

Appendix 3 Management of Financial Risk

1.1 The table below details performance against the latest approved revenue budget as measured by forecast overspend, further information and reasons for variances can be found in the Quarter 3 Finance Monitoring report presented to Cabinet on 23rd January 2024.

| Service Area | Approved Budget | Forecast Spend | (Under) /Overspend | % Change from Budget | Represented by: | | |
|------------------------------|-----------------|----------------|--------------------|----------------------|------------------|------------------------------|----------------------------|
| | | | | | Investment Funds | Impact on Earmarked Reserves | Remaining Service Variance |
| | | | | | £m | £m | £m |
| Children & Families | 83.462 | 97.317 | 13.855 | 16.6% | 0.926 | 0.495 | 12.434 |
| Education Services - Non-DSG | 10.551 | 10.875 | 0.324 | 3.1% | 0.015 | 0.262 | 0.047 |
| Total | 94.013 | 108.192 | 14.179 | 15.08% | 0.941 | 0.757 | 12.481 |

This large and unprecedented forecasted overspend is primarily driven by and related to the two main budget blocks for Children & Families – Childrens Placements (including WCC Homes) and staffing. Details are provided in the Q3 Finance monitoring report.

In response to the forecast overspend that emerged at Quarter1 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.

As part of the Financial Recovery Strategy all Directors with a forecast overspend have been asked to develop a Financial Recovery Plan. A Children & Families Finance Recovery Plan has been developed including 24 (and growing) proposals/actions concentrating (though not exclusively) on the major overspends mentioned above.

1.2 The table below details performance against the approved savings target as measured by forecast delivery.

| Saving Proposal | Target £m | Forecast £m | Shortfall/ (Overachievement) £m | Reason for financial variation and any associated management action |
|--|--------------|----------------|---------------------------------------|--|
| Savings on third party spend - Review of services purchased from third parties to ensure value for money. | 118 | 118 | 0 | |
| New ways of working - Expected reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid. | 92 | 0 | 92 | Significant overspend on staff travel is preventing the achievement of this saving. |
| Right size Children's and Families budgets - Remove contingency budget for Early Help and replace boarding school budget with existing budget in Children's Services. | 264 | 264 | 0 | |
| Reduce spend on Residential Care - Reduce the cost of care/services including the increased use of WCC homes, boarding schools and residential schools. | 1,400 | 0 | 1,400 | Significant overspend forecast on residential care spend, please refer to Q3 monitoring report for details of the current issues and planned actions. |
| Legal Services - Reduce the cost of legal services through risk-based decision-making as to when legal advice is sought. | 100 | 0 | 100 | |
| Training - Reduction in the cost and amount of training we commission externally. | 100 | 100 | 0 | |
| Youth and Community Centres - Increase income from third party use. | 50 | 0 | 50 | Rising premises running costs due to double digit inflation have increased costs which is believed could not be passed onto third parties without even greater loss of income. |

| Saving Proposal | Target £m | Forecast £m | Shortfall/ (Overachievement) £m | Reason for financial variation and any associated management action |
|---|--------------|----------------|---------------------------------------|---|
| Section 17 payments - Reduce section 17 payments and seek alternative funding routes. | 30 | 0 | 30 | There is an overall section 17 overspend, linked to supporting homeless families. These families have been assessed as not entitled to housing from the Housing Department of the relevant district council and we have been unable to find them low-cost housing in the private sector or connected others to live with. Supporting the families in this manner is better for the children and a lower cost than bringing them into care. The team will continue to try and find the lowest cost housing for the small number of families we are supporting. |
| Grant income - Increase in the level of grant income and its more effective use to support the core activity of the service and contribute to the service overheads. | 560 | 560 | 0 | |
| Custody - Reduce the custody budget to better align with activity. | 100 | 0 | 100 | Non achievement on this budget reduction is due to fluctuation of external demand. Both the number of cases and level of charges are higher compared to previous years. |
| Children & Families | 2,814 | 1,042 | 1,772 | |

| Saving Proposal | Target £m | Forecast £m | Shortfall/ (Overachievement) £m | Reason for financial variation and any associated management action |
|---|--------------|----------------|---------------------------------------|--|
| Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied. | 98 | 50 | 48 | The Senior Leadership team have been tasked with identifying in year permanent savings to achieve this target. Depending on the nature of these there could be just a part year effect for 2023/24 |
| NEETs contract - More effective contracting of the service to support those not in employment, education or training. | 35 | 35 | 0 | |
| Savings on third party spend - Review of services purchased from third parties to ensure value for money. | 11 | 0 | 11 | The Senior Leadership team have been tasked with identifying in year permanent savings to achieve this target. Depending on the nature of these there could be just a part year effect for 2023/24 |
| Traded income - Increased traded income from Governor and Attendance services as well as a review to modernise music services. | 15 | 15 | 0 | |
| Early Years - Reducing core budget spend by re-coding early years activity to Early Years DSG (5% permitted centrally retained element) | 50 | 50 | 0 | |
| Education (Excluding Dedicated Schools Grant) | 209 | 150 | 59 | |

1.3 The table below details performance against the approved capital programme as measured by forecast delays in delivery.

| Service | Approved 2023-24 Capital Programme | New Projects in Year | Net Over / Under Spend | Total Capital Prog. | Budget Reprofile | Delays | Forecast In Year Capital Spend | % of Delays |
|---------------------|------------------------------------|----------------------|------------------------|---------------------|------------------|--------|--------------------------------|-------------|
| | £m | £m | £m | £m | £m | £m | £m | |
| Children & Families | 1.832 | 0 | 0 | 1.832 | 0.088 | 0 | 1.814 | -4.8% |

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.