Cabinet

23 January 2024

2023-24 Financial Monitoring – Forecast Position as at Quarter 3

Recommendations

That Cabinet:

1. notes the forecast net service overspend of £7.281m (1.9%) 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 £6.857m, and the consequent shortfall against the target;

3. notes the forecast capital spend for 2023/24 of £151.389m; and

4. notes and approves the movement in the forecast spend on the capital programme of £51.256m from 2023/24 into future years and notes the carry forward of Corporate schemes of £31.950m and S278 contributions of £0.184m.

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 third quarter.

1.2. The current analysis includes:
- capital and revenue financial performance;
- explanations for variations, any mitigating actions and an assessment of any impacts on service delivery; and
- an indication of those areas where the current forecasts carry the greatest risk of further movement before the end of the financial year due to demand volatility and assumptions that could still change.

2. Summary

2.1. Revenue Forecast Summary

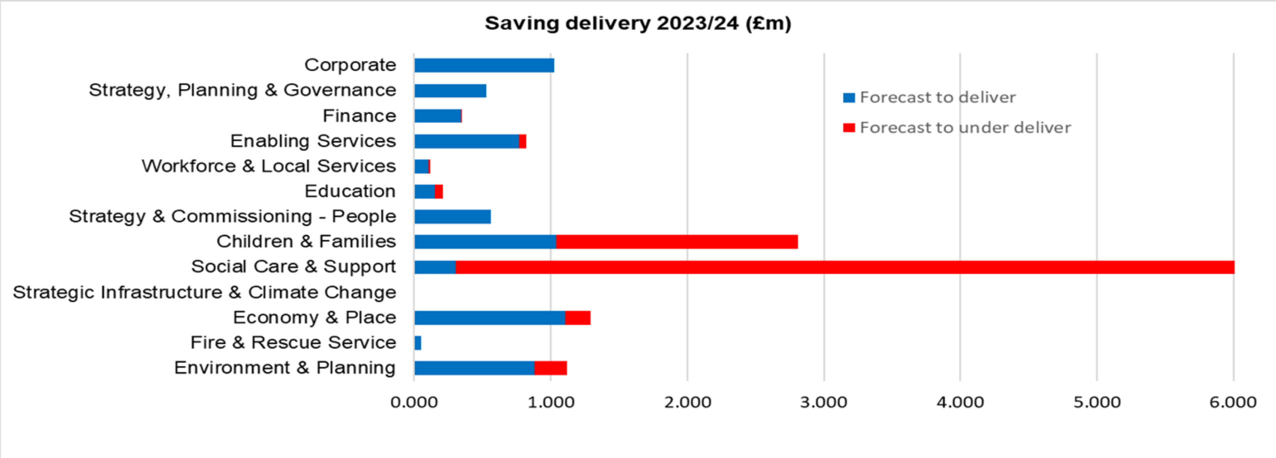
		Q3 Forecast £m	Q2 Forecast £m	Change Q2 to Q3 £m
Approved Budget		374.171	384.423	(10.252)
Net forecast as at Quarter 3		392.936	400.770	(7.834)
Net overspend		**18.765**	**16.347**	**2.418**
Reason for, and resourcing of the overspend				
• Investment Funds variance: reprofiling into future years and/or reduced spend drawdowns from the Investment Funds		4.193	3.139	1.054
• Movement to/from Earmarked Reserves: spend to be financed from other Earmarked Reserves		1.202	2.263	(1.061)
• DSG total variance at Q3: 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	0.000
Residual service variance:	**Q3 split:**	**7.281**	**4.856**	**2.425**
• Overspend to be funded from Directorate Risk Reserve	26.403			
• Underspend to transfer from the 'Available for Use' Reserve	(19.122)			

The headline forecast overspend is £18.765m 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 £7.281m (1.9% 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 1.9% is below the +/- 2% target set as part of the performance management framework and is within acceptable parameters. The approved budget has reduced by £10.252m since Q2 the reason for this change is explained in the reserves section of this report, paragraph 7.3.

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 increase in net overspend from Q2 to Q3 is £2.418m. The remaining service overspend has increased by £2.425m since Q2 and this will need to be funded from one-off resources, including the use of the Directorate Risk and Available for Use reserves, if actions to bring service spend more into line with the approved budget do not deliver a material downward change in spending.

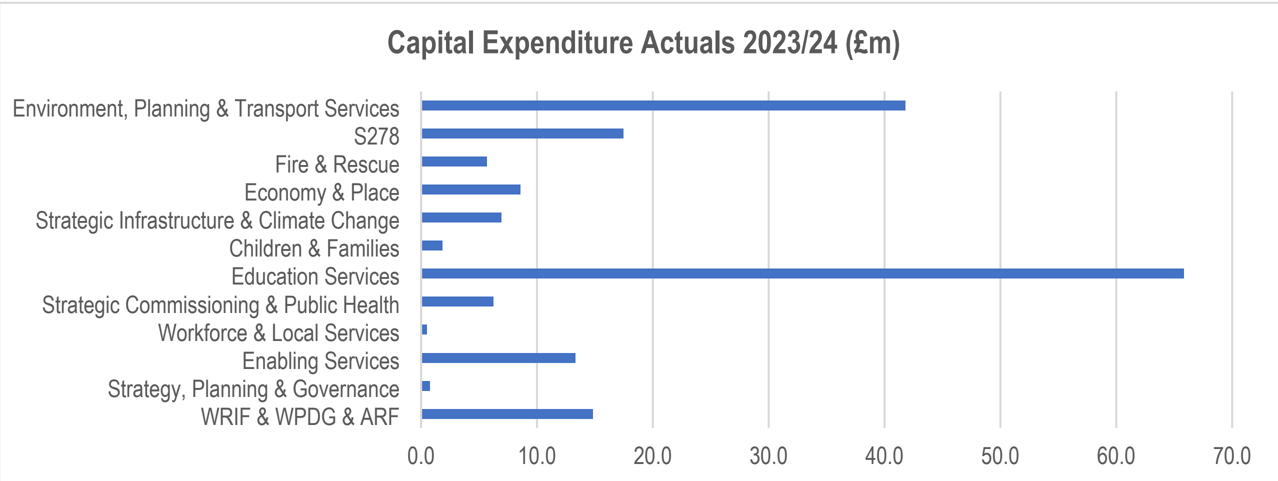
The current Dedicated Schools Grant (DSG) forecast is a £16.374m overspend. Within this there is a £17.514m High Needs block deficit in 2023/24, giving a forecast cumulative High Needs DSG deficit of £37.930m by the end of this financial year. The DSG Offset Reserve is currently £26.505m, which leaves a shortfall and additional budget pressure of £11.425m 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 Q3 £6.857m (45%) is forecast to be delivered in line with the plan, with £8.301m (55%) forecast not to be delivered. For details on saving performance please refer to Section 5.

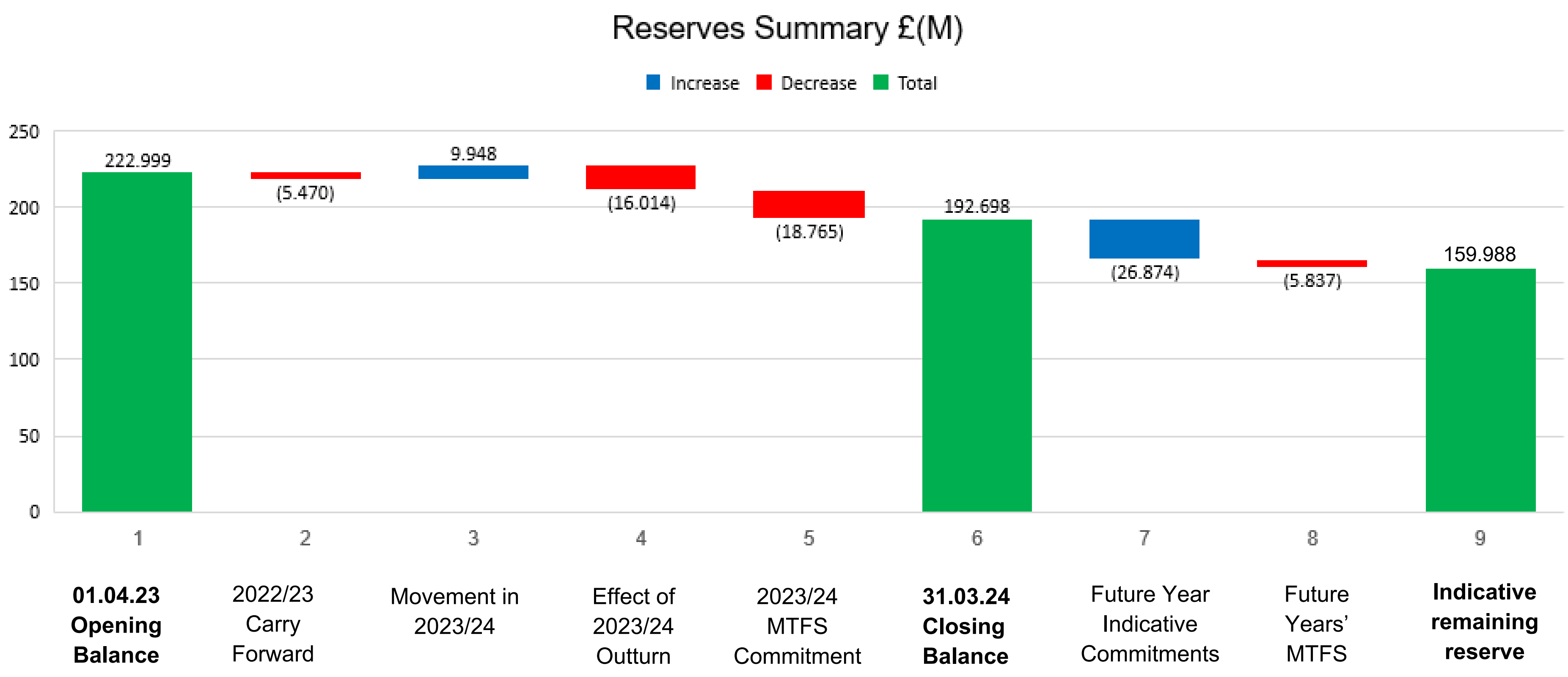
2.3 Capital Forecast Summary



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

The total controllable forecast capital spend for 2023/24 is £151.389m. A further £17.454m 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 £14.823m 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 £63.011m over the period of the MTFS to £159.988m. The future MTFS commitments are subject to change as a result of the on-going refresh of the Strategy.

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

3. Revenue Forecast by Service

Service Area	Approved Budget	Service Forecast	(Under) /Over spend	% Change from Budget	Change from Q2 forecast	Represented by:			% change from Approved Budget	Remaining Service Variance Change from Q2 forecast
						Investment Funds	Impact on Earmarked Reserves	Remaining Service Variance		
	£m	£m	£m		£m	£m	£m	£m		£m
Communities										
Environment & Planning	60.478	66.907	**6.429**	**10.6%**	1.294	0.000	0.225	6.204	**10.3%**	1.132
Fire & Rescue	25.424	25.525	**0.101**	**0.4%**	(0.127)	0.000	0.180	(0.079)	**(0.3%)**	(0.079)
Economy & Place	25.074	24.979	**(0.095)**	**(0.4%)**	(0.772)	(0.185)	(0.154)	0.244	**1.0%**	(0.587)
Strategic Infrastructure & Climate Change	2.067	2.063	**(0.004)**	**(0.2%)**	0.033	0.000	0.000	(0.004)	**(0.2%)**	0.033
Subtotal Communities	**113.043**	**119.474**	**6.431**	**5.7%**	**0.428**	**(0.185)**	**0.251**	**6.365**	**5.6%**	**0.499**
People										
Social Care & Support	210.678	222.243	**11.565**	**5.5%**	(0.345)	0.000	3.398	8.167	**3.9%**	(0.345)
Children & Families	83.462	97.317	**13.855**	**16.6%**	1.229	0.926	0.495	12.434	**14.9%**	1.600
Strategic Commissioner for People	37.539	38.116	**0.577**	**1.5%**	(0.148)	0.000	1.305	(0.728)	**(1.9%)**	(0.099)
Education Services - Non-DSG	10.551	10.875	**0.324**	**3.1%**	(0.283)	0.015	0.262	0.047	**0.4%**	(0.473)
Subtotal People	**342.230**	**368.551**	**26.321**	**7.7%**	**0.453**	0.941	**5.460**	**19.920**	**5.8%**	**0.683**
Resources										
Enabling Services	28.658	31.211	**2.553**	**8.9%**	0.142	1.277	0.081	1.195	**4.2%**	0.024
Finance	17.112	16.769	**(0.343)**	**(2.0%)**	(0.598)	0.400	(0.209)	(0.534)	**(3.1%)**	(0.505)
Strategy, Planning & Governance	6.246	7.511	**1.265**	**20.3%**	0.759	1.771	0.000	(0.506)	**(8.1%)**	(0.755)
Workforce & Local Services	10.815	11.039	**0.224**	**2.1%**	(0.088)	(0.011)	0.272	(0.037)	**(0.3%)**	(0.028)
Subtotal Resources	**62.831**	**66.530**	**3.699**	**5.9%**	**0.215**	**3.437**	**0.144**	**0.118**	**0.2%**	**(1.264)**
Subtotal Directorates	**518.104**	**554.555**	**36.451**	**7.0%**	**1.096**	**4.193**	**5.855**	**26.403**	**5.1%**	**(0.082)**
Corporate Services and DSG										
Corporate Services & Resourcing	(143.931)	(177.991)	**(34.060)**	**23.7%**	(1.655)	0.000	(14.938)	(19.122)	**13.3%**	2.507
DSG expenditure (Education Spending)	263.363	282.275	**18.912**	**7.2%**	5.515	0.000	18.912	0.000	**0.0%**	0.000
DSG income	(263.365)	(265.903)	**(2.538)**	**1.0%**	(2.538)	0.000	(2.538)	0.000	**0.0%**	0.000
Subtotal Corporate Services and DSG	**(143.933)**	**(161.619)**	**(17.686)**	**12.3%**	**1.322**	**0.000**	**1.436**	**(19.122)**	**13.3%**	**2.507**
Total	**374.171**	**392.936**	**18.765**	**5.0%**	**2.418**	**4.193**	**7.291**	**7.281**	**1.9%**	**2.425**

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 £18.765m representing 5.0% 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 social care and education-related services (including Home to School Transport), 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 the 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 in relation to the High Needs DSG, which remain materially underfunded to meet statutory requirements for the level of demand, and associated costs, 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 £16.374m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q3 2023/24 £m	Cumulative forecast variance as at Q3 £m
Schools Block	(0.119)	(0.613)
Early Years Block	(1.138)	(4.479)
High Needs Block	17.514	37.930
Central Services Block	0.117	(0.367)
Total	**16.374**	**32.470**

The most significant element is the forecast overspend of £17.514m on the High Needs Block (HNB). The material forecast overspends include £3.375m in mainstream school Education, Health and Care Plan (EHCP) top-ups, £2.268m overspend in Special school EHCP top-ups, a £9.370m overspend on independent school places, a £1.198m overspend on specialist resource provision and a £1.293m overspend on Post 16 provision.

Factors impacting pressures in the High Needs Block include 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.

The Council is part of tranche 3 of the Department for Education (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 2024) and growth of resourced provisions (with 4 more resourced provisions coming online in September 2023 bringing to total to 23). Further plans will be developed once the Delivering Better Value work is completed including further extension of resource provision.

ii.) **Environment, Planning & Transport remaining service overspend of £6.204 (+10.3% of approved budget)**

The primary reason for this forecast overspend is Home to School SEND transport forecasting to overspend by £3.293m and mainstream transport forecasting to overspend by £2.600m. This is a combined total forecast overspend of £5.893m which is a considerable increase on the Quarter 2 combined forecast of £4.733m. The cause of the overspends in both areas is the increasing demand for services, the distance individuals are being transported due to the increase of in year admissions, increased interim transport costs for excluded pupils and increasing contract prices.

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. In addition to the cross-party Member Working Group that is reviewing the actions being taken under each of the SEND transport project workstreams, the Executive Director for Communities has launched a project working group. This group is in its early stages and includes officers from Transport, Education, Finance and PMO and is looking to undertake quick targeted work to maximise the impact on spending levels within Home to School transport. This group will also oversee external support to do focused work to understand, validate and get the best use of our data and prioritise a programme of work to deliver rapid improvement. Further details of this are within Appendix A.

iii.) **Social Care and Support remaining service overspend of £8.167m, (+3.9% of approved budget)**

The Service’s overspend is largely attributable to the increase in demand, inflationary pressures and recruitment difficulties preventing the delivery of planned transformation activity and the realisation of related savings of £5.969m. The rest of 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.

The majority of the Service's forecast overspend is within the Older People's Service, which is forecast to overspend by £10.081m across the provision of residential, nursing and domiciliary care.

This is a product of both the growth in the number of service users 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.

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 £12.434m (+14.9% 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 - £4.538m overspend & £3.814m overspend - This is predominantly due to market price rises and increased needs of the children. As well as residential placements there is a small cohort of children (forecast overspend of £3.814m) where the market cannot accommodate the children and the Service has to look after them with high-cost wrap around "extra care" packages. To date 31 children have been supported by these packages, currently there are 3 "Live" 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. Matching challenges expected to reduce for future children's homes as they will not be required to comply with age restrictions.

Warwickshire Children's Homes - £0.845m 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 one child 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 end of January 2024. Very slow regulatory approvals and staffing challenges lead to the delay in opening these homes. 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 (£0.767m overspend) & Agency staff (£3.388m 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. Some roles remain very difficult to recruit to nationally, leading to increasing agency rates. There are a series of proposals being considered to mitigate these overspends, details of which are provided in Appendix A.

Children-in-Care Transport - £0.688m overspend - The forecast is currently based upon a best estimation of the number of passengers at Q3 and a comparison to last year. 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.

iv.) **Enabling Services remaining service overspend of £1.195m (+4.2% of approved budget)**
There is a £1.074m overspend within Property Services which relates to increased utility costs coupled with an increase in business rates (£0.350m) following revaluations.

v.) **Corporate Services remaining service underspend of £19.122m (13.3% 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 £14.6m due to savings in capital financing costs and higher returns on our investments. This is offset by the DSG overspend which is £11.4m higher than provided for in the 2023/24 budget, and £1.514m being the difference between budgeted pay award and the agreed pay deal 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 £7.281m.

The majority of the forecast underspend in Corporate Services reflects additional income that has already been included within the MTFS resource forecasts presented to Cabinet in December 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 Q3 £6.857m (45%) is forecast as on target to be delivered this financial year, leaving a significant shortfall of £8.301m (55%). The forecast improved since the second quarter by £0.248m (1%).

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, in the current financial year maintaining this level of savings delivery is proving 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. Where alternative delivery options have been identified (6 schemes) the saving is reported as delivered in the table below. Service have found options where possible but service pressures have made it near impossible for the most financially challenged services to find alternative savings in-year.

Service	Savings Target £m	Forecast delivery £m	Nº of Schemes	Forecast under-delivery £m	Nº of Schemes
Environment & Planning	1.119	0.882	4	0.237	1
Fire and Rescue Service	0.050	0.050	1		
Economy & Place	1.294	1.104	7	0.190	2
Strategic Infrastructure and Climate Change	0.002	0.002	1		
Communities Directorate	**2.465**	**2.038**	**13**	**0.427**	**3**
Social Care and Support	6.269	0.300	1	5.969	7
Children & Families	2.814	1.042	4	1.772	6
Strategy & Commissioning - People	0.560	0.560	4		
Education	0.209	0.150	3	0.059	2
People Directorate	**9.852**	**2.052**	**12**	**7.800**	**15**
Workforce & Local Services	0.115	0.102	2	0.013	1
Enabling Services	0.819	0.769	7	0.050	1
Finance	0.350	0.339	6	0.011	1
Strategy, Planning & Governance	0.529	0.529	11		
Resources Directorate	**1.813**	**1.739**	**26**	**0.074**	**3**
Corporate	1.028	1.028	8		
Total	**15.158**	**6.857**	**59**	**8.301**	**21**

5.3. Of the savings forecast not to deliver, 90% is attributable to schemes where services are struggling to deliver the planned reductions in demand through service re-design. The other 10% is attributable to schemes where income streams have not increased as planned or due to insufficient cost reduction from third party contracts.

5.4. Social Care and Support and Children and Families are responsible for £7.741m (93%) 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. The greatest proportion of the shortfall (£5.969m) is attributable to Social Care and Support where the planned savings were predicated on the effective management (reduction and re-phasing) of social care demand as well as mitigation of cost increases of externally commissioned care. The savings have not been delivered due to inflationary pressures on third party contracts, recruitment challenges in reablement preventing planned transformation activity to deliver the expected benefits and the greatly increasing demand for Care Act eligible services. The combination of these factors, but especially the demand pressures has not only prevented the Service from delivering the planned savings but also led to a material overspend in the current financial year.

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

MTFS Impact

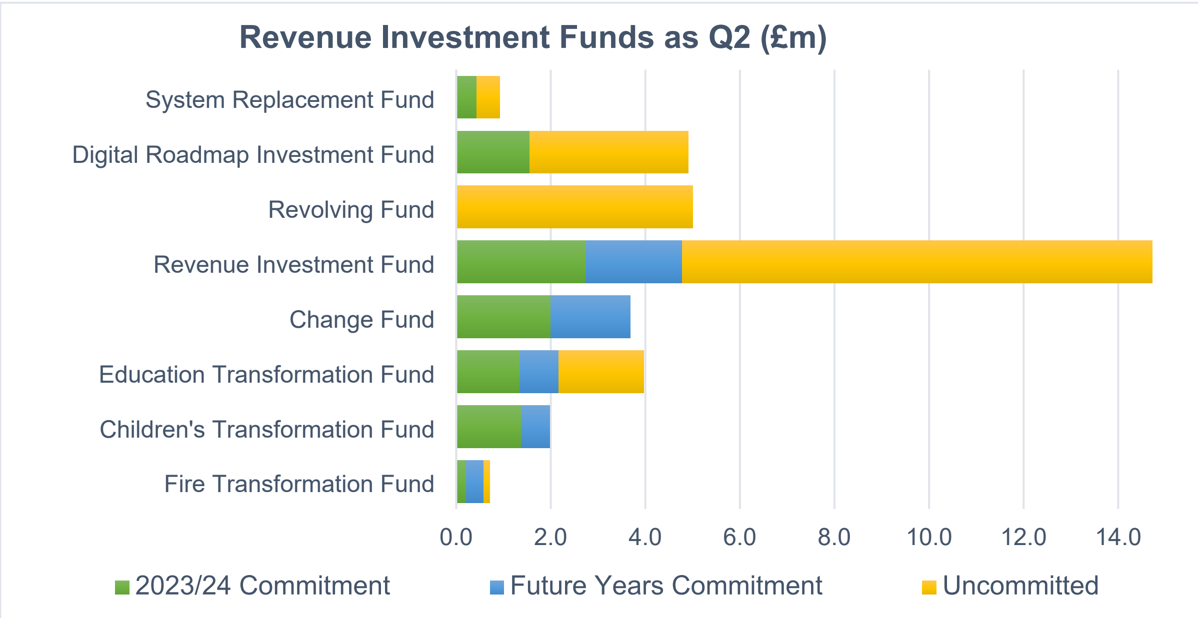
5.6. The majority of the savings this year and in future years are within People Directorate and predicated on reducing demand and cost. The table below shows at a high level the savings forecast not to deliver this year and level of saving in the MTFS at risk in future years.

Service	Forecast under delivery in 2023/24	Savings not forecast to deliver with growth targets in MTFS		
		2024/25	2024-28	N° of Schemes
	£m	£m	£m	
Communities Directorate	0.4	0.1	0.1	1
People Directorate	7.8	8.3	30.9	10
Resources Directorate	0.1	-	0.1	1
Total At Risk	**8.3**	**8.4**	**31.0**	**12**
Savings Required in the MTFS	**15.2**	**16.7**	**52.5**	**70**
% at Risk	**55%**	**50%**	**59%**	

5.7. The pressures being faced this year mean that the MTFS needed to be recalibrated and refocused to ensure that the organisation stays on a sustainable path over the medium-term. Finding solutions to reduce demand remains critical to the achievement of savings included in the MTFS as saving plans related to demand management in Social Care and Support make up £23.443m (33.8%) of the current savings proposals. Better procurement and service redesign in Children and Families, that proved to be challenging in the current year, will also need to be achieved to deliver £10.872m (15.7% of planned savings) within the MTFS period.

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 and two projects, totalling £0.062m, to invest in the delivery of our Sustainable Futures priority. Performance against individual projects is listed in Annexes A to M of Appendix C in this report.

6.4. Given the difficult financial position of the organisation in the current financial year, officers limited the bids to the RIF to the most essential and unavoidable projects. The projects that have been put forward for Cabinet approval have undergone rigorous evaluation to ensure they support the delivery of the Council's objective and represent good value for money.

6.5. 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 £0.867m in this fund including the £0.500m agreed in the budget resolution, £0.400m has been allocated to deliver the Unit 4 Capital and Cloud Migration project, leaving £0.467m available to spend in the remainder of the financial year. Any unused funding will be carried forward to meet investment need in future years.

6.6. 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.

6.7. Following the overspend forecast reported at the end of Q1, the revised strategic approach requires new investment/change spending to deliver savings/cost avoidance based on a standstill service quality rather than investment in service improvement. This approach prioritises the long term 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 Q3: Adjustment to balance Risk Reserves	MTFS Allocation 2024-2028 (incl reserves review)	Indicative Balance at 31/03/2029
	£m	£m	£m	£m	£m	£m	£m	£m
DSG Deficit (inc Early Years, Schools, High Needs)	(16.097)	-	-	(16.374)	(32.471)	-	(18.000)	(50.471)
DSG High Needs Offset Reserve	21.650	-	4.855	11.425	37.930	-	18.000	55.930
Other Schools Reserves	21.213	-	-	0.209	21.422	-	-	21.422
Externally Earmarked Reserves	12.029	(0.375)	(2.819)	(0.937)	7.898	-	(0.016)	7.882
Internal policy/projects	15.421	(0.248)	(0.845)	(1.599)	12.728	-	(1.183)	11.545
Corporate Investment Funds	26.192	5.000	(1.851)	(4.193)	25.147	-	(5.880)	20.551
Volatility reserves	57.271	2.300	(1.492)	(0.015)	58.064	-	(2.476)	55.588
Management of Financial Risk	34.791	-	11.832	(26.403)	20.448	15.963	(0.037)	36.374
Available to Use Reserve	50.530	(22.691)	(5.200)	19.122	41.532	(15.963)	(24.402)	1.167
Total	**222.999**	**(16.014)**	**4.478**	**(18.765)**	**192.698**	**-**	**(32.710)**	**159.988**

7.1. As at Q3 we are using £30.301m of reserves to support spending in 2023/24, this is £8.769m more than 2022/23. It is made up of the approved carry forwards, funding for investment and transformation projects, 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.

7.2. The movement in reserves has increased by £10.252m since Q2. As approved by Cabinet, the budget has increased by a corresponding £10.252m, due to the following changes:

- £10.373m planned transfer to reserves to provide for the risk of service overspend in future years funded from one-off underspend on capital financing;
- £0.111m from the Service Realignment Fund to fund qualifying redundancy and pension payments incurred; and
- £0.010m 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 £15.963m 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 £18.765m. 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. Using this level of reserves to mitigate unplanned overspends is not sustainable. Whilst currently our reserves remain healthy, with the planned use of reserves appropriate and managed over the medium term, it is critical that Services continue to identify solutions to mitigate the current year overspend.

7.6. As part of the MTFS refresh a detailed reserves review took take place in November 2023 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. As a result of this review £3.712m has been transferred from earmarked reserves to the Available to Use Reserve.

7.7. Corporate Board's MTFS proposals presented to Cabinet in December 2023 require £28.114m in the MTFS period to support time limited investments in service delivery. Based on Corporate Board's proposals and the Q3 forecast, £1.167m will be remaining in the Available to Use reserve by the end of 2028/29. This represents a risk to the Council.

7.8. The work currently underway with the Department for Education (Delivering Better Value) suggests that the level of deficit relating to the Dedicated Schools Grant could reach £150m by the end of 2027/28 even if all suggested mitigating actions successfully implemented. A national solution is urgently required but it is unlikely to be in place for 2024/25 therefore our current assumptions include setting aside £18m in 2024/25 to ensure that the Authority remains financially sustainable. Unless there are material levels of additional resources provided by the Government and fundamental system changes at a national level, it appears unaffordable for the Authority to continue to make provision for the deficit beyond 2024/25 at this point in time.

7.9. The Government has put in place a statutory override until March 2026 that means that authorities do not have to make good their accumulated deficit until this point. The financial assumption in the current MTFS proposals is that the Authority will take advantage of the statutory override from April 2025 onwards and commit to implementing the options available to make good the accumulated deficit (such as taking out additional borrowing or raising the council tax) when the statutory override is lifted. In the continuing absence of a clear policy to address this longstanding issue and provide a mechanism for a financially sustainable solution this would represent a step change in the Authority's underlying financial risk.

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 took 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 is reflected in the forecast presented in this report as well as in the MTFS proposals put forward to Cabinet in December 2023. Whilst not resolving the overspend position the impact of the Financial Recovery Strategies, excluding DSG, has been to stabilise the position overall with a reduction in the forecast overspend in services of £0.082m despite some areas continuing to experience upwards demand and cost pressures.

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 £151.389m and a total capital programme of £626.029m.

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 and Q2 changes have had on the original approved budget.

9.4. The Capital Investment Fund (CIF) balance which is not included in the figures below is £84.700m 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 only £0.993m available for any new pressures. It is expected all funds will be fully allocated by the end of the MTFS period.

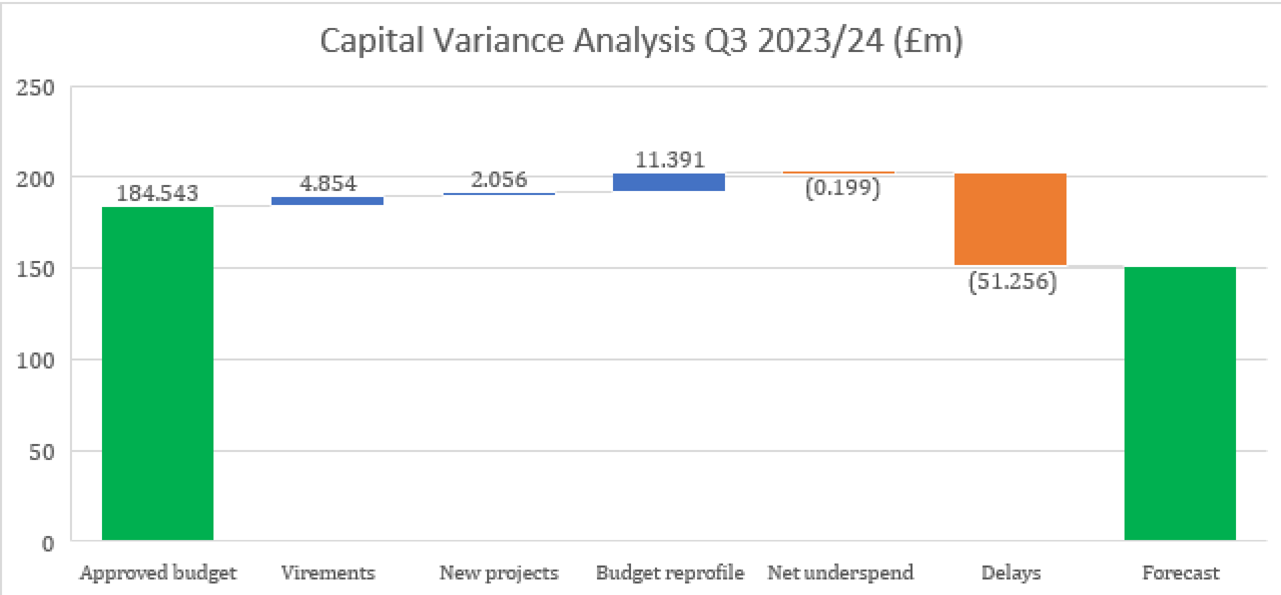
	2023/24			2024/25 to 2027/28		
	Original Budget £m	Virements @ Q1 & Q2 £m	Current Approved Budget £m	Original Budget £m	Virements @ Q1 & Q2 £m	Current Approved Budget £m
Environment, Planning & Transport Services	60.910	(0.114)	60.796	69.887	2.105	71.992
Fire and Rescue	3.095	2.807	5.901	1.292	(0.899)	0.392
Economy & Place	14.531	(4.713)	9.818	34.179	(13.856)	20.324
Strategic Infrastructure & Climate Change	-	3.290	3.290	-	19.224	19.224
Communities	**78.536**	**1.269**	**79.805**	**105.358**	**6.574**	**111.932**
Children and Families	1.140	0.692	1.832	1.186	0.459	1.645
Education Services	79.256	1.485	80.740	50.180	6.133	56.313
Social Care & Support	-	-	-	0.313	0.009	0.322
Sc for People & Public Health	5.870	0.447	6.317	-	-	-
People	**86.265**	**2.624**	**88.890**	**51.679**	**6.601**	**58.280**
Workforce & Local Services	0.511	0.750	1.261	0.336	0.750	1.086
Enabling Services	16.074	3.363	19.437	5.198	1.283	6.481
Strategy, Planning & Governance	3.155	(3.155)	-	0.895	(0.895)	-
Resources	**19.740**	**0.958**	**20.698**	**6.428**	**1.138**	**7.566**
Controllable capital programme	**184.543**	**4.851**	**189.397**	**163.465**	**14.313**	**177.778**
Corporate: WPDG / WRIF / ARF	45.973	0.800	46.773	161.614	3.200	164.814
WCC Capital Programme	**230.516**	**5.651**	**236.169**	**325.079**	**17.513**	**342.592**
S278 funded schemes	27.170	(9.187)	17.983	26.205	(14.518)	11.687
Total Capital Expenditure	**257.686**	**(3.536)**	**254.152**	**351.284**	**2.995**	**354.279**

Capital Forecast by Service

9.5. The forecast of 2023/24 capital payments directly controllable by the Authority of £151.389m excludes the forecast spend on S278 developer schemes of £17.454m and corporate allocations for WPDG, WRIF and ARF (Asset Replacement Fund) of £14.823m. 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 £183.666m.

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 £151.389m.



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	Actual £m	Variance £m	£m
Environment, Planning & Transport Services	60.796	41.775	(19.021)	71.992	113.382	41.390	22.368
Fire and Rescue	5.901	5.695	(0.206)	0.392	0.598	0.206	-
Economy & Place	9.818	8.547	(1.271)	20.324	21.284	0.961	(0.310)
Strategic Infrastructure & Climate Change	7.278	6.944	(0.334)	24.810	25.142	0.332	(0.001)
Communities	**83.793**	**62.962**	**(20.831)**	**117.518**	**160.407**	**42.889**	**22.057**
Children and Families	1.832	1.814	(0.019)	1.645	1.661	0.016	(0.003)
Education Services	80.740	65.825	(14.916)	56.313	71.210	14.897	(0.019)
Social Care & Support	-	-	-	0.313	0.313	-	-
Sc for People & Public Health	6.317	6.225	(0.092)	-	0.092	0.092	-
People	**88.890**	**73.863**	**(15.026)**	**58.271**	**73.276**	**15.005**	**(0.021)**
Workforce & Local Services	0.511	0.511	-	0.336	0.335	-	-
Enabling Services	15.453	13.303	(2.150)	0.895	3.041	2.147	(0.003)
Strategy, Planning & Governance	0.750	0.750	-	0.750	0.750	-	-
Resources	**16.714**	**14.564**	**(2.149)**	**1.980**	**4.127**	**2.146**	**(0.003)**
Controllable capital programme	**189.397**	**151.389**	**(38.009)**	**177.769**	**237.809**	**60.040**	**22.032**
Corporate: WPDG / WRIF / ARF	46.773	14.823	(31.950)	164.814	196.764	31.950	-
WCC Capital Programme	**236.169**	**166.212**	**(69.959)**	**342.583**	**434.573**	**91.990**	**22.033**
S278 funded schemes	17.982	17.454	(0.528)	11.687	7.789	(3.898)	(4.426)
Total Capital Expenditure	**254.152**	**183.666**	**(70.487)**	**354.270**	**442.362**	**88.092**	**17.606**

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 Q3	Net over / underspend forecast	Budget Reprofile in year	Delays expected	Forecast In year capital spend Q3	% 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	60.795	2.056	(0.179)	0.614	(21.513)	41.773	34.33%
Fire and Rescue	5.902	-	-	0.196	(0.402)	5.696	6.81%
Economy & Place	9.821	-	-	2.818	(4.088)	8.551	41.62%
Strategic Infrastructure & Climate Change	7.274	-	-	-	(0.330)	6.944	4.54%
Children & Families	1.832	-	-	0.070	(0.088)	1.814	4.80%
Education Services	80.741	-	(0.020)	7.697	(22.592)	65.826	27.99%
Social Care	-	-	-	-	-	-	-
Strategic Commissioning for People & Public Health	6.317	-	-	-	(0.092)	6.225	1.46%
Workforce & Local Services	0.511	-	-	0.001	-	0.512	-
Enabling Services	15.453	-	-	-	(2.150)	13.303	13.91%
Strategy, Planning & Governance	0.750	-	-	-	-	0.750	-
Services Capital Programme	**189.397**	**2.056**	**(0.199)**	**11.396**	**(51.256)**	**151.389**	**27.09%**
Corporate (WPDG & WRIF & ARF)	46.773	-	-	-	(31.950)	14.823	68.31%
WCC Capital Programme	**236.169**	**2.056**	**(0.199)**	**11.396**	**(83.205))**	**166.212**	**35.26%**
S278 Developer Funded Schemes	17.983	(0.003)	(0.341)	0.001	(0.184)	17.456	1.04%
Total Capital Expenditure	**254.152**	**2.053**	**(0.540)**	**11.397**	**(83.390)**	**183.666**	**32.88%**

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 £2.053m 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 £39.860m 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 Q3 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	0.039	0.612
Environment Planning and Transport	-	0.446	0.446
Total	0.573	0.485	1.058

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 to support improved costing of projects before they are brought to Members for approval.

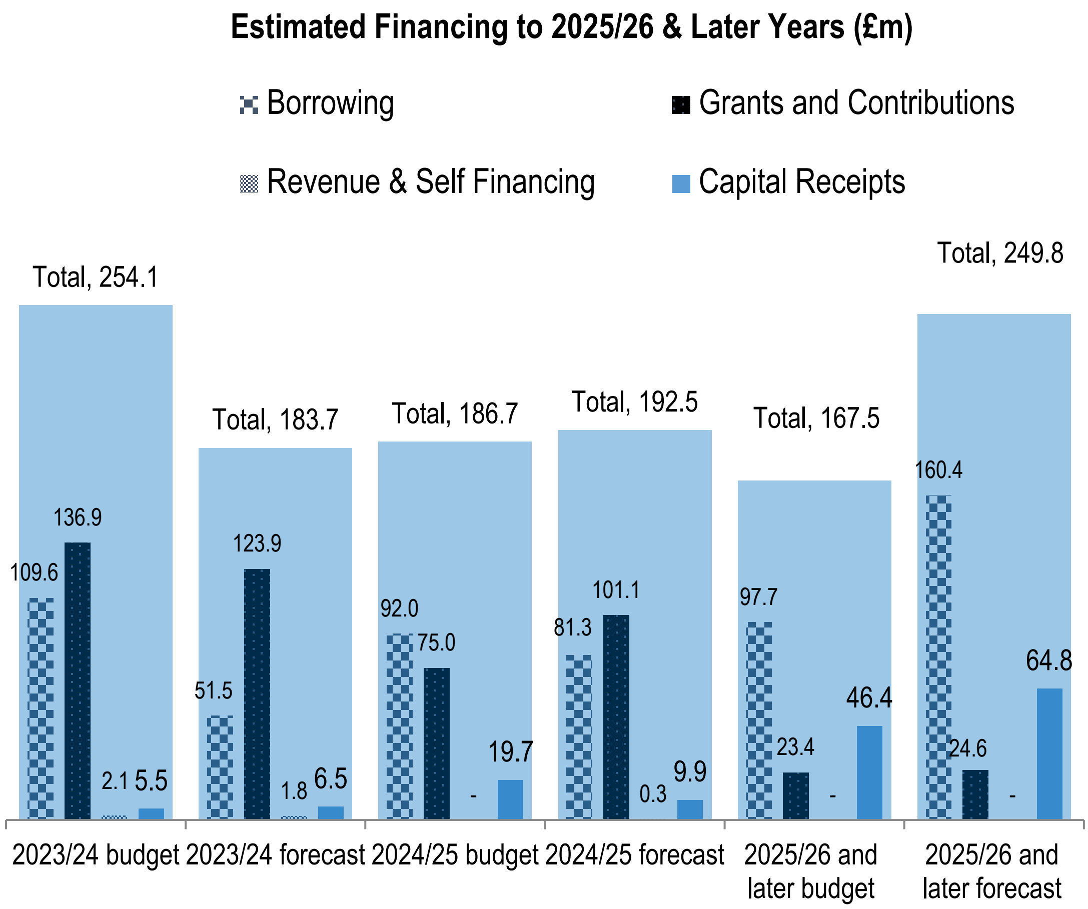
Capital Financing

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.



	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	109.613	51.469	91.987	81.287	97.730	160.387
Self-financed Borrowing	1.326	1.326	0.038	0.038	-	-
Grants and Contributions	136.850	123.867	74.988	101.065	23.448	24.586
Capital Receipts	0.685	0.217	2.650	2.683	-	0.336
Capital Receipts - WRIF	0.532	-	2.470	1.038	31.030	49.362
Capital Receipts - WPDG	4.295	6.240	14.600	6.163	15.326	15.146
Capital Receipts Reserve	-	-	-	-	-	-
Revenue	0.846	0.547	0.001	0.272	-	-
Total	**254.151**	**183.666**	**186.734**	**192.546**	**167.533**	**249.818**

* *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.

10. Financial Implications

10.1. 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 £7.281m in 2023/24. It also forewarns of £1.058m 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 scheme it would be charged to revenue and increase the forecast overspend.

10.2. 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.

11. Environmental Implications

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

12. Background Papers

12.1. 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

Economy & Place – (£0.095m underspend; -0.4%)
Explanation of the Investment Funds (£0.185m underspend)
There are underspends forecast on investment funds of £0.185m across 3 projects: • £0.112m on Project Warwickshire programme for the tourism, leisure & hospitality sector which was agreed by Cabinet in April 2021. The funding is spent on salaries of those supporting businesses as well as other costs like marketing and venue hire. Since making the Revenue Investment Fund (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. At the end of the financial year the service will request to carry it forward into 2024/25 to extend the programme for another year supported by the UKSPF. The carry forward will be subject to Corporate Board and Cabinet approval. • £0.055m for the Active Travel plan which has now been funded via external grant so this funding will no longer be required and will be returned to the Revenue Investment Fund. • £0.018m on the Art Challenge project which was a 3-year project to fund art installations across the County. It is anticipated that the £0.018m will be required for 2024/25.
Explanation of the Earmarked Reserves (£0.154m)
• The forecast contribution to reserves is the surplus income from Speed Awareness workshops.
Explanation of the Remaining Service net overspend (£0.244m)
The remaining service overspend is made up of the following: • An overspend of £0.999m forecast within Transport & Highways largely as a result of the income target on car parking being unachieved. This is in part due to increased costs associated with the parking enforcement contractors. • A forecast overspend of £0.353m in Country Parks due to the Car Parking income target not being achieved. These overspends are partially offset by the following: • An underspend of £0.768m within Waste Services. This is largely due to a change within the Staffordshire Waste to Recovery energy project. The project accepts waste from ourselves and other local authority partners and we receive income based upon our share of the sales of recyclables, third-party waste processing capacity and electricity. Up until now we have not been in a position that we have received income from the sale of electricity, however, the recent inflationary rise in price means there are now profits from electricity to be shared and this has been reflected in the forecast which gives rise to the in-year underspend. The forecast is based upon the estimates given to us by Staffordshire and these will be updated in early February so may change. • Within Economy and Skills an underspend of £0.258m is forecast due to a reduction in the cost of the Apprenticeship fund and external contributions being secured to offset some of the in year staff costs. • Within the Communities support costs budgets, an underspend of £0.116m is forecast which would have been used for specific projects across the directorate, however the project work has been delayed to allow the funds to be used to mitigate the forecast overspend position as much as possible.

Economy & Place – (£0.095m underspend; -0.4%)
Change in the Remaining Service position since the position reported at Quarter 2 (reduced overspend of £0.587m)
The movement in the remaining service overspend is largely made up of the following: • The additional income anticipated from the Staffordshire waste contract along with a review of the expected waste tonnages and costs for the remainder of the year. • The more detailed review of the position within Economy and Skills, following a period of absence of a key staff member, identifying the additional income contributions and reduction in costs for the year of the apprenticeship programme.

Environment, Planning & Transport - (£6.429m overspend; +10.6%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on investment funds
Explanation of the Earmarked Reserves (£0.225m)
There are 3 drawdowns from reserves anticipated: • £0.173m from the s38 Reserve • £0.041m from Covid funding (COMF) for Preventing Serious Violence for a project mentoring young people. • £0.011m from the Domestic Homicide Review reserve.
Explanation of the Remaining Service net overspend (£6.204m)
The remaining net service overspend predominantly comprises of: • A forecast Home to School Transport overspend of £5.893m which is made up of £2.600m on Mainstream Transport and £3.293m 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, increased interim transport costs for excluded pupils and increasing contract prices. • There is a forecast overspend within Traffic Signals of £0.351m which arises from the increased cost of energy. • A forecast underachievement of income of £0.080m 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 £0.103m due to staff vacancies within Transport Delivery. In addition to the cross-party Member Working Group that is reviewing the actions being taken under each of the SEND transport project workstreams, the Executive Director for Communities has launched a project working group. This group is in its early stages and includes officers from Transport, Education, Finance and PMO and is looking to undertake some quick targeted work to maximise the impact on spending levels within Home to School transport. This group will also oversee external support to do focused work to understand, validate and get the best use of our data and prioritise a programme of work to deliver rapid improvement.
Change in the Remaining Service position since the position reported at Quarter 2 (increased overspend of £1.132m)
The increase in forecast overspend since that reported at Quarter 2 is predominantly as a result of: • Increased forecasts within Home to School transport of £1.160m to take into account the additional costs for children where transport had not yet been arranged because of backlogs within the system. Additionally, there were another 202 Mainstream passengers, which led to some new routes being required as well as at least 10 being transported in taxis due to other provisions not being available.

Strategic Infrastructure & Climate Change - (£0.004m underspend; -0.2%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on investment funds
Explanation of the Earmarked Reserves (£0.000m)
There are no movements on Earmarked Reserves
Explanation of the Remaining Service net overspend (£0.004m)
There is no significant variance.
Change in the Remaining Service position since the position reported at Quarter 2
There was no reporting for this area at Quarter 2 as it was introduced in Period 7 as part of the organisational restructure.

Fire and Rescue - (£0.101m overspend; +0.4%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on investment funds
Explanation of the Earmarked Reserves (£0.180m)
There are overspends forecast which will be drawn from reserves for the following: • £0.068m for the Local Resilience Forum • £0.113m for Pensions • £0.014m from Community Fire Safety to cover printing and equipment cost This is offset by a contribution to reserves for: • £0.015m Hospital to Home transport
Explanation of the Remaining Service net underspend (£0.079m)
There is a net in year underspend across the service on salaries of £0.0178m. This underspend is partially offset by spending on ICT maintenance charges (£0.064m), a one-off cultural review (£0.013m) and one-off risk analysis work (£0.011m).
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.079m)
The increase in underspend since Quarter 2 follows a review of the salary forecast position which has highlighted some increased underspends due to the in year vacancy position.

2. People Directorate

Social Care & Support Service – (£11.565m overspend, +5.5%)
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 transferred at year end.
Explanation of the Remaining Service net overspend (£8.167m, 3.9%)
The 2022/23 financial pressure on Social Care & Support continues into 2023/24. This pressure is attributed to the increase in the unit cost of support, the increase in the number of residents requiring support and the increased complexity of care required by residents funded by the Council.

Social Care & Support Service – (£11.565m overspend, +5.5%)

The increased spending in Adult Social Care since the start of the financial year is driven primarily by increases in cost (77%) with the increase in the volume of packages of care accounting for 23% of the increase.

Older People

Older People Services has an overspend of £10.081m, 17% above budget, driven by rising unit costs across residential and nursing care and also due to volumes in domiciliary care, this is after being substantially offset by closely correlated increased client contributions.

The overspend can be substantially explained by residential costs which are 21% over budget. This is due to the use of costly placements due to difficulties in sourcing packages of care at WCC standard framework rates with providers citing the complexity of care needs as the rationale, with placements at individually negotiated rates accounting for 75% of all residential placements which are on average 37% more expensive than framework rates.

Nursing presents a similar picture with placements at individually negotiated rates accounting for 90% of all placements and being 39% more expensive than framework rates.

Domiciliary care overspend is due to the complexity and volume. Despite standard rates, the average weekly cost of a care package has increased by 11% since April 2023 and the number of packages of care has increased by 7%.

Driving the increased volumes and intensity of packages of care will include the Community Recovery Service and the continuation of the discharge to assess process, contributions to these costs are held in the Director's area for centralised budgets.

Disabilities 25+

Disabilities 25+ are forecasting an overspend of £4.477m, 5% above budget, this is across a range of areas with pressures greatest in supported living, residential colleges and residential care.

The pressures in these three key areas are due to:

- An increase in budgeted client numbers of 69 which is 11% higher than the number budgeted for supported living, and unit costs rising 4% above the rate of inflation provided for supported living.
- An increase in budgeted client numbers of 8 which is 3% higher than the number budgeted for residential care, and unit costs rising 6% above the rate of inflation provided for residential care.
- A range of factors account for the overspend in residential colleges including increased client needs and extensions to the time spent at college.

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 and night support are also driven by an increased number of clients and unit costs rising above the rate of inflation provided.

Social Care & Support Service – (£11.565m overspend, +5.5%)

Whilst there is an offsetting underspend in staffing there is also an emerging issue of reduced Continued Healthcare income. The expectation this year is c£0.3m lower than the average of the last three years and £0.470m less than budget, this is due to focused activity by the ICB on conducting reviews in this area.

Mental Health

Mental Health are forecasting an overspend of £2.377m, 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 budgeted client numbers of 37 which is 35% higher than the number budgeted for and unit costs rising 3% above the rate of inflation provided for residential care.
- An increase in budgeted client numbers of 76 which is 46% 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, which equates to 5%, in six months.

A contributing factor to the overspend is an increased proportion of new packages of care that do not have Section 117 funding meaning WCC is bearing the full cost due to the ICB restricting their health contribution. Previously high-cost packages, where there is a presence of a health need, have been successfully negotiated but more recently opportunity to agree joint funding has become increasingly limited. The Council and ICB have several Memorandum of Understanding documents in place to manage these processes, and we are increasingly using the escalation process outlined within these documents. Note that there is also increased challenge by WCC of ICB assessment of need against the CHC criteria outlined above.

There is also increased challenge by WCC of ICB assessment of need against CHC criteria. The increase in the need to challenge assessments likely to be linked to the significant pressure on the ICB budgets and the scale of savings they are required to deliver.

Other budget areas

Adults Practice & Safeguarding has an overspend of £0.382m due to continuing high costs of adults' transport.

The underspend of £6.727m 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:

- Adult Social Care Discharge funding – both WCC and ICB contribution towards the ongoing financial impact upon WCC of the ongoing Discharge to Assess process.
- A release of funding from reserves due to a change in the policy for Adult Social Care Aged Debt.
- Funding assigned to manage the impact of the Working Age Adults tender

Social Care & Support Service – (£11.565m overspend, +5.5%)
An underspend on assessment of Mental Health Deprivation of Liberty Safeguards and on the review of social care needs for those with Disabilities aged 25+.   Disabilities 0-25 have an underspend of £1.109m in residential however it is critical to note that 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. Integrated Care Services has an underspend of £1.315m of which almost 70% is staffing related due to the on-going difficulties in recruitment and the balance a result of reduced demand for community and assistive technology equipment.
Change in the Remaining Service position since the position reported at Quarter 2 (reduced overspend of £0.345m)
This is a decrease in the overspend since Quarter 2 of £0.345m due to: - A release of funding from reserves due to a change in the policy for Adult Social Care Aged Debt   - Increased underspend in Disabilities 0-25 due to the outcome of a review for one child leading to a cost reduction of £0.939m per annum   - Reduced spend on assessments of Mental Health Deprivation of Liberty Safeguards and on the review of social care needs for those with Disabilities aged 25+   - A contribution from the ICB towards the cost to social care of enhanced discharge prior to assessment of care need   - Increased staffing underspends in Integrated Care Services   Substantially offset by: - Further increases in costs in Older People residential and nursing care services and an increase in the number of clients in residential care   - A reduction in income in the Disabilities 25+ service due to the reassessment of clients where a provisional assessment applied a maximum level of income contribution.

People Strategy and Commissioning Service – (£0.577m overspend, 1.5%)
Explanation of the Investment Funds (£0.000m)
There is no variance forecast on Investment Funds.
Explanation of the net transfer from Earmarked Reserves (£1.305m)
£0.605m 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 co-production, the 'Experts by Experience' hub, health liaison resources, respite care and diabetes. £0.700m of Covid (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
Explanation of the Remaining Service net underspend (£0.728m, -1.9%)
The underspend is due to:

People Strategy and Commissioning Service – (£0.577m overspend, 1.5%)
• £0.301 staff vacancies • £0.296m reduced use of Drug & Alcohol rehabilitation • £0.232m unspent on water fluoridisation budget as this is a Dept. of Health responsibility • £0.139m early delivery of savings in relation to the Meals on Wheels service Partly offset by: • £0.204m overspend on the following demand led services: sexual health, health checks and Fitter Futures • £0.036 net overspend on other less material variances
Change in the Remaining Service position since the position reported at Q2 (increased underspend of £0.099m)
This is an increase in the underspend since Quarter 2 of £0.099m due predominantly to decreased usage of Drug and Alcohol rehabilitation. Although also contributed to by delays on projects designed to support young people with their housing and increased staffing underspends. Offset in part by an overspend on legal fees.

Children & Families – (£13.855m overspend; +16.6%)
Explanation of the Investment Funds overspend (£0.926m)
There is an estimated £0.926m Continuous Improvement Plan (CIP) expenditure funded by an investment (and earmarked) reserve. The plan is in draft and being reviewed post Quarter 3 forecast and 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 (£0.495m)
The Priority Families (Supporting Families Grant funded service) is forecasting additional planned allocations/spend of £0.216m above the original 2023/24 plan (to be funded by Earmarked Reserve). These are particular short-term initiatives / packages of work to aid families as well as improve reporting outcomes to maximise the payment by results (PBR) grant in the medium term. Some of the overspend is caused by not achieving the full PBR. Within the Adoption Central England (ACE) service, there is a forecast *gross* overspend position of £0.434m of the Service for the 5 partner councils. The overspend predicted is due to increased demand and the need to utilise some external agency adoptions, although this is a very erratic / demand-led budget, where predicting with any degree of certainty is very difficult and is also 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 forecasted. Each purchase costs at least £0.037m. 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 25%, approx. £0.109m and this has been forecasted within the remaining service variance. With regard to Youth Justice Remand placements, there is an overspend forecast of £0.142m from under achievement of the MTFS savings on this externally demand-led budget reduction. 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

Children & Families – (£13.855m overspend; +16.6%)
budget with greater than normal incidences / severity of charge. 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.
Explanation of the Remaining Service net overspend (£12.434m, +14.90%,)
This overspend consists mainly of: **Residential Placements & Extra Care –** (£4.538m overspend & £3.814m overspend). This is predominantly due to unprecedented market price rises and increased needs of the children. The weeks forecasted to be purchased are 53 more than 2022/23 but the average weekly cost has risen by £1,171, giving rise to a 2023/24 full year equivalent for one placement of £0.313m at £6,004 per week. As well as Residential placements there are a small cohort of children (forecast overspend of £3.814m, a decrease of £0.214m since Q2) where the market cannot accommodate the children and the service must 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. The residential & extra care package overspends have been slightly offset by forecast underspends of £0.970m on internal/external fostercare/parent baby packages with 713 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 £71 per week, and now stands at £923 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 UASC grant is being maximised by £0.583m (Q1 £0.480m) which covers some gross costs of support over many service areas. Establishment staff (£0.767m overspend) & Agency staff (£3.388m overspend) - There are particular pressures on staffing budgets within the service due to external (Statutory / Child Safeguarding) work demands with caseloads high due to an unprecedented spike from the start of the first quarter 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. There are also roles which nationally are difficult to recruit to and we have seen a significant turnover both in permanent and agency workers (seeking greater pay that other councils/ Agencies can pay) moving on where different pay practices by some other local councils have made their roles more attractive. A large number of our staff are at the top of scale while the budget is set across the 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, agency hourly rates are experiencing upward pressures. The introduction of the new social work career pathway will, it is believed, help with recruitment and retention, and its impact will be monitored.

Children & Families – (£13.855m overspend; +16.6%)
There are a series of proposals being considered / planned to mitigate these overspends including. • A pilot initiative to reduce agency overspend with the Head of Service developing a proposal with support from legal • New working practices, 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. • Heads of Service are investigating the consequences of a freeze on recruitment other than for social workers • Investigation is taking place on the possibility of replacing some vacant social worker posts with Senior Family Support workers. Warwickshire Children's Homes (a, b, c & c(a) - £0.845m 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 1 child in Home (a), however there are full time staff vacancies but once recruited the Home will look to increase numbers to full capacity. For Homes (b) and (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 January (subject to OFSTED regulatory approval). Movements of children into these Homes will (based on current external residential costs) help to reduce forecast residential costs / Extra Care (all things being equal). With these package costs increasing dramatically, the key for the financial success of this programme is the speedy and continuous occupation of the homes. Children in Care (CiC) Transport - £0.688m overspend (£0.299m more than 2022/23). The forecast is currently based upon a best estimation of the number of passengers at Q3 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. The forecasts will be further refined to reflect passengers no longer using the service and the number of additional passengers to be transported.
Change in the Remaining Service position since the position reported at Q2 (increase of £1.600m)
The increased forecast is predominantly due to Residential Placements with an increase of £1.326m, CiC Transport increase of £0.124m and charges from the usage of WCC Legal Services £0.302m. The major reduction in the forecasted use of Extra Care packages by £0.214m. The use of Agency forecast has increased by £0.319m but has been offset by a reduction in the establishment staffing of £0.375m.

Education Services Non DSG – (£0.324m overspend; +3.1%)
Explanation of the Investment Funds underspend (£0.015m)
This variance reflects a hold on some of the Send & Inclusion Change Programme (SICP) while the programme is reviewed and refreshed. A plan for the "wider" Education Transformation (ETF) work is in progress but yet to be costed or approved and so is not included in the forecast.
Explanation of the Earmarked Reserves overspend (£0.262m)
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.

Education Services Non DSG – (£0.324m overspend; +3.1%)
There has also been as previously forecasted spend in the school improvement monitoring service which relies on the earmarked reserve, a revised plan is expected for the medium-term usage of the reserve.
Explanation of the Remaining Service net overspend (£0.047m, +0.45%)
A large part of the forecasted overspend is £0.271m 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 which has reduced since P7. This strategy was partially 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). There are no other major areas of variances with many areas forecasting minor underspends which in total are offsetting the SENDAR overspend, this includes more favourable trading figures as well as the cessation of spending on non DSG funded Alternative Provision for SEND.
Change in the Remaining Service position since the position reported at Q2 (decrease of £0.473m)
The main change since Q2 is the decrease in forecast on SENDAR of £0.149m which is due to reduced use of Agency as well as reduced use of WCC legal services. There has also been the cessation of residual non DSG Alternative provision (£0.100m). Over most other services there has been widespread forecasts of reduced spend. There has also been more favourable in year trading by £0.147m, with Traded services forecasted to exceed their targets by £0.066m.

Education Services DSG – (£16.374m overspend: +6.25% of gross grant
Explanation of the DSG net overspend
The main material forecasted variances are within the High Needs Block (HNB), with an overall forecasted overspend of £17.514m. This is offset by an underspend in the Early Years Block of £1.138m. Material forecasted variances include £3.375m in Mainstream school EHCP (Educational Health Care Plan) top ups, a £2.268m overspend in Special school EHCP top ups, a £9.370m overspend on Independent School places, £1.198m overspend on Specialist Resource Provision and a £1.293m overspend forecasted on Post 16 provision. There is an overall £0.250m overspend on Alternative Provision (AP). The following table compares forecasted expenditure, places (full year equivalent) and unit cost (cost per place) between the current forecast and the final position of 2022/23.

Education Services DSG – (£16.374m overspend: +6.25% of gross grant

The increased expenditure is due to the mix of FTE and Unit cost rises, extrapolating from this data, the ratio of the cause of the increased expenditure is as follows.

2022/23				Current period			Change since 2022/23		
Actual (£)	Places (Full year equivalent)	Raw Average Unit Cost (£ / place)	Service	Forecast (£)	Places (Full year equivalent)	Raw Average Unit Cost	Forecast (£) 22/23	Forecasted Places 22/23	Forecasted unit cost 22/23
10,336,964	1,899	5,443	Mainstream School	15,983,977	1,618	9,876	5,647,013	- 281	4,433
16,847,265	1,508	11,169	Special School	23,172,119	1,631	14,204	6,324,853	123	3,034
15,022,209	277	54,199	Independent School	24,923,279	381	65,501	9,901,070	103	11,302
1,074,183	116	9,300	Resource Provision	2,059,511	180	11,429	985,329	65	2,129
7,241,521	548	13,227	Post 16	10,690,142	567	18,843	3,448,622	20	5,616

Service	Ratio of reason for expenditure raise	
	Unit cost	Places (full year)
Mainstream School	127%	-27%
Special School	78%	22%
Independent School	43%	57%
Resource Provision	39%	61%
Post 16	92%	8%
Overall	76%	24%

Factors impacting pressures in the High Needs Block include increases in permanent exclusions, increasing numbers of children not attending school for medical reasons (often mental health needs) and increasing requests for Education, Health and Care Plan 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 the national picture.

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 2024) and growth of resourced provisions (with 4 more resource provisions coming online in September bringing the total number of resource provisions to 23). Further plans will be developed once the Delivering Better Value work is completed including further extension of resource provision.

A new cost centre manager is helping to gain an understanding of Alternative Provision budgets due to changes in personnel and handover arrangements. Further work is taking place to ensure

Education Services DSG – (£16.374m overspend: +6.25% of gross grant
that audit trails 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 reverse this trend. The underspend on the Early Years Block (EYB) of £1.138m is caused by the funding being based on census data at single points in time while payments are made to all providers based on actual usage throughout the year. The underspend equates to circa 2.9% of DSG grant received. Currently WCC is earmarking 96% of the funding received for providers. The remaining 2 blocks of the DSG are overall forecasting a £0.002m underspend, with no material under/overspends.
Change in the Remaining Service position since the position reported at Q2 (increase of £2.997m)
This movement consists of a £3.827m increase in the High Needs Block offset by a reduction of £0.742m for the Early Years block. Overall, for the HNB, the forecasts have seen a concerning, large (upward) change since Q2. 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 maintained Schools) to more costly packages in Special School EHCP top ups (which have also increased due to unreported uplifts in top up amounts since Q2) and the independent sector as well as unprecedented increases in children being assessed and need an EHC Plan. The major changes in the forecast position relate to the increased overspends of Special School EHCP top ups, Independent School places, Specialist Resource Provision and Alternative Provision (driven, in part by increased school exclusions). For the EYB service area the increased underspend relates to both reduced take up for 3–4-Year-old provision as well as ascertaining DfE guidance on additional Early Supplemental funding (EYSG) to increase rates to providers from September 2023. For 2024/25 this EYSG will be mainstreamed into the EYB.

3. Resources Directorate

Enabling Services - (£2.553m overspend; +8.9%)
Explanation of the Investment Funds (£1.277m)
The investment funding net overspend is made up of: • An overspend of £1.497m - 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 dependent on the output of the automation investigation and clarity is expected in September. • £0.061m - Cloud Migration (Data Centre) - underspend expected on the transfer of the contact centre telephony systems to the cloud. • £0.063m - 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 24/25.

Enabling Services - (£2.553m overspend; +8.9%)
• £0.014m - Modern Government - funding no longer required and will be returned.
Explanation of the Earmarked Reserves (£0.081m)
The expected drawdowns on reserves are as follows: • £0.044m - Synergy Application Support team recently transferred from the Children & Families directorate - this will be funded by a specific reserve and a joint pressure bid have been submitted as part of the MTFS process. • £0.024m to cover the cost of the George Eliot Hospital One Public Estate (OPE). • £0.012m to cover the overspend on the Welfare scheme.
Explanation of the Remaining Service net overspend (£1.195m)
The remaining service overspend is predominantly as a result of the following: • £1.074m overspend forecast within Property Services. This largely arises from utility costs which are forecast to overspend by £0.915m coupled with an overspend on rates for £0.350m following a rates review. These overspends are partially offset by external income from the occupancy of council buildings. • £0.134m overspend within Strategic Asset Management due to the need to use agency staff to backfill vacancies, increased energy costs for properties with guardians and a stock condition survey and maintenance costs within smallholdings.
Change in the Remaining Service position since the position reported at Quarter 2 (increased overspend of £0.024m)
Whilst there is little overall change since the Quarter 2 forecast the movement is made up of the following: • An increased overspend of £0.225m forecast in ICT and Digital following on from a long period of Cost Centre Manager absence. The overspend forecast is largely as a result of an underachievement on income particularly from schools. This movement is offset by the following: • A reduced overspend of £0.093m in Property Services as the forecast spend on utilities is continually refined as the year progresses based upon more knowledge of actual usage and charges. • Increased underspends totalling £0.104m have been forecast in Customer Contact and ICT Strategy mainly due to in year staff vacancy underspends.

Finance Service – (£0.343m underspend; -2.0%)
Explanation of the Investment Funds (£0.400m)
System Replacement Funding agreed to support the Unit4 project.
Explanation of the Earmarked Reserves (£0.209m)
The contribution to the reserve of £0.209m is in relation to the Schools Absence Insurance Scheme and is forecasting to underspend due to a higher uptake of WES subscriptions.
Explanation of the Remaining Service net underspend (£0.534m)
The biggest proportion of the forecast underspend, £0.257m, is largely as a result of in year staff underspends due to vacancies and maternity leave across Finance areas and Business Support. The majority of the remaining underspend, £0.214m, arises from Commercial and Contracts due to a one-off budget that was carried forward to support temporary posts to assist with the delivery of future savings. Recruitment issues have continued despite making changes to the posts to make them more attractive. In addition, there is an over recovery of income within Education Finance due to higher uptake of WES subscriptions because there have been delays to academisation.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.505m)

Finance Service – (£0.343m underspend; -2.0%)
The reduced overspend since the Quarter 2 forecast is as a result of the completion of all the organisational restructure budget transfers and the level of in year staff vacancy savings.

Strategy, Planning & Governance – (£1.265m overspend; +20.3%)
Explanation of the Investment Funds (£1.771m)
The forecast overspend of £1.771m is in relation to the Cost of Living projects and Social Impact Fund in Community Partnerships. This spend has already been granted approval and there is a total of £1.883m available to be drawn down for this purpose across both funds.
Explanation of the Earmarked Reserves (£0.000m)
There is no movement on Earmarked Reserves forecast.
Explanation of the Remaining Service underspend (£0.506m)
The forecast service underspend is mainly as a result of: • £0.670m underspend in Legal Services due to over recovery of income as a result of the service managing down costs with the expectation of reduced income this year as well as the receipt of pay award funding for core team members which had not been anticipated in previous forecasts. • Within Corporate Policy an underspend of £0.124m is forecast due to in year salary underspends as graduate post holders have secured permanent roles. These underspends are partially offset by the following underspends: • £0.207m overspend in Legal Core due to 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. • £0.070m overspend within Records Management due to the exist fees at the end of the Iron Mountain contract. Negotiations are ongoing to reduce this fee and it may be funded corporately.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.755m)
The increased underspend compared to Q2 is predominantly due to: • The receipt of pay award funding in Legal Services for core team members which had not been anticipated in previous forecasts and was included incorrectly as a pressure. There has also been an increase in forecast external income which resulted in a reduction on forecast of £0.525m. • The ongoing negotiation with Iron Mountain around exit fees meaning the Records Management forecast reduced by £0.133m • An increased underspend of £0.123m in Change Management due to in year staff salary savings and the phasing in of a new recharging model.

Workforce & Local Services – (£0.224m overspend; +2.1%)
Explanation of the Investment Funds (£0.011m)
The underspend on Investment Funds of £0.011m is due to the policy review being undertaken by a different area now.
Explanation of the Earmarked Reserves (£0.272m)
The expected drawdown on reserves is as follows: • £0.272m overspend has incurred 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.
Explanation of the Remaining Service net underspend (£0.037m)

Workforce & Local Services – (£0.224m overspend; +2.1%)
There is no significant variance within the service.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.028m)
There has been no significant change to the forecast.

4. Corporate Services and Resourcing

Corporate Services and Resourcing – (£34.060m underspend; -23.7%)
Explanation of the Earmarked Reserves (£14.938m)
• £11.425m to be transferred to top up the Dedicated Schools Grant Offset Reserve based on the Q3 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. • £0.136m will be transferred from the Apprenticeship Levy to fund the forecast overspend arising from the impact of cumulative pay awards. • £0.697m 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 Fund. • £0.285m will be transferred to the Capital Fund Reserve for upcoming legal fees tied to capital disposals. • £0.250m will be transferred to the Commercial Risk Reserve to support future years' commercial activities.
Explanation of the Remaining Service net underspend (-£19.122m, -13.3%)
• £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. • £11.3m 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 as a result of delays in the capital programme. • £1.514m overspend forecast as a result of the 2023/24 pay offer. The difference between the 4% pay provision included in the budget and the current pay offer of £1,925 or 3.88% (whichever is higher) is £3m and of course this could end up being higher. The budget contingency of £1.8m will only partially meet the extra cost and this overspend represents the remaining in-year cost. • A £11.425m allocation to fund the DSG offset reserve which must be topped up to meet the forecast overspend on the DSG High Needs block.
Change in the Remaining Service position since the position reported at Q2 (reduction of £2.507m)
The key driver of the change since Period 6 is the increased contribution required to the DSG Offset Reserve due to the increased deficit forecast in relation to the High Needs Block of DSG.

APPENDIX B

Commentary on Service Capital Forecasts

The main reasons for the £51.256m 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 £51.256m above there is an additional £0.184m of delays relating to projects funded by Section 278 developer contributions. Also £31.950m of delays on Corporate schemes (Warwickshire Recovery and Investment Fund and Warwickshire Property and Development Group). The delay in corporate lending for Warwickshire Recovery and Investment Fund and Warwickshire Property and Development Group is due to activity not following the anticipated profile of approved business plans. The delay on the Warwickshire Recovery and Investment Fund is largely due to lending opportunities under the BIG pillar not materialising. Development loans to Warwickshire Property and Development Group have been pushed back into 2024/25, full repayment of first development loan for Southam was received in December 2023.The timing of these schemes is largely outside of the control of WCC therefore they are excluded from the analysis below, but details of these schemes can be found in Annexes A to M.

Environment Services – £21.513m:

- A46 Stoneleigh Junction improvements (£5.904m) - Works costs have increased along with unresolved risk items, both costs and risk continued to be monitored closely. Programme and spend reprofiled due to ongoing site issues.
- A444 Corridor Improvements - Phase 2 (£1.810m) - Delays with completing traffic regulation orders will now delay construction. Contractor availability and other on-going local highway works may result in further construction start delays.
- A3400 Birmingham Road Stratford Corridor Improvements (£5.021m) - 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, while enabling and utility 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.
- A46 Stanks Island signalisation and improvement Birmingham Rd (£1.400m) - £1.4m has been moved to the next financial year as the final account with contractors and the administrator is still ongoing and will not be resolved this year. Part 1 construction claims also deferred and Section 2 construction reprogrammed.
- A47 Hinckley Road Corridor Scheme (£0.772m) - 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 timelines 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 remain 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 (£0.818m) - Due to logistical delivery issues spend for design has been reprofiled, construction expected to start next year.

- A452/A46 Developer Improvement scheme (£2.273m) - The project design has been reprofiled and construction expected to start next year. Construction going ahead is dependent on road space availability due to HS2.
- Casualty Reduction Schemes (£0.630m) there has been a delay on the Coventry Road scheme due to planning around the avoidance of disruption to the road network. The scheme will now fall into the new financial year.
- Emscote Road Corridor improvements (£0.353m) - Due to the road space not being available for related schemes until 2025, spend has slowed on the design of this project.
- 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 - £0.402m - Leamington Headquarters Refurbishment is currently on hold whilst discussions take place and strategic decisions are made.

Economy and Place - £4.088m:
- Warwick Town Centre (£1.290m) - delays for Warwick town centre are due to delays in getting road space 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.
- Land at Crick Road Rugby (£0.787m) – A section of the land currently owned by Rugby Borough Council is required for the implementation of the roundabout. There have been lengthy procedures to allow for this land to be purchased.
- There are a number of other schemes with delays of lower values which are detailed in the Annexes A to M.

Children & Families - £0.088m:
- Children's Homes (£0.088m) - 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 - £22.592m:
- 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.
- Long Lawford Studio Hall (£0.187m) - Studio Hall practical completion took place on 3rd September 2021. The funding balance has been moved to 2024/25 as it may be required to support Car Park / Drop Off Facility due to inflation pressures.
- 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; member approval will be sought prior to incurring any expenditure over and above the currently approved capital funding for the project.
- Stratford Upon Avon School 2 form entry expansion (£10.697m) - Project delivery delayed by planning permission delays and 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 and 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 (£8.900m) - 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.

Strategic Commissioning for People and Public Health - £0.092m:

- Adult Social Care modernisation (£0.071m) – The organisation awarded funds to install Changing Places facility has declined due to timescales. Alternative venues are unable to commit to deliver within the 2023/24 financial year. It is now anticipated that expenditure will take place in 2024/25.
- There is another scheme with delays of less tha £0.050m which is detailed in the Annexes A to M.

Enabling Services - £2.150m:

- 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.
- Strategic Site Planning applications (£0.382m) - Projected costs in meeting legal obligation to provide a serviced site to the DfE. Certain capital works including demolition are underway and are programmed to be completed this financial year. Other works e.g. bovine remediation are now programmed to be undertaken 24/25.
- Land at Leicester Lane Cubbington (£0.475m) - Land returned back to land owner, we are now waiting for a dilapidation report to agree a way forward.
- Maintaining the smallholdings land bank (£0.391m) - Potential opportunities for purchasing land in Q4 are minimal, the budget has therefore been re-profiled into 2024/25.
- Rural Services capital maintenance (£0.273m) - Some of the budget has been reprofiled into the next financial year when works have been scheduled to take place.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the Annexes A to M.

Strategic Infrastructure and Climate Change - £0.330m:

- Development of Rural Broadband (£0.330m) - Capital charges were reduced in Q2/Q3 with a corresponding decrease in utilisation of grant contribution, due to BT/Openreach adjustments to the build programme and the superfast voucher programme remaining on hold until finalisation of the Project Gigabit procurement. A change request is expected from Openreach in Q4 2023/24 which could result in further reductions in expenditure in Q4. In addition, there has been a reduction of revenue income from consultancy work from BDUK.

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	Oakley Grove Reception Contingency 23 Bulge Class		0.039	0.039
Environment Planning and Transport	A46 Stoneleigh Junction Improvement		0.446	0.446
Total		0.573	0.485	1.058

- 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 and a further report will be brought to Members.