Cabinet

8 September 2022

2022-23 Financial Monitoring – Forecast Position as at Quarter 1

Recommendations

That Cabinet:

1. Notes the adjusted forecast overspend of £2.846m that would need to be funded from the Directorate and General Risk Reserves at the end of 2022/23.

2. Notes the forecast delivery of savings for 2022/23 of £9.865m, a shortfall of £0.379m (3.7%) against the target.

3. Notes the forecast capital spend for 2022/23 of £181.241m.

4. Approves the carry forward of the reprofiled spend on the capital programme of £8.412m in 2022/23 into future years and note the carry forward of s278 contributions of £0.749m 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 2022/23, based on the information known at the end of the first quarter.

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

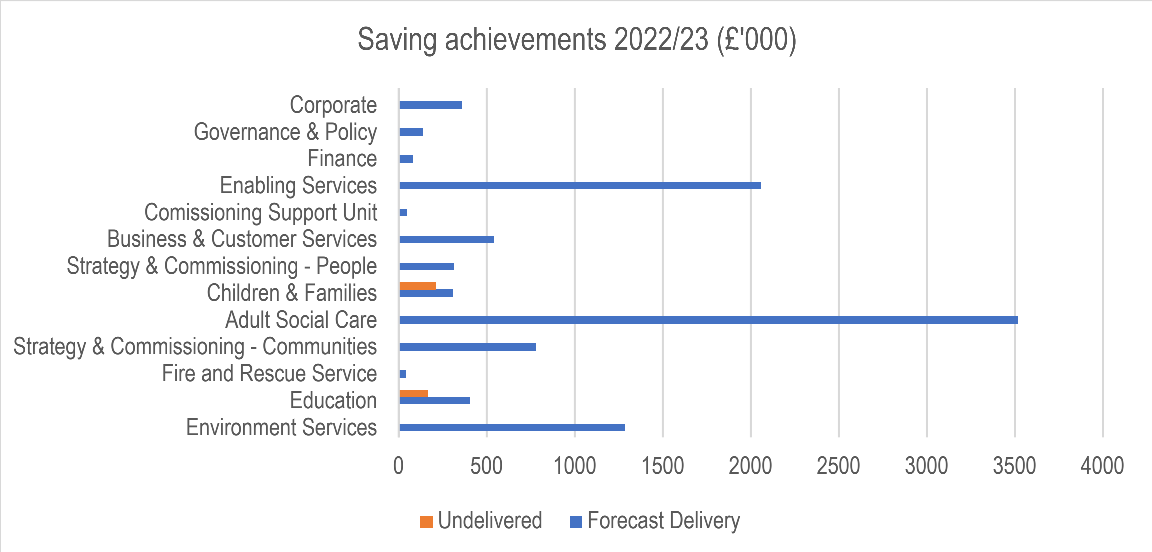
2.1. Revenue Forecast Summary

	£m
Approved Budget	362.344
Forecast net spending as at Quarter 1	374.734
Net overspend	**12.390**
Reason for, and resourcing, of the overspend	
• Covid variance fully funded by covid grants carried forward from previous years	5.249
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	0.006
• DSG deficit to be offset against the DSG Offset Reserve	4.059
• Spend to be financed from other Earmarked Reserves	0.230
Balance of overspend to be funded Directorate and General Risk Reserves	**2.846**

The headline forecast overspend for 2022/23 is £12.390m. 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 £2.846m (0.79% variance to approved budget) which will, if unchanged by the end of the financial year, need to be funded from Directorate and the General Risk Reserves.

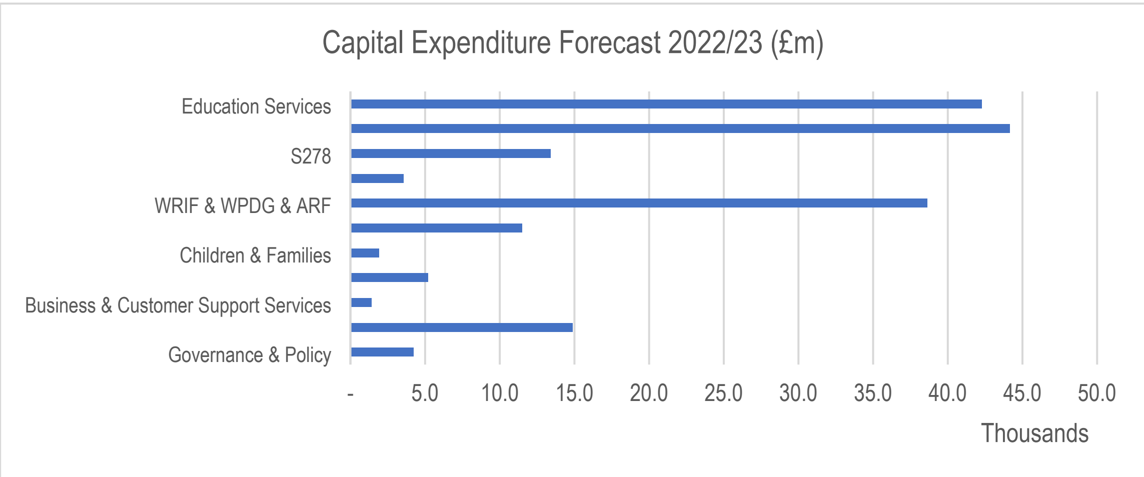
Based on the current forecast of a £4.059m Dedicated Schools Grant (DSG) deficit in 2022/23, the cumulative DSG deficit will be £16.226m at the end of this financial year. The DSG Offset Reserve is currently £21.650m. If the cumulative DSG deficit remains below the Offset Reserve, at the end of the financial year the Authority will have a choice about whether to release some of the reserve to increase the Available to Use reserves. If, however, the cumulative deficit increases above £21.650m, the DSG Offset Reserve will need to be topped-up from the Available for Use reserve, reducing the funding available to support the MTFS.

2.2 Savings Achievement Summary



The savings plan for 2022/23 requires the delivery of £10.244m of savings, accumulated from 54 individual saving initiatives. At Q1 £9.865m is forecast to deliver in line with the plan (96.30%) with £0.379m (3.7%) forecast to be unachieved. For details on saving performance please refer to Section 4.

2.3 Capital Forecast Summary



Note:
WRIF & WPDG & ARF refers to the Warwickshire Recovery and Investment Fund, Warwickshire Property and Development Group and the Asset Replacement Fund

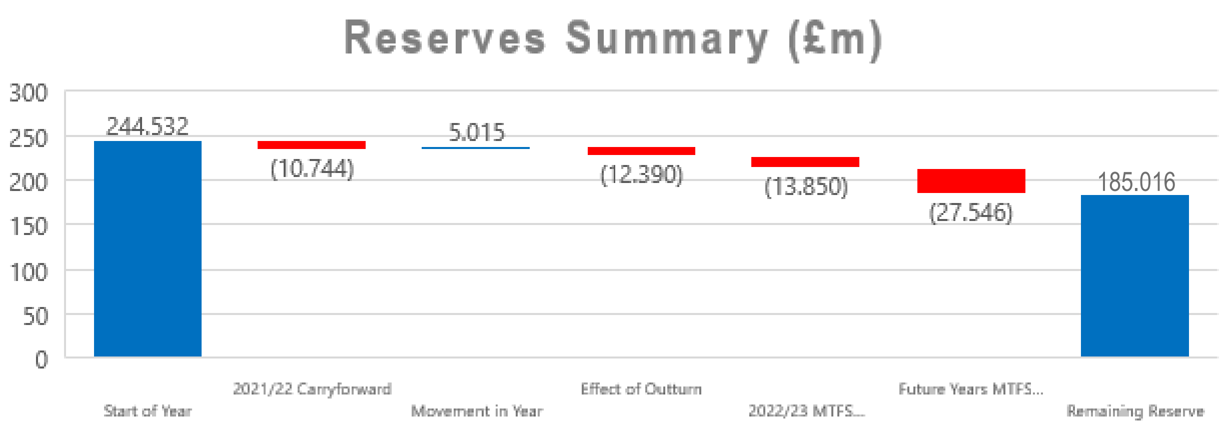
The total forecast capital spend for 2022/23 is £181.241m, of this £167.830m is capital payments directly controllable by the County Council and the balance of £13.411m, relates to schemes funded by S278 developer contributions where the timing is not directly controllable by the Council.

2.4 Covid Summary

Covid Budget Position	Covid Forecast as at Q4 2021/22 £m	Covid Forecast as at Q1 2022/23 £m
Covid Grants Ringfenced Reserve	(3.353)	(3.353)
Covid Grants Un-ringfenced Reserve	(15.937)	(15.937)
Available Covid reserves as at 31st March 2022	(19.290)	(19.290)
Covid Related Commitments:		
Ringfenced (Excluding COMF)	1.110	1.070
Ringfenced (COMF)	2.243	2.135
Un-ringfenced (Excluding Local Council Tax Compensation Scheme)	7.028	6.379
Un-ringfenced (Local Council Tax Compensation Scheme)	4.891	4.891
Less: Ringfenced Covid Grant Risk		0.150
Approved Covid Spend for 2022/23 & 2023/24	15.272	14.629
Total un-allocated funding	(4.018)	(4.661)

In 2022/23 Covid expenditure is monitored against the resources carried forward from government grants received in previous financial years and the approvals given by Corporate Board to commit un-ringfenced resources to mitigate the on-going impact of the Pandemic. Based on the Q1 forecast the level of uncommitted resources is £4.661m. There is also £0.150m of uncommitted ringfenced grant that we may be required to repay at the end of 2022/23, if not fully spent in line with the grant terms.

2.5 Reserves Summary[1]



The level of reserves at the start of 2022/23 was £244.532m. The forecast spend in this report and indicative future use of reserves to support the MTFS indicate reserves will reduce by £59.516m over the period of the MTFS to £185.016m.

[1] Variations in reserves through the year - red indicates use of reserves and blue indicates an increase in reserves.

3. Revenue Forecast by Service

Service Area	Approved Budget	Service Forecast	(Under) /Over spend	% Change from Budget	Represented by: Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service Variance
	£m	£m	**£m**		£m	£m	£m	£m
Communities								
Environment Services	26.016	26.146	**0.130**	**0.50%**	0.000	0.000	0.056	0.074
Fire & Rescue	22.793	22.971	**0.178**	**0.78%**	0.000	0.211	0.000	(0.033)
Strategic Commissioner for Communities	26.049	26.694	**0.645**	**2.48%**	(0.014)	0.322	0.616	(0.279)
Subtotal Communities	**74.858**	**75.811**	**0.953**	**1.27%**	**(0.014)**	**0.533**	**0.672**	**(0.238)**
People								
Social Care & Support	183.334	182.519	**(0.815)**	**(0.44%)**	(0.073)	0.000	0.000	(0.742)
Children & Families	83.246	83.098	**(0.148)**	**(0.18%)**	0.329	(0.144)	0.309	(0.642)
Strategic Commissioner for People	36.663	40.003	**3.340**	**9.11%**	0.006	0.000	3.569	(0.235)
Education Services - Non-DSG	33.732	38.348	**4.616**	**13.68%**	(0.023)	0.019	0.041	4.579
Subtotal People	**336.975**	**343.968**	**6.993**	**2.08%**	0.239	**(0.125)**	**3.919**	**2.960**
Resources								
Business and Customer Services	18.715	19.442	**0.727**	**3.88%**	0.000	0.065	0.344	0.318
Commissioning Support Unit	6.677	6.367	**(0.310)**	**(4.64%)**	(0.216)	0.000	0.064	(0.158)
Enabling Services	27.510	27.529	**0.019**	**0.07%**	(0.003)	0.000	0.000	0.022
Finance	6.324	6.307	**(0.017)**	**(0.27%)**	0.000	0.000	0.030	(0.047)
Governance & Policy	3.531	3.855	**0.324**	**9.18%**	0.000	0.000	0.220	0.104
Subtotal Resources	**62.757**	**63.500**	**0.743**	**1.18%**	**(0.219)**	**0.065**	**0.658**	**0.239**
Subtotal Directorates	**474.590**	**483.279**	**8.689**	**1.83%**	**0.006**	**0.473**	**5.249**	**2.961**
Corporate Services and DSG								
Corporate Services & Resourcing	(113.315)	(113.673)	**(0.358)**	**0.32%**	0.000	(0.243)	0.000	(0.115)
DSG expenditure	250.209	254.268	**4.059**	**1.62%**	0.000	4.059	0.000	0.000
DSG income	(249.140)	(249.140)	**0.000**	**0.00%**	0.000	0.000	0.000	0.000
Subtotal Corporate Services and DSG	**(112.246)**	**(108.545)**	**3.701**	**(3.30%)**	**0.000**	**3.816**	**0.000**	**(0.115)**
Total	**362.344**	**374.734**	**12.390**	**3.42%**	**0.006**	**4.289**	**5.249**	**2.846**

3.1. Revenue overview

The forecast outturn position is set out in the table in Section 3 above and shows a total forecast overspend of £12.390m representing 3.4% of the Council's net revenue budget.

3.2. The material aspects of the overspend are attributable to the following factors.

i.) **Covid (£5.429m):** The table in section 3 shows the Covid spend for each service on the approved initiatives to manage to long term impact of the Pandemic. Any residual cost resulting from Covid (such as ongoing changes to demand or services) over and above these projects is now reported as part of the 'Remaining Service Variance' in the table and Services are required to manage these costs within their approved budget. At Q1 this approach is not forecast to cause any material unmanageable pressures in any Service. The approved Covid projects are funded from government grants received in previous financial years and the Q1 forecast indicates at the end of 2022/23 £4.661m of uncommitted Covid funding will remain in our reserves. If the forecast doesn't change significantly over the course of the financial year this could be used to support time limited investment allocations as part of the MTFS refresh. The current forecast assumes that:

- All ringfenced grants will be spent or paid back to central government;
- Covid related time-limited allocations in 2022/23 will be funded from un-ringfenced Covid grants; and
- The Covid Tax Volatility funding will be used to resource the deficits on the collection of business rates and council tax, reported annually by the Districts/Boroughs.

ii.) **Dedicated Schools Grant (DSG):** The forecast £4.059m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q1 2022/23	Cumulative forecast variance as at Q1
Schools Block	£0.016m	(£1.445m)
Early Years Block	£1.066m	(£1.866m)
High Needs Block	£2.869m	18.849
Central Services Block	£0.108m	(£0.381m)
Total	**£4.059m**	**15.157**

The Q1 forecast is based on current predictions for the new Academic year (starting Sept 2022) and as such is subject to variability. The most significant driver of the High Needs Block overspend is the overspend of £3.576m on Independent

Schools Provision, which relates to 80 more places being anticipated than the budgeted target as well as unit cost increases. A detailed analyses of the DSG variance is provided in Appendix A. All of these forecast overspends can be resource from the DSG and DSG Offset Reserve.

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

i.) Education (non-DSG) remaining service overspend of £4.579m

The primary driver of this overspend is mainstream (£1.991m) and SEND (Special educational needs and disabilities) (£1.883m) Home to School transport with a total forecast overspend of £3.874m.

Transport is seeing increasing costs in the hire of transport vehicles; it is estimated that the average cost of mainstream transport, will be £0.054m per academic day (191 days) in 2022/23, in 2021/22 the average was £0.045m per academic day (193 days) this is an average increase of £9,000 per academic day. It is expected that the cost of the service will remain volatile due to inflation pressures in the wider economy.

The overspend on SEND home to school transport is primarily driven by inflationary pressures; both the service/route redesign and the SEND Change and Inclusion Programme had a positive impact on both the demand and the lengths of journeys.

ii.) Social Care and Support remaining service underspend of £0.742m

There are significant over and underspends within the headline underspend, primarily due to:

- Children with Disabilities (CwD) forecasting to overspend by £1.805m - there is significant volatility in this budget with £0.743m due to two intensive spot contracts and £1.169m relating to CwD residential placements cost assuming recent trends will continue for the rest of the financial year. Residential placements have seen an increase of 10% in both demand and cost compared to 2021/22. This is offset by several significant underspends within the service;
- Older People is forecast to underspend by £1.133m mainly due to higher forecast income from client contributions and few clients taking direct payments;
- Integrated Care Services forecast to underspend by £1.013m due to limitations placed on on-going projects and, in addition, the service is experiencing difficulties in recruitment.

iii.) Children and Families remaining service underspend of £0.642m

Again, there are significant under and overspends in this area, primarily relating to:

- An overspend of £3.873m in Children and Families (relating to salary, legal and leaving care accommodations costs) primarily as part of implementing the Service's Sustainability Plan to reduce demand on placements and other high cost services; and
- An offsetting underspend of £3.080m within Children in Care (CiC) due to increased stability of placements, this is due to a full year effect of declining numbers in 2021/22 and masks the increase in unit cost which has risen to £4,610 per week in 2022/23 from £4,302 in 2021/22 an increase of £308 per week.

It is acknowledged that recruitment of additional staff will be required to support delivery of the plan. This year, the additional cost is being funded by in year underspends, from 2023/24 onwards the financial impact will be updated and reviewed as part of the 23/24 MTFS refresh and monitored throughout.

4. Savings Performance

4.1. Performance against individual saving targets is listed in Annexes A to M in Appendix C of this report. The table below provides a summary of the current forecast. The current forecast of £0.379m shortfall in the delivery of savings represents.

	No. of Savings Options	Saving Delivered £m	Saving Not Delivered £m
Savings target achieved/overachieved	46	9.615	-
Savings target partially achieved	1	0.250	0.050
No saving delivered against target	7	-	0.329
Total	**54**	**9.865**	**0.379**

4.2. Below are details of those savings which are highlighting adverse forecast variances.

- 45% relates to schemes where Services are struggling to deliver the planned reductions in third party spend due to inflationary pressures.
- Covid continues to impact on savings performance with 42% of the underachievement being related to the ongoing effect of Covid on services.
- 13% the forecast adverse variance is attributable to other factors.

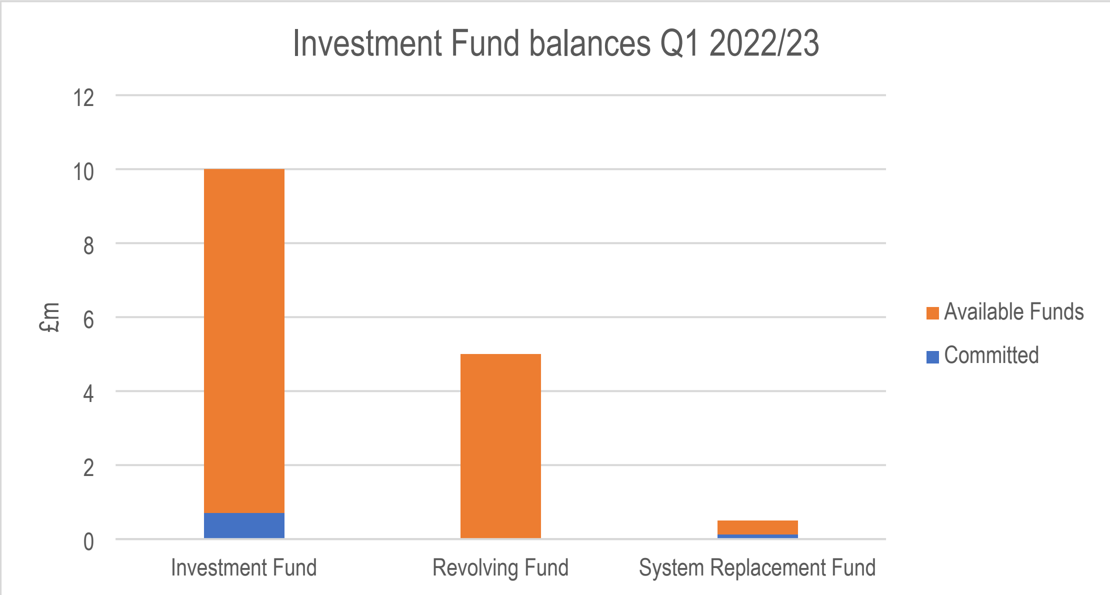
Description	Target £m	Forecast £m	Reason for variance and associated management action
Education - Savings on third party spend - Review of services purchased from third parties to ensure value for money.	0.066	0.00	Plans are yet to be agreed for how this saving will be delivered.
Education - Vacancy management - Reduction in staffing budgets through recognising natural underspends from staff turnover.	0.100	0.000	Continuing post COVID demand on staff resources, means plans are yet to be agreed for how this saving will be delivered.
Children & Families - Savings on third party spend - Review of services purchased from third parties to ensure value for money.	0.107	0.000	Plans are yet to be agreed for how this saving will be delivered.
Children & Families -Maximise income and contributions to care packages - Efficient collection of health contributions to children in care placements and income from safeguarding training.	0.300	0.250	Service is forecasting to deliver 83% of the target with 17% not deliverable from Education Safeguarding training.
Children & Families New ways of working - Reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid.	0.056	0.000	Current forecasts predict an overspend within this service of £0.090m
	0.629	0.250	

4.3. The saving target in Education relating to reduction in cost for SEND home to school transport is reported as achieved as both the service/route redesign and the SEND Change and Inclusion Programme had a positive impact on both the demand and the lengths of journeys. However, it should be noted that there is significant overspend on home to school transport driven primarily by inflationary pressures.

4.4. Social Care Services are reporting full achievement of their saving target for the year though it should be noted that two of their saving plans approved as part of the budget resolution has become unachievable and the service has identified alternative ways of delivering the target. The undeliverable targets relate to third party spend reduction (£0.228m) and the redesign of the commissioning approach for younger adults (£0.300m). It is now forecast that the growth in client contribution income will be sufficient to meet these targets.

5. Revenue Investment Funds

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



5.2. In the budget resolution Council agreed to have three revenue investment funds starting from April 2022; £10m for a single Revenue Investment Fund, £5m for a Revolving Fund specifically to resource invest-to-save projects and a £0.500m IT System Replacement Fund.

5.3. With the current economic pressure, allocating funding from the Revenue Investment Fund has been paused to ensure the Council doesn't over commit available resources and is able to manage inflationary pressure; this is vital in ensuring the Council stays financially resilient through these challenging times. It is intended to review this position during Q2 in order to advise Cabinet of whether some or all of the investment funds can be released during this period.

5.4. Services are encouraged, as part of the on-going refresh of the MTFS, to identify invest-to-save initiatives that can utilise the Revolving Fund and deliver savings in future years. This is made a more realistic option given the majority of the new MTFS savings are back loaded to the new year 5 (2027/28), allowing space for earlier savings delivery to repay the initial investment before being required to balance the MTFS.

5.5. The IT System Replacement Fund is not being paused to ensure we can keep our systems up to date and adapt to changing system requirements, as at Q1 £0.132m has been allocated leaving £0.362m available to spend in the current financial year.

5.6. Corporate Board have committed to delivering a single prioritised investment pipeline and road map of projects, that are planned to come forward for approval from the Revenue Investment Funds, work is ongoing to collectively finalise the pipeline that aligned to the Council Plan.

6. Reserves

Reserve	Opening Balance	Movement in year	Outturn Impact	22/23 MTFS Commitment	Closing Balance	Future year MTFS Commitment	Balances at 31/03/27
	£m	£m	£m	£m	£m	£m	£m
DSG Deficit Offset	(11.097)	0.000	(4.059)	(1.070)	(16.226)	0.000	(16.226)
Other Schools Reserves	37.650	7.972	0.000	0.000	45.622	0.000	45.622
Covid Reserves	14.399	0.000	(5.249)	0.000	9.150	(4.489)	4.662
Other Earmarked Reserves	113.168	(10.180)	(0.236)	(1.442)	101.310	(10.685)	90.625
Risk and General Reserves	37.056	(3.119)	(2.961)	4.583	35.559	0.000	35.559
Available to Use Reserve	53.355	(0.402)	0.115	(15.921)	37.148	(12.373)	24.775
Total	**244.532**	**(5.729)**	**(12.390)**	**(13.850)**	**212.562**	**(27.546)**	**185.016**

6.1. At the start of 2022/23 the Council held £244.532 in reserves and by the end of Q1 there has been a total movement in reserves of £5.729m. This includes the approved carry forwards, funding for investment and transformation projects as approved by Cabinet and Corporate Board as well as the transfer of the revenue contribution to support the DSG deficit offset reserve as agreed in the MTFS.

6.2. The impact of the current forecast revenue position will be a reduction in the reserves by a net £12.390m. The key drivers of this change are the DSG overspend that will further increase the deficit, Home to School Transport overspend and the use of Covid reserves to support ongoing Covid activities.

6.3. A detailed review of all earmarked reserves will take place in the autumn as part of the MTFS refresh in order to identify areas where funding could be released to support balancing the budget, help to manage the impact of inflation and support the Council’s investment priorities.

7. Capital

7.1. As part of the budget resolution in February 2022 Council approved a capital budget of £250.115m for 2022/23 and a total capital programme of £844.9m for the medium term. The latest forecast for 2022/23 capital payments directly controllable by the Council is £167.830m and a total capital programme of £601.402.

7.2. A reconciliation of the approved budget for 2022/23 and the capital programme is provided below between the budget resolution and this report:

	Capital Budget 2022/23 (£m)
Council Resolution February 2022	250.115
Unallocated Capital Investment Fund	-33.613
Education Basic Needs funding (unallocated)	-9.624
Capital Maintenance allocations	-29.016
Quarter 3 approved capital programme (including S278)	**177.862**
Re-profiling, new schemes, and delays at outturn	-2.750
Opening capital programme for 2022-23 (including S278)	**175.112**
Re-profiling, new schemes, and delays at Q1	6.129
Capital programme at Q1 2022/23 (including S278)	**181.241**

7.3. The current forecast represents an increase of £4.424m on the outturn budget reported in June 2022 of £163.406m. Additionally, there are £53.358m of S278 projects currently within the capital programme. The increase in the total capital programme for 2022/23 of £4.424m consists of a net decrease in the overall cost of capital schemes to be spent in 2022/23 of £8.468m and an increase in newly approved capital schemes of £12.892m. The changes to forecasts have been split below in paragraph 7.6 between Budget Reprofiles, Net Underspends and Delays.

7.4. The Capital Investment Fund (CIF) funding approved balance which is not included in the above figures is £116.277m.

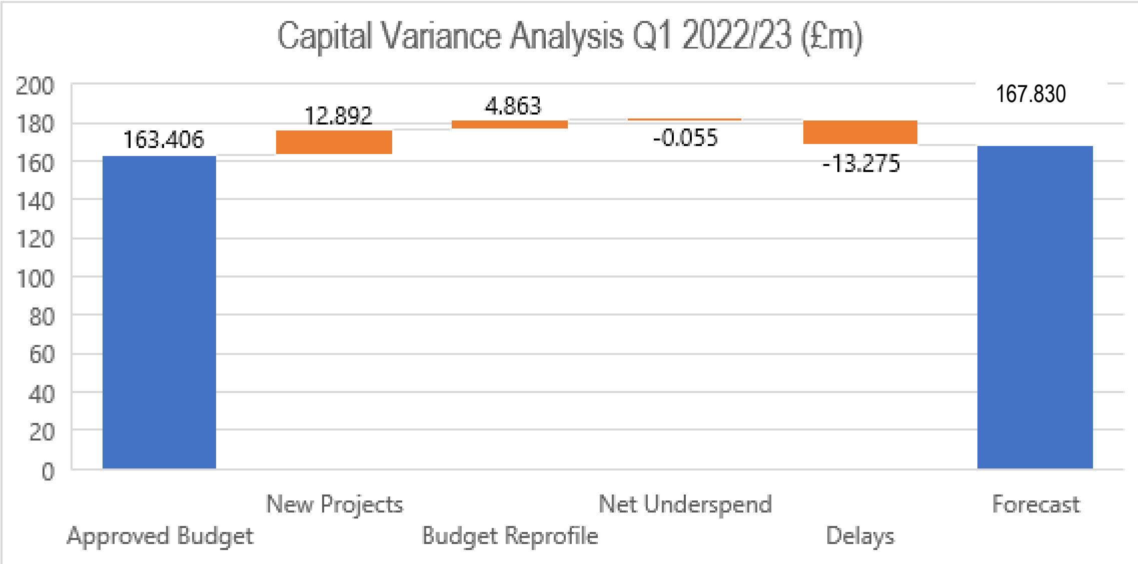
Capital Forecast by Service

	2022/23			2023/24 to 2026/27			Total Variance
	Approved Budget £000	Forecast £000	Variance £000	Approved Budget £000	Forecast £000	Variance £000	£000
Environment Services	52,755	44,169	- 8,587	82,612	91,416	8,804	217
Fire and Rescue	2,593	3,559	967	3,441	2,507	- 935	32
SC for Communities	12,253	11,504	- 749	39,207	40,904	1,697	948
Communities	**67,601**	**59,232**	**- 8,369**	**125,260**	**134,826**	**9,567**	**1,198**
Children and Families	1,720	1,912	192	770	770	-	192
Education Services	35,036	42,292	7,256	52,519	63,655	11,136	18,392
Social Care & Support	-	-	-	313	313	-	-
Sc for People & Public Health	44	5,198	5,154	50	21	- 29	5,125
People	**36,800**	**49,402**	**12,602**	**53,652**	**64,759**	**11,107**	**23,709**
Business and Customer Support	1,162	1,422	260	340	80	- 260	-
Enabling Services	16,104	14,900	- 1,204	5,717	6,918	1,201	- 3
Governance & Policy	3,095	4,231	1,137	1,151	1,031	- 120	1,017
Resources	**20,360**	**20,553**	**193**	**7,208**	**8,029**	**821**	**1,014**
Corporate: WPDG / WRIF / ARF	38,643	38,643	-	225,957	225,957	-	-
WCC Capital Programme	**163,406**	**167,830**	**4,424**	**412,077**	**433,571**	**21,494**	**25,920**
S278 funded schemes	11,706	13,411	1,705	38,488	39,947	1,459	3,164
Total Capital Expenditure	**175,112**	**181,241**	**6,129**	**450,565**	**473,519**	**22,953**	**29,084**

7.5. The forecast of 2022/23 capital payments directly controllable by the Authority of £167.830m excludes the forecast spend on s278 developer schemes of £13.411m. 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 2022/23 capital expenditure forecast is £181.241m.

Capital Variance Analysis

7.6. The latest 2022/23 Approved Capital Budget of £163.406m was approved by Cabinet in June 2022. The chart below explains the changes between the Approved Budget and the actual forecasted spend of £167.830m.



These figures exclude S278

7.7. The 2022/23 budget is set according to the 2022/23 forecast spend as estimated as part of the 2021/22 outturn report. 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 £8.412m of project expenditure which has been reprofiled into future years, and work is ongoing to make estimates of planned delivery more realistic to ensure reprofiling only occurs where delays are uncontrollable. The key reasons for these 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 and additional funding has been 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 increased grants. In many cases 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 borrow less to fund capital spend in the future.

Service	Approved 2022-23 Capital Programme	New Projects in Year	Net Over / Under Spend	Total Capital Prog.	Budget Reprofile	Delays	Forecast In Year Capital Spend	% of Delays
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Education Services	35,036	6,355	0	41,391	901	0	42,292	0.0%
Environment Services	52,756	108	0	52,864	828	-9,523	44,169	-18.0%
Fire and Rescue	2,593	32	0	2,625	935	0	3,560	0.0%
Strategic Commissioning for Communities	12,253	60	-55	12,258	510	-1,264	11,504	-10.3%
Children & Families	1,720	192	0	1,912	0	0	1,912	0.0%
Strategic Commissioning & Public Health	44	5,125	0	5,169	29	0	5,198	0.0%
Business and Customer Support	1,162	0	0	1,162	260	0	1,422	0.0%
Enabling Services	16,104	0	0	16,104	1,072	-2,276	14,900	-14.1%
Governance and Policy	3,095	1,020	0	4,115	328	-212	4,231	-5.2%
Services Capital Programme	**124,763**	**12,892**	**-55**	**137,600**	**4,863**	**-13,275**	**129,188**	**-9.6%**
Corporate (WPDG & WRIF & ARF)	38,643	0	0	38,643	0	0	38,643	
WCC Capital Programme	**163,406**	**12,892**	**-55**	**176,243**	**4,863**	**-13,275**	**167,830**	**-7.5%**
S278 Developer Funded Schemes	11,706	2,582	-128	14,160	27	-776	13,411	-5.4%
Total Capital Expenditure	**175,112**	**15,474**	**-183**	**190,403**	**4,890**	**-14,051**	**181,241**	**-7.4%**

7.8. Adding £12.892m new projects to the capital programme in 2022/23 requires that an equivalent amount of additional funding has also been identified.

7.9. Detailed explanation at a Service level of all changes to the capital programme is provided in **Annexes A to M**. The main reasons for the £13.275m movement to future years in the quarter compared to the approved budget are set out in Appendix B.

7.10. A wider issue which services have started to report but not be currently included in forecasts, due to the statutory requirement that any cost increases are fully funded before spend is committed, are cost pressures caused by the rising levels of price inflation and from HS2 using up local available materials/supplies and labour further inflating labour and supply costs. Any contracts not fixed will be exposed to these increasing costs. We expect this to be an ongoing area of concern that is likely to give rise to future specific reports to resolve any funding gaps as well as being a feature of future quarterly monitoring reports.

7.11. Capital schemes in their delivery phase may be shielded from the effect of inflation where contracts have already been awarded, depending on the terms of the contracts. However, there are schemes which are in the early stages of design and costing where Project Managers are tentatively suggesting the project costs have significantly risen due to inflation. This may mean in some cases the original scheme isn't likely to be achievable within the current approved funding envelope. These schemes will need to be identified over the next two quarters so decisions can be made about whether to proceed or if the projects should be scaled back or aborted. Funding inflationary pressures on existing capital schemes could be considered from top slicing the Capital Investment Fund. Any abortive costs on discontinued schemes would need to be funded from revenue resources.

7.12. 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 delivery timescales are realistic based on previous experience taking into account the unique characteristics of the current project portfolio.

Capital Financing

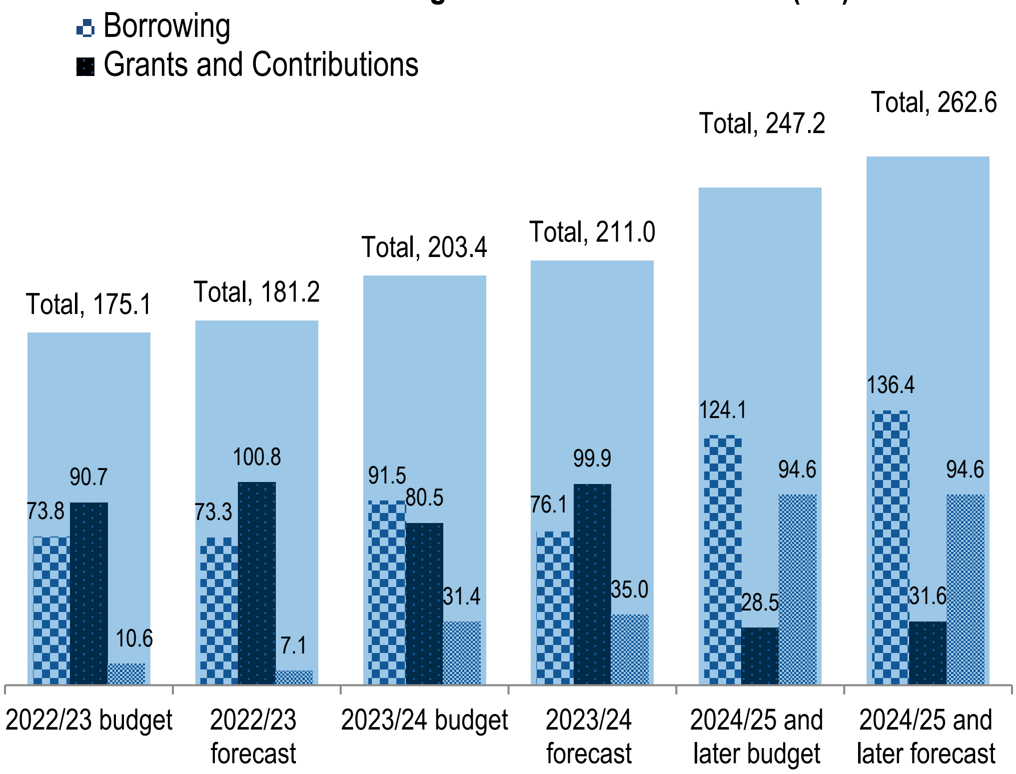
7.13. All local authorities are required to consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before taking out additional borrowing. The approach delays the increase in the need to borrow. For forecasting purposes, we accurately reflect how individual schemes are being financed so that the CFR (Capital Financing Requirement) and MRP (Minimum Revenue Provision) prudently reflect and provide for the repayment of debt.

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

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

7.16. The chart and table below provide further detail on how the approved 2022/23 capital programme and 2022-27 Capital MTFS are currently planned to be financed.

Estimated Financing to 2024/25 & Later Years (£m)



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).

	2022/23 budget £'000	2022/23 forecast £'000	2023/24 budget £'000	2023/24 forecast £'000	2024/25 and later budget £'000	2024/25 and later forecast £'000
Corporate Borrowing	73,761	73,331	91,454	76,064	124,085	136,414
Self-financed Borrowing	1,135	1,193	571	514	-	-
Grants and Contributions *	90,719	100,821	80,531	99,876	28,537	31,580
Capital Receipts	5,514	5,551	3,715	3,715	4,128	4,128
Capital Receipts - WRIF	-	-	12,462	12,462	53,127	53,127
Capital Receipts - WPDG	-	-	14,532	14,532	37,311	37,311
Capital Receipts Reserve	3,479	-	-	3,479	-	-
Revenue	504	345	112	317	-	-
Total	**175,112**	**181,241**	**203,377**	**210,959**	**247,188**	**262,560**

* 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 2022/23. 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. This is critically important for the 2023/24 refresh due to the increased uncertainty and risk as a result of the current inflationary pressures.

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

This Appendix provides commentary on the service revenue forecasts shown in Section 3 of the main report. Where no variation due to approved covid allocations or the use of Investment Funds or Earmarked Reserves no commentary is provided.

Please note all references to variations from P2 will be removed from the final Cabinet report. They are included at this stage for Corporate Board's information only.

1. Communities Directorate

Environment Services - (£0.130m overspend; +0.50%)
Explanation of the Approved Covid allocations (£0.056m)
There is £0.056m Covid spend in relation to Community Safety activity to be funded by COMF.
Explanation of the Remaining Service net overspend (£0.074m)
The service overspend comprises of the following: • Increased costs forecast at Gypsy and Traveller sites (£0.140m) due to higher energy costs and current high levels of building maintenance costs. • This cost is offset with an underspend on concessionary transport (£0.156m) due to levels of demand still not being as high as they were pre-Covid. It is anticipated that over time this underspend will be eroded as more information is gained on the increasing costs of contractors as a result of the higher level of inflation being experienced. • Planning Delivery is forecasting a overspend of £0.067m due mainly to a service redesign. • County Highways is forecasting an overspend (£0.024m) as a result of increased costs of insurance premiums. The remaining areas are largely expected to stay within budget. Inflationary pressures are expected from the Balfour contract, however, works will be scheduled so that the contract remains within budget. • Street Lighting will be closely monitored over the next quarter as there is a possibility that supply chain issues, particularly in relation to lighting columns could cause some underspend in the area. However, it is a little too early in the year to fully understand the impact. Any underspend that arises here may well be utilised to offset the anticipated increasing energy costs.
Impact on the MTFS
Pressures that are at risk of being recurrent will be reviewed as part of the MTFS refresh process with mitigating actions identified.

Fire and Rescue - (£0.178m overspend; +0.78%)
Explanation of the Earmarked Reserves net overspend (£0.211m)
The movements on earmarked reserves are as follows: • Local Resilience Forum (£0.177m): This is funding that we receive and hold, funded by contributions from 5 Districts and Boroughs, the Fire Service, the Police Service and a contribution from the County Council. It is the responsibility of all partners to decide upon how funds are spent, and costs will be funded via a drawdown from the LRF reserve. • A draw from the Vulnerable People reserve (£0.032m) to cover spend on two new Hospital to Home vehicles. • Funding from the Emergency Services Network (ESN) Regional Support reserve to cover additional staffing on the project.
Explanation of the Remaining Service net underspend (£0.033m)
The net underspend mostly comprises of: • A net in year underspend in Response and Prevention (£0.214m) due to careful management of resources at wholetime stations in addition to being under establishment on on-call staff. • The underspend is offset by increased external training costs (£0.112m) due to the delay in the delivery of an in-house training facility. • Additional ongoing revenue costs (£0.075m) due to contractual changes as a result of digital transformation within Emergency Services Network and the control room system replacement.
Impact on the MTFS
The remaining service underspend masks the non-delivery of the MTFS saving for 2022/23 of £0.043m on 3rd party spend. The service will be expected to ensure that this saving is delivered on a permanent basis going forward, which should be achievable once the in-house training facility is up and running and spend on external provision reduces. In addition, it is not yet clear whether some of the in-year underspends in relation to the resources at wholetime stations is one off or ongoing so this should be explored to see if it could provide an additional MTFS saving. There is also a possible risk that the additional cost of the contractual changes relating to the digital transformation noted above may result in a recurrent MTFS pressure if it cannot be mitigated on an ongoing basis from within existing budgets.

Strategic Commissioning for Communities – (£0.644m overspend; +2.47%)
Explanation of the Covid pressures (£0.616m)
The Covid spending relates to the balance of the £1.5m Adapt & Diversify grants to small businesses. It represents the balance of payments to be made to assist with Covid recovery.
Explanation of the Investment Funds net underspend (£0.014m)
The small underspend forecast on Investment Funds is due to small variances across 3 projects which were funded via the Place Shaping Fund which is not forecast to be spent.
Explanation of the Earmarked Reserves net overspend (£0.322m)
The overspend is planned and will be met from drawdowns from the following reserves: - • Rural Growth Network reserve (£0.101m) • European Match Funding Reserve (£0.086m) • Speed Awareness Workshops (£0.135m)
Explanation of the Remaining Service net underspend (£0.280m)
The underspend is predominately made up of the following factors: • Economy and Skills are forecasting an in year over achievement of income from external contributions (£0.209m) mainly as a result of the current occupancy levels of the Business Centres in addition to rental increases. • Within Waste and Environment there are savings on bulk haulage costs (£0.149m) due to the service being moved in-house, off-set by anticipated additional costs of Highway works in relation to the Commonwealth Games (£0.058m).
Impact on the MTFS
The MTFS for 2022/23 includes savings of £0.100m in relation to the Business Centres income, with an additional £0.050m due to be achieved in 2024/25. Given the over achievement of income now predicted in year a review will be undertaken to see if any additional savings can be generated within the Business Centres.

2. People Directorate

Social Care & Support Service – (£0.815m underspend)

Explanation of the Investment Funds net underspend (£0.073m)

Reduced spend for the Integrated Care Record project following confirmation that the licence costs and contributions made for the Adults project also cover the under 18's project.

Explanation of the Remaining Service net underspend (£0.742m; 0.4%)

There are underspends in Older People and Integrated Care Services alongside the AD area. These have been substantially offset by the overspend in Disabilities age 0-24. Although there are marginal overspends in Disabilities age 25-64 and Mental Health the remaining service underspend is £0.742m. This broadly consists of:

Older People underspend of £1.133m

- Forecast client contribution income is £1.494m/4% above the level budgeted reflecting increasingly steep rises in recent trends of growing income levels. This is driven by domiciliary care and is based both on 2021/22 trends but also the trends being witnessed in early 2022/23.
- There is also an underspend forecast on Direct Payments of £0.585m due to fewer than expected new clients willing to take on responsibility for sourcing their own care and an early forecast of potential reimbursements from unspent direct payments. This is partially offset by pressures experienced in residential care due to increasing use of more costly spot purchase of placements due to difficulties in sourcing packages at the WCC rate.

Integrated Care Services underspend of £1.013m.

- Assistive Technology underspend of £0.510m due to tender process which is due to start and has placed limitations on some assistive technology projects although pilot projects are planned. £0.303m of the underspend is due to staffing as recruitment challenges are exacerbated by the current economic situation and an adjustment to reflect recent trends in underspend.

AD area underspend of £0.715m

- There has been reduced project expenditure. This budget area also holds the costs for the forecasted contribution to bad debt provision and a forecast overspend of £0.179m beyond the level of grant awarded for the implementation of Adult Social Care Reforms.

Development & Assurance and Disabilities Age 0-24 overspend of £1.849m

- £1.805m relates to an overspend expected in Children with Disabilities (CwD). Within this, there is a £0.743m overspend forecast due two intensive spot contracts to provide care to two individuals for whom residential care or alternative solutions are not anticipated, which demonstrates how much the forecast in this area can be impacted by just one placement. A £1.169m overspend in CwD residential placements is expected on the basis that the current level and cost of placements, which have both increased by 10% when compared to the 2021/22 average cost and volume, continues throughout 2022/23. The overspends are offset by a £0.063m net underspend on supported living, external foster care, other care services and staffing.

There are marginal overspends in Mental Health of £0.230m/1.5% and Disabilities age 25-64 of £0.040m/<0.001%.

Impact on the MTFS

There is no anticipated impact on the MTFS in the current year.

There is a permanent allocation for CwD built into the MTFS to continue to support current placements, to meet the expected demand for future placements and to reflect increases in unit

costs. This will need to be reviewed as part of this year's refresh. The allocation for 2023/24 is currently £0.605m increasing marginally when including the allocation for growth of direct payments. This compares to an in-year pressure of £1.169m for the cost and volume element so is at risk of increasing materially. Although this year's CwD overspend has been mitigated by underspends elsewhere in Social Care & Support, if overspends in CwD continue, this risks the overall achievement of Social Care & Support delivering to or within budget in future years. Mitigation in the longer term is part of the rationale for moving the Service from Education to Social Care & Support, and therefore mitigating strategies for the cost pressures in CwD are crucial.

People Strategy and Commissioning Service – (£3.340m overspend)
Explanation of the Approved Covid spend (£3.569m)
The impact of Covid-19 on the forecasts amounts to £3.569m and relates to: • £1.735m Covid related activity funded from the Contain Outbreak Management Fund of: ➢ £1.500m School air quality assessment and ventilation improvements ➢ £0.235m Supporting high risk workplaces with grants and ventilation improvements • £1.074m Covid related activity funded from the Test and Trace Grant ➢ £0.734m Staffing to increase public health capacity ➢ £0.150m Covid Case Management System ➢ £0.105m Community engagement delivered by Districts/Boroughs ➢ £0.085 Housing support for rough sleepers to remain in accommodation • £0.760m Covid related activity funded from Generic Covid Grant ➢ £0.319m Reducing the impact of Covid on BAME communities' project ➢ £0.226m Improving mental health Covid recovery project ➢ £0.137m Suicide prevention role and strategy implementation ➢ £0.046m Children in Crisis Commissioner ➢ £0.032m Learning and Development Officer to support the quality of the Children's Home
Explanation of the Investment Funds net underspend (£0.006m)
£0.006m in year underspend on the Creative Health project.
Explanation of the Remaining Service net underspend (£0.235m; 0.6%)
Underspend predominantly due to Public Health staffing vacancies and South Warwickshire NHS Foundation Trust funding 50% of AD salary.
Impact on the MTFS
In year salary pressures (due to the impact of the NHS pay award being passed on to us via our existing contracts) are forecast of £0.265m and £0.060m for supporting 'Thrive at Work' which are expected to become MTFS budget pressures in the 2023/23 refresh and are included in the Q1 forecast.

Children & Families – (£0.148m underspend)
Explanation of Approved Covid spend (£0.309m)
The approved Covid spend relates to agreed staffing, agency, and sessional staff.
Explanation of the Investment Funds net overspend (£0.329m)
Children's Transformation Fund (CTF) – further planned use of earmarked CTF reserves £0.329m with extensions of some short/fixed term posts ahead of permanency within the newly agreed C&F sustainability plan.
Explanation of the Earmarked Funds net underspend (£0.144m)
The overall forecasted Adoption Central England (ACE) overspend (for the partnership) is £0.455m and is related to a reduction in selling of places and having a full staffing compliment. A full "mitigation" report has been requested by the C&F AD to be discussed at the next ACE Executive board. If there are not enough reserves to cover the overspend at year end, then the Council's share is approximately 23% (£0.105m). It should be noted that in the previous two financial years all the five local authorities that are members of the partnership have had a share of refunds to their contributions. The Priority Families programme is forecasting an underspend of £0.479m due to greater than expected fixed element of the grant rather than payment by results element.
Explanation of the Remaining Service net underspend (£0.642m, 0.77%)
For the first time in an estimated 16 years, the service has reported a Q1 forecast underspend, but this underspend does mask large variations in some forecasts. <u>Underspends</u>: The service has experienced increased stability within Children in Care (CiC) placements resulting in less pressure on the placement budget which is forecasted to underspend by £3.080m. This is in part due to the full year effect of a decline in numbers in late 2021/22 and is reflected across the 3 main placement types (internal foster care (lower cost), external foster care (medium cost) and external residential (high cost)). Currently the residential forecasted average unit cost is £4,302 per week compared to the £4,610 per week in 2021/22. The Asylum grant continues to provide funding of £1.004m for indirect costs across the service due to meeting the higher threshold eligibility. This funding will go some way to cover the overspends mentioned below. <u>Overspends</u> include Staffing £2.778m, Legal charges £0.300m (although this is modelled based on just 2 months actual charges), Leaving care accommodation £0.434m, short-term specialist care £0.361m. With the steady transition stage and necessary HR consultations required for the new staffing structure (as part of the Sustainability Plan) there are some in year salary overspends of £1.640m ahead of the new MTFS refresh savings plan which will contain greater savings than the current MTFS in order to fund the ongoing staff costs. Associated with this transition, as well as experiencing some key vacancies, the service is forecasted to spend £1.107m on agency staff. The current internal Legal budget forecast is an overspend of £0.300m. Both C&F and Legal Services continue to have frequent oversight of the legal spend in order to gain a greater control of the demand from C&F to Legal Services. Leaving Care Accommodation continues to be an area of increasing spend, especially around the unit cost. The AD is progressing discussions with Strategic Commissioning to review the commissioning and suppliers of this accommodation. Also, within the forecast overspend for this area there is a £0.361m overspend against a new budget of £0.100m created for children who need more short-term specialist care, in order to keep them from progressing to more costly care. Despite the areas of overspend, in summary, the direction of travel is positive and in line with the investment in staff and early intervention reducing demand on costly placements, although there are still some pressure points significantly around Leaving Care as well as continued reliance on costly Agency staff as well as some recruitment over establishment.

Impact on the MTFS
The Children's Sustainability Plan includes consideration of the budget which supports the existing MTFS. The emphasis which underpins the plan is to reduce demand on placements and other high-cost services in order to meet the necessary financial savings plan for C&F as well as build headroom to fund the increased establishment. It is acknowledged that recruitment of additional staff will be required to support delivery of the Plan. This will be considered as part the MTFS refresh for 2023 however in the interim, the cost of additional staffing is being met from within the current overall Service underspend and this is reflected in the current forecast. The staffing costs will need to be managed within Service budgets once the Council budget is set for 23/24

Education Services–Non DSG–£4.616m overspend
Explanation of the Approved Covid spend (£0.041m)
These are minor staffing costs for short term posts where there was a delay in recruitment in 2021/22.
Explanation of the Investment Funds position (£0.023m underspend)
There are some minor staffing underspends due to recruitment time lags as well as some delayed expenditure where plans have been delayed due to resourcing issues. It is possible that these will be caught up with and the forecast will continue to be reviewed.
Explanation of the Earmarked Funds position (£0.019m overspend)
This is due to training & development costs within the SEND & Inclusion Change programme and is covered by the earmarked reserve.
Explanation of the Remaining Service net overspend £4.579m, 13.6%
This large overspend is the result of: • There is an overspend of £0.457m on the AD held budget. This budget holds savings targets and the residual impact of budgets being centralised from prior years and this year, totalling £0.368m and is the reason for most of the overspend. At present none of this are forecast to be achieved but the AD has instructed managers to formulate ideas to mitigate and right-size other budgets to clear this issue. As a result of this overspend the AD has paused some low priority spending within this budget area in order to partly offset this overspend in the short term before longer term strategies are formulated. • General Mainstream Transport overspend of £1.991m due to the increasing costs of hired transport. There is a general estimate that the cost will be £54.3k/academic day for the financial year. However, it is expected that the cost of the service will remain volatile due to pressures in the wider economy. Within the SENDAR service there is also a forecast overspend of £0.175m, however it is envisaged that this could reduce as new triage processes are set up and remove the more complex cases from demand. • There is a forecast overspend related to SEND Transport of £1.883m, which assumes that that Flexi Route data is correct for the summer term and then, the average spend / day for 2021/22 academic year + 8% will be the spend for the Autumn and Spring terms in 2022/23 academic year. • The above overspends are partly offset by some relatively small underspends in Education Psychology and Specialist Teaching Service which are due to staffing vacancies and changes in service capacity which are delaying recruitment, as well as additional income from Ukrainian and Syrian children.
Impact on the MTFS
The MTFS includes savings which are at risk of not being achieved with current forecasts predicted for SEND Transport & the AD held budget area. The MTFS refresh process will need to include a

breakdown of between inflationary and demand-led pressures, and consideration must be given to mitigations/demand management strategies that can be put in place.

Education Services –DSG – (£4.059m overspend)
Explanation of the DSG net overspend (£4.059m)
This early forecast is based on current predictions for the new Academic year (starting Sept 2022) and as such is subject to variability. There are minor net overspends on the Schools Block & Central School Services Blocks totalling £0.124m, which will be covered by existing Schools Block & Central School Services DSG reserves. Included in the overspend, is planned one off expenditure (to be funded by the Early Years DSG reserves) on the Early Years block of £1.066m, with the release of a package of Covid recovery related grants available to all EY providers. It is expected that some further expenditure will fall into 2023/24. The main area of overspend is the High Needs Block. The currently forecast overspend consists of a number of significant budgets which are subject to interventions by the SEND & Inclusion Change Programme (SICP). A decision taken at the inception of the SICP to set budgets for individual services as they might be after the successful implementation of the change programme (i.e. aspirational) will lead to several large over/underspends in the short-term as the move to the service delivery model takes effect. Therefore, a holistic view is best taken. Areas of overspend include: • An overspend of £3.576m on Independent Schools Provision, which relates to 80 more places being anticipated than the budgeted target as well as unit cost increases. It had been assumed that the interventions in the SICP would be fully on track (including Warwickshire Academy) and that we would be diverting ‘need’ towards our own and other Local Authority special schools rather than using the independent sector. It is possible that there may have been optimism bias in the timing and the number of young people we could divert to other (less costly) placement types (LA mainstream and Special Schools) and therefore, we have a larger current base number than anticipated in the Independent Schools Places budget. • Top ups of supplemental & teachers’ pension payments for special schools £1.685m (this also includes some minor commissioning contracts), the overspend has resulted due to over allocations of HNB budget without taking into account this expenditure, this was caused by unclear DfE notification of additional budget and will be an ongoing pressure, subject to SICP. • There are also a triangulation of data and data quality issues that continue to make this area of forecasting complex and liable to large movements. The SICP needs to re-energise the transfer of data from manual workings to Synergy (our IT system solution) in order that the service can get a better grasp and overall picture of the issues as well as access to more timely data. The forecast overspends are partly offset by the following underspends: - • Top ups and Resourced provision £0.947m due to lower demand • Post 16 Provision - £0.701m - due to lower take up. • Alternative provision £1.033m with a large drop in demand but increased unit costs. • Approved additional contribution from the Schools Block £1.900m • Slight overall underspend of £0.056m for some support services. Underspends are expected to reduce over the coming years when the SICP embeds, and more children/ young people move from ISP’s into these provisions.
Impact on the MTFS

This overall size of the DSG overspend is greater than expected taking into account future year planned savings. However, the reduced 2021/22 outturn figure relieves some of the growing pressure on the MTFS, and partly offsets those areas of the SICP DSG recovery plan which are not currently on track. If the SICP DSG recovery plan gets back on track, then this could potentially release further funding to the MTFS. However, until data quality and all the DSG recovery plans start to hit their targets the effect may be minimal.

3. Resources Directorate

Business and Customer Services (£0.727m overspend; +3.9%)
Explanation of Covid spending approval (£0.344)
This Covid approval consists of: • The second year of a two-year time limited allocation to support the implementation of the service redesign • Allocations from the COMF fund for the Digital Inclusion Project (£0.051m) and the Befriending project (£0.003m)
Explanation of the Earmarked Reserves net overspend (£0.065m)
The planned drawdown from the welfare reserve is part of a 5-year plan to reduce the reserve whilst increasing capacity within the welfare team to meet higher level of demand.
Explanation of the Remaining Service net overspend (£0.318m)
The remaining service overspend is the mainly as a result of: • Business Support is forecasting an overspend (£0.208m) mainly due to staffing costs and a significant increase in the cost of paper. The staffing pressures have arisen due to increases in demand across the organisation but particularly in Social Care and Support. Pressures have also arisen where staff are on maternity leave or long term sick and being covered by agency staff. • Work will be undertaken over the next quarter to review the staffing position and service offer within Business Support with a view to reducing and mitigating the overspend position as much as possible. • An overspend on staffing costs (£0.077m) is also forecast within the Customer Contact centre. This position is partially offset by increased income for translation and interpreting services (£0.023m). Through the next quarter the staffing position will be reviewed in more detail as there are some current vacancies in the area which may reduce the forecast overspend given delays in recruitment.
Impact on the MTFS
There are a number of existing savings within the MTFS that relate to the delivery of staffing reductions. Therefore, there will be a focus through the financial year on how these savings will be met and any overspends mitigated.

Commissioning Support Unit - (£0.310 underspend; -4.65%)
Explanation of the Covid pressures (£0.064m)
The Covid spending consists of: • Quality Assurance Technical Specialist (£0.051m) – funded by COMF. • Community Testing (£0.013m) – funded from COMF
Explanation of the Investment Funds net underspend (£0.216m)
The underspend forecast on Investment Funds relates to the following projects: • Transformation (£0.096m) – Implementation of Business Analytics, represents the contingency amount built into the original funding allocation and will be reviewed by the Programme Board in the next quarter • Digital/ICT service redesign implementation (£0.049m) – underspend due to delay in Digital & Data Strategy and Horizon 1 of the Digital Roadmap projects • Mosaic Change Hub (£0.043m) - delay due to products being unavailable from the supplier. • WCC Residents Panel (£0.018m) • Digital Post Room (£0.010m)
Explanation of the Remaining Service net underspend (£0.158m)
The remaining service underspend is largely made up of: • In year staffing underspends within PMO and Contract Management due to reduced project work meaning fewer staff are required and delays in being able to recruit to vacancies. • Part of the underspend on staffing relates to a time limited MTFS allocation to realise savings across the organisation in non-contracted third party spend. However, in the current climate the recruitment market is challenging, and one recruitment round has already proved unsuccessful. Corporate Board and onward Member support will be required to modify the original plan to reduce the number of staff we recruit but increase the length of the time they work for us, thus requiring a carry forward of the original time limited allocation. It is not anticipated that this will impact the delivery of the savings in the MTFS but will hopefully make the positions more attractive to the market.
Impact on the MTFS
None identified

Enabling Services - (£0.019m overspend; +0.07%)
Explanation of the Investment Funds net underspend (£0.003m)
This underspend relates to Transformation Digital – How We Do Things project.
Explanation of the Remaining Service net overspend (£0.022m)
The remaining service overspend is made up of the following: • An overspend due to increased energy costs across County Buildings (£0.455m) • Income under recovery within Engineers (£0.152m) • Increased software licence and IT maintenance renewal contracts (£0.106m) • These overspends are offset with underspends in ICT Strategy and Commissioning (£0.458m) largely due to a reduction in the use of consultancy as a result of pauses in the Digital Roadmap project. • In year staffing underspends and over recovery of income in HR Enabling (£0.303m)
Impact on the MTFS
None identified

Finance Service – (£0. 017m underspend; -0.27%)
Explanation of the Covid spending (£0.030m)
The Covid approved spending relates to the remaining costs for an Interim post within Operational Finance Delivery.
Explanation of the Remaining Service net underspend (£0.047m)
The remaining service underspend is largely due to in year staff vacancies.
Impact on the MTFS
None identified

Governance and Policy – (£0. 324m overspend; +9.70%)
Explanation of the Covid spending (£0.220m)
The approved Covid spending is for: • The renovation of Croxhall Street, Bedworth for Family Time and Youth Service facilities. This will be funded via COMF. However, it is not likely that Croxhall Street will be a location that can completes works this financial year so alternative options are now being considered.
Explanation of the Remaining Service net overspend (£0.104m)
The remaining service overspend predominantly comprises of: • Increased agency costs coupled with reduced traded income within legal services (£0.226m). • The overspend is offset by in year salary underspends across the service (£0.147m) due to vacancies and delays in recruiting suitable candidates. • An overspend within One Public Estate (£0.018m) as a result of project manager and additional consultancy fees for the NWBC project.
Impact on the MTFS
The MTFS includes future savings linked to legal traded income. The position will need to be kept under close review as more legal income is being generated internally and some large contracts for external work have been lost and not yet replaced.

4. Corporate Services and Resourcing

Corporate Services and Resourcing – (£0.358m underspend; -0.32%)
Explanation of the Earmarked Reserves net underspend (£0.243m)
The transfer to earmarked reserves relates to the quadrennial local elections; the budget allocation is not required in non-election years and transferred to earmarked reserves building up sufficient funds to pay for the elections when they take place every fourth year.
Explanation of the Remaining Service net underspend (£0.115m)
The remaining service underspend is predominantly due to a forecast reduction of cost relating to the Coroner due to the reduced level of demand compared to the assumptions made when setting the budget specifically in body retrievals, post-mortems and mortuary usage.
Impact on the MTFS
If the drivers of the reduced demand for Coroner services are permanent than there will be an opportunity to recognise savings in the MTFS. Further analyses to be carried out to make sure the drivers are well understood before the MTFS deadline in September.

APPENDIX B

Commentary on service capital forecasts

The main reasons for the £13.275m delays in the quarter compared to the approved budget are set out below. These mean the expected benefits of the schemes will not be realised to the original time frame.

In addition to the £13.275m above there is an additional £0.776m of delays relating 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 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 developers, and the council has no control over this. Developers are charged for the cost of works as these incurred.

Environment Services – £9.523m delay caused by:

- A47 Hinckley Road Corridor scheme - £2.642m. The next phase of work on this scheme was expected to go out to tender this financial year. This has been delayed to redesign some elements of the project in accordance with the latest design standards and to improve safety and usability for cyclists. This will also better tie together other works in the area making the overall improvements more cohesive. Inflation will be managed within the available scheme budget.
- Hinckley to Nuneaton cycle route - £0.375m. Target construction start date pushed to April 2023. Costs for 2022-23 will only relate to design fees and internal and minimal external charges.
- A452 Myton Road and Shire Park Roundabouts (S106 project) - £1.798m. A revised estimate has been carried out on detailed design which is £2.6M higher than previous estimate. This is mainly due to higher costs for resources, materials and other aspects of delivery which have suffered from inflationary pressure. Additional funding will be required to complete this programme of works. The entire project has been reprofiled and is due to start in January 2023.
- Historic bridge maintenance - £1.086m. Weathering at Baginton Bridge has got significantly worse requiring forecast reprofile and use of contingency. The price of stonework has increased significantly due to construction inflation. Castle Bridge, Warwick scheme has been reprogrammed due to availability of road space in and around Warwick and other schemes on the network. The timing of Bidford Bridge works have been pushed back as this scheme needs to be delivered after works to Binton Bridge.
- A3400 Birmingham Road, Stratford, Corridor improvements - £1.000m. There is an expectation of a 7% increase in materials and contractor fees. Phase 2 costs will be known in July/August and will be confirmed in Q2. Phase 3 is now wholly in 2023 and there has been a

reprofile of £1m into 2023/24 to reflect this.

- Transforming Nuneaton Highways improvements CIF funded project - £0.667m. Due to delay in the planning application consultation responses. Inflation has not yet been taken into account due to detailed design works not yet being re-costed.
- Improvements to the A446 Stonebridge junction in Coleshill - £0.347m. Due to procurement issues with Design and Build contract. Going out to procurement for design this financial year.
- A46 Stanks Island signalisation and improvement, Birmingham Road, Warwick - £0.320m. - Main scheme contractor has gone into administration. Construction of phase 2 is expected this financial year. The construction cost of this will be affected by inflation but can be absorbed by the available budget. Budget carried forward to next financial year relates to a financial dispute with contractor who has since gone into administration. This is unlikely to be resolved for some time.
- Development and upgrade of three WCC owned Gypsy and Traveller sites - £0.303m. Works have been delayed while a cohesive plan of action is drawn up and will take place in future years.
- Emscote Road corridor improvements - £0.286m. Due to resourcing issues which need to be resolved.
- A452 Kenilworth Road to Leamington Spa town centre cycle route (Getting Building Fund) - £0.255m. The target construction start date January 2023. Main contractor spend could be split between financial years 2022/23 & 2023/24 dependent on when Highways Maintenance Contract recharges are processed. Overall delivery cost may increase at Q2.
- There are a number of other projects which have been delayed all of which are below £0.250m each. They are as follows, and further details can be found in the annexes to the report under the Environment Services capital section.
  - Weddington Road, Nuneaton, Toucan crossing - £0.112m.
  - Flood defence maintenance - £0.110m.
  - Bridge annual maintenance - £0.100m.
  - Install variable message signs A444 (Prologis) - £0.082m.
  - Nuneaton to Coventry cycle route CIF funded scheme - £0.030m.
  - A452 Kenilworth to Leamington cycle route CIF funded scheme - £0.010m.

Strategic Commissioning for Communities - £1.264m delay caused by:

- Improvements to the A429 Coventry Road, Warwick corridor - £0.621m. Acquisition of new assets has been moved to 2022-23 to purchase permanent monitoring equipment in advance to identify the optimal time to start the project. The rest of the budget has been reprofiled forward a full financial year because of the limited resources for the execution of the project. Inflation has not been considered for 2022-23, as the costs for this year are fixed; inflation will be considered for the following financial years at the point of review.
- All electric bus initiative - £0.298m, because the number of charging points required is less than originally anticipated. This has released funding to be spent on supporting bus priority measures, as identified in the Capital Investment Fund business case.
- There are a number of other projects which have been delayed all of which are below £0.250m each. They are as follows, and further details can be found in the annexes to the report under the Communities Services capital section.
  - Casualty reduction schemes £0.211m.
  - Capital Growth fund – Access to finance £0.050m.

- Southbound bus stop on A426 Leicester Road Rugby - £0.064m.
- S106 2 bus shelters at bus stops on Narrow Hall Meadow near the GP surgery at Chase Meadow - £0.020m.

Enabling Services - £2.276m delay caused by:

Development of Rural Broadband (£2.276m) - The forecast expenditure on the project has reduced in 2022-23. The Central Government Department, Building Digital UK (BDUK) has approved a project change request to rescope the rural infrastructure broadband build and extend further into the hard-to-reach areas for Warwickshire. The rurality and complexity of this build plan requires an extended programme of work into 2024, whilst remaining within the planned spend profile.

Governance & Policy - £0.212m delay caused by:

Bedworth / Croxhall Street Centre renovation - £0.212m. This project is on hold and an alternative building is under consideration. On the 7th July 2021 approval was sought for additional venues and space required for social care family time. In order to allow contact between children in care and their families more venues and space were necessary. The increased demand has been due to the increase in children in care and compliance with Covid-19 social distancing regulations. In addition, demand for early help and statutory services had increased significantly within Bedworth, where there is currently limited youth service provision. A Warwickshire County Council building at Croxhall Street Bedworth became available and it was considered that if renovated it would be suitable to extend Family Time and Youth Service facilities in the Bedworth area. The full cost of renovation of the Croxhall Street Centre building was estimated to be £220,000 at that time.