Cabinet

10 November 2022

2022-23 Financial Monitoring – Forecast Position as at Quarter 2

Recommendations

That Cabinet:

1. Notes the adjusted forecast overspend of £4.439m (1.2%) 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 £9.406m, a shortfall of £0.838m (8.2%) against the target.

3. Notes the forecast capital spend for 2022/23 of £114.048m.

4. Approves the reprofiling of spend on the capital programme of £19.729m in 2022/23 into future years and note the carry forward of s278 contributions of £0.100m 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 second 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

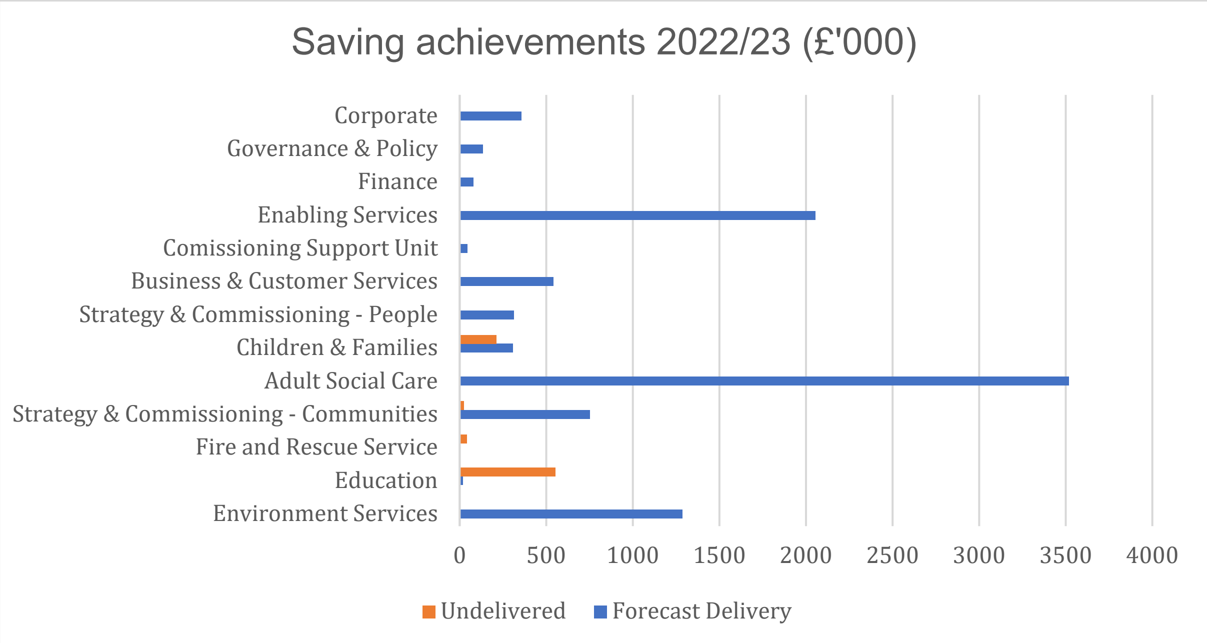
2.1. Revenue Forecast Summary

	Q1 £m	Q2 £m	Change £m
Approved Budget	362.344	363.060	0.716
Forecast net spending	374.734	374.979	0.245
Net overspend	**12.390**	**11.919**	**(0.471)**
Reason for, and resourcing, of the overspend			
• Covid variance fully funded by Covid grants carried forward from previous years	5.249	5.438	0.189
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	0.006	(0.696)	(0.702)
• DSG deficit to be offset against the DSG Offset Reserve	4.059	2.100	(1.959)
• Spend to be financed from other Earmarked Reserves	0.230	0.639	0.409
Balance of overspend to be funded Directorate and General Risk Reserves	**2.846**	**4.439**	**1.593**

The headline forecast overspend for 2022/23 is £11.919m. However, funding has already been set aside in the Medium-Term Financial Strategy (MTFS) to meet the majority of these costs. Once this funding is taken into account the adjusted position is a net overspend of £4.439m (1.2% of the net revenue budget) which will, if unchanged by the end of the financial year, need to be funded from Directorate and the General Risk Reserves.

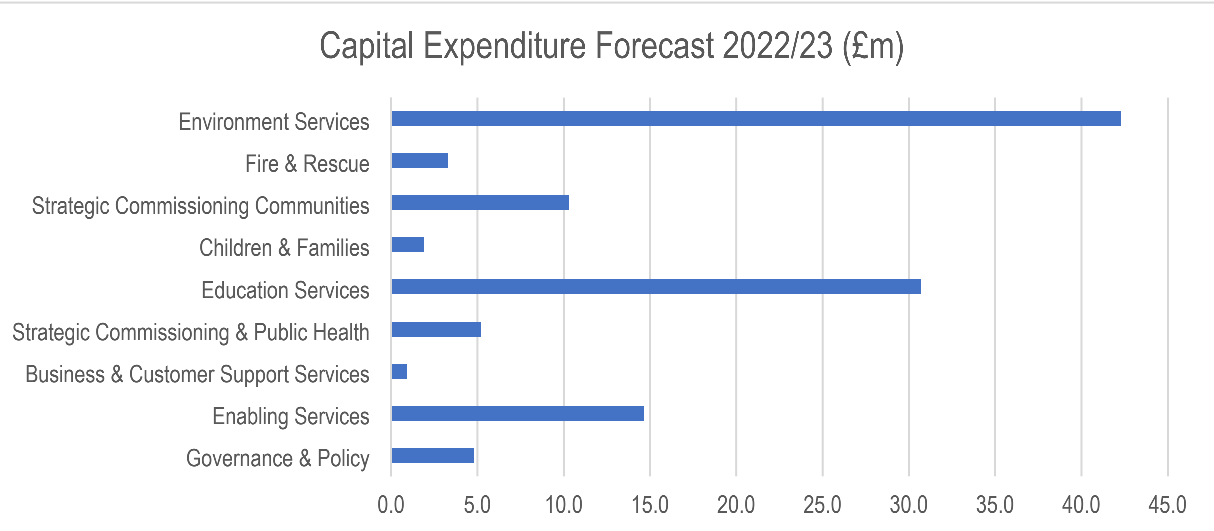
The current Dedicated Schools Grant (DSG) forecast is £2.100m within this there is a £2.572m High Needs block deficit in 2022/23, the cumulative High Needs DSG deficit will be £18.551m at the end of this financial year. The DSG Offset Reserve is currently £21.650m. If the cumulative DSG deficit remains below the Offset Reserve, at the end of the financial year the Authority will 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 Q2 £9.406m (91.8%) is forecast to deliver in line with the plan with £0.838m (8.2%) forecast to be unachieved. For details on saving performance please refer to Section 4.

2.3 Capital Forecast Summary



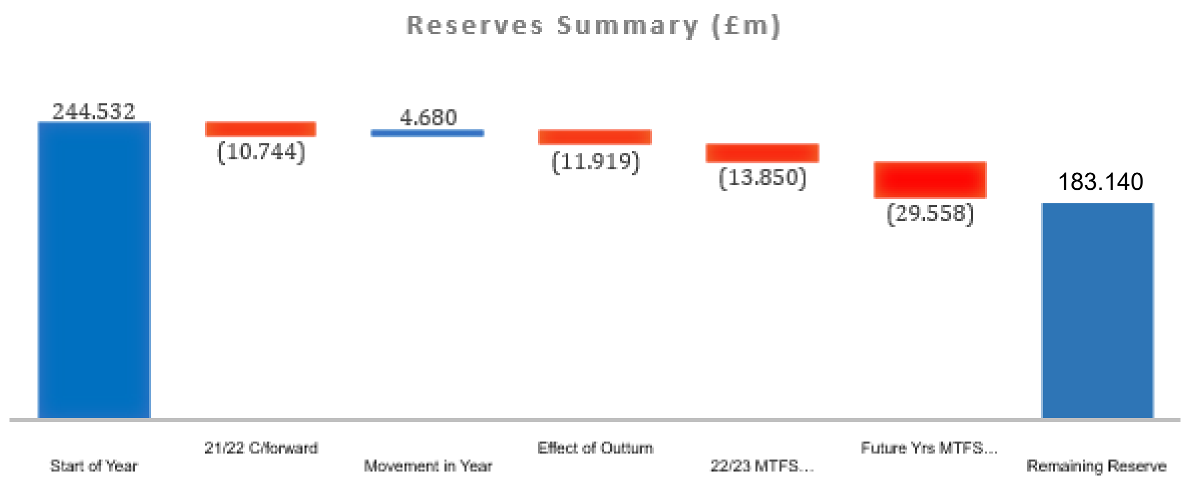
The total controllable forecast capital spend for 2022/23 is £114.048m. A further £14.784m is expected to be spent relating to schemes funded by S278 developer contributions where the timing is not directly controllable by the Council.

2.4 Covid Summary

Covid Budget Position	Covid Forecast as at Q1 2022/23 £m	Covid Forecast as at Q2 2022/23 £m
Covid Grants Ringfenced Reserve Covid Grants Un-ringfenced Reserve	(3.353) (15.937)	(3.353) (15.937)
Available Covid reserves as at 31st March 2022	(19.290)	(19.290)
Covid Related Commitments:		
Ringfenced (Excluding COMF) Ringfenced (COMF) Un-ringfenced (Excluding Local Council Tax Compensation Scheme) Un-ringfenced (Local Council Tax Compensation Scheme)	1.070 2.135 6.379 4.891	0.980 2.184 6.616 4.891
Less: Ringfenced Covid Grant Risk	0.150	0.192
Approved Covid Spend for 2022/23 & 2023/24	14.629	14.860
Total un-allocated funding	(4.661)	(4.430)

In 2022/23 Covid expenditure is monitored against the resources carried forward from covid-support 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 Q2 forecast the level of uncommitted resources is £4.430m, this has increased by £0.231m since Q1. There is £0.192m 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.

2.4 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 £183.140m. The future MTFS commitments are subject to change as a result of the on-going refresh of the Strategy.

[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	Change from Q1	Represented by: Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service (RS) Variance	% RS Variance from Approved Budget	RS Variance Change from Q1
	£m	£m	**£m**		£m	£m	£m	£m	£m		
Communities											
Environment Services	26.067	26.207	**0.140**	**0.5%**	0.010	-	-	0.056	0.084	**0.3%**	0.010
Fire & Rescue	22.793	23.077	**0.284**	**1.2%**	0.106	-	0.240	-	0.044	**0.2%**	0.077
Strategic Commissioner for Communities	26.191	26.762	**0.571**	**2.2%**	(0.074)	-	(0.185)	0.616	0.140	**0.5%**	0.419
Subtotal Communities	**75.051**	**76.046**	**0.995**	**1.3%**	**0.042**	**-**	**0.055**	**0.672**	**0.268**	**0.4%**	**0.506**
People											
Social Care & Support	183.139	184.924	**1.785**	**1.0%**	2.600	(0.076)	1.200	-	0.661	**0.4%**	1.403
Children & Families	83.311	83.859	**0.548**	**0.7%**	0.696	0.043	(0.068)	0.279	0.294	**0.4%**	0.936
Strategic Commissioner for People	36.663	39.397	**2.734**	**7.5%**	(0.606)	(0.026)	(0.270)	3.426	(0.396)	**(1.1%)**	(0.161)
Education Services - Non-DSG	33.740	40.032	**6.292**	**18.6%**	1.676	-	0.144	0.098	6.050	**17.9%**	1.471
Subtotal People	**336.853**	**348.212**	**11.359**	**3.4%**	**4.366**	**(0.059)**	**1.006**	**3.803**	**6.609**	**2.0%**	**3.649**
Resources											
Business and Customer Services	18.891	19.602	**0.711**	**3.8%**	(0.016)	-	0.031	0.378	0.302	**1.6%**	(0.016)
Commissioning Support Unit	6.677	6.119	**(0.558)**	**(8.4%)**	(0.248)	(0.437)	-	0.062	(0.183)	**(2.7%)**	(0.025)
Enabling Services	27.725	26.189	**(1.536)**	**(5.5%)**	(1.555)	(0.005)	-	-	(1.531)	**(5.5%)**	(1.553)
Finance	6.324	6.046	**(0.278)**	**(4.4%)**	(0.261)	(0.195)	0.018	0.030	(0.131)	**(2.1%)**	(0.084)
Governance & Policy	3.531	3.437	**(0.094)**	**(2.7%)**	(0.418)	-	0.006	0.243	(0.342)	**(9.7%)**	(0.446)
Subtotal Resources	**63.148**	**61.393**	**(1.755)**	**(2.8%)**	**(2.498)**	**(0.637)**	**0.055**	**0.713**	**(1.885)**	**(3.0%)**	**(2.124)**
Subtotal Directorates	**475.052**	**485.651**	**10.599**	**2.2%**	**1.910**	**(0.696)**	**1.116**	**5.188**	**4.992**	**1.1%**	**2.031**
Corporate Services and DSG											
Corporate Services & Resourcing	(113.064)	(113.844)	**(0.780)**	**0.7%**	(0.422)	-	(0.477)	0.250	(0.553)	**0.5%**	(0.438)
DSG expenditure	252.472	254.572	**2.100**	**0.8%**	(1.959)	-	2.100	-	-	-	**-**
DSG income	(251.400)	(251.400)	**-**	**-**	-	-	-	-	-	-	**-**
Subtotal Corporate Services and DSG	**(111.992)**	**(110.672)**	**1.320**	**(1.2%)**	**(2.381)**	**-**	**1.623**	**0.250**	**(0.553)**	**0.5%**	**(0.438)**
Total	**363.060**	**374.979**	**11.919**	**3.3%**	**(0.471)**	**(0.696)**	**2.739**	**5.438**	**4.439**	**1.2%**	**1.593**

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 £11.919m representing 3.3% of the Council's net revenue budget, this is a reduction of £0.471m since Q1.

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

i.) **Covid (£5.438m):** The table in section 3 shows the Covid spend for each service on the approved initiatives to manage the 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 Q2 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 Q2 forecast indicates at the end of 2022/23 £4.430m 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, at Q2 there is risk that £0.192m will be repaid.
- 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 £2.100m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q2 2022/23	Cumulative forecast variance as at Q2
Schools Block	£0.013m	(£0.378m)
Early Years Block	(£0.515m)	(£3.447m)
High Needs Block	£2.572m	£18.551m
Central Services Block	£0.030m	(£0.459m)
Total	**£2.100m**	**£14.267m**

The Q2 forecast is based on current predictions for the new Academic year (starting September 2022) and as such is subject to variability. The High Needs Block (HNB) forecast of £2.572m has reduced by £0.297m since Q1.

The most significant driver of the overspend is £4.117m on Independent School Provisions this has increased by £0.541m since Q1 and is partly offset by a reduction of spend in Educational Health Care Plan (EHCP) top-ups and Alternative Provision. A detailed analyses of the DSG variance is provided in Appendix A. All of the forecast overspend can be resourced 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 £6.050m (increase from Q1 of £1.471m).**
The primary driver of this overspend is Home to School transport with mainstream transport forecasting to overspend by £2.638m and SEND (Special educational needs and disabilities) forecasting to overspend by £2.938m. Since Q1 the combined forecast overspend has increased by £1.703m. At Q1 the forecast assumed that route efficiency would drive down costs in the Autumn and Spring terms. However, the view is now taken that a continuation of the summer term daily cost is a more likely outcome.

Transport is seeing increasing costs in the hire of transport vehicles and bus pass demand on commercial routes. It is expected that the cost of the service will remain volatile due to inflation pressures in the wider economy.

Within SENDAR there is a forecast overspend of £0.412m, due to increased staffing, legal and mediation costs, and the service has proposed plans in the MTFS refresh to mitigate these overspends.

ii.) **Social Care and Support remaining service overspend of £0.661m (increase from Q1 of £1.403m)**
There are significant over and underspends within the headline overspend, primarily due to:

- Children with Disabilities (CwD) is forecast to overspend by £1.534m of which £1.028m relates to two intensive spot contracts. Alternative solutions are not currently available or expected to be found. The remaining overspend relates to residential placements and is driven by increased transport cost as well as an increase in weekly average placement costs compared to last year.
- Integrated Care Services forecast to underspend by £1.178m, which is an increase of £0.165m from Q1 and is due to the limitations of tendering

processes placed on on-going projects and recruitment challenges the service is experiencing.

- Older People is forecast to overspend by £0.206m, which is an increase of £1.339m from Q1. The overspend is driven by rising costs in residential and nursing care due to both inflationary increases and the use of more costly spot packages. The significant change from Q1 to Q2 is due to the increasing use of costly spot packages due to difficulties in sourcing placements at WCC rates, and demand trends are also indicating an upward trajectory. Fortunately, client contribution income has continued to grow over what was originally budgeted, mitigating some of this pressure.

iii.) **Enabling Services remaining service underspend of £1.531m (decrease of £1.553m from Q1)**

The primary driver of this underspend is the Digital Roadmap project, which is forecast to underspend by £0.912m, in part delayed by capacity being directed to the more urgent adult social care reforms work. Current expectation is that 50% of this year's planned investment will be completed this year, with the service seeking to request a carry forward at yearend to complete phase 1 of the project in 2023/24. In addition, County Buildings is forecast to underspend by £0.399m following a review of energy costs. This is a non-reoccuring underspend due to adjustments made during the year end processes and it is mitigating the in- year inflationary pressure which would otherwise cause a significant overspend. Utility bills are due to increase significantly in the coming months, this is being mitigated as far as possible by building management to meet occupancy levels. Forecasts will be refined once the upcoming increases implemented, and the impact of the mitigation can be estimated more accurately. HR Enabling are forecast to underspend by £0.222m as a result of challenges in recruiting to vacant posts.

iv.) **Children and Families remaining service overspend of £0.294m (increase of £0.936m from Q1)**

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

- The combined overspends in Children and Families (relating to salary, agency, legal and leaving care accommodations costs) is £4.333m an increase of £0.965m from Q1, primarily, due to additional staff and agency costs as part of implementing the Service's Sustainability Plan to reduce demand on placements and other high-cost services; and

- An offsetting underspend of £2.988m within Children in Care (CiC) due to increased stability of placements, for which the forecast has marginally reduced since Q1 and is due to a full year effect of declining numbers in 2021/22. The unit cost has also fallen to £4,532[2] per week in 2022/23 from £4,632 in 2021/22, a decrease of £100 per week. The investment in staffing through the

[2] 2022/23 weekly rate is calculated based on data to September 2022.

Sustainability Plan is critical to maintain the model that has successfully achieved the reductions in unit cost and placement numbers. The Asylum Grant also contributes to this position by providing funding of £1.186m towards the indirect costs across the service.

It is acknowledged that recruitment of additional staff will be required to support delivery of the Service's Sustainability Plan and demand management reductions built into the Medium Term Financial Strategy. 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 2023/24 MTFS refresh and monitored throughout.

4. Savings Performance

4.1. Performance against individual saving targets is listed in Annexes A to M of Appendix C in this report. The table below provides a summary of the current forecast. The savings target for 2022/23 is £10.244m of which £9.406m is planned to be delivered leaving a £0.838m shortfall.

	No. of Savings Options	Saving Delivered £m	Saving Not Delivered £m
Savings target achieved/overachieved	45	9.076	-
Savings target partially achieved	3	0.330	0.080
No saving delivered against target	6	-	0.758
Total	**54**	**9.406**	**0.838**

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

- 53% is attributable to schemes where services are struggling to deliver the planned reductions through service re-design to reduce cost;
- 26% is attributable to schemes where the service has failed to reduce third party spend;
- The other 21% is attributable to schemes where the service has either not increased income streams as planned or due to insufficient cost reduction from vacancy management.

Description	Target £m	Forecast £m	Reason for variance and associated management action
Education - SEND Home to school transport - Reduction in the cost of the service as a result of service/route redesign and the positive impact of the SEND Change and Inclusion Programme on both demand and the length of journeys.	0.386	0.00	There is significant overspend on home to school transport driven primarily by inflationary pressures.

Education - Savings on third party spend - Review of services purchased from third parties to ensure value for money.	0.066	0.00	Savings are not forecast to be achieved this year due to inflationary pressures, alternative plans are 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	0.00	Continuing post COVID demand on staff resources mean alternative plans are to be agreed for how this saving will be delivered.
Fire & Rescue - Further savings on third party spend - Review of services purchased from third parties to ensure value for money	0.043	0.00	Delay in siting the Minerva unit has resulted in savings not being achieved and likelihood of the savings being achieved by other methods or absorbed is low due to increase in operational activity over the summer.
SC Communities - Road safety advice - Maximising income generation opportunities from the provision of road safety advice.	0.100	0.075	Saving is not forecast to be fully achieved this year due to fewer requests for audits received.
Children & Families - Savings on third party spend - Review of services purchased from third parties to ensure value for money.	0.107	0.00	Savings are not forecast to be achieved this year due to inflationary pressures, alternative plans are 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	0.00	Current forecasts predict an overspend within this service of £0.108m.
Governance and Policy - Paper free meetings - Reduction in the cost of printing as a result of moving to paper free meetings.	0.010	0.005	Take up of paper free meetings is currently approx. 50%.
	1.168	0.330	

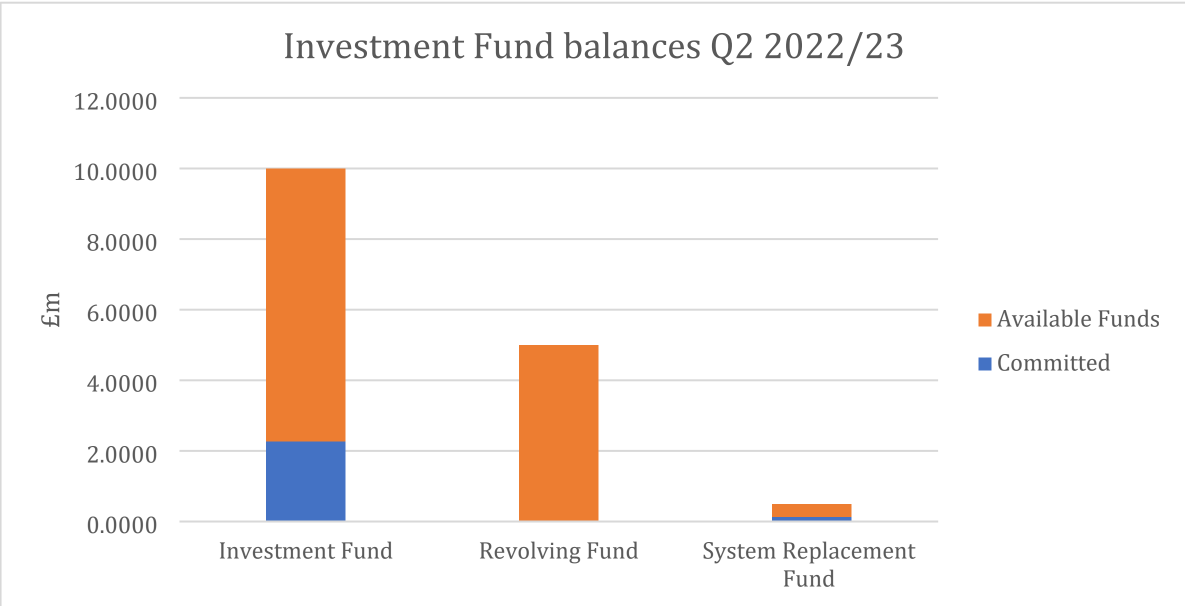
4.3. The savings target in Education relating to the reduction in cost for SEND home to school transport has changed from being fully achieved in Q1, to not being achieved in Q2. The Q1 forecast assumed that route efficiency would drive down costs in the remaining terms. Based on the latest available information however, the view is now taken that a continuation of the summer term daily cost is a more likely outcome. A significant MTFS pressure has been submitted for this area that takes account of the non-delivery of this saving.

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 have 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 (RIF), £5m for a Revolving Fund specifically to resource invest-to-save projects and a £0.500m IT System Replacement Fund.

5.3. On the 13 October 2022, Cabinet, agreed a priority funding package of up to £1.0m from the RIF, aimed at alleviating cost of living pressures recognising the significant economic challenges and impact on residents, communities and businesses of Warwickshire. This investment brings the total committed in 2022/23 to £2.0m.

5.4. With the volatile economic outlook, allocating further funding from the Revenue Investment Fund will remain paused, except for the priority cost of living allocation. This is to ensure the Council does not over-commit available resources and is able to manage inflationary pressure which is vital in ensuring the Council stays financially resilient through these challenging times.

5.5. 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.

5.6. 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, there has been no additional allocations to this fund since Q1, year to date £0.132m has been allocated leaving £0.362m available to spend in the remainder of the financial year.

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)	-	(2.100)	(1.070)	(14.267)	-	(14.267)
Other Schools Reserves	37.650	7.972	(0.018)	-	45.604	-	45.604
Covid Reserves	14.399	-	(5.438)	-	8.962	(4.531)	4.431
Other Earmarked Reserves	113.168	(10.515)	0.075	(1.442)	101.286	(12.654)	88.632
Risk and General Reserves	37.056	(3.119)	(4.992)	6.883	35.828	-	35.828
Available to Use Reserve	53.355	(0.402)	0.553	(18.221)	35.286	(12.373)	22.913
Total	**244.532**	**(6.064)**	**(11.919)**	**(13.850)**	**212.698**	**(29.558)**	**183.140**

6.1. At the start of 2022/23 the Council held £244.532 in reserves and by the end of Q2 there has been a total movement in reserves of £6.064m. 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 £11.919m. The key drivers of this change are the DSG overspend that will further increase the deficit, the Home to School Transport overspend and the use of Covid reserves to support ongoing Covid recovery activities.

6.3. Based on the current national pay negotiations, the cost of the proposed pay award is likely to exceed the £6.656m currently budgeted. As no decision has been reached on the final pay award yet the cost is not reflected in the revenue forecasts, but the difference from the contingency included in the 2022/23 budget is planned to be funded from the Inflation Contingency Reserve. This earmarked reserve is sufficient to fund the additional cost based on the current proposal with no impact on the Available to Use reserve. Ongoing funding for the additional cost will need be made good in the 2023/24 MTFS refresh.

6.4. 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 £114.048m and a total capital programme of £366.019m.

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	-30.613
Warwickshire Recovery and Investment Fund (WRIF), and Warwickshire Property and Development Group (WPDG) and Asset Replacement Fund (ARF)	-38.643
Education Basic Needs funding (unallocated)	-9.624
Capital Maintenance allocations	-29.016
Quarter 3 approved capital programme (including S278, excluding WRIF, WPDG and ARF)	**142.219**
Re-profiling, new schemes, and delays at outturn	-17.455
Opening capital programme for 2022-23 (including S278, excluding WRIF, WPDG and ARF)	**124.764**
Re-profiling, new schemes, and delays at Q1	4.424
Capital programme at Q1 2022-23 (including S278, excluding WRIF, WPDG and ARF)	**129.188**
Re-profiling, new schemes, and delays at Q2	-15.140
Capital programme at Q2 2022-23 (including S278, excluding WRIF, WPDG and ARF)	**114.048**

7.3. The current forecast represents a decrease of £15.140m on the Quarter 1 budget reported in September 2022. This decrease consists of a net decrease in the overall cost of capital schemes to be spent in 2022/23 of £16.708m and an increase in newly approved capital schemes of £1.568m. The changes to forecasts have been split below in paragraph 7.6 between Budget Reprofiles, Net Underspends and Delays. Additionally, there are £54.102m of S278 projects currently within the capital programme.

7.4. The Capital Investment Fund (CIF) balance which is not included in the above figures is £101.277m. The most recent approval being the £15.0m top slice for inflationary pressure which was approved by Cabinet on 8 September 2022 and full Council on 29 September 2022.

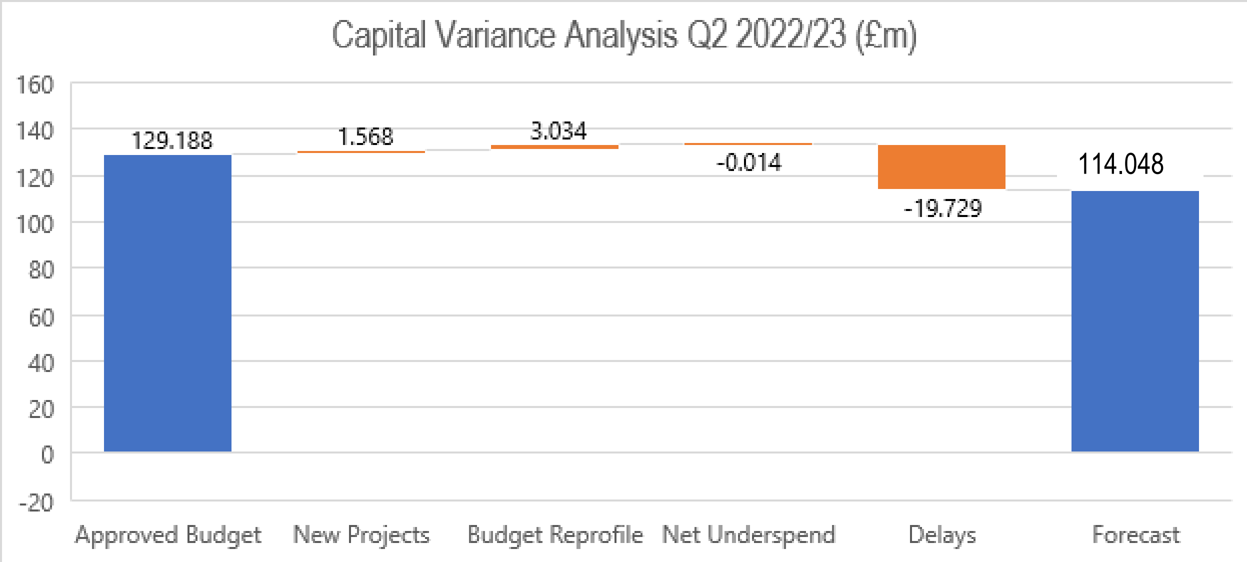
Capital Forecast by Service

	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	45,576	42,283	(3,292)	91,602	95,821	4,219	927
Fire and Rescue	3,559	3,309	(250)	2,507	2,757	250	-
SC for Communities	10,097	10,317	220	40,71	42,368	1,650	1,869
Communities	**59,232**	**55,910**	**(3,323)**	**134,827**	**140,946**	**6,119**	**2,796**
Children and Families	1,912	1,912	-	770	770	-	-
Education Services	42,292	30,695	(11,597)	63,655	100,917	37,262	25,665
Social Care & Support	-	-	-	31	313	-	-
SC for People & Public Health	5,198	5,198	-	21	21	-	-
People	**49,402**	**37,806**	**(11,597)**	**64,759**	**102,021**	**37,262**	**25,665**
Business and Customer Support	1,422	911	(511)	8	591	511	-
Enabling Services	13,924	14,657	733	6,418	6,442	25	758
Governance & Policy	5,207	4,764	(443)	1,531	1,974	442	(1)
Resources	**20,553**	**20,333**	**(221)**	**8,029**	**9,007**	**978**	**757**
Controllable capital programme	**129,188**	**114,048**	**(15,140)**	**207,614**	**251,974**	**44,359**	**29,219**
Corporate: WPDG / WRIF / ARF	38,643	38,643	-	225,957	225,957	-	-
WCC Capital Programme	**167,831**	**152,691**	**(15,140)**	**433,571**	**477,931**	**44,359**	**29,219**
S278 funded schemes	13,410	14,784	1,374	39,946	39,318	-629	745
Total Capital Expenditure	**181,241**	**167,475**	**(13,766)**	**473,518**	**517,248**	**43,731**	**29,965**

7.5. The forecast of 2022/23 capital payments directly controllable by the Authority of £114.048m excludes the forecast spend on s278 developer schemes of £14.784m and corporate allocations for WPDG (Warwickshire Property and Development Group), WRIF (Warwickshire Recovery and Investment Fund) and ARF (Asset Replacement Fund) of £38.643m. These elements are excluded from the headline figures as the timing of the spend is not directly controllable by the Council. If these are included the total 2022/23 capital expenditure forecast is £167.475m.

Capital Variance Analysis

7.6. The latest 2022/23 controllable capital budget of £129.188 m was approved by Cabinet in September 2022. The chart below explains the changes between the approved budget and the actual forecasted spend of £114.048m.



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 delay in the time scale for delivery. The project is still being delivered and with no material change in cost, but the benefits of projects are not realised and available to the taxpayers of Warwickshire in the timeframe originally anticipated. The net position is that there is £16.695m 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 the current delays are provided in **Appendix B** of this report and they include avaiablility of contractors and materials, project reviews and redesigns due to inflationary pressures and longer than anicipated procurement and planning proesses.
- 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 processes, with financing made available from Capital Investment Fund or funded by third parties. At Q2 £0.719m of new Highways funding has been recognised in the capital programme. This has been facilitated by the forward use of 2023-24 Highways Grant.
- 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 / underspend	Total capital programme	Budget Reprofile	Delays	Forecast In year capital spend	% of delays
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Environment Services	44,169	856	(208)	44,817	348	(4,290)	40,875	(9.5%)
Fire and Rescue	3,560	-	-	3,560	-	(250)	3,310	(7.0%)
Strategic Commissioning for Communities	11,504	105	(103)	11,506	334	(116)	11,724	(1.0%)
Children & Families	1,912	-	-	1,912	-	-	1,912	-
Education Services	42,292	607	(55)	42,844	1,618	(13,766)	30,696	(32.13%)
Strategic Commissioning for People & Public Health	5,198	-	-	5,198	-	-	5,198	-
Business and Customer Support	1,422	-	-	1,422	-	(511)	911	(35.9%)
Enabling Services	14,900	-	352	15,252	381	-	15,633	-
Governance and Policy	4,231	-	-	4,231	353	(796)	3,788	(18.8%)
Services Capital Programme	**129,188**	**1,568**	**(14)**	**130,742**	**3,034**	**(19,729)**	**114,047**	(15.1%)
Corporate (WPDG & WRIF & ARF)	38,643	-	-	38,643	-	-	38,643	-
WCC Capital Programme	**167,831**	**1,568**	**(14)**	**169,385**	**3,034**	**(19,729)**	**152,691**	**(11.6%)**
S278 Developer Funded Schemes	13,411	1,060	(4)	14,467	418	(100)	14,785	(0.7%)
Total Capital Expenditure	**181,241**	**2,628**	**(18)**	**183,852**	**3,452**	**(19,829)**	**167,475**	**(10.8%)**

7.8. Adding £1.568m 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**.

7.10. A wider issue, which services have started to report but is not currently included in forecasts (due to the statutory requirement that any cost increases are fully funded before spending 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. Funding inflationary pressures on such capital schemes was considered by Cabinet and Council in September and a new Inflation Contingency Fund was established (funded from the Capital Investment Fund) to manage the impact of inflation. The new Fund contains £15m funding and allocations will be made to specific projects by the Strategic Director for Resources in consultation with the

Portfolio Holder for Finance and Property. Specific allocations made from the Fund will be reported to Cabinet and the Resources and Fire Overview and Scrutiny Committee.

7.11. In addition, where schemes are in the early stages of design and costing there is a growing risk that project costs have significantly risen due to inflation. This may mean in some cases the original scheme is not likely to be achievable within the current approved funding envelope. Decisions about whether to proceed or if the projects should be scaled back or aborted will form part of the development of the Capital Investment Fund pipeline as part of the 2023/24 MTFS Refresh. Any abortive costs on discontinued schemes would need to be funded from revenue resources.

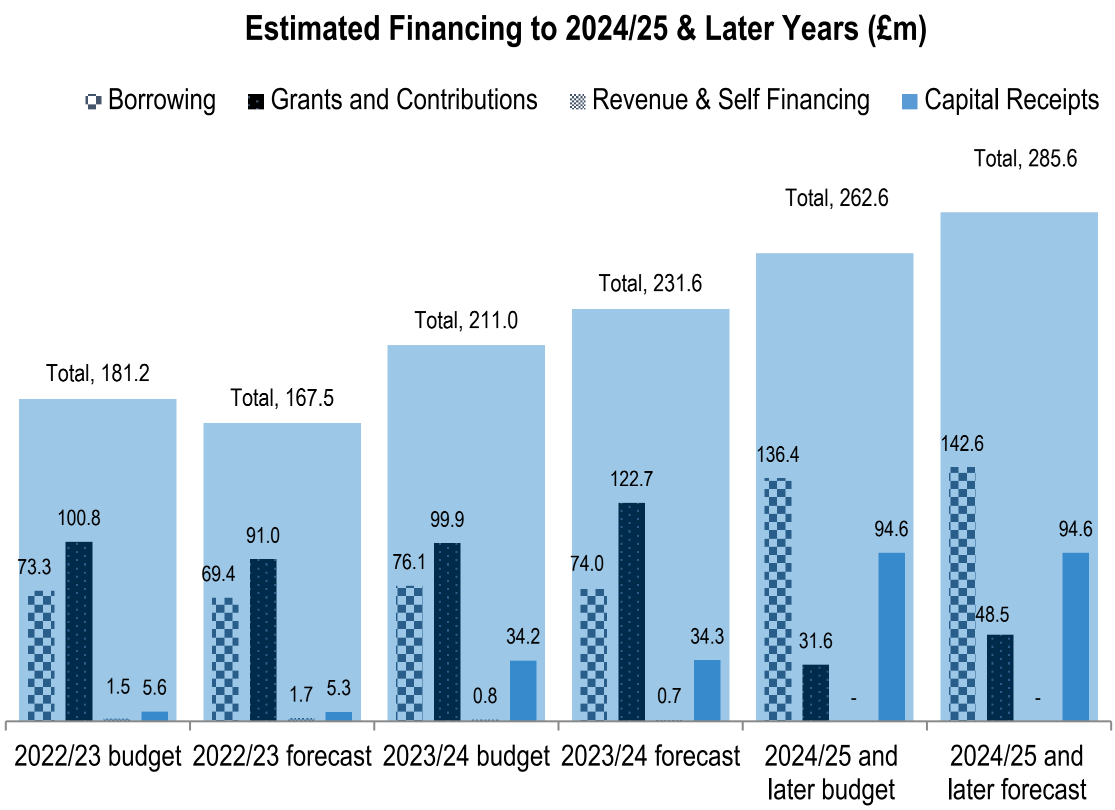
Capital Financing

7.12. 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.

7.13. The most significant variable in financing the capital expenditure is forecasting the timing of the delivery of capital receipts. 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.

7.14. 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.

7.15. 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.



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	73,331	69,444	76,064	73,977	136,413	142,573
Self-financed Borrowing	1,193	1,135	514	425	-	-
Grants and Contributions *	100,821	91,038	99,876	122,688	31,580	48,498
Capital Receipts	5,551	5,301	3,715	3,792	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	345	557	317	256	-	-
Total	**181,241**	**167,475**	**210,959**	**231,611**	**262,559**	**285,637**

* *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 as well as national and international political and economic outlook.

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

	Contact Information
Report Authors	Natalia Hodgetts, Lead Commissioner – Finance Strategy; nataliaszabo@warwickshire.gov.uk Purnima Sherwood, Service Manager – Finance Delivery; purnimasherwood@warwickshire.gov.uk Lisa Fynn, Senior Accountant – Finance Strategy; lisafynn@warwickshire.gov.uk Becky Robinson, Senior Accountant – Finance Strategy beckyrobinson@warwickshire.gov.uk
Assistant Director	Andy Felton, Finance; andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell, Strategic Director for Resources robpowell@warwickshire.gov.uk
Portfolio Holder	Cllr P Butlin, Deputy Leader and Portfolio Holder for Finance and Property; cllrbutlin@warwickshire.gov.uk

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 is being reported no commentary is provided.

1. Communities Directorate

Environment Services - (£0.140m overspend)
Explanation of the Approved Covid allocations (£0.056m)
This is a COMF funded allocation for Community Safety for work in relation to preventing serious violence.
Explanation of the Remaining Service net overspend (£0.084m)
The service overspend comprises mainly of the following: • Increased costs forecast at Gypsy and Traveller sites (£0.105m) due to higher energy costs and high level of building maintenance costs. • Forestry is forecasting to overspend (£0.278m) due to a planned staffing restructure meaning vacancies are being filled by sub-contractors until the restructure takes place. • A net overspend within Transport Delivery (£0.094m) due to a reduction in the forecast underspend relating to Concessionary transport. This is because the government has issued guidance to state that the expected taper will no longer be implemented and instead Covid arrangements should be extended. The overspends are offset with the following forecast underspends: • An over achievement of income within Network Management (£0.290m). • In year staff underspends in Planning Delivery (£0.108m) due to some vacancies being unfilled.
Change in the Remaining Service position since the position reported at Quarter 1 (increase of £0.010m)
Although the overall increase in the overspend compared to Q1 is quite small this is made up of some significant changes. These are detailed below: • Increased inyear underspend (£0.257m) due to the over-achievement of Network Management income being forecast for permits and private works recharges. • More thorough reviews of salary costs resulting in in-year underspends (£0.205m) within Planning Delivery being forecast. • An increased Forestry overspend (£0.209m) compared to Q1 due to the expected costs associated with a service redesign. • Since Q1 the forecast for Transport Delivery has reduced (£0.250m) due to the expected underspend on Concessionary Transport, which is due to the government guidance noted above.
Impact on the MTFS
A pressure bid has been submitted as part of the MTFS refresh to address the increased Gypsy and Traveller costs.

Fire and Rescue - (£0.284m overspend)
Explanation of the Earmarked Reserves net overspend (£0.240m)
The movements on earmarked reserves are as follows: • Local Resilience Forum (£0.149m) 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 Warwickshire County Council. It is the responsibility of all partners to decide upon how funds are spent and costs are funded via the drawdown from the LRF reserve. • A drawdown from the Vulnerable People reserve (£0.103m) to cover spend on two new Hospital to Home vehicles. • A projected underspend against Pensions means a forecasted contribution to the Pensions reserve (£0.012m).
Explanation of the Remaining Service net overspend (£0.044m)
The net overspend mostly comprises of: • A net in-year underspend in Response and Prevention (£0.170m) due to careful management of resources at wholetime stations in addition to being under establishment on on-call staff. This underspend is offset by the following: • Increased training costs (£0.138m) due to the delay in the delivery of the in-house training facility. • Additional ongoing revenue costs (£0.075m) due to contractual changes as a result of digital transformation within Emergency Services Network (ESN) and the control room system replacement.
Change in the Remaining Service position since the position reported at Quarter 1 (increased spending of £0.076m)
The increase in forecast from Q1 to Q2 is mainly due to revisions of the staffing forecasts to reflect the most up to date position.
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. 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 future recurrent pressure if it cannot be mitigated on an ongoing basis from within existing budgets.

Strategic Commissioning for Communities – (£0.571m overspend)
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 Earmarked Reserves net underspend (£0.185m)
Planned overspends will be met from draws on the following reserves: • Rural Growth Network reserve (£0.100m) • European Match Funding Reserve (£0.080m) These draws are offset by a net contribution to

- Speed Awareness Workshops (£0.365m) from net increased income

Explanation of the Remaining Service net overspend (£0.140m)

The overspend is predominately made up of the following factors:

- Reduced income levels at Country Parks (£0.133m).
- An under achievement of Parking income (£0.500m) due to the continuing difficulties in recruiting patrol officers meaning less penalties are being issued.

These overspends are mostly offset by the following underspends:

- A forecast underspend in Waste & Environment (£0.205m) predominantly due to the Bulk Haulage Service being brought in-house.
- There are in-year staff underspends due to vacancies (£0.201m) within Place & Infrastructure and Transport & Highways.
- Economy and Skills are forecasting an in year over achievement of income (£0.087m) mainly as a result of a one-off additional payment received from Coventry City Council.

Change in the Remaining Service position since the position reported at Quarter 1 (increased costs of £0.420m)

The increased costs being forecast are largely due to the reductions in forecast of parking (£0.329m) and Business Centres (£0.201m) income.

Impact on the MTFS

The review of the Business Centre position and update of the in-year income forecast has now completed and is not likely to give additional savings to put forward in the MTFS.

2. People Directorate

Social Care & Support Service – (£1.785m overspend)
Explanation of the Investment Funds net underspend (£0.076m)
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 Earmarked Funds net overspend (£1.200m)
£1.200m forecast expenditure for the home-based therapy discharge service funded as planned from the Development Fund held in reserves.
Explanation of the Remaining Service net overspend (£0.661m; <0.4%)
There is a material overspend in Disabilities age 0-24 partially offset by a material underspend in Integrated Care Services. Variances elsewhere in Social Care & Support net to a further £0.305m overspend. Disabilities age 0-24 & Development & Assurance overspend of £1.534m: • This forecast overspend comprises of £1.379m in Children with Disabilities which includes a £1.028m overspend from two intensive spot contracts alternative solutions are not currently suitable or expected to be found. The remaining £0.351m overspend in Children with Disabilities relates to residential placements on the basis that the current level and cost of placements continues throughout 2022/23. • The further £0.155m is mainly due to an overspend on transport for Social Care & Support. Integrated Care Services underspend of £1.178m: • Assistive Technology underspend of £0.603m due to the tender process placing limitations on some assistive technology projects, although pilot projects are planned to ensure the transformation journey continues. • A reduction in the use of equipment as a large proportion of integrated community equipment orders are for health rather than social care in supporting hospital discharge, accounting for £0.360m underspend. • Staff and travel underspends of £0.215m as recruitment challenges are exacerbated by the current economic situation. £0.299m of the remaining £0.305m overspend is due to a 2.0% forecast overspend in Mental Health. Whilst cost centre managers anticipate cost pressures across the whole county in supported living and residential packages of care, this has been challenged and adjusted downwards to reflect recent trends in actual expenditure and more realistic start dates for when responsibility for costs transfers from health to social care.
Change in the Remaining Service position since the position reported at Q1 (increase in spend of £1.403m
• Older People Services account for the vast majority of this (>95%) as they have moved from a forecast position of £1.133m/2.6% underspend at Q1 to a £0.206m/0.3% overspend at Q2. • Whilst client contribution income has continued to grow this has been more than offset by increases in expenditure for residential and nursing placements due to the increasing use of more costly spot packages of care due to difficulties in sourcing at WCC rates alongside an increased number of placements.

• The number of residential and nursing placements has increased by 4% and the average weekly commissioned cost has increased by 2.5% in the last three months. This area is of concern as the data since Period 4 is showing significant changes in trends and it remains to be seen as to whether the trend will now continue an upward trajectory or stabilise as we emerge post covid. • Given the materiality of over and underspends within different areas of Older People this is a key area of focus at budget setting. • The remaining increase of £0.064m is due to increases in the AD area for centralised budgets due to increased expenditure forecasts in iBCF (improved Better Care Fund) funded projects offset by reductions in Disabilities expenditure.
Impact on the MTFS
There is a permanent allocation for Children with Disabilities 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 has been reviewed and updated as part of this year's refresh. If overspends in Children with Disabilities continues, this risks the overall achievement of Social Care & Support delivering to or within total budget in current and 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 Children with Disabilities are crucial.

People Strategy and Commissioning Service – (£2.734m overspend)
Explanation of the Approved Covid spend (£3.426m)

This approved forecast Covid spend totals £3.426m and relates to:
• £1.735m Covid related activity funded from the Contain Outbreak Management Fund of:
  ○ £1.400m School air quality assessment and ventilation improvements
  ○ £0.235m Supporting high risk workplaces with grants and ventilation improvements
  ○ £0.100m Public Health Consultant
 	
• £0.977m Covid related activity funded from the Test and Trace Grant
  ○ £0.662m Staffing to increase public health capacity
  ○ £0.150m Covid Case Management System
  ○ £0.075m Community engagement delivered by Districts/Boroughs
  ○ £0.090 Housing support for rough sleepers to remain in accommodation
 	
• £0.751m Covid related activity funded from Generic Covid Grant
  ○ £0.319m Reducing the impact of Covid on BAME communities project
  ○ £0.180m 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 to support the quality of the Children's Home

Explanation of the Investment Funds net underspend (£0.026m)
£0.006m in year underspend on the Creative Health project and £0.020m in year underspend on the Tackling Family Poverty project.
Explanation of the Earmarked Funds net underspend (£0.270m)
Underspend of £0.270m on the Domestic Abuse Grant due to recruitment delays in particular the Project Manager and utilisation of the safe accommodation units.

Explanation of the Remaining Service net underspend (£0.396m; 1.1%)
Underspend predominantly due to staffing vacancies and SWFT funding 50% of AD salary. Other underspends relate to a project designed to help care leavers become independent, which is now unable to be delivered in year due to the provider being unable to meet WCC needs; a reduced numbers of referrals for Sexual Health Out of Area services; and Adult Weight Management partly offset by attempts to increase the number of individuals in residential rehabilitation for drug and alcohol treatment to make progress towards Central Govt targets.
Change in the Remaining Service position since the position reported at Quarter 1 (reduction in spend of £0.160m).
Increased underspend since Q1 due to the forecasts being updated for the reasons given above explaining the overall remaining service net underspend.
Impact on the MTFS
No adverse impact on MTFS. Considering recurring salary related underspends, the Service are looking to increase the savings that can be delivered via an increased vacancy factor and elsewhere, where the Service deem possible.

Children & Families – (£0.548m overspend)
Explanation of Approved Covid spend (£0.279m)
The approved Covid spend relates to agreed staffing, agency, and sessional staff.
Explanation of the Investment Funds net overspend (£0.043m)
Children's Transformation Fund (CTF) – planned use of earmarked CTF funds 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 (£0.068m)
The overall forecasted ACE overspend (for the partnership) is £0.533m (covered in part by specific reserve with a balance of £0.250m) and is related to a reduction in selling of places and full staffing compliment. A full "mitigation" meeting, requested by the Children & Families AD, to be discussed at the next 5 LA Executive board has been scheduled for 16 November. If there are not enough reserves to cover the overspend at year end, then WCC's share would be approximately 23% (£0.065m). It should be noted that in the previous two financial years all the five LAs had a share of refunds to their contributions. The AD has initiated a review of all spend in order to attempt to reduce the in-year overspend. A report on the current service offer of ACE and the overall funding envelope is also being prepared by the T3 manager and this may possibly, if agreed, have implications for the service but expectations are that this will be managed within Children & Families and not affect the wider MTFS – so WCC's share of any increase will in the first instance be sought from the existing overall Children & Families budget. The Priority Families programme is forecasting an underspend of £0.500m due to greater than expected fixed element of the grant rather than payment by results element. A grant related underspend of £0.025m is forecast, and the Remand placement budget is also forecasting a £0.076m underspend. An MTFS savings proposal has been submitted in the recent MTFS refresh for 2023/24.
Explanation of the Remaining Service net overspend (£0.294m, 0.35%)
 Underspends: The service has experienced increased stability within Children in Care (CiC) placements resulting in less pressure on the placement budget which is forecast to underspend by

£2.988m. 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. Currently the residential forecast average unit cost is £4,532 compared to the £4,610 per week in 2021/22. This reflects further success in securing partner contributions from 2021/22 but increasing spot purchase / new placement costs in 2022/23. The Asylum grant continues to provide funding of £1.186m 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.

Overspends include Staffing £3.368m, Leaving Care Accommodation and other costs £0.604m, short-term specialist care £0.410m, approved Innovate Agency contract £0.418m, CiC Transport £0.137m.

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 £1.599m 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 £1.769m on Agency staff and staffing SLAs. In order to mitigate difficulties in obtaining Agency front line social workers for a recent surge in demand of children cases, a short-term contract has been entered into (Innovate) at a cost of £0.418m.

The Leaving Care Accommodation forecast overspend has reduced by £0.355m to £0.604m over the past 2 months, resulting from a full-scale review of all packages, giving better assurance on forecasted costs. 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 £0.410m overspend of the budget 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 more positive than in recent years 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.

Change in the Remaining Service position since the position reported at Q1 (increase of £0.936m)
This is a net change predominantly due to the increase in the Asylum grant non direct contribution of £0.182m, offset by the increased overspend on staffing & Agency of £0.621m, small increase of £0.164m on CiC Placements & Allowances as well as the approved Innovate Agency contract £0.418m and the first forecasted position of CiC Transport of a £0.137m overspend. Also, since Q1 there has been a reduced Legal Services SLA forecasted charge of £0.290m.
Impact on the MTFS
The final Sustainability Plan has been approved by Corporate Board. The emphasis on 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 budget to fund the increased establishment cost. It is acknowledged there may be a timing issue of staffing costs being incurred before the budget is re-set. In contributing to the requirements of the MTFS refresh, the service has proposed a number of savings proposals.

Education Services–Non DSG–£6.291 overspend)
Explanation of the Approved Covid spend (£0.098m)
These are minor staffing costs for short term posts where there was a delay in recruitment in 2021/22.
Explanation of the Earmarked Funds position (£0.144m overspend)
This is due to planned training & development costs within the SEND & Inclusion Change programme and is covered by the earmarked reserve. These are offset by minor time limited underspends for Education wide transformation which will be contributed to the Education Transformation Fund.
Explanation of the Remaining Service net overspend £6.050m, 18%
This large overspend is the result of: • The AD budget is forecasting a £0.192m overspend. The budget contains a savings target of £0.207m which is partially achieved by one-off underspends on staffing and project slippage and reduced use of Legal Services. There are also unbudgeted interim staffing fees of £0.180m estimated against the service. • There has been a significant increase in the mainstream transport overspend with the service experiencing a pressure (£2.638m forecast overspend) due to the increasing costs of hired transport and bus pass demand. For example, the anticipated demand for bus passes on commercial routes for the new academic year was £0.331m greater than expected, possibly due to the effect of cost of living on families. There was a general estimate that the service will cost £54.1k/academic day until the end of the year but this has been revised based on Flexiroute data, and it is now believed that in Autumn this changes to £55.1k/day and in spring, £54.8k/day. The cost of the service will remain volatile due to pressures in the wider economy. There is continued collaboration, communication, and agreement between the Education Service & Transport Operations, which recognises the importance of data quality and robust assumptions. This also applies to SEND Transport forecasting (see below). • There is also an increase in SEND transport cost (£2.938m forecast overspend). The majority of the summer term's costs have now been accrued which has refined the daily rate for services delivered in that period. • A cross-departmental working group has been set up to review the cost increases relating to home to school transport and ensure that members and officers have a detailed and shared understanding of the drivers of the increase in demand as well as the current and forecast impact of inflation on the cost base. • Within the SENDAR service there is also a forecast overspend of £0.412m, consisting of staffing, legal and mediation costs, all of which have been highlighted in the MTFS refresh along with plans to mitigate some of these overspends. These overspends are slightly offset by underspends elsewhere in the service most notably Education Psychologists (£0.237m). • Currently there is an expected pressure (£0.219m) on Adult Learning due to £0.120m grant reduction / pupil numbers and staffing inflation cost although this may be a worse-case scenario ahead of analysing the impact of the new Academic year and a review of the accounting treatment of the grant. There is also a £0.056m overspend on Music Service due to reduction in income. These two major pressures are offset by minor operational underspends and some increased traded surplus.
Change in the Remaining Service position since the position reported at Quarter 1 (increase of £1.471m)
This change is predominantly attributable to the Mainstream Transport increased forecast of £0.647m & the SEND Transport increased forecast of £1.056m. These have been slightly offset

across the service with the AD initiating/tightening of spend and identification of options to plug pressure gaps caused by previous years unidentified/unachieved savings targets.
Impact on the MTFS
The MTFS includes savings which are at risk of not being achieved with the current forecasts predicted for SEND Transport & the AD held budget area. The MTFS refresh process has considered all the major areas of pressures currently being experienced within Education, where they cannot be mitigated. The two transport pressure bids are subject to continuing review with the focus currently on a reasonable but affordable assumption of inflation for 2023/24 and will need to include a breakdown between inflationary and demand-led pressures.

Education Services – DSG – (£2.100m overspend)
Explanation of the DSG net overspend (£2.100m)
This forecast is based on current information following the start of the new Academic year (Sept 2022) and as such is subject to variability as placements and variability continues until at least half-term. There are minor net overspends on the Schools Block of £0.013m and the Central School Services Block of £0.030m, which will be covered by existing Schools Block & Central School Services DSG reserves. <u>Early Years Block:</u> The Early Years Block is now forecasting a net underspend of £0.515m. There is a forecast underspend of £1.154m on 3&4 year old provision and £0.143m overspend on 2 years old provision. The revised funding was issued in August by ESFA which increased the for 3&4 years old allocation by £1.2m. A more accurate forecast will be available in October/November after the new term starts, with further funding adjustments being potentially made by the ESFA in the November/December revised allocations. There is also an estimated £0.500m recoupment of payments to providers which experienced less demand / take up in the summer term. Education Services are forecasting a small operational underspend of £0.147m from recent staff vacancies and some adjustment to operating models. Also included in the Early Years forecast is planned one off expenditure of £1.143m, which consists of the release of a package of Covid recovery related grants available to all EY providers and mainstream nurseries. <u>High Needs Block:</u> The main area of ongoing concern is the High Needs Block where the forecast overspend is £2.572m. This forecast net overspend consists of a number of significant budgets which are subject to interventions by the SEND & Inclusion Change programme (SICP). The over-arching aim over the long term (as funding for SEND is a national issue) is to reduce high costs volumes while increasing lower costs areas of service. For example, reducing the reliance of Independent Specialist Provision and increasing "SEND Top-ups" to mainstream and special schools. A decision taken at the inception of the SICP to set budgets for individual services as they might be after several years of the change programme (i.e. aspirational) does lead to several large

over/underspends because budget is set for the future while the forecasted costs are for the present. Therefore, a holistic view is best taken.

However, what should be noted is that excluding “future years” SICP planned savings of £2.245m the HNB is forecasting just £0.329m in-year overspend, although this is net of the £1.908m contribution from the Schools Block to the High Needs Block which is subject to annual agreement by the School Forum, which may not be forthcoming in future years given pressures on core service offers.

Other areas of overspend include:

- An overspend of £4.117m on Independent Schools Provision. 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's pension payments for special schools £1.684m (this also includes some minor commissioning contracts).

The forecast overspends are partly offset by the following underspends:

- Top ups and Resourced provision £1.369m due to lower demand.
- Post 16 Provision of £0.701m due to lower take up, although it should be noted the numbers of places to be funded between P6 and P12 is very volatile at the start of the Academic year and do not settle until Christmas.
- Alternative provision of £1.286m with a large drop in demand but increased unit costs.
- Slight overall net underspend of £0.227m for some support services.

Change in the Remaining Service position since the position reported at Q1 (decrease of £1.959m

The change is predominantly related to a reduced variance position of £1.581m for the Early Years Block as well as a net £0.297m reduced spend for the High Needs Block of £0.297m.

The Early Years reduction is related to the ESFA’s additional funding provided in August through DSG grant updates (including a lower than anticipated prior year adjustment), as well as lower than anticipated take up of 3&4 Year old provision.

The net reduction for the High Needs block is a mix of increased spend on ISP with reductions in spend on EHCP top ups and Alternative provision.

Impact on the MTFS

This overall size of the DSG overspend has decreased and when savings to be achieved in future years are excluded, the High Needs Block is more or less showing a balanced position. The key will be to continue this momentum and the ability to achieve future years savings which may get more difficult in the current wider financial climate. The improved reduction in 2022/23 overspend will contribute to the MTFS overall reserves position with slightly less required to over the overall debt of the DSG.

3. **Resources Directorate**

Business and Customer Services (£0.711m overspend)
Explanation of Covid spending approval (£0.378m)
This Covid approval consists of: • The second year of a two year time limited allocation to support the implementation of the Services new structure (£0.290m). • Allocations from the COMF fund for Digital Inclusion Project (£0.051m) and Befriending project (£0.003m). • Allocations from COMF for the Backward Contact Tracing team (£0.009m). • Additional support for the placement hub (£0.025m)
Explanation of the Earmarked Reserves net overspend (£0.031m)
The 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 (£0.302m)
The remaining service overspend is mainly as a result of: • Business Support is forecasting to overspend (£0.275m) mainly due to staffing costs arising as a result of increased demand within Social Care and Support. This position is being kept under constant review to try and reduce and mitigate the overspend as much as possible. • An overspend on staffing costs (£0.080m) is also forecast within the Library Service due to covering some long-term sickness coupled with reduced income. • This position is partially offset by a forecast underspend of £0.068m against income received from Public Health for a temporary post for the Creative Health Programme over a two-year period which was delayed due to the difficulty of community engagement during Covid.
Change in the Remaining Service position since the position reported at Quarter 1 (decrease of £0.017m)
There has been no significant change in the forecast position compared to that reported at Q1.
Impact on the MTFS
There are a number of existing savings within the MTFS that relate to 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 - (£0.558m underspend; -8.4%)
Explanation of the Covid pressures (£0.062m)
The Covid spending consists of: • Quality Assurance Technical Specialist (£0.052m) – funded by COMF. • Community Testing (£0.011m) – funded by COMF.
Explanation of the Investment Funds net underspend (£0.437m)
The underspend forecast on Investment Funds relates to the following projects: • Transformation (£0.166m) – Electronic Document Management System (EDRMS) Implementation Support, this project has been reviewed and the costs will now be absorbed by Digital & ICT, this funding will be returned by the Service to the Revenue Investment Fund. • Transformation (£0.145m) – Implementation of Business Analytics, represents the

contingency amount built into the original funding allocation and will be reviewed by the Programme Board. • PMO – Climate Change Fund (£0.077m) - due to a vacancy that has not been filled • Digital/ICT Redesign Implementation (£0.03m) – underspend due to delay in Digital & Data Strategy and Horizon 1 of the Digital Roadmap projects • WCC Residents Panel (£0.036m) • Digital Post Room (£0.010m) • Business Intelligence – Understanding our customer (£0.001m).
Explanation of the Remaining Service net underspend (£0.183m)
The remaining service underspend is largely made up of: • Part of the underspend on staffing (£0.094m) 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 quite challenging, and one recruitment round has already proved unsuccessful. Corporate Board and member support is requested 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 rephasing of the original time limited allocation. It is not anticipated that this will impact the delivery of the savings in the MTFS but just reduced the lead in time for delivery and hopefully make the positions more attractive to the market. • The remaining underspends are due to reductions in project management staff costs due to a downturn in current projects and also vacancies across the service.
Change in the Remaining Service position since the position reported at Quarter 1 (decrease of £0.024m)
There has been no significant change in the forecast position compared to that reported at Q1.

Enabling Services - (£1.536m underspend)
Explanation of the Investment Funds net underspend (£0.005m)
This underspend relates to Transformation Digital – How We Do Things project.
Explanation of the Remaining Service net underspend (£1.531m)
The remaining service underspend is made up of the following: • Digital Roadmap project (£0.912m) underspend due to delays as requirements for the ASC reforms programmed have been developing, this will be included as a carry forward request by the service at outturn. • An underspend is forecast within County Buildings (£0.399m) as a result of timings of energy payments following the review of year-end adjustments. • In-year staffing underspends in HR Enabling (£0.222m) mainly due to difficulties in recruiting to vacant posts.
Change in the Remaining Service position since the position reported at Quarter 1 (reduction of £1.555m)
The forecast has changed largely as a result the following reductions in forecasts: • County Buildings forecast (£0.854m) due to a review of adjustments made as part of the year end process. • Digital Road Map (£0.483m) to reflect the current expectation that only 50% of the project will be completed. • ICT Strategy & Commissioning (£0.174m) due to in year staff savings from vacancies which have proved difficult to fill.

Finance Service – (£0. 278m underspend)
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 Investment Funds net underspend (£0.195m)
• Agresso Development Programme (£0.116m) - delays due to awaiting approval of cloud hosting alongside the potential replacement of both the Income Manager and Business Books modules. The underspend will be requested as a carry forward to support project implementation. • Capital Financial Management Improvement Programme (£0.079) this project is progressing through the delivery stage and costs have been reduced by maximising usage of internal resources.
Explanation of the Earmarked Reserves net overspend (£0.018m)
The draw on reserves is the impact of the Schools Absence Insurance Scheme (£0.018m)
Explanation of the Remaining Service net underspend (£0.131m)
• Within Finance Transformation there is an underspend (£0.074m) of time-limited invest to save funding on process automation. • Due to difficulties in recruiting to the Strategic Risk Management post there is an in-year underspend (£0.031m) • The remaining underspend (£0.025m) is mostly due to in year staff vacancies across the service
Change in the Remaining Service position since the position reported at Quarter 1 (reduction of £0.237m)
The change since the position reported at Q1 is mostly due to the updated forecasts on the Agresso development and Capital Financial Management projects.

Governance and Policy – (£0. 094m overspend)
Explanation of the Covid spending (£0.243m)
The approved Covid spending is for: • The renovation of Croxall Street, Bedworth for Family Time and Youth Service facilities was agreed to be funded via COMF. However, it is now unlikely that Croxall Street will be a location that can complete works this financial year, so alternative options are being considered. It is highly possible that these funds will be returned as the spend may not now meet the criteria for the funding. • Marketing and Communications Officer (£0.023m) – funded by COMF.
Explanation of the Earmarked Reserves net overspend (£0.006m)
There is an overspend on the North Warwickshire project management and consultancy fees (£0.006m) which will be funded by a draw from the One Public Estate (OPE) reserve.
Explanation of the Remaining Service net underspend (£0.342m)
The remaining service underspend comprises of: • Delays and difficulties in recruiting to vacant posts within Strategic Asset Management giving an in-year underspend on staff (£0.238m). • Increased over recovery of income (£0.087m) within Legal services. • Corporate Policy & Commissioning are forecasting an underspend (£0.026m), this relates to the salaries underspend.

Change in the Remaining Service position since the position reported at Quarter 1 (reduction of £0.448m)
The increased forecast underspend compared to Q1 comprises of the updated staff forecast within Strategic Asset Management and the over recovery of income within Legal Services.
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 – (£0.780m underspend)
Explanation of the Covid spending (£0.250m)
Additional Covid expenditure to mitigate the on-going impact of the Pandemic on school catering.
Explanation of the Earmarked Reserves net underspend (£0.477m)
The transfer to earmarked reserves relates to the (£0.243m) 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, in addition (£0.320m) will be transferred from the Apprenticeship Levy to be used in future years.
Explanation of the Remaining Service net underspend (£0.553m)
The remaining service underspend is predominantly due to a forecast reduction in capital financing costs (-£0.434m) due to reprofiled spend on the capital programme. In addition, County Coroners is forecast to underspend by (-£0.76m) 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.
Change in the Remaining Service position since the position reported at Q1 (decrease of £0.438m)
The significant change is due the underspend on Capital Financing as mentioned above.
Impact on the MTFS
Capital financing requirements for future years has been reviewed and a reduction reflected in the draft MTFS.

APPENDIX B

Commentary on service capital forecasts

The main reasons for the £19.729m delays in the quarter compared to the approved budget are set out below. These changes generally mean the expected benefits of the capital schemes may not be realised to the original time frame, however in some cases the change only relates to the timing of the expected cash flow without any impact on the deliverables of the scheme. The most significant variance included in the current quarter is £12m relating to Oakley School in Leamington and this project falls into the latter category – though the final cash flows are expected to take place in 2023/24 there is no change in the expected opening of the school.

In addition to the £19.729m above there is an additional £0.100m 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 are incurred.

Environment Services – £4.290m:

- A444 corridor improvements (phase 2) - £1.920m. The budget has been reprofiled into the next financial year due to construction delays which are a result of other A444 highway works impacting on the availability of contractors.
- A452 / A46 developer improvement scheme - £0.400m. The procurement of the road design has been delayed and therefore the project has been rephased.
- Transforming Nuneaton highway improvements - £0.350m. Inflation impact on costs have required a re-design of what is affordable within the scheme and therefore construction is delayed to 2023-24 earliest.
- Green Man Coleshill signalised junction (CIF) - £0.324m. Works have been rephased due to contractor availability and design changes made following consultation.
- A46 Stanks Island signalisation and improvement - £0.300m. Technical approval of the scheme and contractor availability has been delayed until the start of next year.
- A452 Myton Road and Shire Park Roundabouts (WCC3) - £0.200m. The budget has been reprofiled based on the gaining approval during October 2022 to move to the procurement phase.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the annexes A to M.

Fire & Rescue - £0.250m:
Delays in the national Emergency Services Network (ESN) project have caused a knock-on delay to the procurement of our station end equipment, which is now not expected until 2023-24. The WCC scheme is entirely dependent on the national project, we don't have control over the timing of the project's progress.

Strategic Commissioning for Communities - £0.116m:
There have been delays to the A429 Coventry Road, Warwick cycleway project. This is an integrated casualty reduction scheme which has recently received additional grant funding and some elements of the scheme has been redesigned. Both changes are reflected in the Portfolio Holder Decision on 14 October 2022.

Education Services - £13.766m:
Change to the profiling of forecasts for Queen Elizabeth Academy Atherstone where £1.765m has been transferred into 2023-24 and Oakley School in Leamington where £12m has been moved back into 2023-24. These adjustments to the forecast have been made to fit in with the likely draw down of funding and there are no anticipated delays to the delivery of the school.

Business & Customer Service - £0.511m:
Improving the customer experience scheme and specifically the project relating to Library fleet maintenance (£0.473m) has been delayed due to supplier capacity issues aggravated by the procurement process timescales which were not anticipated by the service. Spend will now take place in 2023-24. Similarly, the refurbishment of WCC registration offices (£0.038m) has also been put back to the next financial year due to supplier capacity issues.

Governance & Policy - £0.796m:

- Strategic Site Planning applications - £0.617m. This project has been postponed by 6 months due to a delay in obtaining planning consent for Top Farm which is a key milestone in taking forward the project. It is anticipated that consent will be obtained within a few weeks of the end of the quarter that will allow to conclude the project within these extended timescales.
- Smallholdings maintenance - £0.179m. A stock condition survey is being completed in 2022-23 which will determine the works necessary. The figures will be reviewed at Q3 to incorporate an order of works.