

Appendix 3 Management of Financial Risk

1.1 The table below details performance against the latest approved revenue budget as measured by the overspend at the end of the 2023/24 financial year. Further information and reasons for variances can be found in the Finance Outturn report presented to Cabinet on 13th June 2024.

Service Area	Approved Budget	Actual Spend	(Under) /Overspend	% Change from Budget	Represented by:		
					Investment Funds	Impact on Earmarked Reserves	Remaining Service Variance
	£m	£m	£m	%	£m	£m	£m
Children & Families	82.212	94.020	11.808	14.36%	0.138	(0.309)	11.978
Education Services - Non-DSG	10.678	10.195	(0.483)	(4.52%)	(0.542)	0.311	(0.252)
Total	92.890	104.215	11.325	12.19%	(0.404)	0.003	11.726

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

In response to the forecast overspend that emerged at Quarter 1 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 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.
Rightsize 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 the Outturn 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	Significant overspend on internal legal fees is preventing the achievement of this saving.
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	50	0	

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	27	3	
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	1,119	1,695	
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	98	98	0	
NEETs contract - More effective contracting of the service to support those not in employment, education of training.	35	35	0	
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	11	11	0	
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)	50	50	0	
Education (Excluding Dedicated Schools Grant)	209	209	0	

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

Children & Families - £0.194m:

Children's Homes (£0.194m) - 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.

Service	Approved 2023-24 Capital Programme	New Projects in Year	Net Over / Under Spend	Budget Reprofile	Delays	In Year Capital Spend	% of Delays
	£m	£m	£m	£m	£m	£m	
Children & Families	1.849	0	(0.117)	0.057	(0.194)	1.595	11.2%
Education	69.645	2.451	0.461	16.252	(22.929)	65.880	31.60

Education Services - £22.929m:

- Long Lawford Studio Hall (£0.100m) - 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 (£0.290m) - 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.
- Long Itchington (£0.254m) - This project is School Led and therefore timescales for delivery are out of our control. Delays will be the result of procurement and planning issues - we will not contribute the S106 funding to the school until works are complete.
- Brownsover expansion (£0.269m) – Construction has been completed apart from final snagging and the project is expected to come in under budget. Funding for final accounts has been moved to 2024-25.
- Kingsway Site Changes (£3.105m) - Procurement delays due to significantly increased costs. Contract now awarded and enabling work has begun based on contract price within the allocated funding envelope with main construction work to commence shortly.
- Shipston High School (£4.267m) - Planning delays, issues with drainage and negotiations over Sports Hall validation by Sports England have caused construction timescales to be pushed back. Measures have been put in place to ensure the scheme will still be delivered for September 2024.
- Champion School expansion (£0.451m) - Construction complete but rectification of playing fields rescheduled to take place during school summer holidays.

- The Queen Elizabeth Academy Atherstone (£2.957m) - 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 (£8.244m) - 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 (£1.877m) - The places at this school are required for September 2024 therefore the main construction is expected in 2024-25.
- There are other schemes with delays of less than £0.250m which are detailed in the Annexes A to M of the Finance Outturn report presented to Cabinet 13th June 2024.