast to be underachieved by £0.226m due to COVID-19.
72. The Waste contract financial models for Waste Collection, the Management of Recycling and Transfer and Household Recycling Centres are still to be finalised and prior year interim solution accounts reconciled. There is therefore a risk that

forecasts could change because of these updates. The Budget is based on the Councils contractual and anticipated update position.

73. Waste contractors are having to manage the impacts of COVID-19 which has seen increased tonnages and operational issues as staff have been shielding or self-isolating, indicative figures suggest this could be circa £0.510m. HRCs have had to implement new measures to re-open which has meant increased costs for traffic management and new processes forecast at £0.070m. These costs are reported in the COVID-19 section of Budget monitoring.

Strategic Asset & Facilities Management Budget £11.785m - £0.696m overspend

74. Strategic Asset & Facilities Management is projecting an overspend of £0.696m. This is forecast as a result of COVID-19.

75. The service is forecasting additional costs of £0.507m for cleaning and materials for additional measures to reopen building and return to work. This is being offset by a maintenance saving of £(0.187)m and a utilities saving of £(0.231)m from buildings being closed April to June.

76. Savings targets in relation to additional income from occupation of Council Buildings are forecast not to be achieved at £0.250m and operational costs for Wilton Highways Depot £0.050m.

77. In addition, it is forecast that there will be loss of income of £0.306m on the commercial estate, this is based on a forecast of 10% loss for those income streams that the service forecast could be affected.

Libraries, Heritage & Arts: Budget £5.650m – Variance £0.420m overspend

78. Libraries Heritage and Arts are forecasting £0.420m overspend. This is predominantly from loss of income from Libraries and City Hall being closed in April and May and forecast to remain closed until the end of September, with City Hall not forecast to open until Jan 2021. This forecast is after accounting for Furlough grant. Savings targets in relation to review of Libraries £0.157m are forecast not to be delivered due COVID-19 causing a delay to planning and consultation.

Leisure: Budget £(0.599)m – Variance £5.666m overspend

79. The overspend in Leisure is predominantly from loss of income from the Leisure centres being closed April and May and forecast to remain closed until the end of September and from non-delivery of savings targets as a result of delay due to COVID-19.

80. This forecast is after accounting for Furlough grant, savings from service not operating and includes estimated costs for additional measures around cleaning and hygiene supplies required to reopen in October. There is an assumption going forward that income will be underachieved by 40% once centres are reopened due to following social distancing measures and loss of memberships.

Transport: Budget £18.101m – Variance £2.829m overspend

81. Transport are forecasting £2.829m overspend. This forecast is based on implementing social distancing measures on mainstream Education transport from September at a forecast cost of £3.042m. This is being offset by £0.213m efficiency savings that have been identified in the budget.

Public Protection: Budget £1.133m – Variance £0.480m overspend

82. Public Protection are forecasting £0.480m overspend. This is predominantly from loss of income from traded services.

Finance & Procurement: Budget £7.040m – Variance £(0.500)m underspend

83. The forecast underspend in the Finance & Procurement service is mainly due to the number of vacancies being held and not recruited to.

Revenues and Benefits Subsidy: Budget £(0.800)m – Variance £1.300m overspend

84. The variance in Revenues and Benefits is due to the estimated decrease in Housing Benefit overpayment income.

CORPORATE EXPENDITURE

Summary Position	2020/21 Budget	Profiled Budget to date	Actual to date	Projected Position for Year (before mitigation)	Projected Variance	Variance due to COVID-19
	£ m	£ m	£ m	£ m	£ m	£ m
Corporate Directors	1.249	0.333	0.377	1.449	0.200	0.500
Members	2.231	0.370	0.350	2.231	0.000	0.000
Movement on Reserves	(0.674)	(0.674)	0.000	(0.674)	0.000	0.000
Capital Financing	23.148	(0.142)	(0.165)	23.148	0.000	0.000

Restructure & Contingency	5.940	6.248	0.090	6.565	0.625	0.625
General Government Grants	(41.029)	(7.826)	(16.791)	(41.029)	0.000	0.000
Corporate Levies	5.625	1.193	6.075	6.875	0.250	1.150
Direct COVID Cell cost	0.000	0.000	3.043	6.026	6.026	6.993
COVID Grants	0.000	0.000	(40.859)	(25.043)	(25.043)	(25.043)
Corporate Totals	(3.510)	(0.498)	(47.789)	(20.452)	(16.942)	(15.775)

Restructure & Contingency: Budget £5.940m – £0.625m overspend

85. Restructure & Contingency is projecting an overspend of £0.625m. This is due to the current assessment of risk of undeliverability of some cross-cutting savings. As the year progresses it will become clearer what scope there is to deliver these savings.

COVID-19 Direct costs & COVID-19 Grants: Budget £0 – £(19.007)m underspend

86. The costs reported under the COVID-19 line are costs incurred as a direct result of COVID-19 and where actuals or forecasts can be assessed directly. They include the costs of PPE, additional cleaning to open Buildings safely, additional IT costs to improve and facilitate working from home, the setting up of a temporary morgue, the direct additional costs of reopening HRC's for example traffic management and new processes, Waste collection contractor costs in relation to increased agency and overtime in managing operations while staff are self-isolating/shielding and increased tonnages, setting up and supplies for the Wiltshire Wellbeing Hub providing emergency food parcels and supplies to the most vulnerable, supporting adult care providers. These direct costs are off-set by the COVID-19 emergency funding received to date of £25.542m less the amount allocate for the costs in 2019/20. This underspend is required to off-set the pressures forecast in services.

Dedicated Schools Grant – Total Grant £351.082m - £9.071m overspend

87. The variance for DSG is a £9.071 million overspend. This is driven by demand from parents and schools for support for vulnerable children with SEN & disability. This is reflected in increased numbers of education health and care plans (EHCP) which rose by 12% from April 2019 to March 2020.

88. The overspend is aligned with the national picture for many other local authorities and the Government's acknowledgement of this is the additional funding for the

2020/21 high needs block of £680million with £100 million DfE contingency budget. This will come some way to alleviating the pressure for future years it will not however, assist with current or previous years overspends. Lobbying continues to request support and additional funding at national level.

89. The dedicated schools grant (DSG) is ringfenced and is separate to local authority budget. Any underspend or overspend is also ringfenced. At the end of the financial year, the DSG reserve has a deficit of £11.376 million. The local authority has a 10-year recovery plan centred around inclusion which is being implemented in partnership with schools however the deficit lies with Wiltshire Council whilst the recovery plan is delivered. Additional funding is key to meeting the needs of Wiltshire pupils.

CAPITAL PROGRAMME 2020/21 REVIEW

90. At its meeting on 9 June 2020 Cabinet approved the deferral of £101.683m of capital schemes from the 2020/21 Capital Programme. It is requested that the Area Boards Grant scheme with an approval of £0.881m be brought back into the programme for 2020/21 so that Capital Grants can be awarded to provide additional capacity to support communities during the recovery stage of the Covid-19 pandemic.

TREASURY MANAGEMENT OUTTURN POSITION 2019/20

91. The Treasury Management Strategy approved by Council at its meeting on 5 February 2019 requires an Annual Outturn Report to be reported to Council. This report sets out the Annual Outturn Report in Appendix B and details the treasury management activities for the year.
92. The continuation of the policy to finance capital expenditure through maximising the use of capital receipts, capital grants and internal borrowing. Overall external borrowing was minimised and an under-borrowed position of £153.874m which has avoided external interest costs in the order of £2.735m.
93. Against budget, there was a net underspend in respect of the net position on interest receivable/payable of £0.345m. This has been accounted for in the overall revenue outturn position for 2019/2020 reported to Cabinet at its meeting on 9 June 2020. No performance indicators were breached during 2019/20.

Overall Conclusions

94. The financial position facing the Council still represents a significant risk and threat to the continuation of the Council in its current form, however the recent announcement of further funding and scheme to cover irrecoverable income means that the Council has time to be able to plan ahead for recovery and financial resilience.

95. However it is likely that further support will still be required from Government in the longer term, to ensure the Council is on a sure financial footing, to enable it to undertake its role in leading the recovery process.

Implications

96. This report informs Members' decision making.

Overview & Scrutiny Engagement

97. Regular reports are taken to Overview & Scrutiny relating to the Council's financial position.

Safeguarding Implications

98. None have been identified as arising directly from this report.

Public Health Implications

99. None have been identified as arising directly from this report.

Procurement Implications

100. None have been identified as arising directly from this report.

Equalities and diversity impact of the proposals

101. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

102. None have been identified as arising directly from this report.

Risks Assessment

103. If the Council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on reserves. The level of reserves is limited and a one-off resource that cannot be used as a long term sustainable strategy for financial stability.
104. Ongoing budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification and action is taken.

Financial implications – Section 151 Officer Commentary

105. The Councils overall forecast position for the year is a £36.753m overspend. However, this was before the announcement by the Government on additional funding and support on 2 July.

106. It should be noted that for completeness the forecast includes the estimated impact of the losses on the Collection Fund, although due to the timing mechanism of the collection fund the Council would not have to normally deal with that deficit until setting the 2021/22 budget.
107. There is some uncertainty, owing to the size of the collection fund loss at over £22m, whether this will need to be recognised in year, and therefore for transparency on the scale of the financial impact to the Council and that ultimately the deficit will have to be funded, this has been included.
108. However, this position will be greatly improved with the recent announcement by the Government on a comprehensive new funding package. Although the details on allocations are yet to be announced, the new funding together with the level of Council General Fund reserves, now standing at £15.4m, as well as the availability of earmarked reserves is likely to mean that the current forecast position for this financial year would now no longer completely exhaust all reserves held to deal with financial shocks, and therefore, for now, no longer represents a potential section 114 notice situation.
109. The Council should be under no illusion though that difficult decisions will still be required moving into the setting of the 2021/22 budget, particularly given the size of the collection fund loss, but also the erosion to the Councils base level of funding and income streams and the almost inevitable latent demand for services that will come through. There is also still a high degree on the level of uncertainty that remains on forecasts for costs and income, as well as the unknown scale of future demands on Council services.
110. Therefore, owing to the scale of the overall financial position steps action needs to be undertaken now. The Corporate Leadership Team (CLT) have taken immediate steps around curtailing spending, and these measures have been implemented with effect from July.
111. These include spending controls and the cessation of spending on certain categories of non-essential spend e.g. consultants, training, and where that spend should continue an exception process through to CLT. In addition, an external recruitment freeze has also been implemented, again with exceptions for essential statutory, technical or professional roles being approved by CLT.
112. Given the announcement on 2 July 2020 and current lack of detail of the financial impact for Wiltshire Council, I will consider the position during the outcome of the quarter one detailed budget monitoring which will then reflect the spending controls that have been implemented.
113. It is intended that any revisions required to the in year budget will be reported to Cabinet in September, these will be in a similar form to the mitigations and actions that have been undertaken in previous years when an overspend has been reported. Clearly given the scale of the overspend, some of these actions will be key decisions and may require consultation.

Legal Implications

114. None have been identified as arising directly from this report.

Proposals

115. Cabinet is asked to note:

- a) the final Revenue Outturn position for 2019/20 and the balance held in General Reserve and Earmarked Reserves;
- b) the 2019/20 Capital Receipts Flexibilities usage for 2019/20 and delivery narrative for each project;
- c) the Section 151 officer's summary of the impact of COVID-19 on the Council's 2020/21 budget and Medium-Term Financial Strategy;
- d) the current budget is forecast to overspend by £36.753m by the end of the financial year;

Cabinet are asked to approve:

- e) approve the transfer of the final revenue outturn underspend from 2019/20 financial year of £0.356m to General Reserve.
- f) the £1.378m use of Capital Receipts planned for Fostering Excellence for 2021/22 to be re-directed to transform services supporting children and young people with SEN and disabilities in 2020/21 and 2021/22.
- g) that the Area Board Capital Grants element of the capital programme that was deferred to 2021/22 at the previous Cabinet meeting be reversed and brought back into the 2020/21 Capital Programme.
- h) to recommend to Full Council the Treasury Management Annual Report 2019/20

Reasons for Proposals

116. To inform effective decision making and ensure a sound financial control environment.

Background Papers and Consultation

None

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Appendix:

Appendix A: Treasury Management Annual Report 2019/20