Cabinet

13 June 2024

Financial Outturn Report 2023/24

Recommendations

That Cabinet:

1. note the net spend in 2023/24 and the consequent residual net revenue overspend of £7.314m for the organisation at the end of the year;

2. note the explanations and mitigating actions for variations to budgets, and the implications for the Medium-Term Financial Strategy, as set out in Appendix A;

3. note the delivery of £12.846m (84.75%) savings in 2023/24, a shortfall of £2.312m against the target, as set out in Section 4;

4. approve the drawdown of £0.227m from Earmarked Reserves to support the delivery of the Council Plan in 2024/25, as outlined in paragraph 6.9 and Appendix D;

5. approve the drawdown of £1.598m from the Revenue Investment Funds to support the delivery of the Council Plan in 2024/25, as outlined in Section 5 and Appendix C;

6. note the capital spend in 2023/24 of £175.518m; and

7. approve the reprofiling of £43.496m Services capital spend from 2023/24 into future years.

1. Purpose of the report

1.1. The purpose of this report is to provide an analysis and commentary on the financial position of the organisation at the end of the 2023/24 financial year, including:

- revenue and capital performance for financial year 2023/24;
- explanations and mitigating actions for longer-term pressures;
- savings achieved over the course of the financial year; and
- the resulting reserves position as of 1 April 2024.

2. Summary

2.1. As it has been for all local authorities, 2023/24 has been a challenging financial year for this Council. We have experienced a period of significant economic uncertainty, with higher than expected levels of inflation and interest rates that have resulted in additional in-year costs, and we have continued to face increases in demand across our children's and adults social care services, Special Educational Needs and Disabilities (SEND) and for home to school transport. The tightening of the labour market has also impacted the Council workforce and created additional financial pressures.

2.2. In addition, we have stepped up to support our communities through the cost-of-living crisis and have continued to help Ukrainians through the Homes for Ukraine scheme. We have received significant additional funding from the Government to help us support our communities and to enable the organisation to deliver vital services.

2.3. The financial outturn position reflects these additional pressures which have led to the organisation overspending, albeit within the +/-2% variance target to which the Council operates. Despite the overspend the organisation has worked hard to control spending, as shown by the negligible movement in the forecast - of £0.033m - from Q3 to outturn in the final column of Table 2 in Sction 3. Our money market investments have performed stronger than expected, partially offsetting the many financial pressures, as a result of effective investment strategy and rising interest rates.

2.4. The Council has ended 2023/24 with a revenue overspend of £16.966m. However, earmarked reserves and approved funding from the Investment Funds had been set aside in the Medium-Term Financial Strategy (MTFS) to meet £9.652m of the overspend. Once this funding is taken into account, the residual net overspend is £7.314m (1.95% of the net revenue budget), which will be funded from the Financial Management Reserve and the Available to Use Reserve.

2.5. The variance in the net revenue budget at +1.95% is within the +/- 2% target set as part of the performance management framework and is within acceptable parameters for an authority of the size and complexity of the County Council. It reflects the positive and proactive financial management activity that has taken place throughout the year. However, one-off treasury management income masks the underlying position, and it is likely the 2024/25 financial year will prove equally challenging if services are unable to operate within their budgets.

Table 1: Revenue Spend Summary 2023/24

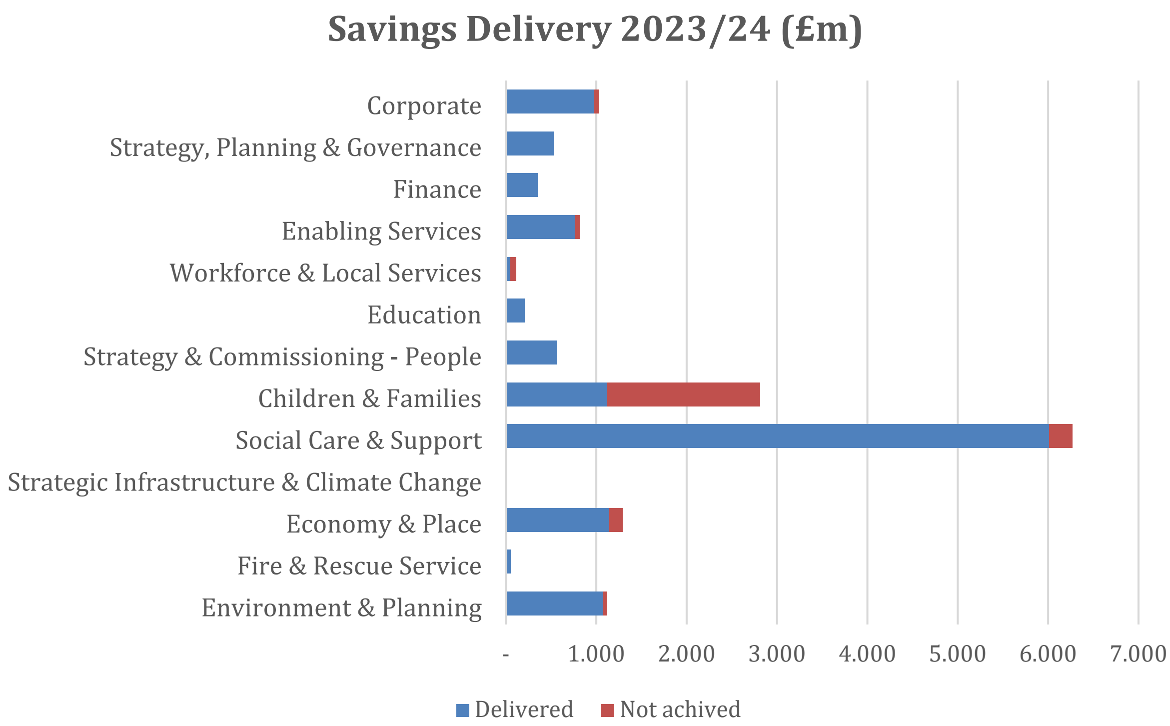
	Outturn £m	Q3 Forecast £m	Change £m
Approved Budget	374.432	374.171	0.261
Net Spending	391.397	392.936	(1.539)
Net Overspend	16.966	18.765	(1.799)
Reasons for and resourcing of the overspend			
DSG: deficit to be offset against contingency reserve	17.117	16.374	0.743
Investment Funds: reprofiling and reduced spend	1.367	4.193	(2.826)
Other Earmarked Reserves	(8.832)	(9.083)	0.251
Residual service overspend to be funded from Financial Management and General Risk Reserve	7.314	7.281	0.033
Net Overspend	16.966	18.765	(1.799)

2.6. The Dedicated Schools Grant (DSG) ended the financial year with a revenue overspend of £17.117m, within which there was an in-year £19.072m High Needs Block deficit. This means the cumulative High Needs Block DSG deficit has now reached £39.488m. Consequently, the DSG Deficit Offset Reserve has been increased by £17.838m to match the balance of the cumulative High Needs Block deficit at the end of the financial year. This is £12.983m more than was planned to be attributed the DSG Offset Reserve in the MTFS. The additional cost is met from the Available to Use Reserve. This trend is unsustainable and the most significant financial risk facing the Council, like many others, and its resolution in large part requires national reform.

2.7. **Savings Achievement Summary**

The savings plan for 2023/24 required the delivery of £15.158m of savings, accumulated from 80 individual saving initiatives. At outturn £12.846m (84.75%) has been delivered in line with the plan, with £2.312m (15.25%) unachieved in year. This performance is a significant improvement compared to the forecast at Q3 but is below the level of delivery in previous years and reflects the scale of the challenge faced by the organisation. For details on saving performance please refer to Section 4.

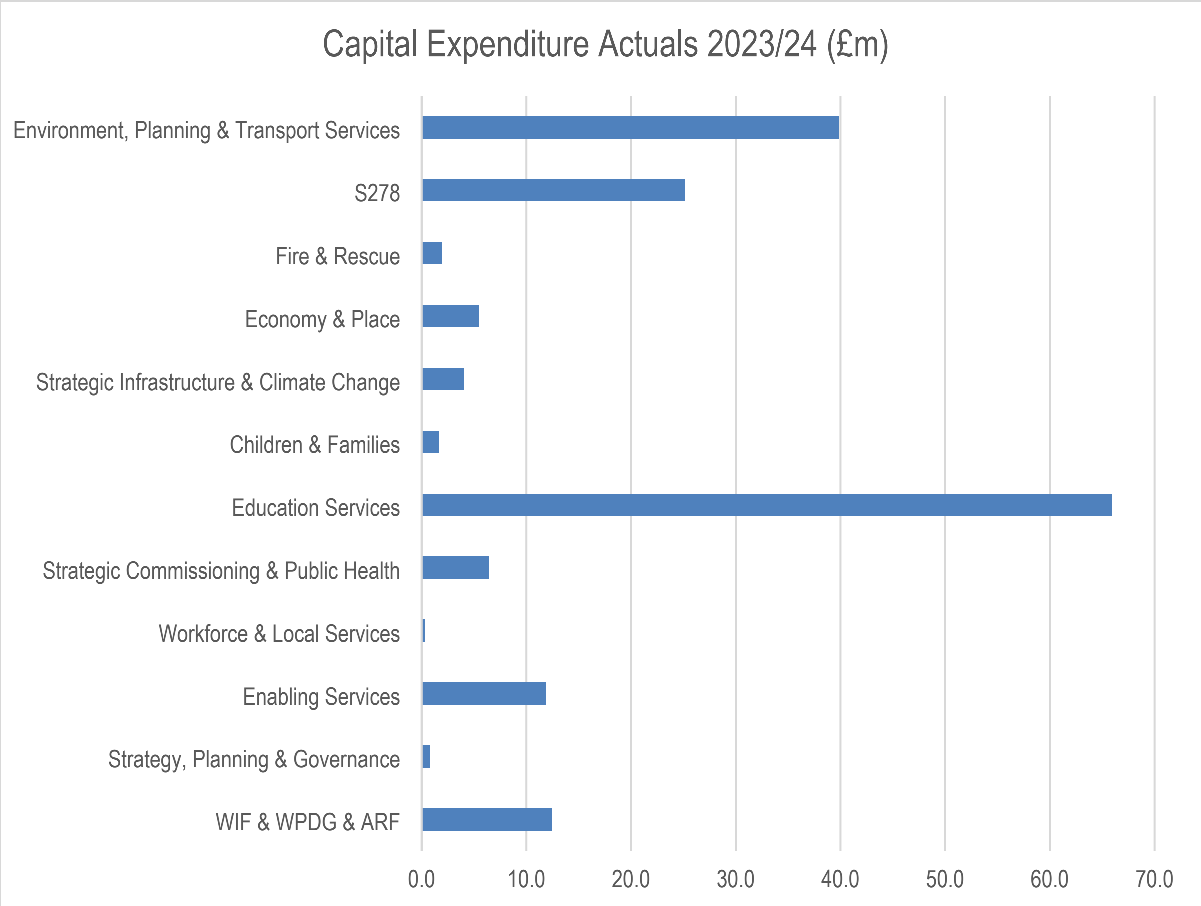
Graph 1: Savings achievement 2023/24 (£m)



2.8. **Capital Summary**

The controllable capital spend for 2023/24 was £138.042m. A further £25.090m was spent on schemes funded by S278 developer contributions where the timing is not directly controllable by the Council. In addition, £12.387m was spent on economic growth-related activity through the Warwickshire Investment Fund (WIF) and Warwickshire Property and Development Group (WPDG). When combined these give a total capital spend for the year of £175.518m.

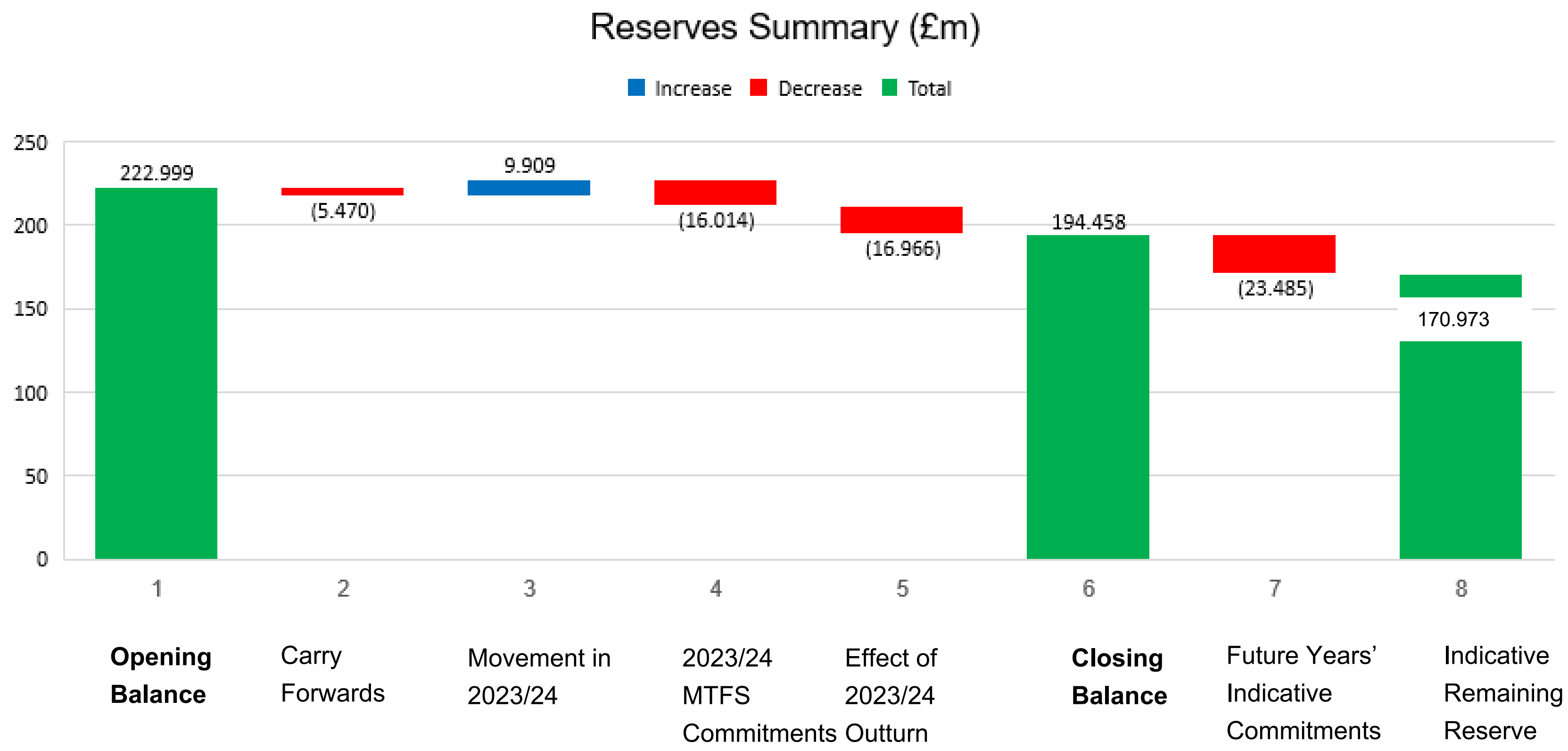
Graph 2: Capital Expenditure 2023/24 (£m)



2.9. **Reserves Summary**

The impact of the outturn on 31 March 2024 will be a decrease in the overall reserves held by the Council over the 2023/24 financial year of £28.541m, taking the total reserve balance to £194.458m. This is planned to reduce by a further £23.532m by the end of the MTFS period. The future MTFS commitments are subject to change as part of the annual refresh of the Reserves Strategy.

Graph 3: Reserves Summary 2023/24 (£m)



3. Revenue Overview

Table 2: Revenue 2023/24 Outturn by Service

Service Area	Approved Budget (£m)	Actual Spend (£m)	(Under) /Over spend (£m)	% Change from Budget	Represented by (£m):			% change from Approved Budget	Remaining Service change from Q3 forecast
					Investment Funds	Impact on Earmarked Reserves	Remaining Service Variance		
Children & Young People									
Children & Families	82.212	94.020	11.808	14.4%	0.138	(0.309)	11.978	14.6%	(0.456)
Education Services - Non-DSG	10.678	10.195	(0.483)	(4.5%)	(0.542)	0.311	(0.252)	(2.4%)	(0.299)
Subtotal Children & Young People	**92.890**	**104.215**	**11.325**	**12.2%**	**(0.404)**	**0.003**	**11.726**	**12.2%**	**(0.755)**
Communities									
Environment, Planning & Transport	61.819	70.403	8.584	13.9%	(0.057)	0.301	8.340	13.5%	2.136
Fire & Rescue	25.424	25.376	(0.048)	(0.2%)	-	0.055	(0.103)	(0.4%)	(0.024)
Economy & Place	25.085	25.720	0.635	2.5%	(0.201)	0.031	0.805	3.2%	0.561
Strategic Infrastructure & Climate Change	2.096	1.824	(0.272)	(13.0%)	(0.235)	-	(0.037)	(1.8%)	(0.033)
Subtotal Communities	**114.423**	**123.322**	**8.899**	**7.8%**	**(0.493)**	**0.386**	**9.005**	**7.9%**	**2.640**
Social Care & Health									
Social Care & Support	210.677	222.131	11.454	5.4%	(0.053)	2.557	8.951	4.2%	0.784
People Strategy & Commissioning	37.481	37.231	(0.250)	(0.7%)	0.026	0.860	(1.136)	(3.0%)	(0.408)
Subtotal Social Care & Health	**248.158**	**259.362**	**11.204**	**4.5%**	**(0.027)**	**3.417**	**7.814**	**3.1%**	**0.375**
Resources									
Enabling Services	28.658	32.757	4.100	14.3%	1.069	0.088	2.943	10.3%	1.748
Finance	17.113	17.141	0.028	0.2%	0.257	(0.058)	(0.170)	(1.0%)	0.364
Strategy, Planning & Governance	6.246	6.650	0.404	6.5%	0.991	(0.376)	(0.211)	(3.4%)	0.295
Workforce and Local Services	10.815	11.122	0.307	2.8%	0.004	0.207	0.097	0.9%	0.134
Subtotal Resources	**62.831**	**67.671**	**4.840**	**7.7%**	**2.321**	**(0.140)**	**2.659**	**4.2%**	**2.541**
Subtotal Directorates	**518.303**	**554.570**	**36.267**	**7.0%**	**1.397**	**3.666**	**31.204**	**6.0%**	**4.801**
Corporate Services and DSG									
Corporate Services & Resourcing	(143.872)	(183.529)	(39.657)	27.6%	(0.030)	(15.737)	(23.890)	16.6%	(4.768)
DSG expenditure	258.418	278.462	20.044	7.8%	-	20.044	-	-	-
DSG income	(258.418	(261.345)	(2.927)	1.1%	-	(2.927)	-	-	-
School expenditure above DSG	-	3.239	3.239	-	-	3.239	-	-	-
Subtotal Corporate Services and DSG	**(143.872)**	**(163.173)**	**(19.301)**	**13.4%**	**(0.030)**	**4.619**	**(23.890)**	**16.6%**	**(4.769)**
Total	**374.432**	**391.397**	**16.966**	**4.5%**	**1.367**	**8.285**	**7.314**	**2.0%**	**0.033**

3.1. The final outturn position is set out in Table 2 shows a total gross overspend of £16.966m representing 4.5% of the Council's net revenue budget. This is a decrease of £1.799m from the Quarter 3 forecast outturn reported in January 2024. The remainder of the section sets out the material aspects of the overspend, with further detail in **Appendix A**.

3.2. 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 remains 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.

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

i.) Dedicated Schools Grant (DSG)

The net overspend on the DSG in 2023/24 was £17.117m, split over four blocks – schools, early years, high needs and central services. Table 3 shows the DSG outturn position across these four blocks with a detailed analysis of the DSG variance provided in **Appendix A**. Overspends in DSG funded services cannot be made good by applying other Council resources and the blocks cannot cross-subsidise each other.

Table 3: DSG Outturn position

DSG block	Effect of Outturn 2023/24 £m	Reserve Position as at 1 April 2024 £m
Schools Block	0.795	1.289
Early Years Block	1.277	4.618
High Needs Block	(19.072)	(39.488)
Central Services Block	(0.117)	0.366
Total	**(17.117)**	**(33.214)**

Within the overall £17.117m overspend there was a £19.072m High Needs block overspend in 2023/24 predominantly relating to the following areas:

- Maintained Schools (£4.888m) - This overspend is due to a 53% higher

than budgeted unit cost which is being partly offset by a lower volume of pupils.
- Special Schools (£2.737m) - This is due to an increase in volume and unit cost. £1.337m of the overspend is a result of the cost increase of special school funding in order to comply with a Department for Education (DfE) requirement to provide a 3.4% increase to special schools, which was not reflected in the funding received by the Council.
- Independent Schools (£9.628) – The overspend is due to increases in volume and unit cost as well as planned savings not being delivered.
- Resource Provision (£1.381m) – A greater number of resource provisions have been opened than was originally envisaged. This reduced the use and therefore alleviated some of the pressure from more expensive forms of service provision.
- Post 16 education (£0.619m) - The overspend is due to increase in volume and unit cost.

When added to overspends in previous years the £19.072m High Needs block overspend means the Council now has a cumulative High Needs DSG deficit of £39.488m. The DSG Deficit Offset Reserve is currently £26.505m, which means at the end of the year an additional £12.983m needs to be set aside from the Available to Use Reserve to cover the deficit . The High Needs Block remains the key area of concern for the Council's finances, and work with the DfE's Delivering Better Value programme has shown that the deficit cannot be mitigated by Council action alone. The repeated annual overspend reflects the structural deficit in funding for this service, which is a longstanding national problem.

The Delivering Better Value programme has carried out a diagnostic exercise on current spend and enabled the Council to secure £1m from the DfE as a transformation grant to move forward transformation projects to address the High Needs challenges. Even if all recommended actions are successfully implemented, their impact will only partially offset growth in the cumulative deficit and will not alter the fundamental challenge facing the council should there be no national reform or funding changes.

ii.) Environment, Planning and Transport
Remaining service overspend £8.340m, 13.5% of the net revenue budget

The primary reason for this overspend is Home to School transport: SEND transport overspent by £3.558m and mainstream school transport by £3.814m. The cause of the overspends in both areas is the increasing demand for services, the distance individuals are being transported due to the increase in in-year admissions, increased interim transport costs for excluded pupils and increasing contract prices. During the year the Children in Care Transport has been transferred from Children & Families to Environment, Planning and Transport increasing the overspend in the Service by £0.720m. The overspend in this area is caused by increase in demand.

The cross-party Member Working Group on Home to School transport, 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 about the financial performance of the Service are provided in Appendix A.

iii.) Social Care and Support

Remaining service overspend £8.951m, 4.2% of net revenue budget

The overspend 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 their need.

The majority of the Service's overspend is within the Older People's Service, amounting to £8.811m (15% of the budget) 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 risk of overspend in future years and further details can be found in 'Commentary on Service Revenue Forecasts' in Appendix A.

iv.) Children and Families

Remaining service overspend £11.978m, 14.6% of net revenue budget

This forecast overspend is primarily driven by, 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.

The overspend related to children's placements including extra care is £9.554m. This is predominantly due to unprecedented market price rises and increased needs of the children. For standard residential placements the weeks purchased were 154 (4.95%) more than 2022/23 but the average weekly cost has risen by £1,086 (22%). The "Extra Care" overspend represents the cost for hard to place / high support needs of some children. These children are temporarily unable to be accommodated by the external market and so high costs are to meet their short-term needs. There have been delays in stepping down such placements into less costly types of placements due to external placement availability and delays in opening and matching children within WCC owned Childrens' Homes. However, at present there are plans with end dates for all these packages in 2024/25.

Warwickshire Children's Homes were £0.496m overspent at the end of the year. This is a mixture of post-opening cost increases (staff regrading / child related support for Home A and costs for the other homes securing staff before opening).

The overspend on staffing was £3.820m, of which £3.658m relates to agency staff. Some teams are struggling with increasing caseload numbers, recruitment difficulties, sickness and maternity. There are roles which nationally are difficult to recruit to and we have seen a significant turnover both in permanent and agency workers. Mitigations have been put in place for the next two years, including market forces supplements where appropriate, and are already showing signs of improving the staffing position.

v.) Enabling Services

Remaining service overspend £2.943m, 10.3% of net revenue budget

In Property Services the increase in utility prices resulted in an overspend of £1.228m. The triannual revaluation of properties led to a £0.314m overspend on business rates.

In ICT as a result of high inflation on both pay and non-pay the surplus of School ICT services was £0.460m less than planned. The increased number of users in the organisation requiring devices and associated software caused an overspend of £0.350m.

Further details about the financial performance of the Service are provided in Appendix A.

vi.) Corporate Services

Remaining service underspend £23.890m, 16.6% of net revenue budget

Of this underspend, £18.739m 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 £19.2m due to savings in capital financing costs and higher returns on our investments. This is offset by the DSG overspend which is £13.0m higher than provided for in the 2023/24 budget, and the £1.514m difference between budgeted pay award and the agreed pay deal for 2023/24. This surplus will partially offset the overspends by services this year, reducing the remaining service variance to a net overspend of £7.314m.

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 potential on-going impact of the service overspends in 2024/25 or beyond.

4. Savings Performance

4.1. To achieve a balanced budget in 2023/24 required the delivery of £15.158m savings. Services have delivered £12.846m (84.75%) of the planned savings, leaving a £2.312m shortfall. The table below provides a summary of the actual delivery against the targeted savings, performance against individual saving targets can be found in **Appendix E**.

Table 4: Savings Performance

	No. of Savings Options	Saving Delivered £m	Saving Not Delivered £m
Savings target achieved/overachieved	66	12.580	0
Savings target partially achieved	3	0.266	0.090
No saving delivered against target	11	0	2.222
Total	**80**	**6.632**	**8.526**

4.2. Table 5 details those savings which were not achieved in 2023/24.

4.3. Delivery against the saving target improved significantly compared to the Q3 forecast due to focused effort across the organisation to identify alternative savings where the delivery of the original saving plans have become unviable since setting the 2023/24 budget.

4.4. The work undertaken by Social Care and Support to identify alternative savings despite the significant demand and cost pressures resulted in material improvement. Their review identified that while increases in expenditure (due to both the cost and volume of packages of care) led to increases in client contribution income the growth of income is exceeding the level budgeted. This is due to individual financial assessment of clients' ability to pay for the care received; this income growth assisted in the delivery of the 2023/24 savings.

Table 5: Summary of Savings not fully achieved in 2023/24

Description	Target £m	Outturn £m	Reason for variance and associated management action
Environment, Planning & Transport - Trading standards - Delivery of efficiencies in trading standards community safety provision.	0.045	0	Trading Standards and Community Safety overspent and the service was unable to identify alternative savings.
Economy & Place savings on **third party spend** - Review of services purchased from third parties to ensure value for money.	0.090	0	This saving was intended to be delivered by Parking based on potential savings with RingGo. The service has overspent and was unable to identify alternative savings.
Adult Social Care savings on **third party spend** - Review of services purchased from third parties to ensure value for money.	0.255	0	Unachieved.
Children & Families - New ways of working - Expected reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid.	0.092	0	Due to increases in the number of cases the Service was unable to deliver this saving or mitigate elsewhere.
Children & Families - 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	The service significantly overspent on residental palcments due to unprecedented unit cost increase as well as the increase in the number of weeks to be purchased.
Children & Families - Legal Services - Reduce the cost of legal services through risk-based decision-making as to when legal advice is sought.	0.100	0	The Service was £0.500m overspent on the internally traded Legal services due to the increasing complexity of cases and inflationary increase to charges.
Children and Families - Custody - Reduce the custody budget to better align with activity levels.	0.100	0	The numbers of cases and severity of charge is high compared to previous years preventing the delivery of this saving.
Workforce and Local Services - Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied and the rationalisation of PA support.	0.052	0	Due to salary overspends the service have been unable to deliver this saving.
Workforce and Local Services - Registration Service - Increase registration revenue through the optimisation of service delivery locations.	0.013	0	The service have been unable to deliver this saving or identify alternative options within this financial year, however the General Register Office have increased nationally set rates which will allow us to deliver savings in future years.
Enabling Services - Facilities management - Facilities management and maintenance cost savings linked to asset rationalisation	0.050	0	The national review of business rates led to a significant increase in rates relating to the current estate.
Insurance - Savings arising as a result of a higher level of self insurance.	0.025	0	Expected to deliver fully in future years, in the current year the shortfall is planed to be funded from earmarked reserves.
Economy & Place - Reduction in Transport Development Fund	0.200	0.142	Reduction in activity was planned based on the capacity in the capital programme and the earlier capitalisation of design costs on priority schemes. Reduced delivery due to expected income being withdrawn.

Children & Families Section 17 payments - Reduce section 17 payments and seek alternative funding routes.	0.030	0.027	The cost and number of cases dealt with via s17 has been greater than estimated as part of the MTFS.
Warwickshire Property and Development Group - Forecast income stream from the successful delivery of the company business plan.	0.126	0.097	Expected to deliver fully in future years, albeit with an uncertain profile; any shortfall is planed to be funded from earmarked reserves created specifically for this purpose, recognising the difficulty of controlling development timescales.
	2.578	0.266	

5. Corporate Revenue Investment Funds

5.1. At the beginning of 2023/24 there was £26.191m in the Corporate Revenue Investment Funds. As part of the MTFS an additional £5.000m was made available to support the Education Transformation Fund and the Digital Roadmap Investment Fund. In addition to this £4.227m was made available for the Revenue Invesment Funds. During the year £7.475m was spent on projects leaving a cash balance of £27.944m at the end of the financial year. After taking into account approved commitments in future years the combined uncommitted balance available to support future investment is £21.057m. Table 6 shows the individual fund balances as at 31 March 2024 and the uncommited fund balances.

Table 6: Corporate Revenue Invesment Fund Balances

	Total Fund Balance as at 31 March 2024	***Committed for 2024/25 and future years***	***Uncommitted Fund Balance as at 31 March 2024***
Education Transformation Fund	3.140	(1.340)	1.800
Children's Transformation Fund	1.838	(1.838)	-
Fire Transformation Fund	0.489	(0.369)	0.120
System Replacement Fund	0.607	0.376	0.984
Digital Roadmap	3.483	(0.283)	3.200
Revolving Fund	5.000	-	5.000
Revenue Investment Fund	13.387	(3.433)	9.954
Total	***27.944***	***(6.887)***	***21.057***

5.2. During the year five projects have been completed for a lower cost than anticipated when they were approved delivering a cumulative underspend of £0.083m. This funding has been returned to the Revenue Investment Fund and is available for allocation to new initiatives.

5.3. 17 projects have been delayed and Services are requesting permission to reprofile £0.914m funding into future years to complete the projects. The key themes causing delays are difficulties in recruitment and capacity issues from unexpected competing demands arising due to cost living and inflation pressures which has meant some projects have had to be deprioritised. All the projects will still be delivered with no material change in cost, although the benefits of the projects will be realised slightly later than the original timeframes.

5.4. Cabinet is recommended to approve the drawdown of the £0.914m not spent in 2023/24 from the Corporate Revenue Investment Funds plus a further £0.684m of funding for investment in 2024/25 that had previously been approved. This means a total investment of £1.598m in 2024/25 to support the delivery of the Council Plan. **Appendix C** provides a breakdown of the request by project and Service.

6. Reserves

6.1. At the start of the 2023/24 financial year the Council's reserves were £222.999m. After the approved changes to reserves in year and the impact of the overall revenue overspend the level of reserves reduced by £28.541m to £194.458m. The position is summarised in Table 7.

Table 7: Reserve balances as at 31 March 2024

	Balance as at 01April 2023	Movement in year	Effect of Outturn	To up of Financial Management Reserve	Balance as at 31 March 2024	2024-29 Planned Use	Remaining Reserves
	£m	£m	£m	£m	£m	£m	£m
DSG Deficit	(16.097)	-	(17.117)	-	(33.214)	(18.000)	(51.214)
DSG Offset Reserve	21.650	4.855	12.983	-	39.488	18.000	57.488
Other School Reserves	21.213	-	(3.105)	-	18.108	-	18.108
Revenue Investment Funds	26.192	3.120	(1.367)	-	27.944	(6.887)	21.057
Other Earmarked Reserves	84.721	(7.165)	(1.046)	-	76.510	3.939	80.449
General Reserve	26.000	-	-	-	26.000	-	26.000
Financial Management Reserve	8.791	1.583	(31.204)	34.543	13.712	(0.227)	13.485
Available to Use Reserve	50.530	(13.968)	23.891	(34.543)	25.910	(20.310)	5.600
Total	222.999	(11.575)	(16.966)	-	194.458	(23.485)	170.973

6.2. The figures in Table 7 also reflect the previously approved realignment of reserves, including the annual reserves review as approved by Cabinet in the Q3 monitoring report.

6.3. Within earmarked reserves there are several reserves that have not been drawn upon or added to in 2023/24 and in some cases in previous years. Corporate Board has commissioned a review of these reserves to inform the MTFS and Reserves Strategy refresh.

6.4. As a result of the outturn position the Financial Management Reserve ended the year overdrawn by £20.831m.

6.5. As overdrawn reserves are not permitted, as part of approving the outturn report agreement is required as to how to make good the deficit reserve. The

Reserves Strategy, approved by Council in February 2024, sets out the maximum level of the Financial Management Reserve as 2% of the Services net revenue budget.

6.6. Cabinet is recommended to approve the transfer of £34.543m from the Available to Use reserve to top-up the Financial Management Reserve in line with the recommendation of the Reserves Strategy. This will result in a balance of £13.712m in the Financial Managment Reserve; this is higher than assumed in the MTFS approved in February 2024, which is considered prudent given the scale of on-going financial risks facing services.

6.7. The MTFS approved by full Council in February 2024 retained an unallocated Available to Use reserve of £8.971m, this was based on the forecast impact of outturn as at Q3. The actual impact of outturn has resulted in a larger overspend than the Q3 estimate after the application of earmarked reserves and has reduced the Available to Use reserve by £0.033m to £60.453m at the end of 2023/24. The recommendations set out in this report would use £34.543m of this leaving £25.910m available to support the 2025/26 MTFS refresh, a decrease of £3.371m from the February 2024 position.

6.8. Services have requested approval to draw down £0.227m from the Financial Managment Reserve to support the delivery of the Council Plan in 2024/25. The £0.227m is made up of four different requests seeking to rephase some of the services' 2023/24 revenue resources into future years for spend against a specific project or initiative.

6.9. The individual requests, and planned use of the funds are listed in **Appendix D** and summarised in the Table 8 below alongside the Services 2023/24 remaining service variance position. Cabinet is recommended to approve these requests.

Table 8: Requests to draw down from reserves

Service	2023/24 Outturn Over/Underspend	Drawdown Request
	£m	£m
Economy & Place	0.805	0.035
Finance	(0.170)	0.140
Strategic Infrastructure & Climate Change	(0.037)	0.048
Strategy, Planning & Governance	(0.211)	0.004
Impact on Financial Management Reserve		**0.227**

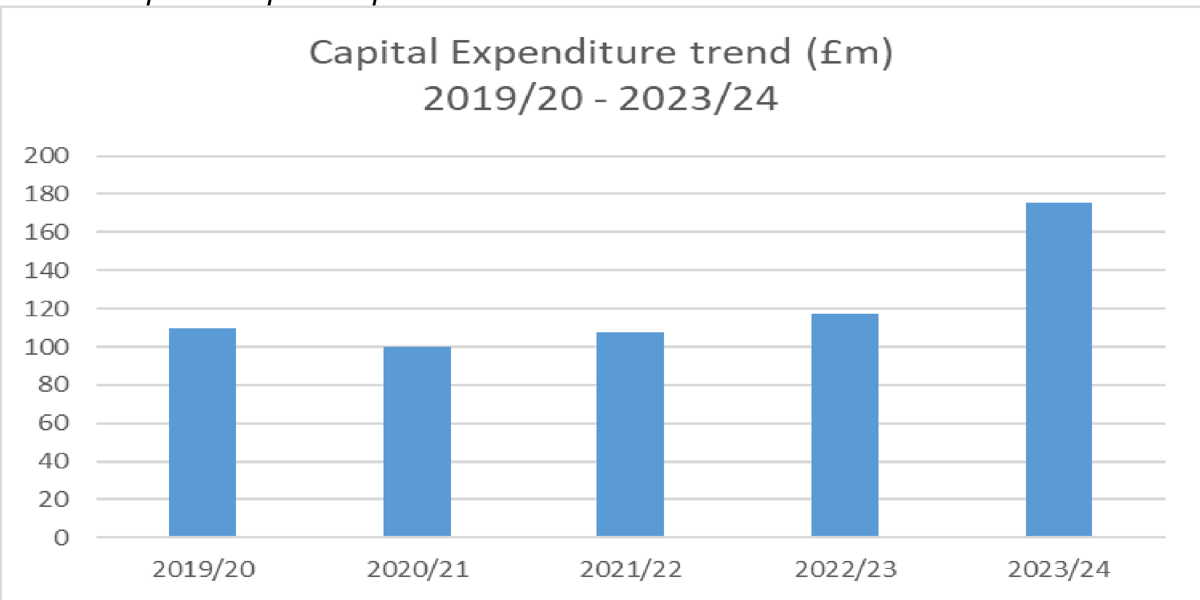
7. Capital

7.1. As part of the budget resolution in February 2023 Council approved a total capital budget of £316.945m for 2023/24 and controllable capital payments of

£193.189m. The actual capital spend in 2023/24 was £175.518m and the actual controllable capital payments made by the Council were £138.042m.

7.2. The £175.518 capital expenditure incurred in year represents the highest level of capital investment ever delivered by the Council in a financial year and is a significant increase compared to previous years. This reflects significant work to improve the delivery framework for our capital programme and projects, and represents the Council's commitment to invest in communities despite the challenging economic conditions. The most significant investment was made in Education (£65.879m), building new schools and extending existing ones to ensure we will be able to meet both mainstream and special education needs as pupil numbers continue to increase.

Graph 4: Capital Expenditure Trend



7.3. A reconciliation of the approved budget for 2023/24 and the controllable capital payments is shown in Table 9.

Table 9: Capital budget to outturn position

	Capital Budget 2023/24
	£m
Council Resolution February 2023	316.945
Unallocated Capital Investment Fund	(20.248)
Warwickshire Investment Fund (WIF), and Warwickshire Property and Development Group (WPDG) and Asset Replacement Fund (ARF)	(45.621)
Education basic needs funding (unallocated)	(25.019)
Capital maintenance allocations	(33.063)
2023/24 budget resolutions and Quarter 3 approved controllable capital programme (including S278, excluding WIF, WPDG and ARF)	**192.994**
Re-profiling, new schemes, and delays at 2022/23 outturn	(8.451)
Opening controllable capital programme for 2023-24	**184.543**
Forecast virements, re-profiling, new schemes, and delays at Q1	(10.123)
Forecast virements, re-profiling, new schemes, and delays at Q2	(12.303)
Forecast virements, re-profiling, new schemes, and delays at Q3	(10.728)
Forecast virements, re-profiling, new schemes, and delays at Q4	(13.347)
Capital programme delivered at outturn 2023-24 (including S278, excluding WIF, WPDG and ARF)	**138.042**

7.4. The outturn position represents a decrease of £13.347m in spend compared to the Quarter 3 forecast reported in January 2024 (£151.389m). The changes to forecasts have been split below in paragraph 7.6 between new schemes, budget reprofiles, net underspends and delays. Additionally, there was an additional £7.636m of S278 schemes spending in 2023/24. Spend on WPDG, WIF and Asset Replacement Fund schemes was £2.436m less than anticipated in January.

7.5. The Capital Investment Fund (CIF) balance which is not included in the above figures is £86.060m over the five years of the MTFS, a further year's allocation was added on to the balance as part of the MTFS refresh in February 2024.

Capital Expenditure by Service

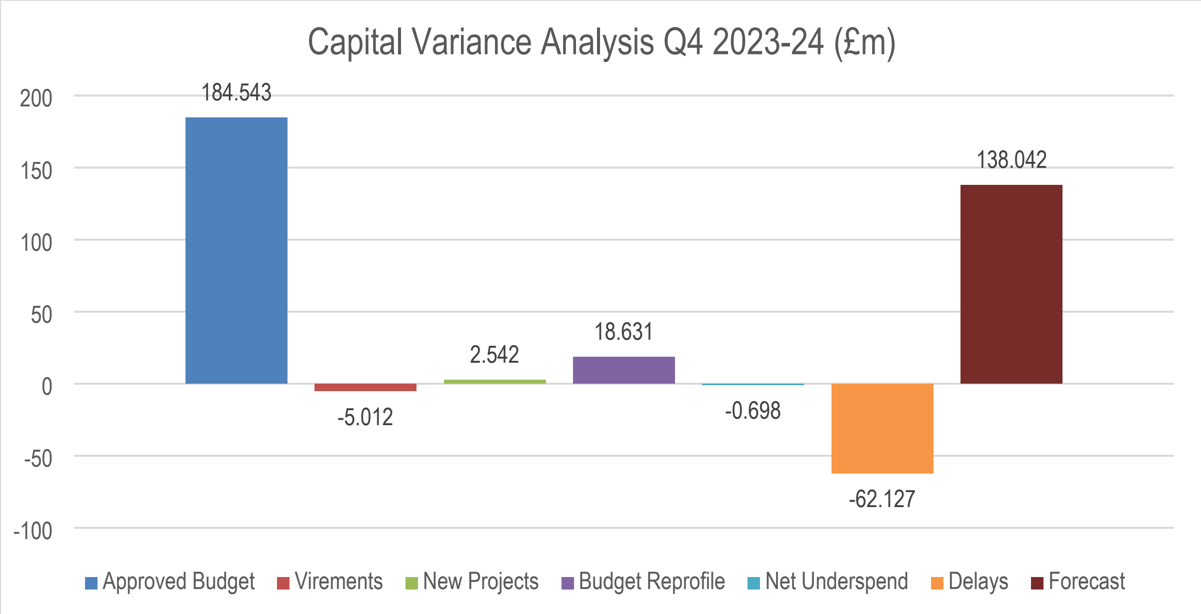
7.6. The actual of 2023/24 capital payments directly controllable by the Authority of £138.042m excludes the spend on s278 developer schemes of £25.090m and corporate allocations for WPDG, WIF and ARF (Asset Replacement Fund) of £12.387m. These elements are excluded from the headline figures as the timing of the spend is not directly controllable by the Council. If these are included the total 2023/24 capital expenditure is £175.518m. The detail by Service is set out in Table 10.

Table 10: Capital Variance Analysis

	2023/24			2024/25 to 2027/28			Total Variance
	Approved Budget £m	Actual £m	Variance £m	Approved Budget £m	Forecast £m	Variance £m	£m
Environment, Planning & Transport	61.301	39.844	(21.457)	93.948	118.711	24.763	3.306
Fire and Rescue	5.499	1.880	(3.619)	0.931	4.524	3.592	(0.027)
Economy & Place	10.052	5.459	(4.593)	22.711	28.053	5.341	0.748
Strategic Infrastructure & Climate Change	6.752	4.059	(2.693)	24.810	28.054	3.244	0.551
Communities	**83.604**	**51.242**	**(32.362)**	**142.401**	**179.341**	**36.940**	**4.579**
Children and Families	1.849	1.594	(0.255)	1.768	1.920	0.152	(0.103)
Education Services	69.644	65.879	(3.765)	77.509	85.278	7.769	4.004
Social Care & Support	-	-	-	0.313	0.313	0.000	0.000
Sc for People & Public Health	6.697	6.391	(0.306)	0.000	5.896	5.896	5.590
People	**78.190**	**73.864**	**(4.326)**	**79.590**	**93.407**	**13.817**	**9.491**
Workforce & Local Services	0.511	0.347	(0.164)	0.336	0.503	0.167	0.003
Enabling Services	16.480	11.839	(4.641)	12.736	17.367	4.631	(0.009)
Strategy, Planning & Governance	0.750	0.750	-	0.750	0.750	0.000	0.000
Resources	**17.741**	**12.937**	**(4.804)**	**13.821**	**18.620**	**4.798**	**(0.006)**
Controllable capital programme	**179.534**	**138.042**	**(41.494)**	**235.812**	**291.368**	**55.556**	**14.064**
Corporate: WPDG / WIF / ARF	46.231	12.387	(33.844)	165.356	159.608	(5.748)	(39.592)
WCC Capital Programme	**225.767**	**150.429**	**(75.339)**	**401.168**	**450.976**	**49.808**	**(25.528)**
S278 funded schemes	17.968	25.090	7.122	9.890	10.289	0.399	7.521
Total Capital Expenditure	**243.735**	**175.518**	**(68.217)**	**411.058**	**461.265**	**50.207**	**(18.008)**

7.7. At Quarter 3 the controllable capital budget for 2023/24 was reset to £179.534m, as approved by Cabinet in January 2024. Graph 5 explains the changes between the approved budget and the actual spend of £138.042m.

Graph 5: Capital Variance Analysis Q4



* The figures in the graph above exclude S278 and Corporate Schemes.

7.8. The movement from approved budget at Q3 to outturn actuals shows the changes in capital programme spend, made up of:

- Reprofiled and delayed projects – these are schemes where the project timeline has been reprofiled or there has been a delay in the time scale for delivery. The project is still being delivered and with no material change in cost, but the benefits of projects will not be realised in the timeframe originally anticipated. The net position is that there is £43.496m of project expenditure which has been reprofiled into future years, and work is ongoing to make estimates of planned delivery more realistic to ensure reprofiling only occurs where delays are uncontrollable. The key reasons for the current delays are provided in **Appendix B** of this report and they include availability of contractors and materials, project reviews and redesigns due to inflationary pressures and longer than anticipated procurement and planning processes.

- New projects – these are projects recently added to the capital programme or projects where costs have risen as a result of a substantial change in scope. These schemes have been added through formal governance processes, with financing made available from the Capital Investment Fund or funded by third parties.

- Projects with Increased Spend – these are schemes where project costs have risen above the level previously expected and additional funding has been arranged. This may be in the form of a contribution from a Service's revenue budget, the use of Basic Need grant funding for education projects or increased grants. In many cases the impact of this is that there is less funding available for other projects/activity.

- Underspent projects – these are schemes which have been delivered under budget. The impact of this is that funds are no longer required for a specific scheme. This may mean the Authority will be able to recycle funds to alternative projects or borrow less to fund capital spend in the future.

7.9. The net increase of new projects to the capital programme of £2.541m in 2023/24 requires that an equivalent amount of additional funding has also been identified. It should be noted that for Corporate projects there has been a reduction in new schemes as funding for Warwickshire Investment Fund projects has been reduced by £23.100m.

7.10. Table 11 provides a summary of the 2023/24 capital spend by service. Further detail is provided in **Annexes A to M**.

Table 11: Capital 2023/24 outturn by service

Service	Approved budget 2023-24	New projects at Q3	Net over / underspend forecast	Budget Reprofile	Delays	Capital spend 2023-24	% 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	61.301	0.455	(0.948)	0.400	(22.509)	39.844	37.02%
Fire and Rescue	5.500	(0.378)	(0.004)	0.082	(3.319)	1.881	64.85%
Economy & Place	10.052	0.013	(0.084)	1.828	(5.369)	5.463	53.79%
Strategic Infrastructure & Climate Change	6.748	-	-	-	(2.693)	4.055	39.91%
Children & Families	1.849	-	(0.117)	0.057	(0.194)	1.595	11.20%
Education Services	69.645	2.451	0.461	16.252	(22.929)	65.880	31.60%
Strategic Commissioning for People & Public Health	6.697	-	-	-	(0.306)	6.391	4.57%
Workforce & Local Services	0.511	-	-	-	(0.164)	0.347	32.09%
Enabling Services	16.480	-	(0.006)	0.012	(4.644)	11.842	28.19%
Strategy, Planning & Governance	0.750	-	-	-	-	0.750	0.00%
Services Capital Programme	**179.534**	**2.541**	**(0.698)**	**18.631**	**(62.127)**	**138.042**	**34.74%**
Corporate (WPDG & WIF & ARF)	46.231	(23.100)	0.000	0.000	(10.744)	12.387	46.45%
WCC Capital Programme	**225.766**	**(20.559)**	**(0.698)**	**18.631**	**(72.871)**	**150.430**	**32.38%**
S278 Developer Funded Schemes	17.969	2.717	3.866	1.918	(1.213)	25.090	4.94%
Total Capital Expenditure	**243.735**	**(17.842)**	**3.168**	**20.549**	**(74.084)**	**175.518**	**30.01%**

7.11. In addition, where schemes are in the early stages of design and costing there is a risk that project costs have significantly risen due to inflation. This may mean in some cases the original scheme is not likely to be achievable within the current approved funding envelope. Decisions about whether to proceed or if the projects should be scaled back or aborted will form part of the development of the Capital Investment Fund pipeline as part of the 2025/26 MTFS Refresh. Any abortive costs on discontinued schemes would need to be funded from revenue resources.

Capital Financing

7.12. 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 time when an authority needs to take out additional borrowing and avoids the impact of additional borrowing costs (interest and the provision for principal repayments) on the revenue budget. For forecasting purposes, we accurately reflect how individual schemes are being financed so that the CFR (Capital Financing Requirement) and MRP (Minimum Revenue Provision, the technical name for the provision for principal repayments) prudently reflect and provide for the repayment of debt.

7.13. The most significant variable in financing the capital expenditure is forecasting the timing of the delivery of capital receipts. Capital receipts, including from the sale of County Council assets and the repayment of WPDG and WIF loans, are used to avoid the need to incur additional borrowing. Any shortfall in the level of expected receipts may require the Authority to externally borrow sooner than expected.

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

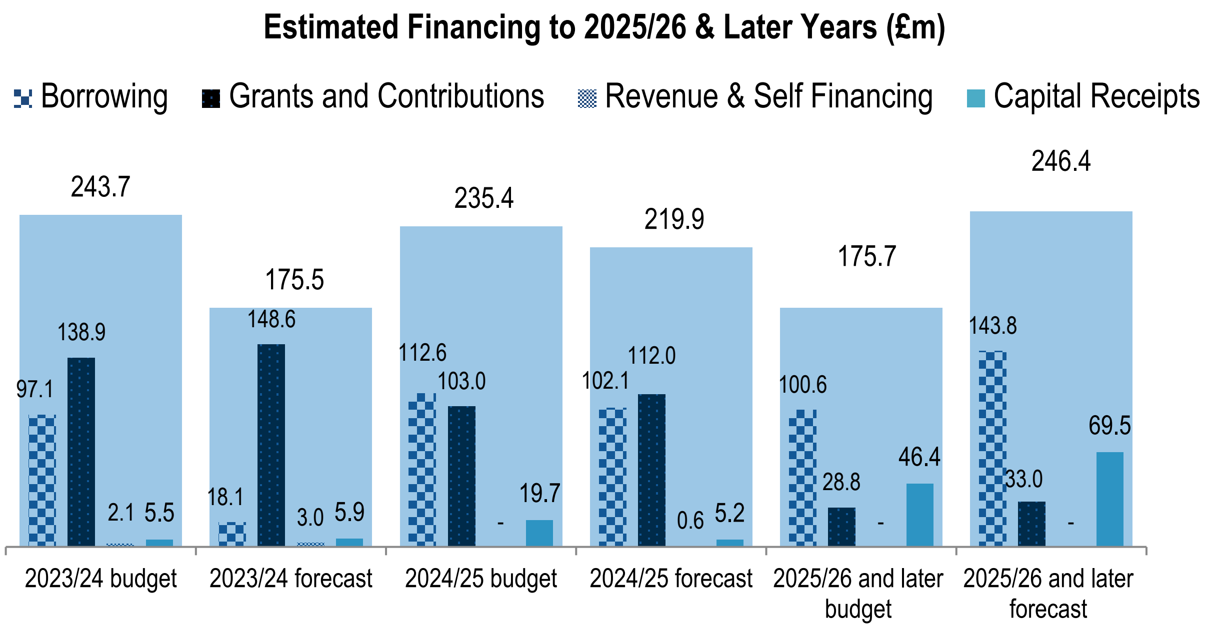
7.15. Graph 6 and Table 12 below provide further detail on how the approved 2023/24 capital programme and 2024-29 Capital MTFS are currently planned to be financed.

Table 12: Capital Resourcing Requirement

	2023/24 budget £m	2023/24 actuals £m	2024/25 budget £m	2024/25 forecast £m	2025/26 and later budget £m	2025/26 and later forecast £m
Corporate Borrowing	97.110	18.079	112.633	102.130	100.566	143.840
Self-financed Borrowing	1.326	0.870	0.038	0.052	-	0.030
Grants and Contributions	138.939	148.578	102.994	111.963	28.751	32.970
Capital Receipts	0.685	5.890	2.650	3.016	-	0.888
Capital Receipts - WIF	0.532	-	2.470	-	31.030	50.400
Capital Receipts - WPDG	4.295	-	14.600	2.170	15.326	18.246
Capital Receipts Reserve	-	-	-	-	-	-
Revenue	0.846	2.101	0.001	0.536	-	-
Total	**243.737**	**175.518**	**235.386**	**219.867**	**175.672**	**246.375**

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

Graph 6: Capital Financing



Note: The Council manages cash as a whole, so even where borrowing is shown as a form of financing in this graph it does not mean new borrowing will be necessary. The borrowing figure shown is the gap between our spending and the funding available to us which is called the CFR (Capital Financing Requirement).

8. Financial Implications

8.1. The report outlines the financial performance of the Authority in 2023/24. There are no additional financial implications to those detailed in the main body of the report.

9. Environmental Implications

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

10. Background Papers

10.1. None.

11. Appendices

Appendix A: Commentary on Service Revenue Outturn Variances
Appendix B: Commentary on Service Capital Outturn Variances
Appendix C: Requested Corporate Revenue Investment Fund Allocations
Appendix D: Requested Drawdowns from the Financial Management Reserves
Appendix E: Service level narrative, reserves, and saving

		Contact Information
Report Authors	Natalia Hodgetts, Finance Manager – Finance Strategy; Lisa Fynn, Senior Accountant – Finance Strategy	nataliahodgetts@warwickshire.gov.uk lisafynn@warwickshire.gov.uk
Director	Purnima Kandula, Director of Finance	purnimakandula@warwickshire.gov.uk
Executive Director	Rob Powell, Executive Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Cllr Peter Butlin, Deputy Leader and Portfolio Holder for Finance and Property	cllrbutlin@warwickshire.gov.uk

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