Cabinet

25 November 2021

2021-22 Financial Monitoring – Forecast Position as at Quarter 2

Recommendations

Cabinet is recommended to:

- Note and comment on the adjusted forecast underspend of £0.114m that would contribute to the Directorate and General Risk Reserves at the end of 2021/22.

- Note and comment on the forecast under-delivery of the 2021/22 savings requirement to the value of £0.726m.

- Note and comment on the forecast capital spend for 2021/22 of £168.424m, of which £151.433m is capital payments controllable by the County Council and the balance, of £16.991m, relates to schemes funded by s278 developer contributions where the timing is not directly controllable by the Council.

- Approve the carry forward of the reprofiled spend on the capital programme of £15.590m in 2021/22 into future years and note the carry forward of s278 contributions of £15.871m that is not directly controllable by the Council.

1. Purpose of the report

1.1. This report outlines the forecast financial position of the organisation at the end of 2021/22, based on the information known at the end of the second quarter. It should be noted that significant uncertainty and potential volatility in our spending patterns due to Covid-19 remains, which is likely to lead to future movements in the forecast.

1.2. The current analysis includes:

- Capital and revenue financial performance;
- Explanations and, where developed/required, mitigating actions for variations and the impact on service delivery; and
- An indication of those areas where the current forecasts carry the greatest risk of change during the year due to demand volatility and assumptions that could still change over the course of the financial year.

2. Summary

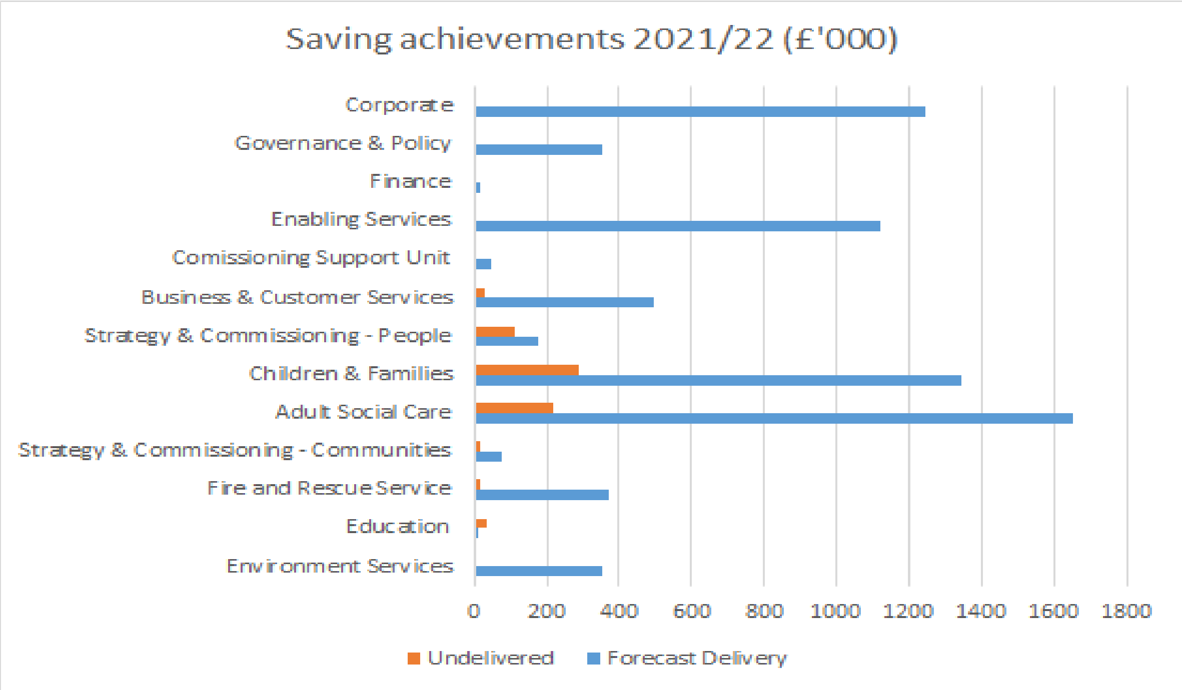
2.1. Revenue Forecast Summary

	£m
Approved Budget	336.045
Forecast net spending as at Quarter 2	347.107
Net overspend	**11.062**
Reason for, and resourcing, of the overspend	
• Covid variance fully funded by covid grants carried forward from previous years	11.518
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	(2.535)
• DSG deficit to be offset against the DSG contingency reserve	2.892
• Spend to be financed from other Earmarked Reserves	(0.699)
Balance of underspend to be a contribution to Directorate and General Risk Reserves	**(0.114)**

The headline forecast overspend for 2021/22 is £11.062m. However, funding has already been set aside in the Medium Term Financial Strategy (MTFS) to meet the majority of these costs. Once these factors are taken into account the position turns into an underspend of £0.114m which will, if unchanged by the end of the financial year, contribute to the Directorate and General Risk Reserves.

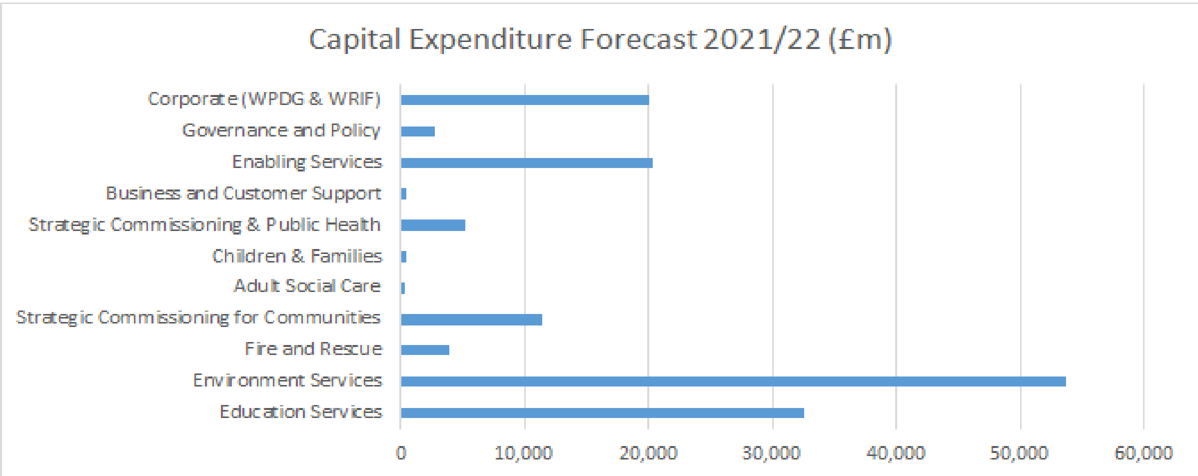
Based on the current forecast of a £2.892m DSG deficit in 2021/22, the cumulative DSG deficit to date will be £13.568m at the end of this financial year. The DSG Offset Reserve is currently £13.678m. Therefore, any increase in the cumulative deficit in 2021/22, above £13.678m, will need to be topped-up from the Available for Use reserve, reducing the funding available to support the MTFS. The impact across the MTFS period will form part of the report on setting the 2022/23 budget to Cabinet in December 2021. The medium-term impact will also take into account recent DfE funding announcements, estimated demand changes and the positive effect of the SEND and Inclusion Change Programme.

2.2. Savings Achievement Summary



The savings plan for 2021/22 requires the delivery of £7.969m of savings from 45 individual saving initiatives. £7.243m is forecast to deliver in line with the plan (90.89%) with £0.726m forecast to be unachieved. For details on saving performance please refer to Section 5.

2.3. Capital Forecast Summary

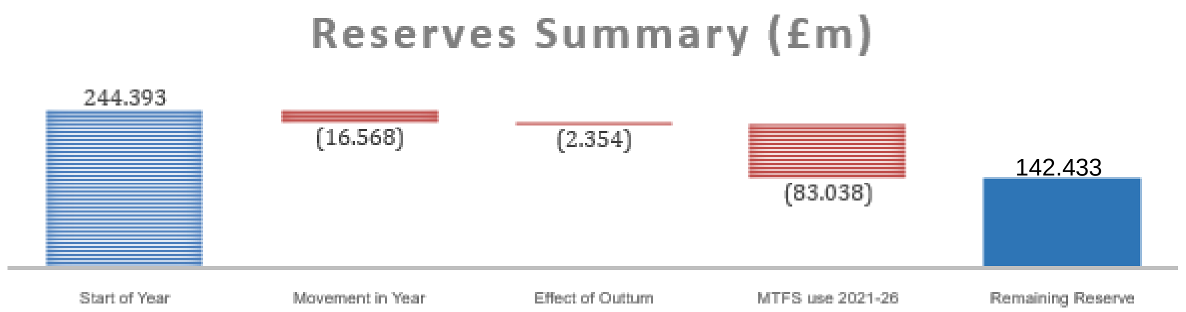


The total forecast capital spend for 2021/22 is £168.424m, of this £151.433m is capital payments directly controllable by the County Council and the balance of £16.991m, relates to schemes funded by s278 developer contributions where the timing is not directly controllable by the Council.

2.4. Covid Summary

	£m
Covid income budgeted	(10.843)
Covid expenditure budgeted	2.136
Covid 2021/22 funding unallocated at 1 April 2021	(8.707)
Additional income notified since budget setting	(17.091)
Additional pressures identified since budget setting	28.609
Impact of in-year changes to covid spending/income	11.518
Net Covid spend in 2021/22 to be funding from reserves	2.811
Balance of Covid Reserves	24.645
Less: Net covid spend in 2021/22 to be funded from reserves	(2.811)
Less: Covid related commitments in 2022/23 and future years	(3.275)
Less: MTFS provision for the loss of Business Rates and Council Tax income	(10.839)
Covid funding to be allocated	7.720
Ringfenced funding with no firm spending plans by 31/03/2022 (may become repayable)	5.979
Covid funding remaining	1.741

2.5. Reserves Summary



The level of reserves at the end of 2020/21, reported to Cabinet as part of the Q1 monitoring report was £244.898m. The delay in the availability of business rates information and technical adjustments to capital financing costs reduced reserves at the end of the year to £244.393m based on the final accounts. The forecast spend in this report and indicative future use of reserves to support the MTFS indicate reserves will reduce by £101.960m over the period of the MTFS to £142.433m.

3. Revenue Forecast by Service

Service Area	Approved Budget	Service Forecast	(Under) /Over spend	Change from Q1 forecast	Represented by: Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service Variance	Remaining Service Change from Q1 forecast
	£m	£m	**£m**	£m	£m	£m	£m	£m	£m
Communities									
Education Services - Non-DSG	41.121	43.729	**2.608**	(0.042)	0.095	0.044	0.761	1.708	(0.271)
Environment Services	26.392	26.876	**0.484**	(0.017)	-	-	0.624	(0.140)	(0.119)
Fire & Rescue	22.081	22.234	**0.153**	0.194	(0.025)	0.029	0.072	0.077	0.155
Strategic Commissioner for Communities	24.624	29.244	**4.620**	1.281	(0.050)	0.185	4.533	(0.048)	0.037
Subtotal Communities	**114.218**	**122.083**	**7.865**	**1.416**	**0.020**	**0.258**	**5.990**	**1.597**	**(0.198)**
People									
Adult Social Care	159.399	163.044	**3.645**	2.156	-	-	3.690	(0.045)	0.404
Children & Families	74.701	80.033	**5.332**	0.146	(0.968)	(0.414)	2.146	4.568	0.859
Strategic Commissioner for People	35.459	39.424	**3.965**	(1.791)	(0.264)	(0.943)	5.687	(0.515)	0.062
Subtotal People	**269.559**	**282.501**	**12.942**	**0.511**	(1.232)	**(1.357)**	**11.523**	**4.008**	**1.325**
Resources									
Business and Customer Services	19.051	24.167	**5.116**	1.233	-	(0.007)	5.097	0.026	(0.878)
Commissioning Support Unit	7.180	10.074	**2.894**	(3.713)	(0.612)	-	3.569	(0.063)	(0.106)
Enabling Services	25.778	23.511	**(2.267)**	(0.667)	(0.696)	0.097	0.098	(1.766)	(0.538)
Finance	6.336	6.447	**0.111**	0.045	-	0.069	0.126	(0.084)	(0.043)
Governance & Policy	2.591	3.679	**1.088**	(0.276)	(0.015)	0.015	0.970	0.118	(0.760)
Subtotal Resources	**60.936**	**67.878**	**6.942**	**(3.378)**	**(1.323)**	**0.174**	**9.860**	**(1.769)**	**(2.325)**
Subtotal Directorates	**444.713**	**472.462**	**27.749**	**(1.451)**	**(2.535)**	**(0.925)**	**27.373**	**3.836**	**(1.198)**
Corporate Services and DSG									
Corporate Services & Resourcing	(111.073)	(130.652)	**(19.579)**	(3.486)	-	0.225	(15.855)	(3.950)	(2.116)
DSG expenditure	244.046	246.938	**2.892**	(4.995)	-	2.892	-	-	-
DSG income	(241.641)	(241.641)	**-**	-	-	-	-	-	-
Subtotal Corporate Services and DSG	**(108.668)**	**(125.355)**	**(16.687)**	**(8.481)**	**-**	**3.117**	**(15.855)**	**(3.950)**	**(2.116)**
Total	**336.045**	**347.107**	**11.062**	**(9.932)**	**(2.535)**	**2.192**	**11.518**	**(0.114)**	**(3.314)**

3.1. Overview

The forecast outturn position is set out in the table in Section 3 and shows a total forecast overspend of £11.062m representing 3.29% of the Council’s net revenue budget.

3.2. The position has improved, by £9.932m, since the first quarter as a result of a significant reduction in the forecast DSG overspend, reduced service overspends and the improved position of corporate services driven by increased grant income and effective management of the financing of the capital programme.

3.3. The material aspects of the remaining overspend are attributable to the following factors:

3.3.1. **Covid:** The table in section 3.1 shows the Covid spend against each service whilst Covid income offsetting the cost is reported as part of Corporate Services. The forecast Covid overspend for 2021/22, to be funded from reserves, increased by £0.500m since the first quarter. A further £3.275m of Covid funding is committed for projects that will continue into future years, which will further decrease the reserve balance to £7.720m as shown in section 2.4. However, the seemingly healthy position is distorted by the fact that material amounts of unspent monies may need to be returned to central government if the resources cannot be spent in line with the terms and conditions of the grants, currently the key condition being the risk that the resource has to be spent by 31 March 2022. We are awaiting further guidance from the Government with regard to two grants (Contain Outbreak Management and Test and Trace) on this condition in particular, meanwhile work is ongoing to maximise utilisation of these grants to aid the progress on the Council’s Covid recovery plan.

3.3.2. **Dedicated Schools Grant (DSG):** The forecast £2.892m overspend (reduced from Q1 position of a £7.887m overspend) consists of the current forecast overspend on the High Needs Block (HNB) of £3.865m, offset by a net underspend across the remainder of the DSG of £0.973m . The forecast has been updated based on revised data and activity following the refresh of the SEND and Inclusion Change Plan, which is an on-going progress. There is a risk that the HNB deficit will present a further significant challenge for the MTFS. The level of overspend being forecast here is higher than the figures already assumed in the MTFS and is also £0.325m higher than outlined in the recovery plan.

3.3.3. **Material variances** (for which further detail can be found in Appendix A):

- *Education (non-DSG) remaining service overspend of £1.708m (reduction from Q1 of £0.271m)*
    - The primary driver of this overspend is the Children with Disabilities (CwD) forecast overspend of £1.870m (an increase of £0.310m since Q1). The service is incurring high unit costs (average full year cost for 1 placement is £0.224m) from increasingly complex needs for which the supply of high-quality specialist placements is low; and the use of emergency placements which can be both necessary and expensive.
    - There is ongoing work to commission cost-beneficial spot contracts; to review strategies and options to secure quality and affordable placements and to move and maintain more children at Early Help stage as well as a DfE capital bid to buy/refurbish and then operate a WCC Residential Home for CwD.
    - Also projected is an overspend for SEND Transport of £0.465m. Results of actions taken to reduce demand on the new routes from September will become clearer when routes have settled later in the financial year.

- *Children and Families remaining service overspend of £4.568m (increase from Q1 of £0.859m)*
    - The variance mainly consists of an overspends on placements of £3.382m (Q1 £2.599m) and staffing of £2.601m (Q1 £2.017m), offset by some underspends, including a part year underspend of £0.397m resulting from the new internal children's home opening part way through the financial year.
    - The service is carrying out work on a number of areas to address the placements overspend including initiatives to rebalance the 'Placement Mix'; recruiting and retaining internal foster carers; the opening of our own children's home (with plans to pursue funding for further homes), Early Help wrap around services to children-in-need families; and wrap around support to foster carers to assist in stepdown from residential care. In addition, a new Step Down from Residential Care Panel will start in November and the service is working with commissioning colleagues to explore other placement options.
    - A workforce review has resulted in several strategies which are being progressed to encourage recruitment and retention of social workers.

- *Enabling Services remaining service underspend of £1.766m (increase in underspend from Q1 of £0.538m)*
    - Within ICT an underspend of £0.941m is forecast. A significant proportion of this (£0.637m) relates to a reduction in demand for project activity. The remaining underspends relate to in year staff

    savings, over achievement of traded income and reduced licence costs.
  - Underspends within Property Services amount to £0.537m and relate mostly to in year staff savings and reduced spending on some of the reactive maintenance areas.
  - The HR Enabling area is forecasting an underspend of £0.161m as a result of an over achievement of traded income and an underspend on the graduate training scheme as the funding crosses 2 academic years.
  - An underspend of £0.128m is now forecast within the AD area as the review of spending at the half year point has highlighted that not all budgets held for ad-hoc projects will be required in year.

- <u>*Corporate Services underspend of £3.950m (increase in underspend from Q1 of £2.116m)*</u>
  - The forecast underspend in capital financing costs increased by a further £1.000m, through the effective management of how we finance the capital programme, to a total of £2.241m at Q2. This is a one-off underspend as the resource will be needed to fund the capital programme over the medium term.
  - The Council received higher than budgeted grant income across a range of service areas totalling £0.875m.
  - An underspend in the short term cost of setting up and funding the Warwickshire Property and Development Group (£0.693m) as it becomes established due to the prevailing interest rates and the delay in the approval of the business case.
  - A forecast reduction in members allowances and expenses (£0.203m) due to the budget adjustments and the continuation of remote working in the first half of the year.

3.4. A continuing trend from last year is the forecast underspend on planned transformation and investment fund projects. Services are expecting to re-profile £2.535m of funding from 2021/22 into next year relating to delayed projects, with Children and Families, Commissioning Support Unit and Enabling Services reporting most of the delays.

3.5. The Children and Families reprofiling of transformation and investment fund projects totals £0.968m and is the result of: delays in recruiting staff; delays in third party contracts commencing; as well as continuing difficulties in engaging with some 3rd sector organisations and the originally planned start date of April 2021 for some projects being rescheduled to a more realistic start date, all reflect the on-going impact of Covid and backlogs in the Courts on capacity. Approximately 50% of this rephasing of expenditure is on workstreams funded by the DfE. Discussions with the DfE have suggested they are content with the plans to rephase the expenditure.

3.6. In the Commissioning Support Unit, the variance is caused by uncertainties about the timing of some projects as well as underspends against contingencies included in project budgets. In Enabling Services, the delay relates to digital transformation projects and is driven by the reduced demand for these services.

4. Savings Performance

4.1. Performance against individual saving targets are listed in Annexes A to M in Appendix C of this report. The table below provides a summary of the current forecast.

2020/21	No. of Savings Options	Saving Delivered £m	Saving Not Delivered £m
Savings target achieved/overachieved	34	6.028	-
Savings target partially achieved	5	1.215	0.316
No saving delivered against target	6	-	0.428
Total	**45**	**7.243**	**0.744**

4.2. Below are details of those savings which are highlighting forecast under-achievement. 59% of the underachievement relates to schemes where the services failed to reduce third party spend with a further 33% associated with insufficient cost reduction from vacancy management. Covid continues to impact on savings performance with 7% of the underachievement being related to the ongoing effect of covid on services.

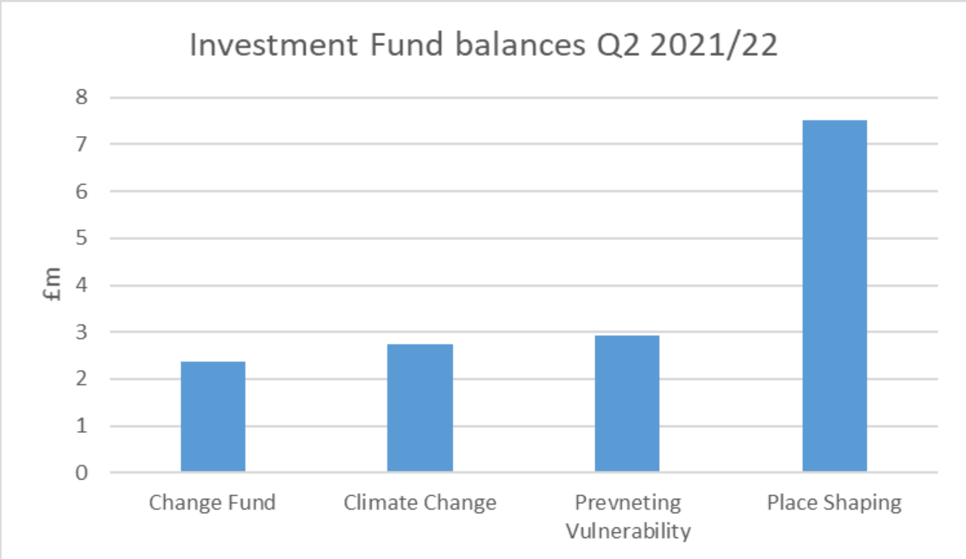
4.3. The current difficulties experienced at achieving third party savings are likely to worsen in the second half of the financial year as inflationary pressures increase. The increasing inflation is one of the key risks for the MTFS refresh and strategies are currently being developed to mitigate it.

Description	Target £m	Forecast £m	Reason for variance and associated management action
Education - Further savings on third party spend	0.034	0.000	Plans are yet to be agreed for how this saving will be delivered.
Fire & Rescue - Further savings on third party spend	0.015	0.000	This saving was expected to be delivered from savings achieved on training. Due to delays with the capital investment that would provide alternative facilities, this saving is unlikely to be met this year. The position will be continually reviewed to establish whether in year mitigations are possible until the saving can be permanently achieved next year.

Communities - Household waste recycling centre storage - purchase of storage containers to remove revenue cost of hire	0.038	0.019	The containers are due to be ordered shortly, with delivery expected in November. Due to this delay, it is currently anticipated that 50% of the target will be achieved this financial year, with the full saving still being delivered in future years.
Adult Social Care - Further savings on third party spend	0.217	0.000	Unachieved but mitigated by wider service underspends. There is no future impact while the service is operating within budget.
Children and Families - Further savings on third party spend	0.052	0.000	Plans are yet to be agreed for how this saving will be delivered.
Children and Families - Maximise income and contributions to care packages and income from safeguarding training	0.275	0.225	Due to continued COVID related issues and pressures the safeguarding training will not reach the turnover anticipated to make the £50,000 income target.
Children and Families - Recalibration and reduction of staff - Reduction of posts across the Children Families Service through natural wastage and redeployment alongside recognising natural underspends from staff turnover and operating under capacity.	0.889	0.701	Due to continued pressures / demands on the whole of Children and Families it has not been feasible to take the anticipated post reductions forward.
Strategy and Commissioning – People - Further savings on third party spend	0.103	0.000	Unachieved but mitigated by underspends on commissioning budgets. There is no wider impact while the service is operating within budget.
Strategy and Commissioning – People - Review of expenditure on smoking cessation and falls prevention targeted support.	0.069	0.059	£0.01m shortfall relating to smoking cessation, covered by remainder of service underspend. There is no wider impact while Service operating within budget.
Business and Customer Services - Vacancy management	0.260	0.211	Increased demand on services has led to a shortfall in the savings that are likely to be achieved through vacancy management.
Governance and Policy - Further savings on third party spend	0.007	0.000	Currently overspending. It remains to be seen whether these can be mitigated during the year to bring this budget back on target.
Total	**1.959**	**1.215**	

5. Corporate Investment Funds

5.1. The remaining balances of each of the Corporate Investment Funds are shown below:



5.2. The work to produce an investment pipeline, so Members had greater visibility about future developments expected to come forward for approval, in the first quarter of the year demonstrated that the level of ambition is much greater than the resources available within the Investment Funds. Corporate Board temporarily paused new approvals from the funds to ensure initiatives can be prioritised and aligned to the Council Plan.

5.3. Over the medium term the funds will require additional resources to continue to support emerging projects. The extent to which this is achievable will form part of the MTFS refresh this year.

6. Reserves

Reserve	Opening Balance	Movement in year	Outturn Impact	Closing Balance	Current MTFS Commitment	Balances at 31/03/2026
	£m	£m	£m	£m	£m	£m
DSG Deficit	(8.271)	(2.405)	(2.892)	(13.568)	(28.585)	(42.153)
Other Schools Reserves	22.264	-	(0.069)	22.195	-	22.195
Covid Reserves	24.445	0.200	(13.650)	10.995	(10.995)	-
Other Earmarked Reserves	123.762	(10.824)	14.143	127.045	(8.715)	118.330
Risk and General Reserves	40.203	(3.540)	0.144	36.778	(2.551)	34.226
Available to Use Reserves	42.028	-	-	42.028	(32.192)	9.836
Total	**244.393**	**(16.568)**	**(2.354)**	**225.471**	**(83.038)**	**142.433**

6.1. At the end of 2020/21 the Council held £244.393 in reserves. Of these £16.568m has been drawn dawn in the first half of the year including approved carry forwards, funding for investment and transformation projects as approved by Cabinet and Corporate Board and DSG Schools Block funding as approved by Schools Forum.

6.2. The impact of the current forecast revenue position will be a reduction in the reserves by a net £2.354m. The key drivers of this change are the DSG overspend that will further increase the deficit, the underspend on approved change and investment projects and the use of Covid reserves to fund the ongoing recovery work.

6.3. As approved by Cabinet in the Q1 monitoring report, the Tax Volatility Reserve has been created to manage the impact of Covid on our council tax and business rate income going forward using the funding received from central government. This reserve is reflected within Earmarked Reserves in the table above as opposed to Covid reserves (where the grant income was reported previously).

6.4. Work has started to refresh the MTFS that will take into account the impact of the current forecast on reserves alongside the emerging pressures and opportunities to balance the medium term financial position of the Council.

7. Capital

7.1. The latest forecast of 2021/22 capital payments directly controllable by the Council is £151.434m. This represents a decrease of £23.985m on the Quarter 1 approved budget reported in September 2021. A further £454.640m of payments forecast over the medium-term results in a total capital programme of £606.074m.

7.2. The decrease in the total capital programme of £23.985m consists of a net decrease in the overall cost of capital schemes to be spent in 2021/22 of £24.220m and an increase in newly approved capital schemes of £0.235m. The changes to forecasts have been split below in paragraph 7.7 between Budget Reprofiles, Net Underspend and Delays.

7.3. The remaining Capital Investment Fund (CIF) allocation of £18.473m from 2020/21, which is not included in these figures, has been carried forward. Along with the future years' CIF funding approved figure of £24.914m per annum over the 2021-26 Medium Term Financial Strategy this results in a total balance available in the Capital Investment Fund (CIF) of £91.178m.

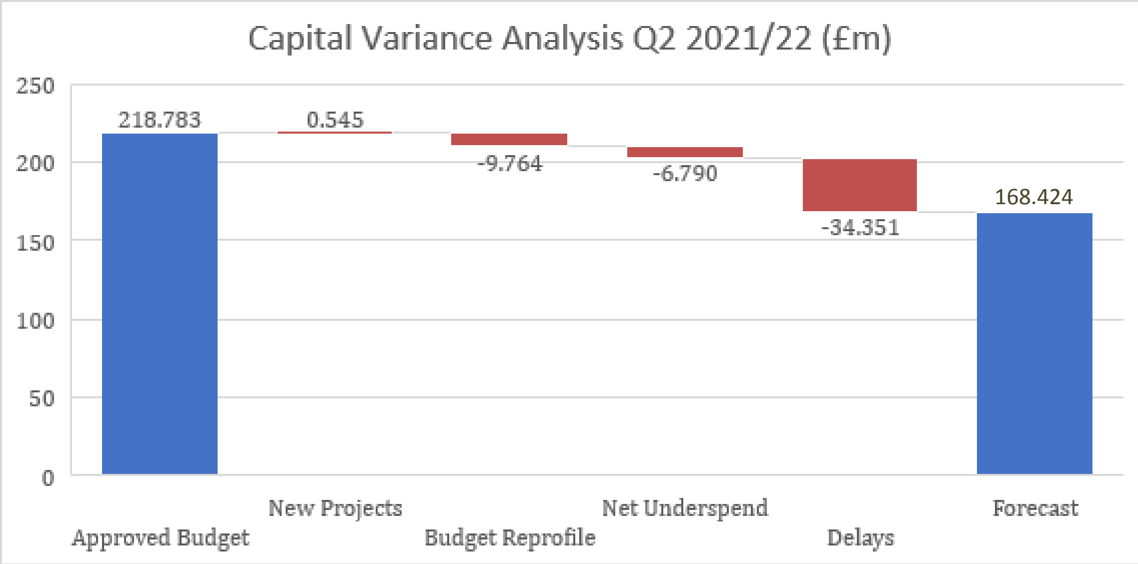
7.4. The forecast of 2021/22 capital payments directly controllable by the Authority of £151.434m excludes the forecast spend on s278 developer schemes of £16.990m. This latter element is excluded from the headline figures as the timing of the spend is not directly controllable by the Council. If this is included the total 2021/22 capital expenditure forecast is £168.424m.

7.5. Capital Forecast by Service

	2021/22			2022/23 to 2025/26			Total Variance
	Approved Budget	Forecast	Variance	Approved Budget	Forecast	Variance	
	£000	£000	£000	£000	£000	£000	£000
Education Services	32,353	32,514	161	15,869	65,369	49,500	49,661
Environment Services	61,444	53,768	(7,676)	55,226	62,843	7,617	(59)
Fire and Rescue	5,200	3,903	(1,297)	2,395	3,692	1,297	-
SC for Communities	22,055	11,457	(10,598)	70,588	82,498	11,910	1,312
Communities	**121,052**	**101,642**	**(19,410)**	**144,078**	**214,402**	**70,324**	**50,914**
Adult Social Care	313	313	-	-	-	-	-
Children and Families	492	492	-	250	250	-	-
SC for People and Public Health	5,428	5,295	(133)	41	50	9	(124)
People	**6,233**	**6,100**	**(133)**	**291**	**300**	**9**	**(124)**
Business and Customer Support Services	181	471	290	1,449	1,158	(291)	(1)
Enabling Services	24,327	20,395	(3,932)	3,728	7,510	3,782	(150)
Governance & Policy	3,626	2,826	(800)	-	1,170	1,170	370
Resources	**28,134**	**23,692**	**(4,442)**	**5,177**	**9,838**	**4,661**	**219**
Corporate	20,000	20,000	-	230,100	230,100	-	-
WCC Capital Programme	**175,419**	**151,434**	**(23,985)**	**379,646**	**454,640**	**74,994**	**51,009**
s.278 funded schemes	43,366	16,990	(26,375)	22,531	46,437	23,906	(2,469)
Total Capital Expenditure	**218,785**	**168,424**	**(50,360)**	**402,177**	**501,077**	**98,900**	**48,540**

7.6. Capital Variance Analysis

The latest 2021/22 Approved Capital Budget of £218.785m was approved by Cabinet in September 2021. The chart below explains the changes between the Approved Budget and the actual forecasted spend of £168.424m.



7.7. The 2021/22 budget is set according to the Q1 forecast spend. The forecast shows the changes in capital programmes since then, made up of:

- Reprofiled and delayed projects – these are schemes where the project timeline has been reprofiled or there has either been a slip in the time scale for delivery. The project is still being delivered and with no material change in cost, but the impact is that the benefits of projects are not realised and available to the taxpayers of Warwickshire in the timeframe originally anticipated. There is £44.115m of project expenditure which has been reprofiled into future years, and work is ongoing to make initial estimates of planned delivery more realistic to ensure reprofiling only occurs where delays are uncontrollable. The key reasons for the delays are provided in Appendix B of this report.

- New projects – these are projects recently added to the capital programme or projects where costs have risen as a result of a substantial change in scope. These schemes have been added through formal governance, with financing made available from Capital Investment Fund or funding from third parties.

- Projects with Increased Spend – these are schemes where project costs have risen above the level previously expected. This means additional funding has had to be arranged. This may be in the form of a contribution from a Service's revenue budget, the use of basic need funding for education projects or alternative grants. The impact of this is that there is less funding available for other projects/activity.

- Underspent projects – these are schemes which have been delivered under budget. The impact of this is that funds are no longer required for a specific scheme. This may mean the authority will be able to recycle funds to alternative projects or will borrow less.

Service	Approved 2021/22 capital programme	New projects in year	Budget Reprofile	Net over / under spend	Total capital programme	Delays	Forecast In year capital spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education Services	32,353	0	0	161	32,514	0	32,514
Environment Services	61,444	15	(4,605)	(74)	56,780	(3,012)	53,768
Fire and Rescue	5,200	0	0	0	5,200	(1,297)	3,903
SC for Communities	22,054	0	(2,836)	0	19,218	(7,761)	11,457
Adult Social Care	313	0	0	0	313	0	313
Children & Families	492	0	0	0	492	0	492
SC for People & Public Health	5,428	0	0	(124)	5,304	(9)	5,295
Business and Customer Support	181	0	290	0	471	0	471
Enabling Services	24,327	0	(422)	0	23,905	(3,510)	20,395
Governance and Policy	3,626	220	(1,020)	0	2,826	0	2,826
Corporate (WPDG & WRIF)	20,000	0	0	0	20,000	0	20,000
WCC Capital Programme	**175,418**	**235**	**(8,593)**	**(37)**	**167,023**	**(15,589)**	**151,434**
S278 Developer Funded Schemes	43,365	310	(1,171)	(6,752)	35,752	(18,762)	16,990
Total Capital Expenditure	**218,783**	**545**	**(9,764)**	**(6,789)**	**202,775**	**(34,351)**	**168,424**

7.8. Adding £0.235m new projects to the capital programme in 2021/22 requires that an equivalent amount of additional funding has also been identified. For 2021/22, the additional funding sources are from S106 contributions and from Covid-19 allocations (see Leader decision 7 July 2021).

7.9. Detailed explanation at a Service level of all changes to the capital programme is provided in **Annexes A to M**. The main reasons for the £34.351m movement to future years in the quarter compared to the approved budget are set out in Appendix B.

7.10. A wider issue which services have started to report but which may not be currently included in forecasts are cost pressures from HS2 and the Commonwealth Games using up local available materials/supplies and labour and inflating labour and supply costs. Any contracts not fixed will be exposed to these increasing costs from the reduced local supply of materials and labour and we expect this to be a feature for future quarterly monitoring reports.

7.11. Based on the analysis of trends and reoccurring patterns of capital forecasts in previous financial years, it is probable that the forecast presented in this report is subject to a level of optimism bias. No explicit adjustments have been made to individual capital schemes to eliminate the effect of this, but work is ongoing with project managers across the organisation to ensure that estimates of project cost, benefits and duration are realistic based on previous experience taking into account the unique characteristics of the current project portfolio. As a result of this work, a reduction in the forecast capital spend is anticipated in the forthcoming monitoring reports.

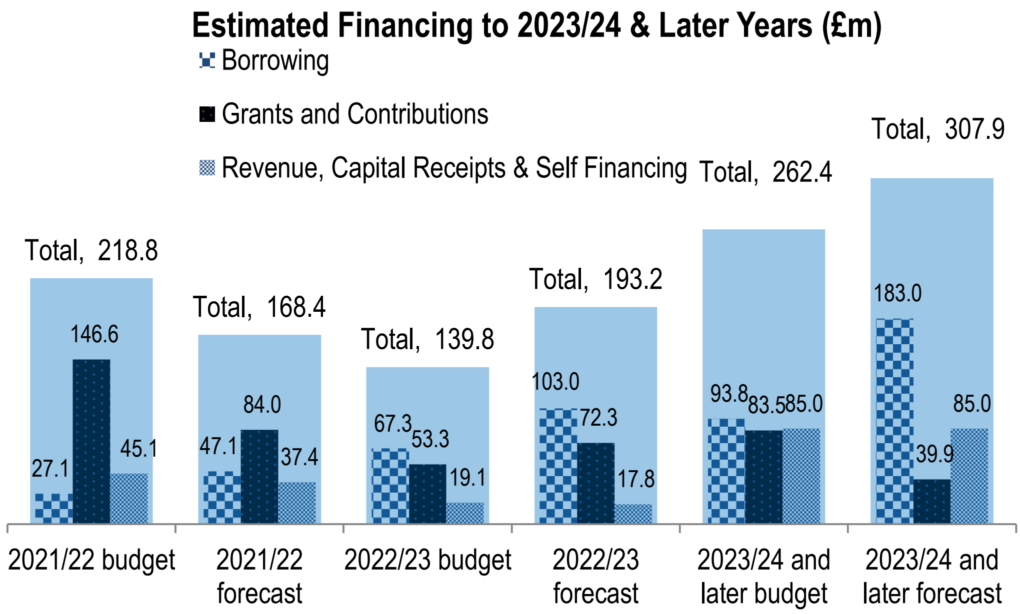
7.12. **Capital Financing**
All local authorities consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before taking out additional borrowing. The approach delays the increase in the need to borrow which means the revenue provision we set aside to repay borrowing (Minimum Revenue Provision – MRP) does not increase as quickly as it should thus alleviating short/medium term pressure on the MTFS.

7.13. These technical financing adjustments are managed on an on-going basis that also encompasses the cash balances we have available at the time. The capital resource required to fund the whole capital programme is reflected in the MTFS and any scope to delay borrowing by the effective use of our capital resources provides a one-off underspend that can be redirected to Members' priorities.

7.14. The most significant variable in financing the capital expenditure is forecasting the timing of the delivery of capital receipts. Forecasts are determined by the Council's and Warwickshire Property and Development Group's programme of disposals and subsequent income from capital receipts is used to avoid the need to incur additional borrowing. Any shortfall in the level of expected receipts may require the Authority to borrow sooner than expected.

7.15. The timing of when additional borrowing is taken out will depend on the Authority's cash position which may provide an opportunity to borrow from other Council resources in the short term to minimise the impact of financing long-term external borrowing on the revenue budget. Monitoring of longer-term balance sheet projections will continue to be undertaken to ensure the authority maximises its resources.

7.16. The chart and table below provide further detail on how the approved 2021/22 capital programme and 2021-26 Capital MTFS are currently planned to be financed.



Note:

The Council manages cash as a whole, so even where borrowing is shown as a form of financing in this graph it does not mean new borrowing will be necessary. The borrowing figure shown is the gap between our spending and the funding available to us which is called the CFR (Capital Financing Requirement).

	2021/22		2022/23		2023/24 and later	
	budget	forecast	budget	forecast	Budget	forecast
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Borrowing	27,084	47,050	67,316	103,039	93,839	182,963
Self-financed Borrowing	1,376	1,376	-	-	-	-
Grants and Contributions*	146,562	83,953	53,289	72,254	83,541	39,913
Capital Receipts	24,347	16,586	19,135	17,849	85,011	85,011
Capital Receipts Reserve	17,648	17,648	-	-	-	-
Revenue	1,766	1,811	45	48	-	-
Total	**218,783**	**168,424**	**139,785**	**193,190**	**262,391**	**307,887**

Note:

* The income from grants and contributions includes grants from Government and contributions from developers and other third parties

8. Financial Implications

8.1. The report outlines the financial performance of the Authority in 2021/22. There are no additional financial implications to those detailed in the main body of the report.

8.2. The key financial issue remains that the MTFS should reflect the need to put sustainable solutions in place for those services reporting material demand-led overspends; the need to ensure the ambitions of the capital strategy are aligned to the capacity to deliver; and that any plans developed to balance the budget going forward are robust so any decisions can be taken promptly.

9. Environmental Implications

9.1. There are no specific environmental implications as a result of the information and decisions outlined in the report.

10. Background Papers

10.1. None.

Appendices
Appendix A – Commentary on service revenue forecasts
Appendix B – Commentary on service capital forecasts
Appendix C – Service level narrative, reserves, savings and forecasts

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No elected members have been consulted in the preparation of this report.

APPENDIX A

Commentary on Service Revenue Forecasts

1. <u>Communities Directorate (and DSG)</u>

Education Services (non DSG) £2.608m overspend including £0.761m Covid pressures
The main Covid related pressures are the result of losses in income for traded services. These services include Adult & Community Learning (£0.135m), Warwickshire Music (£0.239m), and Marle Hall (£0.159m).

After taking account of Covid pressures and the impact of earmarked reserves, the remaining service variance of £1.708m (a reduction of £0.271m from Q1) and are primarily the result of:

- <u>SEND & Inclusion Service</u>: The service initially highlighted a potential shortfall in staffing budget compared to the establishment of £0.757m. Mitigating action on freezing recruitment, carrying maternity vacancies and increasing income has reduced the forecast in year overspend to £0.221m, which predominantly relates to the Education Psychologist team. This one-off mitigation is also to be supplemented by service review. The forecasts will be carefully monitored and updated as this work is reviewed and progresses.
- <u>Children with Disabilities</u>: There is a service forecast overspend of £1.870m (a reduction of £0.310m from Q1), against a budget of £12.064m. The unit costs for placements within the service are high with an average annualised cost of £0.224m per placement. This is due to increasingly complex needs for which the supply of high-quality specialist placements is low; and where the use of emergency placements can be necessary and expensive and the ability to negotiate with the marketplace is been significantly impacted. Work continues to review the strategies and options to secure quality and affordable placements and to move and maintain more children at Early Help stage to avoid them needing to enter care.
- <u>SEND Transport</u>: There is a forecast overspend for SEND Transport of £0.465m. The impact of actions taken to reduce demand on the new routes from September will not be clear until routes have settled in November/December, which could result in a reduction in the forecast overspend.
- <u>Medical Transport</u>: There is a £0.193m overspend on medical transport for pupils with medical conditions, coupled with cost pressures from taxi services which are by their nature fluid in their demand and costs. Work is ongoing within Transport Operations to analyse this pressure and to consider mitigating actions.

The overspends in this area have been offset by a contribution from Adult Social Care to recognise the “edge of Adulthood” costs incurred by those young people transitioning to Adults.

DSG £2.892m overspend (a reduction of £4.995m from Q1)
The period since Q1 has seen a wholescale refresh of the DSG recovery plan (predominantly concerned with the High Needs Block). The refresh has included a review of the impact of the interventions in place; the addition of further interventions and a refresh of funding assumptions (following July DfE funding announcements). Specific areas where the projection has changed include the forecast costs for SEN Mainstream Schools & Academies, SEN

Special Schools & Academies, SEN Independent Schools, Area Based Partnerships (Countywide) and Post 16 funding to Education Settings.

The DSG consists of 4 'Blocks' with the overspend related to the High Needs Block (HNB) for which the overspend is £3.865m (Q1: £7.894m.) This overspend is offset by smaller underspends within the 3 other blocks, most notably the Early Years Block (EYB) of £0.570m. This EYB underspend could reduce once the January 2022 census numbers are taken account of by the DfE.

Based on the refreshed recovery plan, the current HNB projection of £3.865m is £0.324m higher than the recovery plan target for 2021/22, predominantly due to activity and costs of placements in independent settings and an increase in other local authority placements in Warwickshire schools.

Environment Services £0.484m overspend including £0.624m Covid pressures

The Covid Pressures of £0.624m mainly relate to:

- £0.343m town centre barriers;
- £0.100m Community Safety (funded via COMF grant) post Covid transition projects supporting local businesses, community or charity organisations; and
- £0.178m Schools Transport.

After taking the above into account the remaining service variance is an underspend of £0.140m which is an increase in the underspend of £0.119m compared to Q1. This is mainly due to staff vacancies and a forecast over achievement of search fee income within County Highways.

Fire and Rescue Services £0.153m overspend including £0.077m Covid pressures

- The Covid spend relates mostly to staffing and overtime.
- The forecast remaining service overspend of £0.077m is mainly due to increased staffing costs which are partly offset by the Fire Protection grant.
- This variance has changed by £0.156m (from a forecast underspend of £0.150m at Q1) and this is predominantly due to reviewing and improving staffing forecasts.

Strategy and Commissioning for Communities £4.620m overspend including £4.533m Covid pressures

Covid related pressures have increased by £1.195m compared to Q1. This has mostly arisen as the change in the volume of household waste, driven by Covid, is forecast to continue in this financial year as there are still significant numbers of people working from home.

Included in Covid pressures are:

- £1.785m Business Economy (the balance of Adapt and Diversify grants to businesses initiated in 2020/21) and grants funded via COMF;
- £1.400m loss of income on Parking;
- £0.149m spend in Country parks and Road Safety; and
- £1.200m pressure in Waste on disposal contracts, waste initiatives and composting.

2. People Directorate

Adult Social Care, overspend of £3.645m including £3.690m Covid pressures

The Covid related pressures of £3.690m are:

- £3.490m enhanced hospital discharge activity which is funded from the Covid Hospital Discharge Grant; and
- £0.200m financial support to providers.

After taking account of Covid costs of £3.690m, there is a remaining service underspend of £0.045m, a decrease in underspend of £0.404m since Q1. There are non-Covid overspends in Mental Health and Disabilities which are being mitigated by underspends elsewhere within the service. The combined overspends in Mental Health and Disabilities total £2.853m.

The material variances, which are being managed within the Service, are as follows:

- Disabilities: £1.459m overspend mostly attributable to the Physical Disabilities service, directly driven by increased expenditure in Homecare and Supported Living which have experienced an average cost increase of 4% due to the increase in complexity of packages. There has also been an increase of 7% in the number of Physical Disability clients and an increase of 6% in Learning Disability clients. These are partially offset by staffing related underspends. Mitigation of the cost pressure includes continued work with other agencies to support needs, and consideration of alternatives to residential accommodation where appropriate.
- Mental Health: £1.394m overspend is due to increases across all areas of the service, with the largest increase being in supported living in the north of the county (younger people with complex needs) and nursing in the south of the county (where there are fewer alternatives to nursing care). The number of new entrants to the service has exceeded the number of leavers by >10% since April 2020. There is also a higher proportion of more complex and therefore costly packages, resulting in the need to go outside of Warwickshire to secure beds in some instances. To mitigate within the service there are plans to increase the utilisation of more independent living.
- Older People: £2.185m underspend is making the largest contribution to the pressures in Disabilities and Mental health due to almost £3.0m of costs being reimbursed from the Hospital Discharge Grant which has now been extended until 31 March 2022. Without the reimbursement of costs Older People would be overspending by £0.8m. This is driven by a growing number of costly domiciliary care packages during a period of limited supply in the market and high-cost nursing packages.
- Integrated Care Services: £1.098m underspend is also making a significant contribution to mitigating the overspends elsewhere predominantly due to Assistive Technology budget not expected to be spent due to the Covid response dominating staff time leaving little capacity to run the pilot schemes and staffing related underspends.
- ASC Director and Development & Assurance: £0.385m overspend due to client transport costs, and contributions to the bad debt provision and towards the costs of children with disabilities who are transitioning into adulthood.

The key changes since the Q1 forecast are:

- Increased covid related reimbursement from the hospital discharge grant due to the confirmed extension of the grant for a further six months, taking this source of funding through until 31 March 2022.
- Reduction in underlying service underspend of £0.404m explained by:
    - A contribution towards the costs of children with disabilities who turn 18 in year and are therefore transitioning into adulthood;
    - Increased expenditure on projects funded by the Better Care Fund element of the ASC budget; and
    - A mid-year contribution to the bad debt provision for client contribution income.

Children and Families £5.332m overspend including £2.146m Covid pressures.
After taking account of Covid and the impact of earmarked reserves and Investment/Transformation Funds, the remaining service overspend is £4.568m (an increase of £0.859m since Q1).

As part of the 2021/22 budget, the service was allocated a £0.631m Covid recovery budget. In addition to this, the service is forecasting to incur a further £2.146m on Covid related pressures, broadly consisting of:

- £0.614m additional placement / leaving care costs; and
- £1.532m additional staffing costs.

The overall Children's Transformation Fund (CTF) / Child Friendly Warwickshire Transformation Programme is experiencing delay due to recruitment, interaction with 3rd sector partners taking longer than anticipated (often due to capacity and the post Covid), and some commissioning delays. Although the forecast underspend for the Programme for 2021/22 is £0.968m, the project leads are continually reviewing plans to ensure the overall 4-year programme to 2023/24 is on track to complete the objectives and fully utilise the DfE grant. The overall planned budget is fully committed.

Key variances within the remaining service overspend of £4.468m are as follows:

Children's Placements

- Residential Care is forecasting a £3.489m overspend (Q1 £2.762m). The increase in forecasted weeks in 2021/22 compared to 2020/21 is 676 weeks (+29%). In addition, the current net average weekly cost is £4,516 per placement (compared to £3,989 in 2020/21) - an increase of £527 per week (+13%). The average annualised cost is now £0.235m per placement - an increase of £0.027m from 2020/21.
- Although there is no material variance, expenditure within external foster care is above the levels of 2020/21 but has reduced and stabilised since Q1. The weekly unit cost has increased slightly since Q1 to £846 per week which is to be expected with slightly lower numbers of weeks purchased.
- Internal foster care continues the trend of last year and has seen an overall decrease in numbers this financial year. There has been a decrease in expected expenditure of £0.377m compared to 2020/21 with a forecast underspend of £0.312m.
- Parent and Baby's current activity continues to be volatile, and the forecast overspend of £0.203m reflects further future placement activity.

The ‘Placement Mix’ of residential, external foster care and internal foster care placements is key to bringing down the service overspend, with the need for the balance between internal and external (including residential) placements to be re-addressed. A number of initiatives have been introduced and are being progressed including new methods of recruiting and retaining internal foster carers, the opening of our own Children’s Home (with plans to pursue funding for potential further homes), Early Help wrap around services to Children in Need Families, as well as wrap around support to foster carers to assist in stepdown from Residential. In addition, a new Step Down from Residential Care Panel will start in November and the service is working with commissioning colleagues to explore other placement options.

Leaving Care – Accommodation

The forecast for Leaving care costs has increased by £0.898m since Q1, taking the overspend in this area to £0.676m. This has been due to increased numbers of placements, and the unit costs of these placements rising with many placements being on par with the cost of residential. Demand and costs will continue to be closely monitored throughout the year and alternative solutions for individual cases identified.

Staffing

- Excluding staffing budgets held elsewhere such as Asylum, Priority Families, Section 31, Covid and Children Transformation Fund, there are significant variances covering both direct staff and agency staff budgets. The combined forecast overspend is £2.601m (Q1 £2.017m) against a budget of circa £28m. The increase is due to a sharp increase in demand as well as re-gradings following the Children & Families strategic workforce review. Long term investment in staffing is needed to underpin the future demand management and the delivery of the budget reductions built into the medium term financial strategy.
- With current high demand, caseloads and turnover, staffing costs will continue to be closely monitored and reviewed. The longer-term strategy that is in place to manage demand and caseloads has had an impact on the current staffing overspends; which are expected to reduce as the outcomes and strategies of the Children’s Transformation Programme start to take effect.
- The Children & Families strategic workforce review has reviewed a number of strategies to encourage recruitment and retention of social workers which are being progressed. For example, the strategies include improved career pathways; and a commission with an organisation to recruit 40 permanent social workers to reduce agency costs. With current high demand, caseloads and turnover, staffing costs will continue to require close monitoring and review.

Other

- The forecast for legal costs is a £0.250m overspend which correlates to the increase in demand and activity across C&F. To mitigate this, the service reviews on a monthly basis the workflow to Legal Services.
- There is a part year underspend of £0.397m from the soon to be opened Children’s home. This is partly due to the home not opening until later in the financial year as well as a reduced expected cost of the staffing model.
- Other underspends offsetting the overspends include increased grant for Unaccompanied Asylum Seeking Children related services across Children and Families (due to increased numbers and unit rate increases in Home Office grant) and a one-off Adoption Central England related refund.

Strategic Commissioner for People, overspend of £3.965m including £5.687m Covid pressures

The Q2 forecast for People - Strategy & Commissioning is an overspend of £3.965m. After taking account of Covid costs of £5.686m; and the impact of investment funds and earmarked reserves, there is a remaining service underspend of £0.515m (a reduction in underspend of £0.062m since Q1).

The Covid related pressures consist of:

- £5.146m covid related activity funded from the Contain Outbreak Management Fund, including
  - £1.047m Improving mental health Covid recovery project;
  - £0.700m Supporting high risk workplaces;
  - £0.750m School air quality assessment and ventilation improvements;
  - £0.738m Staffing to increase public health capacity;
  - £0.480m Potential support for Covid impacted contract delivery;
  - £0.400m Controlling hyper local covid outbreaks;
  - £0.250m Supporting SMEs to test workforce twice weekly; and
  - A number and range of other activities where the costs are individually less material.
- £0.540m covid related activity funded from generic covid grants to WCC:
  - £0.119m Reducing the impact of Covid on BAME communities' project;
  - £0.100m Housing support for rough sleepers to remain in accommodation;
  - £0.100m Temporary alternative provision for NHS Health Checks;
  - £0.086m Kooth suicide prevention online mental health support for young people;
  - £0.075m Children in Crisis Commissioner and Learning and Development Officer to support the quality of the Children's Home, and business continuity staffing support for adult social care providers; and
  - £0.060m Apetito meals on wheels contract increased demand.

The Creative Health and Tackling Family Poverty projects, which are funded by Investment Funds, have been delayed due to covid and approval processes, leading to an in-year underspend of £0.264m, which will be required in future years.

At Q2 there is an expected net transfer of £0.943m into two reserves.

- The Domestic Abuse Safe Accommodation earmarked reserve is expected to increase by £0.926m; following the MHCLG grant allocation for this new statutory duty. The service is continuing to progress market testing and service scoping.
- The Social Care and Health Partnership earmarked reserve is expected to increase by a net £0.015m, made up of the following movements:
  - £0.308m pooled Test and Trace Grant from Solihull, Coventry and Warwickshire will be returned to contributing Authorities due to revised subregional spending plans.
  - £0.223m is expected to be added to the reserve representing income from the Community Discharge and Integrated Commissioning for Learning Disabilities and Autism grants whilst spending plans are developed.

- £0.100m is expected to be added to the reserve from Coventry & Warwickshire CCG contributions to the 18-25 transitions service for Child and Adolescent Mental Health Services while spending plans are developed.

The major contributors to the £0.515m remaining service underspend are:

- Public Health – a £0.246m underspend primarily due to additional income received towards the homelessness service; and
- All age specialist provision - a £0.323m underspend on accommodation-based support due to delays caused by covid and reduced uptake.

The key reasons representing the £1.791m reduction in forecast from Q1 are:

- A reduction in the Reducing Family Poverty investment funded project of £0.105m where approval will be sought to reprofile it into future years;
- A £0.926m transfer to the Domestic Abuse Safe Accommodation reserve as a result of delay in spending MHCLG grant allocation for a new statutory duty; and
- £0.720m reduced Covid expenditure driven by a number of factors including staff turnover and recruitment challenges within Public Health and a delay in the going live of a Covid related project.

3. <u>Resources Directorate</u>

Business and Customer Services £5.116m overspend including £5.097m Covid pressures

Since Q1 the Covid related pressures have increased by £1.782m. This is largely due to the New Social Fund and Social Supermarket projects and increased spending on Welfare Support and the movement of some staffing and backfill costs to be correctly attributed to Covid.

The Covid pressures (£5.097m) include

- £2.103m additional welfare support
- £0.457m Backward Contact Tracing Team
- £0.337m Staffing/Agency Costs
- £0.217m Welfare and Critically Extremely Vulnerable (CEV) Support
- £0.247m income losses in Heritage & Environment.
- £0.300m Digital Poverty and Befriending projects (COMF)
- £1.418m New Social Impact Fund & Social Supermarkets (COMF)
- £0.018m Various smaller Covid spending across the service

After taking account of Covid pressures, the remaining service overspend is £0.027m, which has reduced by £0.878m since Q1. This change is largely the result of detailed work taking place to thoroughly review all salary forecasts in the service area, combined with ensuring that all Covid related costs are charged correctly.

Commissioning Support Unit £2.894m overspend including £3.569m Covid pressures

COMF funding has been centrally held within CSU and allocated to Services as projects are approved. This is the reason for the reduction Covid expenditure forecast. Some of the allocation this quarter included COMF funding for Social Supermarkets and New Social Fund.

The forecast underspend of £0.612m in relation to transformation projects has increased by £0.185m since Q1 and reflects the rephasing of project work into 2022/23.

After taking account of Covid related pressures of £3.570m; and the impact of Investment/Transformation funds the remaining service variance is an overspend of £0.063m.

Enabling Services £2.267m underspend including £0.098m Covid pressures
The forecast Covid pressures relates to agency staff costs to support the work on reinstatement of buildings. These pressures are over and above the Covid budget that was set for Enabling Services in February 2021, as the service refines the reinstatement plan in accordance with ever-changing guidelines.

There is an underspend of £0.697m in relation to transformation funding. The reasons are primarily Covid related. This has increased by £0.195m compared to Q1 as a review of likely in-year spend has taken place at the half year point.

The service-related underspend has increased by £0.536m (at Q1) to £1.766m, due to:
- Increased staff vacancies and over recovery of income in HR Enabling and ICT (£0.262m).
- Additional underspends being identified in Property Services (£0.150m) largely from in year vacancies and reduced spend on reactive maintenance.
- A review of spending at the half year point highlighting that not all budgets held for ad-hoc projects will be required in year (£0.123m).

This gives a remaining service underspend of £1.766m which comprises of the following:
- £0.536m underspend across Property Services – mainly due to over recovery of income, which is likely to be one off; and some staffing underspends;
- £0.129m underspend against the service budget held for ad-hoc projects;
- £0.170m underspend across HR Enabling mainly from staff vacancies and over achievement of income targets;
- £0.217m net underspend across Digital and ICT as the net impact of staffing underspends offsetting higher licence costs; ad
- £0.713m underspend across ICT Strategy and Commissioning – £0.074m in-year staff underspends and £0.637m one-off underspends from ICT project activity being limited whilst staff continue to work from home.

Finance Service £0.110m overspend including £0.126m COVID pressures
After taking account of Covid pressures and the impact of transfer to/from earmarked reserves, the remaining service underspend is £0.086m.

Governance and Policy £1.088m overspend including £0.970m Covid pressures
The Covid pressures of £0.970m comprise of:
- £0.444m within Communications for additional employee costs, printing, and advertising;
- £0.271m within Property Management relating to Croxhall Street to extend family time and service facilities in Bedworth and the delayed Montague Road relocation;
- £0.129m in Legal Services in respect of the cost locums to cover a backlog of child care cases;

- £0.085m in Democratic Services to provide a Covid safe environment for committee meetings;
- £0.024m within Human Resource and Organisational Development additional staffing to complete the delayed Council-wide restructuring of services; and
- £0.017m in Information Governance relating to Subject Access Request (SAR) work.

The increase of Covid costs of £0.484m compared to Q1 is primarily a result of the increase in legal costs to deal with demand for child care cases and the emergence of the Property Management costs.

The remaining service forecast overspend is £0.118m, which has significantly reduced by £0.762m since Q1, and is predominantly due to:

- Within Legal and Democratic Services the forecast under recovery of income has reduced by £0.425m as a result of new client income won by Legal Services and some recruitment delays;
- HROD staffing expenditure has reduced by £0.100m; and
- Non-Covid Communications spending has reduced by £0.173m due to most work being undertaken and charged to Covid related activity.

4. Corporate Services and Resourcing

Of the £19.579m Corporate Services and Resources underspend, £15.855m is Covid related.

The Covid element consists of £17.091m of Covid income offsetting Covid spend reported across the services combined with a further £1.237m of Covid expenditure relating to £0.234m increased Coroner costs; and £1.000m additional support for Educaterers to enable services to continue to be available whilst schools were not fully operational. The Covid income forecast increased by £2.180m since Q1 predominantly due to the extension of the Hospital Discharge Grant to the end of the financial year.

The non-Covid underspend of £3.725m is attributable to a number of different factors:

- The forecast underspend in capital financing costs (£2.241m). This is a one-off underspend as the resource will be needed to fund the capital programme over the medium term;
- The Council received higher than budgeted grant income across a range of service areas totalling £0.875m, with £0.357m relating to the Public Health Grant and £0.251m to Extended Rights to Travel and £0.267m to other grants;
- An underspend in the short term cost of setting up and funding the Warwickshire Property and Development Group (£0.693k) as it becomes established due to the prevailing interest rates and the delay in the approval of the business case as a result of the elections; and
- A forecast reduction in members allowances and expenses (£0.203m) due to the continuation of remote working in the first half of the year.

APPENDIX B

Commentary on service capital forecasts

The main reasons for the £34.351m delays in the quarter compared to the approved budget are set out below. These delays on projects mean the expected benefits of the schemes will not be realised to the original time frame.

54.6% of the delay is related to projects funded by S278 developer contributions. The timing of these schemes is largely outside of the control of WCC therefore they are excluded from the analyses below, but details of these schemes can be found in Annexes A to M.

A section 278 agreement (or s278) is a section of the Highways Act 1980 that allows developers to enter into a legal agreement with the council (in our capacity as the Highway Authority) to make permanent alterations or improvements to a public highway, as part of a planning approval. The developer is responsible for paying the full costs of the works, including elements such as design, legal and administration fees, land acquisition and maintenance. A developer will submit an S278 application early on in the design process, in many cases at least 12 months before the works are required on site. Although the council is involved throughout in discussing schemes and their timing with developers, ultimately the decision to go ahead with a scheme and enter into an agreement is the developer's, and the council has no control over this. Developers are charged for the cost of works as these incurred.

The key reasons for the delays relating to schemes not funded via s278 contributions are provided below:

Environment Services – £3.012m delay caused by:

- A444 Corridor improvements Phase 2 (£0.700m) – Design complications requiring splitting the scheme into phases which will delay construction to 2022/23.
- A452 Kenilworth to Leamington Cycler Route (£0.636m) - Following a revised cost estimate in July 2021 the scope of the project is being revisited to better align with the available budget. Construction in 2021 /22 is now unlikely.
- A426/A4071 Avon Mill Roundabout Rugby Improvement scheme (£0.600m) - Delay with preparing stage 2 (of 3) grant application to Department of Transport, the expected submission is now June 2022 whilst detailed design continues to be progressed.
- Hinckley to Nuneaton Cycle Route (£0.405m) - Construction is programmed to be on site in February 2022 but delays on other projects (delivered by external contractors) within the Cycles Schemes programme likely to push the start date for this project back to 2022/23.
- A452 Kenilworth Road to Leamington Spa town centre cycle route (£0.210m) - Construction is programmed to be on site in January 2022 but delays on other projects (delivered by Balfour Beatty) within the Cycles Schemes programme may push the start date back and reduce spend in 2021/22 for this project.
- A452 Myton Road and Shire Park Roundabouts (£0.205m) - Construction now programmed for start in August 2022, only design costs will be incurred in 2021/22.
- The remainder relates to various delays over multiple projects (£0.256m), further details can be found in the annexes.

Fire and Rescue – £1.297m delay caused by:

- Fire and Rescue Training Programme: Lea Marston and Environment Agency Water site (£1.237m) - The delay in the project is mainly due to ongoing difficulties in obtaining planning permission for the hot fire breathing apparatus training facility (Minerva) on the Lea Marston Environment Agency site adjacent to the new Kingsbury Training and Development Centre. A likely alternative site for the Minerva unit has been identified and negotiations for its use are ongoing.
- Fire Emergency Service Network (ESN) Preparedness (£0.061m) - National delays have meant that the expected timelines for the ESN project has been extended. This is directly linked to, and dependent on, the completion of the national ESN project. This project is itself dependent on improvements in the coverage and data capacity of the mobile phone network in the UK. The national project has suffered repeated delays, which are reflected in local implementation plans.
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Strategic Commissioning for Communities - £7.761m delay caused by:

- Warwick Town Centre (£1.725m) - Delays have occurred with the scheme design due to having to carry out additional traffic modelling to take account of Covid impact. Feasibility design is nearing completion on St Johns Junction which will be the first of a number of schemes across the town. It is anticipated that work will commence on site 2022/23.
- Land at Crick Road Rugby (£1.235m) - The land negotiations have been delayed due to the death of the landowner. It is unclear whether the negotiations will conclude within the financial year and the spend has therefore been reprofiled to 2022/23.
- Average Speed Cameras (£0.869m) - Tender process only recently completed, works expected to begin during Q1 2022/23. Sites have been identified and implementation discussions have commenced with the successful contractor.
- Evidence led decision making in tackling climate emergency and air quality (£0.656m) - Delays have been identified in the installation of the equipment due to the impact of Covid-19, redeployment of personnel and supply chain delays. Deployment has now commenced.
- Kenilworth Station (£0.600m) - The remaining budget relates to the final payments for works required before formal station handover can take place. The timeline for this is unclear at present and the decision has therefore been taken to re-profile a substantial element into 2022/23.
- Lawford Road /Addison Road Casualty Reduction (£0.566m) - Land transaction caused a delay which has now been resolved. Utility companies required the Council to undertake Trial Holes to determine diversionary work requirement. C4 diversion costs delayed due to staff shortages at utility companies. Design is now completed, and construction is anticipated to start Summer 2022.
- Temple Hill / Lutterworth Road Wolvey Casualty Reduction Scheme (£0.532m) - Utility diversions have delayed the scheme but these have now been resolved. Due to commence on site late spring.
- The remainder relates to various delays over multiple projects (£1.578m), further details can be found in the annexes.

Enabling Services - £3.510m delay caused by:

- Development of Rural Broadband (£3.230m) - The forecast expenditure on the project has reduced in 2021/22. This is subject to delays in delivery due to:
    a) the project working in more rural areas;
    b) a national shortage of civil engineering contractors;
    c) revised DCMS guidance regarding finances and project end dates; and
    d) the recent Covid 19 pandemic.

  In addition, DCMS has put in place an annual Grant Gainshare clawback process which has resulted in a reduction in the Grant claimed back by DCMS in 2021/22 with the remainder expected to be claimed in yearly requests based upon DCMS's gainshare calculations.
- IT Infrastructure 2021-22 (£0.280m) - We are not fully utilising all WCC sites, therefore hardware spend will be low in this financial year. There is also an initiative to move to the Cloud so hardware spend will only take place where there is a risk for out of date or end of life devices.