

### 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 2 Finance Monitoring report presented to Cabinet on 14th November 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	%	£m	£m	£m
Children & Families	103.759	110.536	6.777	6.5%	0.000	1.148	5.629
Education Services - Non-DSG	10.712	11.031	0.319	3.0%	0.000	0.141	0.179
<b>Total</b>	<b>114.471</b>	<b>121.567</b>	<b>7.096</b>	<b>6.2%</b>	<b>0.000</b>	<b>1.289</b>	<b>5.808</b>

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 2 Finance monitoring report.

A Financial Recovery Strategy was put in place across the organisation following the Quarter 1 forecast position with immediate action required to mitigate in-year pressures. This includes the implementation of spending controls and as at Quarter 2, the focus remains on continuing to manage and reduce the in-year forecast overspend through the mitigation strategy.

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
<b>Savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	240	240	0	
<b>Reduce spend on Residential Care</b> - 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 (605 more weeks) and to a more extreme extent the increase in average unit cost per week by £470, taking the average weekly cost to £6,230 per week or the equivalent of £0.325m per year. The various initiatives to achieve the saving are continuing but under the pressures faced are making some headway.
<b>External foster care</b> - 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.
<b>Grant income</b> - More effective use of grant income to support the core activity of the service and contribute to the service overheads.	100	0	100	New arrivals have slowed down and hence the expectation for the levels of grant to be fully maintained to maximise grant. Correspondence with the Home Office to accept NTS children is underway and therefore it is hoped this trend will be reversed.

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

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	1.890	0.000	0.000	0.000	(0.100)	1.790	-5.29%
Education	76.110	4.083	0.013	0.121	(10.523)	69.804	-13.12%

**Children & Families - £0.100m:**

- Adaptations to support child places (£0.100m) Delivery costs for first phase of construction are estimated to be lower than forecast. Construction works of the phase being delivered in 2024/25 are in progress with completion due in October 2024.

**Education Services - £10.523m:**

- St Johns Primary School (£3.000m) Target completion is Sept 2025, so costs are now expected over summer 2025-26 financial year.
- 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, WCC property team are reviewing the construction programme to bring scheme back within budget.