Cabinet

25 January 2022

2021-22 Financial Monitoring – Forecast Position as at Quarter 3

Recommendations

That Cabinet:

1. Notes the adjusted forecast overspend of £0.551m that would need to be funded from the Directorate and General Risk Reserves at the end of 2021/22.

2. Notes there is a forecast adverse variance of £0.747m in the delivery of 2021/22 savings.

3. Approves the carry forward of £0.072m from Environment Services forecast underspend to enable the purchase of a replacement recovery vehicle for County Fleet Management reducing running cost as well as future maintenance costs.

4. Notes the forecast capital spend for 2021/22 of £138.529m, of which £124.363m is capital payments controllable by the County Council and the balance, of £14.166m, relates to schemes funded by s278 developer contributions where the timing is not directly controllable by the Council.

5. Approves the carry forward of the reprofiled spend on the capital programme of £29.255m in 2021/22 into future years and note the carry forward of s278 contributions of £2.576m 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 third 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

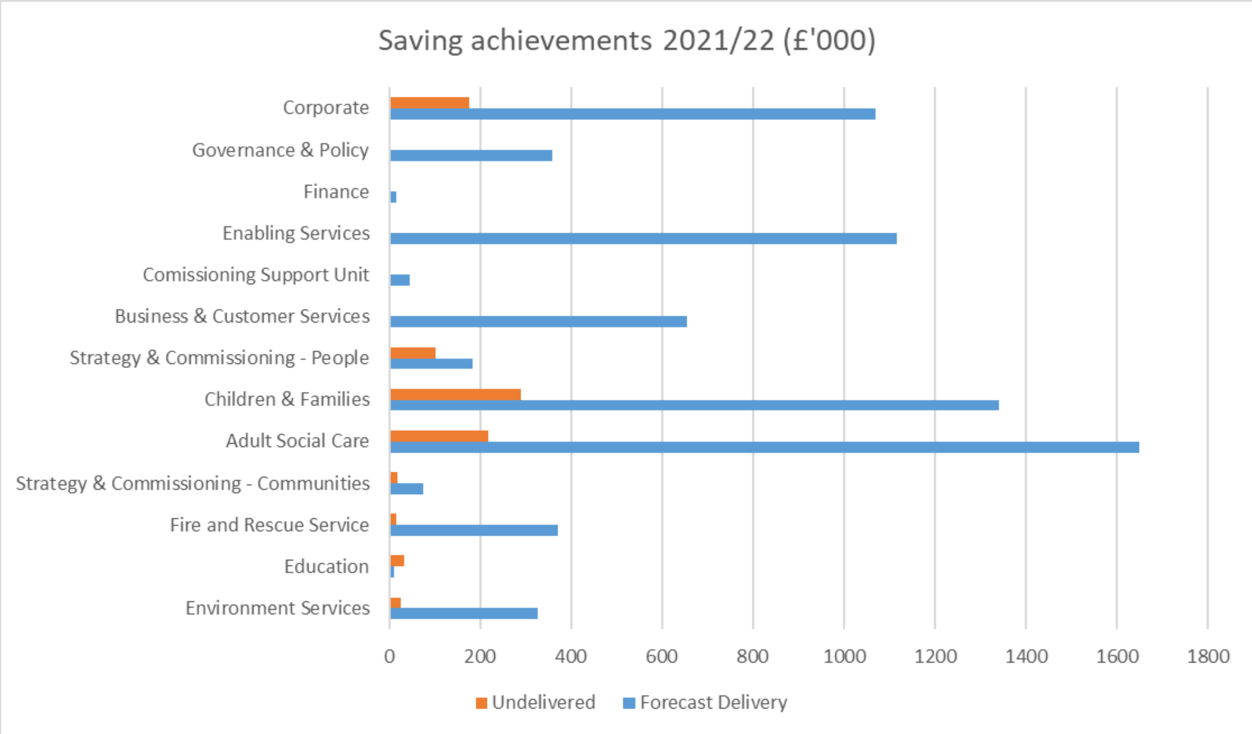
2.1. Revenue Forecast Summary

	£m
Approved Budget	336.475
Forecast net spending as at Quarter 3	347.488
Net overspend	**11.013**
Reason for, and resourcing, of the overspend	
• Covid variance fully funded by covid grants carried forward from previous years	12.846
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	(3.468)
• DSG deficit to be offset against the DSG contingency reserve	1.911
• Spend to be financed from other Earmarked Reserves	(0.828)
Balance of overspend to be a contribution to Directorate and General Risk Reserves	**0.551**

The headline forecast overspend for 2021/22 is £11.013m. 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 overspend of £0.551m which will, if unchanged by the end of the financial year, need to be funded from Directorate and the General Risk Reserves.

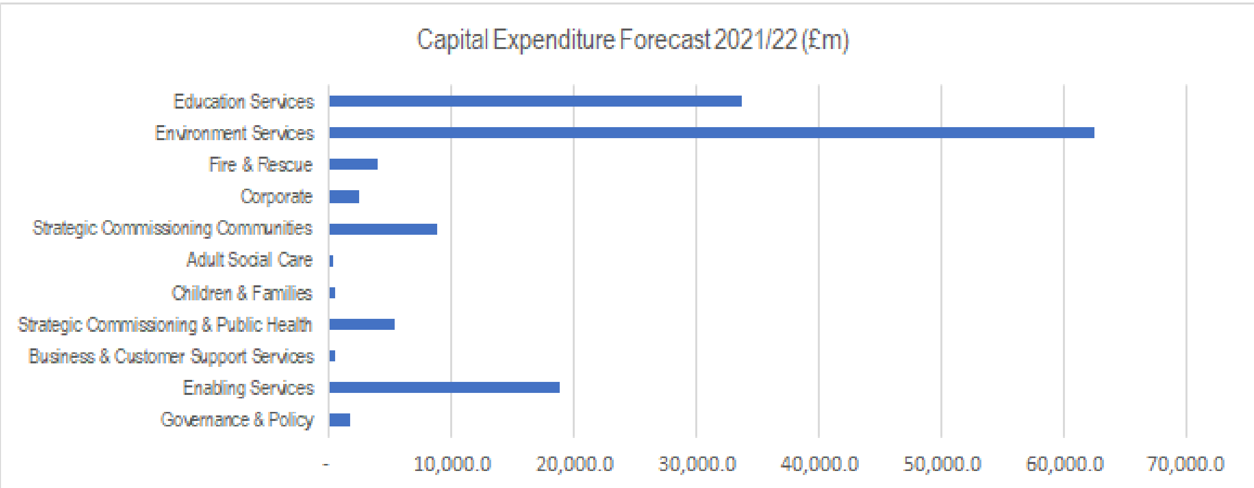
Based on the current forecast of a £1.911m DSG deficit in 2021/22, the cumulative DSG deficit to date will be £12.587m at the end of this financial year. The DSG Offset Reserve is currently £13.678m. Therefore, any increase in the cumulative deficit in 2021/22, above £13.678m, will need to be topped-up from the Available for Use reserve, reducing the funding available to support the MTFS. If, however, the deficit remains below the offset reserve it will increase the Available to Use reserves.

2.2. Savings Achievement Summary



The savings plan for 2021/22 requires the delivery of £7.969m of savings from 45 individual saving initiatives. £7.222m is forecast to deliver in line with the plan (90.63%) with £0.747m forecast to be unachieved. The forecast saving delivery reduced by 0.26% (£0.021m) since Quarter 2. For details on saving performance please refer to Section 4.

2.3. Capital Forecast Summary

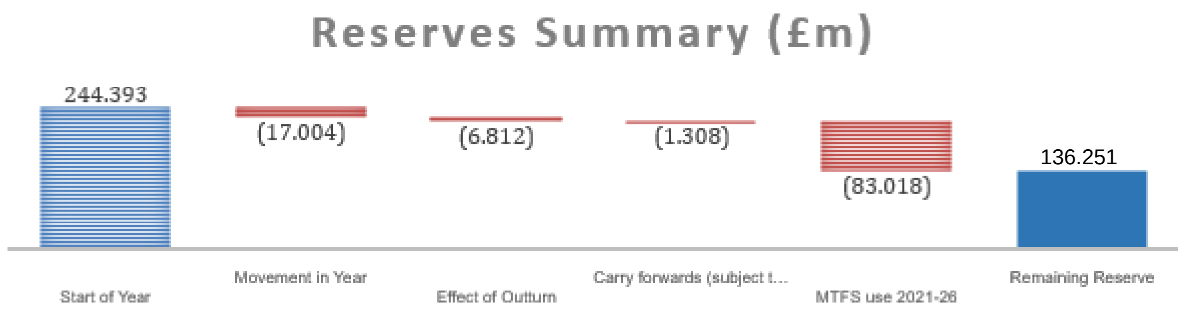


The total forecast capital spend for 2021/22 is £138.529m, of this £124.363m is capital payments directly controllable by the County Council and the balance of £14.166m, relates to schemes funded by s278 developer contributions where the timing is not directly controllable by the Council.

2.4. Covid Summary

	£m
Covid income budgeted	(10.843)
Covid expenditure budgeted	1.936
Covid 2021/22 funding unallocated at 1 April 2021	(8.907)
Additional income notified since budget setting	(20.635)
Additional pressures identified since budget setting	33.481
Impact of in-year changes to covid spending/income	12.846
Net Covid spend in 2021/22 to be funding from reserves	3.939
Balance of Covid Reserves	24.845
Less: Net covid spend in 2021/22 to be funded from reserves	(3.939)
Less: Covid related commitments in 2022/23 and future years	(3.403)
Less: MTFS provision for the loss of Business Rates and Council Tax income	(10.839)
Covid funding to be allocated	6.664

2.5. Reserves Summary



The level of reserves at the end of 2020/21 was £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 £108.142m over the period of the MTFS to £136.251m.

3. Revenue Forecast by Service

Service Area	Approved Budget	Service Forecast	(Under) /Over spend	Change from Q2 forecast	Represented by:				Remaining Service
					Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service Variance	Change from Q2 forecast
	£m	£m	**£m**	£m	£m	£m	£m	£m	£m
Communities									
Education Services - Non-DSG	41.270	45.427	**4.157**	1.549	0.713	0.210	0.594	2.640	0.932
Environment Services	26.592	26.503	**(0.089)**	(0.573)	0.000	0.015	0.642	(0.746)	(0.606)
Fire & Rescue	22.249	22.294	**0.045**	(0.108)	0.000	0.061	0.121	(0.137)	(0.214)
Strategic Commissioner for Communities	24.676	28.267	**3.591**	(1.029)	(0.690)	(0.120)	4.782	(0.381)	(0.333)
Subtotal Communities	**114.787**	**122.491**	**7.704**	**(0.161)**	**0.023**	**0.166**	**6.139**	**1.376**	**(0.221)**
People									
Adult Social Care	159.399	163.086	**3.687**	0.042	(0.023)	0.000	3.590	0.120	0.165
Children & Families	74.701	80.493	**5.792**	0.460	(1.007)	(0.313)	2.112	5.000	0.432
Strategic Commissioner for People	35.767	41.347	**5.580**	1.615	(0.264)	(1.454)	7.898	(0.600)	(0.085)
Subtotal People	**269.867**	**284.926**	**15.059**	**2.117**	(1.294)	**(1.767)**	**13.600**	**4.520**	**0.512**
Resources									
Business and Customer Services	19.051	27.611	**8.560**	3.444	(0.110)	0.085	8.657	(0.072)	(0.098)
Commissioning Support Unit	7.106	8.589	**1.483**	(1.411)	(0.560)	0.000	2.271	(0.228)	(0.165)
Enabling Services	25.577	23.546	**(2.031)**	0.236	(0.912)	0.035	0.352	(1.506)	0.260
Finance	6.336	5.827	**(0.509)**	(0.620)	(0.624)	0.083	0.142	(0.110)	(0.026)
Governance & Policy	2.591	3.821	**1.230**	0.142	0.009	0.015	1.022	0.184	0.066
Subtotal Resources	**60.661**	**69.394**	**8.733**	**1.791**	**(2.197)**	**0.218**	**12.444**	**(1.732)**	**0.037**
Subtotal Directorates	**445.315**	**476.811**	**31.496**	**3.747**	**(3.468)**	**(1.383)**	**32.183**	**4.164**	**0.328**
Corporate Services and DSG									
Corporate Services & Resourcing	(111.244)	(133.638)	**(22.394)**	(2.815)	0.000	0.555	(19.337)	(3.612)	0.338
DSG expenditure	243.054	244.090	**1.036**	(1.856)	0.000	1.036	0.000	(0.000)	(0.000)
DSG income	(240.650)	(239.775)	**0.875**	0.875	0.000	0.875	0.000	0.000	0.000
Subtotal Corporate Services and DSG	**(108.840)**	**(129.323)**	**(20.483)**	**(3.796)**	**0.000**	**2.466**	**(19.337)**	**(3.612)**	**0.338**
Total	**336.475**	**347.488**	**11.013**	**(0.049)**	**(3.468)**	**1.083**	**12.846**	**0.551**	**0.665**

3.1. Overview

The forecast outturn position is set out in the table in Section 3 and shows a total forecast overspend of £11.013m representing 3.27% of the Council's net revenue budget.

3.2. The position has improved by £0.049m compared to the previous quarter, the key changes are detailed below.

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

3.4. **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 £1.328m since the second quarter. £3.403m of Covid funding is committed for projects that will continue into future years, which will further decrease the reserve balance to £6.664m as shown in section 2.4. We have now had confirmation from central government that the Contain Outbreak Management Grant can be utilised in 2022/23 if not fully spent by the end of the current financial year. This reduces the risk of the Authority having to repay any unused Covid funding back to Government.

3.5. Service specific material variances (for which further detail can be found in Appendix A):

3.5.1. **Dedicated Schools Grant (DSG):** The forecast £1.911m overspend represents a reduction of £0.981m from the Q2 forecast of a £2.892m overspend. The High Needs Block (HNB) element of this is £3.585m and is offset by a net underspend across the other 3 blocks of the DSG.

- The forecast has been updated to align to the refreshed DSG recovery plan which has included a review of the impact of the interventions in place; the addition of further interventions as well as fresh information following the start of the new Academic year. Specific areas where the projection has improved 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 as well as Early Years.
- Based on the refreshed recovery plan, the current forecast HNB projected overspend of £3.585m is just £0.045m (£0.325 at Q2) higher than the recovery plan target for 2021/22.

3.5.2. **Education (non-DSG) remaining service overspend of £2.640m (increase from Q2 of £0.932m)**

- The primary driver of this overspend is the Children with Disabilities (CwD) forecast overspend of £2.073m (an increase of £0.203m since Q2). The service incurs high unit costs 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 continued 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.
- The increase from Q2 is mainly driven by a large increase in projected expenditure on mainstream transport for pupils. The new academic year has triggered a large change in demand (post Q2) of £1.358m. As a result of this significant change a review has been instigated by the Strategic Director for Communities to review the process for projecting and reviewing demand and expenditure (especially for the early months of the financial year, prior to the commencement of the new academic year).

3.5.3. **Environment Services remaining service underspend of £0.746m (increase in underspend from Q2 of £0.606m).** This is primarily due to:

- Department for Transport funding for Supported Bus Services (£0.319m) not being fully spent as originally anticipated in year. The funding was for a 2-year project from 2020/21 but started late due to Covid so will be requested for carry forward into 2022/23 to complete.
- An underspend within County Fleet Maintenance relating to Fleet Care (£0.072m) for which a carry forward request is made in this report for the purchase of a replacement recovery vehicle to avoid the traded service having to find the funds in a future year. If approved the carry forward would go towards the provision of a more economical vehicle and will also reduce future maintenance costs ultimately resulting in increased income for the Council.
- Within Network Management there is a significant overachievement of income (£0.451m) an increase of £0.364m compared to Q2. This is mainly due to the volume of Temporary Traffic Orders and associated fines being made where conditions have not fully been met.

3.5.4. **Children and Families remaining service overspend of £5m (increase from Q2 of £0.432m)**

- The variance mainly consists of an overspend on placements of £3.700m (Q2 £3.382m) and staffing of £2.465m (Q2 £2.601m), offset by some underspends, including a part year underspend of £0.464m resulting from the new internal children’s home opening part way through the financial year.
- The service continues to carry 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; 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, the service is working with commissioning colleagues to explore other placement options.

3.5.5. **People Strategy & Commissioning remaining service underspend of £0.600m (increase in underspend from Q2 of £0.085m).** The major contributors to this underlying position are:

- Public Health £0.247m underspend primarily from additional income received towards the homelessness service.
- All age specialist provision £0.351m underspend on accommodation-based support from delays caused by Covid and reduced uptake.

3.5.6. **Enabling Services remaining service underspend of £1.506m (reduction in underspend from Q2 of £0.260m).** The key reasons behind this are:

- Within ICT an underspend of £0.737m is forecast. A significant proportion of this (£0.627m) relates to assumed non-recurrent reduction in demand for project activity. The remaining underspends relate to in year staff savings, over achievement of traded external income and reduced licence costs relating to Granicus software.
- Underspends within Property Services amount to £0.496m and relate mostly to in year staff savings and over-recovery of income. The increased income is reflected the current MTFS proposals.
- The HR Enabling area is forecasting an underspend of £0.140m as a result of an over achievement of traded income and a staffing underspend.
- An underspend of £0.169m is forecast within the AD area in relation to project expenditure.

3.5.7. **Corporate Services underspend of £3.612m (decrease in underspend from Q2 of £0.338m).** The forecast underspend is attributable to a number of different factors:

- Underspend in capital financing costs (£0.999m). 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 areas totalling (£1.232m), with £0.357m relating to the Public Health Grant, £0.502m to Extended Rights to Travel, £0.106m to Community Voices Grant and £0.267m to other grants. This income represents core funding with no corresponding increase in spend in Services.
- An underspend in the short-term cost of setting up and funding the Warwickshire Property and Development Group (£0.733k) as it becomes established due to the prevailing interest rates and the delay in the approval of the business case until after 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.

3.6. A continuing trend from last year is the forecast underspend on planned transformation and investment fund projects. Services are expecting to re-profile £3.468m of funding from 2021/22 into next year relating to delayed projects, with delays experienced by most of the Services. The reasons include delays in recruiting staff; delays in third party contracts commencing; as well as continuing difficulties in engaging with some 3rd sector organisations.

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.

	No. of Savings Options	Saving Delivered £m	Saving Not Delivered £m
Savings target achieved/overachieved	35	6.102	-
Savings target partially achieved	4	1.120	0.282
No saving delivered against target	6	-	0.596
Total	**45**	**7.222**	**0.878**

4.2 Below are details of those savings which are highlighting adverse forecast variances. 58% of the variance relates to schemes where the services failed to reduce third party spend with a further 26% 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.

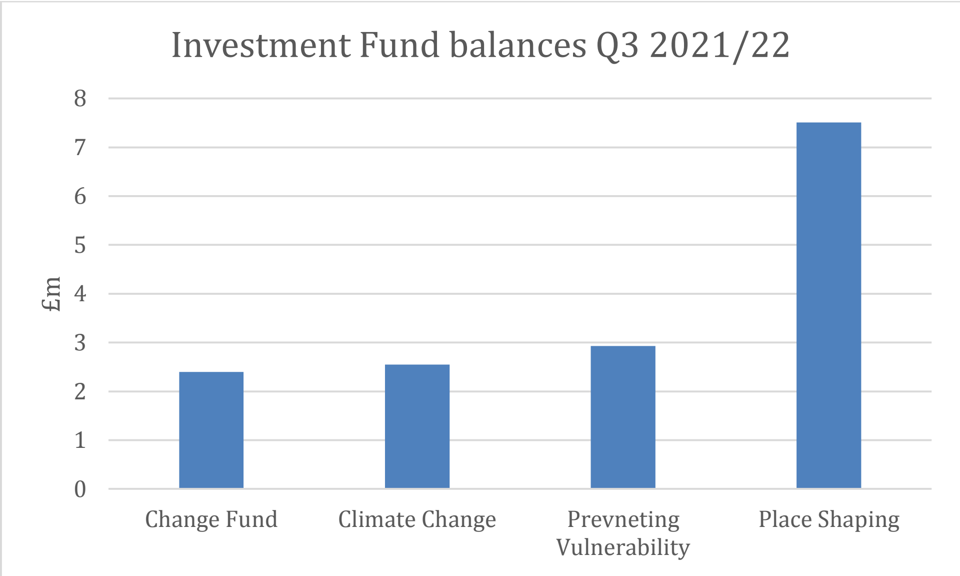
4.3 Forecast saving delivery reduced by 0.26% (£0.021m) since Quarter 2 as a result of changes across a number of schemes. The most significant change relates to a reduction of interest income from treasury management activities (£0.175m) due to the current market conditions. The table below provides details of each scheme that currently forecasts an adverse variance.

4.4 The current difficulties experienced around achieving third party savings are likely to continue for the rest of the financial year as inflationary pressures continue to increase. Increasing inflation is one of the key risks for the MTFS and mitigations have been built in including increased inflation allocations in Services, as well as the increase in the corporate risk reserve for next year.

Description	Target £m	Forecast £m	Reason for variance and associated management action
Environment Services - Expansion of traded income across the service	0.200	0.175	Forestry income is below target at present therefore £25k of the saving target isn't being met.
Education - Further savings on third party spend	0.034	-	Based on the current forecast this saving cannot be achieved by reducing third party spend but the Service is proactively looking to identify where alternative savings can be made.
Fire & Rescue - Further savings on third party spend	0.015	-	This saving was expected to be delivered from savings 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 continue be reviewed to identify in-year mitigations until the saving can be permanently achieved.
Communities - Household waste recycling centre storage - purchase of storage containers to remove revenue cost of hire	0.038	0.019	Due to a delay in the procurement of containers, it is currently anticipated that 50% of the target will be achieved this financial year, with the full saving still being delivered next years.
Adult Social Care - Further savings on third party spend	0.217	-	Unachieved but mitigated by wider service underspends.
Children and Families - Further savings on third party spend	0.052	-	Based on the current forecast this saving cannot be achieved by reducing third party spend but the Service is proactively looking to identify alternative savings.
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 of the 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	-	Unachieved but mitigated by underspends on commissioning budgets.
Other Services	0.175	-	An increase in interest income is not achievable this year due to the prevailing low interest rates.
	1.998	1.120	

5. Corporate Investment Funds

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



5.2. The remaining uncommitted balance of the Investment Funds is £15.384m. Based on the current MTFS proposals some of this funding will be required to support the balanced medium-term position although the impact of this reduction will be mitigated by temporary MTFS allocations to deliver key projects (including funding for SEND and the Digital Roadmap).

5.3. Over the medium term the funds will require additional resources to continue to support emerging projects and current modelling indicates that these resources will be available from 2024/25.

5.4. As a result of the cross-departmental work to integrate the MTFS with the Council Plan, proposals are under development to re-align the funds to ensure effective support for the emerging priorities of the new Council Plan. A revised governance process will further strengthen this alignment ensuring that resources are focused on the delivery of key objectives.

6. Reserves

Reserve	Opening Balance	Movement in year	Outturn Impact	Reserve Review	Carry forwards (subject to approval)	21/22 MTFS Commit -ment	Closing Balance	Future year MTFS Commit-ment	Balances at 31/03/26
	£m	£m	£m	£m	£m	£m	£m	£m	£m
DSG Deficit	(8.271)	(2.405)	(1.911)	-	-	-	(12.587)	(32.397)	(44.984)
Other Schools Reserves	22.264	-	(0.083)	-	-	-	22.181	-	22.181
Covid Reserves	24.445	0.400	(23.685)	-	-	8.507	9.667	(9.667)	-
Other Earmarked Reserves	123.762	(11.459)	15.217	(14.802)	-	2.429	115.110	(1.877)	113.234
Risk and General Reserves	40.203	(3.540)	(0.551)	1.607	(1.267)	-	36.452	1.373	37.825
Available to Use Reserve	42.028	-	-	13.196	(0.041)	(6.735)	48.447	(40.451)	7.996
Total	**244.393**	**(17.004)**	**(11.013)**	**-**	**(1.308)**	**4.201**	**219.27**	**(83.019)**	**136.251**

6.1. At the end of 2020/21 the Council held £244.393 in reserves. Of these £17.004m has been drawn dawn to the end of November 2021 including approved carry forwards, funding for investment and transformation projects as approved by Cabinet and Corporate Board as well as 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 £6.812m. 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 part of the MTFS refresh a detailed reserves review has been undertaken working jointly with Departmental Leadership Teams with the aim to identify reserve balances that can be released to support the MTFS and the Council Plan. The outcome of this review is reflected in the table above and a detailed reserves schedule is provided in Appendix C.

6.4. In preparation for the end of the financial year Services have already identified £1.308m of funds which they wish to carry forward subject to approval by Corporate Board and Cabinet. If these requests approved, it would reduce the resources available for the MTFS and more specifically the resources available to support investment.

7. Capital

7.1. The latest forecast of 2021/22 capital payments directly controllable by the Council is £124.363m. This represents a decrease of £27.070m on the Quarter 2 approved budget reported in November 2021. A further £483.242m of payments forecast over the medium-term results in a total capital programme of £607.605m. Additionally there are £63.719m of S278 projects currently within the capital programme.

7.2. The decrease in the total capital programme for 2021/22 of £29.893m consists of a net decrease in the overall cost of capital schemes to be spent in 2021/22 of £31.421m and an increase in newly approved capital schemes of £1.528m. The changes to forecasts have been split below in paragraph 7.6 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 of £91.178m. An approval was made from this balance on 25th November of £1.592m leaving the balance remaining for allocation purposes £89.586m.

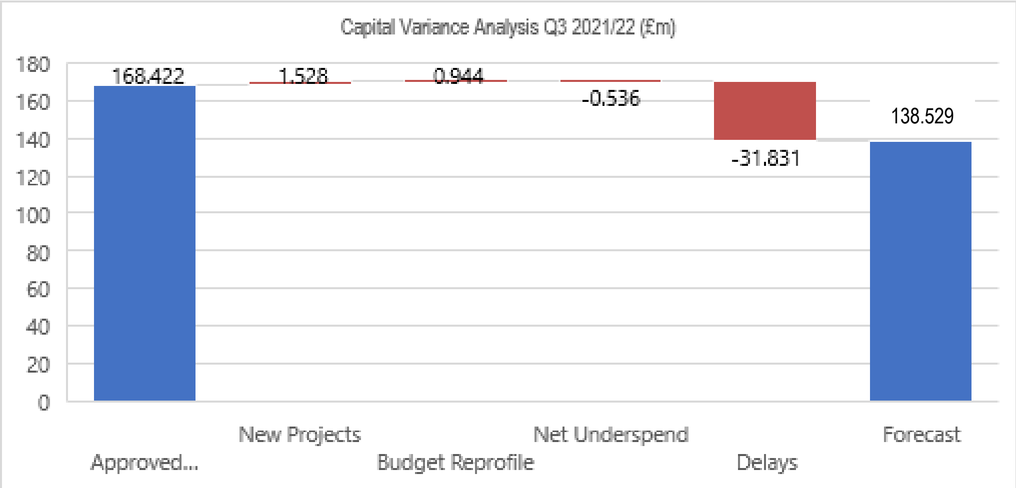
Capital Forecast by Service

	2021/22			2022/23 to 2025/26			Total Variance
	Approved Budget £000	Forecast £000	Variance £000	Approved Budget £000	Forecast £000	Variance £000	£000
Education Services	32,514	33,652	1,138	65,369	65,308	(62)	1,076
Environment Services	54,542	48,419	(6,123)	91,787	98,081	6,294	171
Fire and Rescue	3,902	3,954	52	3,693	3,668	(25)	27
SC for Communities	10,683	8,862	(1,821)	53,555	55,630	2,075	254
Communities	**101,642**	**94,887**	**(6,755)**	**214,403**	**222,687**	**8,283**	**1,528**
Adult Social Care	313	313	-	-	-	-	-
Children and Families	492	492	-	250	250	-	-
Sc for People & Public Health	5,295	5,295	-	50	50	-	-
People	**6,100**	**6,100**	**-**	**300**	**300**	**-**	**-**
Business and Customer Support	471	421	(50)	1,158	1,208	50	-
Enabling Services	20,395	18,855	(1,540)	7,510	9,049	1,539	-
Governance & Policy	2,826	1,700	(1,126)	1,170	2,298	1,128	2
Resources	**23,691**	**20,976**	**(2,715)**	**9,838**	**12,555**	**2,717**	**2**
Corporate	20,000	2,400	(17,600)	230,100	247,700	17,600	-
WCC Capital Programme	**151,433**	**124,363**	**(27,070)**	**454,642**	**483,242**	**28,600**	**1,530**
S278 funded schemes	16,989	14,166	(2,823)	46,436	49,553	3,117	294
Total Capital Expenditure	**168,422**	**138,529**	**(29,893)**	**501,078**	**532,795**	**31,717**	**1,824**

7.4. The forecast of 2021/22 capital payments directly controllable by the Authority of £124.363m excludes the forecast spend on s278 developer schemes of £14.166m. 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 £138.529m.

Capital Variance Analysis

7.5. The latest 2021/22 Approved Capital Budget of £168.422m was approved by Cabinet in November 2021. The chart below explains the changes between the Approved Budget and the actual forecasted spend of £138.529m.



7.6. The 2021/22 budget is set according to the Q2 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 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 £30.887m 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 / underspend	Total capital programme	Delays	Forecast In year capital spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education Services	32,514	1,362	0	(224)	33,652	0	33,652
Environment Services	54,542	139	259	39	54,979	(6,560)	48,419
Fire and Rescue	3,902	27	25	0	3,954	0	3,954
Strategic Commissioning for Communities	10,684	0	559	1	11,244	(2,381)	8,863
Adult Social Care	313	0	0	0	313	0	313
Children & Families	492	0	0	0	492	0	492
Strategic Commissioning & Public Health	5,295	0	0	0	5,295	0	5,295
Business and Customer Support	471	0	0	0	471	(50)	421
Enabling Services	20,395	0	87	0	20,482	(1,626)	18,856
Governance and Policy	2,826	0	(89)	0	2,737	(1,038)	1,699
Corporate (WPDG & WRIF)	20,000	0	0	0	20,000	(17,600)	2,400
WCC Capital Programme	**151,434**	**1,528**	**841**	**(184)**	**153,619**	**(29,255)**	**124,363**
S278 Developer Funded Schemes	16,989	0	104	(353)	16,740	(2,576)	14,166
Total Capital Expenditure	**168,422**	**1,528**	**944**	**(537)**	**170,360**	**(31,831)**	**138,529**

7.7. Adding £1.528m 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, Environment Agency grant, and from Covid-19 allocations.

7.8. 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 £31.831m movement to future years in the quarter compared to the approved budget are set out in Appendix B.

7.9. 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.

7.10. 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 outturn monitoring report.

Capital Financing

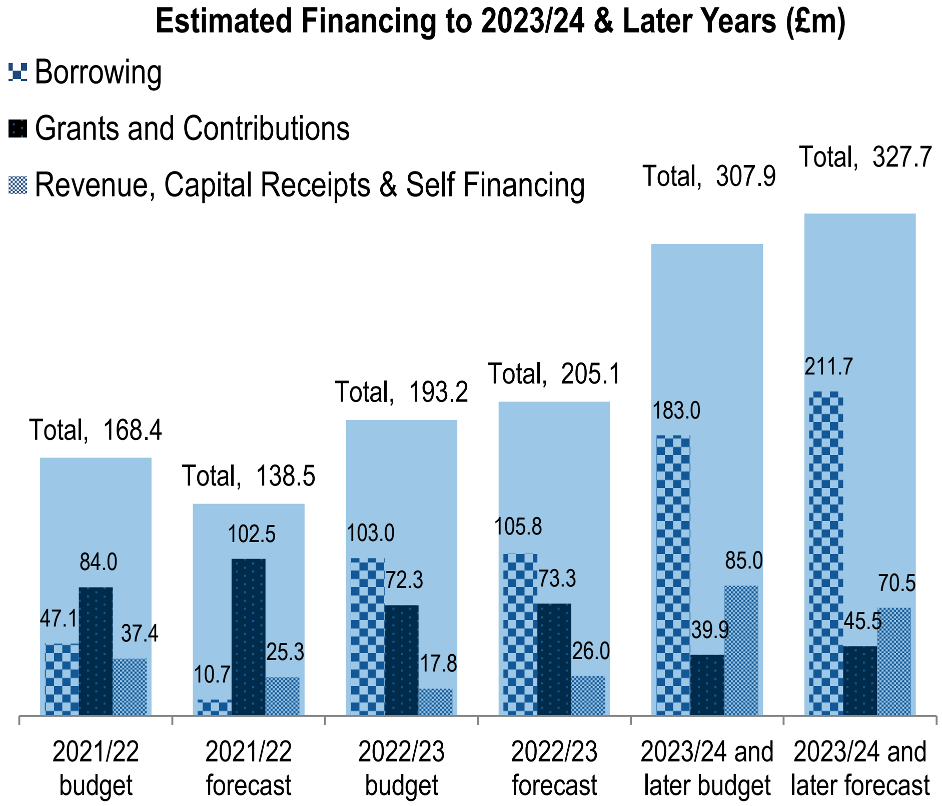
7.11. All local authorities consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before taking out additional 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.

7.12. 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.

7.13. 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.

7.14. 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.

7.15. 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 Budget £'000	2021/22 Forecast £'000	2022/23 Budget £'000	2022/23 Forecast £'000	2023/24 and Later Budget £'000	2023/24 and Later Forecast £'000
Corporate Borrowing	47,048	10,729	103,039	105,828	182,963	211,717
Self-financed Borrowing	1,376	1,376	-	-	-	-
Grants and Contributions	83,953	102,517	72,254	73,314	39,913	45,521
Capital Receipts	16,586	5,200	17,849	25,854	85,011	70,450
Capital Receipts Reserve	17,648	17,648	-	-	-	-
Revenue	1,811	1,059	48	111	-	-
Total	**168,422**	**138,529**	**193,190**	**205,107**	**307,887**	**327,688**

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. Communities Directorate (and DSG)

Education Services (non DSG) £4.157m overspend including £0.594m Covid pressures
The main Covid related pressures are the result of losses in income for traded services. These services with Covid pressures include Warwickshire Music (£0.239m), and Marle Hall (£0.177m).

The £0.713 expenditure on projects funded by Investment funds is primarily activity on the SEND and Inclusion Change Programme funding for which will be drawn down.

After taking account of Covid pressures and the impact of earmarked reserves, the remaining service variance of £2.640m (an increase of £0.932m from Q2) are primarily the result of:

<u>SEND & Inclusion Service</u>
The overspend is primarily due to a £2.073m overspend on the Children with Disabilities (CWD) budget (before being partly offset in the Assistant Director line area from the contribution of £1.251m from Adult Social Care). Overall, the SEND & Inclusion Service has seen a net change in the forecast variance of £0.007m since Q2, but within the service there have been movements since Q2.

- The CWD overspend of £2.073m reflects an increase of £0.203m since Q2. There are significant pressures on the budget for Children in Care who have very complex needs resulting in this predicted overspend.
    - Average unit costs have increased by £447 per week from 2020/21 (from £3,685 to £4,132 per week purchased)
    - The current annual average cost of a 52-week Residential package is £215,000, a rise of £23,000 since 2020/21
    - Weeks of purchase are forecasted to be lower by 137 weeks, which has been achieved in part by additional family support.
- Other overspends to note are:
    - £0.309m on the SENDAR service which are due to a large increase in legal costs and the transfer of mediation costs being charged to this budget as they are not permissible as a DSG High Needs Block cost.
    - £0.248m on SEN transport based on updated and more accurate modelling for taxi costs and up to date information from the start of the Academic year. The £0.248m overspend does represent a reduction in forecast expenditure from Q2 of £0.217m.

<u>Education and Early Years</u>
The overspend of £1.503m is primarily due to cost pressures on mainstream transport for pupils (including those with medical conditions), coupled with cost pressure from taxi services caused by a rise in demand for solo journeys. The new academic year has triggered a large change in demand (post Q2) of £1.358m. As a result of this significant change a review has been instigated by the Strategic Director for Communities to review the process for projecting

and reviewing demand and expenditure (especially for the early months of the financial year, prior to the commencement of the new academic year.)

Education Service Delivery
The remaining service underspend of £0.343m (an increase in underspend of £0.332m since Q2) is mainly the result of an underspend in the Adult Community Learning budget following the outturn position of the 2020/21 academic year with significant reductions in BAU activity due to Covid. This is likely to be a non-recurring event.

DSG £1.911m overspend (a reduction of £0.982m from Q2)
The period since Q2 has seen a continued 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 as well as fresh information following the start of the new Academic year. Specific areas where the projection has improved 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 as well as Early Years.

The DSG consists of 4 'Blocks' with an overall forecasted overspend of £1.911m (£2.893m at Q2), with the overspend related to the High Needs Block (HNB) being £3.585m (£3.865m at Q2). The HNB overspend is offset by smaller projected underspends within the 3 other blocks, most notably the Schools block £1.116m (due to one off non-utilisation of Growth funding for the delayed opening of a primary school). The Early Years Block (EYB) is forecasting an underspend of £0.212m due to lower than expected take up of 3 & 4 year old provision. This EYB underspend could reduce once the January 2022 census numbers are taken account of and adjusted for by the DfE.

Based on the refreshed recovery plan, the current forecast HNB projected overspend of £3.585m is just £0.045m higher than the recovery plan target for 2021/22.

Environment Services £0.089m underspend including £0.642m Covid pressures
The key Covid pressures relate to:

- £0.351m town centre barriers;
- £0.100m Community Safety (funded via COMF grant) post Covid transition projects supporting local businesses, community or charity organisations;
- £0.180m Schools Transport; and
- £0.008m Design Services

After taking the above and a £0.015m draw on reserves into account the remaining service variance is an underspend of £0.746m (an increase in the underspend of £0.585m compared to Q2). This is mainly due to:

- Department for Transport funding for Supported Bus Services (£0.319m) not being fully spent as originally anticipated in year. The funding was for a 2 year project from 20/21 but started late due to Covid so will be requested for carry forward into 22/23 to complete.
- There is an underspend within County Fleet Maintenance which relates Fleet Care (£0.072m) which is being requested for approval to carry forward for the purchase of a replacement recovery vehicle. As a traded service the funding for this would need to be found from within the service, therefore the in-year underspend that

is resulting in a carry forward request, if approved, will go towards the provision of a more economical vehicle and will also reduce future maintenance costs ultimately resulting in increased income for the Council.

- Within Network Management there is a significant overachievement of income (£0.451m) and increase of £0.364m compared to Q2. This is mainly due to the volume of Temporary Traffic Orders and associated fines being made where conditions have not fully been met.
- These underspends are offset by smaller variances across the service.
- The movement in forecast between Q2 and Q3 is mostly explained by the above which is offset by increased forecast spend in Engineering Design Services and Trading Standards (£0.129m) due to reduced income and increased legal fees.

Fire and Rescue Services £0.045m overspend including £0.121m Covid pressures

- The Covid spend relates largely to staffing and overtime. Covid pressures have increased by £0.048m mostly due to improved ventilation and occupational support (£0.042m) being funded via COMF.
- After taking into account Covid and the movements on reserves of £0.060m there is a remaining service underspend of £0.137m which arises from additional income being received and reduced staff forecasts.
- Between Q2 and Q3 the remaining service variance reduced by £0.215m from an overspend of £0.078m to an underspend of £0.137m. This is a result of a review of the staffing forecast being undertaken and assumptions being updated.

Strategy and Commissioning for Communities £3.591m overspend including £4.782m Covid pressures

Covid related pressures have increased by £0.249m compared to Q2. This has mostly arisen due to the sustained changes in waste tonnages, increased road safety costs and lost income in Business Centres being offset by a reduction in spend in Business Economy.

Included in Covid pressures are:

- £1.672m 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;
- £0.096m income losses in Business Centres
- £0.234m spend in Country parks, Traffic Modelling and Road Safety; and
- £1.380m pressure in Waste on disposal contracts, waste initiatives and composting.

Since Q2 there has been a change within the investment funds (£0.690m) where it is now apparent that funding set aside on the Rugby Parkway (£0.590m) and Business Economy (£0.050m) projects will not all be utilised in year. For Rugby Parkway the underspend is caused by delays in being able to procure the lead designer.

After allowing for these the remaining service variance is an underspend of £0.381m. This is largely made up of underspends on specific projects which have reviewed staffing forecasts and updated assumptions. It is anticipated that these projects will be seeking approval to carry forward the funds into 2022/23 to allow completion

- £0.113m - Highspeed Rail
- £0.133m - Commonwealth Games (cycle routes)

- £0.031m - Minerals Plan
- £0.055m - Transforming Nuneaton

2. <u>People Directorate</u>

Adult Social Care, overspend of £3.687m including £3.590m Covid pressures
The Covid related pressures of £3.590m are:

- £3.490m enhanced hospital discharge activity which is funded from the Covid Hospital Discharge Grant
- £0.100m financial support to providers.

After taking account of the impact of Covid of Investment Funds, a minor £0.023m in year underspend on an investment funded project, there is an underlying service overspend of £0.120m, which represents an increase in expenditure of £0.165m since Q2.

The material variances within the make up of the Adult Social Care budget, being managed within the Service, are as follows:

- <u>Disabilities</u>: £1.546m 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 5% from 2020/21 due to the increase in complexity of packages. 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 supported living and residential accommodation where appropriate, in light of complex and intensive supported living arrangements.
- <u>Mental Health</u>: £0.967m 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). 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. Mitigation of the cost pressures is done by ensuring packages of care, both new and high cost, are considered from a recovery perspective which is the most cost effective, and community-based alternatives are also considered.
- <u>Assistant Director Area</u>: £0.945m overspend due to contributions to the bad debt provision for client contributions and towards the costs of children with disabilities, including those who are transitioning into adulthood and by supporting this Service the impact on Adult Social Care is reduced. The key change to note in Adult Social Care since the Q2 forecast is a £0.200m contribution to the bad debt provision for client contribution income to be in accordance with the Council's Client Contribution bad debt policy.
- <u>Older People</u>: £2.299m underspend is making the largest contribution to the pressures in Disabilities and Mental health due to almost £3.1m 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: £1.134m underspend is also making a significant contribution to mitigating the overspends elsewhere predominantly due to Integrated Community Equipment and Assistive Technology budgets not expected to be spent due to the Covid response dominating staff time leaving limited capacity to run the pilot schemes. Also limited face to face interactions increase the challenges to implement technology and staffing related underspends.

Children and Families £5.792m overspend including £2.112m Covid pressures.
After taking account of Covid and the impact of earmarked reserves and Investment/Transformation Funds, the remaining service overspend is £5m.

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 £2.112m on Covid related pressures, broadly consisting of:

- £0.569m additional placement / delays in leaving care costs.
- £1.469m additional staffing costs.
- £0.074m other

The overall Children Transformation Fund (CTF) / Child Friendly Warwickshire Transformation Programme has experienced delay due to recruitment and interaction with 3rd sector partners taking longer than anticipated (often due to capacity and the post Covid effect on partners). Although the forecast underspend for 2021/22 is £1.007m, 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 maximise the DfE grant. The overall planned budget is fully committed over the re-phased life of the programme.

Key variances within the Children & Families budget to note are as follows:

Children's Placements
It is recognised that in addition to addressing the increasing number of Children in Care, the 'Placement Mix' is key to bringing down this overspend, with the need for changing the balance between internal and external (including residential) placements. A number of initiatives are being progressed including new methods of recruiting and retaining Internal Fostercarers, The WCC 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.

- Residential Care is forecasting a £3.620m overspend (budget of £10.061m) which is a small increase of £0.131m compared to Q2.
  - Overall FTEs are 12.41 above the budgeted target at now 59.12 FTEs (Q2: 57.54 FTEs)
  - The weekly average unit cost is 11.24% higher than 2020/21 at £4,438 per placement per week which equates to £448 per week increase. This rate is also 9.06% higher than the budgeted rate.
  - The increase in forecasted weeks in 2021/22 compared to 2020/21 is 759 weeks (+32.65%), so this along with the higher weekly rates are the reasons for the continuing increases to the already overspent budget.
- Activity levels within External Fostercare continue at levels anticipated at budget setting, when the budget was increased by £1.499m for this financial year.
  - The forecast expenditure is broadly as per the budget.

    - The number of weeks compared to last financial year has increased by 4.39% with an average weekly unit cost of £841 which is £27 more than 2020/21.
- Internal Fostercare continues the trend of last year and has seen an overall decrease in numbers this financial year, although since Q2 numbers have begun to rise. There is a forecast underspend of £0.109m (budget of £5.935m) and weeks purchased are 3.12% lower this financial year than previous year.
- Parent and Baby placements still pose a volatile financial risk with a forecast higher than the budget by £0.203m. The placements are low in volume and high in cost, so a small movement in activity has a significant impact on projections and are not easily predictable.

<u>Leaving Care – Accommodation and Allowances</u>
Leaving care accommodation and allowance payments are currently showing a large increase of £0.396m since Q2 (£0.898m since Q1). This has been due to increased numbers of placements and the total overall package rates on the rise. The overspend in this area now stands at £1.072m, with many unit costs of these placements being on par with the cost of residential. Demand and costs continue to be closely monitored throughout the year and alternative solutions for individual cases identified where safeguarding issues allow.

<u>Staffing</u>

- There continues to be significant variances covering both direct staff and agency staff budgets – which are forecasting a combined overspend of £2.465m (decrease from Q2 by £0.136m) against a budget of circa £30m (note this excludes staffing budgets included elsewhere such as Asylum, Priority Families, Section 31, Covid and Children Transformation Fund). Of this total, £1.689m relates to Agency which is a rise of £0.233m from Q2.
- The C&F 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 continue to require close monitoring and review.
- The additional staffing pressures incurred due to the need to revise structures and career pathways in order to recruit more effectively are part of a longer-term strategy to manage other costs within the service, including those that are demand led and agency related. Of these, ongoing costs have been built into the MTFS but there is a requirement for proactive action to be taken by the Service to ensure Agency and Covid related staffing costs are reduced next financial year.

<u>Other</u>

- The forecast for legal costs is a £0.250m overspend due to the increase in legal internal SLA & disbursement costs. There has been an increase in demand and activity across Children & Families; and to mitigate this, the Service (in collaboration with Legal Services) continues to review on a monthly basis the workflow to Legal Services.
- There is a part year underspend of £0.464m from the soon to be opened WCC Children's home. This is partly due to reduced expected staffing cost compared to the initial model and also due to a further delay in the home opening until later in

the financial year, due to market difficulties in recruitment of the Registered Home Manager.

- Other underspends offsetting the overspends include contributions from USAC grant to related C&F services of £1.336m; Children in Need allowances projecting a small overspend of £0.037m; a one-off ACE related underspend of £0.082m; and £0.309m planned & achieved one off underspends to assist pressures elsewhere.

Strategic Commissioner for People, overspend of £5.580m including £7.898m Covid pressures

After taking account of Covid costs of £7.898m; the underspend of £0.264m on investment funded projects and a net transfer to earmarked reserves of £1.454m, there is a remaining service underspend of £0.600m, which represents a marginal decrease in costs of £0.085 since Q2.

The impact of Covid-19 on the forecasts amounts to £7.898m and at a high level relates to:

- £6.902m covid related activity funded from the Contain Outbreak Management Fund
- £0.958m covid related activity funded from the Test and Trace Grant
- £0.038m to provide funding towards Covid related staffing costs

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

At Q3 there is a net transfer of £1.454m expected into reserves consisting of:

- £0.927m underspend on Domestic Abuse Safe Accommodation which relates to the MHCLG grant for the new statutory duty. The service is continuing to progress market testing and service scoping.
- £0.223m representing income from the Community Discharge and Integrated Commissioning for Learning Disabilities and Autism whilst spending plans are developed
- £0.204m in year underspend on the universal drugs grant to be spent by June 2022. Given the spending timescales Member approval to draw down into 22/23 is being sought at Q3.
- £0.100m representing income from Coventry & Warwickshire CCG for 18-25 transitions service for Child and Adolescent Mental Health Services while spending plans are developed

After removing the Covid related pressures, and transfers relating to investment funds and reserves, the net variance is a £0.600m underspend. The major contributors to this underlying position are:

- Public Health £0.247m underspend primarily from additional income received towards the homelessness service
- All age specialist provision £0.351m underspend on accommodation based support from delays caused by covid and reduced uptake

A key issue to note in People Strategy and Commissioning is the lack of clarity provided by Central Government around the timescales for spending the Test and Trace Grant, which is assumed to be available to spend until March 2023. We expect to spend £0.958m in year with the £1.082m balance to be spent in 2022/23. If Central Government require the funds to be spent in full in the current financial year, £1.082m would need to be returned and any unavoidable commitments made for Test & Trace Grant spending in 2022/23 would potentially be a financial pressure.

3. Resources Directorate

Business and Customer Services £8.560m overspend including £8.657m Covid pressures

Since Q2 the Covid related pressures have increased by £3.560m. This is largely due to the receipt of the Household Support Fund (£3.473m) which is to be spent in year.

The Covid pressures include:

- £3.473m Household Support Fund
- £1.418m New Social Impact Fund & Social Supermarkets (COMF)
- £2.223m Welfare and Critically Extremely Vulnerable (CEV) Support
- £0.478m Staffing/Agency Costs
- £0.575m Backward Contact Tracing Team
- £0.160m income losses in Heritage & Environment.
- £0.300m Digital Poverty and Befriending projects (COMF).
- £0.030m Other

After taking account of Covid pressures, the remaining service underspend is £0.072m, which has not changed significantly since Q2.

Commissioning Support Unit £1.483m overspend including £2.270m 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 in Covid expenditure forecast.

After taking account of Covid related pressures and the impact of Investment/Transformation funds the remaining service variance is an underspend of £0.227m. This is an increase in underspend of £0.163m since Q2 due to some recruitment delays and increased income from rebates.

Enabling Services £2.031m underspend including £0.352m Covid pressures

The forecast Covid pressures relates to agency staff costs and additional cleaning costs to support the work on reinstatement of buildings. These pressures have increased by £0.254m compared to Q2 largely due to the identification of some cleaning expenditure as being Covid related and to be funded via the COMF grant.

There is an underspend of £0.912m in relation to transformation funding. The reasons are primarily Covid related. This has increased by £0.215m compared to Q2 as further reviews of likely in year spend have taken place.

The service related underspend has decreased by £0.260m compared to Q2 to £1.506m, due to increased costs in Digital and ICT (£0.255m) largely as a result of increased software and staffing costs following the Q3 review.

The remaining service underspend of £1.506m comprises of the following:

- £0.496m underspend across Property Services – mainly due to over recovery of income, which is likely to be one off; and some staffing underspends;
- £0.169m underspend against the service budget held for ad-hoc projects;
- £0.140m underspend across HR Enabling mainly from staff vacancies and over achievement of income targets;
- £0.037m net overspend across Digital and ICT as the net impact of staffing underspends offsetting higher licence costs; and
- £0.737m underspend across ICT Strategy and Commissioning – £0.110m in-year staff underspends and £0.627m one-off underspends from ICT project activity being limited whilst staff continue to work from home.

Finance Service £0.509m underspend including £0.142m COVID pressures
The remaining service underspend of £0.110m is not significantly different to that reported at Q2 and relates mostly to savings on staff vacancies and turnover.

There has been an increase in the expected underspend relating to transformation/investment funds compared to Q2 which reflects the reprofiling of the Agresso development programme to allow for completion of the required upgrades before the start of phase 2.

Governance and Policy £1.230m overspend including £1.022m Covid pressures
The Covid pressures of £1.022m comprise of:
- £0.477m within Communications for additional employee costs, printing, and advertising (£0.290m of this is funded via COMF);
- £0.294m 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;
- £0.084m in Democratic Services to provide a Covid safe environment for committee meetings;
- £0.021m 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 remaining service forecast overspend is £0.184m, which is not significantly different to the overspend reported at Q2. There are overspends in Property (£0.830m) as a result of a historic unachievable savings target and delays to the FOM restructure. This is mostly offset by savings in Communications (£0.389m) where much of the work has been Covid related and funded in year by either COMF or Covid grant and there are salary underspends across Corporate Policy and Legal & Democratic (£0.223).

4. Corporate Services and Resourcing

Of the £22.394m Corporate Services and Resources underspend, £19.337m is Covid related.

The Covid element consists of £20.635m of Covid income offsetting Covid spend reported across the services combined with a further £1.298m 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 and £0.064m relating to additional mortuary costs. The Covid income forecast increased by £3.544m since Q2 predominantly due to the extension of the Hospital Discharge Grant to the end of the financial year.

The non-Covid underspend of £3.057m is attributable to a number of different factors:

- The forecast underspend in capital financing costs (£0.999m). 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 (£1.232m), with £0.357m relating to the Public Health Grant and £0.502m to Extended Rights to Travel, £0.106k to Community Voices Grant and £0.267m to other grants;
- An underspend in the short term cost of setting up and funding the Warwickshire Property and Development Group (£0.733k) as it becomes established due to the prevailing interest rates with approval taking place later than originally anticipated;
- 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 £31.831m 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.

8% (£2.576m) 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.

Environment Services – £6.560m delay caused by:

- A46 Stanks Island signalisation and improvement, Birmingham Road, Warwick (£1.414m) - Main scheme contractor has gone into administration. This means £0.600m spend has been pushed into 2022-23 as the amounts due are unlikely to be resolved until then via the administrators. Phase 2 of the scheme has been delayed until next year due to approvals with National Highways taking longer than expected. This is mainly due to being unable to book road space due to multiple other works in the area. This delay has a knock-on effect for Part 1 claims (£0.200m) being pushed into the following financial year.
- A444 Corridor improvements (£0.458m) – The delays on this project have been caused by the following issues:
  1. Technical detail design issues requiring further traffic modelling and engagement with Road Safety,
  2. The land acquisition is taking much longer than expected,
  3. There are traffic management restrictions due to the close proximity to George Eliot Hospital (Covid) and the other highway projects around Nuneaton,
  4. Contractor availability
- A46 Stoneleigh Junction improvement (£3.264m) – Changing end date of scheme for a variety of reasons impacts expected yearly spend. Significant sums related to compensation events (whilst allowed for within the overall budget) are still being negotiated and no payment will be made until these sums have been agreed. This has had an impact on the spend profile. The chosen Contractor is yet to provide a performance bond and to mitigate the risk this presents we are currently withholding a payment of approximately £1.600m in accordance with the contract.
- Emscote Road Corridor improvements (£0.386m) – The project construction phase has been pushed back due to the availability of resource and conflicting priorities during

Covid. The spend has therefore been reprofiled. Some design and consultation work is required meaning construction is not likely to commence until 2022/23.

- A452 Kenilworth to Leamington Spa town centre cycle route (£0.320m) – there is likely to be spend on design fees and surveys only in 2021-22. The commencement of construction has been pushed back to 2022-23 pending a comprehensive road safety audit.
- Area Delegated projects (£0.196m) – where due to Covid 19 spend has been slower than originally anticipated.
- The remainder relates to various delays over multiple projects (£0.522m), further details can be found in the annexes.

Strategic Commissioning for Communities - £2.381m delay caused by:

- Transforming Nuneaton (£0.772m) – Costs to be incurred relating to the relocation of a tenant are now expected in 2022-23, once agreements have been signed and expenditure has taken place.
- Stoneleigh Park link road (£0.409m) - Time has been spent ensuring that the most suitable contractual arrangement is used for design and scheme build, to minimise the Council's exposure to risk. As various parties are involved this has taken longer than expected, hence the changes to the profile of expenditure.
- Kenilworth Station (£0.229m) - Actual spend in 2021-22 is lower than forecast due to delays in completing minor snagging.
- Leamington Station Commonwealth Games infrastructure improvements (£0.208m) – An additional £0.200 million has been added to scheme budget via an internal reallocation of Network Rail grant. It is envisaged the balance of £0.055m will be met from a Heritage Railway Trust grant. The spending profile across financial years has been adjusted to take account of the delay in construction works which are now due to commence in February 2022.
- Rural mobility fund (£0.207m) – Time has been spent ensuring the most suitable contractual arrangement is used for design and scheme build, to minimise the Council's exposure to risk. As various parties are involved this has taken longer than expected, hence the slippage in the scheme spend profile.
- Evidence led decision making to tackle climate change equipment (£0.150m) – the budget for Artificial Intelligence Technology and ANPR (Automatic Number Plate Recognition) to monitor air quality has been rescheduled to 2022-23 due to the required procurement process.
- The remainder relates to various delays over multiple projects (£0.406m), further details can be found in the annexes.

Enabling Services - £1.626m delay caused by:

- Development of Rural Broadband (£1.626m) - The forecast expenditure on the project has reduced in 2021-22. This is due to delays in delivery caused by:
  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.

Governance & Policy - £1.038m delay caused by:

- Strategic Sites planning applications (£1.038m) – works around asbestos relating to both removal from structures and site demolition), Ecology work (associated with archaeology), £560k Bovine remediation costs (scheduled now for April / May 2022) have pushed back spend into 2022-23

Corporate Services - £17.600m delay caused by:

- Warwickshire Recovery Investment Fund (£17.600m) – The budget for WRIF was based on a full year of operations in 2021/22 but the approval of the business case took place later than originally anticipated. Take up of WRIF lending has also been lower than expected in the initial year. The full allocation is still forecast to be used but moved into future years to reflect actual outturn for 2021-22.