Cabinet

27 January 2023

2022-23 Financial Monitoring – Forecast Position as at Quarter 3

Recommendations

That Cabinet:

1. Notes the adjusted forecast overspend of £6.689m (1.9%) 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 £9.415m (91.9%), a shortfall of £0.829m against the target.

3. Notes the forecast capital spend for 2022/23 of £99.834m.

4. Approves the reprofiling of spend on the capital programme of £14.214m from 2022/23 into future years and notes the carry forward of s278 contributions of £1.030m and the reduction in the estimated Warwickshire Recovery and Investment Fund and Warwickshire Property and Development Group capital spend of £31.041m flowing from the refreshed business plans.

5. Approves the reclassification of the Digital Road Map Programme of activity as an Investment Fund.

6. Approves the transfer of £10.872m to the 'Available for Use' reserve following the reserve review to support the MTFS and the Council Plan.

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 third quarter.

1.2. The current analysis includes:
- capital and revenue financial performance;
- explanations for variations, any mitigating actions and an assessment of any impacts on service delivery; and

- an indication of those areas where the current forecasts carry the greatest risk of further movement before the end of the financial year due to demand volatility and assumptions that could still change.

2. Summary

2.1. Revenue Forecast Summary

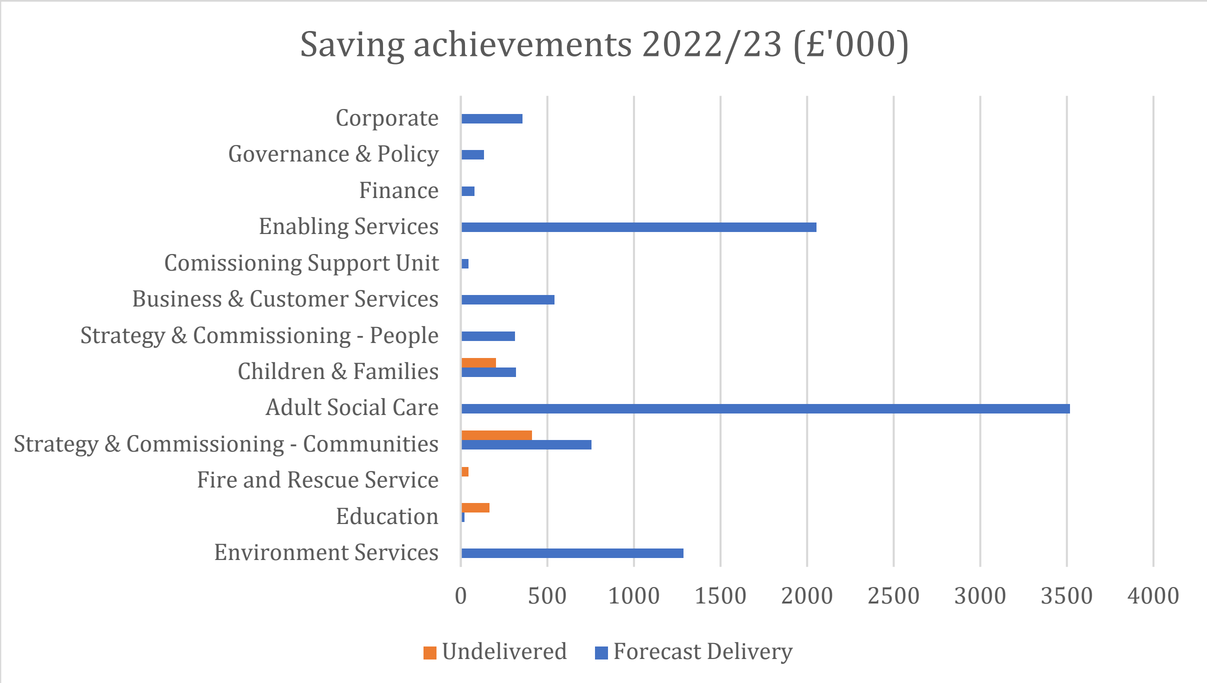
	Q2 £m	Q3 £m	Change £m
Approved Budget	363.060	358.211	(4.849)
Forecast net spending	374.979	371.622	(3.357)
Net overspend	**11.919**	**13.411**	**1.492**
Reason for, and resourcing, of the overspend			
• Covid variance fully funded by Covid grants carried forward from previous years	5.438	5.195	(0.243)
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	(0.696)	(2.773)	(2.077)
• DSG deficit to be offset against the DSG Offset Reserve	2.100	4.493	2.393
• Spend to be financed from other Earmarked Reserves	0.639	(0.193)	(0.832)
Balance of overspend to be funded Directorate and General Risk Reserves	**4.439**	**6.689**	**2.250**

The headline forecast overspend for 2022/23 is £13.411m. However, specific funding has already been set aside in the Medium-Term Financial Strategy (MTFS) to meet over half of these costs. Once this funding is taken into account the adjusted position is a net overspend of £6.689m (1.9% of the net revenue budget) which will, if unchanged by the end of the financial year, be funded from Directorate and the General Risk Reserves set aside to cover any such residual overspends.

The variance in the net revenue budget at +1.9% is within the +/- 2% target set as part of the performance management framework and is within acceptable parameters for an authority of the size and complexity of the County Council. It is a reflection of the positive and pro-active financial management activity taking place at a time when inflation is running at over 10%.

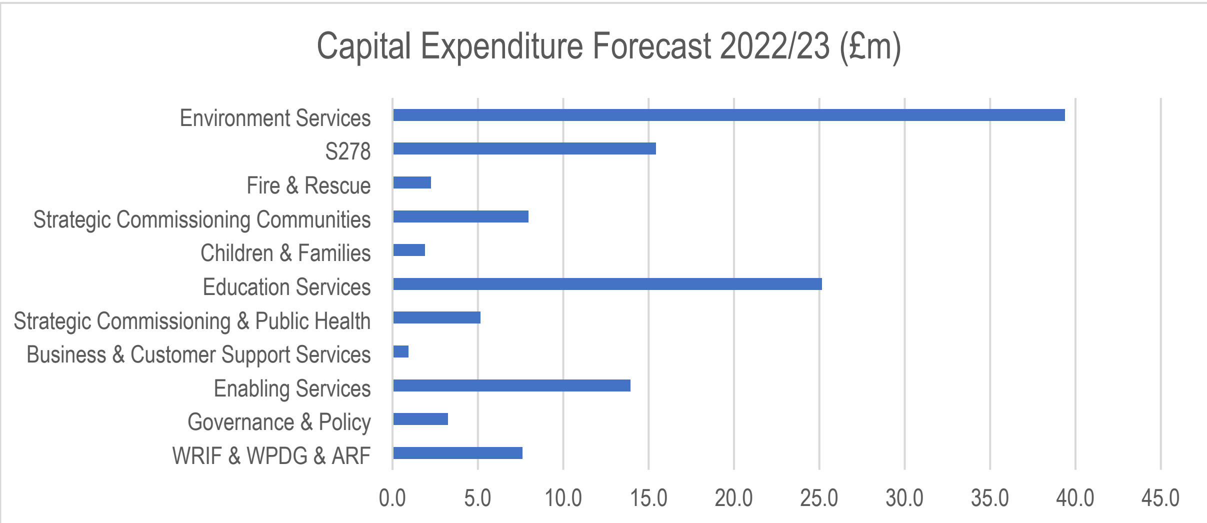
The current Dedicated Schools Grant (DSG) forecast is a £4.493m overspend. Within this there is a £4.939m High Needs block deficit in 2022/23, giving a forecast cumulative High Needs DSG deficit of £20.919m at the end of this financial year. The DSG Offset Reserve is currently £21.650m. If the cumulative 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 in future years.

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 Q3 £9.415m (91.9%) is forecast to be delivered in line with the plan, with £0.829m (8.1%) forecast to be unachieved. For details on saving performance please refer to Section 4.

2.3 Capital Forecast Summary



*WRIF (Warwickshire Recovery Investment fund), WPDG (Warwickshire Property Development Group), ARF (Asset Replacement Fund)

The total controllable forecast capital spend for 2022/23 is £99.834m. A further £15.429m is expected to be spent relating to schemes funded by S278 developer contributions where the timing is not directly controllable by the Council. In addition it is anticipated £7.602m will be spent on economic growth-related activity through the Warwickshire Recovery and Investment Fund (WRIF) and Warwickshire Property and Development Group (WPDG).

2.4 Covid Summary

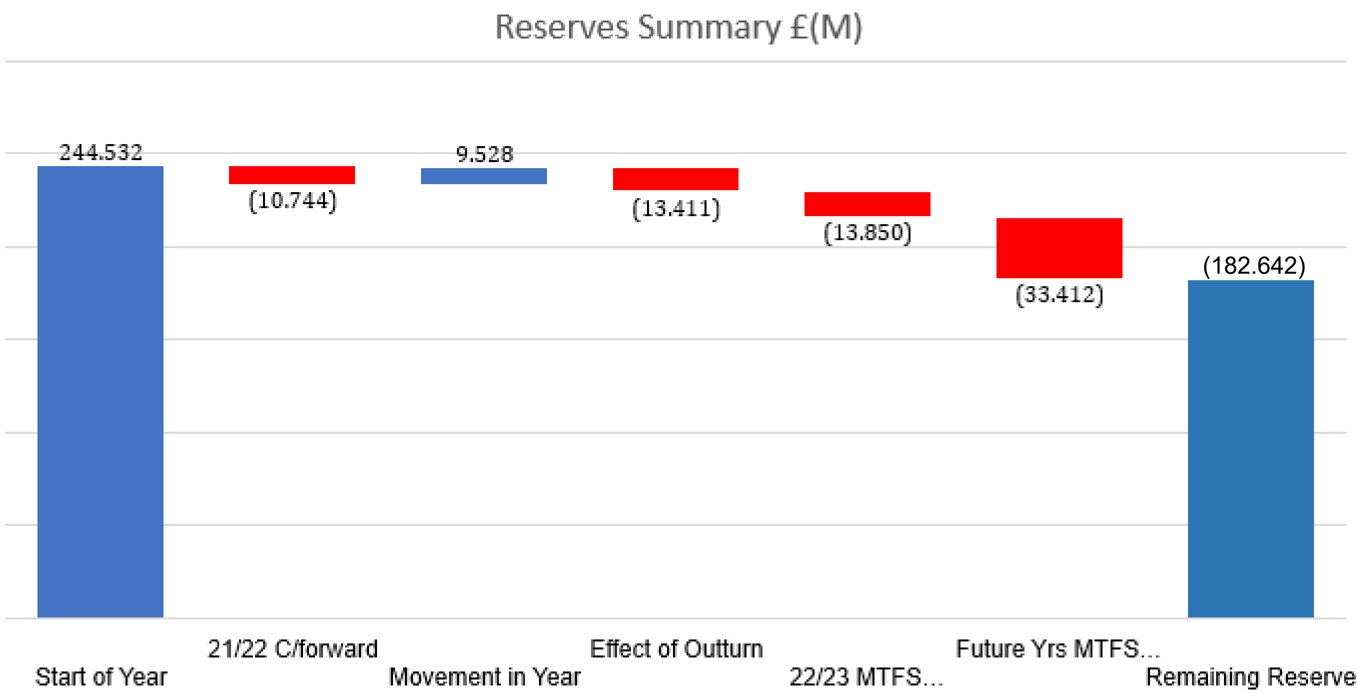
Covid Budget Position	2022/23 Q2 Forecast £m	2022/23 Q3 Forecast £m
Covid Grants Ringfenced	(3.353)	(3.353)
Covid Grants Unringfenced	(15.937)	(15.937)
Available Covid reserves as at 31st March 2022	(19.290)	(19.290)
Covid Related Commitments:		
Covid Grants Ringfenced (Excluding COMF)	0.980	0.980
Covid Grants Ringfenced (COMF)	2.184	1.945
Covid Grants Unringfenced (Excluding Local Council Tax Compensation Scheme)	6.616	4.565
Covid Grants Unringfenced (Local Council Tax Compensation Scheme)	4.891	-
Less: Ringfenced Covid Grant Carry forward (COMF)	0.189	0.431
Approved Covid Spend for 2022/23 & 2023/24	14.860	7.918
Reserve Review: Transfer to Available for Use Reserve	-	(10.872)
Total un-allocated funding	(4.430)	(0.500)

In 2022/23 Covid expenditure to mitigate the on-going impact of the Pandemic is monitored against the resources carried forward from covid-support government grants received in previous financial years. Of the £7.918m approved Covid spend, £5.195m relates to 2022/23 and £2.723m 2023/24.

The UK Health Security Agency has recently announced a change in use of Covid Outbreak Management Fund (COMF) which now allows Local Authorities to carry forward funding of £0.431m into 2023/24.

Moving forward Corporate Board are recommending that from 2023/24 covid-related activity forms part of the overall service and financial management of the Authority. Subject to retaining a contingency of £0.500m this means that £10.872m of unringfenced Covid funds can be consolidated as part of the ‘Available for Use’ reserve to support the MTFS and the delivery of the Council Plan.

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 £61.889m over the period of the MTFS to £182.643m. 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 Q2	Represented by: Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service (RS) Variance	% RS Variance from Approved Budget	RS Variance Change from Q2
	£m	£m	**£m**		£m	£m	£m	£m	£m		
Communities											
Environment Services	50.098	57.110	**7.012**	**14.0%**	1.296	-	(0.030)	0.055	6.987	**13.9%**	1.327
Fire & Rescue	23.251	23.332	**0.081**	**0.3%**	(0.203)	-	0.032	-	0.049	**0.2%**	0.005
Strategic Commissioner for Communities	26.786	26.537	**(0.249)**	**-0.9%**	(0.820)	(0.030)	(0.304)	0.616	(0.531)	**-2.0%**	(0.671)
Subtotal Communities	**100.135**	**106.979**	**6.844**	**6.8%**	**0.273**	**(0.030)**	**(0.302)**	**0.671**	**6.505**	**6.5%**	**0.661**
People											
Social Care & Support	184.791	187.273	**2.482**	**1.3%**	0.697	(0.056)	1.200	-	1.338	**0.7%**	0.677
Children & Families	85.094	86.858	**1.764**	**2.1%**	1.216	(0.088)	0.549	0.265	1.038	**1.2%**	0.744
Strategic Commissioner for People	36.777	39.903	**3.126**	**8.5%**	0.392	(0.082)	0.444	3.426	(0.662)	**-1.8%**	(0.266)
Education Services - Non-DSG	10.563	10.849	**0.286**	**2.7%**	(0.430)	-	(0.206)	0.108	0.384	**3.6%**	(0.090)
Subtotal People	**317.225**	**324.883**	**7.658**	**2.4%**	**1.875**	(0.226)	**1.987**	**3.799**	**2.098**	**0.7%**	**1.065**
Resources											
Business and Customer Services	20.682	21.218	**0.536**	**2.6%**	(0.175)	-	(0.032)	0.378	0.190	**0.9%**	(0.112)
Commissioning Support Unit	7.063	6.051	**(1.012)**	**-14.3%**	(0.454)	(0.552)	-	0.064	(0.524)	**-7.4%**	(0.341)
Enabling Services	28.426	26.302	**(2.124)**	**-7.5%**	(0.588)	(1.965)	-	-	(0.159)	**-0.6%**	1.372
Finance	6.660	6.646	**(0.014)**	**-0.2%**	0.264	-	0.018	0.030	(0.062)	**-0.9%**	0.069
Governance & Policy	3.972	2.860	**(1.112)**	**-28.0%**	(1.018)	-	0.006	0.003	(1.121)	**-28.2%**	(0.779)
Subtotal Resources	**66.803**	**63.077**	(3.726)	-5.6%	(1.971)	**(2.517)**	**(0.008)**	**0.475**	(1.676)	-2.5%	0.209
Subtotal Directorates	**484.163**	**494.939**	**10.776**	**2.2%**	**0.177**	**(2.773)**	**1.677**	**4.945**	**6.927**	**1.4%**	**1.935**
Corporate Services and DSG											
Corporate Services & Resourcing	(127.022)	(128.880)	**(1.858)**	**1.5%**	(1.078)	-	(1.870)	0.250	(0.238)	**0.2%**	0.315
DSG expenditure	252.608	257.101	**4.493**	**1.8%**	2.393	-	4.493	-	-	**-**	-
DSG income	(251.538)	(251.538)	**-**	**-**	-	-	-	-	-	**-**	-
Subtotal Corporate Services and DSG	**(125.952)**	**(123.317)**	**2.635**	(2.1%)	**1.315**	-	**2.623**	**0.250**	(0.238)	**0.2%**	**0.315**
Total	**358.211**	**371.622**	**13.411**	**3.7%**	**1.492**	**(2.773)**	**4.300**	**5.195**	**6.689**	**1.9%**	**2.250**

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 £13.411m representing 3.7% of the Council's net revenue budget, this is an increase of £1.492m since Q2.

There has been one material structural change of £23.2m. This reflects the transfer of the Mainstream and SEND Home to School Transport service from People Directorate (Education Services) to Communities Directorate (Environment Services), Q2 forecasts have been retrospectively adjusted to remove the variance resulting from this transfer. Consultation is not required for the movement of staff as this is effectively a change of line management.

In November, it was confirmed that national agreement had been reached on the 2022 pay award for colleagues on Green Book terms and conditions. The agreement was for an increase of £1,925 applied to all spinal points, the provision for the pay award has been added to Services budgets, from the corporate pay contingency, and actual spend forecast is part of the Q3 figures.

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

i.) **Covid (£5.195m):** The table in section 3 shows the Covid spend for each service on the approved initiatives to manage the 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 Q3 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 Q3 forecast indicates at the end of 2022/23 £0.500m of uncommitted Covid funding will remain in our reserves. The current forecast assumes that all ringfenced grants will be spent or carried forward to 2023/24, due to a change to the terms and conditions of the COMF grant funding.

ii.) **Dedicated Schools Grant (DSG):** The forecast £4.493m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q3 2022/23 £m	Cumulative forecast variance as at Q3 £m
Schools Block	0.018	(0.373)
Early Years Block	(0.494)	(3.426)
High Needs Block	4.939	20.919
Central Services Block	0.030	(0.459)
Total	**4.493**	**16.661**

The Q3 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, in some cases, until the end of the first term.

The most significant element is the forecast overspend of £4.939m on the High Needs Block (HNB) which has increased by £2.367m since Q2. All of the forecast overspend can be resourced from the DSG and DSG Offset Reserve.

The key driver of the overall position is an overspend of £4.965m from demand for independent special schools provision. The demand on the Independent special schools has increased dramatically without any noticeable effect of intervention and forward projections have therefore, followed suit with an increased forecasted spend of £0.914m

The increase in the overspend since Q2 of £2.367m is due to:

- increased overspend in the Independent special schools budget (£0.848m);
- growth in demand for alternative provision (£0.579m);
- an increase in post 16 provision (£0.343m);
- increased usage of EHCP top ups (£0.412m); and
- increased demand for Hospital tuition of £0.170m.

A detailed analysis of the DSG variance is provided in Appendix A.

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

i.) **Environment Services remaining service overspend of £6.987m (increase from Q2 of £1.327m).**

The primary driver of this overspend is Home to School SEND (Special educational needs and disabilities) transport forecasting to overspend by £4.035m and with mainstream transport forecasting to overspend by £2.816m. Since Q2 the combined forecast overspend has increased by £2.348m of this increase £1.097m is attributable to SEND transport and is mainly due to an increase of seven routes from November and an increase in taxi costs.

Throughout 2022/23 Home to School Transport has seen ongoing volatility, with increases in the cost for hire of transport vehicles and bus pass demand on commercial routes. The Summer term total average cost of SEND transport was £55,000 per day, this has increased through the Autumn term to £72,000 per day, an increase of £17,000 per day.

Active management of the situation and the market is on-going with a range of projects underway to deliver the planned savings through demand management and cost reductions in future years and also to provide the management information that will better support effective scrutiny and oversight. Increased capacity and formalisation of the oversight arrangements will form part of the 2023/24 MTFS refresh.

ii.) Social Care and Support remaining service overspend of £1.338m (increase from Q2 of £0.677m)

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

- disabilities age 0-24 (previously named Children with Disabilities) is forecast to overspend by £1.423m, this is attributable to one intensive spot contract and an increase of 12% on the week cost of residential placements;
- disabilities 25-64 is forecast to overspend by £0.767m, and increase of £0.562m from Q2, this is driven by rising demand for residential care, supported living, direct payments and specialist college placements and is partially offset by increased client contributions;
- older people is forecast to overspend by £0.769m, which is an increase of £0.562m from Q2, with the overspend is driven by rising costs in residential, nursing, domiciliary care, and direct payments due to increases in cost and volume;
- integrated care services is forecast to underspend by £1.265m and is due to the limitations of tendering processes placed on on-going projects and recruitment challenges the service is experiencing; and
- the Assistant Director's centralised budget is forecast underspend by £0.845m, this is a decrease of £0.772m from a reduction in forecast to prepare for ASC Reform, fair cost of care adjustment and a reduction in staff and legal expenses.

iii.) Children and Families remaining service overspend of £1.038m (increase of £0.744m from Q2)

Despite the areas of overspend, in summary, the direction of travel is more positive and in line with the investment in staff and early intervention reducing demand on costly placements. There are some pressure points significantly around Leaving Care as well as continued reliance on costly agency staff.

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

- the combined overspends in Children and Families (relating to salary, agency, legal, Children in Care transport and leaving care accommodation costs) is £6.132m. This is an increase of £1.195m from Q2, 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 £3.367m within Children in Care (CiC) due to increased stability of placements, for which the forecast has increased by £0.379m since Q2 and is due to a full year effect of declining numbers in 2021/22. The investment in staffing through the 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 £1.262m towards the indirect costs across the service and is a marginal increase on Q2 forecast.

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. From 2023/24 onwards the financial impact of this investment will form part of the 2023/24 MTFS refresh.

iv.) Governance and Policy remaining service underspend of £1.121m (increase of £0.779m from Q2)

Of this, £0.590 relates to new Legal contracts being successfully secured, Marketing and Communication is also forecast to overachieve on income by £0.221, this is due to additional internal chargeable work being undertaken. In addition, Strategic Asset Management are forecast to underspend by £0.192m due to delays and difficulties in recruiting to vacant posts.

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 £9.943m is planned to be delivered leaving a £0.829m shortfall.

2022/23	No. of Savings Options	Saving Delivered	Saving Not Delivered
		£m	£m
Savings target achieved/overachieved	45	9.604	-
Savings target partially achieved	3	0.339	0.071
No saving delivered against target	6	0.000	0.758
Total	**54**	**9.943**	**0.829**

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

i.) 54% is attributable to schemes where services are struggling to deliver the planned reductions through service re-design to reduce cost;

ii.) 26% is attributable to schemes where the service has failed to reduce third party spend;

iii.) The other 20% 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 - 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 - 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.
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 next year.

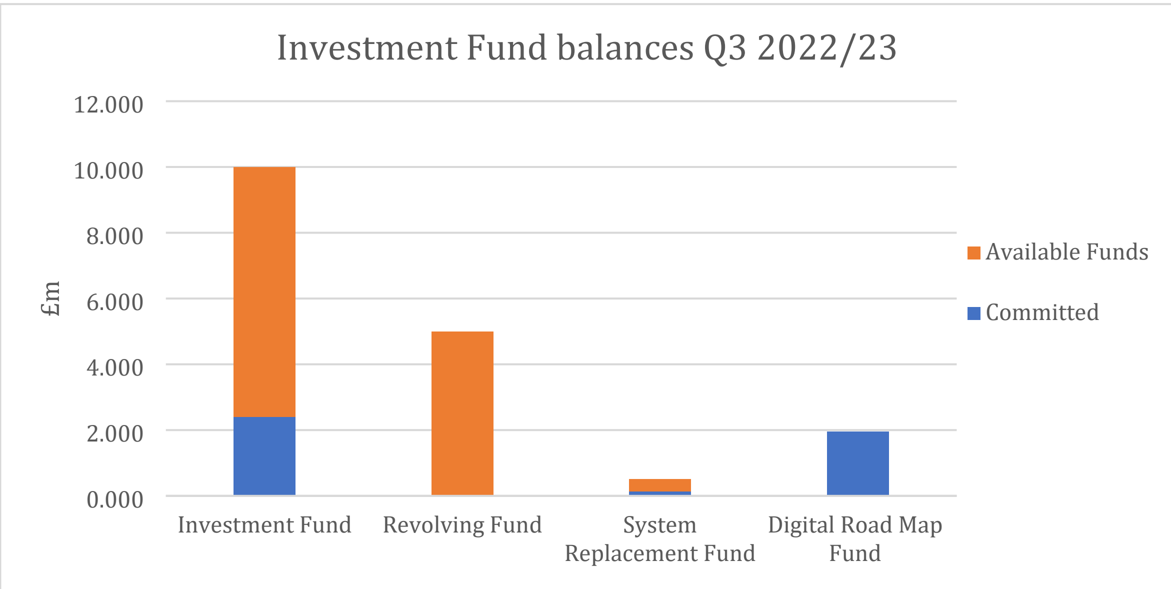
Description	Target £m	Forecast £m	Reason for variance and associated management action
Children & Families - Maximise income and contributions to care packages - Efficient collection of health contributions to children in care placements and income from safeguarding training.	0.300	0.259	Service is forecasting 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 £0.163m.
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	0.339	

4.3. The savings target in Communities relating to the reduction in cost for SEND home to school transport is forecast not to be achieved in Q3. 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. Two of their saving plans have proved to be 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. The total invested in 2022/23 is £2.3m.

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. As at Q3 £0.842m has been allocated to projects and initiatives.

5.4. The MTFS this year committed £1.825m time limited funding to the Digital Road Map project, with further commitment in future years. This project has been 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. Corporate Board are seeking Cabinet's approval to recategorise the Digital Road Map project as an investment fund. This means that the remaining service variance is not being distorted by funding streams which will be required in future years, as the project spans multiple years. The 2023-28 MTFS has been updated to reflect this change and, if agreed drawdowns of funding from 2023/24 onwards will follow the same formal governance process as the Revenue Investment Fund.

5.5. With the volatile economic outlook, allocating further funding from the Revenue Investment Fund will remain paused for the remainder of 2022/23, 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.

5.6. The IT System Replacement Fund is available to draw on to ensure we can keep our systems up to date and adapt to changing system requirements. There have been no additional allocations from this fund since Q2. To date £0.132m has been allocated, leaving £0.362m available to spend in the remainder of the financial year. Any unused funding will be carried forward to meet investment need in future years.

5.7. The Revolving fund is also available, and 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.

6. Reserves

Reserve	Opening Balance	Change in year	Outturn Impact	Impact of 2022/23 MTFS	Closing Balance	Reserve Review (Autumn 2022)	Future years Estimated MTFS Use	Balance at 31/03/27
	£m	£m	£m	£m	£m	£m	£m	£m
DSG Deficit Offset	(11.097)	0.000	(4.493)	(1.070)	(16.660)	0.000	0.000	(16.660)
Other Schools Reserves	37.650	7.972	(0.018)	0.000	45.604	(0.014)	0.000	45.590
Covid Reserves	14.399	0.000	(5.195)	0.000	9.204	(5.982)	(2.723)	0.500
Other Earmarked Reserves	113.168	(5.228)	2.984	(1.442)	109.481	(4.891)	(8.063)	96.527
Risk and General Reserves	37.056	(3.558)	(2.672)	6.883	37.709	0.000	0.000	37.709
Available to Use Reserve	53.355	(0.402)	(4.017)	(18.221)	30.715	10.887	(22.626)	18.976
Total	**244.532**	**(1.216)**	**(13.411)**	**(13.850)**	**216.054**	**0.000**	**(33.412)**	**182.642**

6.1. At the start of 2022/23 the Council held £244.532 in reserves and by the end of Q3 there has been a total movement in reserves of £1.216m. 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 £13.411m. 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. As part of the MTFS refresh a detailed reserves review has been undertaken working jointly with Departmental Leadership Teams with the aim to identify reserve balances that can be released to support the MTFS and the Council Plan. The outcome of this review and recommended by Corporate Board will increase the available for use reserve by £10.887m this is reflected in the table above and a detailed reserves schedule is provided in Appendix C.

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 £99.834m and a total capital programme of £370.672m.

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
2021/22 Quarter 3 approved capital programme (including S278, excluding WRIF, WPDG and ARF)	**142.219**
Re-profiling, new schemes, and delays at 2021/22 outturn	-17.455
Opening capital programme for 2022-23	**124.764**
Re-profiling, new schemes, and delays at Q1	4.424
Re-profiling, new schemes, and delays at Q2	-15.140
Re-profiling, new schemes, and delays at Q3	-14.214
Capital programme at Q3 2022-23 (including S278, excluding WRIF, WPDG and ARF)	**99.834**

7.3. The current forecast represents a decrease of £14.214m on the Quarter 2 budget reported in November 2022. The changes to forecasts have been split below in paragraph 7.6 between new schemes, budget reprofiles, net underspends and delays. Additionally, there are £61.786m 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 £101.362m.

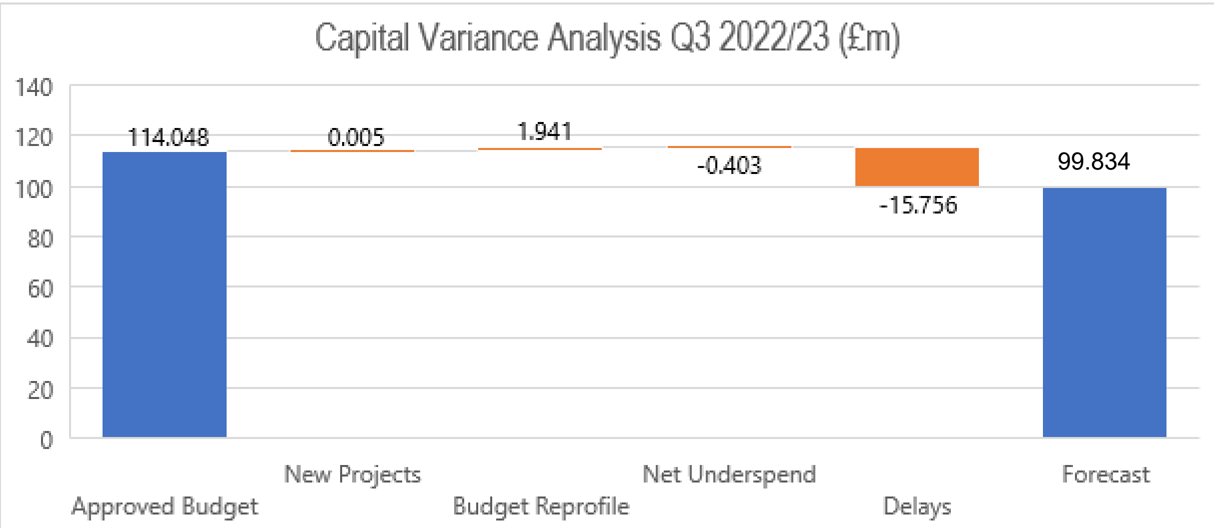
Capital Forecast by Service

7.5. The forecast of 2022/23 capital payments directly controllable by the Authority of £99.834m excludes the forecast spend on s278 developer schemes of £15.429m and corporate allocations for WPDG, WRIF and ARF (Asset Replacement Fund) of £7.602m. 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 £122.866m.

	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	42,280	39,377	(2,903)	95,801	102,291	6,490	3,587
Fire and Rescue	3,309	2,232	(1,077)	2,757	3,767	1,010	(67)
SC for Communities	10,317	7,946	(2,371)	42,368	45,436	3,067	696
Communities	**55,906**	**49,555**	**(6,352)**	**140,926**	**151,494**	**10,568**	**4,216**
Children and Families	1,912	1,887	(25)	770	795	25	-
Education Services	30,695	25,148	(5,547)	100,917	107,151	6,234	687
Social Care & Support	-	-	-	313	313	-	-
Sc for People & Public Health	5,198	5,149	(49)	21	70	49	-
People	**37,806**	**32,184**	**(5,621)**	**102,020**	**108,329**	**6,308**	**687**
Business and Customer Support	911	911	-	591	591	-	-
Enabling Services	14,657	13,935	(722)	6,442	7,228	786	64
Governance & Policy	4,764	3,250	(1,514)	1,974	3,197	1,223	(290)
Resources	**20,333**	**18,097**	**(2,236)**	**9,007**	**11,016**	**2,009**	**(226)**
Controllable capital programme	**114,048**	**99,834**	**(14,214)**	**251,953**	**270,838**	**18,885**	**4,675**
Corporate: WPDG / WRIF / ARF	38,643	7,602	(31,041)	225,957	256,998	31,041	-
WCC Capital Programme	**152,687**	**107,436**	**(45,249)**	**477,910**	**527,836**	**49,926**	**4,675**
S278 funded schemes	14,785	15,429	644	39,338	46,357	7,019	7,663
Total Capital Expenditure	**167,475**	**122,866**	**(44,605)**	**517,248**	**574,193**	**56,945**	**12,338**

Capital Variance Analysis

7.6. The latest 2022/23 controllable capital budget of £114.048m was approved by Cabinet in November 2022. The chart below explains the changes between the approved budget and the actual forecasted spend of £99.834m.



These figures exclude S278 and Corporate Schemes

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:

- <u>Reprofiled and delayed projects</u> – 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 £14.214m 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 availability of contractors and materials, project reviews and redesigns due to inflationary pressures and longer than anticipated procurement and planning processes.

- 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 Q3 £1.496m 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.

7.8. Adding £1.501m 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. Funding inflationary pressures on 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 contained £15m funding and allocations totalling £3.852m have been made to date by the Strategic Director for Resources in consultation with the Portfolio Holder for Finance and Property. As this is commercially sensitive a confidential note of the allocations made from the Fund is available to Members through 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 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.

Service	Approved 2022-23 capital programme	New projects in year at Q3	Net over / underspend forecast at Q3	Total capital programme	Budget Reprofile at Q3	Delays expected at Q3	Forecast In year capital spend Q3	% of delays
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Environment Services	42,280	157	-	42,437	1,099	(4,164)	39,372	-9.8%
Fire and Rescue	3,310	-	(76)	3,234	6	(1,008)	2,232	-30.5%
SC for Communities	10,317	8	(199)	10,126	164	(2,344)	7,946	-22.7%
Children & Families	1,912	-	-	1,912	-	(25)	1,887	-1.3%
Education Services	30,696	45	(14)	30,727	524	(6,103)	25,148	0.0%
SC for People	5,198	-	-	5,198	-	(49)	5,149	-0.9%
Business and Customer Support	911	-	-	911	-	-	911	-
Enabling Services	14,657	-	(29)	14,628	-	(694)	13,934	-4.7%
Governance and Policy	4,764	(205)	(85)	4,474	148	(1,370)	3,252	-30.1%
Services Capital Programme	**114,048**	**5**	**(403)**	**113,647**	**1,941**	**(15,756)**	**99,834**	-13.8%
Corporate (WPDG & WRIF & ARF)	38,643	-	-	38,643	-	(31,041)	7,602	-80.3%
WCC Capital Programme	**152,691**	**5**	**(403)**	**152,290**	**1,941**	**(46,798)**	**107,436**	**-30.6%**
S278 Developer Funded Schemes	14,785	1,496	-	16,281	180	(1,030)	15,429	-6.3%
Total Capital Expenditure	**167,475**	**1,501**	**(403)**	**168,571**	**2,121**	**(47,828)**	**122,866**	**-28.3%**

Capital Financing

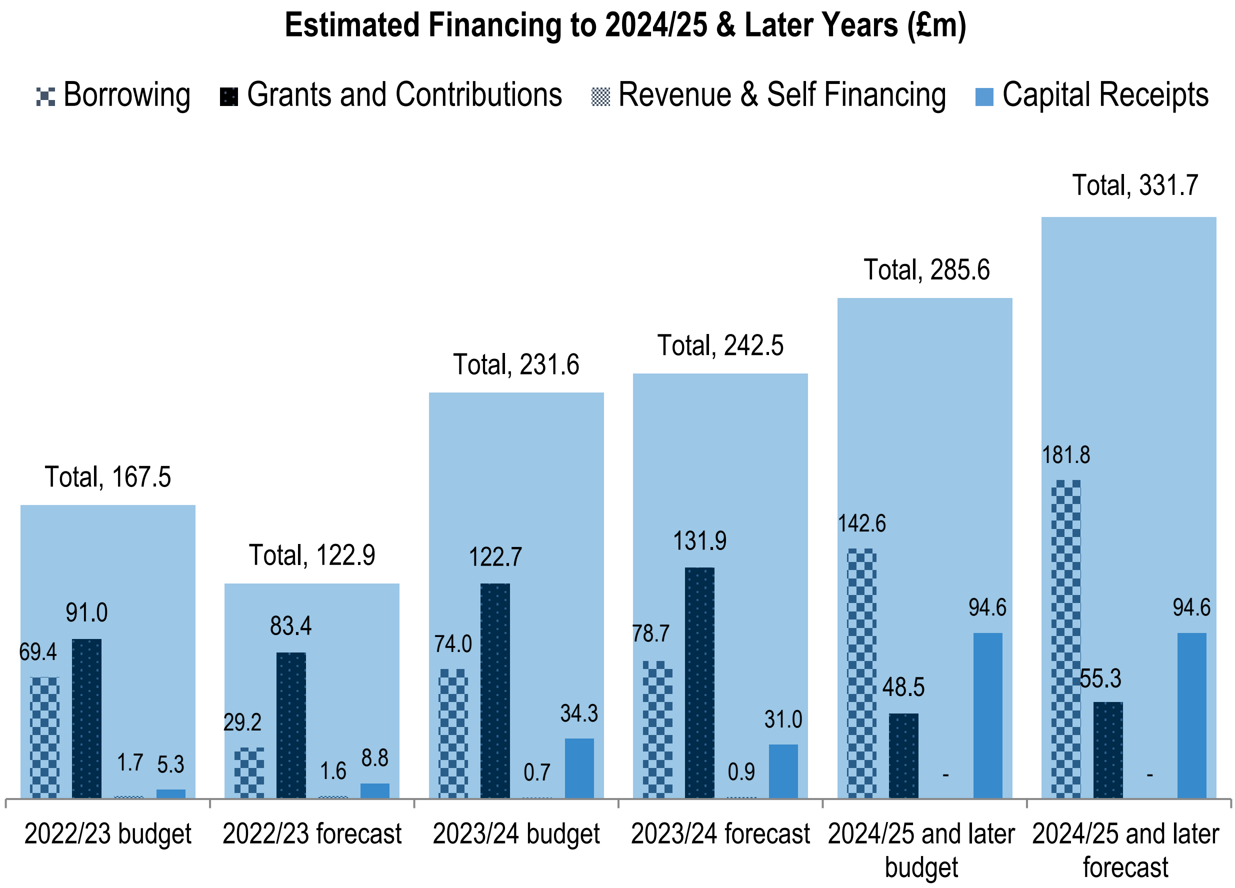
7.12. All local authorities are required to consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before 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	69,444	29,170	73,977	78,746	142,573	181,812
Self-financed Borrowing	1,135	1,094	425	552	-	-
Grants and Contributions *	91,038	83,359	122,688	131,882	48,498	55,337
Capital Receipts	5,301	5,301	3,792	3,984	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	557	463	256	320	-	-
Total	**167,475**	**122,866**	**231,611**	**242,478**	**285,637**	**331,715**

* *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.

Appendices

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

Background Papers

None.

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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.

1. Communities Directorate

Environment Services - (£7.012m overspend; +14.00%)

Explanation of the Approved Covid allocations (£0.055m)

This is a COMF funded allocation for Community Safety for work in relation to preventing serious violence.

Explanation of the Investment Funds (£0.000m)

N/A

Explanation of the Earmarked Reserves (£0.030m)

The forecast includes a contribution to the Proceeds of Crime Act (POCA) reserve as a result of an award made from a Trading Standards investigation. This will move to reserves and be available to support investigations in future years.

Explanation of the Remaining Service net overspend (£6.987m)

The service overspend is largely made up of the following:

- Transport Delivery is showing a forecast overspend of £6.871m due mainly to the overspends within Home to School Transport.
    - SEN Transport is forecasting to be overspend by £4.035m mostly as a result of the number of children being transported and the number of taxi routes being used. Inflation has impacted the cost of transport with taxis increasing by approx. £200 per day and contracts being around £4,000 per day more than in the spring term.
    - Mainstream transport is forecasting to be £2.816m overspent as a result of the number of taxis being used and a high demand for bus passes. The forecast estimates that the service will cost £54,000/academic day until the end of the autumn term. It is then forecast to increase to £56,000/academic day in the spring.
- An overspend within the County Highways Service of £0.309m comprises of:
    - Increased Maintenance costs of £0.682m as a result of higher energy rates and contractor indexation increases.
    - Additional costs within Forestry £0.206m due to a staffing restructure and subcontractors being used to cover vacancies.
    - Increased income of £0.579m in relation to Network Management, which offsets the above.

The overspends are partially offset by the following underspends:

- An underspend in the Assistant Director (AD) area of £0.115m where funds had been held to support other pressures across the service, but no specific items had been identified by Q3.
- A £0.099 underspend from delay in staff appointments in relation to the spend of S.38 income within Planning Delivery.

Change in the Remaining Service position since the position reported at Quarter 2 (increase of £1.327m)

- The main change to the position reported at Q2 is **the movement of the Home to School Transport Budgets and associated overspend from Education to Communities.**
- Within the Home to School Transport area the forecast overspend has increased since that reported at Q2 by £1.275m. This is due to an increase in forecast for the costs of SEN transport of £1.097m. The increase is mainly due to an increase in the number of routes being used and price increases that have occurred, particularly since October 2022 being reflected in the

Environment Services - (£7.012m overspend; +14.00%)
modelling. • The remaining increase since Q2 of £0.178m has arisen predominately in mainstream transport and is because of increased prices and usage of contracted services (0.297m), increased costs of bus passes due to more being issued throughout the year (£0.104m) and a forecast under recovery of income on contributory income (£0.130m). These increases have been offset by the forecast drawdown of s106 funds (£0.286m). • The forecast in County Highways has increased by £0.317m to show an in year overspend position of £0.309m. This is mainly due an increase in maintenance costs to £0.682m as a result of higher energy rates and contractor indexation increases. There are also additional costs within Forestry's overspend of £0.206m due to a staffing restructure and subcontractors being used to cover vacancies. These overspends are offset by increased income in relation to Network Management where there is an underspend of £0.579m. The increased overspends are partly offset by the change in forecast underspends of: • AD area is forecasting an underspend of £0.115m from releasing funds which had previously been held to support other pressures across the service. • A delay in staff appointments in relation to the spend of S.38 income within Planning Delivery has led to an underspend of £0.099m.
Impact on the MTFS
A time limited pressure bid has been submitted to address the increased Gypsy and Traveller costs.

Fire and Rescue - (£0.081m overspend; +0.30%)
Explanation of the Covid spending (£0.000m)
N/A
Explanation of the Investment Funds (£0.000m)
N/A
Explanation of the Earmarked Reserves net overspend (£0.032m)
There are expected contributions to reserves from: • The residual underspend on Hospital to Home (£0.003m) as all spend is funded via Public Health this year. Draws upon reserves are expected: • There is a forecast overspend against Pensions due to anomalies uncovered during a reconciliation process since the outsource, which means a drawdown from the Pensions reserve of £0.027m is forecast. • A drawdown is expected from the ESN Warwickshire funding of £0.008m to contribute towards the Water Hydrant project and regional posts.
Explanation of the Remaining Service net overspend (£0.049m)
The net overspend mostly comprises of: • An overspend on training costs of £0.114m due to the delay in the delivery of the in-house training facility. • An overspend on IT and communications costs of £0.022m due to annual contract changes in relation to digital transformation. • The above overspends are offset by an underspend in Response and Prevention of £0.089m due to careful management of resources at wholetime stations in addition to being under establishment on on-call staff.
Change in the Remaining Service position since the position reported at Quarter 2 (increased spending of £0.005m)
There has been no significant change to the overall forecast position since the last quarter.
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 – (£0.249m underspend; -0.93%)
Explanation of the Covid pressures (£0.616m)
The Covid spending relates to the balance of the original £1.5m Adapt & Diversify grants to small businesses. It represents the expenditure to be made in 2022/23 to assist local businesses with Covid recovery.
Explanation of the Investment Funds (£0.030m)
There is an underspend of £0.030m forecast on the following two projects: • There is an underspend of £0.005m against a Social Enterprise Support programme which has now completed, and the funds are no longer required. • The Tourism Support Programme (Project Warwickshire) has an in year underspend of £0.025m due to reprofiling of the project over the 3 year period. This funding will now be required in 2023/24.
Explanation of the Earmarked Reserves net underspend (£0.304m)
Planned overspends will be met from draws on the following reserves: • Rural Growth Network reserve (£0.100m) • European Match Funding reserve (£0.081m) These draws are offset by a net contribution to: • Speed Awareness Workshops reserve of £0.485m (made up of increased income of £0.621m less a drawdown of £0.136m).
Explanation of the Remaining Service net underspend (£0.531m)
The overspend is predominately made up of the following factors: • £0.802m from an under achievement of Parking income, due to the continuing difficulties in recruiting patrol officers meaning less penalties are being issued. • £0.092m from reduced income levels at Country Parks. These overspends are fully offset by the following underspends: • A forecast underspend in Waste & Environment of £1.028m predominantly due to the Bulk Haulage Service being brought in-house and the impacts of the new 1,2,3 kerbside recycling regime across Stratford-upon-Avon and Warwick. • There are in year staff underspends of £0.249m due to vacancies within Place & Infrastructure and Transport & Highways. • Management Costs are forecasting an in year underspend of £0.075m as a result of a reduction in expected legal fees for the year.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.671m)
The change in the position reported at Quarter 2 is mainly due to the increased underspend forecast within Waste. The 1,2,3 kerbside recycling across Stratford-upon-Avon and Warwick only began in August 2022 so data on the impact it is having is only just becoming available to be reflected in the forecasts.
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 – (£2.482m overspend)

Explanation of the Approved Covid spend (£0.000m)

No Covid pressures.

Explanation of the Investment Funds net underspend (£0.056m)

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 spend (£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 (£1.338m 0.7%)

There is a material overspend in Disabilities age 0-24. Variances elsewhere include overspends in Older People and Disabilities age 25-64 Services although they are partly offset by some underspends.

- Disabilities age 0-24 overspend of £1.423m. There is one intensive and costly spot contract to provide care for whom residential care or alternative solutions are not currently deemed appropriate, which explains the overspend in full. Although there is also a forecast overspend on residential placements of £0.686m driven by a 12% increase in average weekly cost compared to last year, this is offset by underspends elsewhere within this service.
- Older People Services has an overspend of £0.769m driven by rising demand and costs in residential care and supported living, and the continuation of the enhanced hospital discharge process. Demand has increased by 2% in two months with cost per package of care increasing by 2.7% in the same period. Driving the unit cost is the increasing use of more costly spot placements because of difficulties in sourcing packages of care at standard rates and placement rates for new packages of care, which are higher than the like for like packages of care that are closing. Client contributions are offsetting this to a substantial degree.
- Disabilities 25-64 has an overspend of £0.767m driven by rising demand for residential care, supported living, direct payments and specialist college placements, partially offset by increased client contributions. Residential care has seen demand increase by 2.3% and supported living increase by 2.1% in this financial year. There has also been an increase in unit cost as per Older People Services.
- Development and Assurance has an overspend of £0.365m due to transportation costs and Mental Health Services has an overspend of £0.124m.

These overspends are offset by:
- Integrated Care Services underspend of £1.265m. Assistive Technology underspend of £0.594m due to tender process which has started and until contract is in place there are limitations on some assistive technology projects. Staff and travel related expenditure underspend of £0.512m as recruitment challenges exacerbated by the current economic climate continue. Further 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 £0.159m underspend.
- AD Area for Centralised Budgets underspend of £0.845m. This comprises the unbudgeted income of £0.625m to fund Q1 of the enhanced hospital discharge process, (whilst the costs are incurred predominantly in Older People Services). Further there has been reduced project expenditure in this budget area to fund increases in expenditure in other budget areas (a contribution to bad debt provision plus spend beyond the level of grant awarded for the, now delayed, implementation of the Care Cap and Charging Reform element of Adult Social Care Reforms).

Change in the Remaining Service position since the position reported at Q2 (increase in spend of £0.677m <0.4%)

Disabilities 25-64 have increased the forecast overspend by £0.817m which is 1.0% of the service budget. This is due to actual costs for residential care exceeding that expected – which was based

Social Care & Support Service – (£2.482m overspend)
on commissioned data. In addition, reimbursement of unspent direct payment expenditure is expected to reduce and forecast income from client contributions has been adjusted downwards, as the automatic invoicing prior to completion of the financial assessment is based on full contributions and increased expenditure on specialist college placements. Older People Services have increased the forecast overspend by £0.562m which is 1.1% of the Service budget. This is due to increases in packages of care across all key areas: residential, nursing, domiciliary care and direct payments, driven by both cost and volume, with the cost continuing with recent months trends, with new packages of care costing more than those of closing packages of care. The most significant component is residential care with costs increasing in particular in Stratford and the north of the county. This has been offset by a reduction in the forecast spend of AD centralised budgets of £0.772m in relation to a £0.226m reduction in forecast costs to prepare for ASC Reform, a technical adjustment to net off the impact of funded Fair Cost of Care expenditure elsewhere in SC&S until the full funding and impact is forecast and incorporated in SC&S (currently in Other Services), and reductions in forecast staff and legal 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 as part of this year's refresh and a budget pressure submitted. If overspends in Children with Disabilities continues, this risks the overall achievement of Social Care & Support delivering to or within 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. Furthermore, should the trends in Older People Services continue there may be an overspend continuing and/or growing into future years that could impact on the delivery of the MTFS.

People Strategy and Commissioning Service – (£3.126m overspend)
Explanation of the Approved Covid spend (£3.426m)
The impact of Covid-19 on the forecasts amounts to £3.426m and relates to: £1.735m Covid related activity funded from the Contain Outbreak Management Fund: • £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 • £0.090 Housing support for rough sleepers to remain in accommodation • £0.075m Retrospective costs for workplace resilience scheme 'Thrive at Work' £0.714m 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 (£0.082m)
This relates to £0.047m underspend on the Tackling Family Poverty project and £0.035m on the Creative Health project.
Explanation of the Earmarked Funds net spend (£0.444m)

People Strategy and Commissioning Service – (£3.126m overspend)
£1.145m to be drawn down from Social Care and Health Partnerships Reserve in relation predominantly to partnership funded Learning Disability and Autism projects including Voiceability, Grapevine coproduction, the 'Experts by Experience' hub, health liaison resources, delivery of the Autism Diagnosis Project, respite care, champions and inpatient sensory environments parts of the Autism Strategy and facilitation of discharge from long term hospital stays into the community. £0.701m of the Domestic Abuse Grant will be transferred to an Earmarked Reserve due to underspend this year of the grant following recruitment delays for the Project Manager, underutilisation of the safe accommodation units and a significant contractual underspend due to only 8% of expected annual referrals being provided with a service in 8 months.
Explanation of the Remaining Service net underspend (£0.662m 1.8%)
Underspend predominantly due to staffing vacancies and SWFT funding 50% of AD salary. Other underspends relate to project designed to help care leavers become independent is now unable to be delivered in year due to the planned provider unable to meet WCC needs, reduced numbers of referrals for Sexual Health Out of Area services and Adult Weight Management, unutilised carry forward for homelessness due to other funding streams becoming available and the co-produced supporting people programme now being delivered from May 2023 due to ambitious original timescales. Partially 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 Q2 (reduction in spend of £0.266m
This is due to unutilised carry forward for homelessness due to other funding streams becoming available and delays in Supporting People co-production work compared to original ambitious timescales, with projects now expected to go live in May alongside a range of immaterial service wide reductions.
Impact on the MTFS
No adverse impact on MTFS.

Children & Families – (£1.764m overspend)

Explanation of Approved Covid spend (£0.265m)

The approved Covid spend relates to agreed staffing, agency, and sessional staff.

Explanation of the Investment Funds net underspend (£0.088m)

Children's Transformation Fund (CTF) – Underspend caused by delays in some one off projects (until new structure is in place) which will now take place in 2023/24. This is partially offset with the planned use of earmarked CTF funds to extend some short/fixed term posts ahead of permanency within the newly agreed C&F sustainability plan.

Explanation of the Earmarked Funds net underspend (£0.549m)

- The overall forecasted ACE (Adoption Central England) overspend (for the partnership) is £1.105m (covered in part by a specific reserve with a balance of £0.250m) and is related to a reduction in selling of places and a full staffing compliment. A full "mitigation" discussion, requested by the Children & Families AD, to be held at the next 5 LA Executive Board, has been rescheduled to early January. If there are not enough reserves to cover the overspend at year end, then WCC's share would be approximately 23% (£0.208m). 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 with the T3 manager 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 £0.561m due to greater than expected fixed element of the grant rather than payment by results element.
- There has been a shift in spend within the remand bed placements. This is due to 2 more young people in placement plus the 1 young person already in a bed has had a delay in the court process. This means that there is now a small overspend of £0.017m compared to the underspend of £0.076m at Q2. An MTFS savings proposal has been submitted in the recent MTFS refresh for 2023/24.

Explanation of the Remaining Service net overspend (£1.038m, 1.22%)

- 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 £3.367m. 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 £4,669 compared to the £4,610 per week in 2021/22. This reflects success in securing partner contributions from 2021/22 but increasing spot purchase and/or new placement costs in 2022/23. The Asylum grant continues to provide funding of £1.262m 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 (£3.310m), Leaving Care Accommodation and related costs (£1.055m), short-term specialist care (£0.960m), approved Innovate Agency contract (£0.422m), CiC Transport (£0.385m).
  - 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 £1.034m ahead of the new MTFS refresh savings plan which will require 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 £2.276m 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 £0.422m.
  - During the past couple of months there has been a review of all packages which has led to better assurance on forecasted costs. That notwithstanding, the leaving care forecast this month has increased again by £0.240m to now being £1.055m overspent with new placements of high value bought and changes in rates and providers. Significant progress has now been made by the new Operations Manager in auditing all supported

Children & Families – (£1.764m overspend)
accommodation placement packages and their elements. Unit costs of supported accommodation placements are continually rising and at Q3 this stands at approximately £2,102 per week which is £1,250 more per week than external foster-care. The AD is progressing discussions with Strategic Commissioning to review the commissioning and suppliers of this accommodation. Also, within the "extra-care" there is a forecast overspend of £0.960m 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. This forecast has moved significantly with added growth factored in. 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. Forecasting information recently provided by Transport Operations, is now showing a £0.385m overspend on CiC Transport to School. The overspend appears to be due to similar cost of fuel/living increases experienced in mainstream and SEND Transport (Communities Directorate).
Change in the Remaining Service position since the position reported at Quarter 2 (increase of £0.744m)
This is a net change predominantly due to the increase associated with previously mentioned "extra Care (£0.550m increase) and supported accommodation placement packages (a £0.352m increase). The other main element is the growth of £0.248m within CiC Transport but also a reduction in CiC placements, with a decrease in spend of £0.379m since Q2.
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, some of which will be very challenging. The AD understands that due to the lateness of the CiC transport forecast growth this is not covered in the current MTFS but may need to be a new pressure for next year's refresh if offsetting savings cannot be identified.

Education Services Non DSG – (£0.286m overspend, 2.7%)
Explanation of the Approved Covid spend (£0.108m)
These are staffing costs for short term posts where there was a delay in recruitment in 2021/22.
Explanation of the Investment Funds position (£0.000m)
It is envisaged that the part Investment funding for the Education MIS (Synergy) will be fully spent, hence there is no variance forecast.
Explanation of the Earmarked Funds position (£0.206m underspend)
This is due to planned training & development costs delay within the SEND & Inclusion Change, There are also minor time limited underspends for Education wide transformation which will be contributed to the Education Transformation Fund.
Explanation of the Remaining Service net overspend £0.384m, 3.64%
This overspend is the result of: • The AD budget is forecasting a £0.100m 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 agency cost of £0.180m forecast. • Within the Education & Early Years service area there are within the Education, Capital & Sufficiency team increased agency & staffing costs and high legal cost SLA usage. • Within the SENDAR service there is also a forecast overspend of £0.461m, 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 (£0.147m), £0.078m on Ethnic Minority & Traveller Achievement Service, and £0.134m within SEND Integrated service. • Currently there is an expected pressure (£0.155m) 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 £0.074m overspend on Music Service due to reduction in income. These overspends are partially offset by some minor operational underspends and some increased traded surplus.
Change in the Remaining Service position since the position reported at Quarter 2 (decrease of £0.090m)
This change is attributable to improved positions in covering pressures within the AD area around staffing and general non pay items (lower legal charges). Within the SEND and Inclusion area there have been increased staffing costs due to new academic year demands for services. This has been offset by improving position in reviewing costs within the Adult Community Learning budget as well as a slight improvement in the trading position of all Traded Services.
Impact on the MTFS
The current MTFS includes savings which are at risk of not being achieved with the current forecasts predicted. The MTFS refresh process has considered all the major areas of pressures currently being experienced within Education. The AD is currently planning how to mitigate savings from 2022/23 not yet achieved as unless delivered will continue into 2023/24. These are predominantly related to 3rd party savings and vacancy management. These need to be addressed in conjunction with the 2023/24 3rd party savings and vacancy factor targets.

Education Services DSG – (£4.493m overspend)
Explanation of the DSG net overspend (£4.493m)

Education Services DSG – (£4.493m overspend)

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 in some cases until the end of the first term.
 	
There are minor net overspends on the Schools Block of £0.018m and the Central School Services Block of £0.030m, which will be covered by existing Schools Block & Central School Services DSG reserves.
 	
Early Years Block:
• The Early Years Block is now forecasting an underspend of £0.494m net position.
• There is a forecast underspend of £1.154m on - & 4-year-old provision and £0.143m overspend on 2 years old provision. This was in part a result of 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 after the spring census after the new term starts, with further funding adjustments being potentially made by the ESFA in the next financial year.
• 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 £0.125m 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 early years providers and mainstream nurseries. Take up of the first tranche was not as large as expected but the forecast is hopeful that the second tranche launch in January will meet expectations, but this is dependent on individual institutions applying.
 	
High Needs Block:
• The main area of ongoing concern is the High Needs Block where the forecast overspend is £4.939m. 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.
• This new forecasted position of £4.939m is considerably greater than that planned by the SEND & Inclusion Change Programme (SICP) at the start of the year which balanced its budget by including £2.245m of future years savings, so this is a deterioration in this position. This is somewhat mitigated going forward with the recent larger than expected HNB DSG settlement figure for 2023/24. The final out-turn position will be triangulated into the long term DSG recovery plan, to take account of any on-going pressures (as well as the increased funding). This will be reported back to the SICP board for any mitigating action to ensure that the overall DSG recovery plan is covered by the updated MTFS proposals.
• 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 £2.694m in year overspend, and 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 at present will not be forthcoming next year.
• Areas of overspend include:
    o Budgeted planned over allocations of budget for future years savings (SICP) of £2.245m offset by the contribution from the Schools Block £1.908m as well as achieving some savings/cost reductions earlier (£0.197m).
    o An overspend of £4.965m on Independent Schools Provision. The demand on the Independent special schools has increased dramatically without any noticeable effect of intervention and forward projections have therefore, followed suite with an increased

Education Services DSG – (£4.493m overspend)
forecasted spend of £0.914m. September saw growth of 35 places; Oct incurred 6; and Nov is projected at 14 known cases. There are now 8 projected per month until the end of the year. For the whole of 2021/22 there were 277 places purchased at £54k, Q2 22/23 the forecasted numbers were 327 @£57k, for Q3 it is now forecasted at 337 @ £58k. o Top ups of supplemental & Teacher's pension payments for special schools £1.672m (this also includes some minor commissioning contracts). The forecast overspends are partly offset by the following underspends: • Top ups and Resourced provision of £1.013m due to lower demand. • Post 16 Provision of £0.358m 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 at least the start of the second term. • Alternative provision of £0.707m with a drop in demand but increased unit costs. • Slight overall net underspend of £0.240m for some support services.
Change in the DSG since the position reported at Quarter 2 (increase of £2.393)m
The change is predominantly related to the increase in overspend by £2.367m for the High Needs Block: • Increased overspend in the Independent special schools budget (as mentioned above), with an increase of £0.848m. • Alternative provisions & ABP, a decreased underspend of £0.579m with growth in demand since the new academic year. • Post 16 provision – an increased forecast of £0.343m after the start of the new academic year. • Increased usage of EHCP top ups (reduced underspend) of £0.412m after the start of the new academic year. • Increased demand for Hospital tuition of £0.170m.
Impact on the MTFS
This overall size of the DSG overspend has increased significantly and will impact on the overall recovery plan and the contributions from the MTFS to cover the cumulative deficit. The key will be to continue momentum with the recovery plan and to achieve future years savings. The growth in the overspend may be mitigated by recent greater than expected (but with conditions) growth on the HNB DSG grant for 2023/24. The key is to ensure that growth in HNB spend does not match the unexpected growth in the funding.

3. Resources Directorate

Business and Customer Services (£0.536m overspend, +2.6%)

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 FOM (£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 Investment Funds net und/overspend (£0.000m)

There is no variance forecast on investment funds.

Explanation of the Earmarked Reserves net overspend (£0.032m)

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 (£0.190m)

The remaining service overspend is the mainly as a result of:

- Business Support is forecasting to overspend by £0.187m mainly due to staffing costs arising as a result of demand within Social Care and Support.
- A further overspend on staffing costs of £0.130m is also forecast within the Library Service due to covering some long term sickness coupled with reduced income.

The forecast overspends are partially offset by forecast underspends due to:

- An 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.
- In year underspends in the AD area of £0.060m due to reduced consultancy spend, a vacancy and income from staffing recharges.

Change in the Remaining Service position since the position reported at Quarter 2 (decrease of £0.112m)

There have been reductions in the forecast overspends within Business Support by £0.088m and Customer Contact by £0.085m, due to reduced staffing forecasts as well as reduced spending on equipment, printing, stationery and interpreting and translation services, and revisions to salary forecasts to reflect current vacancy levels. In addition there has been an increase in the AD area underspend by £0.032m due to reduced consultancy spend and in year salary underspends.

These reductions are partly offset by increased forecast costs in the community hub by £0.095m to reflect the library in year staffing pressures.

Impact on the MTFS

There are a number of existing savings within the MTFS that relate to staffing reductions. Therefore there will continue to be a focus through this the financial year and next, on how these savings will be met and the risk of overspends mitigated.

Commissioning Support Unit - (£1.012m underspend, -14.3%)

Explanation of the Covid pressures (£0.064m)

The Covid spending consists of:

- Quality Assurance Technical Specialist (£0.053m) – funded by COMF.
- Community Testing (£0.011m) – funded by COMF.

Explanation of the Investment Funds net underspend (£0.552m)

The underspend forecast on Investment Funds relates to the following projects:

- Transformation (£0.166m) – Electronic Document & Records 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.
- Transformation (£0.127m) – Implementation of Business Analytics, represents the contingency amount built into the original funding allocation and will be reviewed by the Programme Board.
- Digital/ICT Future Operating Model Implementation (FOM) (£0.099m) – underspend due to delay in Digital & Data
- Programme Management Office (PMO) – Climate Change Fund (£0.081m) -due to a vacancy that has not been filled
- Mosaic Change Hub (£0.043m)
- WCC Residents Panel (£0.035m)

Due to the change of the scope in project work, it is now forecast that a number of projects will be returning funds to the Revenue Investment Fund at project completion – all projects will be reviewed during the final quarter.

Explanation of the Earmarked Reserves net und/overspend (£0.000m)

N/A

Explanation of the Remaining Service net underspend (£0.524m)

The remaining service underspend is largely made up of:

- Staff vacancies within Contract Management (£0.210m). An element of this relates to a time limited MTFS allocation to recruit staff 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. A revised approach to reduce the number of staff recruited, but increase the length of the time they work for us is in development. It is not anticipated that this will impact the delivery of the savings in the MTFS but reduces the lead in time for delivery and aims to make the positions more attractive to the market.
- Within Procurement there has been an over recovery of income of £0.144m as a result of the ESPO dividend being greater than anticipated.
- There are in year salary underspends of £0.132m in PMO and Business Intelligence due to in year vacancies in both areas. Within PMO these vacancies have been held ahead of a planned restructure.

Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.341m)

The reductions in the service forecast since Q2 reflects the increased ESPO dividend, and the adjustments to salary forecasts and internal recharges to more accurately reflect the current vacancy levels.

Impact on the MTFS

None identified

Enabling Services - (£2.124m underspend, -7.5%)

Explanation of the Covid pressures (£0.000m)

N/A

Explanation of the Investment Funds net underspend (£1.965m)

This underspend relates to two projects:

- Transformation Digital – How We Do Things (£0.505m)
- Digital Roadmap Project (£1.460m)

This represents an increase of £1.958m since the last report. The Digital Roadmap project underspend had previously been included within the remaining service variance as it was a time limited MTFS allocation, however, subject to Cabinet's approval, it is now more accurately reflected

as a Revenue Investment Fund (RIF) allocation. The underspend has increased due to the ongoing delays as requirements for the ASC reform programme have been developing. The Transformation Digital underspend has increased by £0.498m since the last report due to a reorganisation of service priorities now being reflected in the forecast.
Explanation of the Reserves net under/overspend (£0.000m)
N/A
Explanation of the Remaining Service net underspend (£0.159m)
The remaining service underspend is made up of the following: • An underspend is forecast within County Buildings of £0.432m as a result of timings of energy payments, following the review of year-end adjustments. • In year staffing underspends in HR Enabling and ICT Strategy of £0.327m mainly due to difficulties in recruiting to vacant posts. • An underspend on HR training levy of £0.068m These underspends are offset by overspends: • £0.200m and £0.115m from additional spend on Mosaic Services and software licences respectively, due to increased demand and project development. • £0.200m from Increased Agency Support within Digital and ICT to meet increased demands and project development. • £0.175m from an under recovery of Engineers income.
Change in the Remaining Service position since the position reported at Quarter 2 (reduction in underspend of £1.372m)
The forecast has changed largely as a result the following: • The re-classification of the Digital Roadmap project (£0.912m) to reflect the budget allocation more accurately as RIF. • An increased in the spending forecast on software and maintenance by £0.200m • An increase in the staffing and agency costs in Digital & ICT of £0.186m to meet current demand levels.
Impact on the MTFS
None identified

Finance Service – (£0.014m underspend, -0.2%)
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 (£0.000m)
• Agresso Development Programme previously forecast underspends have now been removed as approval has been given to progress the Cloud migration. • Capital Financial Management Improvement Programme previously forecast underspends within this project have now been committed. • During the final quarter a full review of the profile of this spending on both projects noted above will take place.
Explanation of the Earmarked Reserves net overspend (£0.018m)
The draw on reserves is the impact of the Schools Absence Insurance Scheme
Explanation of the Remaining Service net underspend (£0.062m)
• Across Finance there are forecast in year salary underspends of £0.199m which are as a result of difficulties recruiting to vacant posts, including the Strategic Risk Management post. • This underspend is offset by an overspend related to WPDG of £0.141m due to the Procurement project taking 9 months longer than anticipated and requiring considerable resource from internal legal, external legal and external consultants.

Change in the Remaining Service position since the position reported at Quarter 2 (reduction in underspend of £0.069m)
The change since the position reported at Q2 is mostly due to the updated forecast cost of the WPDG procurement being offset by increased in year salary underspends.
Impact on the MTFS
None identified

Governance and Policy – (-£1.112m overspend, +28.0%)
Explanation of the Covid spending (£0.003m)
The approved Covid spending is for video translation costs. Please note that previously forecast COMF funds for Croxhall Street have been returned as the project could not be completed and so has now ceased. Alternative solutions for this project to be considered as part of the wider property rationalisation.
Explanation of the Investment Funds net under/overspend (£0.000m)
N/A
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 drawdown from the One Public Estate (OPE) reserve.
Explanation of the Remaining Service net underspend (£1.121m)
The remaining service underspend comprises of: • Over recovery of income of £0.784m within Legal services • Delays and difficulties in recruiting to vacant posts within Strategic Asset Management giving an in year underspend on staff of £0.192m • Over recovery of internal income of £0.150m within Marketing and Communications • Corporate Policy & Commissioning are forecasting an underspend of £0.042m.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.779m)
The increase in the forecast underspend compared to Quarter 2 is largely a result of improved income within Legal Services and Marketing & Communications. Legal services income has increased by £0.590m due to a thorough review of the position taking place for Q3 and the reflection of a number of new contracts that have been won. Within Marketing and Communications an over recovery of income of £0.221m has been forecast this is as a result of a review of the chargeable work being conducted.
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 – (£0.238m underspend, 0.2%)
Explanation of the Covid spending (£0.250m)
Additional covid expenditure to mitigate the on-going impact of the Pandemic.
Explanation of the Investment Funds net under/overspend (£0.0m)
N/A
Explanation of the Earmarked Reserves net underspend (-£1.870m)
• Net contribution to the commercial risk reserve of (£1.590m) from the central WPDG budget as a result of underutilised provision for delayed capital receipts set aside as part of the Business Plan; • the transfer to earmarked reserves relates to the (£0.243m) quadrennial local elections as 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 (£0.238m)
• There is a £525k underspend which relates to the reversal of the 1.25% National Insurance rate rise as per the autumn statement. • A £0.434m underspend change is due to a reduction in forecast capital financing costs flowing from the refresh of the future need to spend across 2023-28 MTFS period. • County Coroners is forecast to underspend by £0.121m 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 and a £350k paid dividend underspend; • offsetting these is the increase in salaries due to the pay award of £667k and lower than estimated grant income of £0.545m
Change in the Remaining Service position since the position reported at Quarter 2 (decrease of £0.317m)
The significant change is due the underspend the pay award and additional underspends as mentioned above.
Impact on the MTFS
Pay award estimate and changes to National Insurance for future years has been reviewed and updated in the MTFS.

APPENDIX B

Commentary on Service Capital Forecasts

The main reasons for the £15.756m 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.

In addition to the £15.756m above there is an additional £1.030m of delays relating to projects funded by S278 developer contributions. There is also a £31.041m of delays on Corporate Schemes; the Warwickshire Recovery Investment Fund (WRIF), Warwickshire Property Development Group (WPDG) and the Asset Replacement Fund (ARF). 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 – £4.164m:

- Lawford Road / Addison Road Casualty Reduction - £1.323m. Due to supply issues this scheme is being pushed back to 2023/24 financial year.
- A3400 Birmingham Road, Stratford Corridor improvements - £1.000m. This includes £803,703 of CIF inflation funding as costs have risen above original estimates which has necessitated a reprofiling of spend into 2023/24.
- A452 Myton Road and Shire Park Roundabouts - £0.528m. This scheme has been reprofiled with contractors expected on site in Summer 2023. £0.343m of CIF Inflation funding has been granted on the scheme.
- 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 - £1.008m:

- Fire & Rescue training programme at Lea Marston - £0.714m. Slower than expected progress has been due to the absence of a travel plan which was necessary for the submission of a full planning application. The Minerva Unit is expected to be sited by May 2023.
- Fire & Rescue training programme: EA water site - £0.274m. The priority for the service has been to complete the Minerva training project. Until that project is completed, plans for the further training sites cannot be determined.
- Delays in the national Emergency Services Network (ESN) project - £0.020m have caused a

knock-on delay to the procurement of 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 - £2.344m:

- Evidence Led decision making in tackling climate emergency and air quality - £0.712m. There has been a delay in the procurement of the equipment necessary to provide the evidence.
- Library & Business Centre Nuneaton (CIF funded) - £0.500m. Following a cost review and decision at Corporate Board agreement has been reached to commission a building re-design to bring the scheme back within budget. Costs have been moved back to reflect the likely delays while the redesign takes place. The aim is to deliver the scheme within the original timeframe.
- Transforming Nuneaton - £0.296m. Inflation allocation from CIF inflation pot of £433k. Some delays to realign spending with expected timescales.
- Casualty reduction annual maintenance 2022/23 - £0.229m. One of the projects within the block of schemes in not progressing due to feasibility issues.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the annexes A to M

Education Services - £6.103m:

- Stratford Upon Avon School 2 form entry expansion - £5.252m. Project is at the planning permission stage. Construction planned to start in April 2023 with a target completion date in August 2024. The forecast has been reprofiled to reflect this timescale.
- Myton School, Warwick. New sixth form teaching block. - £0.364m. This academy led project is underway but the timescales for the expenditure is unclear. The building is due to be operational in September 2023 with the bulk of the spend expected to fall after March 2023.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the annexes A to M

Children & Families Services - £0.025m

- Adaptations to support child placements 2020/23 - £0.025m. One of the applications to the fund which had previously been provisionally agreed has now been withdrawn. Since the scheme is demand led the spend has been re-profiled to future years pending further applications to the fun.

Public Health and People Strategy & Commissioning - £0.049m

- Adult Social Care Modernisation & Capacity 2012/13 - £0.049m. This funding is allocated to the changing places project. These projects are demand led based on applications to the fund.

Enabling Services - £0.694m:

- Development of Rural Broadband - £0.694m.
  1.) An adjustment in the Broadband Investment Funding calculation from BT/Openreach for 2022/23 has resulted in reduced gainshare expenditure and corresponding reduction in funding utilised in this financial year.
  2.) The Superfast Community Fibre programme has been delayed by BDUK until 2023/24, resulting in reduced project expenditure and funding utilised in 2022/23.
  3.) Extra revenue funding received for Additional Services Revenue and Government consultancy work has resulted in increased revenue income.

Governance & Policy - £1.370m:

- Land at Leicester Lane, Cubbington - £0.806m. The delays were due to further geo-technical surveys to establish the levels of contamination from the historic landfill before a decision is made on whether WCC purchased the land.
- Maintaining the smallholdings land bank - £0.391m. There have been no feasible purchases this year and the budget has been re-profiled to 2023/24.