

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 1 Finance Monitoring report presented to Cabinet on 5th September 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	103.775	115.905	12.13	11.7%	1.664	0.101	10.365
Education Services - Non-DSG	10.712	11.537	0.825	7.7%	(0.034)	0.278	0.581
Total	114.487	127.442	12.955	11.3%	1.630	0.379	10.946

This large 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 Quarter 1 Finance monitoring report.

A Financial Recovery Strategy has been put in place across the organisation to address the Quarter 1 forecast position with immediate action required to mitigate in-year pressures. This includes the implementation of spending controls, and an individual Financial Recovery Plan is required for the Childrens and Families Service.

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.	240	240	0	
Reduce spend on Residential Care - Reduce the cost of care/services including the increased use of WCC homes, boarding schools and residential schools.	2,361	0	2361	This budget is experiencing extreme pressure both from the forecasted increases of children placed on residential (643 more weeks) and to a more extreme extent the increase in average unit cost per week by £844, taking the average weekly cost to £6,604 per week or the equivalent of £0.344m per week. The various initiatives to achieve the saving are continuing but under the pressures faced are not making headway.
External foster care - Reduce the cost of care/services by reducing spend on external foster care through increasing number of internal foster carers.	200	200	0	Although external Foster care is underspending (hence saving on this budget achieved)- the forecasted internal foster care expenditure is less than 23/24.
Grant income - More effective use of grant income to support the core activity of the service and contribute to the service overheads.	100	100	0	Due to decreasing numbers and funding as well as severity of needs increasing it is at this stage unlikely to be achieved. However as a result of this Q1 forecast the strategy and operational spend which triggers this additional grant surplus is being

				urgently reviewed at Director & Head of Service level.
Third-party contributions - Maximise contributions from other agencies for care packages for children in care.	250	250	0	
Saving Proposal	Target £m	Forecast £m	Shortfall/ (Overachievement) £m	Reason for financial variation and any associated management action
House project - Reduce the cost of 16 plus supported accommodation through the expansion of the House project.	100	100	0	
Reduction in staff costs - Reduction in staffing costs flowing from the successful implementation of the Sustainability Plan	91	91	0	
Children & Families	3,342	881	2,461	
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	15	15	0	
Traded income - Increased traded income from Governor and Attendance services as well as a review to modernise music services.	5	5	0	
Education (Excluding Dedicated Schools Grant)	20	20	0	

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

Service	Approved 2024-25 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	2.023	0.000	(0.034)	0.014	(0.113)	1.890	-5.68%
Education	89.068	-0.666	0.012	0.000	(21.278)	67.137	-24.07%

Children & Families - £0.113m:

There are a number of scheme delays all of low value (none greater than £0.041m).

Education Services - £21.278m:

- Oakley School primary phase temporary solutions (£0.428m) - 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;
- Lighthorne Heath Primary School - Relocation (£4.631m) 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;
- Shottery St Andrews Primary – Relocation (£4.623m) – 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;
- Stratford Upon Avon Secondary School (£3.873m) - works delayed due to budget / cost issues and project now expected to complete in September 2025;
- Myton Gardens Primary School (£7.523m) - 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; and
- There are other schemes with delays of less than £0.250m.