Cabinet

14 September 2023

2023-24 Financial Monitoring – Forecast Position as at Quarter 1

Recommendations

That Cabinet:

1) notes the forecast overspend of £0.883m (0.2%) that would need to be funded from the Directorate and General Risk Reserves at the end of 2023/24;

2) notes the forecast delivery of savings for 2023/24 of £6.314m, and the consequent shortfall against the target;

3) asks Corporate Board to bring forward, as part of the Quarter 2 Financial Monitoring Report, an action plan to address service overspends in 2023/24;

4) notes the forecast capital spend for 2023/24 of £174.420m; and

5) notes and approves the movement in the forecast spend on the capital programme of £13.972m from 2023/24 into future years and notes the carry forward of S278 contributions of £10.504m.

1. Purpose of the report

1.1. This report outlines the forecast financial position of the organisation at the end of 2023/24, based on the information known at the end of the first 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

		Actual £m
Approved Budget		380.360
Net forecast as at Quarter 1		396.545
Net overspend		**16.185**
Reason for, and resourcing of the overspend		
• Investment Funds variance: reprofiling into future years and/or reduced spend drawdowns from the Investment Funds		2.994
• Movement to/from Earmarked Reserves: spend to be financed from other Earmarked Reserves		6.228
• DSG variance: deficit of **£8.723m** to be offset against the DSG contingency reserve, with **£2.643m** required to top-up the DSG deficit reserve from the 'Available for Use' reserve.		6.080
Residual service variance: • Overspend to be funded from Directorate Risk Reserve • Underspend to transfer to the 'Available for Use' Reserve	£26.576 (£25.693)	**0.883**
Net overspend		**16.185**

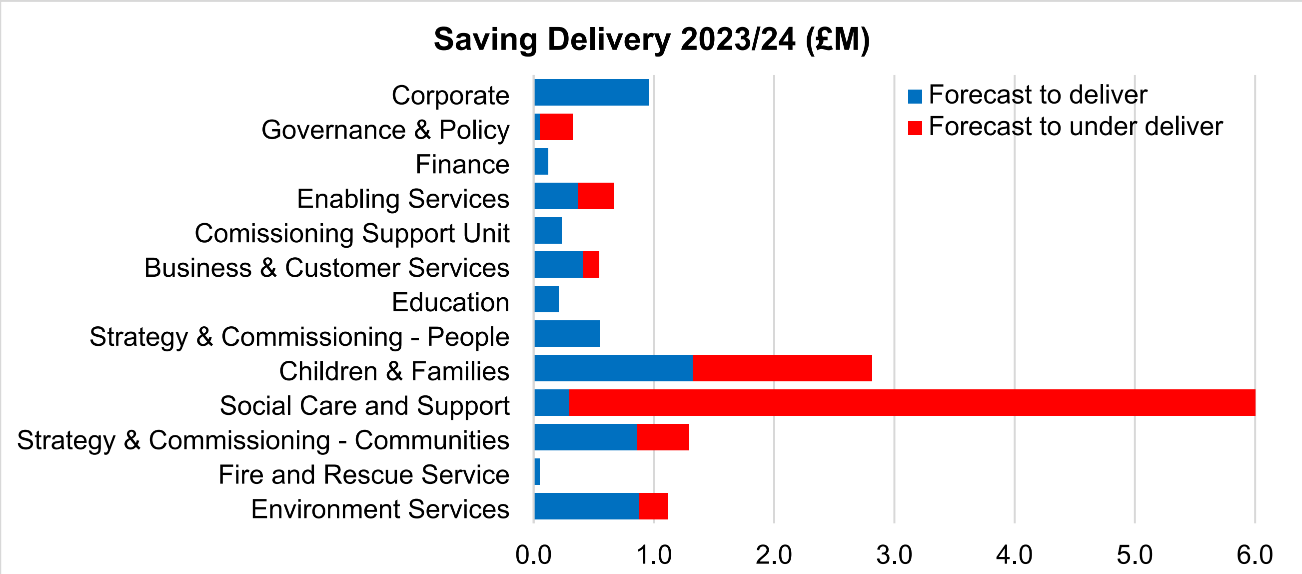
The headline forecast overspend is £16.185m in 2023/24. One-off, specific funding has been set aside in the Medium-Term Financial Strategy (MTFS) to meet most of these costs. Once this funding is taken into account the adjusted position is a net overspend of £0.883m (0.2% of the net revenue budget) which will, if unchanged by the end of the financial year, be taken from the Directorate and the General Risk Reserves. The variance in the net revenue budget at 0.2% is within the +/- 2% target set as part of the performance management framework.

However, the Council is facing sharp and potentially unsustainable increases in demand and costs across our children's and adults social care services, education and home to school transport, which are creating significant medium-term financial risk to the Council. Sufficient one-off resources, including windfall income in Corporate Services and use of the Directorate Risk and 'Available for Use' reserves provide scope to manage the financial position in-year, if actions to bring service spend back into line with the approved budget do not deliver a material downward change in spending. However, identifying an ongoing financially viable solution through the MTFS refresh will be critical to ensure we remain financially secure and resilient in future years. A critical element of this will be to reduce the long-term spending pressures being seen in social care and education.

The current Dedicated Schools Grant (DSG) forecast is a £8.723m overspend. Within this there is a £8.732m High Needs block deficit in 2023/24, giving a forecast cumulative High Needs DSG deficit of £29.148m by the end of this financial year. The DSG Offset Reserve is currently £26.505m, which leves a shortfall and additional budget pressure of £2.643m in year. If the cumulative DSG deficit remains above the Offset Reserve at the end of the financial year, the Authority will need to top up the reserve from the Available for Use reserve, reducing the funding available to support the MTFS in future years.

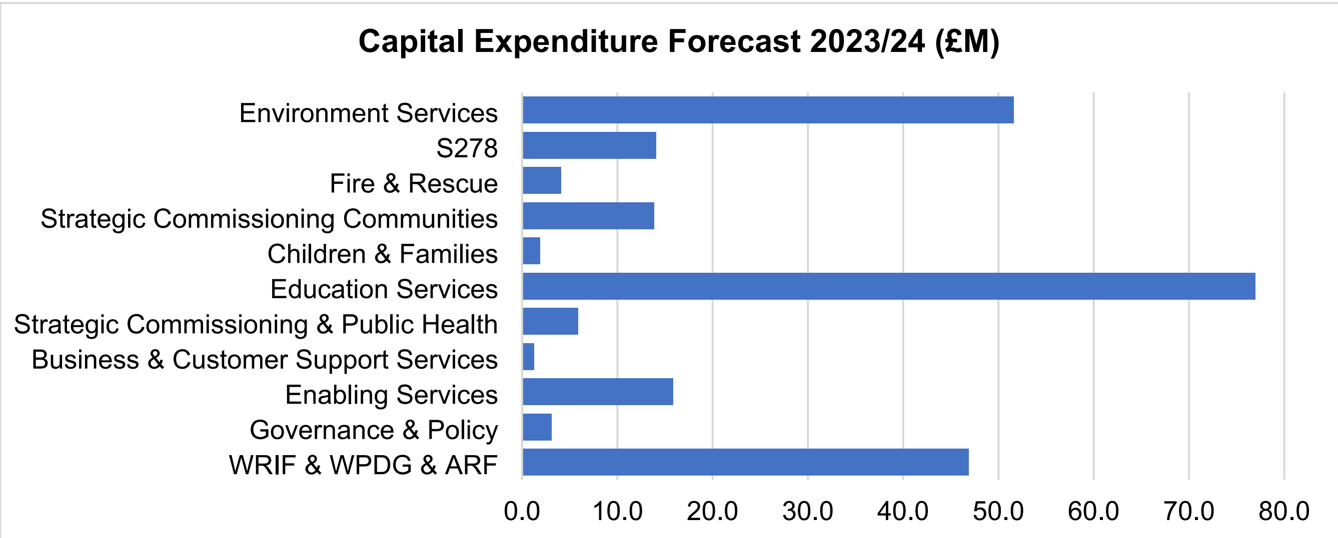
For further details on the forecast revenue spend please refer to Section 3.

2.2 Savings Delivery Summary



The savings plan for 2023/24 requires the delivery of £15.158m of savings, accumulated from 73 individual saving initiatives. At Q1 £6.314m (42%) is forecast to be delivered in line with the plan, with £8.844m (58%) forecast not to be delivered. For details on saving performance please refer to Section 4.

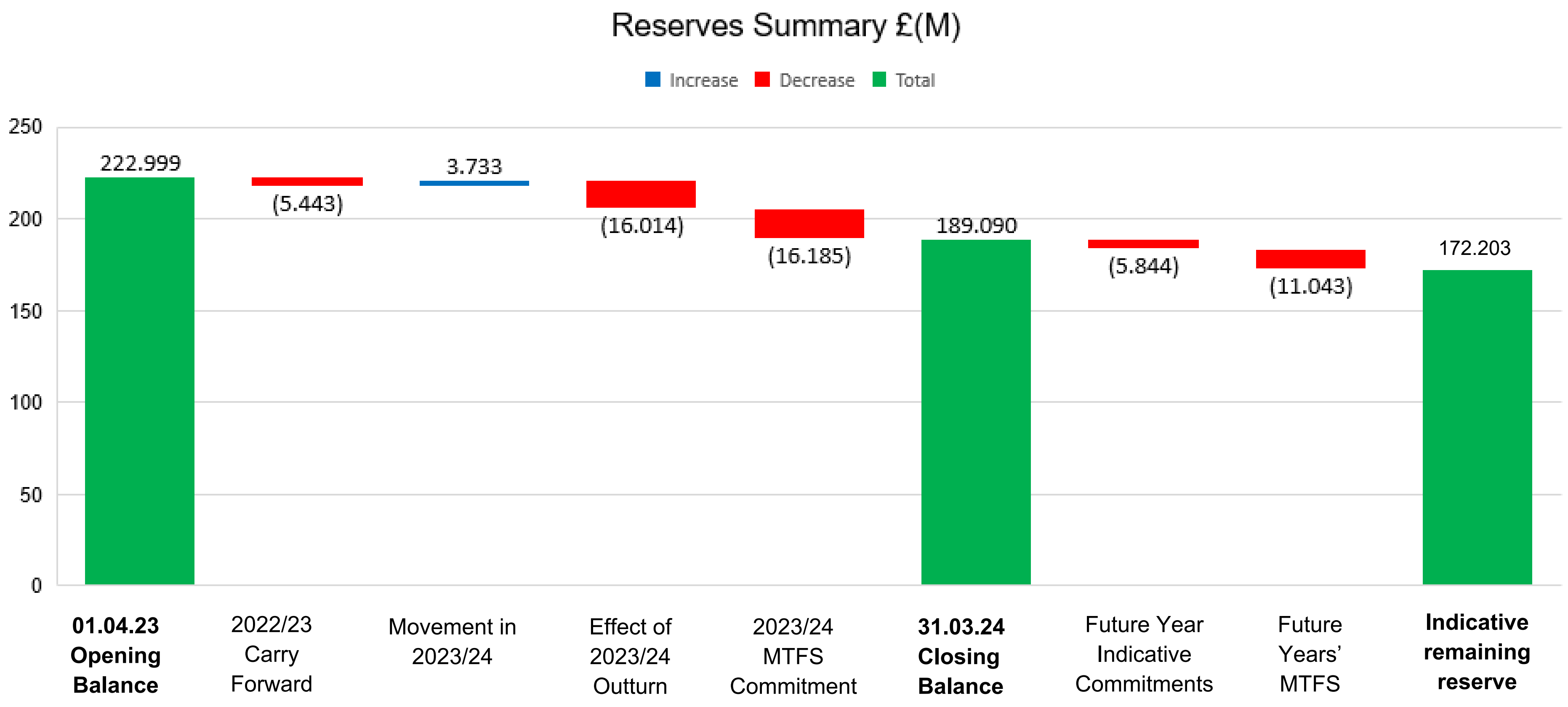
2.3 Capital Forecast Summary



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

The total controllable forecast capital spend for 2023/24 is £174.420m. A further £14.066m 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 that £46.894m will be spent on economic growth-related activity through the Warwickshire Recovery and Investment Fund (WRIF) and Warwickshire Property and Development Group (WPDG). Further detail on the capital programme and its financing can be found in Section 7.

2.4 Reserves Summary[1]



The level of reserves at the start of 2023/24 was £222.999m. The forecast spend and indicative future use of reserves to support the MTFS indicate reserves will reduce by £50.796m over the period of the MTFS to £172.203m. 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	Represented by:			% change Remaining Service Variance from Approved Budget
					Investment Funds	Impact on Earmarked Reserves	Remaining Service Variance	
	£m	£m	**£m**		£m	£m	£m	
Communities								
Environment Services	60.584	63.632	**3.048**	5.0%	-	0.042	**3.006**	5.0%
Fire & Rescue	25.100	25.075	**(0.025)**	-0.1%	-	(0.016)	**(0.009)**	-
Strategic Commissioner for Communities	25.704	26.075	**0.371**	1.4%	(0.088)	-	**0.459**	1.8%
Subtotal Communities	**111.388**	**114.782**	**3.394**	**3.0%**	**(0.088)**	**0.026**	**3.456**	**3.1%**
People								
Social Care & Support	204.086	218.633	**14.547**	7.1%	-	4.846	**9.701**	4.8%
Children & Families	81.769	93.474	**11.705**	14.3%	1.275	(0.243)	**10.673**	13.1%
Strategic Commissioner for People	36.425	37.588	**1.163**	3.2%	-	1.356	**(0.193)**	-0.5%
Education Services - Non-DSG	10.352	10.718	**0.366**	3.5%	(0.021)	0.099	**0.288**	2.8%
Subtotal People	**332.632**	**360.413**	**27.781**	**8.4%**	1.254	**6.058**	**20.469**	**6.2%**
Resources								
Business and Customer Services	19.976	20.296	**0.320**	1.6%	0.258	(0.112)	**0.174**	0.9%
Commissioning Support Unit	6.481	6.591	**0.110**	1.7%	(0.063)	-	**0.173**	2.7%
Enabling Services	25.532	29.302	**3.770**	14.8%	1.633	0.290	**1.847**	7.2%
Finance	6.374	6.435	**0.061**	1.0%	-	0.026	**0.035**	0.5%
Governance & Policy	2.963	3.385	**0.422**	14.2%	-	-	**0.422**	14.2%
Subtotal Resources	**61.326**	**66.009**	**4.683**	**7.6%**	**1.828**	**0.204**	**2.651**	**4.3%**
Subtotal Directorates	**505.346**	**541.204**	**35.858**	**7.1%**	**2.994**	**6.288**	**26.576**	**5.3%**
Corporate Services and DSG								
Corporate Services & Resourcing	(124.987)	(153.383)	**(28.396)**	22.7%	-	(2.703)	**(25.693)**	20.6%
DSG expenditure (Education Spending)	262.037	270.760	**8.723**	3.3%	-	8.723	**-**	-
DSG income	(262.036)	(262.036)	**-**	-	-	-	**-**	-
Subtotal Corporate Services and DSG	**(124.986)**	**(144.659)**	**(19.673)**	**15.7%**	**-**	**6.020**	**(25.693)**	**20.6%**
Total	**380.360**	**396.545**	**16.185**	**4.3%**	**2.994**	**12.308**	**0.883**	**0.2%**

Revenue overview

3.1 The forecast outturn position is set out in the table in Section 3 above and shows a total forecast overspend of £16.185m representing 4.3% of the Council's net revenue budget, reducing to £0.883m (+0.2%) once the specific funding set assid in the MTFS to meet some of these costs is taken into account.

3.1. The recurring themes in terms of the key drivers causing this position are:

- a continuation of the increase in need and hence demand for People Directorate services, following the spike seen after the budget for 2023/24 was agreed;
- inflation in some of our larger budget areas remaining higher for longer than anticipated so continuing to increase the cost of services and reflecting that the underlying inflation rate for the services the Council provides is higher than the headline rate;
- a lack of capacity in the market whether for supply of specialist placements or staffing leading to further upward pressure on costs;
- a continuation of the substantial gap between the fixed levels of grants provided and the growing spending need on the services the grants are supposed to fund, this is particularly true in relation to the High Needs DSG and children's social care which remain materially underfunded for the level of demand/cost in the system; and
- challenges in terms of the organisation's capacity to deliver and maintain focus on transformation against a backdrop of such significant demand increases in business as usual activity.

3.2. The material aspects of the overspend at a service level are set out below. Further detail can be found in Appendix A:

i.) **Education Services - Dedicated Schools Grant (DSG):** The forecast £8.723m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q1 2023/24 £m	Cumulative forecast variance as at Q1 £m
Schools Block	0.007	(0.477)
Early Years Block	(0.055)	(3.396)
High Needs Block	8.732	29.148
Central Services Block	0.039	(0.455)
Total	**8.723**	**24.820**

The most significant element is the forecast overspend of £8.732m on the High Needs Block (HNB). The material forecast overspends include £2.045m in mainstream school Education, Health and Care Plan (EHCP) top-ups, a £6.740m overspend on independent school places and £1.126m overspend on specialist resource provision.

Pressures in the system include increases in permanent exclusions, increasing numbers of children not attending school for medical reasons and increasing requests for education, health and care needs assessment, up from 800 to 1,300 in one year. The number of children in independent specialist provision has also increased following approximately 6 years of decline.

ii.) **Environment Services remaining service overspend of £3.006 (+5.0% of approved budget)**
The primary reason for this forecast overspend is SEND (Special Educational Needs and Disabilities) home to school transport forecasting to overspend by £1.377m and mainstream home to school transport forecasting to overspend by £1.395m. This is a combined total forecast overspend of £2.772m and is a result of increasing numbers of passengers and the price increases on re-negotiated contracts.

The cross-party Member Working Group set up as part of the 2023/24 budget is in the process of reviewing current policies, analysing demand on the service and challenging plans and assumptions to mitigate cost pressures as far as possible, with any insight to inform the 2024/25 MTFS refresh.

iii.) **Social Care and Support remaining service overspend of £9.701m (+4.8% of approved budget)**
All of the Service's forecast overspend is in the older people's service, which is forecast to overspend by £9.704m, across the provision of residential, nursing and domiciliary care. The pressure is due to increases in the unit cost of support in excess of that assumed in the 2023/24 budget and an increase in both the number of residents requiring support and their level of assessed need.

This is a product of both the growth in the number of clients and the need to use costly spot placements due to difficulties in sourcing packages of care at the Council's framework rates and providers handing back contracts and demanding higher rates. Spot placements currently account for 70% of all residential placements which are on average 33% more expensive than framework rates.

The management action being taken to mitigate the forecast overspend is included in 'Commentary on Service Revenue Forecasts' in Appendix A. Amongst other actions it includes restriction of spend on any non-statutory services, peer reviews, case file audits and targeted reviews of out of county placements as well as working more closely with Health colleagues to ensure appropriate financial contributions to joint projects are made.

iv.) **Children and Families remaining service overspend of £10.673m (+13.1% of approved budget)**
This large and unprecedented forecast overspend is primarily driven and related to children's placements (including in the Council's children's homes) and staffing.

<u>Residential Placements - £5.804m overspend</u>. This is predominantly due to market price rises and increased needs of the children. As well as residential placements there are a small cohort of children (forecast overspend of £1.400m) where the market cannot accommodate the children and the Service has to look after them with high cost wrap around "extra care" packages. Such costs can be up to £30,000 a week per child (equivalent to over £1.5m per year). The Service is having to use residential care more because of a shortage of foster placements for some age groups (particularly 14+) and have not been able to move as many children as

hoped to the one open internal children's home because of challenges around ensuring an appropriate mix of children in each home.

Warwickshire Children's Homes - £1.178m over-spend. This is a mixture of post-opening cost increases and pre-opening costs for other homes as the progamme is expanded. The first home is now open, with two children currently placed in the home. Once staff vacancies are recruited to, the home will look to increase numbers to full capacity. For the other homes, building work is still to be completed; it is hoped that these will be operational by October/November 2023 (subject to OFSTED approval). With residential package costs increasing dramatically, the key for the financial success of this programme is the speedy and continuous occupation of the homes.

Establishment staff (£1.6m overspend) & Agency staff (£2.6m overspend) - There are particular pressures on staffing budgets within the service due to external (Statutory/Child Safeguarding) work demands with caseloads high due to an unprecedented spike from the start of the first quarter.

A Children and Families "Finance Recovery Plan" has been developed by the Senior Leadership Team, Finance and Strategic Commissioning and shared with the Executive Director. It contains 24 proposals/actions concentrating (though not exclusively) on the major overspends mentioned above.

iv.) **Enabling Services remaining service overspend of £1.847m (+7.2% of approved budget)**
Of this forecast overspend, £1.653m relates to increased gas costs of 300% compared to last year's as a result of leaving a fixed price contract and now being on a variable rate. The forecast overspend also includes an increase in business rates where revaluations have been carried out.

v.) **Corporate Services remaining service underspend of £25.693m (20.6% of approved budget)**
Of this forecast underspend, £17.493m is due to a number of core grants coming in higher than estimated due to late notifications and a lack of clarity as to how reimbursements would be calculated and £12.373m due to savings in capital financing costs and higher returns on our investments, this is offset by the DSG overspend which is £2.643m higher than provided for in the 2023/24 budget, and £1.514m being the difference between budgeted pay award and the latest pay offer for 2023/24. This surplus will offset the overspends being forecast by services this year, reducing the remaining service variance to a net overspend of £0.883m.

The majority of the forecast underspend in Corporate Services reflects additional income that has already been included within the MTFS forecasts presented to Cabinet in July. This means this funding is not available to support the on-going impact of the service overspends in 2024/25 or beyond.

After the end of Quarter 1 the Government has announced an increase in the Market Sustainability and Improvement Fund grant which will give the Council an additional £3.4m one-off funding in 2023/24, which is not currently included in the forecast and will provide additional in-year resource.

4. Savings Performance

4.1. Performance against individual saving targets is listed in Annexes A to M of Appendix C. The table below provides a summary. The savings target for 2023/24 is £15.158m, at Q1 £6.314m (42%) is forecast as on target to be delivered this financial year, with one scheme expected to deliver £0.032m in excess of the target, leaving a significant shortfall of £8.844m (58%).

4.2. The Council has a successful track record for delivering savings. In 2022/23, despite challenges, the Council delivered 93% of its savings plan, totalling £9.579m. With continued high levels of cost increases, recruitment difficulties and increased demand for services, this year is looking to be much more challenging. Recognising the requirement in the budget resolution to identify alternative options when planned savings do not materialise, Directorate Leadership Teams have been meeting to review plans and are taking steps to address the issues; the outcomes from this work will form part of the MTFS refresh and future quarter's monitoring.

Service	2023/24 Savings Target £m	Forecast delivery £m	N° of Schemes	Forecast under-delivery £m	N° of Schemes
Environment Services	1.119	0.874	3	0.245	2
Fire and Rescue Service	0.050	0.050	1		
Strategy & Commissioning - Communities	1.294	0.859	5	0.435	4
Communities Directorate	**2.463**	**1.783**	**9**	**0.680**	**6**
Social Care and Support	6.269	0.300	1	5.969	7
Children & Families	2.814	1.325	6	1.489	4
Strategy & Commissioning - People	0.551	0.551	3		
Education	0.209	0.209	5		
People Directorate	**9.843**	**2.385**	**15**	**7.458**	**11**
Business & Customer Services	0.546	0.410	7	0.136	1
Commissioning Support Unit	0.234	0.234	3		
Enabling Services	0.666	0.367	4	0.299	2
Finance	0.121	0.121	3		
Governance & Policy	0.325	0.054	2	0.271	4
Resources Directorate	**1.892**	**1.186**	**19**	**0.706**	**7**
Corporate	0.960	0.960	6		
Total	**15.158**	**6.314**	**49**	**8.844**	**24**

4.3. Of the savings forecast to not to deliver, 89% is attributable to schemes where Services are struggling to deliver the planned reductions in demand through service re-design. The other 11% is attributable to schemes where the Service has either not increased income streams as planned or there has been insufficient cost reduction from vacancy management at this point in the financial year.

4.4. Social Care and Support and Children and Families are responsible for £7.458m (84%) of the shortfall. As outlined in Section 3 of this report, both areas have seen a significant increase in demand and cost for their services. This is directly impacting on both their scope and capacity to deliver the planned savings.

4.5. With the additional income in Corporate Services, the non-achievement of savings can be funded in-year. However, not achieving savings will create a budget pressure next year and in future years of the MTFS.

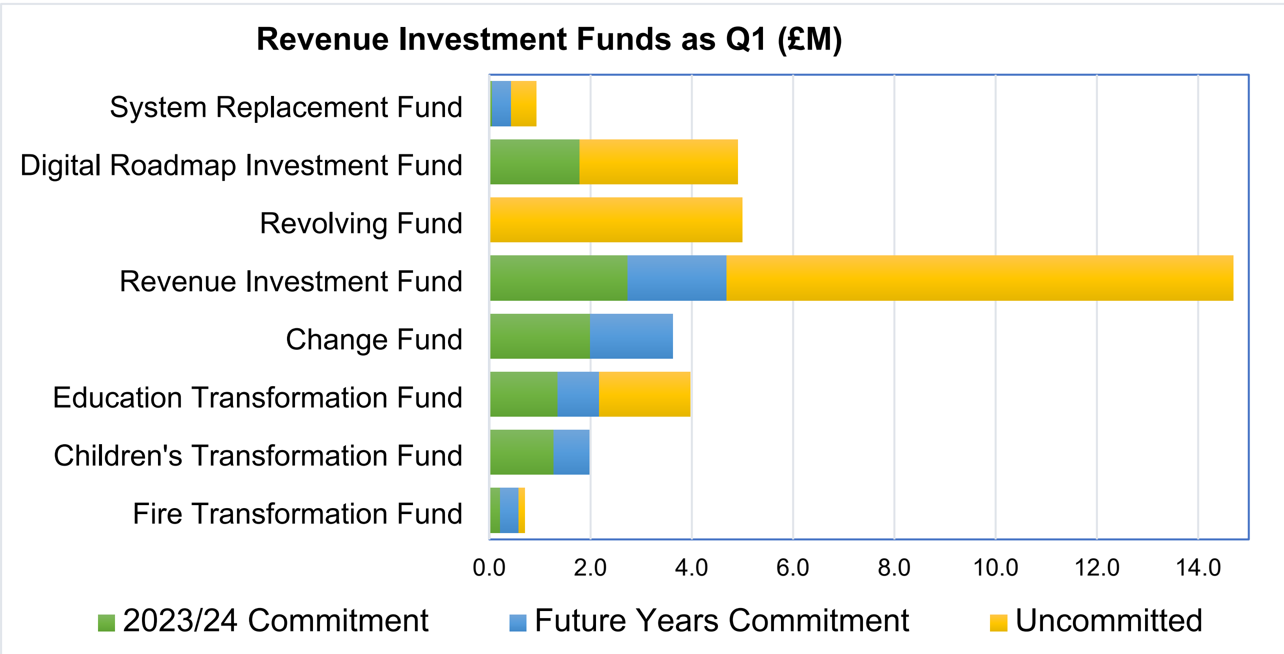
4.6. The majority of the savings this year and in future years are within People Directorate and predicated on reducing demand and cost. The table below shows, at a high level, the savings forecast not to deliver this year and level of saving in the MTFS at risk in future years if this trend continues.

Service	Forecast under delivery in 2023/24	Savings not forecast to deliver with growth targets in MTFS		
		2024/25	MTFS 2024-28	Nº of Schemes
	£m	£m	£m	
Communities Directorate	0.7	0.3	0.4	6
People Directorate	7.5	7.8	27.3	10
Resources Directorate	0.7	0.7	1.2	5
Total At Risk	**8.9**	**8.8**	**29.0**	**21**
Savings Required in the MTFS	**15.2**	**16.3**	**52.5**	**70**
% at Risk	**59%**	**54%**	**55%**	

4.7. The pressures being faced this year means that the MTFS will need to be recalibrated and refocused to ensure the organisation stays on a sustainable path over the medium-term. Finding solutions to deliver the required additional savings to meet the increasing demand for our statutory services will require increasingly difficult decisions to be taken, given the backdrop of demand and inflationary pressures, and uncertainty over the long-term direction of national policy.

5. Revenue Investment Funds

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



5.2. In the 2023/24 budget resolution, Council agreed to have two revenue investment funds starting from April 2023; £14.693m for a single Revenue Investment Fund (RIF), of which £10m is uncommitted and £5m for a Revolving Fund specifically to resource invest-to-save projects. The funding is intended to resource projects across the whole of the MTFS period.

5.3. On the 18 April 2023, Cabinet, agreed a blended package of funding including £1.320m from the RIF, aiming to fund investment in social infrastructure within Levelling Up priority Lower Super Output Areas. A further two projects, totalling £0.062m, to invest in the delivery of our Sustainable Futures priority, have since been approved by Corporte Board through their delegated authority to approve business cases for schemes below £0.100m. Performance against individual projects is listed in Annexes A to M of Appendix C in this report.

5.4. The IT System Replacement Fund is available to draw on to ensure we can keep our systems up to date and adapt to changing requirements. At the start of the year there was £0.923m in this fund. £0.056m has been allocated and £0.374m committed in future years to deliver the required upgrades and savings-related improvements to the Council’s core financial system, leaving £0.494m available to spend in the remainder of the financial year. System upgrades and replacements are both costly and only needed periodically, to ensure the funding is available when needed. Any unused funding will be carried forward to meet investment need in future years.

5.5. 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. If the Revolving Fund continues to remain under utilised there will be a need to consider whether it should be repurposed/rescaled.

6. Reserves

Reserve	Opening Balance 01/04/2023 £m	23/24 MTFS Commitment £m	Movement in year £m	Outturn Impact £m	Indicative Closing Balance 31/03/2024 £m	Impact of Q1: Adjustment to balance Risk Reserves £m	MTFS Allocation 2024-2029 £m	Indicative Balance at 31/03/2029 £m
DSG Deficit (inc Early Years, Schools, High Needs)	(16.097)	-	-	(8.723)	(24.820)	-	-	(24.820)
DSG High Needs Offset Reserve	21.650	-	4.855	-	26.505	2.643	-	29.148
Other Schools Reserves	21.213	-	-	(0.026)	21.187	-	-	21.187
Externally Earmarked Reserves	12.029	(0.375)	(0.273)	(2.690)	8.691	-	-	8.691
Internal policy/projects	15.421	(0.248)	(0.734)	(1.475)	12.964	-	-	12.964
Corporate Investment Funds	26.192	5.000	(1.815)	(2.994)	26.383	-	(5.844)	20.538
Volatility Reserves	57.271	2.300	-	(2.037)	57.534	-	-	57.534
Management of Financial Risk	34.791	-	1.458	(26.576)	9.901	16.099	-	26.000
Available to Use Reserve	50.530	(22.691)	(5.200)	28.336	50.746	(18.741)	(11.043)	20.962
Total	**222.999**	**(16.014)**	**(1.710)**	**(16.185)**	**189.090**	**0.000**	**(16.887)**	**172.203**

6.1. As at Q1 we are using £33.909m of reserves to support spending in 2023/24, this is £12.377m more than 2022/23 and is made up of the approved carry forwards, funding for investment and transformation projects, the transfer to top-up the Directorate Risk Reserves from the Available for Use reserve, the transfer of the revenue contribution to support the DSG deficit offset reserve as approved by Cabinet, and the use of £16.014m in 2023/24 to fund time-limited costs and budget allocations to accommodate the differences in timing between spending need and ongoing resource through delivery of savings and/or income and as agreed in the MTFS. Using this level of reserves on top of the £21.532m used in 2022/23 is not sustainable. An ongoing solution needs to be found by either increasing our ongoing resource or making further savings to balance the budget on an ongoing basis.

6.2. Based on the Quarter 1 forecast, Directorate Risk Reserves will be overdrawn by £16.098m at the end of the financial year and the DSG Offset reserve will require a top up of £2.643m. To make good this position the resources will need to be redirected from the from the Available for Use reserve, thereby reducing the available funds to support the MTFS in future years. Consideration will also be needed, as part of the 2024/25 MTFS refresh, as to the level of reserves that should be held to cover the risk of overspends in future years to ensure the Council's financial position remains sustainable.

6.3. The impact of the current forecast revenue position will be a reduction in reserves by a net £16.185m. The key drivers of this change are the DSG overspend that will further increase the deficit, children's and adults social care services, education and home to school transport.

6.4. As part of the MTFS refresh a detailed reserves review will take place in the Autumn working jointly with Directorate and Service Leadership Teams with the aim to identify reserve balances that can be released to support the MTFS and the Council Plan.

7. Capital

7.1. As part of the budget resolution in February 2023 Council approved a controllable capital budget of £193.189m for 2023/24. Additional approvals since February 2023 and the impact of reprofiling schemes once the 2022/23 outturn was known, mean the controllable capital programme for 2023/24, reported to Cabinet in June 2023, is £184.453m. The latest forecast for 2023/24 capital payments directly controllable by the Council is £174.420m.

7.2. The current forecast represents a decrease of £10.123m on the controllable capital programme for 2023/24 reported to Cabinet in June 2023 (reduction from £184.543m to £174.420m). The changes to forecasts have been split, in paragraph 7.5, between new schemes, budget reprofiles, net underspends and delays.

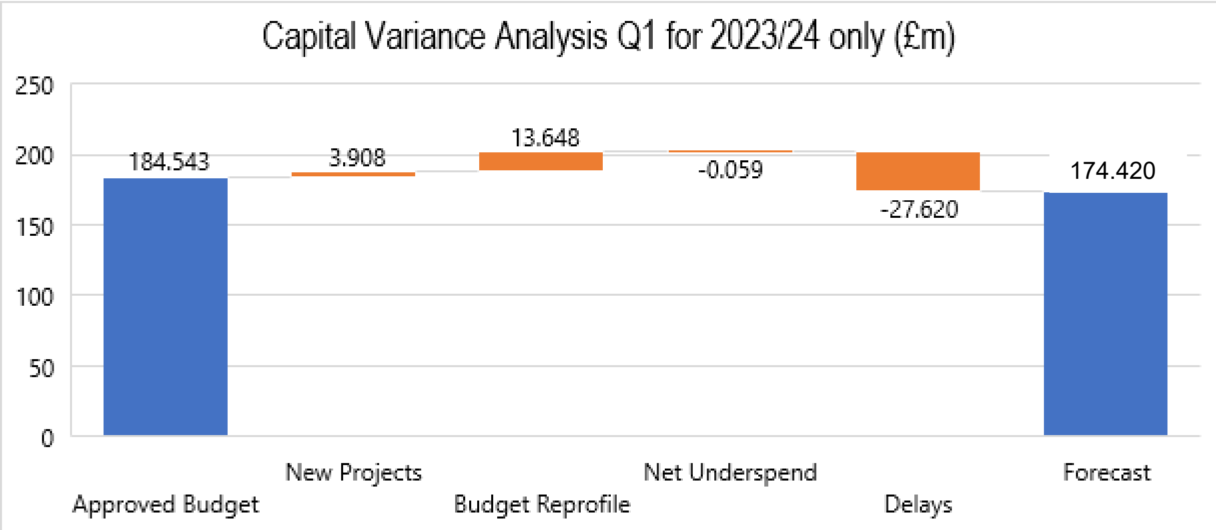
7.3. The Capital Investment Fund (CIF) balance which is not included in the above figures is £88.757m available across the five years of the MTFS and, of the original £15m Capital Inflation Contingency, £9.0m is currently uncommitted. However, it is expected this will be fully allocated by the end of the MTFS period.

Capital Forecast by Service

7.4. The forecast of 2023/24 capital payments directly controllable by the Authority of £174.420m excludes the forecast spend on S278 developer schemes of £14.066m and corporate allocations for WPDG, WRIF and ARF (Asset Replacement Fund) of £46.894m. 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 2023/24 capital expenditure forecast is £235.380m.

Capital Variance Analysis

7.5. The latest 2023/24 controllable capital budget of £184.543m was approved by Cabinet in June 2023 as part of the 2022/23 outturn report. The chart below explains the changes between the approved budget and the forecast spend of £174.420m.



These figures exclude S278 and Corporate Schemes

7.6. The table overleaf shows the variances in year and in future years. The total additional funding for all years of £13.877m has been approved by Portfolio Holders, Cabinet, Council or via delegated authority to officers, and comprises of section 106, grants, revenue contributions, CIF and basic need. For details of how the total variance in the table below is funded please refer to the **Annexes A to M**.

7.7. By way of example the total variance across all years for Education is largely due to new schemes being added to the capital programme. These are, Oak Wood Secondary £2.714m, Education Design Development £1.400m, Eastlands Primary £0.190m alongside a few smaller additions to existing projects. The £4.000m increase under Corporate Schemes is the movement of funding from CIF to create the Investigation Design Fund.

	2023/24			2024/25 to 2027/28			Total Variance
	Approved Budget	Forecast	Variance	Approved Budget	Actual	Variance	
	£m	£m	£m	£m	£m	£m	£m
Environment Services	60.910	51.596	(9.314)	69.887	79.628	9.741	0.427
Fire and Rescue	3.095	4.110	1.015	1.292	2.183	0.891	1.906
Strategic Commissioning for Communities	14.531	13.832	(0.699)	34.179	36.240	2.061	1.362
Communities	78.536	69.538	(8.998)	105.358	118.051	12.693	3.695
Children and Families	1.140	1.859	0.719	1.186	0.468	(0.718)	0.001
Education Services	79.256	76.946	(2.310)	50.180	57.044	6.864	4.554
Social Care & Support	-	-	-	0.313	0.313	-	-
Strategic Commissioning for People & Public Health	5.870	5.870	-	-	-	-	-
People	86.265	84.675	(1.590)	51.679	57.825	6.146	4.556
Business and Customer Services	0.511	1.261	0.750	0.336	1.086	0.750	1.500
Enabling Services	16.074	15.832	(0.242)	5.198	5.438	0.240	(0.002)
Governance & Policy	3.155	3.114	(0.041)	0.895	0.943	0.048	0.007
Resources	19.740	20.207	0.467	6.428	7.467	1.039	1.506
Controllable capital programme	184.543	174.420	(10.123)	163.465	183.343	19.878	9.757
Corporate: WPDG / WRIF / ARF / IDF	45.973	46.894	0.921	161.614	164.813	3.199	4.120
WCC Capital Programme	230.516	221.314	(9.202)	325.079	348.156	23.077	13.877
S278 funded schemes	27.170	14.066	(13.104)	26.205	35.891	9.686	(3.417)
Total Capital Expenditure	257.686	235.380	(22.304)	351.284	384.047	32.763	10.460

7.8. The 2023/24 budget is set according to the 2023/24 forecast spend as estimated as part of the 2022/23 outturn report. The forecast shows the changes in capital programmes since then, made up of:

- Reprofiled forecasts and delayed projects – these are schemes where the project timeline has been reprofiled or there has been a delay in the time scale for delivery. The project is still being delivered and with no material change in cost, but the benefits of projects are not realised and available to the taxpayers of Warwickshire in the timeframe originally anticipated. The net position is that there is £13.972m of project expenditure which has been reprofiled into future years from or to 2023-24, 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 the Capital Investment Fund or funded by third parties.
- Projects with Increased Spend – these are schemes where project costs have risen above the level previously expected and additional funding has been arranged. This may be in the form of a contribution from a Service's revenue budget, the use of Basic Need Funding for education projects or increased grants. In many cases the impact of this is that there is less funding available for other projects/activity.
- Underspent projects – these are schemes which have been delivered under budget. The impact of this is that funds are no longer required for a specific scheme. This may mean the authority will be able to recycle funds to alternative projects or borrow less to fund capital spend in the future.

7.9. Adding £3.908m new projects to the capital programme in 2023/24 requires that an equivalent amount of additional funding has also been identified.

7.10. Detailed explanation at a Service level of all changes to the capital programme is provided in **Annexes A to M**.

7.11. Where schemes are in the early stages of design and costing there is a risk that project costs will significantly rise prior to completion due to inflation. This issue has been dealt with as part of the 2023/24 MTFS Refresh with the establishment of the Investigation Design Fund (IDF) using £4m funding from the CIF.

Service	Approved 2023-24 capital programme	New projects in year at Q1	Net over / underspend forecast at Q1	Total capital programme	Budget Reprofile at Q1	Delays expected at Q1	Forecast In year capital spend Q1	% of delays
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Environment Services	60,910	429	(22)	61,317	1,795	(11,515)	51,597	-18.8%
Fire and Rescue	3,095	1,907	-	5,002	1,096	(1,987)	4,111	-39.7%
Strategic Commissioning for Communities	14,449	10	(47)	14,412	287	(951)	13,748	-6.6%
Children & Families	1,140	-	-	1,140	719	-	1,859	-
Education Services	79,256	812	9	80,077	9,743	(12,874)	76,946	-16.1%
Social Care & Support	-	-	-	-	-	-	-	-
Strategic Commissioning for People & Public Health	5,870	-	-	5,870	-	-	5,870	-
Business and Customer Services	511	750	-	1,261	-	-	1,261	-
Enabling Services	16,074	-	1	16,075	-	(241)	15,834	-1.5%
Governance and Policy	3,239	-	-	3,239	8	(49)	3,198	-1.5%
Services Capital Programme	**184,543**	**3,908**	**(59)**	**188,392**	**13,648**	**(27,620)**	**174,420**	
Corporate (WPDG & WRIF & ARF & IDF)	45,973	922	-	46,894	-	-	46,894	-
WCC Capital Programme	**230,516**	**4,830**	**(59)**	**235,286**	**13,648**	**(27,620)**	**221,314**	
S278 Developer Funded Schemes	27,170	-2,550	(53)	24,567	149	(10,650)	14,063	-43.4%
Total Capital Expenditure	**257,686**	**2,280**	**(112)**	**259,854**	**13,797**	**(38,270)**	**235,380**	

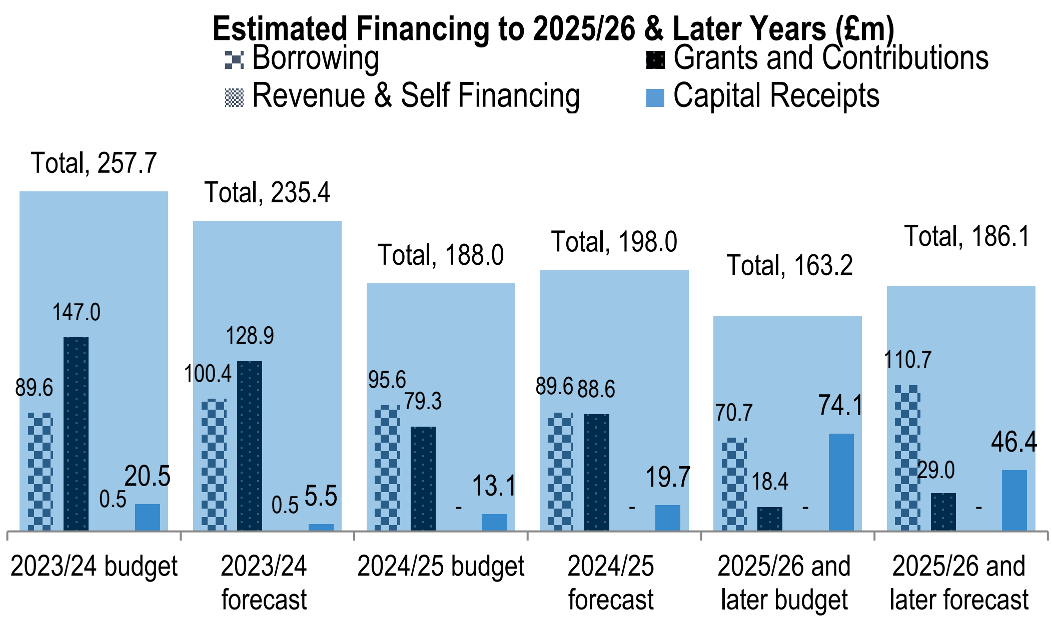
Capital Financing

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, but does not avoid, the increase in the need to borrow. For forecasting purposes, how individual schemes are being financed over the medium term is used 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 2023/24 capital budget and 2023-28 capital programme are currently planned to be financed.



	2023/24 budget £'000	2023/24 forecast £'000	2024/25 budget £'000	2024/25 forecast £'000	2025/26 and later budget £'000	2025/26 and later forecast £'000
Corporate Borrowing	89,649	100,421	95,596	89,607	70,748	110,729
Self-financed Borrowing	119	119	-	-	-	-
Grants and Contributions	147,031	128,948	79,319	88,628	18,421	29,009
Capital Receipts	3,489	685	346	2,650	-	-
Capital Receipts - WRIF	4,474	532	12,378	2,470	38,788	31,030
Capital Receipts - WPDG	12,541	4,295	407	14,600	35,281	15,326
Revenue	382	382	-	-	-	-
Total	**257,686**	**235,380**	**188,046**	**197,955**	**163,238**	**186,094**

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

The borrowing figure shown is the gap between our spending and the funding available to us, which is called the CFR (Capital Financing Requirement). 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 external borrowing will be necessary straightaway. In the short term it may be more cost effective to use our cash balances, but it is a measure of the borrowing that will be needed over the medium to long term.

7. Financial Implications

8.1. The report outlines the financial performance of the Authority in 2023/24. There are no additional financial implications in the current financial year to those detailed in the main body of the report. The report sets out how the Council's risk reserves will be used to fund the forecast overspend of £0.883m in 2023/24.

8.2. The key financial issue emerging from the report is that the 2024/25 MTFS refresh needs 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.

8.3. The medium term position is that two-thirds of the additional resources anticipated in 2023/24 in Corporate Services have already been accounted for in the July Cabinet report on the 2024/25 MTFS refresh and the remaining third is largely dependent on how long interest rates remain above the log term trend. As a result, to the extent that the £26m service overspend remains unchanged by the end of th financial year, sustainable solutions to the increased funding gap will need to be identified.

8.4. The cost and demand increases the Council is facing are being mirrored by authorities across the country. If cost and demand pressures cannot be reduced, without additional resources all authorities will need to make difficult decisions about the level of service provision going forward. The County Council is in a stronger position than many but is not immune to the growing funding gap and the potential future decisions that will be needed.

8.5. Although it is still early in the financial year, as the report sets out, work is already underway to consider how the current year's spending can be brought back on track, how the delivery of savings can be supported and the additional transformation changes needed to ensure the Council remins financially sustainable over the medium to long term.

8.6. Corporate Board have asked all Directors forecasting an overspend to produce a financial recovery plan, tailored to the scale of the challenge and materiality. The intention is to consolidate these and report back to Cabinet as part of the Q2 Financial Monitroing report. This work will be concluded as a matter of urgency as there is a limited widow to bring forward options that can make a material financial difference in 2023/24.

8.7. It should be recognised that Q1 is still early in the financial year, so at this point the position, and consequent MTFS implications, are subject to change. More regular briefings to Members about the overall financial position, as further clarity emerges, will be held over th coming months as the organisation works through the most difficult financial position it has faced for over a decade.

9. Environmental Implications

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

10. Background Papers

10.1. None.

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

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

Appendix A

Commentary on Service Revenue Forecasts

This Appendix provides commentary on the service revenue forecasts shown in Section 3 of the main report.

1. Communities Directorate

Environment Services - (£3.048m overspend; +5.0%)
Explanation of the Earmarked Reserves net overspend (£0.042m)
There are 2 drawdowns from reserves anticipated: • £0.030m from COMF funding for Preventing Serious Violence for a project mentoring young people. • £0.012m from the Domestic Homicide Review reserve.
Explanation of the Remaining Service net overspend (£3.006m)
The remaining net service overspend predominantly comprises of: • A forecast Home to School Transport overspend of £2.772m which is made up of £1.395m on Mainstream Transport and £1.377m SEND. In both areas there has been an increase in the number of passengers since April and some contract prices have increased as they have been re-negotiated. The forecast is currently based upon a best estimation of the number of passengers at the moment and a comparison to last year. However, as more information becomes available closer to the end of the school summer term and the beginning of the autumn term the forecasts will be further refined to reflect passengers no longer using the service and the number of additional passengers to be transported. • A forecast under-achievement of income of £0.148m within Network Management and Forestry. • Trading Standards and Community Safety are forecasting to overspend by £0.081m as vacancies in the service are currently lower than anticipated.
Impact on the MTFS
An additional £7.873m was added to the budgets for Home to School transport in recognition of the increased demand and inflationary rises in 2023/24. The current forecast overspend of £2.772m far exceeds the demand increase estimated in the MTFS for 2024/25 of £0.843m and if the position cannot be controlled or mitigated then it will be an additional pressure for future years. Both Forestry and Network Management are highlighting potential pressures as a result of not meeting higher income targets. Work will be done with the service to keep this position under review as there is potential for things to change throughout the year and historically Network Management has overachieved its income. Forestry may create more of a pressure but that will depend upon staffing levels within the year to enable the income to be generated. The inability to meet the vacancy factor within Trading Standards will be monitored. At present the forecast is based on the current fully established position with no known vacancies appearing, however, this could change as the year goes on.

Fire and Rescue - (£0.025m underspend; -0.1%)
Explanation of the Earmarked Reserves (£0.016m)
Reductions in pensions administration costs mean there is a forecast underspend of £0.016m which will be contributed to the pensions volatility reserve.
Explanation of the Remaining Service net overspend (£0.009m)
There is no significant variance forecast.

Strategic Commissioning for Communities – (£0.371m overspend; +1.4%)
Explanation of the Investment Funds net underspend (£0.088m)
The are underspends forecast on investment funds of £0.088m across two projects: • £0.078m on Project Warwickshire programme for the tourism, leisure & hospitality sector, which was agreed by Cabinet in April 2021. The funding is spent on salaries of those supporting businesses as well as other costs like marketing and venue hire. Since the original approval funding has been secured from the new UK Shared Prosperity fund (UKSPF) allowing, subject to Member approval, the RIF funding can be used to extend the programme for another year once UKSPF funding was finished. • £0.010m on the Art Challenge project which was a 3-year project to fund Art installations across the County. It is anticipated that the £0.010m will be required in 2024/25.
Explanation of the Remaining Service net overspend (£0.459m)
The remaining service overspend is largely made up of the following: • £0.150m forecast overspend in Parking Enforcement due to under-recovered income on the RingGo. • Under recovery of income of £0.124m within Economy & Skills and Place & Infrastructure. Work will be undertaken to mitigate any impact across the service. • Overspends of £0.092m are forecast on consultancy fees within Traffic Model Revenue Fund and Parking Enforcement. • Some areas within the service are forecasting to overspend on staff costs totalling £0.067m due to being fully established at the moment and not having any known turnover. • There is also an overspend of £0.300m forecast within Country Parks due to not being able to achieve car parking income. However, this is mostly offset with forecast underspends on waste services, so Waste and Environment have a total forecast overspend of £0.058m.
Impact of MTFS
At present the forecast is based on the current fully established position with no known vacancies appearing, this could change as the year goes, however if it remains the same the service will need to identify other savings.

2. People Directorate

Social Care & Support Service – (£14.547m overspend; +7.1%)
Explanation of net transfers from Earmarked Reserves (£4.846m)
Already built into the budget are two drawdowns amounting to £0.530m. • £0.155m from the Social Care and Health Partnerships Reserve, funding provided by the Integrated Care Board (ICB), for 2023/24 costs for up to 6 weeks of those discharged prior to a social care assessment in the closing weeks of 2022/23. • £0.375m contribution from the Development Fund to the ICB for Market Sustainability.

The effect of outturn at Q1 will require £4.846m to be drawn down from reserves at year end made up of two amounts. • £2.300m drawdown of winter pressures funding held in corporate reserves towards the excess costs in Older People's Services. • £2.546m drawdown of the full balance of the Development Fund towards the costs of the Community Recovery Service.
Explanation of the Remaining Service net overspend (£9.701m, +4.8%)
The 2022/23 financial pressure on Social Care & Support continues in to 2023/24. This pressure is due to the increase in the unit cost of support and the increase in the number of residents requiring support funded by the Council. Compared to twelve months ago, there has been an increase in the number of residents being supported by 6.5% (454 more people), with >99% of these being in our 'older people' population. This compares to a total increase of 383 people in the four years prior whereas our demand modelling, based on historic trends estimated an annual increase in client numbers of c140. Older People Services has a forecast overspend of £9.704m driven by rising unit costs across residential, nursing and domiciliary care, this is after being substantially offset by closely correlated increased client contributions. The largest single item contributing to the overspend is residential costs which are 26% over budget. This is a product of both the number of clients and the use of spot placements for 70% of all residential placements due to difficulties in sourcing packages of care at WCC framework rates. Spot placements are, on average, 33% more expensive than framework rates. Nursing presents a similar picture but with spot purchasing accounting for 88% of all placements. Within domiciliary care the issue is purely volume with the number of packages of care increasing by >9% in Quarter 1. The overspend can be allocated 30% to the volume of new clients and 70% increased cost. Whilst we have material overspends in other services, namely Disabilities 25+ and Mental Health in total all other Services have a variance that funds these and in total amounts to £0.003m underspend. Driving down the increased volumes will include the Community Recovery Service and the continuation of the discharge to assess process. The aim of the Community Recovery Service is to create a reduction in the need for long term residential care, if this succeeds costs should reduce. This pilot commenced in April 2023 and will be monitored closely to ensure the Community Recovery Service is delivering against the initial expectations. Management actions to mitigate the impact include: • Heads of Service tasked with identifying all costs that deliver non-statutory work to restrict spending and identify savings; • monthly tracking of residential, nursing and community packages of care at an individual service level by the Director; • peer reviews to ensure consistent decision making in the application of care eligibility criteria; • case file audits to ensure levels of care are evidence-based and best value principles have been applied; • a targeted review of out-of-county placements; • activity to ensure better use and management of existing block-bed arrangements;

- consideration of further block bed arrangements for 'discharge to assess' clients in line with changing needs and increased frailty upon hospital discharge;
- the introduction of cross-Directorate support and engagement for spot contract negotiations with the expectation this will lead to better value for money as a wider knowledge is developed than that which is possible between individual social worker and provider;
- building a better understanding what has created increases in average weekly costs of residential care beyond what we know from the 'discharge to assess' process that means individuals are being discharged from hospital to social care earlier, more poorly with increasingly complex needs in order to in turn to identify what can be done to curb the cost increases;
- work to introduce a Memorandum of Understanding with Health for children with disabilities to ensure contributions are in line with the elements of care that relate to health;
- bring a focus to the children with disabilities service on achieving better value for money for costly extra care placements;
- introduce more robust decision-making by ensuring where the offered placement meets an individual needs, top up fees from the client will be collected if an alternative is insisted upon; and
- implement a directive that retenders cannot increase existing financial commitments.

Impact on the MTFS

Existing in-year MTFS savings, which were agreed prior to high levels of inflation and unforeseen increases in demand cannot be achieved.

Whilst the forecast overspend is not contributed to by Children with Disabilities this remains a key area of focus due to the very high costs of care for individual children. Of the £16.040m being forecast for this Service, 13% is explained by the two most expensive placements and 37% by the ten most expensive placements; all of which commenced prior to 2023/24 and are forecast to be within the current placement for the full twelve months of this year. This is a critical area for management attention in terms of reducing the incidence and duration of such placements.

The impact on the MTFS post 2023/24 is a growing concern. Demand and inflationary calculations for the MTFS refresh are underway with an onus particularly on the management of inflationary awards. An upward trajectory for the level of pressures is expected, given the forecast overspend which is driven by meeting statutory demand.

People Strategy and Commissioning Service – (£1.163m overspend, +3.2%)

Explanation of the net transfer from Earmarked Reserves (£1.356m)

£0.635m to be drawn down from Social Care and Health Partnerships Reserve mainly for delivery of Learning Disability and Autism projects including Voiceability, Grapevine coproduction, the 'Experts by Experience' hub, health liaison resources, respite care and diabetes.

£0.721m of COMF related activity to be drawn down from the Covid reserve:

- £0.571m for school air quality assessment and ventilation improvements;
- £0.067m for Covid-related staffing;
- £0.041m for interventions to prevent serious violence;
- £0.035m towards the costs of the suicide prevention role and strategy implementation; and
- £0.007m is for Covid Case Management System and PPE.

Explanation of the Remaining Service net underspend (£0.193m; -0.5%)

- £0.238m unspent water fluoridisation budget as this is a Dept. of Health responsibility

• £0.133m underspend due to early delivery of savings in relation to the Meals on Wheels service Offset by: • £0.150m overspend due to increases in demand for sexual health services, health checks, smoking cessation and Fitter Futures; and • £0.028m net overspend primarily on the Dementia Connect Service
Impact on the MTFS
No adverse impact on MTFS is anticipated. The community meals service has ceased with an early delivery of £0.133m in 2023/24 of the £0.160m saving built into the MTFS from 2024/25.

Children & Families – (£11.705m overspend; +14.3%)
Explanation of the Investment Funds overspend (£1.275m)
£1.275m is forecast to be drawn down from the Children's Transformation reserve to fund the Continuous Improvement Plan (CIP). The CIP is provisionally a 24 month plan which will stretch over 3 financial years and due to nature of proposals may be subject to change and especially timing changes.
Explanation of the Earmarked Reserves underspend (£0.243m)
The Priority Families (Supporting Families) grant funded service is forecasting spend of £0.239m over the original 2023/24 plan (to be funded by the earmarked reserve). These are particular short-term initiatives/packages of work to aid families as well as maximising the payment-by-results grant in the medium term. With in the Adoption Central England (ACE) service, there is a forecast gross underspend position £0.491m by the Service for the 5 partner local authorities. The underspend is due to two main factors: • reduced demand for purchasing out of ACE adoptions, although this is an erratic demand-led budget which is not possible to predict with any degree of certainty and an increase in placement purchases which could eradicate this underspend and increase the position to a minor overspend; and • several vacancies due to the difficulty in recruiting social workers in a sector in which historically it has not been difficult to fill vacancies.
Explanation of the Remaining Service net overspend (£10.673m, 13.1%,)
This overspend consists mainly of: **Residential Placements** - £5.804m overspend – where the expected cost will be £5.290m more than in 2022-23. This is predominantly due to unprecedented market price rises and increased needs of the children. The weeks forecast to be purchased are just 18 more than 2022-23 but the average weekly cost has risen by £1,663, giving rise to an average cost for a full year placement of £0.339m. As well as Residential placements there are a small cohort of children (forecast overspend of £1.400m) where the market cannot accommodate the children and the service has to look after with high cost wrap around "Extra Care" packages. Such costs can be up to £30,000 a week per child (equivalent to over £1.5m per year). The service is having to use residential care more than we would like because of a shortage of foster placements for some age groups (particularly 14+). The service has not been able to move as many children as hoped to the one open internal children's home because of challenges around matching. However, currently there is no reason to believe the high numbers of children coming into care will continue, as they have been linked to physical injuries and neglect, within some large families. It is also positive to see that the monthly numbers leaving are higher than last year, which if they continue will bring downward pressure on numbers. Court timescales are also improving so

Children & Families – (£11.705m overspend; +14.3%)
some children will remain in care for less time (care proceedings are taking 10 weeks less than this time last year and discharging of orders is much quicker). We also have a high number of children placed with parents, most where we are preparing to discharge their care orders. We will continue to review and challenge accommodation decisions. The residential & extra care package overspends have been slightly offset by forecast underspends of just over £1.028m on internal & external foster care packages with over 1,700 less weeks to be purchased than 2022-23. This, in part, reflects the increased needs of children in care as they cannot be found a suitable place in foster care. **Establishment staff (£1.6m overspend) & Agency staff (£2.6m overspend) -** There are particular pressures on staffing budgets within the service due to external (statutory/child safeguarding) work demands with caseloads high due to an unprecedented spike from the start of the first quarter. Some teams are struggling to discharge their statutory obligations and assurance duties. Cover has also had to be arranged for long-term sickness, suspension and maternity leave. There are also roles which nationally are difficult to recruit to and we have seen a significant turnover both in permanent and agency workers (seeking greater pay than other local authorities/agencies can pay) moving on where different pay practices by some local authorities and the Home Office have made their roles more enticing. The introduction of the new social work career pathway will, it is believed, help with recruitment and retention, but we do need to monitor this. There are a series of proposals being considered to mitigate these overspends including: • a pilot initiative to reduce agency overspend; • new working practices which, it is hoped, will see a positive impact on retention; • investigating the consequences of a freeze on recruitment for employees other than social workers; and • investigation into the possibility of replacing some vacant social worker posts with Senior Family Support workers. **Warwickshire Children's Homes -** £1.178m overspend. This is a mixture of post opening cost increases (staff regrading/child related support for Home A and pre-opening costs for the other homes (securing staff before opening). With Home A it is hoped that there will be an increase in numbers of children placed (currently 2) once full-time staff vacancies have been recruited to. For the other homes building work is still to be completed but it is hoped that these will be operational by October/November (subject to OFSTED approval). Movements of children into these homes will (based on current external residential costs) help to reduce forecast residential costs. With residential package costs increasing dramatically, the key to the financial success of this programme is the speedy and continuous occupation of the homes. **Children in Care Transport -** £0.378m overspend (similar to 2022/23). The forecast is currently based upon a best estimate of the number of passengers at the moment and a comparison to last year. However, as more information becomes available closer to the end of the school summer term and the beginning of the autumn term the forecasts will be further refined to reflect passengers no longer using the service and the number of additional passengers to be transported. **Recent Action -** Since the collation of the Quarter 1 forecasts revealing the scale of the forecast overspend position there has been considerable activity and discussion at Senior Leadership

Children & Families – (£11.705m overspend; +14.3%)
Team level. A C&F Finance Recovery Plan" has been developed and shared with the Executive Director, with 24 (and growing) proposals/actions concentrating on the major overspends mentioned above.
Impact on the MTFS
Unless lasting, sustainable reductions in the overspends occur these will add to the MTFS pressures. The vast majority of the MTFS savings for 2024/25 are predicated on savings related to placements and staffing.

Education Services Non DSG – (£0.366m overspend; +3.5%)
Explanation of the Investment Funds underspend (£0.021m)
This variance reflects that a hold has been put on some of the SEND & Inclusion Change programme (SICP). Following changes in leadership a rethink of current governance and scope (what change aspects should be in projects and what should be business as usual tasks) is ongoing.
Explanation of the Earmarked Reserves overspend (£0.099m)
There is a predicted spend for Schools in Financial Difficulty (£0.055m), similar to 2022/23, to provide capacity to improve/review within schools. The spend is covered by an earmarked reserve as the spend can be unpredictable. There is also a planned overspend of £0.044m on the Synergy Team and this will be funded from an earmarked reserve. The planned overspend was initiated by an underspend in 2022/23 which was then used to reduce the 2023/24 MTFS time-limited pressure bid. The Team has now moved to ICT & Digital and is fully funded until March 2024. Education and ICT are currently assessing future capacity required and a permanent pressured bid will be completed over the summer to fund the unit sustainably in the longer-term.
Explanation of the Remaining Service net overspend (£0.288m, 2.8%)
There is an overspend of £0.374m on SENDAR due to agency cover for long-term sickness and increasingly higher than expected mediation/legal costs for tribunals. Both of these expenditure types received MTFS funding for 2023/24, however demand for the service has exceeded budget estimation. This overspend is mitigated by a forecasted £0.311m underspend on the Education Psychologist service, mainly related to staffing in the traded service. Future mitigation is planned with recruitment having taken place for staff to start in September to reduce reliance on agency cover staff sickness. The Resolving Disagreements project is nearing recommendations which will include how legal services are used in the future (and the activity to be brought back into SENDAR).
Impact on the MTFS
There are risks that unless the material overspend in SENDAR is not brought under control that additional funding will be needed in the MTFS refresh, at the very least to continue the legal and mediation funding allocated in 2023/24, which was for one year only. There is also a risk the service may not be able to rely on the forecast Education Psychologist traded underspend in future years as customers (schools) budgets are put under more pressure.

Education Services DSG – (£8.723 overspend; +3.4% of gross grant)
Explanation of the DSG net overspend
The main material forecast variances are within the High Needs Block where there is a total budget of £79.248m and an overall forecast overspend of £8.732m. Material forecast variances include £2.045m in mainstream school EHCP top-ups, a £6.740m overspend on independent school places and £1.126m overspend on specialist resource provision. There is a £0.977m underspend on alternative provision (AP) but £0.537m of this represents the element of the budget which has been earmarked for top-up funding costs at a new AP school that is awaiting creation. There is, once again, significant pressure on the High Needs Block. Pressures in the system, increases in permanent exclusions, increasing numbers of children not attending school for medical reasons (often mental health needs) and increasing requests for EHC needs assessment, up from 800 to 1,300 (this measure had reduced the year before). The number of children in independent specialist provision has also increased following approximately 6 years of decline. In addition, recruitment of teaching assistants is proving increasingly difficult leading to schools declaring that they 'cannot meet need'. Following the latest national data release, the trends in Warwickshire reflect a national picture. The overspend on specialist resource provision is in line with the financial strategy as this has created additional places in-year in special schools and resourced provision to avoid placement in independent specialist provision. The Council is part of tranche 3 of the DfE Delivering Better Value in SEND programme which is carrying out a diagnostic exercise on current spend and will then lead to case reviews in specific areas. The Council will then be eligible to apply to the DfE for a transformation grant to move forward transformation projects. The primary response to the current challenge remains the SEND & Inclusion Change Programme. Projects currently live include 'Inclusion Framework', Emotionally Based School Avoidance, EHC plan top-up funding, and Supported Internships which are all expected to have a positive long-term financial impact by reducing the pressure for specialist provision through best practice. Two completed projects include the establishment of the Warwickshire Academy (which will be full in 4 of the 5 year groups it supports in September) and growth of resourced provisions (with 4 more resourced provisions coming online in September bringing to total to 23). However, no further SEND Change projects will be approved until the Delivering Better Value activity is completed. Changes in leadership are also prompting a rethink of current governance and what change aspects should be in projects and what should be business as usual tasks. Work is on-going to build an understanding of AP budgets due to changes in personnel. Further work is taking place to ensure that audit trails are in place to ensure decisions are appropriately agreed regarding placements and tracked/monitored. The post-Covid effect is seeing need increase and significant work is required to improve the preventative work in schools to support a reduction in demand.

Despite welcome additional Government funding, SEND remains materially underfunded at a national level, and the level of the cumulative High Needs Block Deficit in the DSG is so high that it is unlikely the Council will be able to generate savings to clear it in the short, medium or long-term. In the absence of stronger, more sustainable national solutions to SEND
Impact on the MTFS
This overall size of the High Needs DSG overspend has increased significantly and is above the MTFS expected overspend of £4.855m (i.e., the amount allocated to the DSG offset reserve in the MTFS for 2023/24) and will impact on the overall recovery plan and the contributions from the MTFS to cover the cumulative deficit. At present the forecasted cumulative deficit for the HNB following 2023/24 outturn is £29.148m. The DSG offset reserve currently totals £26.505m, which will mean a further £2.643m top-up is required at the end of the financial year. The current MTFS 2023-2028 provides for a 2024/25 contribution to the DSG offset reserve of £5.992m, but this reduces to £2.394m in 2025/26 and then £1.394m each year from 2026/27.

Resources Directorate

Business and Customer Services (£0.320m overspend; +1.6%)
Explanation of the Investment Funds net overspend (£0.258m)
The forecast reflects the spending on the Cost of Living crisis work. The spending has been approved but rather than allocating it at the beginning of the year it has been decided that a drawdown will be made from the investment fund once the spend has been incurred.
Explanation of the Earmarked Reserves net underspend (£0.112m)
The forecast contribution to reserves arises from the forecast underspend on the Welfare scheme.
Explanation of the Remaining Service net overspend (£0.174m)
The forecast overspend of £0.174m is largely as a result of salary overspends within the Community Hub. Part of this is due to sickness and maternity leave having to be covered, the service will need to identify alternative ways to meet vacancy factor targets.as a result.
Impact of MTFS
The vacancy factor within the Community Hub will be monitored. At present the forecast is based on the current fully established position with no known vacancies appearing, however, this could change as the year goes on.

Commissioning Support Unit - (£0.110m overspend; +1.7%)
Explanation of the Investment Funds net underspend (£0.063m)
The underspend forecast of £0.063m relates to the Data and Analytics project. This project was to take place over two years and the underspend is the forecast of what will need to be spent in 2024/25.
Explanation of the Remaining Service net overspend (£0.173m)
The remaining overspend is mainly as a result of the following: • an under achievement of income in the Programme Management Office of £0.073m due to changes in staffing meaning one post can no longer be recharged for; and • an overspend of £0.086m within Contract Management and Quality Assurance due to increased staffing levels. This will be monitored by the service to look for mitigation of the position.
Impact of MTFS
The forecast overspends will be monitored with the service and we will seek to identify ways to mitigate the position.

Enabling Services - (£3.770m overspend; +14.8%)
Explanation of the Investment Funds net overspend (£1.633m)
There is an overspend forecast on investment funds where funds are yet to be drawdown for the approved project: • the Digital Roadmap programme requires £1.783m which was set aside in the 2023-27 MTFS as part of the £3.2m; • this is partially offset by a small underspend forecast on the Digital Transformation project of £0.150m as a result of costs being lower than first anticipated. The project is scheduled to complete by March 2024.
Explanation of the Earmarked Reserves net overspend (£0.290m)
There is an expected drawdown of £0.290m from the Apprenticeship reserve to fund the costs of the apprenticeship programme.
Explanation of the Remaining Service net overspend (£1.847m)
The remaining service overspend is predominantly as a result of the following: • a £1.460m forecast overspend within Property Services mainly from a 300% increase in utility costs on contracts procured through ESPO coupled with increased costs from a property business rates review; • the forecast overspend of £0.233m in Digital and ICT is because, based upon current staffing levels; • a £0.097m overspend within HR Enabling mainly due to increased staffing costs as a result of demand pressures and backfilling vacancies and sickness; and • a forecast overspend of £0.057m in ICT Strategy and Commissioning which is as a result of an overspend on centralised applications rationalisation of £0.110m being offset with in-year staff vacancies.
Impact of MTFS
The turnover allowance within the Digital & ICT will be monitored. At present the forecast is based on the current fully established position with no known vacancies appearing, however, this could change as the year goes on. The service will need to identify savings elsewhere if this does not materialise. Work will need to be done with the service to better understand the forecast position on Applications as there are future savings of £0.120m and £0.050m due in the next two years from this area.

Finance Service – (£0.061m overspend; +1.0%)
Explanation of the Earmarked Reserves (£0.026m)
The drawdown from the reserve of £0.026m is the forecast absence payments expected in year based on the experience of the previous two years.
Explanation of the Remaining Service net overspend (£0.035m)
There is no significant variance forecast.

Governance and Policy – (£0.422m overspend; +14.2%)
Explanation of the Remaining Service net overspend (£0.421m)
The forecast service overspend is mainly as a result of: • a £0.381m overspend in Legal Services made up of a significant increase in demand for Corporate, HR, Property and Legal work for the Council (£0.178m) and a predicted under achievement of income (£0.203m) due to reduced developer fee income and a reduction in external referrals; and

• a £0.200m overspend within Records Management due to the exit fees at the end of the Iron Mountain contract, negotiations are ongoing to further reduce this fee. These overspends are offset by in year salary savings within Corporate Policy of £0.092m due to vacancies within the graduate trainee cohort and an over recovery of income in MarComms of £0.036m due to increased demand.
Impact of MTFS
The lower income levels forecast within Legal could add additional pressure to the MTFS as there are further increases in the income target of £0.040m per annum due over each of the next 3 years. The income position will be closely monitored as, if new contracts come in as has happened in previous years, then the position may change.

3. Corporate Services and Resourcing

Corporate Services and Resourcing – (£28.396m underspend, 22.7%)
Explanation of the Earmarked Reserves net underspend (-£2.703m)
• An underspend of £0.268m will be transferred to the earmarked reserve as the annual contribution to the cost of the quadrennial local elections. • £0.208m will be transferred from the Apprenticeship Levy to fund the forecast overspend arising from the impact of cumulative pay awards. • £2.643m to be transferred to top up the DSG offset reserves based on the Q1 DSG forecast overspend.
Explanation of the Remaining Service net underspend (-£25.693m)
• £17.493m of the variance is due to increased corporate grant income. At the time of setting the budget many government grant allocations had not been announced and budgets were based on prior year allocations. This significant increase in grant income will help to offset the overspend in other areas across the Council. • £9m additional income due to improved returns on our investments linked to the recent increases in interest rates. • £2m saving on interest payments by using our cash balances to repay some loans early. • £1.2m reduction in Minimum Revenue Provision as a result of delays in the capital programme. • £1.514m overspend forecast as a result of the 2023/24 pay offer. The difference between the 4% pay provision included in the budget and the current pay offer of £1,925 or 3.88% (whichever is higher) is £3m and of course this could end up being higher. The budget contingency of £1.8m will only partially meet the extra cost and this overspend represents the remaining in-year cost. • A £2.643m allocation to fund the DSG offset reserve which must be topped up to meet the forecast overspend on the DSG High Needs block.
Impact on the MTFS
The MTFS already includes the best estimate of future years government grant income, including reflecting the additional grants received in 2023/24, although this area remains volatile especially with national elections in the MTFS period. Interest rates are expected to reduce over the medium term so the additional income should not be treated as an on-going funding source, although some short term benefit for the next one to two years is expected.

On-going funding will need to be identified for the future year impact of the current year pay award as part of the MTFS refresh in the autumn.

Though the current MTFS includes provision for the annual increase of the DSG offset reserve to match the expected deficit, if the deficit remains higher than previously forecast these provisions will also need to increase.

APPENDIX B

Commentary on Service Capital Forecasts

The main reasons for the £27.620m 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 £27.620m above there is an additional £10.653m of delays relating to projects funded by S278 developer contributions. The timing of these schemes is largely outside of the control of WCC therefore they are excluded from the analyses below, but details of these schemes can be found in Annexes A to M.

A section 278 agreement (or s278) is a section of the Highways Act 1980 that allows developers to enter into a legal agreement with the council (in our capacity as the Highway Authority) to make permanent alterations or improvements to a public highway, as part of a planning approval. The developer is responsible for paying the full costs of the works, including elements such as design, legal and administration fees, land acquisition and maintenance. A developer will submit an S278 application early in the design process, in many cases at least 12 months before the works are required on site. Although the council is involved throughout in discussing schemes and their timing with developers, ultimately the decision to go ahead with a scheme and enter into an agreement is the developers, and the council has no control over this. Developers are charged for the cost of works as these are incurred.

Environment Services – £11.515m:

- A444 Corridor Improvements - Phase 2 (£1.390m) Delays with completing traffic regulation orders will now delay construction. The aim is to commence works in October 2023. Contractor availability and other on-going local highway works may result in further construction start delays.
- A3400 Birmingham Road Stratford Corridor Improvements (£3.863m) The project is split into 2 more phases (total 3 phases with Phase 1 completed) in order to deliver works while Phase 3 is being designed. Phase 2 main works have been delayed due to design issues, but they are due to start in 2023/24 Q3, while enabling and utiility works are currently in progress. Phase 2 expected completion is 2024/25 Q2. Phase 3 expected to start late 2024/25 or early 2025/26.
- A452 Myton Road and Shire Park Roundabouts S106 WCC3 (£1.6m) This scheme has been reprofiled due to the start date moving back to winter 2023.
- A47 Hinckley Road Corridor Scheme (£0.274m) The current year anticipated spend has been reprofiled as a result of other works planned in the immediate vicinity of the scheme which is dictating construction and completion of the scheme and it's spend profile.
- A452 Kenilworth to Leamington (K2L) Cycle Route – CIF (£1.457m). The K2L scheme is being delivered in several phases starting with Section 1a at the Leamington Spa end of the route, through to Section 3 concluding in Kenilworth. Due to the engineering, strategic and financial complexities the exact delivery timescales/programme for each phase remains uncertain. For Section 1b it is hoped that the necessary land acquisition will be completed within 2023/24 and construction within 2024/25. The remaining phases will follow on in subsequent financial years.
- Improvements to the A446 Stonebridge junction Coleshill (£0.552m) Reprofiled spend for design this year and proposed construction next year due to logistical delivery issues.

- A452/A46 Developer Improvement scheme (£2.121m) The project has been reprofiled for design this year and proposed construction next year. Construction going ahead is dependent on road space availability due to HS2.
- 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 - £1.987m:
- Fire & Rescue HQ Leamington Spa - £1.987m Leamington Headquarters Refurbishment is currently on hold whilst discussions take place and strategic decisions are made around the works required. The funding is still required at this stage, a further report around any proposals may be required for necessary approvals.

Strategic Commissioning for Communities - £0.951m:
- Casualty reduction annual maintenance (£0.630m). One of the projects within the block of schemes is 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 - £12.874m:
- Long Lawford permanent expansion (£0.270m) - Project delivery (car park/drop-off facility) delayed by S278 approval and expired planning permission. Forecast revised based on estimated January 2024 start date.
- Stratford Upon Avon School 2 form entry expansion (£1.297m) - Forecast profile revised based on estimated July 2023 start date and October 2024 completion date. The current spend profile is subject to planning permission.
- The Queen Elizabeth Academy Atherstone (£0.500m) - This is a School Trust led scheme where we will reimburse the Trust as phases are complete, the target end date is April/May 2024.
- Myton Gardens Primary School (£8.9m) - Potential delays have resulted from the requirement to relocate a badger sett. This is subject to planning. Quotes for the overall scheme have come in higher than the original estimates.
- Oakwood Primary Expansion (£1.720m) - The places at this school are required for September 2024 therefore the main construction is expected in 2024-25.
- There are other schemes with delays of less than £0.200m each which are detailed in the annexes A to

Enabling Services - £0.241m:
- Development of Rural Broadband (£0.022m) - Reduced expenditure and corresponding reduction in income due to a vacant post in the Coventry Solihull and Warwickshire partnership team not yet being filled.
- Lillington Academy Conversion to Academy Works (£0.219m) - Delays have been caused by the need to fit a new electrical power unit on site.

Governance & Policy - £0.049m:
- Rationalisation of County Storage Facilities (£0.021m) - Works delayed relate to the installation of interceptors and a retention of funds.
- Acquisition of land in Warwick (£0.028m) - The budget phasing has been adjusted to allow for post occupation works.