Cabinet

9 November 2023

2023-24 Financial Monitoring – Forecast Position as at Quarter 2

Recommendations

That Cabinet:

1. notes the forecast overspend of £4.856m (1.3%) 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 £6.609m, and the consequent shortfall against the target;

3. notes the action plan developed by Corporate Board, to address service overspends in 2023/24 and mitigate their medium-term impact;

4. notes the forecast capital spend for 2023/24 of £162.117m; and

5. notes and approves the movement in the forecast spend on the capital programme of £28.664m from 2023/24 into future years and notes the carry forward of Corporate schemes of £0.150m and S278 contributions of £6.830m.

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 second 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 Forecast £m	Q1 Forecast £m	Change Q1 to Q2 £m
Approved Budget		384.423	380.360	4.063
Net forecast as at Quarter 2		400.770	396.545	4.225
Net overspend		**16.347**	**16.185**	**0.162**
Reason for, and resourcing of the overspend				
• Investment Funds variance: reprofiling into future years and/or reduced spend drawdowns from the Investment Funds		3.139	2.994	0.145
• Movement to/from Earmarked Reserves: spend to be financed from other Earmarked Reserves		2.263	6.219	(3.956)
• DSG total variance at Q2: deficit of £13.397m, of which the High Needs element is £13.687m to be offset against the DSG contingency reserve, with £7.598 required to top-up the DSG deficit reserve from the 'Available for Use' reserve.		6.089	6.089	-
Residual service variance:	**Q2 split:**	**4.856**	**0.883**	**3.973**
• Overspend to be funded from Directorate Risk Reserve	£26.485			
• Underspend to transfer from the 'Available for Use' Reserve	(£21.629)			
Net overspend		**16.347**	**16.185**	**0.162**

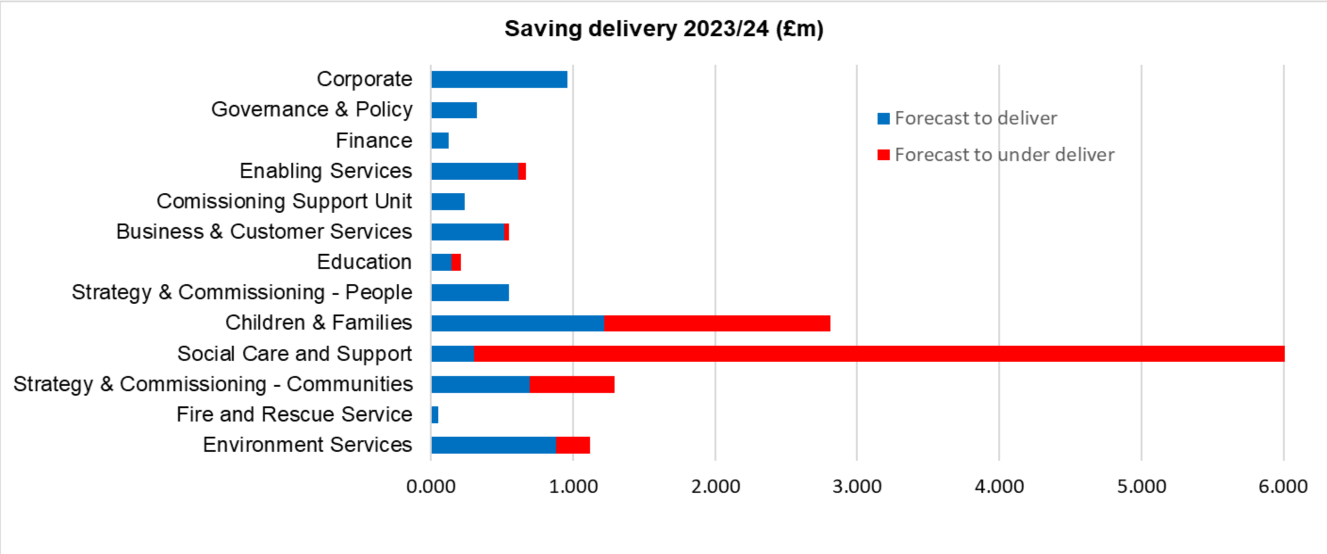
The headline forecast overspend is £16.347m in 2023/24. However, one-off, specific funding has been set aside in the Medium-Term Financial Strategy (MTFS) to meet the majority of these costs. Once this funding is taken into account the adjusted position is a net overspend of £4.856m (1.3% of the net 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 1.3% is within the +/- 2% target set as part of the performance management framework and is within acceptable parameters.

The Council is continuing to face sharp and 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. The change in net overspend from Q1 to Q2 is only £0.162m. However, the remaining service overspend has increased by £3.973m since Q1 and will need to be funded from one-off resources, including the 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.

The current Dedicated Schools Grant (DSG) forecast is a £13.397m overspend. Within this there is a £13.687m High Needs block deficit in 2023/24, giving a forecast cumulative High Needs DSG deficit of £34.103m by the end of this financial year. The DSG Offset Reserve is currently £26.505m, which leaves a shortfall and additional budget pressure of £7.598m in year. If the cumulative DSG deficit remains above the

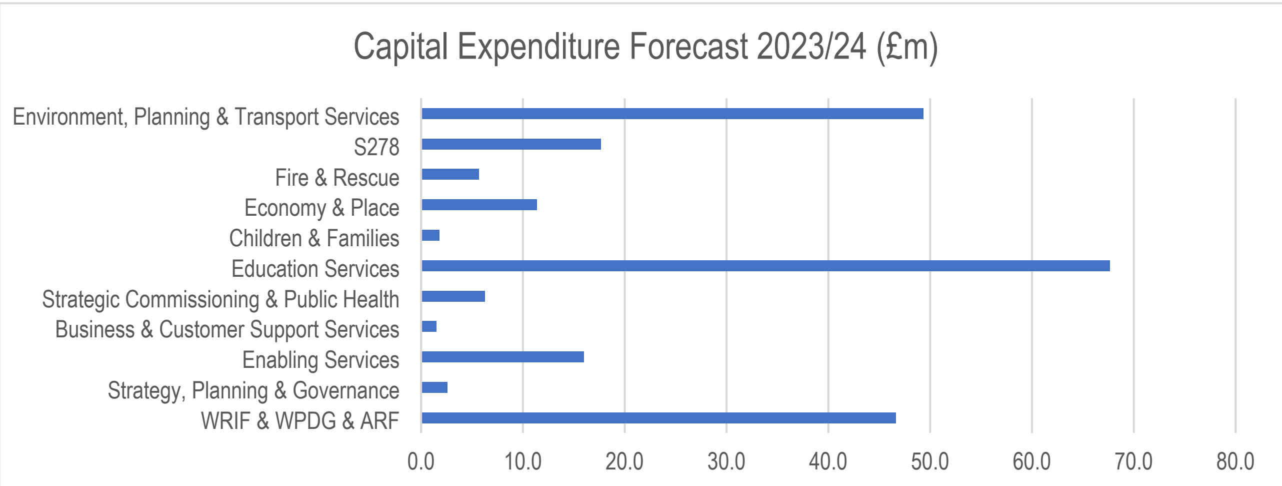
Offset Reserve, at the end of the financial year the Authority will need to top up the reserve from the Available for Use reserves, reducing the funding available to support the MTFS in future years. For further details on the forecast revenue spend please refer to Section 4.

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 Q2 £6.609m (44%) is forecast to be delivered in line with the plan, with £8.549m (56%) forecast not to be delivered. For details on saving performance please refer to Section 5.

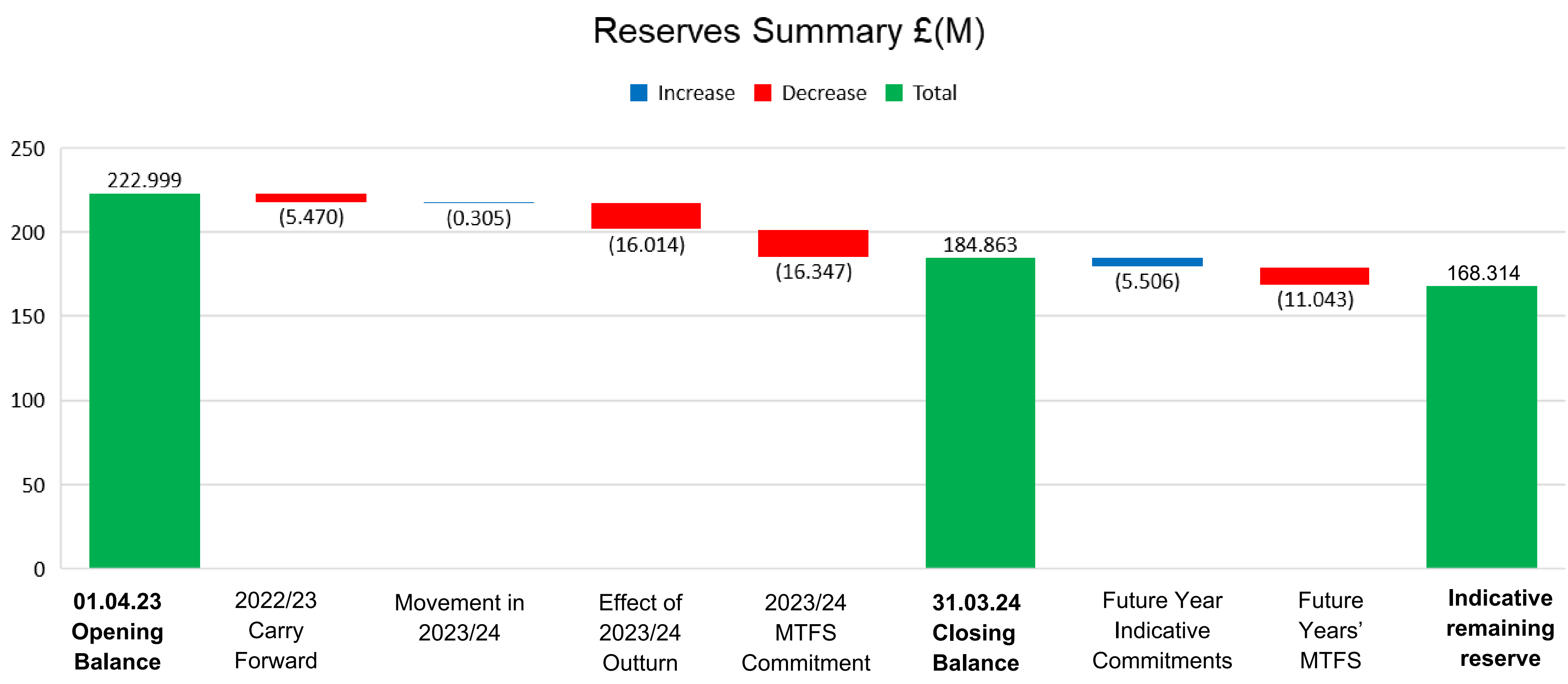
2.3 Capital Forecast Summary



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

The total controllable forecast capital spend for 2023/24 is £162.117m. A further £17.674m 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 £46.623m 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 Reserves Summary[1]



The level of reserves at the start of 2023/24 was £222.999m. The forecast spend in this report and indicative future use of reserves to support the MTFS indicate reserves will reduce by £54.685m over the period of the MTFS to £168.314m. 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 £m	Service Forecast £m	(Under) /Over spend £m	% Change from Budget	Change from Q1 forecast £m	Represented by: Investment Funds £m	Represented by: Impact on Earmarked Reserves £m	Represented by: Remaining Service Variance £m	% change from Approved Budget	Remaining Service Change from Q1 forecast £m
Communities										
Environment & Planning	60.584	65.730	**5.146**	**8.5%**	2.098	0.000	0.063	5.083	**8.4%**	2.077
Fire & Rescue	25.086	25.303	**0.217**	**0.9%**	0.242	0.000	0.228	(0.011)	**(0.0%)**	(0.002)
Economy & Place	25.731	26.423	**0.692**	**2.7%**	0.321	(0.127)	(0.027)	0.846	**3.3%**	0.387
Subtotal Communities	**111.401**	**117.456**	**6.055**	**5.4%**	**2.661**	**(0.127)**	**0.264**	**5.918**	**5.3%**	**2.462**
People										
Social Care & Support	208.932	220.842	**11.910**	**5.7%**	(2.637)	-	3.398	8.512	**4.1%**	(1.189)
Children & Families	81.765	94.391	**12.626**	**15.4%**	0.921	1.377	0.416	10.833	**13.2%**	0.160
Strategic Commissioner for People	36.424	37.384	**0.960**	**2.6%**	(0.203)	0.000	1.355	(0.395)	**(1.1%)**	(0.202)
Education Services - Non-DSG	10.202	10.809	**0.607**	**5.9%**	0.241	(0.023)	0.110	0.520	**5.1%**	0.232
Subtotal People	**337.323**	**363.426**	**26.103**	**7.7%**	**(1.678)**	**1.354**	**5.279**	**19.470**	**5.8%**	**(0.999)**
Resources										
Business and Customer Services	19.976	20.150	**0.174**	**0.9%**	(0.146)	0.258	(0.115)	0.031	**0.2%**	(0.143)
Commissioning Support Unit	6.431	6.232	**(0.199)**	**(3.1%)**	(0.309)	(0.065)	0.000	(0.134)	**(2.1%)**	(0.307)
Enabling Services	25.700	28.415	**2.715**	**10.6%**	(1.055)	1.356	0.376	0.983	**3.8%**	(0.864)
Finance	6.374	6.567	**0.193**	**3.0%**	0.132	0.374	(0.092)	(0.089)	**(1.4%)**	(0.124)
Strategy, Planning & Governance	3.013	3.327	**0.314**	**10.4%**	(0.108)	(0.011)	0.019	0.306	**10.2%**	(0.116)
Subtotal Resources	**61.494**	**64.691**	**3.197**	**5.2%**	**(1.486)**	**1.912**	**0.188**	**1.097**	**1.8%**	**(1.554)**
Subtotal Directorates	**510.218**	**545.573**	**35.355**	**6.9%**	**(0.503)**	**3.139**	**5.731**	**26.485**	**5.2%**	**(0.091)**
Corporate Services and DSG										
Corporate Services & Resourcing	(125.795)	(158.200)	**(32.405)**	**25.8%**	(4.009)	-	(10.776)	(21.629)	**(17.2%)**	4.064
DSG expenditure (Education Spending)	263.363	276.760	**13.397**	**5.1%**	4.674	-	13.397	-	**-**	-
DSG income	(263.363)	(263.363)	**-**	**-**	-	-	-	-	**-**	-
Subtotal Corporate Services and DSG	**(125.795)**	**(144.803)**	**(19.008)**	**15.1%**	**0.665**	**-**	**2.621**	**(21.629)**	**17.2%**	**4.064**
Total	**384.423**	**400.770**	**16.347**	**4.3%**	**0.162**	**3.139**	**8.352**	**4.856**	**1.3%**	**3.973**

4. Revenue overview

4.1. The forecast outturn position is set out in the table in Section 3 above and shows a total forecast overspend of £16.347m representing 4.3% of the Council's net revenue budget.

4.2. 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 remaining higher for longer than anticipated so continuing to increase the cost of services;
- a lack of capacity in the market whether for supply of specialist placements or staffing;
- a continuation of the substantial gap between the fixed levels of grants provided and the growing spending need in the services the grants are supposed to fund, 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.

4.3. 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 £13.397m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q2 2023/24 £m	Cumulative forecast variance as at Q2 £m
Schools Block	(0.011)	(0.505)
Early Years Block	(0.396)	(3.737)
High Needs Block	13.687	34.103
Central Services Block	0.117	(0.367)
Total	**13.397**	**29.494**

The most significant element is the forecast overspend of £13.687m on the High Needs Block (HNB). The material forecast overspends include £3.433m in mainstream school Education, Health and Care Plan (EHCP) top-ups, a £7.978m overspend on independent school places, a £1.094m overspend on specialist resource provision and a £1.484m overspend on Post 16 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.

The Council is part of tranche 3 of the DfE Delivering Better Value scheme 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 to address the High Needs challenges. No further SEND (Special Educational Needs and Disabilities) change projects are being approved until the Delivering Better Value activity is completed. New leadership is reviewing the balance between transformational change activities and business as usual.

Live projects within the current SEND & Inclusion Change Programme include include 'Inclusion Framework', Emotionally Based School Avoidance, EHC plan top-up funding, and Supported Internships which are all expected to have positive long term financial impact by reducing the pressure for specialist provision through best practice.

ii.) **Environment Services remaining service overspend of £5.083 (+8.4% of approved budget)**

The primary reason for this forecast overspend is Home to School SEND transport forecasting to overspend by £2.804m and mainstream transport forecasting to overspend by £1.929m. This is a combined total forecast overspend of £4.733m which is a considerable increase on the Quarter 1 combined forecast of £2.772m. It is the result of further increases in demand, the distance individuals are being transported due to sufficiency, interim transport costs for excluded pupils and price increases on re-negotiated contracts.

The cross-party Member Working Group set up as part of the 2023/24 budget continues to review the actions being taken by the service to address the financial position. Further details of this are within Appendix A.

iii.) **Social Care and Support remaining service overspend of £8.512m, (+4.1% of approved budget)**

The majority of the Service's forecast overspend is within the Older People's Service, which is forecast to overspend by £7.238m, 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 the number of residents requiring support as well as complexity of need.

This is a product of both the growth in the number of clients and the use of costly placements due to difficulties in sourcing packages of care at the Council's framework rates and some providers handing back contracts and demanding higher rates. These placements currently account over 70% of all residential placements and are on average 35% more expensive than framework rates.

Management action continues to be taken to mitigate the forecast overspend and further details can be found in 'Commentary on Service Revenue Forecasts' in Appendix A.

iv.) **Children and Families remaining service overspend of £10.833m (+13.2% of approved budget)**

This forecast overspend is primarily driven and related to children's placements, including extra care placements (using emergency placements for hard-to-place children, including placement breakdowns), our internal children's homes and staffing.

Residential Placements & Extra Care Placements - £3.212m overspend & £4.028m overspend - 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 £4.028m) 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 matching the right mix of children within the provision, whilst also meeting individual needs. The service is proactively taking action to increase the internal/external fostercare mix.

Warwickshire Children's Homes - £0.879m overspend - This is a mixture of post-opening cost increases and pre-opening costs for other homes as the programme is expanded. Our 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 winter 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 (£1.094m overspend) & Agency staff (£3.069m overspend) - There are particular pressures on staffing budgets within the service due to external (statutory/child safeguarding) work demands with caseloads high due to the demand spike from the start of the first half of year.

Children-in-Care Transport - £0.564m overspend - The forecast overspend has increased as more information became available closer to the end of the school summer term and the beginning of the autumn term of the number of passengers. The forecast will be further refined as the year progresses to reflect passengers no longer using the service and the number of additional passengers to be transported.

Following the Quarter 1 financial forecast, a Children & Families Finance Recovery Plan has been developed. It has 24 (and growing) proposals/actions concentrating (though not exclusively) on the major overspends mentioned above.

iv.) **Enabling Services remaining service overspend of £0.983m (+3.8% of approved budget)**

There is a £1.367m overspend within Property Services which relates to increased gas costs of 271% compared to last year, as a result of leaving a fixed price contract and now being on a variable rate coupled with an increase in business rates following revaluations. This overspend is in part offset by some underspends across other parts of the service.

v.) **Economy & Place remaining service overspend of £0.846m (+3.3% of approved budget)**
There is an overspend of £1.005m forecast within Transport & Highways largely as a result of the income target on car parking being forecast as unachievable, which is partly due to increased costs associated with the parking enforcement contractors. This overspend is in part offset by some underspends across other parts of the service. In addition to the service looking at options to minimise spend to further offset this overspend, with further traffic and parking proposals due to be brought to Cabinet in December 2023.

vi.) **Corporate Services remaining service underspend of £21.629m (17.2% of approved budget)**
Of this forecast underspend, £17.462m 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 £13.8m due to savings in capital financing costs and higher returns on our investments. This is offset by the DSG overspend which is £7.598m 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 partially offset the overspends being forecast by services this year, reducing the remaining service variance to a net overspend of £4.856m.

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 2023. This means this funding is not available to support the on-going impact of the service overspends in 2024/25 or beyond.

5. Savings Performance

5.1. Performance against individual saving targets can be found in Annexes A to M of Appendix C. The table below provides a summary. The savings target for 2023/24 is £15.158m, at Q2 £6.609m (44%) is forecast as on target to be delivered this financial year, leaving a significant shortfall of £8.549m (56%). The forecast improved since the first quarter by £0.295m (2%).

5.2. The Council has a successful track record of delivering savings. In 2022/23, despite challenges, the Council delivered 93% of its savings plan, totalling £9.579m. With continued high levels of inflation, recruitment difficulties and increased demand for our services this year is looking to make maintain this level of delivery 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.

Service	2023/24 Savings Target	Forecast delivery	Nº of Schemes	Forecast under-delivery	Nº of Schemes
	£m	£m		£m	
Environment & Planning	1.119	0.882	4	0.237	1
Fire and Rescue Service	0.050	0.050	1		
Economy & Place	1.294	0.694	4	0.600	5
Communities Directorate	**2.463**	**1.626**	**9**	**0.837**	**6**
Social Care and Support	6.269	0.300	1	5.969	7
Children & Families	2.814	1.217	5	1.597	5
Strategy & Commissioning - People	0.551	0.551	3		
Education	0.209	0.143	3	0.066	2
People Directorate	**9.843**	**2.211**	**12**	**7.632**	**14**
Business & Customer Services	0.546	0.516	7	0.030	1
Commissioning Support Unit	0.234	0.234	3		
Enabling Services	0.666	0.616	5	0.050	1
Finance	0.121	0.121	3		
Strategy, Planning & Governance	0.325	0.325	6		
Resources Directorate	**1.892**	**1.812**	**24**	**0.080**	**2**
Corporate	0.960	0.960	6		
Total	**15.158**	**6.609**	**51**	**8.549**	**22**

5.3. Of the savings forecast not to deliver, 88% is attributable to schemes where services are struggling to deliver the planned reductions in demand through service re-design. The other 12% is attributable to schemes where income streams have not increased as planned or due to insufficient cost reduction from vacancy management.

5.4. Social Care and Support and Children and Families are responsible for £7.566m (89%) 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, particularly since the last quarter of 2022/23. This is directly impacting on their capacity to deliver the planned savings with limited scope within these services to identify alternative saving options.

5.5. 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.

MTFS Impact

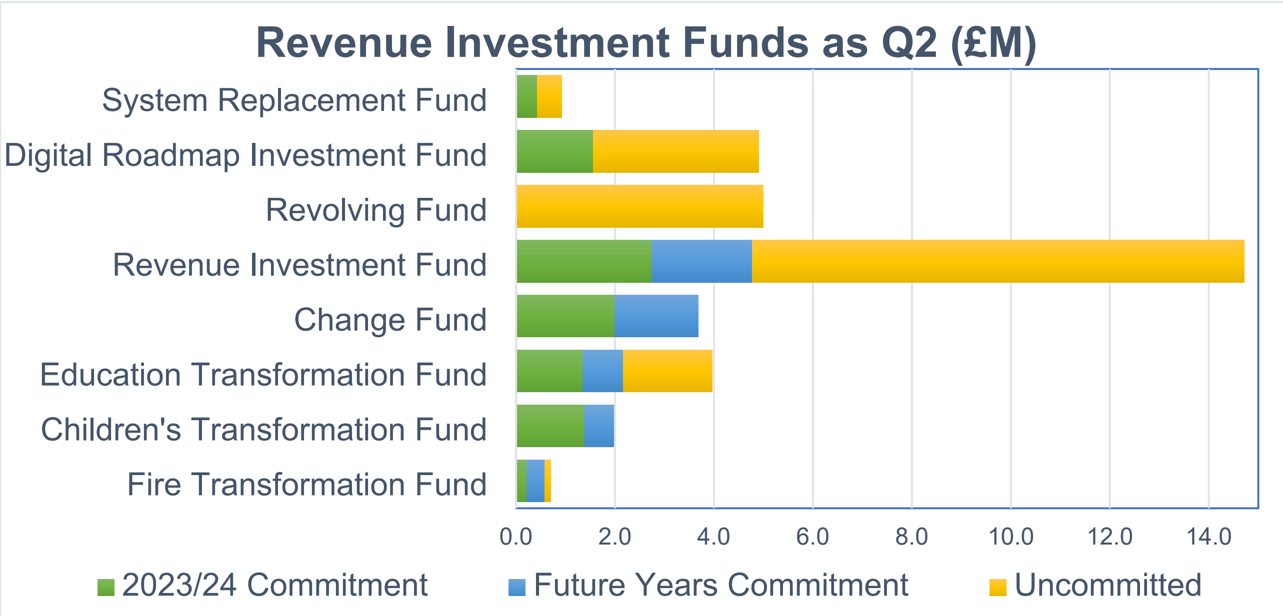
5.6. The majority of the savings this year and in future years are within People Directorate and predicated on reducing demand and cost. The table below shows at a high level the savings forecast not to deliver this year and level of saving in the MTFS at risk in future years.

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	0.8	0.5	0.7	6
People Directorate	7.6	7.8	27.3	10
Resources Directorate	0.1	0.1	1.2	5
Total At Risk	**8.5**	**8.4**	**29.2**	**21**
Savings Required in the MTFS	**15.2**	**16.3**	**52.5**	**70**
% at Risk	**56%**	**51%**	**56%**	

5.7. The pressures being faced this year mean that the MTFS will need to be recalibrated and refocused to ensure that 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.

6. Revenue Investment Funds

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



6.2. 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 was 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.

6.3. To date Cabinet has 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.

6.4. 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 including the £0.500m agreed in the budget resolution, £0.374m has been allocated to deliver the Unit 4 Capital and Cloud Migration project, leaving £0.494m available to spend in the remainder of the financial year. Any unused funding will be carried forward to meet investment need in future years.

6.5. 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 underutilised there will be a need to consider how this is repurposed/rescaled. This review will be undertaken as part of the ongoing MTFS refresh.

6.6. Following the service overspend forecast reported at the end of Q1 Corporate Board's strategic approach requires new investment/change spending to deliver savings/cost avoidance based on a standstill service rather than investment in service improvement. This approach prioritises the long terms sustainability of the services provided and aims to maintain the Council's robust financial position over the medium term, despite the current challenges.

7. Reserves

Reserve	Opening Balance 01/04/2023	23/24 MTFS Commitment	Movement in year	Outturn Impact	Indicative Closing Balance 31/03/2024	Impact of Q2: Adjustment to balance Risk Reserves	MTFS Allocation 2024-2028	Indicative Balance at 31/03/2029
	£m	£m	£m	£m	£m	£m	£m	£m
DSG Deficit (inc Early Years, Schools, High Needs)	(16.097)	-	-	(13.397)	(29.494)	-	-	(29.494)
DSG High Needs Offset Reserve	21.650	-	4.855	7.598	34.103	-	-	34.103
Other Schools Reserves	21.213	-	-	0.092	21.305	-	-	21.305
Externally Earmarked Reserves	12.029	(0.375)	(2.819)	(0.871)	7.964	-	-	7.964
Internal policy/projects	15.421	(0.248)	(0.734)	(1.546)	12.893	-	-	12.893
Corporate Investment Funds	26.192	5.000	(1.842)	(3.139)	26.211	-	(5.506)	20.704
Volatility reserves	57.271	2.300	(1.492)	(0.228)	57.851	-	-	57.851
Management of Financial Risk	34.791	-	1.458	(26.485)	9.992	16.045	-	26.037
Available to Use Reserve	50.530	(22.691)	(5.200)	21.629	44.039	(16.045)	(11.043)	16.951
Total	**222.999**	**(16.014)**	**(5.775)**	**(16.347)**	**184.863**	**-**	**(16.549)**	**168.314**

7.1. As at Q2 we are using £38.136m of reserves to support spending in 2023/24, this is £16.604m 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 Council, 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 approved as part of the budget in February 2023. Using this level of reserves on top of the £21.532m used in 2022/23 is not sustainable. Whilst currently our reserves remain healthy, long-term sustainable solutions need to be found by either increasing our ongoing resource or making further savings to balance the budget on an ongoing basis to ensure any one-off funding can continue to be directed to deliver on the Council's wider aims and objectives.

7.2. The movement in reserves has decreased by £4.063m since Q1. As approved by Cabinet in the Q1 monitoring report, the budget has increased by a corresponding £4.063m, due to the following changes:

- £2.3m from the Winter Pressure reserve and £2.5m from the Better Care Fund (BCF) System Development Fund reserve to Social Care and Support;
- £0.8m from business rate income relating to 2022/23 has been transferred to top-up the Tax Base Volatility Reserve, this reserve is used to manage and mitigate the impact of changes to the Business Rate tax base; and
- £0.029m was drawn down from the Revenue Investment Fund (RIF), further details on this can be found in Section 6.

7.3. Based on the Q2 forecast, Directorate Risk Reserves will be overdrawn by £16.045m at the end of the financial year. 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.

7.4. The impact of the current forecast revenue position will be a reduction in reserves by a net £16.347m. The key drivers of this change are the DSG overspend that will further increase the deficit, children's and adults social care services, and home to school transport.

7.5. 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.

8. Financial Recovery Strategy

8.1. In response to the forecast overspend that emerged at Q1 Corporate Board developed an action plan aiming to contain and minimise the 2023/24 overspend, ensure the nature and impact of pressures is understood and key staff members as well as elected members are engaged in identifying solutions and developing long term transformation plans.

8.2. As part of the Financial Recovery Strategy all Directors with a forecast overspend have been asked to develop a Financial Recovery Plan with primary focus on the areas of Social Care and Support, Children and Families, SEND (linked to the Delivering Best Value plan), Home to School Transport and Enabling Services (utilities).

8.3. As part of the strategy a review of short-term budget balancing options is taking place as well as a review of all transformation activity.

8.4. The impact of the Financial Recovery Strategy on both one-off and permanent cost will be reflected in the MTFS when it is presented to Cabinet in December 2023.

9. Capital

9.1. As part of the budget resolution in February 2023 Council approved a capital budget of £193.189m for 2023/24 and a total capital programme of £848.566m for the medium term. The latest forecast for 2023/24 capital payments directly controllable by the Council is £162.117m and a total capital programme of £606.556m.

9.2. A reconciliation of the latest approved budget for 2023/24 and the capital programme is provided below between the budget resolution and this report:

	Capital Budget 2023/24 £m
Total programme as per Council Resolution February 2023	316.945
Unallocated Capital Investment Fund	-20.899
Warwickshire Recovery and Investment Fund (WRIF), and Warwickshire Property and Development Group (WPDG) and Asset Replacement Fund (ARF)	-45.621
Education basic needs funding (unallocated)	-25.019
S278	-32.217
Controllable capital programme for 2023/24 at February 2023	**193.189**
New approvals, reprofiling since the budget was approved in February 2023, including the impact of delays at 2022/23 outturn	-8.646
Opening controllable capital programme for 2023/24	**184.543**

9.3. The table below shows the effect of the Q1 changes had on the original approved budget.

	2023/24			2024/25 to 2027/28		
	Original Budget £m	New schemes and Virements £m	Current Approved Budget £m	Original Budget £m	New schemes and Virements £m	Current Approved Budget £m
Environment, Planning & Transport Services	60.910	2.272	63.183	69.887	(0.741)	69.146
Fire and Rescue	3.095	2.807	5.901	1.292	(0.899)	0.392
Economy & Place	14.531	(1.354)	13.177	34.179	1.612	35.791
Communities	**78.536**	**3.725**	**82.261**	**105.358**	**(0.028)**	**105.330**
Children and Families	1.140	0.719	1.859	1.186	(0.719)	0.467
Education Services	79.256	1.056	80.312	50.180	3.498	53.678
Social Care & Support	-	-	-	0.313	-	0.313
Sc for People & Public Health	5.870	-	5.870	-	-	-
People	**86.265**	**1.775**	**88.041**	**51.679**	**2.779**	**54.458**
Business and Customer Support	0.511	0.750	1.261	0.336	0.750	1.086
Enabling Services	16.074	(0.021)	16.053	5.198	0.022	5.220
Strategy, Planning & Governance	3.155	0.008	3.163	0.895	0.000	0.895
Resources	**19.740**	**0.737**	**20.477**	**6.428**	**0.772**	**7.200**
Controllable capital programme	**184.543**	**6.238**	**190.781**	**163.465**	**3.523**	**166.988**
Corporate: WPDG / WRIF / ARF	45.973	0.800	46.773	161.614	3.200	164.814
Council Capital Programme	**230.516**	**7.038**	**237.554**	**325.079**	**6.723**	**331.802**
S278 funded schemes	27.170	(2.666)	24.504	26.205	(0.751)	25.454
Total Capital Expenditure	**257.686**	**4.372**	**262.056**	**351.284**	**5.972**	**357.256**

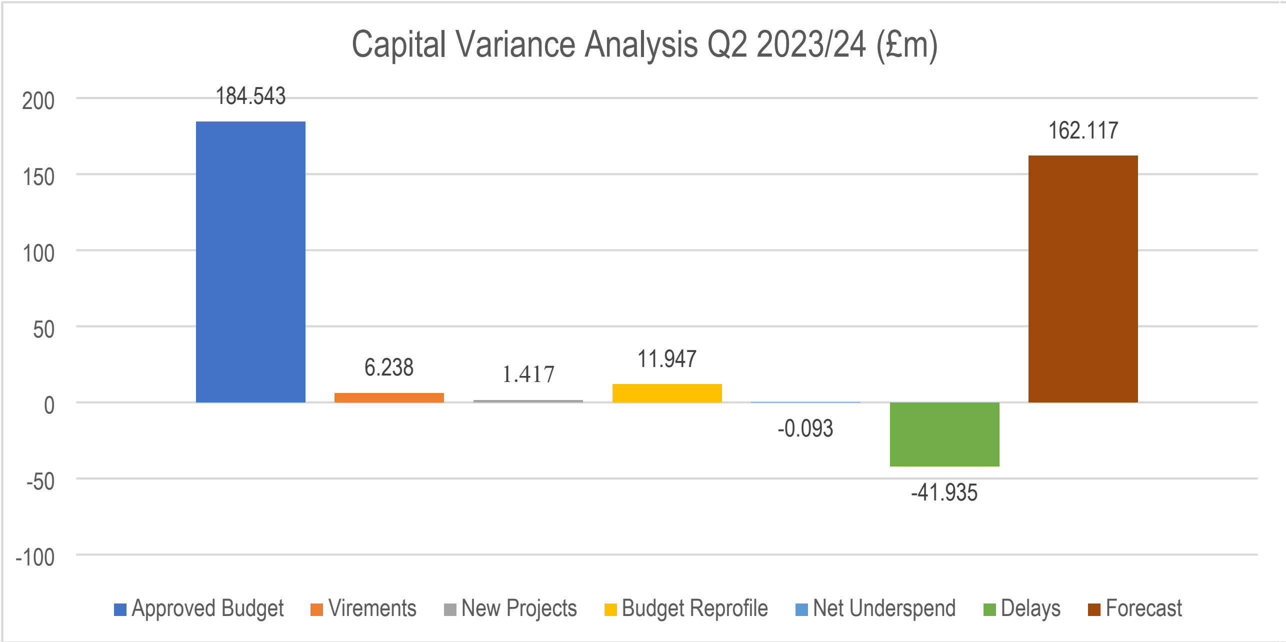
9.4. The Capital Investment Fund (CIF) balance which is not included in the above figures is £87.409m available across the five years of the MTFS. Of the original £15m Capital Inflation Contingency, £7.716m is currently uncommitted but £6.723m of this is earmarked for specific schemes with ony £0.993m available for any new pressures. It is expected all funds will be fully allocated by the end of the MTFS period.

Capital Forecast by Service

9.5. The forecast of 2023/24 capital payments directly controllable by the Authority of £162.117m excludes the forecast spend on S278 developer schemes of £17.674m and corporate allocations for WPDG, WRIF and ARF (Asset Replacement Fund) of £46.623m. 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 £226.414m.

Capital Variance Analysis

9.6. The original 2023/24 controllable capital budget of £184.543m was approved by Cabinet in June 2023. The chart below explains the changes between the approved budget and the forecast spend of £162.117m.



These figures exclude S278 and Corporate Schemes

9.7. The table below shows the variances in year and in future years. For details of how the total variance in the table below is funded please refer to the **Annexes A to M**.

	2023/24			2024/25 to 2027/28			Total Variance
	Approved Budget £m	Forecast £m	Variance £m	Approved Budget £m	Forecast £m	Variance £m	£m
Environment, Planning & Transport Services	63.183	49.314	(13.868)	69.146	83.473	14.327	0.458
Fire and Rescue	5.901	5.695	(0.206)	0.392	0.598	0.206	-
Economy & Place	13.177	11.372	(1.805)	35.791	41.282	5.491	3.686
Communities	**82.261**	**66.382**	**(15.879)**	**105.330**	**125.353**	**20.023**	**4.144**
Children and Families	1.859	1.792	(0.067)	0.467	1.661	1.194	1.126
Education Services	80.312	67.666	(12.646)	53.678	69.388	15.710	3.064
Social Care & Support	-	-	-	0.313	0.313	-	-
SC for People & Public Health	5.870	6.246	0.376	-	0.071	0.071	0.447
People	**88.041**	**75.704**	**(12.337)**	**54.458**	**71.433**	**16.975**	**4.638**
Business and Customer Support	1.261	1.477	0.216	1.086	0.870	(0.216)	0.000
Enabling Services	16.053	15.996	(0.057)	5.220	5.864	0.644	0.587
Strategy, Planning & Governance	3.163	2.558	(0.605)	0.895	1.500	0.605	0.000
Resources	**20.477**	**20.031**	**(0.446)**	**7.200**	**8.233**	**1.033**	**0.587**
Controllable capital programme	**190.781**	**162.117**	**(28.664)**	**166.988**	**205.020**	**38.031**	**9.369**
Corporate: WPDG / WRIF / ARF	46.773	46.623	(0.150)	164.814	164.964	0.150	-
WCC Capital Programme	**237.554**	**208.740**	**(28.814)**	**331.802**	**369.984**	**38.182**	**9.370**
S278 funded schemes	24.504	17.674	(6.830)	25.454	10.158	(15.295)	(22.125)
Total Capital Expenditure	**262.058**	**226.414**	**(35.644)**	**357.256**	**380.142**	**22.886**	**(12.755)**

9.8. 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 the capital programmes since:

Service	Approved budget 2023-24	New projects at Q2	Net over / underspend forecast	Budget Reprofile in year	Delays expected	Forecast In year capital spend Q2	% of delays
	£m	£m	£m	£m	£m	£m	
	A	B	C	D	E	F=Sum(A:E)	G= E/Sum(A:C)
Environment, Planning & Transport Services	63.182	0.024	0.395	1.473	(15.758)	49.316	24.8%
Fire and Rescue	5.902	-	-	0.196	(0.402)	5.696	6.8%
Economy & Place	13.095	-	(0.069)	0.301	(2.037)	11.290	15.6%
Children & Families	1.859	0.519	(0.414)	-	(0.172)	1.792	8.8%
Education Services	80.312	0.427	0.002	9.538	(22.612)	67.667	28.0%
Strategic Commissioning for People & Public Health	5.870	0.447	-	-	(0.071)	6.246	1.1%
Business and Customer Support	1.261	-	-	0.216	-	1.477	-
Enabling Services	16.053	-	-	0.223	(0.278)	15.998	1.7%
Strategy, Planning & Governance	3.247	-	-	-	(0.605)	2.642	18.6%
Services Capital Programme	**190.781**	**1.417**	**(0.086)**	**11.947**	**(41.935)**	**162.117**	**21.8%**
Corporate (WPDG & WRIF & ARF)	46.773	-	-	-	(0.150)	46.623	0.3%
WCC Capital Programme	**237.554**	**1.417**	**(0.086)**	**11.947**	**(42.085)**	**208.740**	**17.6%**
S278 Developer Funded Schemes	24.334	(7.178)	1.027	1.152	(1.832)	17.503	10.1%
Total Capital Expenditure	**262.056**	**(5.761)**	**0.941**	**13.099**	**(43.917)**	**226.414**	**17.1%**

9.9. The changes to the capital programme are made up of:

- New projects (B)– 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. Adding £1.417m new projects to the capital programme in 2023/24 requires that an equivalent amount of additional funding has also been identified.
- Projects with Increased Spend (C) – 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 (C) – 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.
- Reprofiled forecasts and delayed projects (D & E)– these are schemes where the project timeline has been reprofiled or there has been a delay in the timescale 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 £29.988m 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.

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

9.11. The capital forecast is based on expenditure where formal approval has been granted and the source of funding is identified. However, at Q2 capital project managers reported a number of schemes where cost increases are expected above the level of the currently approved funding. Work is underway to identify mitigations to reduce the expected cost and if unavoidable, these schemes will seek Cabinet approval for additional capital funding. Spend on the effected projects will pause until a resolution is found so the approved budget is not exceeded. Any overspend on completion of the projects would be charged to revenue and consequently increase the current revenue overspend. The table below shows a high-level summary by Service with details provided in **Appendix B**.

Service	2023/24 Forecast above approved capital allocation (£m)	2024/25 Forecast above approved capital allocation (£m)	Total Forecast above approved capital allocation (£m)
Education Services	0.573	4.044	4.617
Environment Planning and Transport	1.830	-	1.830
Total	2.403	4.044	6.447

9.12. 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) with £4m funding from the CIF.

Capital Financing

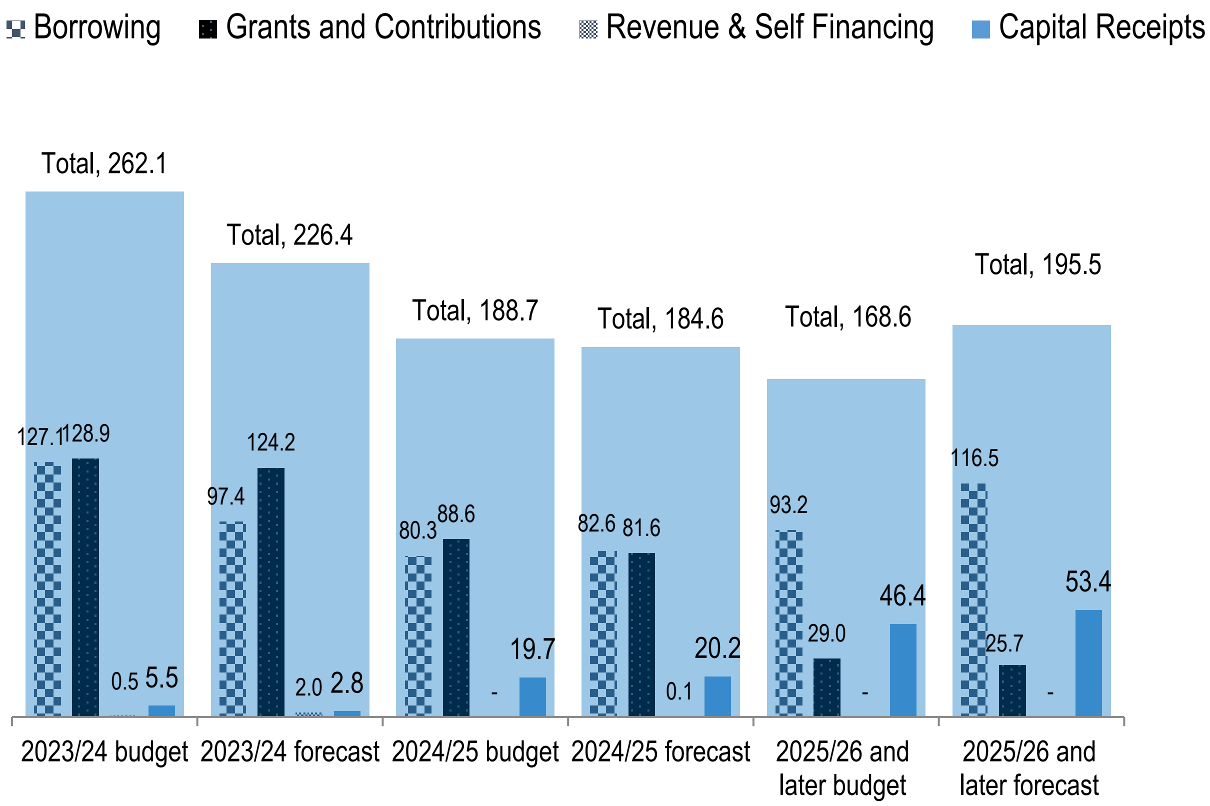
9.13. All local authorities are required to consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before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

9.14. 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.

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

9.16. The chart and table below provide further detail on how the approved 2023/24 capital programme and 2023-28 Capital MTFS are currently planned to be financed. The figures are exclusive of capital forecasts above the currently approved capital budget.

Estimated Financing to 2025/26 & Later Years (£m)



	2023/24 budget £m	2023/24 forecast £m	2024/25 budget £m	2024/25 forecast £m	2025/26 and later budget £m	2025/26 and later forecast £m
Corporate Borrowing	127.091	97.389	80.327	82.626	93.217	116.478
Self-financed Borrowing	0.119	1.326	-	0.038	-	-
Grants and Contributions	128.948	124.195	88.628	81.600	29.009	25.692
Capital Receipts	0.685	0.409	2.650	2.256	-	0.336
Capital Receipts - WRIF	0.532	0.433	2.470	1.021	31.030	37.714
Capital Receipts - WPDG	4.295	1.941	14.600	16.954	15.326	15.326
Revenue	0.382	0.721	-	0.101	-	-
Total	**262.056**	**226.414**	**188.675**	**184.596**	**168.581**	**195.547**

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

Note: 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. Our borrowing is compliant with the Prudential Code, and we assess our level of borrowing against comparator councils in formulating the annual capital strategy.

9. Financial Implications

8.1. The report outlines the financial performance of the Authority in 2023/24. There are no additional financial implications 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 £4.856m in 2023/24. It also forewarns of £6.447m unfunded capital expenditure over the next two financial years. These projects will be paused until the cost increase is mitigated or suitable funding is identified. If an overspend occurs on completion of a capital sceme it would be charged to revenue and increase the forecast overspend.

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.

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.

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, Planning and Transport - (£5.146m overspend; +8.5%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on investment funds
Explanation of the Earmarked Reserves (£0.063m)
There are 2 drawdowns from reserves anticipated: • £0.041m from Contain Outbreak Management funding for Preventing Serious Violence for a project mentoring young people. • £0.022m from the Domestic Homicide Review reserve
Explanation of the Remaining Service net overspend (£5.083m, +8.4%)
The remaining net service overspend predominantly comprises of: • A forecast Home to School Transport overspend of £4.733m which is made up of £1.929m on Mainstream Transport and £2.804m SEND. The cause of the overspends in both areas is the increasing demand for services, the distance individuals are being transported due to the lack of school places in local areas, interim transport costs for excluded pupils driven initially by schools directly approaching transport providers and increasing contract prices when they have been re-negotiated. • There is a forecast overspend within Traffic Signals of £0.361m which arises from the increased cost of energy. • A forecast underachievement of income of £0.097m within Forestry, largely due to increased targets as a result of MTFS savings. This position will be monitored with the service. These overspends are partially offset by an underspend in year of £0.121m from staff vacancies within Transport Delivery. There is a cross party Member Working Group that reviews the actions being taken under each of the workstream headings identified as part of the SEND transport project in 2022/23. Additionally, they have challenged officers to review emerging best practice from ADEPT and the LGA to ensure that Warwickshire is taking forward all appropriate actions to improve efficiencies within the service. The actions are grouped under the following workstreams: • Data & Financial – working towards improving the availability of data and financial forecasting • Digital – looking at what technology can be used to improve efficiencies • Demand – exploring ways to reduce future numbers of students requiring transport. • Innovation – applying best practice from other authorities to find efficiencies including the development of a business case for investment in additional minibus fleet for SEND transport. • Commercial Operations – Re-tendering of current DPS framework contracts, exploring future procurement options and undertaking wholescale school network reviews The first report from the Member Working Group is due to come to Cabinet in December.

Change in the Remaining Service position since the position reported at Quarter 1 (increased overspend of £2.077m)
The increase in forecast overspend since Quarter 1 is as a predominantly as a result of: • An increase in forecast within SEND transport provision of £1.427m due to a significant increase in the cost of the 16-25 provision of £1.214m. These contracts are negotiated annually and historically this is carried out later on in the financial year due to placements of individuals not being known until after exam results are received in August. The higher cost is a result of 19 more individuals being transported compared to last year but an increase in average contract cost of approx. £1,000 per individual. The remaining movement in the forecast overspend within SEN transport is largely due to the increase in demand (75 additional individuals in taxis since April 2023 as well as an additional 29 SEN passengers in the same time period) coupled with the higher prices which are approx. £200 per day higher than last year. • The forecast for Mainstream transport also increased by £0.534m due to interim transport costs for excluded pupils. • The increased cost of energy Traffic Signals of £0.361m. These increased overspends are offset by forecast reductions in spending of £0.219m within County Highways and Trading Standards and Community safety as a result of increased income being forecast within Network Management, and reviews being undertaken of when vacant posts may be filled to generate in year salary underspends.
Impact of MTFS
Forestry is highlighting potential pressures as a result of higher income targets through the MTFS. Work will be done with the service to keep this position under review as there is potential for things to change throughout the year. 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 continued overspend within Home to School Transport could impact the future MTFS savings. If the spending cannot be brought more into line with budget this year is unlikely that the future savings can be met. Pressure bids for the MTFS refresh process have been submitted in relation to this.

Fire and Rescue - (£0.217m overspend; +0.9%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on investment funds
Explanation of the Earmarked Reserves (£0.228m)
There are overspends forecast which will be drawn from reserves for the following: • £0.004m for Hospital to Home • £0.099m for the Local Resilience Forum • £0.113m for Pensions due to two ill-health retirements • £0.012m from Community Fire Safety to cover printing and equipment
Explanation of the Remaining Service net underspend (£0.011m, 0.0%)
There is no significant variance.
Change in the Remaining Service position since the position reported at Quarter 1 (increased underspend of £0.002m)
There is no significant change to the position reported at Quarter 1.
Impact of MTFS
There are no issues highlighted that impact the MTFS.

Economy & Place – (£0.692m overspend; +2.7%)
Explanation of the Investment Funds (£0.127m underspend)
There are underspends forecast on investment funds of £0.127m across 2 projects: • £0.117m 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. Due to the fact that since making the RIF allocation funding has been secured from the new UK Shared Prosperity fund (UKSPF) meaning that the RIF element will have an in year underspend which will be required for carry forward into 2024/25 to extend the programme for another year supported by the UKSPF. • £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 for 2024/25.
Explanation of the Earmarked Reserves (£0.027m)
• The forecast contribution to reserves is the surplus income from Speed Awareness workshops.
Explanation of the Remaining Service net overspend (£0.846m, +3.3%)
The remaining service overspend is largely made up of the following: • There is overspend of £1.005m forecast within Transport & Highways largely as a result of the income target on car parking being unachievable. This is in part due to increased costs associated with the parking enforcement contractors. To try and mitigate the overspend in Traffic and Parking proposals will be brought to Cabinet in December 2023. This includes reviews of Pay and Display charges, which can be enacted within 21 days of approval, as well as proposing changes to evening car parking charges. In addition the service is looking at options to minimise spend across the service to offset the position. This overspend is partially offset by a forecast underspend within Waste and Environment of £0.167m. This is the net position and is made up a forecast underspend of £0.508m in Waste due to a review of the forecasts reducing anticipated tonnages for the remainder of the year given in year underspends. This is partly offset with a forecast overspend of £0.353m in Country Parks due to the Car Parking income target not being met. The service are exploring with Legal Services whether a change of status can be made which would make the car parks tax exempt and therefore mitigate the VAT charges giving approximately £0.100m per annum additional income. In addition, the use of Automatic Number Plate Recognition is being explored to reduce the number of individuals not paying parking fees.
Change in the Remaining Service position since the position reported at Quarter 1 (increased overspend of £0.387m)
The movement in the remaining service overspend is largely made up of the following: • There were increases in the underachievement of income forecast of £0.973m within Traffic and Parking and Road Safety. This is because within both areas more in depth reviews have taken place of income received to date and this has been used to forecast the remainder of the year. The majority of the movement, £0.876m, is in Traffic and Parking where the reduced demand for car parking coupled with increased contractor costs have meant that the income forecast has been reduced. This increase in overspend is partially offset by a reduction in spend being forecast as follows: • Waste and Environment have reduced their forecast spend by £0.225m as they now have more data on the tonnages of wate being disposed of for the year to date, rather than just a comparison to last year. As a result, they have been able to reduce their anticipated spend accordingly where they have seen reductions compared to last year. • Within Transport Strategy a reduced overspend of £0.238m has been forecast due to some in year salary underspends being generated where costs are being offset by grants and a reduced amount of consultancy and third party payments to be made in year.

• The remaining reduction in spend of £0.123m is largely a result of more detailed reviews of salary forecasts being undertaken and adjustments being made to dates when vacant posts may be filled to try and mitigate the forecast in year overspend.
Impact of MTFS
Waste and Environment have consumed within their budget for 2023/24 any inflationary increases from suppliers, some of which have been in the region of 12% - 14% per unit. This has meant that an MTFS time limited allocation of £0.450m is no longer required in 2024/25.

2. People Directorate

Social Care & Support Service – (£11.910m overspend, +5.7%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on Investment Funds.
Explanation of the net transfer from Earmarked Reserves (£3.398m)
£3.398m is the Market Sustainability & Improvement Fund – Workforce grant to be internally transferred at year end.
Explanation of the Remaining Service net overspend (£8.512m, +4.1%)
The 2022/23 financial pressure on Social Care & Support continues in to 2023/24. This pressure is being attributed to the increase in the unit cost of support, the increase in the number of residents requiring support and the increased complexity of residents requiring support funded by the Council. **Older People** Older People Services has an overspend of £7.238m, 18% above budget, driven by rising unit costs across residential and nursing care and volumes in domiciliary care, this is after being substantially offset by closely correlated increased client contributions. The overspend can be explained in its entirety by residential costs which are 29% over budget. This is due to the use of costly placements due to difficulties in sourcing packages of care at the Council's framework rates with providers citing the complexity of care needs as the rationale. 72% of all residential placements are more expensive than framework rates. Nursing presents a similar picture with 89% of all placements being above framework rates. The domiciliary care overspend within Older People is due to the volume, with the number of packages of care increasing by 194 which is an increase of 13% since the start of 2023/24. Factors driving the increased volumes include the Community Recovery Service and the continuation of the Discharge to Assess process. There has been a steep increase of 80 packages of care within Older People in the second half of September which is a factor in the forecast overspend of an estimated value of £0.5-0.7m. **Disabilities** Disabilities 25+ are forecasting an overspend of £3.222m, 3.6% above budget, this is across supported living, residential, nursing, night support and residential colleges. The pressures in supported living and residential are due to: • An increase in budgeted client numbers in supported living of 69 which is 11% higher than the number budgeted, and unit costs rising 2% above the rate of inflation provided for supported living.

- An increase in client numbers for residential care of 10 which is 4% higher than the number budgeted, and unit costs rising 4% above the rate of inflation provided for residential care.

The average duration of care is increasing and linked to this, the needs for care increase with age, therefore the drivers are a combination of the complexity of care as well as the cost per unit and the volume of clients.

Overspends in nursing, night support and residential colleges are driven by an increased number of clients. A factor in the increased client numbers is the number of discharges from hospital; with block provision fully utilised, more spot purchasing is required.

Whilst there are partially offsetting underspends in staffing and client contribution income there is also an emerging issue of reduced Continued Healthcare income (this is the contribution from health towards an individuals cost). The expectation this year is c£0.5m lower than the average of the last three years and £0.674m less than budget, this is due to focused activity by the Integrated Care Board on conducting reviews in this area.

Mental Health
Mental Health are forecasting an overspend of £2.327m, 14% above budget, this is across residential care and supported living partially offset by an underspend in staffing.

The pressures in residential and supported living are due to:

- An increase in client numbers of 37 which is 35% higher than the number budgeted for and unit costs rising 2% above the rate of inflation provided for residential care.
- An increase in client numbers of 67 which is 41% higher than the number budgeted for supported living.

High cost transition packages are contributing to the overspend with a number of younger people requiring intensive care; the average number of hours support required has increased by 2 hours per week in just six months from 36 to 38. Another contributing factor is an increased proportion of new packages of care that do not have funding from a Section 117 (this is when an individual has been detained by Health under the Mental Health Act) meaning the Council is bearing the full cost due to ICB restricting their health contribution. Opportunity to agree joint funding is also limited whereas previously high-cost packages, where there is a presence of a health need, have been successfully negotiated.

Other budget areas
Adults Practice & Safeguarding has an overspend of £0.409m due to continuing high costs of adults' transport.

The underspend of £3.302m for Director - Social Care & Support is explained by income held in the Director area for centralised budgets with the incurred expenditure elsewhere. This is in relation to funding assigned to manage the impact of the Working Age Adults tender and the balance of the Adult Social Care Discharge funding – both the Council's and ICB contribution towards the ongoing financial impact on the Council of the ongoing Discharge to Assess process. The impact is predominantly in the Older People's Service. This is marginally offset by an overspend on the legal budget and Improved Better Care Fund projects.

Integrated Care Services has an underspend of £0.891m of which approximately half is staffing related due to the ongoing difficulties in recruitment and approximately half as a result of reduced demand for community and assistive technology equipment.

Disabilities 0-25 have an underspend of £0.491m in residential, however it is critical to note given the low numbers of individuals and the high cost per child, an addition or change in package of care of just one or two individuals could reverse the underspend.

The management actions noted in the Q1 report to Cabinet continue in order to mitigate the pressures identified. These include, but are not limited to:

- Heads of Service 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.
- Targeted review of out-of-county placements.
- Improved use and management of existing block bed arrangements.
- Introduction of cross Directorate support and engagement for spot contract negotiations between social worker and provider.
- Improved understanding of the acuity that has created increases in average weekly costs of residential care 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. Also, consideration of investment to recruit one post tasked with better focus and understanding of Continuing Health Care (CHC) income for Disabilities across all age ranges.
- Children with disabilities service to focus on achieving better value for money for costly extra care placements.

Change in the Remaining Service position since the position reported at Quarter 1 (reduced overspend of £1.189m)

This is a decrease in the overspend since Q1 of £1.189m. This is due to the Market Sustainability & Improvement Fund Grant of £3.398m now being accounted for in Social Care & Support Older People Services, offset by increases in forecast overspend in Disabilities (both 0-25 and 25+), Mental Health and Older People.

Aside from the grant, Older People have increased their forecast overspend by £0.932m (1.6% of budget) to £7.238m substantially due to increasing average weekly costs and client numbers in residential and nursing care. Within this, the steep increase of 80 packages of care in the second half of September is a factor, with an estimated value of £0.5-0.7m.

Disabilities 25+ have increased their forecast overspend by £0.810m (0.9% of budget) to £3.222m. This is due to agreed amendments to existing supported living packages of care and direct payments and three additional residential college placements.

Disabilities 0-25 have reduced their forecast underspend by £0.753m (4.4% of budget) to £0.491m underspend due to one additional child in extra care.

Elsewhere changes amount to a £0.285m improvement in the position, most significantly in Mental Health.

Impact on the MTFS
Existing in year MTFS savings, which were agreed prior to high levels of inflation and unforeseen increases in demand, are forecast to not be achieved. Whilst the forecast overspend is not contributed to by Disabilities 0-25 this remains a key area of focus in terms of reducing the incidence and duration of high-cost extra care placements. Impact on the MTFS beyond 2023/24 is an ongoing focus. Demand and inflation for the MTFS refresh have been calculated, however there is focused consideration of inflationary awards to social care providers in particular.

People Strategy and Commissioning Service – (£0.960m overspend, +2.6%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on Investment Funds.
Explanation of the net transfer from Earmarked Reserves (£1.355m)
£0.650m to be drawn down from Social Care and Health Partnerships Reserve in relation predominantly to partnership funded delivery of Learning Disability and Autism projects including Voiceability, Grapevine coproduction, the 'Experts by Experience' hub, health liaison resources, respite care and diabetes. £0.700m of COMF related activity to be drawn down from the Covid reserve: • £0.566m School air quality assessment and ventilation improvements • £0.073m Covid related staffing • £0.045m towards the costs of a suicide prevention role and strategy implementation • £0.016m is for Covid Case Management System and PPE £0.005m to be drawn down from Domestic Abuse and Diabetes Reserves for salary costs.
Explanation of the Remaining Service net underspend (£0.393m, -1.1%)
• £0.232m unspent water fluoridisation budget as this is a Dept. of Health responsibility • £0.139m underspend due to early delivery of savings in relation to the Meals on Wheels service • £0.229m Underspend on salary costs due to current vacancies, adjustments for posts no longer part of the establishment and early delivery of 2024/25 savings Offset by: • £0.203m overspend on the following demand led services: sexual health, health checks and Fitter Futures • £0.004m net overspend on small immaterial balances An increased underspend in future months may occur due to a focused review of Drug and Alcohol Services, this may be in the region of £0.200m. This will in part be offset by an increase in forecast legal costs in Public Health to be forecast in the next period.
Change in the Remaining Service position since the position reported at Q1 (increased underspend of £0.202m)
There is an increase in underspend of £0.202m from the Q1 reported position. This relates to various aspects of staffing including adjustments for posts no longer part of the establishment and early delivery of 2024/25 savings.
Impact on the MTFS
No adverse impact on MTFS. The underspend is explained by early delivery of savings built into the MTFS for Meals on Wheels and tier 4 staffing savings in addition to a proposed saving in the MTFS relating to the refresh of the water fluoridisation budget.

Children & Families – (£12.626m overspend; +15.4%)
Explanation of the Investment Funds overspend (£1.377m)
There is an estimated £1.377m Continuous Improvement Plan (CIP) expenditure funded by an investment (and earmarked) reserve. The plan is in draft and being reviewed post Quarter 2 forecast and also needs to be signed off by Corporate Board, so the forecast spend is provisional at this stage. The CIP is provisionally a 24-month plan which will stretch over 3 financial years and due to the nature of proposals may be subject to change and inevitable timing changes.
Explanation of the Earmarked Reserves overspend (£0.416m)
The Priority Families (Supporting Families Grant funded service) is forecasting additional planned allocations/spend of £0.118m above the original 2023/24 plan (to be funded by Earmarked Reserve). These are short-term initiatives / packages of work to aid families as well as improve reporting outcomes to maximise the payment by results grant in the medium term. Within the Adoption Central England (ACE) service, there is a forecasted gross overspend of £0.246m for the 5 partner local authorities. The overspend predicted is due to increased demand and the need to utilise some external agency adoptions, although this is an erratic, demand-led budget where predicting with any degree of certainty is difficult and subject to availability in the market. There have been several court instructed searches for placements which may or may not materialise in costs, but to be prudent and, in line with the court instruction, these have been forecast. Each purchase costs £0.037m. This overspend is mitigated by several staffing vacancies as difficulty in recruiting social workers is impacting this sector. As this earmarked reserve is a true pooled budget, the 5 partners will be asked to contribute at year end to the overspend. Warwickshire’s share of this will be circa 23%, approx. £0.056m and this has been forecasted within the remaining service variance. With regard to Youth Justice Remand placements, there is an overspend forecast of £0.070m from under achievement of the MTFS savings. The MTFS saving was predicated on the fact that over the last few years the budget had underspent at year end. However, the current year’s expenditure is projected to exceed the budget. Through the year activity could potentially decrease (achieving target) or increase (growing the under achievement), due to the high degree of volatility of this demand-driven expenditure. The under achievement is the equivalent to 15 weeks of remand costs for a single remand bed.
Explanation of the Remaining Service net overspend (£10.833m, +13.2%,)
This overspend consists mainly of: **Residential Placements & Extra Care** – (£3.212m overspend & £4.028m overspend). This is predominantly due to unprecedented market price rises and increased needs of the children. The weeks forecasted to be purchased are 77.5 fewer than 2022/23 but the average weekly cost has risen by £1,013, giving rise to a 2023/24 full year equivalent for one placement of £0.311m. As well as residential placements there are a small cohort of children (forecast overspend of £4.028m, an increase of £2.6250m since Q1) 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), although one package of care has cost £57,000 a week. The service is having to use residential care more than they would like because of a shortage of foster placements for some age groups (particularly 14+). The service has also not been able to move as many children as they would have hoped, as quickly as they have wanted, to the one open internal 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 care are higher than last year, and if this trend continues will put downward pressure on numbers. Court timescales are also improving so 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). The Council also has a high number of children placed with parents, most where we are preparing to discharge their care orders.

The residential & extra care package overspends have been slightly offset by forecast underspends of £0.724m on internal & external fostercare packages with 986 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 fostercare. The average unit cost for external fostercare has risen since 2022/23 by £73 per week, and now stands at £925 per week. There are further offsets of the overspend from savings (of £0.730m) that have been identified in this financial year that are required as part of next financial year's MTFS savings requirements. In addition, the Unaccompanied Asylum Seeking Children (UASC) grant is being maximised by £0.480m (Q1 £0.280m) which covers some gross costs of support over many service areas.

Establishment staff (£1.094m overspend) & Agency staff (£3.069m overspend) - There are particular pressures on staffing budgets within the service due to external (statutory/child safeguarding) work demands with caseloads high due to the spike from the start of the first quarter continuing. Some teams are struggling to discharge their statutory obligations and assurance duties. Cover has also had to be arranged where there are pockets of long-term sickness, suspension, and maternity leave (the service is approx. 85% female staffed). There are also roles which nationally are difficult to recruit to and we have seen a significant turnover both in permanent and agency workers moving on where different pay practices by some other local authorities have made their roles more attractive. With those staff that do stay, there a large number of staff at the top of scale while budget is set across the C&F service at mid-point along with a historic 7% vacancy factor. The multiple factors impacting staffing is now causing budgetary overspends in those more stable teams where turnover is low.

This position is replicated across the service and similar to other children's services across the region and nation we are struggling to recruit social workers to front line children's teams. This has resulted in an increased dependency on agency social workers (at high rates never seen before – on average the full cost is over £21,000 more for an agency children's social worker). As a result of a regional and national shortage of agency social workers there is continued upward pressure on agency hourly rates. The introduction of the new social work career pathway will, it is believed, help with recruitment and retention, but this will need to be monitored.

There are a series of proposals being considered/planned to mitigate these overspends including:
(a) a pilot initiative to reduce agency overspend;
(b) new working practices which, it is hoped, will see a positive impact on retention (albeit over a short period), but these are likely to have a negative impact on compliance with the 7% vacancy factor and mid-point budgeting;
(c) Heads of Service are investigating the consequences of a freeze on recruitment other than for social workers; and
(d) investigation is taking place on the possibility of replacing some vacant social worker posts with senior family support workers.

Warwickshire Childrens Homes (£0.879m 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 a

speedy increase in numbers of children placed, currently 2, however there are full time staff vacancies but once recruited the home will look to increase numbers to full capacity. For Homes (b), (c) & (c(a)) planning permission has been delayed and building work is still to be completed but it is hoped that these will be operational by the December 2023 (subject to OFSTED approval). Movements of children into these homes will (based on current external residential costs) help to reduce forecast residential and extra care costs. With these package costs increasing dramatically, the key for the financial success of this programme is the speedy and continuous occupation of the homes. **CiC Transport** - £0.564m overspend. The forecast is currently based upon an estimation of the number of passengers at Q2 and a comparison to last year. The forecast has increased as more information became available closer to the end of the school summer term and the beginning of the autumn term.
Change in the Remaining Service position since the position reported at Q1 (increase of £0.160m)
Since the collation of the Quarter 1 forecasts revealing the scale of the forecasted position there has been a significant discussion and action following an emergency Children and Families Senior Leadership Team (SLT). A C&F Finance Recovery Plan has been developed by the SLT, Finance & Strategic Commissioning, shared with the Executive Director, with 24 actions concentrating (though not exclusively) on the major overspends mentioned above.
Impact of MTFS
Unless lasting 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 – (£0.607m overspend; +5.9%)
Explanation of the Investment Funds underspend (£0.023m)
This variance reflects a hold on some of the SEND & Inclusion Change Programme (SICP). 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. A plan for the “wider” Education Transformation (ETF) work is in progress but yet to be costed. This is not included in the forecast.
Explanation of the Earmarked Reserves overspend (£0.110m)
There is a predicted spend for Schools in Financial Difficulty (£0.110m) which is double the spend in 2022/23 and relates to the required capacity for school improvement activity and reviews within schools. The spend is covered by an earmarked reserve as the required expenditure each year can be unpredictable.
Explanation of the Remaining Service net overspend (£0.520m, +5.1%)
A large part of the forecast overspend is £0.374m on SENDAR is due to staffing (agency cover for long term sickness) and high mediation / legal costs for tribunals. Both of these expenditure types received MTFS (permanent & one-off funding for 2023/24). Mitigation was planned with recruitment having taken place for staff to start in September to reduce reliance on agency cover staff sickness. This strategy was part successful, but further filling of vacancies on a permanent basis is still required. 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).
Change in the Remaining Service position since the position reported at Q1 (increase of £0.232m)
The main change since Q1 is the increase in forecast on Education Psychology of £0.296m which is due to costs of backfilling vacancy gaps and maternity leaves with higher costing contractors.
Impact on the MTFS

There are risks that unless the material overspend in SENDAR is not brought under control then overspends will continue into 2024/25. The 2024/25 budget will decrease as the legal and mediation funding allocated in 2023/24 was one year only.

Education Services DSG – (£13.397m overspend; +5.1% of gross grant

Explanation of the DSG net overspend

The main material forecasted variances are within the High Needs Block, with an overall forecasted overspend of £13.687m.

Material forecasted variances include £3.433m in Mainstream school EHCP top ups, a £7.978m overspend on Independent School places, £1.094m overspend on Specialist Resource Provision and a £1.484m overspend forecasted on Post 16 provision. There is a £1.252m 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 from 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, which are up from 800 to 1,300 in one year (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 for schools, leading to schools declaring that they 'cannot meet need'. Following the latest national data release, the trends in Warwickshire reflect a national picture.

Although there is underspend on AP, further investigation is taking place as this expenditure is across multiple cost centres and when utilised carries high unit costs. The overspend on additional commissions 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.

DfE Delivering Better Value scheme.

The Council is part of tranche 3 of the DfE Delivering Better Value scheme 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 to address the High Needs challenges.

The response to the current challenge is the SEND & Inclusion Change Programme. Live projects currently include 'Inclusion Framework', Emotionally Based School Avoidance, EHC plan top-up funding, and Supported Internships which are all expected to have 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).

No further SEND Change projects are being 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.

An interim manager is helping to gain an understanding of AP budgets due to changes in personnel and handover arrangements. Further work is taking place to ensure that audit trails

Education Services DSG – (£13.397m overspend; +5.1% of gross grant
and tracking is 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. The remaining 3 blocks of the DSG are overall forecasting a £0.290m underspend, due in the main to lower than expected take up of 3–4-year-old provision, but on a £30m+ budget this is immaterial, and the figures are likely to alter once the October and January Census resets for universal provision are accounted for, but there are no current concerns of these areas overspending.
Change in the Remaining Service position since the position reported at Q1 (increase of £4.674m)
Overall, the forecasts have seen a concerning, large (upward) change since Q1. This is the result of better data availability (in part due to the new Academic year) but mainly due to demand changes across the various changes in demand from lower cost education placements (EHCP top-up funds for mainstream and special schools) to more costly packages in the independent sector as well as growth in the number of children being assessed and needing an EHCP. The service is working with the DfE (as part of the DfE SEND Developing Best Value programme) to review the current mitigations by the service but also new mitigations. The plans will also be assured by CIPFA. The major changes in the forecast position relate to the large overspends of mainstream school EHCP top ups, independent school places, specialist resource provision and post-16 provision.
Impact on the MTFS
The 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 £34.103m. The DSG offset reserve currently totals £26.5050m. The current MTFS 2023-2028 provides for a 2024/25 contribution to the DSG offset reserve of £5.992m, and this reduces to £2.394m in 2025/26 and then £1.394m each year from 2026/27. The current upward trajectory of the High Needs overspend is not in alignment with these planned contributions. Once the DBV analysis is completed and new mitigations signed off by the Executive Director for Resources and Executive Director for People, then an increase in MTFS provision is likely to be needed, and it is envisaged to be greater than the current MTFS assumptions.

Resources Directorate

Business and Customer Services (£0.174m overspend; +0.9%)
Explanation of the Investment Funds (£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, a draw down will be made from the Investment Fund once the spend has been incurred.
Explanation of the Earmarked Reserves (£0.115m)
The forecast contribution to reserves arises from the underspend on the Welfare scheme.
Explanation of the Remaining Service net overspend (£0.031m, +0.2%)
There are in-year overspends on salaries within the Community Hub and the Social Care and Support areas of Business Support of £0.305m which are being offset by salary underspends

elsewhere due to vacancies and external funding of £0.274m giving the net overspend of £0.031m.
Change in the Remaining Service position since the position reported at Quarter 1 (reduced overspend of £0.143m)
The reduction in the forecast overspend since that was reported at Quarter 1 is as a result of further in year salary underspends of £0.093m being forecast within Business Support largely as a result of staff vacancies being held and a reduction is the use of agency staff to backfill positions.
Impact on the MTFS
The inability to meet the vacancy turnover allowance within the Community Hub is being monitored, alongside the turnover in other areas of the service which are in part an offset to this. 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 - (£0.199m underspend; -3.1%)
Explanation of the Investment Funds (£0.065m)
The underspend forecast of £0.065m 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 Earmarked Reserves (£0.000m)
There is no movement on Earmarked Reserves forecast.
Explanation of the Remaining Service net underspend (£0.134m, -2.1%)
The remaining underspend of £0.134m is mainly as a result of an underspend of £0.178m from a one off carry forward received to fund temporary posts required to support the achievement of savings not being spent due to recruitment difficulties in addition to in year salary underspends due to vacancies. This is being partially offset by an overspend of £0.073m on salary costs mainly due to the timing of the new structural changes taking place.
Change in the Remaining Service position since the position reported at Quarter 1 (increased underspend of £0.307m)
The forecast has reduced by £0.307m since Q1 due to the revision of the salary forecasts in Contract Management and Quality Assurance to more accurately reflect the recruitment issues.
Impact oon the MTFS
No impacts on MTFS identified.

Enabling Services - (£2.715m overspend; +10.6%)
Explanation of the Investment Funds (£1.356m)
The investment funding net overspend is made up of: • An overspend of £1.550m - Digital Roadmap project where spend has already been granted approval. There is £1.708m available to be drawn down for this stage of the project. This overspend is offset by the following project underspends: • £0.082m - Reusable Components - project dependant on the output of the automation investigation and clarity is expected in September. • £0.064m - Cloud Migration (Data Centre) - underspend expected on the transfer of the contact centre telephony systems to the cloud.

• £0.039m – Business Analyst Support – underspend due to reduced consultancy use in year. • £0.014m - Modern Government - funding no longer required and will be returned.
Explanation of the Earmarked Reserves (£0.376m)
The expected drawdowns on reserves are as follows: • £0.332m - This overspend has occurred as a result of a planned increase of the number of apprenticeships employed - The Going for Growth Apprenticeship Scheme will be used in it's entirety and the remaining balance will be met from the Corporate Apprenticeship Fund. • £0.044m - Synergy Application Support team recently transferred from Education Services - this will be funded by a specific reserve and a joint pressure bid will be submitted as part of the MTFS process.
Explanation of the Remaining Service net overspend (£0.983m, +3.8%)
The remaining service overspend is predominantly as a result of the following: • £1.367m overspend forecast within Property Services. This largely arises from a 271% increase in gas unit costs on contracts procured through ESPO, coupled with increased costs from the business rates revaluation. This forecast overspend is mostly offset by the following underspends: • £0.231m within the Director area. This funding was being held for one off service projects, however since the Quarter 1 reported position this will be used to offset the overspend within Enabling Services. • £0.108m in HR Enabling due to in year staff vacancy underspends. The positions have now been recruited to so this is not expected to be recurrent.
Change in the Remaining Service position since the position reported at Quarter 1 (reduced overspend of £0.864m)
The forecast overspend has reduced by £0.864m since Quarter 1 due to the following: • A reduction in the forecast overspend within Property Services of £0.093m largely due to increased rental income/service charge income, coupled with a reduction in the forecast liability insurance premium of £0.305m being offset with a reduction in capital fee income of £0.224m due to ensuring that internal capital fees only cover costs and don't generate a revenue surplus. • The Director area is now forecasting an underspend of £0.231m due to funds previously held for service area projects now being released to offset areas of overspend within the service. • The overspend within HR of £0.097m that was forecast at Quarter 1 has reduced by £0.205m to give an underspend at Quarter 2. This is mainly because an in depth review of salary forecasts has taken place and anticipated start dates for new posts updated. In addition to this there has been a reduction in the amount required for training and long service awards in year as well as additional income from schools forecast. • Within the ICT areas the forecast overspend has reduced by £0.334m due to new staff vacancies not being forecast to be backfilled, a reduction in the use of agency staff and adjustments being made to contract assumptions where higher inflation rates had been assumed but have not been experienced.
Impact on the MTFS
The biggest impact on the MTFS is the ongoing position in relation to increased utility costs. Bids have been submitted as part of the MTFS refresh.

Finance Service – (£0.193m overspend; +3.0%)
Explanation of the Investment Funds (£0.374m)
System Replacement Funding agreed to support Unit4 project resulting in the cloud migration of the financial system,.
Explanation of the Earmarked Reserves (£0.092m)

The drawdown from the reserve of £0.092m is in relation to the Schools Absence Insurance Scheme and is based on the in year utilisation of the scheme by schools, combined with the trends and experience of the previous two years.
Explanation of the Remaining Service net underspend (£0.089m, -1.4%)
The underspend forecast is largely as a result of in year staff underspends due to vacancies and maternity leave.
Change in the Remaining Service position since the position reported at Quarter 1 (increased underspend of £0.124m)
The underspend forecast is largely as a result of in year staff underspends due to vacancies and maternity leave.
Impact on the MTFS
None

Strategy, Planning & Governance – (£0.314m overspend; +10.4%)
Explanation of the Investment Funds (£0.011m)
The underspend relates to the Policy Review Project. The forecast expenditure reduced due to the policy review being undertaken by Delivery Team and the emphasis changing from pay to strategic workforce.
Explanation of the Earmarked Reserves (£0.019m)
The is an expected draw from reserves to cover the cost of the George Eliot Hospital One Public Estate (OPE) project.
Explanation of the Remaining Service net overspend (£0.306m, +10.2%)
The forecast service overspend is mainly as a result of: • £0.200m overspend within Records Management due to the exit fees at the end of the current contract. Negotiations are ongoing to reduce this fee. • £0.145m overspend in Property Services mainly as a result of increased energy costs for properties with guardians and the backfilling of vacancies with agency staff. • £0.143m overspend in Information Governance due to temporary staff being extended due to a backlog of subject access requests as well as anticipated increased costs of Data Governance Software which is currently out to tender. These overspends are mostly offset by the following underspends: • In year salary savings within Corporate Policy of £0.127m due to vacancies within the graduate trainee cohort. • A net underspend across Legal Services of £0.039m due to external income marginally offsetting the additional costs of demand for Corporate, HR, Property and Legal work for the Council including: management of complaints and data breaches; Covid enquiry; rewrite of the constitution and subject access requests.
Change in the Remaining Service position since the position reported at Quarter 1 (reduced overspend of £0.116m)
The main reason for the reduction in the forecast overspend since Quarter 1 is a revision to the income forecast within Legal Services. There has been an increase in the levels of work in Childrens Safeguarding and SEND appeals as well as more work being undertaken for Transport, Highways and Waste.
Impact on the MTFS
The income 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 with the service, as any incoming new contracts may change the position, as has happened in previous years.

3. Corporate Services and Resourcing

Corporate Services and Resourcing – (£32.405m underspend; +25.8%)
Explanation of the Earmarked Reserves (£10.776m)
• £7.598m to be transferred to top up the DSG offset reserves based on the Q2 DSG forecast overspend. • £3.398m of Market Sustainability & Improvement Fund income will be transferred to earmarked reserves to fund the related expenditure in adult social care. • An underspend of £0.250m will be transferred to the earmarked reserve as the annual contribution to the cost for the quadrennial local elections. • £0.197m will be transferred from the Apprenticeship Levy to fund the forecast overspend arising from the impact of cumulative pay awards. • £0.273m will be transferred from the Commercial Risk Reserve to meet the net deficit of the Warwickshire Recovery and Investment Fund and the Warwickshire Property and Development Group.
Explanation of the Remaining Service net underspend (-£21.629m, -17.2%)
• £17.462m 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. • £10m additional income due to improved returns on our investments linked to the recent increases in interest rates. • £2.1m saving on interest payments by using our cash balances to repay some loans early. • £1.2m reduction in Minimum Revenue Provision for the repayment of principal on our loans 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 £1.6m will only partially meet the extra cost and this overspend represents the remaining in-year cost. • A £7.598m 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 £41.935m 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 £41.935m above there is an additional £1.832m 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 – £15.758m:

- A444 Corridor Improvements - Phase 2 (£1.840m) - 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 (£4.863m) - 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 the 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 (£2.764m) - This scheme has been reprofiled due to the start date moving back to winter 2023.
- A47 Hinckley Road Corridor Scheme (£0.762m) - 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 which are detailed in the annexes A to M.

Fire & Rescue - £0.402m:
- Fire & Rescue HQ Leamington Spa - £1.987m - Leamington Headquarters Refurbishment is currently on hold whilst discussions take place and strategic decisions are made. The Service will be requesting a budget virement of £1.8m (exact figure to be confirmed at Q3 reporting) from this project to the Minerva Paynes Lane project. A further report will be taken to Cabinet for formal approval of this required forecast position.

Economy and Place - £2.037m:
- Warwick Town Centre (£1.175m) - delays for Warwick TC are due to delays in getting roadspace for construction due to pressure from other schemes in the area.
- All electric bus initiative (£0.583m) - uncertainty over the future bus service provision caused a delay in determining the electric bus requirements of the service. The requirements have now been defined.
- 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 - £0.172m:
- Children's Homes (£0.171m) - The works to create the children's homes have been reviewed and pushed back into 2024-25 due to logistical issues around the availability of contractors and various permissions.

Education Services - £22.612m:
- Long Lawford permanent expansion (£0.400m) - Project delivery (car park/drop-off facility) delayed by S278 approval and expired planning permission. Forecast revised based on estimated January 2024 start date.
- Oakley School primary phase temporary solutions (£0.208m) - Work has been delayed at St Margaret's due to costs increasing. The project is being value engineered and a requote from the Contractor is anticipated. An overspend is now being forecast.
- Stratford Upon Avon School 2 form entry expansion (£10.697m) - Project delivery delayed by planning permission delays & budget pressures. Project not started in July 2023 as planned at Q1. Estimated start date now April 2024. Additional funding subject to future Cabinet report & approval.
- 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 M.

Strategic Commissioning for People and Public Health - £0.071m:

- Adult Social Care modernisation (£0.071m) Organisation awarded funds to install Changing Places facility has declined due to timescales. Alternative venues are unable to commit to deliver within year 23/24. Anticipated that expenditure will take place in 2024/25.

Enabling Services - £0.278m:

- Lillington Academy Conversion to Academy Works (£0.278m) - Delays have been caused by the need to fit a new electrical power unit on site. Works are now delayed until 2024-25.

Strategy, Planning & Governance - £0.605m:

- Acquisition of land in Warwick (£0.028m) - The budget phasing has been adjusted to allow for post-occupation works.
- Strategic Site planning applications (£0.100m) Projected costs in meeting legal obligation to provide a serviced site to the DfE. Capital works include demolition (underway) and bovine remediation where the detail is to be determined. Works projected to be completed 2023/24. Professional fees supporting works being invoiced as the scheme progresses.
- Land at Leicester Lane Cubbington (£0.475m) The land has been returned back to the owner and the Council are now awaiting a dilapidation report to agree the way forward.

Expected cost increases above currently approved capital funding

Service	Project	2023/24 Forecast above approved capital allocation (£m)	2024/25 Forecast above approved capital allocation (£m)	Total Forecast above approved capital allocation (£m)
Education Services	New School, The Gateway, Rugby	0.573		0.573
Education Services	Stratford upon Avon Secondary School		4.005	4.005
Education Services	Oakley Grove Reception Contingency 23 Bulge Class		0.039	0.039
Environment Planning and Transport	A46 Stoneleigh Junction Improvement	1.830		1.830
Fire and Rescue	F&R Training Programme: Paynes Lane Minnerva & Response Point	1.800		1.800
Fire and Rescue	Fire & Rescue HQ Leamington Spa	(1.800)		(1.800)
Total		2.403	4.044	6.447

- There will be a Cabinet report seeking approval in relation to the Fire schemes where the ambition is to switch already approved funding between projects.
- Further work is required for Environment Services and Education to either mitigate the cost increases identified or identify funding for the projects which currently expecting shortfalls. For Education schemes the further utilisation of Basic Needs funding could be considered however, this may lead to future gaps on other necessary schemes which need funding in a market of rising costs.
- The team working on the A46 Stoneleigh scheme are currently exploring various options. Corporate Board will consider the risks associated with the scheme in early November.