Cabinet

16 June 2022

Financial Outturn Report 2021/22

Recommendations

Cabinet are recommended to:

a) Note the net spend in 2021/22 and the consequent revenue underspend for the organisation at the end of the year;

b) Note the explanations and mitigating actions for variations to budgets, and the implications on the Medium-Term Financial Strategy, as set out in Appendix A;

c) Note the capital spend in 2021/22 and its financing and the explanations for variations on individual projects set out in paragraph 5.6 and Appendix B.

d) Approve the £3.473m carry forward of specific services' revenue funding originally expected to be spent in 2021/22, to support the delivery of the Council Plan in 2022/23, as outlined in paragraph 4.4 and Appendix D;

e) Approved the £6.958m carry forward of funding originally approved to be resourced from the Revenue Investment Funds in 2021/22 to support the delivery of the Council Plan in 2022/23, as outlined in paragraph 4.8 and Appendix E.

f) Approve the reprofiling of the capital programme as set out in Annexes A to M and require Corporate Board to give an enhanced focus to the accurate phasing of capital spend in 2022/23 and over the medium term;

g) Note the current reserves position for the organisation as set out Section 4 and Appendix N.

1. Purpose of the Report

1.1 The purpose of the report is to provide an analysis of and commentary on the financial position of the organisation at 31 March 2022, including:

- Capital and revenue performance during the financial year 2021/22;
- Explanations and mitigating actions for potentially longer-term pressures;
- Savings achievement over the course of the financial year; and
- The resulting reserves position as at 1st April 2022.

2. Executive Summary

2.1 2021/22 has been a second highly unusual financial year due to the ongoing impact of Covid. Some areas have continued to face increases in demand and drops in planned income as well as the need to maintain a range of new services set up last year almost overnight. Other areas continued to see a temporary reduction in demand and Covid has limited our ability and capacity to invest in change and deliver our planned capital investments. It has been a period of sustained uncertainty as we adapt services and ways of operating to a post-Covid environment where our understanding of which changes will persist into the medium term is continually evolving. At the same time we were faced with growing inflationary pressure in the latter part of the year that is forecast to continue throughout 2022/23.

2.2 We continued to receive significant and very welcome additional funding from government, in many different tranches, with numerous conditions attached, and at various times during the year, to help us support our communities through the Pandemic. The incremental provision of in-year funding, proliferation of small funding pots and understanding the changing financial impact of Covid on our costs and income have continued to provide for a challenging financial management environment.

2.3 The outturn figures reflect these factors and have led to a higher variation than would be expected in a normal year. We remain a financially strong and resilient Authority and have not had to identify additional savings in-year or re-base budgets. Despite the challenging environment we have successfully delivered 99.4% of our savings plan for the year strengthening our sustainable and resilient financial position. However, the emerging inflationary pressure is creating significant financial pressures over the medium term.

2.4 The Council has ended the financial year with a revenue underspend of £10.485m. The underspend reflects the impact of reprioritising our plans to adapt to the ever-changing circumstances. £8.569m of this underspend will increase the balance of our General and Directorate Risk Reserves providing increased resilience for the medium term.

	£m	Q3	Change
Approved Budget	335.547	336.475	(0.928)
Net spending as at Outturn and forecast as at Quarter 3	325.062	347.488	(22.426)
Net underspend	**(10.485)**	**11.013**	**(21.498)**
Reason for, and resourcing, of the net underspend			
• Covid variance fully funded by covid grants carried forward from previous years	14.186	12.846	1.340
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	(7.131)	(3.468)	(3.663)
• DSG deficit to be offset against the DSG contingency reserve	0.422	1.911	(1.489)
• Spend to be transferred to other Earmarked Reserves	(9.394)	(0.828)	(8.566)
Balance of underspend to be added to Directorate and General Risk Reserves	**(8.569)**	**0.552**	**(9.121)**

2.5 We spent £47.547m on our Covid response and recovery during 2021/22 (£51.020m in 2020/21), continuing to deliver on the commitments of the Covid Recovery Plan that set out the short and long-term priority actions for laying the foundations for longer term recovery in 2021/22 and beyond. We have continued this work with our partners and spreading the Covid funding over more than one financial year will enable many of these important initiatives to continue. It will not only allow us to continue to focus on test, trace and contain activities but also to provide further support to local businesses via our grant schemes, as well as to mitigate the impact of Covid on communities most vulnerable to it and help reduce the impact of the Pandemic on mental health. We have funded all our Covid activities from additional government funding received in year as well as from the Covid funds we set aside at the end of 2020/21 to enable to delivery of our long-term recovery initiatives.

2.6 The largest element of the remaining underspend was in Adult Social Care. The Covid-19 pandemic disrupted normal expenditure trends. Taking a partnership approach, we maintained and strengthened the health and care system in Warwickshire to support people leaving hospital who still required care services. This enabled us to utilise the Hospital Discharge Grant and other temporary NHS resources during the year. The additional government funding to aid hospital discharges and support our providers provided alternative sources of funding for services. Contributing to the underspend are increased client contributions and reduced expenditure on direct payments as well as higher recovery of underutilised direct payments as a result of Covid restrictions impacting on the ability to receive care via direct payments. As a result, the current year non-covid underspend of £4.609m should not be treated as an indication of the ongoing position. As a comparison, in 2019/20, the last full financial year before Covid adult social care underspent the approved budget by £0.610m or just 0.4%.

2.7 At the same time, we continue to face increasing, financially material challenges relating to our Children's and Education Services (including SEND). The overall revenue underspend masks a £3.125m overspend in Education from increased placement costs for children with disabilities as well as increased transport cost for both SEND and mainstream pupils and a £5.505m overspend in Children and Families again due to demand-driven placement costs.

2.8 These areas of overspend reflect national, not local issues. In common with other upper tier councils across the country, Covid impacts are increasing volumes and complexity of work after the success of recent work to reduce numbers of looked after children, highlighting the serious issues inherent in the children's market. As expected, we saw the impact of latent demand post-lockdown throughout 2021/22. Cumulatively, these factors are presenting significant cost increases and uncertainty with £10.516m of permanent funding allocated in the MTFS for 2022/23 to address these pressures.

2.9 When taking this into account, as well as the medium-term impact of the increasing inflationary pressures, despite the in-year underspend, the medium-term position has become more challenging. We anticipate significant issues to resolve in reaching a balanced budget for 2023/24, especially in the absence of a national solution to funding for SEND. Our robust approach to managing Covid funding puts us in the best possible position to respond to the financial challenges ahead, but medium-term financial planning will remain a challenge requiring an agile and flexible approach.

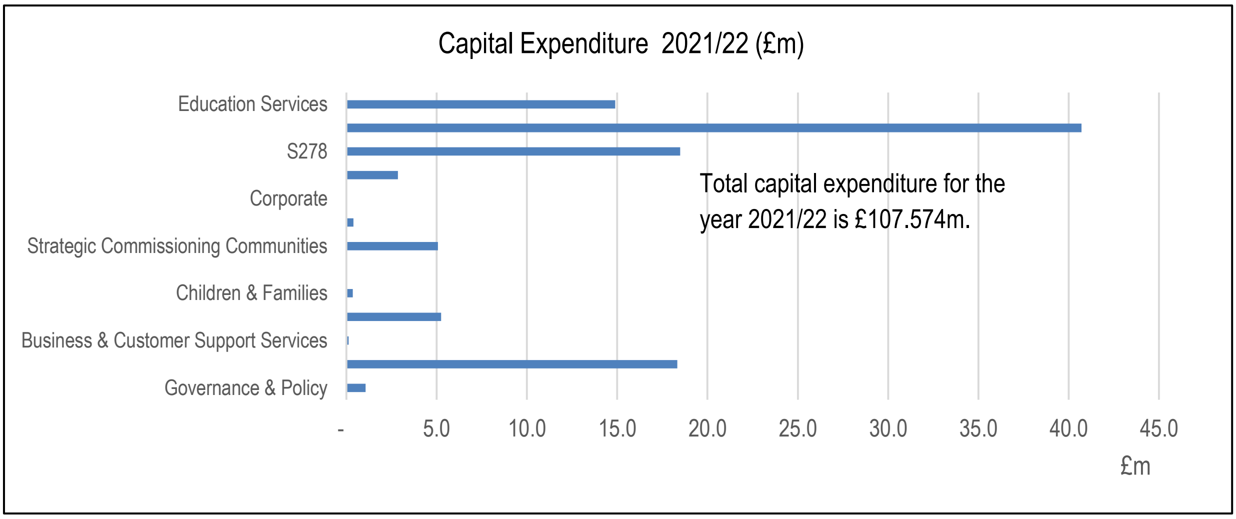
2.10 Despite the Pandemic throughout the 2021/22 financial year, we have moved forward with our ambitious capital programme. Although we had to delay some plans, 2021/22 has seen the level of capital investment increase compared to the previous year and get close to its pre-pandemic level, delivering on the priorities set out in our Capital Strategy.

The tables and charts below provide a summary picture of the headline numbers. The remainder of the report provides further detail and narrative to explain the figures.

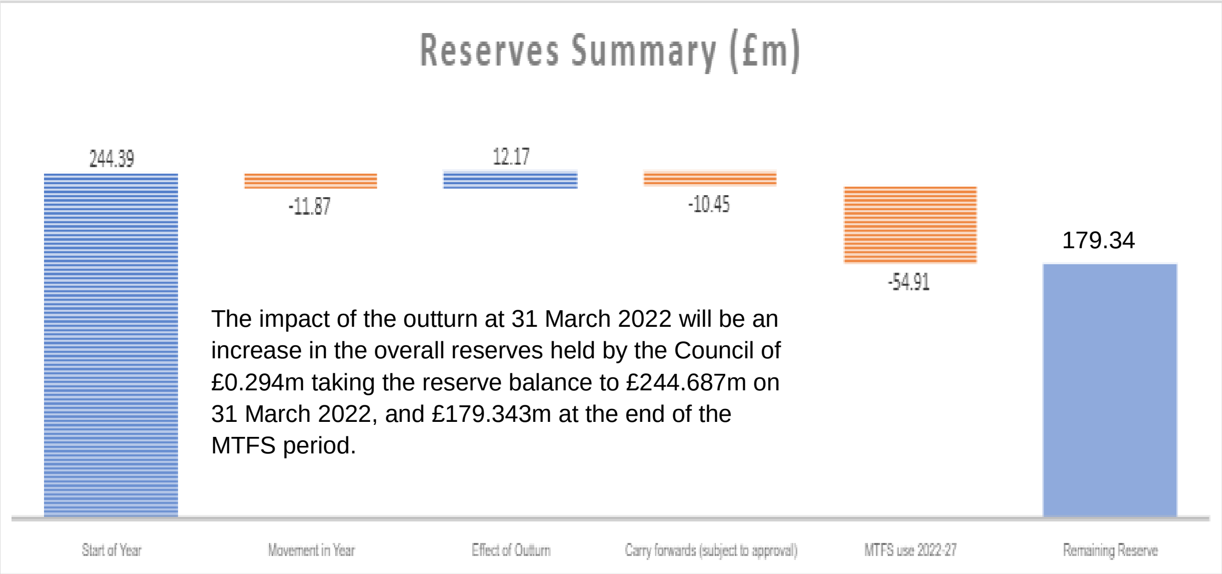
Revenue Outturn 2021/22

	£m
Approved Budget	335.547
Net spending at outturn	325.062
Net underspend	**(10.485)**
Reason for, and resourcing, of the net underspend;	
Covid variance fully funded by covid grants carried forward from previous years	14.186
Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	(7.131)
DSG deficit to be offset against the DSG contingency reserve	0.422
Spend to be transferred to other Earmarked Reserves	(9.394)
Balance of underspend to be added to Directorate and General Risk Reserves	**(8.569)**

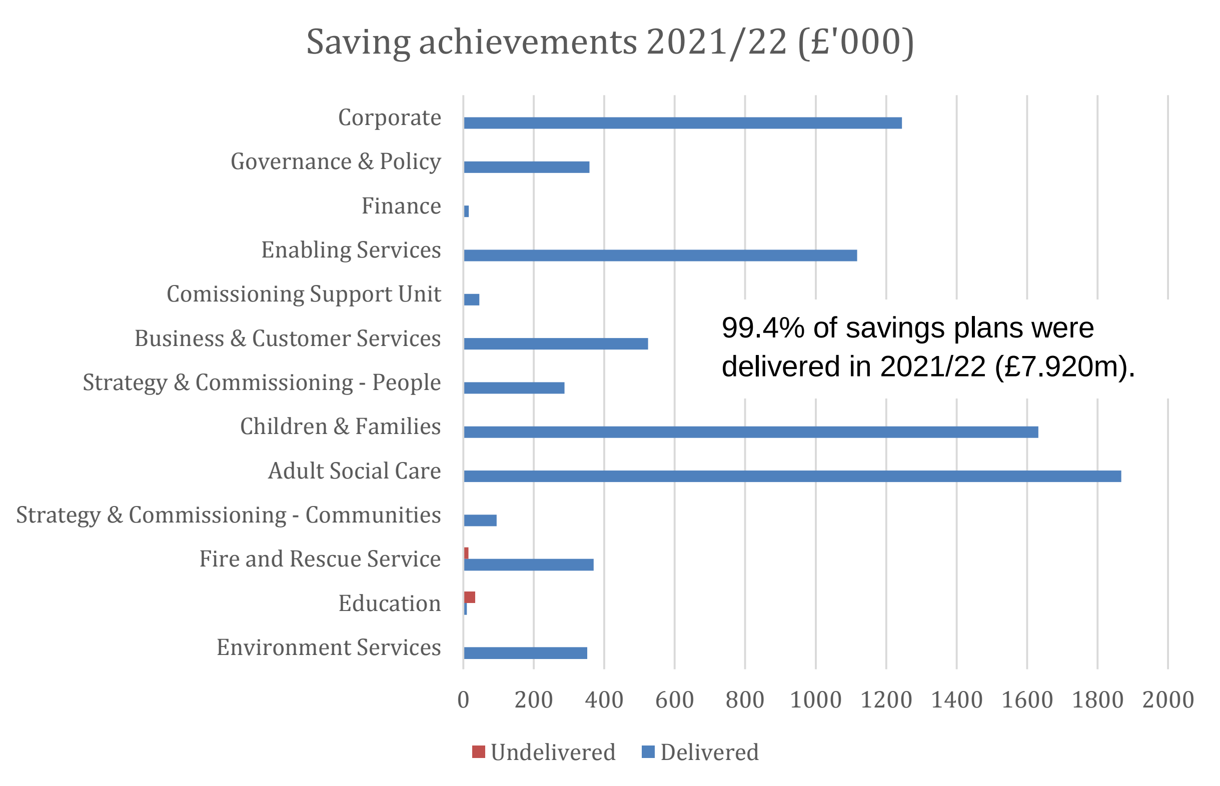
Capital Outturn 2021/22



Reserves Summary 2021/22



Savings Achievement 2021/22



3. Revenue Outturn

3.1 The table below shows the approved budget against the outturn. It is analysed by the impact of Investment Fund projects, other earmarked reserves and net Covid income and expenditure to show the underlying impact on the Council's core spending and Directorate Risk Reserves by Service.

Revenue outturn by service

Service Area	Approved Budget	Service Outturn	(Under) /Overspend	(Under) /Over spend as a % of Budget	Change from Q3 forecast	Represented by: Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service Variance	Remaining service variance as a % of budget	Remaining Service Change from Q3 forecast
	£m	£m	**£m**	**%**	£m	£m	£m	£m	£m	%	£m
Communities											
Education Services - Non-DSG	42.084	45.246	**3.162**	**7.5%**	(0.995)	(0.236)	(0.128)	0.401	3.125	6.9%	0.485
Environment Services	26.834	26.972	**0.138**	**0.5%**	0.227	(0.031)	(0.671)	1.692	(0.852)	(3.2%)	(0.106)
Fire & Rescue	22.355	22.309	**(0.046)**	**(0.2%)**	(0.091)	(0.052)	(0.042)	0.152	(0.104)	(0.5%)	0.033
Strategic Commissioner for Communities	25.018	26.438	**1.420**	**5.7%**	(2.171)	(1.145)	(0.095)	4.739	(2.079)	(7.9%)	(1.698)
Subtotal Communities	**116.291**	**120.965**	**4.674**	**4.0%**	**(3.030)**	**(1.464)**	**(0.936)**	**6.984**	**0.090**	**0.1%**	**(1.286)**
People											
Adult Social Care	159.793	155.225	**(4.568)**	**(2.9%)**	(8.255)	(0.073)	(3.026)	3.140	(4.609)	(3.0%)	(4.729)
Children & Families	75.320	80.361	**5.041**	**6.7%**	(0.751)	(2.315)	(0.403)	2.254	5.505	6.9%	0.505
Strategic Commissioner for People	35.857	36.327	**0.470**	**1.3%**	(5.110)	(0.383)	(2.725)	4.970	(1.392)	(3.8%)	(0.792)
Subtotal People	**270.970**	**271.913**	**0.943**	**0.3%**	**(14.116)**	**(2.771)**	**(6.154)**	**10.364**	**(0.496)**	**(0.2%)**	**(5.016)**
Resources											
Business and Customer Services	19.446	27.807	**8.361**	**43.0%**	(0.199)	(0.127)	(0.235)	9.046	(0.323)	(1.2%)	(0.251)
Commissioning Support Unit106	7.565	8.760	**1.195**	**15.8%**	(0.288)	(0.805)	0.000	2.270	(0.270)	(3.1%)	(0.042)
Enabling Services	26.137	24.031	**(2.106)**	**(8.1%)**	(0.075)	(1.503)	0.435	0.415	(1.453)	(6.0%)	0.053
Finance	6.878	6.597	**(0.281)**	**(4.1%)**	0.228	(0.422)	0.052	0.126	(0.037)	(0.6%)	0.073
Governance & Policy	2.772	2.805	**0.033**	**1.2%**	(1.197)	(0.039)	0.084	0.709	(0.721)	(25.7%)	(0.905)
Subtotal Resources	**62.798**	**70.000**	**7.202**	**11.5%**	**(1.531)**	**(2.896)**	**0.336**	**12.566**	**(2.804)**	**(4.0%)**	**(1.072)**
Subtotal Directorates	**450.059**	**462.878**	**12.819**	**2.8%**	**(18.677)**	**(7.131)**	**(6.754)**	**29.914**	**(3.210)**	**(0.7%)**	**(7.374)**
Corporate Services and DSG											
Corporate Services & Resourcing	(116.916)	(140.642)	**(23.726)**	**20.3%**	(1.333)	0.000	(2.640)	(15.728)	(5.359)	3.8%	(1.747)
DSG expenditure	242.425	242.721	**0.296**	**0.1%**	(0.740)	0.000	0.296	0.000	0.000	0.0%	0.000
DSG income	(240.021)	(239.895)	**0.126**	**(0.1%)**	(0.749)	0.000	0.126	0.000	0.000	0.0%	0.000
Subtotal Corporate Services and DSG	**(114.512)**	**(137.816)**	**(23.304)**	**20.4%**	**(2.822)**	**0.000**	**(2.218)**	**(15.728)**	**(5.359)**	**3.9%**	**(1.747)**
Total	**335.547**	**325.062**	**(10.485)**	**(3.1%)**	**(21.498)**	**(7.131)**	**(8.972)**	**10.616**	**(8.569)**	**(2.6%)**	**(9.121)**

3.2 The total revenue underspend for the year of £10.485m, a shift of £21.498m from the position reported at Quarter 3. A breakdown of this is shown in the table below.

	£m
Increase in Revenue Investment Fund underspend	3.663
Increase in transfers to Earmarked Reserves	10.055
Increase in net Covid spend	(1.341)
Increase in remaining service variance	9.121
Total Change	**21.498**

3.3 The underspend on Revenue Investment Fund projects increased by over 50% since Quarter 3 with 44 projects requested their remaining funding to be carried forward in order to complete the projects. Details of these are provided in section 4.8 and **Appendix E**. Whilst Covid remained the key theme causing delays, other contributing factors include difficulties in recruitment and third party commissioning, the timely availability of external funding and the complexity of governance arrangements where projects are delivered jointly with our partners.

3.4 The increase in transfers to Earmarked Reserves is partially driven by People Directorate setting aside partnership funding held with external partners (CCG and the Transforming Care Partnership) and grant income planned to be utilised in 2022/23. The other key contribution is the higher than anticipated business rates income and gain from the Coventry and Warwickshire Business Rates Pool.

3.5 Our spend on Covid response and recovery in 2021/22 was £47.547m which can be fully funded from government grants and NHS discharge claims offsets provided for this purpose. Our focus for 2021/22 has been to effectively manage the immediate response to the Pandemic as well as to mitigate the long-term impact of Covid in our communities. The emerging Covid variants and varying levels of restrictions during the year has impacted the profile of spend on some major recovery initiatives despite the excellent progress made implementing our recovery plan. We therefore have £19.290m Covid-19 funding available for managing our continued Covid response and recovery in 2022/23 and beyond including £4.891m to manage tax volatility. The table below summarises the covid spending and grants. A further breakdown is provided in **Appendix C** that includes how the grants have been used in 2021/22 and the £15.272m committed to projects to be delivered in future years.

	Reserves £m	Income 21/22 £m	Number of Grants	Spent 21/22 £m	Committed £m	Available to support recovery £m
Covid General Grants	15.040	15.746	7	14.848	11.919	4.018
Covid Specific Grants	9.405	26.647	10	32.699	3.353	0
Total	**24.445**	**42.392**	**17**	**47.547**	**15.272**	**4.018**

3.6 The remaining service variance of £8.569 represents 2.6% of the revenue budget. The increase in remaining service variance since Quarter 3 is attributable to Adult Social Care (£4.729m), Strategic Commissioning for Communities (1.698m) and Corporate Services (1.747m) with movements in the remaining services offsetting each other. Further details of the variation and mitigating actions at Service level can be found in **Appendix A** and at a Team level within each Service in **Annexes A to M.** Though each of the three services highlighted above has a specific set of circumstances leading to the increase in the service variance in Quarter 4, the overarching theme is higher than expected income from third parties including central government, partners and service users. The key reasons for the increase in service variance for the three services are:

- Adult Social Care: £1.823m increase in client contributions particularly in Older People Services where the proportion of income in relation to expenditure increased above that indicated by historic trend data; £0.598m reduction in Mental Health forecast due to lower than anticipated demand growth in the last quarter; £0.587m reduced net cost of Disabilities direct payments due to Covid restrictions impacting on the ability to spend and receive care via direct payments; £0.377m windfall following settlement of longstanding Continuing Health Care negotiations.
- Strategic commissioning for Communities: higher than anticipated income from Lower House Farm (£0.596m) and business centres (0.278m) as well as lower Civil Parking Enforcement cost due to the ability of the contractor to deploy staff (0.601m).
- Other Services: additional unplanned grant income received from central government in the last quarter.

3.7 At the end of the financial year the £10.485m underspend will transfer into the Council's reserves, however not all of this is available to use. Section 4 of this report has more details on the Authority's reserves position and the options available to the Authority to use reserves to support the delivery of the ambitions in the Council Plan in 2022/23 and future years. Annex N provides a detailed schedule of earmarked reserves at the end of the financial year.

3.8 The net overspend on the Dedicated Schools Grant (DSG) in 2021/22 is £0.422m, comprised of four blocks. The cumulative DSG deficit at the end of 2021/22 is £11.097m offset by the DSG contingency of £13.678m held by the Authority. All parts of this overspend cannot be funded by Council funds outside of the DSG grant, and the blocks cannot cross-subsidise each other. The table below shows how the overall DSG deficit is broken down across the four blocks.

DSG deficit as at 31 March 2022	£m
Central Block	(0.489)
Early Years Block	(2.932)
High Needs Block	15.980
Schools Block	(1.461)
Total Impact	**11.097**

3.9 The High Needs Block remains a key area of concern. The repeated annual overspend emphasises the structural deficit in funding for this service. Plans to start to reduce the structural deficit, through the Special Educational Needs Change and Inclusion Plan, were approved by Cabinet in 2020/21 and work to implement these plans is underway. However, these plans are insufficient to fully meet the current and expected future deficit. The relatively small increase in the High Needs Block deficit at the end of 2021/22 (£2.130m) compared to previous years represents an over-achievement of the recovery plan savings in the current financial year. However, without a change in government policy, the Authority will continue to need to set aside sufficient reserves to offset the position until such time as the DSG is back in balance. This position is shared by most upper tier councils across the country.

3.10 The Council's accounts will also include a £1.761m underspend by maintained schools from their delegated budgets. The decisions on the use of this funding are for the individual schools concerned and the County Council cannot make any decisions as to how this funding is used. The underspend will be transferred to an earmarked reserve.

Savings Performance

3.11 To achieve a balanced budget in 2021/22 required the delivery of £7.969m, from the table below 99.4% in total was achieved. Performance against individual savings targets are listed in Annexes A to M of this report.

2021/22	No. of Savings Options	Saving Delivered £m	Saving Not Delivered £m
Savings target achieved/overachieved	39	7.219	-
Savings target partially achieved	1	0.701	0.188
No saving delivered against target	5	0.000	0.421
Total	**45**	**7.920**	**0.609**

3.12 Below are details of those savings which were not fully delivered in 2021/22. The high level of savings achieved is a positive outcome and contributes to a stable financial position. It is currently expected that for most of these savings plans the position will be recovered in 2022/23 and therefore there will not be a long-term impact on the sustainability of the Medium-Term Financial Strategy.

3.13 Of the £0.609m savings not delivered 69% related to third party spend with a further 31% associated with insufficient cost reduction from vacancy management. The current difficulties around third party savings are likely to continue into 2022/23 as inflationary pressures 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 2022/23.

Description	Target £m	Outturn £m	Reason for variance and associated management action
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.			
Education	0.034	0	No specific service areas were identified although work across all Tier 3 management has sought to reduce costs as much as possible.
Fire and Rescue	0.015	0	No specific areas identified and due to overspends caused by increased training costs the saving could not be achieved.
Adult Social Care	0.217	0	Unachieved but mitigated by wider service underspends. There is no wider service impact whilst service is operating within budget.
Children & Families	0.052	0	No specific service areas were identified although work across all Tier 3 management has sought to reduce costs as much as possible. This is intrinsically linked with overall C&F spend and has been mitigated by overachievement of an income savings target.

People	0.103	0	Unachieved but mitigated by underspends on commissioning budgets. There is no wider impact while service operating within budget.
Savings 'Not Achieved'	**0.421**	**0**	
Children & 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 issues and pressures / demands on the whole of C&F it has not been feasible to take the anticipated post reductions forward. However, this has been addressed in the 2022/23 MTFS.
Savings 'Partially Achieved'	**0.889**	**0.701**	

4. Reserves

4.1 At the start of the 2021/22 financial year the Council's reserves were £244.393m. After the approved changes to reserves in year and the impact of the overall revenue underspend the level of reserves increased by £0.294m to £244.687m. The position is summarised in the Table below and Appendix N provides further details on the individual reserves.

	Reserves at 1 April 2021 £m	Forecast Movement in year £m	Forecast Reserves at Budget Setting (Q3) £m	Movement since Budget Setting £m	Reserves at 31 March 2022 £m	2022-27 Planned Use £m	Remaining Reserves £m
Schools Reserves	13.992	(4.399)	9.593	3.282	12.875	0.000	12.875
Externally Earmarked Reserves	9.716	(0.448)	9.268	4.180	13.448	0.000	13.448
Covid Funding	24.445	(14.778)	9.667	4.732	14.399	(10.380)	4.019
Internal policy/projects	17.677	(4.168)	13.509	0.388	13.897	(0.686)	13.211
Corporate Investment Funds	40.508	(17.117)	23.391	8.140	31.531	(17.210)	14.321
Volatility reserves	43.510	11.755	55.265	(0.817)	54.448	(4.835)	49.389
Management of Financial Risk	40.203	(2.483)	37.720	2.152	39.872	(1.305)	38.567
Contingency for DSG overspend	12.314	1.364	13.678	0.000	13.678	(1.070)	12.608
Available for Use	42.028	6.460	48.488	2.051	50.539	(29.858)	20.681
Total	**244.393**	**(23.814)**	**220.579**	**24.108**	**244.687**	**(65.344)**	**179.343**

4.2 The main reasons for the increase in reserves between budget setting in February and the end of the financial year are:

- £4.7m Covid funding being carried forward to support response and recovery in 2022/23 and beyond. As set out above, a significant amount of this funding has already been committed but it does provide greater financial resilience should additional spending be required over the coming months.
- £8.1m of project funding not utilised in 2020/21 of which £7.1m relates to projects funded from the Corporate Investment Funds that have been delayed due to Covid and spend will now take place in 2022/23 and £1.0m that was made available for the Children's Transformation Programme from the Department for Education but allocations to specific projects where not made during the year.

Fund	Movement since budget setting (£m)	Reason
Fire Transformation Fund	(0.006)	
Children's Transformation Fund	4.296	£0.972m contribution received from DfE in March 2022 representing their contribution to the programme for 2021/22. Delay in delivery of approved projects
Council Change Fund	2.430	Delay in delivery of approved projects
Revenue Investment Funds	0.054	
Education Transformation Fund	1.367	Delay in delivery of approved projects
Total	**8.141**	

- £4.2m increase in externally earmarked reserves as a result of a £2.8m additional contribution from the CCG to the Better Care Fund System Development Fund to facilitate the timely discharge of patients in the next two years and £1.6m increase in the Social Care and Health Partnership Reserves.

4.3 The net effect of these changes is that the "Available for Use" reserve has increased by £2.051m from the position at budget setting in February. This does leave £20.681m available to support the delivery of the new Council Plan as part of the 2022/23 MTFS refresh. Corporate Board strongly recommend that none of this resource is allocated at this time pending the impact of the inflationary pressures on the current MTFS, the sufficiency of the remaining Covid funding to support the response and recovery activity required, the progress on the delivery of the SEND Change and Inclusion Plan and whether the allocations made in the MTFS to resource the demand-led overspending in 2022/23 are sufficient.

4.4 Services have requested approval to carry forward £3.473m of reserves to support spending in 2022/23 and 2023/24. The £3.473m is made up of 31 different requests from Services to carry forward some of their 2021/22 resources into future years for spend against a specific project or initiative. The individual requests, and planned use of the funds are listed in Appendix D and summarised in the table below alongside the Services' 2021/22 adjusted outturn position. Cabinet are recommended to approve these requests.

4.5 Part of the carry forward request for Education (non-DSG) relates to underspends held for forward funding of places and the Warwickshire Academy site that is not needed until 2022/23 due to the delay in the opening date. Taking this into account their underlying overspend is higher than the net £3.125m reported, driven by the cost of placements for Children with Disabilities.

4.6 The Fire Service request to carry forward grant income received in 2021/22 is higher than the total underspend for the service. Based on the outturn position the Communities Directorate Risk Reserve has the capacity to fund the overspend without it reducing below the 3% target for the Directorate. If all carry forward requests approved for Communities, they will have finished the year £0.497m above the Risk Reserve target that will be transferred to the Available to Use reserve.

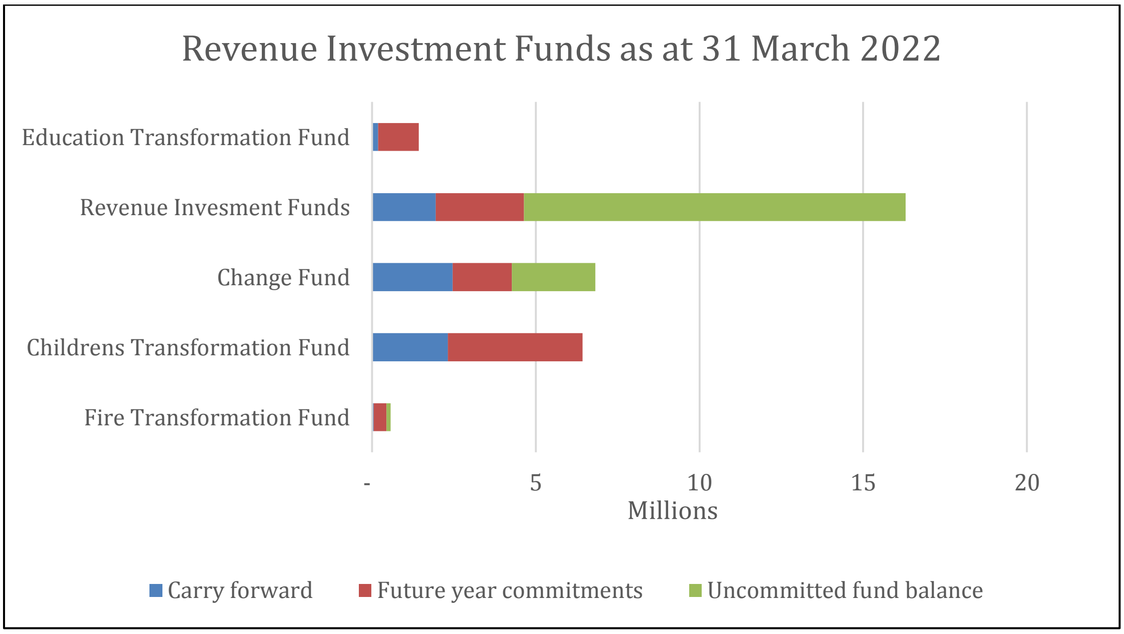
Service	2021/22 Outturn Over/(Under)Spend (after Covid and Earmarked Reserves) £m	Carry forward requested £m
Education Services – non-DSG	3.125	0.960
Environment Services	(0.852)	0.415
Fire and Rescue Service	(0.104)	0.203
Strategy & Commissioning - Communities	(2.079)	0.102
Strategic Commissioning – People	(1.392)	0.430
Business and Customer Services	(0.323)	0.119
Commissioning Support Unit	(0.270)	0.030
Enabling Services	(1.453)	0.669
Governance and Policy	(0.721)	0.105
Finance	(0.037)	0.038
Corporate Services	(5.359)	0.402

Corporate Investment Funds

4.7 At the beginning of 2021/22 there was £40.508m in the Corporate Investment Funds. During the year £16.108m has been allocated from the funds for projects, including scoping the Warwickshire Property and Development Group, supporting the Dedicated Schools Grant recovery, developing Integrated Care Records across the care sector and a number of projects to support high streets and businesses through the pandemic. A further £10.252m has been committed for future years to complete complex multi-year projects such as the Children's Transformation Programme and the SEND and Inclusion Change Programme.

4.8 Of the £16.108m allocated to projects in 2021/22 £7.130m had not been spent by the end of the year (44.3%). £0.171m of this underspend is due to projects being completed below budget. This funding will be returned to the Revenue Investment Funds and will be available for allocation to new initiatives. The remaining underspend of £6.959m relates to 44 projects that have been delayed and the services are requesting permission to carry forward the funding in order to complete the projects. The Investment Fund carry forward requests are provided in Appendix E of this report. The most significant delay relates to the Children's Transformation Programme (£2.315m) which has seen continued widespread disruption due to Covid, resulting in over 30 workstreams being delayed. The programme has rephased the spending into 22/23 in agreement with the Department for Education who part funding it. In addition to Covid the key themes causing delays are difficulties in recruitment and third party commissioning, timely availability of external funding and the complexity of governance arrangements where projects are delivered jointly with our partners.

4.9 This means there is £14.320m available for allocation for future invest to save initiatives and to support the delivery of the new Council Plan. This is £1.180m less than assumed in the MTFS. The difference is due to project approvals from the Preventing Vulnerability in the last quarter of the financial year with the most significant being the Phase 2 funding for the SEND and Inclusion Change Programme (£0.969m).



5. Capital

5.1 The level of capital payments was £107.574m in 2021/22, with a further £376.074m of payments forecast over the medium term. In addition to this there is an additional amount of spending relating to the WPDG and WRIF of £249.600m expected to take place over the course of the MTFS. The remaining Capital Investment Fund (CIF) allocation of £17.102m from 2021/22, which is not included in these figures, has been carried forward. Along with the future years CIF funding approved there is a total amount available in the Capital Investment Fund (CIF) of £119.486m at 31 March 2022.

Capital Investment Fund resources available for allocation

2022-23 (£m)	2023-24 (£m)	2024-25 (£m)	2025-26 (£m)	2026-27 (£m)	Total CIF pot available for allocation (£m)
30.612	19.649	24.657	19.715	24.853	**119.486**

5.2 The outturn position shows that during the last quarter there was a net variance of £30.955m in the planned spend for 2021/22. The summary position by Service for 2021/22 and the future capital programme is summarised in the table below.

Capital actuals by service

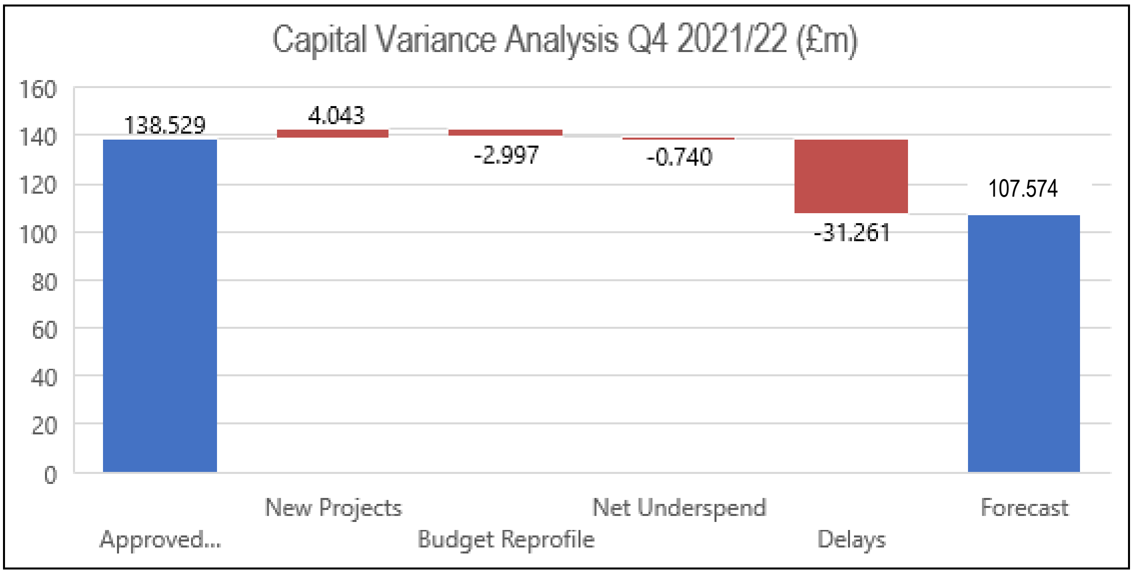
	2021/22			2022/23 to 2025/26			Total Variance
	Approved Budget £000	Actuals £000	Variance £000	Approved Budget £000	Forecast £000	Variance £000	£000
Education Services	33,652	14,893	(18,760)	65,308	87,555	22,248	3,488
Environment Services	47,362	40,717	(6,645)	97,435	126,340	28,905	22,261
Fire and Rescue	3,954	2,849	(1,105)	3,668	6,034	2,366	1,260
SC for Communities	8,862	5,078	(3,784)	55,630	61,350	5,720	1,936
Communities	**93,830**	**63,536**	**(30,294)**	**222,041**	**281,279**	**59,239**	**28,945**
Adult Social Care	313	-	(313)	-	313	313	-
Children and Families	492	363	(129)	250	2,490	2,240	2,111
Sc for People & Public Health	5,295	5,251	(44)	50	94	44	0
People	**6,100**	**5,613**	**(486)**	**300**	**2,897**	**2,597**	**2,111**
Business and Customer Support	421	127	(294)	1,208	1,502	294	0
Enabling Services	18,855	18,336	(519)	9,049	21,820	12,771	12,253
Governance & Policy	1,700	1,074	(626)	2,298	3,381	1,083	457
Resources	**20,976**	**19,538**	**(1,438)**	**12,555**	**26,703**	**14,148**	**12,710**
Corporate: WPDG / WRIF / ARF	2,400	400	(2,000)	247,600	264,600	17,000	15,000

WCC Capital Programme	**123,306**	**89,088**	**(34,218)**	**482,496**	**575,480**	**92,984**	**58,766**
S278 funded schemes	15,223	18,486	3,263	50,199	50,194	(5)	3,258
Total Capital Expenditure	**138,529**	**107,574**	**(30,955)**	**532,695**	**625,674**	**92,979**	**62,024**

Under Corporate: WPDG is Warwickshire Property Development Group; WRIF is the Warwickshire Recovery Investment Fund; ARF is the Asset Replacement Fund

Capital variance analysis

5.3 The latest 2021/22 Approved Capital Budget of £138.529m was approved by Cabinet in January 2021. The chart below explains the changes between the Approved Budget and the actual spend of £107.574m.



5.4 Further explanation of these changes is as follows:

a) Reprofiled projects and Delays – these are schemes where there has been a delay 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. In Quarter 4 there was £34.258m of project expenditure which has been delayed until future years. Much of the delay has been due to factors outside of the control of the council. However, work is ongoing to make initial estimates of planned delivery as realistic as possible to ensure only uncontrollable delays occur.

b) 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 capital grants.

c) Net underspend – 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.

Whole year reprofiling summary

5.5 The reprofiling of projects since the last update reported to Cabinet in January brings the total value of delayed projects for the year to £76.279m net of S278 and excluding the Warwickshire Recovery and Investment Fund (WRIF) and Warwickshire Property and Development Group (WPDG). This equates to delays of 43.0% for the whole year. The 2021-22 financial year has continued to suffer from disruption to planned activity because of Covid lockdowns and social distancing. Specific issues have arisen on materials acquisition, construction team availability, design-work, and negotiations. All these areas have impacted on expected progress of the capital programme.

Service	Opening 2021-22 capital programme	New projects in year	Net over / underspend	Total capital programme	Reprofiling	Delays	In year capital spend	% Delays (Delay / opening + new)
	£000	£000	£000	£000	£000	£000	£000	
Adult Social Care	313	-	-	313	-	(313)	-	-100.0%
Business & Customers	181	-	-	181	290	(344)	127	-190.1%
Children & Families	507	-	(75)	432	-	(70)	362	-13.8%
Communities Services	29,961	(623)	- 587	28,751	(2,139)	(21,535)	5,077	-73.4%
Corporate	-	-	-	-	-	-	-	0.0%
Education Services	32,167	2,837	(122)	34,882	-	(19,989)	14,893	-57.1%
Enabling Services	26,159	385	(1,819)	24,725	(335)	(6,055)	18,335	-22.8%
Environment Services	67,340	1,448	704	69,492	(6,376)	(21,342)	41,775	-31.0%
Fire	7,337	27	162	7,526	25	(4,701)	2,850	-63.8%
Governance & Policy	3,626	220	171	4,017	(1,109)	(1,836)	1,072	-47.7%
Strategic Commissioning & Public Health	344	5,125	(126)	5,343	-	(94)	5,249	-1.7%
Sub Total	**167,935**	**9,419**	**(1,692)**	**175,662**	**(9,644)**	**(76,279)**	**89,740**	**-43.0%**
S278	51,320	5,482	(9,034)	47,768	(1,067)	(29,267)	17,434	-51.5%
WRIF and WPDG	-	20,000		20,000	-	(19,600)	400	-98.0%
Grand Total	**219,255**	**34,901**	**(10,726)**	**243,430**	**(10,711)**	**(125,146)**	**107,574**	**-49.2%**

5.6 The total delay in the delivery of the capital programme in 2021/22 for Quarter 4 (delays and reprofiling) was £34.258m. There is no single reason or common theme for this delay, rather it is spread across a large number of schemes within the programme. The largest variations are listed below with further details shown in **Appendix B**:

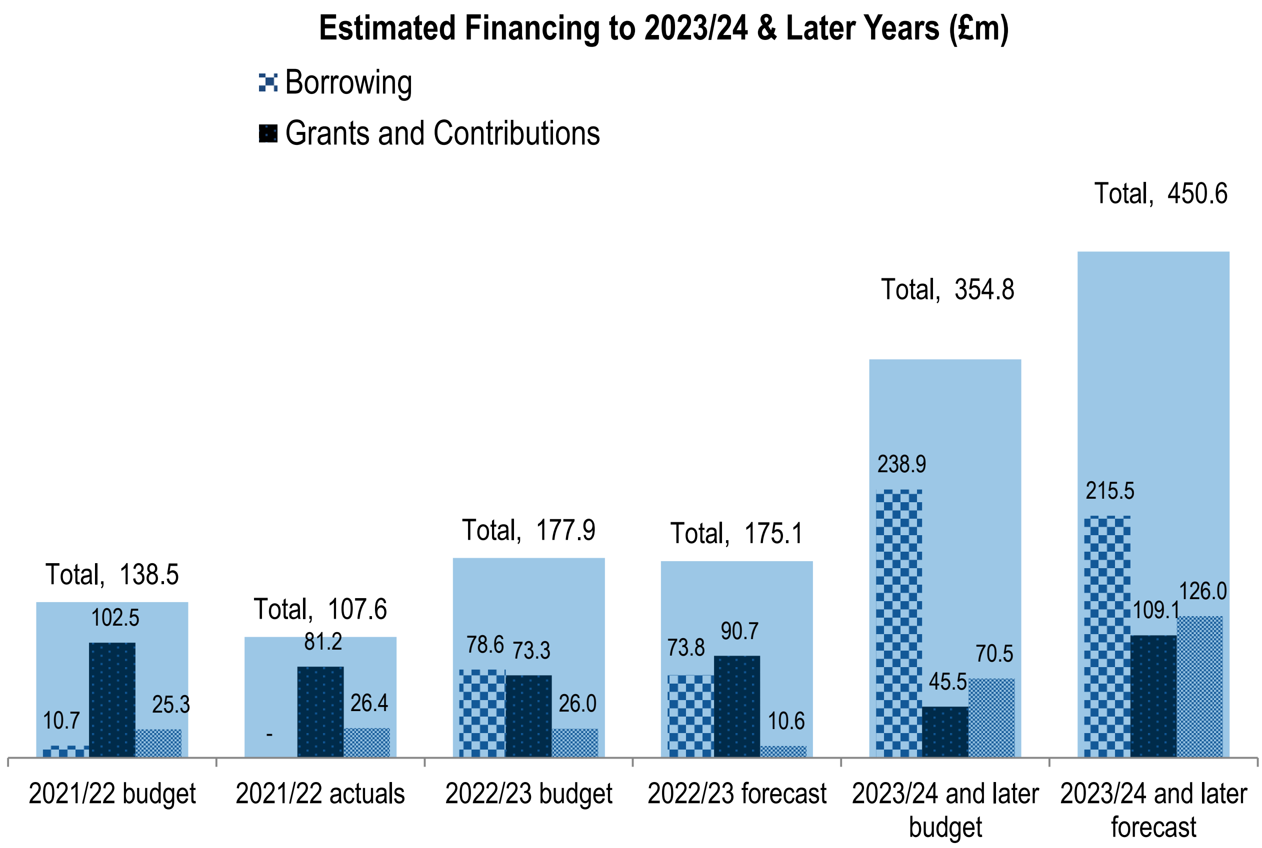
- The A46 Stoneleigh junction scheme £2.748m is showing a delayed spend profile resulting from a change to the end date of the scheme. Significant sums related to compensation events are still being negotiated and no payment will be made until these sums have been agreed, this has impacted on in year spend. It is still anticipated that the existing budget will be sufficient to fund the project.
- Delays of £1.709m relating to Area Delegated schemes as a result of changes to the use of these funds. The system changes are still being embedded and work is underway to complete historical schemes not yet undertaken.
- Delays on education development projects of £19.989m relating to the post COVID and HS2 pressures reducing availability of contractors. There have also been material shortages which have prevented schemes from progressing as quickly as originally anticipated. Over half of the £19.989m variation since Quarter 3 relates to projects at an early stage of their life cycle and linked to delay in the approval of planning applications.
- For further information on other delayed schemes please refer to Appendix B.

Capital Financing

5.7 All local authorities are required to 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.

5.8 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 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.

5.9 The chart and table below provide further detail on how the 2021/22 capital programme was financed.



Th	2021/22 budget £'000	2021/22 actuals £'000	2022/23 budget £'000	2022/23 forecast £'000	2023/24 and later budget £'000	2023/24 and later forecast £'000
Corporate Borrowing	10,729	-	78,583	73,758	238,862	215,539
Self-financed Borrowing	1,376	-	-	1,135	-	571
Grants and Contributions	102,517	81,161	73,314	90,719	45,521	109,068
Capital Receipts	5,200	4,699	25,854	5,514	70,450	125,275
Capital Receipts Reserve	17,648	19,170	-	3,479	-	-
Revenue	1,059	2,544	111	504	-	112
Total	**138,529**	**107,574**	**177,862**	**175,109**	**354,833**	**450,565**

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

WCC 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).

6. Environmental Implications

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

7. Background Papers

7.1 None

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