

CABINET
20 DECEMBER 2019**2020/21 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL
PLAN UPDATE 2020-22**

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendations

The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:

- (a) approves for consultation the draft budget set out at Appendix 1B of £346.068 million which includes the proposed Transformation and Reforms programme set out in Appendix 1C;**
- (b) approves for consultation the capital programme of £305.4 million as set out at Appendix 1D;**
- (c) approves for consultation an earmarked reserves schedule as set out at Appendix 2; and**
- (d) agrees that it is minded to recommend to Council in February 2020 an increase in Council Tax Precept by 3.99% in relation to two parts:**
 - 1.99% to provide financial support for the delivery of outcomes in line with the Corporate Plan Shaping Worcestershire's Future and the priorities identified by the public and business community**
 - 2.00% Adult Social Care Precept ring-fenced for Adult Social Care services in order to contribute to existing cost pressures due to Worcestershire's ageing population.**
- (e) Approves the use of £0.750 million from the Transformation reserve to support the delivery of the redesign saving plans as set out in paragraph 4.4.**
- (f) Approves the updates to the 2019/20 capital programme as set out in paragraph 4.9.**

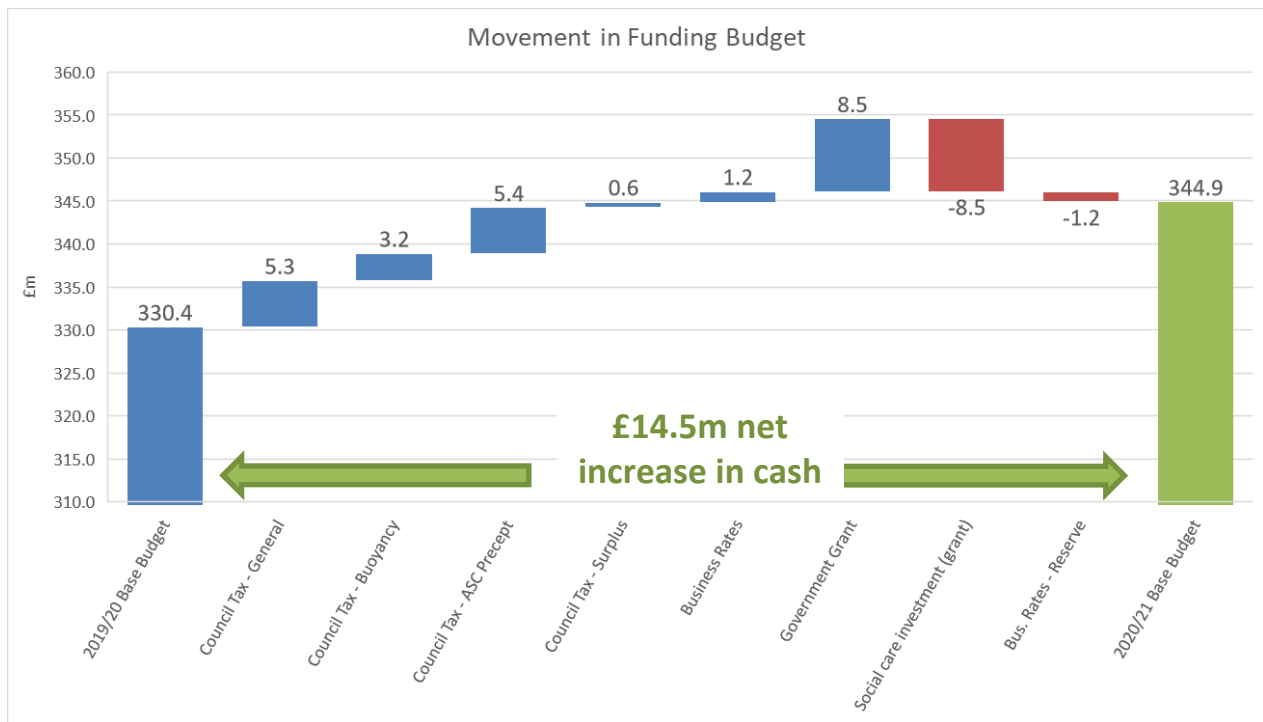
1. **Executive Summary**

- 1.1. This draft Budget Report provides a first assessment of the 2020/21 precept need, an update on the Medium-Term Financial Plan (MTFP) and the Council's budget for 2020/21 to be considered at Full Council on 13 February 2020. The assessment takes into account 2019/20 Period 7 financial monitoring, the impact on Council Tax, Social Care Precept, the capital investment programme, schools' overall budgets, as well as council reserves. The report also sets out an indicative MTFP to highlight expenditure and income from 2020 to the end of the current Corporate Plan in 2022, although noting this is heavily caveated due to the high level of uncertainty over the future funding of local government.
- 1.2. In recent years the County Council, working in partnership with the Worcestershire Local Enterprise Partnership, has significantly invested in the County to enable economic growth by improving the digital and physical infrastructure, through our programme of economic "game changer" sites, and other Open for Business investments. These developments support the Strategic Economic Plan and will feed into the future Local Industrial Strategy (LIS) for the County to grow the economy, deliver more homes and create higher skilled and better paid jobs. As a result, the Council's funding tax base is growing.
- 1.3. The recent 2019 Worcestershire Viewpoint Survey results told us what is most important in making Worcestershire a good place to live and those issues that are most in need of improvement. These are road and footways improvements, reducing traffic congestion and improving public transport. This budget invests in each of these areas as well as supporting social care for vulnerable people and promoting wider economic growth.
- 1.4. Following the Chancellor's Spending Round announcement in September 2019, the provisional settlement has identified that the referendum limit will be 1.99% for general council tax, and a further year of the Social Care Precept capped at 2% in 2020/21. This gives a potential precepting total of 3.99%. Given the ongoing social care pressures we are now recommending a Council Tax rise of 2% Social Care Precept and 1.99% to support the Corporate Plan.
- 1.5. We therefore expect that in 2020/21 we will collect £14.5 million more from Council Tax and that this source of income will represent 81% of our funds. We also forecast that through the growth in our local businesses we will see a further £1.2 million of funding through the business rates retention system.
- 1.6. In the 2019 Provisional Settlement following on from the Chancellor of the Exchequer's Spending Round Announcement in September 2019, our grant income for social care and high needs was significantly increased. This was not forecast in our previous MTFP and as a result the Council is recognising a growth in its social care (Adults and Children's) in this draft budget of £8.5 million. As this stands it is a one-year spending announcement and as there is a General Election on 12 December 2019, we are not expecting a provisional settlement until after this date, more likely this could be some point in January 2020 with a shortened period of consultation. Given the uncertainty impacting on years after 2020/21 we have only set out an iterative MTFP to 2023, and this will be reviewed in more detail for the 30 January 2020 Cabinet and future meetings.

- 1.7. As a result, the Council projects it will have an additional £14.5 million income in 2020/21 to spend on Council revenue services.
- 1.8. However, whilst income is growing, it is not increasing fast enough to keep pace with the complexity and demand of all our services, inflation, and the National Living Wage. In 2020/21 we need to invest £13.2 million in Adults Social Care and £4.7 million in Children's Social Care and Transport (following investment already of £14.1 million and £7.7 million in 2019/20 respectively). That comes on top of £10.5 million reprioritised to Children's safeguarding and placements in 2018/19, making a total investment in Adults and Children's over the last three years of £30.9 million and £22.9 million respectively. This reflects a significant increase in the volume, complexity and cost of care. Whilst the additional funding for 2020/21 is welcomed it needs to be confirmed as ongoing, and it only addresses the pressures of today, demand and costs are forecast to continue to increase so a permanent national funding/policy solution is still needed.
- 1.9. In addition to pressures in care we also need to maintain all our other services, especially to deliver our Corporate Plan targets around the economy, highways and the environment. We are also seeing significant increases in the cost of the provision in these services through inflation and other external factors, including the impact of weather on our roads and the transport provider market. At the same time more homes mean more waste disposal costs. Local authorities are also still in negotiations locally over the level of pay award for its staff, with Trade Unions. Altogether we are forecasting a further £14.9 million of pressure on other services, on top of the £17.7 million from social care and related transport. This means a £32.6 million pressure, offset in part by a £24.1 million growth in funds less £1.1 million use of reserves leaves the Council needing to find £9.6 million of efficiencies or increased income.
- 1.10. Based on our assessed levels of need to deliver services and our Corporate Plan within our funding the draft Budget proposes a series of measures to further increase income, continue the redesign of the organisation and save money to bridge the financial gap. These are set out in more detail at Appendix 1C.

1.11. This change in our funding and reprioritisation of resources is summarised in the chart below:

Chart 1: Movement in funding 2019/20 to 2020/21



1.12. The Council will continue to support measures to grow our local economy, and therefore our income base, through our Open for Business, Infrastructure and Investment Programmes for which we continue to set aside £16.9 million in earmarked reserves and £50 million in the Capital Programme for investment in the economy, infrastructure (£26 million) and transformation (£24 million) of the County.

1.13. Turning to schools and the funding of education in the County, we welcomed the Chancellor's Spending Round announcement of additional national funding and in particular the additional £780 million funding for high needs that will come through the Dedicated Schools Grant, and whilst we await the detail, we expect this to be in the region of £8 million. The current annual deficit is around £9 million and as such there is still a shortfall in year and cumulatively. As a result, the Council is working with schools to look at local actions to address this spend and lobbying Government over this issue

1.14. Going forward, this report also highlights how we are planning to manage our finances in the medium term, although recognising that there is a significant degree of uncertainty arising from the General Election, the long awaited new fairer funding settlement and other changes to local government funding expected to be announced in 2020. Given the level of uncertainty over the future funding related particularly to social care grants we have provided an iterative model based on the current level of funding. This is a risk given the impact any reduction in the quantum of grant awarded to the County could have if these grants were removed. We will continue to lobby Government on this matter and keep Council abreast of developments.

- 1.15. Subject to the outcome of the Fair Funding Review, the Council's reserves are adequate, and a risk assessment identifies that the budget and reserves are robust. Improvements in budget monitoring and control continue to be made, and there will be regular monitoring of the delivery of the 2020/21 budget throughout the year.

2. Purpose of Report

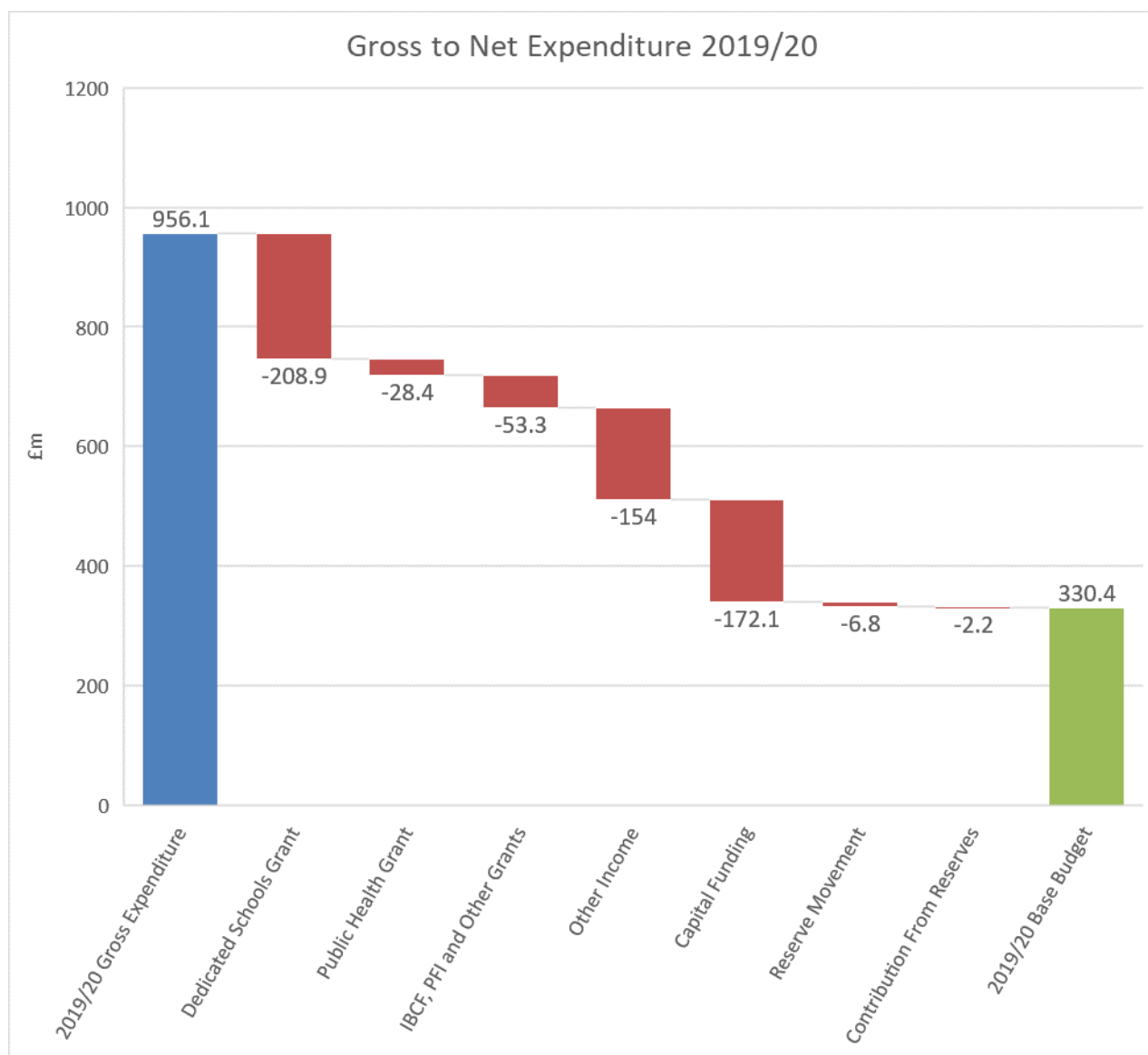
- 2.1. This is a covering report that provides an assessment to Full Council on 13 February 2020 to set a budget for 2020/21, that considers the impact on Council Tax, the extended Social Care Precept, the capital investment programme, schools' overall budgets, as well as Council reserves. The report also sets out an indicative Medium-Term Financial Plan (MTFP) to highlight expenditure and income from 2020-22.
- 2.2. In approving the draft budget, Cabinet will commence the consideration of the proposals by Scrutiny and any feedback will be presented back to Cabinet for consideration. Cabinet and Council will also be asked to consider any comments alongside any other feedback received including those from the Schools Forum, Trade Unions and any other stakeholders.
- 2.3. Council will be asked to debate and approve the budget, capital programme, schools' overall budget as well as the level of reserves.

3. Background

- 3.1. In November 2016, Council approved its latest Corporate Plan (see attached [Link](#) - Shaping Worcestershire's Future. This report sets out a revised Medium-Term Financial Plan and draft budget for 2020/21 to deliver the priorities set out in the Corporate Plan. The Council is obliged by legislation to set a balanced budget. As a result, Cabinet Members and the Strategic Leadership Team have been revising the MTFP to present to Council to set its element of the 2020/21 Council Tax precept.
- 3.2. The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and reflects the County Council's Corporate Plan, 'Shaping Worcestershire's Future' and the MTFP.

3.3. The current total gross expenditure budget for the Council is in excess of £950 million as shown below:

Chart 2: The Gross expenditure incurred annually by the County Council



3.4. Over the last two to three years the Council has faced a continued increase in the demand for some services; particularly for those who are most vulnerable, as well as inflationary pressures and changes in Government policy and funding. The Council has worked hard to deliver the 2019/20 overall performance, efficiencies and investment plans. The 2019/20 Period 7 budget monitoring forecast highlighted the risk of a year-end overspend of £3.7 million without further action and use of £3 million of reserves as planned. If that were the case the level of reserves would be reduced and the balance for 2021/22 would need to account for this slippage with additional efficiencies in that year. The latest projections for ongoing expenditure have been included in the budget for next financial year and will be reported to Cabinet on 30 January 2020. This is considered further in section 12 of this report.

- 3.5. National and local circumstances have been appraised against the Council's plans. The Council's 2017-22 Corporate Plan sets a clear vision and four distinct priorities for the organisation and wider partnership to focus on delivering. This is set out alongside a revised way of working, move towards financial self-sufficiency and encouraging those individuals, families and communities, who can, to do more for themselves to enable limited resources to be targeted on protecting the most vulnerable in society. This is backed up by public engagement which has also consistently highlighted the following important aspects to consider when allocating resources: -
- Safeguarding vulnerable young people, particularly those in or leaving care to ensure they are safe and can make the most of the opportunities they have
 - Protecting vulnerable older people, particularly those with physical, learning and mental health difficulties
 - Maintenance of the highway.
- 3.6. Under each of the Corporate Plan priorities, goals and actions are set out along with what will be different in the future. The Corporate Plan reflects a horizon to 2022 that is set alongside funding changes anticipated from Government reforms that are still in development. The MTFP is set out in more detail in Section 6 and at Appendix 1 of this report.
- 3.7. This report is an assessment to inform Council of the decision-making process and the adequacy and ability to deliver the proposals made by Cabinet, and the impact that this will have on the Council's financial standing.
- 3.8. This report therefore considers:
- The current financial position of the Council for 2019/20 – **Section 4**
 - Funding the Council's Corporate Plan priorities– **Section 5**
 - The Council's Medium-Term Financial Plan – **Section 6**
 - The level of funding available for 2020/21 – **Section 7**
 - The level of investment required for delivering the Corporate Plan in 2020/21 – **Section 8**
 - The consequences of capital investment and school's proposals – **Section 9**
 - The level of efficiencies, reforms and income required – **Section 10**
 - The resultant Council Tax precept calculation – **Section 11**
 - An assessment of reserves – **Section 12 and Appendix 2**
 - Engagement on the proposals – **Section 13**
 - Consideration of other factors and professional advice – **Sections 14 to 19**

4. 2019/20 Forecast Outturn

- 4.1. The Council has received regular updates on its financial performance. Various management actions and elected member decisions throughout the year have been taken to deliver an improved financial position. The latest position at Period 7 (October 2019) forecasts a year-end overspend without further action of £3.7 million, assuming the use of £3 million of reserves as planned to cover the delay in delivery of the redesign efficiencies. Management action continues to be taken and it is our aim to see a balanced budget by 31 March 2020. An update will be provided to 30 January 2020 meeting of Cabinet. The following table summarises the variances as at Period 7.

Table 1: Summary Outturn forecast for Services as at Period 7 2019/20

Service	2019/20 Net Budget	2019/20 Forecast	19/20 Draft Variance Before Adj's	Transfer to Capital	Proposed Withdrawal from Reserves / Grants	Proposed C/Fwds	Variance After Adj's	Variance After Adj's
	£000	£000	£000	£000	£000	£000	£000	%
Dedicated Schools Grant (DSG)	0	8,024	8,024	0	0	(8,024)	0	-
Children, Families and Communities (Excl DSG)	95,550	97,109	1,559	(807)	0	0	752	0.8%
Economy & Infrastructure	57,911	61,259	3,348	191	(3,749)	18	(192)	-0.3%
Commercial and Commissioning	17,194	20,941	3,747	(687)	(3,423)	18	(345)	-2.0%
Chief Executive	431	3,019	2,588	0	(2,585)	0	3	0.7%
Adult Services	135,829	138,258	2,591	0	(162)	0	2,726	2.0%
Public Health	1,717	1,717	0	0	0	0	0	-
Total : Services (Excl DSG)	308,632	322,303	13,833	(1,303)	(9,919)	36	2,944	1.0%
Finance / Corporate Items	30,870	22,055	(8,815)	0	0	5,000	(3,037)	-9.8%
Non-Assigned Items	(6,865)	(115)	6,750	0	(3,000)	0	3,750	-54.6%
Funding - Transfer From Reserves	(2,247)	(2,247)	0	0	0	0	0	0.0%
Total (Excl DSG)	330,390	341,996	11,768	(1,303)	(12,919)	5,036	3,657	1.1%
Total - Funding	(330,390)	(330,390)	0	0	0	0	0	0.0%

- 4.2 Overall the Period 7 forecast is a net £3.7 million overspend (1% of budget). This includes £2.9 million overspend on services; a gross £6.8 million overspending on Corporate Efficiencies Targets offset by £3 million planned withdrawal from Financial Risk Reserve, as well as £1.4 million saving on corporate debt interest and pension payments, and £1.8 million saving from releasing the corporate contingency.

- 4.3 The main variances at P7 are as follows:

- +£2.1 million demand pressures on Adults Older People Residential and Nursing services. A deeper review of Adult's data is suggested to analyse the forecasting and current monitoring to inform further improvements in monitoring and projecting for 2020/21.
- +£1.0 million cost pressure on Children's Services which relates to inflation and accrual reversals for Home to school / college transport. Demand continues to be monitored and there is an underlying pressure that continues to be reviewed by a technical working group from across all areas of the Council and led by the Head of Finance.
- -£0.3 million underspend in Commercial & Commissioning Directorate
- -£0.2 million underspend on E&I, after withdrawing £3.4 million from the Waste reserve.

- -£1.4 million net underspend on Corporate Items, of which £1.2 million is from reduced borrowing costs and £0.2 million lower back-funding pensions costs.
 - -£1.8 million release of whole organisation contingency to support overspend forecast.
 - £3 million withdrawal from Financial Risk Reserves to support the revised timing delivery of the corporate efficiencies programme.
- 4.4 The main issue is the timing to deliver the proposed redesign efficiencies agreed by Council in February 2019. This risk was discussed in Scrutiny and other forums at the time and the Council engaged a third party to advise and support delivery. This report identifies how over the two years 2019-21 the overall target will be met, but the majority of the delivery has been rescheduled from 2019/20 to 2020/21. As such there is the need for the planned reserves to be utilised in 2019/20. A total of £0.5 million has been spent in year on engaging staff, as well as challenging, designing and drawing up plans to deliver the changes. This has been funded from the Transformation Reserve. It is proposed that a further £0.750 million is spent with a third party to deliver the efficiencies in 2020/21, and again this will be funded from the Transformation reserve.
- 4.5 As a result of the overall position there could be a further need to draw on reserves to support the recurrent revenue budget up to the sum of £3.7 million, albeit a far lower scale than in previous years. However, at this stage management actions are being taken to recover this position and it is expected there will be no further draw on reserves other than that planned. This movement on reserves is reflected in section 12 and appendix 2 within this report, however every action is being taken to reduce this by 31 March 2020 and a further update will be provided to the 30 January 2020 Cabinet.
- 4.6 The School's budget is reported to be balanced at 31 March 2020, however the Dedicated School's Grant continues to face significant in year pressures from high needs. Members may recall that in 2018/19 we rolled forward the overspend and began discussions with the Schools Forum over a recovery plan. Further information on the Schools budget is set out at section 9.
- 4.7 The underlying position regarding DSG High Needs is an increased net overspend of £9.0 million with a risk that it will increase further with increase in demand. This will be carried forward within the schools' balances and whilst it is noted that the spending round suggests up to £8 million of additional grant will be received in 2020/21 this will still leave a cumulative carry forward and still an ongoing, albeit smaller, deficit. We understand the Department for Education are reviewing this and we expect further announcements about both the confirmation that this will not be considered a general fund reserve risk and further funding. The Council continues to lobby and assess actions to address this area of spend.

- 4.8 There are £9.6 million of longer term (>30 days) debts outstanding, of which £7.9 million is with managers for consideration. A decision has been taken to centralise income management and actions started to address this position and further reporting will be taken to the Audit and Governance Committee and Cabinet on a regular basis to address this.
- 4.9 Monitoring of the capital budgets shows schemes are broadly on target to be within the re-programmed spend profile at year end, with some planned expenditure being carried forward to next financial year. There are a number of amendments within the current programme that do not change the total programme but set out the spending within the IT transformation allocation, these are:
- As part of finalising the delivery of Worcestershire Parkway there is a requirement to do a cash flow virement between various capital funds (HIF and rail development schemes) of up to £6m to enable payment for works by contractors and for third parties, including Network Rail, etc. This means the project will be delivered within the overall business model for the scheme.
 - £0.6 million allocation for the current and further implementation of the new social care system (Liquid Logic).
 - A £1.1 million allocation to enable the Council to amend its existing contract with Liberata to reflect the revised working relationships around management of the finance system. This mitigates the risk of increased future costs and enables providing services to a number of schools and academies who have contracted with Liberata for the provision of a finance system, with the specific and existing contractual obligations being maintained in such a way that there is no impact on service delivery.
 - An additional £0.850 million contribution from the Department for Transport for the A38 Bromsgrove Route Enhancement Programme
- 4.10 The recurring service overspends have been accounted for in the planning and preparation of the investment needs in the 2020/21 budget proposals and plan. The Corporate items also have been reviewed and whilst there was some delay in delivery which was covered by reserves assumptions, there are plans to deliver these fully and the 2020/21 targets within the saving proposals, as such these will not roll over as a pressure in 2020/21.

5 The Council's Medium-Term Financial Plan and funding its priorities

- 5.1 The current Financial Plan takes account of the Corporate Plan set alongside the uncertainty of Government funding. As such this report sets out an updated MTFP that covers the remaining two years only of the Corporate Plan. It also reflects the current Government funding announcements, including additional Adult and Children's Social Care Grant. It is anticipated that more information will be known after the General Election, and an update will be provided within the January 2020 Cabinet Report.

5.2 The key changes reflect:

- the revised forecast for the increasing demand for care for the vulnerable, including adults and children with complex care needs and special educational needs and disabilities (SEND);
- the forecast is in part matched by the additional assumed one-off social care grant and the one-year extension of the Social Care Precept at up to 2%; and
- the additional pressures faced on the cost and demand for services outside of care, for example waste, highways and transport.

5.3 In relation to the Council's priorities in the Corporate Plan, the financial plan confirms the commitment to continue to resource these:

Open for Business

5.4 The continued commitment and spending of over £125 million, to grow the local economy and improve our connectivity. Plans to invest in the local economy include:

- Continuing investment into the capital programme for schemes including A4440 Worcester Southern Link Phase 4, A38 Bromsgrove, Pershore Northern Infrastructure, upgrades and parking at railway stations, Kidderminster Churchfields, broadband connectivity, economic game changer sites and public realm improvements.
- In conjunction with Worcestershire LEP and Partners, the Council has been successful in securing ongoing funding to support 5G initiatives which support productivity improvements in manufacturing. The Council has also submitted a bid to central government for Rural 5G connectivity programme. This will run alongside the existing £21 million investment in broadband.
- £7.4 million through the Open for Business and Revolving Investment Fund Reserves on progressing development opportunities around key town centre and railway sites.

New Investment:

- c. £0.3 million one-off revenue expenditure to further progress the North Cotswold Line rail development proposals

Health and Wellbeing

5.5 The draft budget proposes a substantial increase in the resources available for Adult Social Care. There is a commitment to invest £13.2 million gross to meet the demand led Adult Social Care pressures. The funding for the investment will come from an additional 2% Levy (£5.4 million), an assumed growth of £0.5 million in Better Care Fund and £4.9 million of a further one-off national grant, efficiencies of £3.3 million with the remainder funded from general council tax. As such in 2020/21, there are plans set out to invest:

- £1.9 million to address the pressures faced in 2019/20 above those planned in the base budget.

- £10 million gross to reflect the rising demand, complexity and cost of Adult care. A forward looking strategy [Link](#) was presented to Cabinet in November 2018 which sets out how going forward the Council is continuing its focus on helping people live longer and in better health through prevention, reablement and support to live in their own homes including the development of assistive technology. Section 6 of this report also sets out some of the future pressures and how the Council is looking to manage within that forward strategy.
- £0.8 million of Public Health grant will be focused on preventative actions to improve the health of County residents, including early years and reablement of adults. The grant will continue to spend within budget and in line with grant conditions. This supports a broad, population-based programme of preventive work to improve health and well-being and narrow health inequalities, with a focus on evidence-based prevention. This year as in previous years, an investment from the Grant is made in areas of the Council outside the Public Health service, such as libraries and planning, in order to maximise their impact on health.
- £1 million of the additional Business Rates Retention System 75% Pilot funds will be rolled forward to support spending on preventative measures in 2020/21 to manage future demand and help residents live healthier lives in their own homes for longer.
- £10 million in capital, as well as transformational funding, to ensure technology can improve care.

Children and Families

5.6 There is a continued commitment to invest £7.2 million to improve outcomes for children and young people (up to the age of 25) in Worcestershire, by addressing their needs holistically through early help and prevention, education provision and social care. There is a further £1.1 million set aside in earmarked reserves which was established through the 2019/20 budget process to mitigate any potential financial risk on placements for looked after children which reflect the ongoing demographic and cost pressures in the service. However, this has not been required in 2019/20 due to the strong leadership, good practice in the service and careful financial management. The budget in 2020/21 includes investment for:

- Continuing the Council's journey of improvement in children's safeguarding with further full year investment of £4.1 million to reflect an increase in overall demographic pressures and costs.
- Funding of recurrent costs pressures of home to school transport £1 million and an increase of £0.5 million on the placements budget to address the overspend reported in 2019/20.
- A further investment £0.6 million into Special Educational Needs Transport.
- The full year effect of £0.4 million for running costs for our new wholly owned Council company, Worcestershire Children First (WCF), that went live on 1 October 2019.
- Providing £6.5 million in capital to improve schools across the County.

The Environment

- 5.7 There is a commitment to maintain an investment of £100 million, to improve the local environment and highway network. These plans include:

Highways:

- £15 million spent on the Highways Infrastructure Investment Fund (HIIF) (£37.5 million over three years 2018-21) including a focus on striving for top quartile performance in the condition of our roads and pavements. This is on top of structural maintenance grants received from Government.

New Capital Investments:

- An extra £5 million to add to our existing £5 million budget on the Cutting Congestion programme to deliver the schemes planned at A38 Upton, Bromsgrove, Evesham and Kidderminster
- £6 million on highways with a further £6m for 2021/22
- £4 million on footways with a further £4m for 2021/22

Environment:

New Capital Investments:

- £1 million on street lighting with a further £1 million in 2021/22 for continuation of the LED replacement programme
- £1 million on flood mitigation with a further £1 million in 2021/22

- 5.8 The Council is also committed to improving the environment through the delivery of its Corporate Plan.

- 5.9 As such in 2020/21 the Cabinet is committing to spend £4.5 million on the following:

- We will increase the public transport revenue budget by £0.2 million to support the Worcestershire Public Transport Strategy.
- Investing £0.1 million of revenue in a woodland planting scheme which will see the planting and maintenance of new woodland that will support 150,000 new trees on land owned by the Council to contribute to our environment initiatives. The Council will forego over £1.5 million of capital land receipts to make this happen.
- We are arranging to purchase green energy for all our electricity supplies from next year.
- We have invested £1.3 million in our own operational premises to become more energy efficient.

Efficient and effective organisation

- 5.10. In continuation of our plans to spend £29 million, to ensure that the County Council is operating efficiently, prepared for the future including more digitally enabled operations and closer working with our key partners. This includes plans to invest:
- £7.3 million in digital and technological improvements
 - £14 million in the way we work across the business and with our residents
 - £7.7 million in our buildings and working environment to ensure we work smarter.
- 5.11. As part of the 2019/20 efficiencies programme the Council has begun to undertake a number of reforms and redesign to make efficiencies in the way it works and buys. There was a target to deliver c.£6 million efficiencies across 2019-21, £3 million each year. It has been reported during the year as part of budget monitoring that the delivery has taken longer to implement due to the scale of the task, however all of the efficiencies target will be delivered in 2020/21.
- 5.12. The Council will continue to secure efficiencies from challenging the way it works, including standardising our processes and using technology to avoid delays. The Council has invested in developing its in-house capacity to undertake system thinking reviews and is in the next phase of developing its digital strategy. This continued focus to reduce unnecessary costs will form the bedrock of future saving plans.

6. Medium Term Financial Plan

- 6.1 As part of our good financial management, the Council has an MTFP that is updated annually as part of the process of setting the Budget and Council Tax levels. The Plan sets out both the process and assumptions in aligning the Council's financial resources with its Corporate Plan which in 2020/21 will be in its fourth year of five and remains unchanged, however a number of factors locally and nationally have changed since the MTFP was last considered by Full Council in February 2019. The General Election called after the Spending Round meant that the Chancellor's Budget statement and provisional settlement has been delayed and will not be expected until after 13th December 2019 and could be in January 2020 with a shortened period of consultation. In addition, the Fair Funding Review of local government funding and settlement allocations has been delayed by 12 months meaning there is still a high degree of uncertainty going into the final year of the Corporate Plan in 2021/22. Therefore, the MTFP scenarios have been updated on an iterative basis on the assumption of CPI inflation and that the current level of funding will be maintained and included as part of this report at Appendix 1A. The following paragraphs summarise some of the key challenges and approaches.

- 6.2 The MTFP assesses both the funding Worcestershire County Council expects to receive and the cost of doing tomorrow, what it does today, to identify what if any, gap exists. The latest forecast is based on certain assumptions that could change (the longer the forecast the greater the risk of change). Factors on both sides of the equation mean that the gap shown below may change (for the Government's grant funding is still being reviewed and we do not have clear forecasts beyond 2020; and we are still unclear of other external factors).
- 6.3 The assumption at present for 2020-22 is that there will be a need for efficiencies, reforms and income generation as follows:

Table 2: Funding Gap Forecast 2020-23 Assuming all grant income is retained

	2020/21	2021/22	2022/23
Medium Term Financial Plan	£000	£000	£000
Funding	344,919	354,440	365,525
Transfer from Reserves	1,149	0	0
Total	346,068	354,440	365,525
Projected Budget Requirement	346,068	364,958	384,008
Funding Gap (Retaining current quantum of grants)	0	10,518	18,483

- 6.4 As previously noted in Section 5 the Council will continue to challenge the way it works, from business processes to the way we use technology. This will be critical to ensure we can manage the business effectively within resources available.

Funding

- 6.5 The Government has issued a technical settlement consultation, but a Provisional settlement has been delayed due to the General Election and will not be received before 13 December 2019 at the earliest, but in reality January is expected. However, it is assumed for this report that the announcements made by the Chancellor as clarified in the technical consultation will remain unchanged for the provisional settlement. The key changes to the MTFP reported to Council in February 2019 are:
- £1 billion of adult and children's social care grant – of which Worcestershire County Council is expected to receive £8.5 million
 - £0.5 billion of tax raising power through the extension of the Social Care Precept for a further year, of up to 2%. For Worcestershire this would mean a further £5.4 million.
 - £700 million for High Needs which we estimate will mean an extra £8 million for Worcestershire's DSG.

- 6.6 As such the main sources of the Council's income will be collected and spent locally. The local taxation (Council Tax and Adult Social Care Precept) will account in 2020/21 for 81% of all funding income, with 19% coming from our share of the Business Rates.
- 6.7 The MTFP forecasts that the Council will experience a positive cash flow for the next two years, subject to the outcome of the Fair Funding Review. 2020/21 will see a £14.5 million increase in Council Tax (3.99%) of which 2% is the Social Care Precept. The increase also reflects a growth in new homes of 1.2% across Worcestershire as well as no drop off (which had previously been assumed) in empty properties following the full implementation in some parts of the County of the 150% Council Tax for empty homes.
- 6.8 Future year increases in the number of new properties range between 1.1% and 1.6% at this stage due to prudence in the projection of future growth by district councils.
- 6.9 The funding increase expected in between 2020/21 and 2021/22 is £9.5 million, as follows:

Table 3: Funding increase forecast 2020/22

	2020/21	2021/22	Change 2020-22
Funding	£000	£000	£000
Council tax	278,287	287,862	
Collection fund surplus	2,331	1,500	
Business rates reserve release	500	0	
Business rates retention scheme	63,801	65,077	
	344,919	354,440	9,521

Challenges to our spending

- 6.10 If all things were equal the Council would be able to use the additional funding income for new service provision and to fund growth. However, the scale of cost pressures facing the Council is more than the projected increase in income. The potential increase in the base budget is as follows:
- **Investment decisions** – this is policy decisions to invest monies from another service area, or from external funding into a new service or area that will deliver a change; and that supports the Corporate Plan delivery.
 - **Growth in demand** – this is recognition that some demand cannot always be prevented, and as such we have to allocate funding – see next steps below regarding how we fund some of this.
 - **Cost Pressure** – this is the recognition that inflation cannot always be avoided. It could also be recognition of a prior year base budget 'issue' that needs to be addressed, an example that could include an over statement of income target not achieved – see next steps regarding how we plan to fund some of this.

6.11 Examples of each of the above areas over the last 12 months and for 2020/21 are:

- **Investment** – £2 million Strategic Initiatives increase in the revenue borrowing budget to fund highways, flood mitigation and cutting congestion capital investment (detailed in Section 8)
- **Growth** – £4.3 million net increase in care services required for older people
- **Pressures** – £19 million of inflationary uplifts in contracts and utility costs; and addressing prior year non-delivery of efficiencies and pay awards

6.12 The reason we recognise investment, growth and pressures is so that we understand the scale of the task. If we simply gave a service the same cash budget as the previous year, that service would still have to make efficiencies to standstill as pay costs or contract prices may have risen. The next step is to assess what is a 'priority' and needs to be funded and what is 'not a priority' and will not be funded and each service must make changes to stay within its current (prior year) base budget.

6.13 The focus of the spending challenges faced in year 1 (2020/21) are coming from:

- **Continued rise in demand** for adult and children's social care (£6 million and £4.7 million respectively projected);
- **Underlying pressures** of £3 million from rescheduled efficiencies from redesign due to the complexity and scale of change, as well as not delivering all of the corporate contract saving target.
- **Contract and other inflation** in total we forecast over £6 million of pressures to maintain the purchasing ability of current budgets.
- **Pay and NLW inflation** - in total we estimate a c.2% pay uplift. The pay and related bill will increase by £3.1 million.

6.14 This results in a gross funding requirement in 2020/21 to meet all of these challenges of £32.0 million.

Table 4: Funding pressures faced 2020/21

Service	2019/20 Net Budget £'000	Rebase / Virement £'000	2020/21 Pay Inflation £'000	2020/21 Contract Inflation £'000	2020/21 Growth (Demand) £'000	2020/21 Growth (Investment) £'000	2020/21 Growth (Pressure) £'000	Total Growth £'000
Children's Services (Excl DSG)	99,664	(2,260)	1,507	544	4,257	235	230	4,513
E&I	57,734	212	739	768	0	0	0	1,719
COACH	14,547	2,513	952	557	0	170	0	4,192
Chief Executive	431	0	18	4	0	0	0	22
DAS	135,829	1,937	1,301	4,030	3,450	1,595	878	13,191
Public Health	0	1,433	40	34	0	0	243	1,750
Finance / Corporate Items	31,297	(880)	(1,425)	58	0	0	0	(2,247)
Non-Assigned Items	(6,865)	6,865	0	0	0	2,000	0	8,865
Total	332,637	9,820	3,132	5,995	7,707	4,000	1,351	32,005

- 6.15** Looking ahead the growth and pressures on spend will continue at similar levels; however, as set out below the adult and children's reform programmes are expected on an escalating scale to cover annual pressures, and prevent costs rising as fast. Other programmes around enabling communities, digital and commercial will also help address pressures. As such the planned investment for 2021/22 is £19.8 million.

Table 5: Funding Pressures 2020-22

	2020/21	2021/22
	£000	£000
Rebase Budgets	9,820	
Growth - Demand	7,707	8,500
Growth - Investment	4,000	2,000
Growth - Pressures		
• Pressures	1,351	
• Pay inflation	3,132	3,300
• Contract inflation	5,995	6,000
Total 2020/21	32,005	19,800
Total 2020-2022		51,805

Transformation programme

- 6.16** The Council has a number of transformation and change programmes focused on the corporate plan priorities and addressing the projected budget gap. The key programmes are:
- **Adult social care** – The Cabinet paper (November 2018) [link](#) sets out a future strategy for the services aimed at improving reablement, front door assessment, and health integration to manage the growth in demand. It focuses on implementing a more person centred and preventative approach, which encourages a community based and personal support model. It also looks at the assets available to individuals that can be used to support them for longer to stay in their local community and prevent further deterioration. In addition, the Council with the support of its district, health and voluntary partners has allocated over £1 million to support these preventative plans from additional business rates income secured from our one year 75% retention pilot. As a result, the Service Plan reported to Cabinet assumes that costs can be avoided, resulting in a shallower increase in the investment trajectory applied to adult social care. This programme has already started with a series of business cases progressing to a full business case and a number of contracts are in the process of being reviewed.

- **Children's Services** - following Ofsted reviews Worcestershire Children First was set up and went live 1 October 2019, however before that we had already seen an improvement in the Ofsted rating and assessment of our direction of travel. Whilst there has been an increase in costs arising from these changes, going forward the aim will be to avoid higher costs in safeguarding and young adults by investment in early help and prevention. The Company's Business Plan for the initial period was presented to Cabinet in September 2019 and a further update will be brought back to Council separately and will align to the budget position set out in this paper.
- **Commercial, procurement and efficiency** – The Council is progressing a Commercial Strategy which will set out an overall approach to greater trading and 'commercial challenge' of costs including procurement.
- **Redesign of services** – the Council is delivering on ways in which it can work more efficiently. The aim was to save £6 million across 2019 to 2021. The first stages of redesign have been completed and proposals within this paper address how this will be delivered in full over the coming year.

6.17 More detail on the 2020/21 proposed efficiencies is set out at Section 10 of this report.

6.18 As a result, the MTFP is aligned to corporate programmes to deliver efficiencies.

6.19 We will annually update the forecasts and assumptions to revise the goals and compare those against the corporate change programmes, as well as any changes in the Government's funding proposals.

Reserves

6.20 The Council's General Fund reserves are currently at £12.2 million (3.8% of net spend). This is in line with many other county councils. It has meant there is a need for a risk assessment of what the General Fund reserves can fund. This has resulted in a real focus on efficiencies as the Council cannot continue to allow overspends or underachievement of income to occur on a recurring basis.

6.21 As part of setting the MTFP we have appraised the earmarked reserves (EMRs) and challenged the future need as well as fit with the Corporate Plan. These reserves include a number of items that are not available to the Council such as schools and PFI are fully committed. The proposed EMRs is presented to Cabinet and Council that supports both the Corporate Plan and the change programme in Appendix 2.

6.22 More detail on the Council's reserves is set out at Section 12 of this report.

6.23 Overall therefore the Council has a robust MTFP to allocate resources to set and deliver balanced budgets for the remaining years of the Corporate Plan, starting with 2020/21, that supports the delivery of the Council's priorities. The following sections of this report set out in more detail the position for 2020/21.

7. 2020/21 Level of Funding

- 7.1. The Council draws its funding from two main sources – Council Tax and Business Rates. The Council's Government funding allocated for 2020/21 comprises of three elements; the first two make up what is referred to as Worcestershire's Settlement Funding Allocation (SFA), which is the MHCLG (formerly DCLG) calculation of what the Council's spending should be compared with other councils across the country. SFA consists of:
- Revenue Support Grant (RSG) – now nil;
 - Baseline Funding - Business Rates Retention Scheme (BRRS).
- 7.2. A third element of Government funding is from additional ring-fenced grants, such as Public Health.
- 7.3. This funding and the impact for Worcestershire are set out in more detail in the following paragraphs. Section 11 of this report sets out the calculation of the proposed Council Tax precept, and Section 9 assesses assumptions on the funding for capital programmes including schools.

Government Grant - Settlement Funding Allocation (SFA)

- 7.4. In 2010, the Government simplified the funding for local authorities to one main funding stream – the SFA, and nine separate core grants. At the same time, it announced a review of the funding formula and system with the aim of introducing a more transparent and simplified scheme that also supports the localism agenda. These changes took effect from 2013/14. In 2016 the Government offered, and the County Council accepted, a four-year funding offer that ended in 2019/20. The SFA is split into two parts: The Revenue Support Grant (RSG) and the Baseline Funding, or as it is sometimes known, the Business Rates Retention Scheme (BRRS). The BRRS is meant to reflect our needs-based assessment.
- 7.5. Since this initial allocation was set out the Government has made minor adjustments to the allocation to reflect a number of factors, including Worcestershire's baseline NNDR. Government have promised to also address Worcestershire's negative allocation in 2020, which would have seen our grant reduce by £0.8 million.
- 7.6. The announcement of Worcestershire's latest allocation of the Provisional Settlement was due on 5 December 2019. Whilst this will be delayed by the General Election, we have assumed that when it is announced it will still be in line with Chancellor's Spending Round announcements and the Treasury's Technical Consultation, and our SFA in 2020/21 will increase in line with CPI (up £1.9 million from 2019/20).

Table 6: SFA movement 2019/20 to 2020/21

	2019/20 £m	2020/21 £m	2019/20 to 2020/21 Change £m	2019/20 to 2020/21 Change %
Revenue Support Grant	0.000	0.000	0	0%
Baseline Funding	62.426	64.301	+1.875	+3%
Total	62.426	64.301	+1.875	+3%

- 7.7. Going forward there are plans to radically overhaul this grant funding, further details are set out later in this report at paragraph 7.20.
- 7.8. Whilst the final settlement is likely to be confirmed around 7 February 2020, it must be noted that at the time of writing this report further details on a number of grants, notably Public Health, Better Care Fund and Dedicated Schools Grant are still to be confirmed.

Government Ring fenced grants

- 7.9. In addition to this the Government is issuing a smaller number of specific grants for Public Health, Dedicated Schools Grant, Extended Rights for Free Travel, Social Care including Winter Pressures and NHS Care Act. Due to the timing of the General Election we are not able to make any assessment on the Dedicated Schools Grant, Public Health Grant or Better Care Fund. Further updates will therefore be provided at the 30 January 2020 Cabinet meeting. To date we have thus only assumed a £0.5 million uplift in the Better Care Fund in the MTFP at Appendix 1.
- 7.10. The Social Care Precept announced by the Secretary of State provided a one-off grant in 2020/21 of £1 billion nationally. That equates to £8.5 million for Worcestershire. This is the fourth year of such one-off grants which have subsequently been rolled forward. There would be a significant risk if this grant is not included in the base as part of the expected Fair Funding Review allocations for Worcestershire.

Adult Social Care Precept / Levy

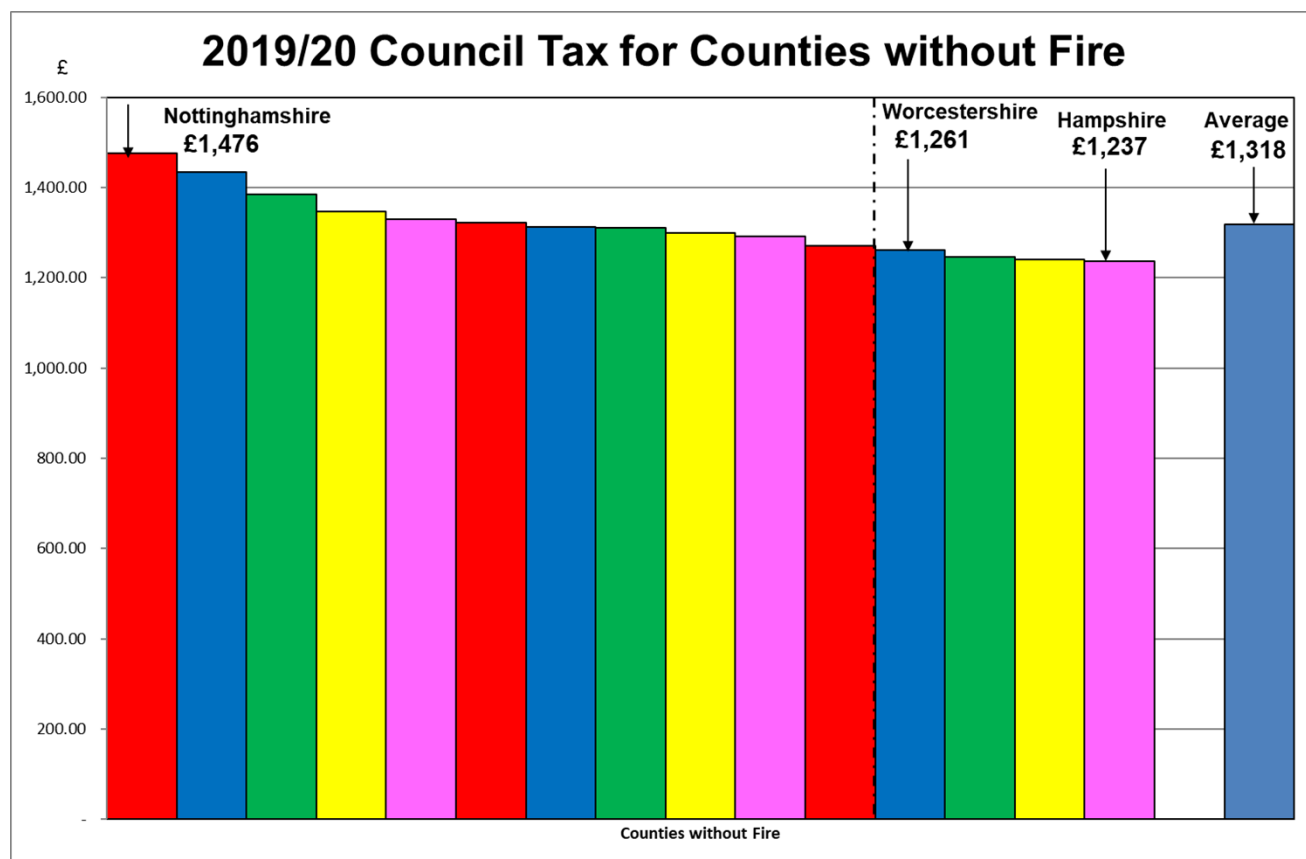
- 7.11. Given the continued demand pressures, the increasing cost of care for older people and the likely impact of the National Living Wage, the 2015 Autumn Statement (25 November 2015) set out a new local freedom for upper tier councils for four years 2016-2020 to raise a separate ring-fenced Social Care Precept of up to 2% on every household to support social care services.

- 7.12. In the 2017/18 Provisional Settlement announcement the Secretary of State for the MHCLG set out a new flexibility confirming the remaining 6% across the residual years (i.e. 2% each year 2017/18 to 2019/20). Across these three years Worcestershire applied 6%. It was assumed 2019/20 was the final year, however a further year of up to 2% for the precept was announced by the Chancellor in September 2019.
- 7.13. The total forecast pressures facing Adult Social Care (ASC) in 2020/21 is set out in more detail at section 8; the gross demand and inflation facing these services is £13.2 million.
- 7.14. Even with the grant and levy, the pressures faced in Adult Social Care still exceed the demand forecast and the service is seeking to make efficiencies in 2020/21 and beyond through transformation of the service in order to ensure the sustainability of the service is in line with a longer funding position. This is to ensure that where costs continue to be forecast that exceed funding, the service works on prevention and efficiencies so as to mitigate as far as possible the impact on the overall Council budget.

Council Tax

- 7.15. The Council has seen an increase in both the number of properties in the County subject to Council Tax and the levels of collection. The February 2019 Council meeting approved an MTFP with assumed Council Tax levels being increased in 2020/21 by an estimated 2.99%, which would yield on the total tax base as set by Districts at their Cabinets in December 2019 of around £7.6 million. It is expected that on or shortly after 5 December 2019 the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) will announce any changes to referendum principles. At this stage it is assumed as per the Autumn Statement that will be 2%, but with the addition of up to 2% for the Adult Social Care precept.
- 7.16. The level of Council Tax collected has remained high, and it is felt that there is some scope to increase assumptions around collection. It is anticipated there will be a £2.331 million surplus from district council's collection funds.
- 7.17. The overall tax base has seen another increase (net c.2,500 more properties) to be confirmed in the coming weeks in reports to District Councils. This 1.2% increase overall across the County in the tax base after adjustments, meaning an additional £3.2 million more Council Tax is expected to be collected in 2020/21.
- 7.18. Overall therefore it is projected that in 2020/21 £14.5 million more will be raised from Council Tax as shown in Section 11 of this report.
- 7.19. Overall, as Chart 3 shows, the County Council's level of Council Tax remains low when compared to comparative councils:

Chart 3: 2019/20 Council Tax Band D County Council comparator



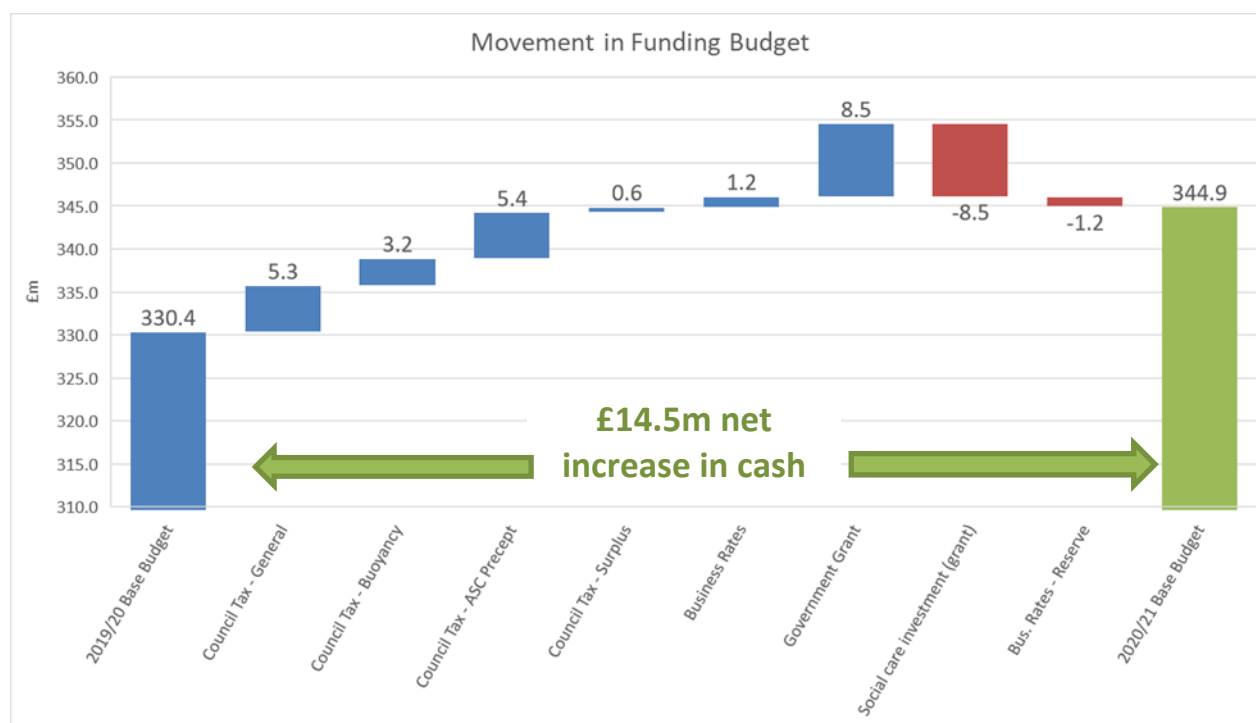
Government Funding – Fair Funding

- 7.20. Subject to the General Election, the Government is due in 2020 to open consultation on revisions to local government funding and the localisation of NNDR (Business Rates). This review and consultation has been delayed; however, it is anticipated that the new Government will roll out a new formula distribution method for 2021/22 to replace the current one-year deal.
- 7.21. Whilst MHCLG indicate that ministers remain committed to local government taking greater control of their income, the consideration of exactly how this will be achieved has yet to be laid out and could require legislative changes. However, there are strong indications that the Needs Based Allocation of Resources will give more weight to rurality and sparsity, particularly around Children's services. It is not clear what will happen to other funding streams such as New Homes Bonus.
- 7.22. The refreshed MTFP therefore is based on assumptions that the current limited growth in our NNDR allocation will increase slightly (£2 million per annum) from 2020/21 onwards, but no further benefit has been included in the calculations at this stage due to the significant level of uncertainty.

Overall funding levels

- 7.23. After adjusting for movements in grant, the proposed levels of Council Tax and the new Adult Social Care Precept, the net impact is that the Council projects it will have £344.9 million of funds available (£330.4 million in 2019/20), that is a net increase from 2019/20 of £14.5 million (4.4%).

Chart 4: Change in WCC's Government & Council Tax funding 2019/20 to 2020/21



- 7.24. However, as the next section identifies the level of demand exceeds this amount and thus efficiencies as set out in section 10 are also required.

8. Level of investment and changes to the original plan

- 8.1. Changes to assumptions on both income and spend have occurred since the MTFP was reported to Council in February 2019. The gross level of pressures has also changed from the forecast financial plan reported to Council in February 2019 (£29.2 million to £32.0 million).
- 8.2. The first call on the increase in Council Tax and Adult Social Care Precept is to directly fund these pressures.

8.3. Overall the gross pressures and change in spend is £32.0 million as follows:

Table 7: Total pressures faced in 2020/21

Investment / Growth / Pressures	£000
Adult care	13.2
Children's Care, safeguarding, SEND Transport and Education	4.5
Pay and contract general inflation (Excl. Adults and Children's Care services)	1.7
Strategic Initiatives	2.0
2019/20 pressures, including adult and children's care	10.6
Total	32.0

Investment in each area is discussed in the following paragraphs:

Adult Social Care - £13.2 million gross pressure from 2019/20 to 2020/21

8.4. Overall there is a gross forecast pressure of £13.2 million, before accounting for £3.3 million of service efficiencies. The pressures include assumed increased cost of care services for older people, allowing for increased caseload, more complex care needs, the National Living Wage for 2020/21, pay inflation and those transferring from children to adult care, as follows:

Table 8: 2020/21 Adult Care cost pressures

Description of pressure	2020/21 £m	Comments
Additional demographic and complexity / acuity for over 65s	3.5	<p>Additional cost to the Older People budget recognising an increased number of people receiving services and an additional complexity due to an ageing population.</p> <p>If current trends continue, we can expect to see a rise of 61 clients per year over the medium term. Worcestershire is also experiencing an increase in the number of people who were previously self-funders or funded by Continuing Health Care who are transferring to council funded care and those entering care tend to have more complex needs.</p>

Description of pressure	2020/21 £m	Comments
Growth in the number and complexity of care packages for Adults with a Learning Disability and additional placements reflecting those transitioning from Children to Adults care	0.5	There is an ongoing increase in life expectancy and related care needs as children move into adult care that needs to be provided for. In addition, as carers get older, the service is facing an increasing need to provide sustainable placements for those who have previously lived at home with relatively low levels of support.
Growth in the number and complexity of care packages for Adults with a Physical Disability and additional placements reflecting those transitioning from Children to Adults care	0.2	There is an ongoing increase in life expectancy and related care needs as children move into adult care that needs to be provided for.
Greater cost of mental health packages of care and increased numbers	0.2	Worcestershire has a growing number of cases which continue to cause cost pressures in 2020/21.
Contractual inflation including the impact of the National Living Wage	4.6	The cost of care packages is increasing due to the general inflationary uplift requested by providers (£2.4m) and the increased costs of the 5.6% increase in the national minimum wage (£2.2m)
Inflation assumed on income receivable	(0.6)	An increase of fees in line with inflation
Liberty Protection Safeguards	1.6	The Mental Capacity (Amendment) Act 2019 required local authorities to reduce the cost and complexity of the current Deprivation of Liberty Safeguards scheme (DoLS), now known as the Liberty Protection Safeguards (LPS), whilst ensuring that a person's human rights are protected. This leads to an increase in costs to undertake the required assessments in a timely manner.
2019/20 impact into 2020/21	1.9	Full year effect of 2019/20 part year costs
Total Demand Related Inflation	11.9	
Pay Inflation	1.3	
Total	13.2	Note: The 2% Social Care precept contributes to these costs

Description of pressure	2020/21 £m	Comments
Less		
Efficiencies	(3.3)	Discussed at section 10 and Appendix 1C
Government Grant	(4.9)	£4.9 million new Social Care Grant as discussed at paragraph 6.5
Increased BCF	(0.5)	£0.5 million of BCF as discussed at paragraph 7.9
Net change	4.5	

- 8.5. As set out in the last table, the cost pressure on adults continues to increase with pressures arising from increasing numbers that are cared for, as well as increases in the cost of both transport and care. The rise in numbers in adult care has in part come from more young people transitioning into adult care, as well as adults with disabilities living for longer. This often leads to more complexities of care and increased costs reflecting these complexities.
- 8.6. In addition to these pressures the service faces an ongoing issue of care increasing and will apply the 2% permitted uplift through the ASC Precept in 2020/21. The service faces a recurring forecast overspend at Period 7 of £2.7 million, which will need to be addressed in 2020/21. As such the service is proposing efficiencies to manage these pressures and focus on preventative actions.
- 8.7. After accounting for the ASC Precept and grant, the pressures and inflation (£9.3 million) costs means that there is still a need for £1.1 million of efficiencies to maintain a sustainable service going forward.

Children's Services / Worcestershire Children First (WCF) - £7.6 million gross increase in base budget, £3.5 million after accounting for the Social Care grant of £3.6m and service efficiencies of £0.5 million.

Worcestershire Children First (WCF)

- 8.8. In October 2016 Ofsted undertook a statutory inspection of Children Social Work services in Worcestershire County Council. The overall judgment of the service was "Inadequate" and the DfE appointed a Children's Commissioner to oversee improvement. A comprehensive service improvement plan has been in place since this time. In June 2019, the Council's Children's Services were inspected by Ofsted. The judgement was published on the 29 July 2019 and were judged to be 'Requires Improvement to be Good'. Ofsted recognised that progress had been made in many areas of children's services in Worcestershire since the last inspection. They stated that effective work by senior management and staff, together with commitment and investment by political leaders, has led to improved responses to the needs of children and families. As a result, outcomes for many children and their families are better, and there is evidence of a sustained trajectory of improvement.
- 8.9. On 1 October 2019 the wholly owned company Worcestershire Children First was launched with 833 full time equivalent staff transferring. As part of that Cabinet in September 2019 agreed WCF's first interim Business Plan 2019 to 2022, with an 18-month financial plan. The following [Link](#) to the Business Plan agreed by Cabinet sets out the company's vision which is summarised in the following diagram:



- 8.10. The Business Plan sets out the continuation of the Council's improvement journey to good, and the financial plan around key areas such as safeguarding, schools and early years remain unchanged in this report and supporting MTFP attached at Appendix 1C.
- 8.11. Further updates have been reported to Cabinet on the Edge of Care and Schools ([October Cabinet Item 5 - Link](#)), as well as the Annual Safeguarding Report and an update on the Special Educational Needs and Disabilities improvement plan ([November Cabinet Items 5 and 6 - Link](#)).

- 8.12. Overall this will see a total investment in social care improvement in the last three years of £20.3 million, against an original projection of £21 million. The proposed investment in 2020/21 will focus on:

Table 9: 2020/21 Gross and Net Investment spend proposed to improve children's services

	£million	Comments
Full year company effect of new posts	0.4	As agreed, as part of 2019 budget report
Funding ongoing safeguarding,	4.2	includes £0.5 million for 2019/20 pressures, and reflects a 9% increase in numbers and inflation
SEND Transport,	2.0	includes £1 million overspend in 2019/20, £0.6m in demand and £0.4 million inflation
Pay inflation	0.6	National award pay inflation
Prices Inflation	0.4	Contracts inflation
TOTAL	7.6	
Less		
Efficiencies	(0.5)	Discussed at section 10 and Appendix 1C
Government Grant	(3.6)	New Social Care Grant as discussed at paragraph 6.5
Net change	3.5	

- 8.13. As a result, the gross WCF contract budget will be approved in January 2020 alongside related income budgets that will be retained by the Council. The net position is estimated to be £100.1 million as indicated in Appendix 1B.

Strategic Initiatives - £2 million investment

- 8.14. It is proposed to further invest in infrastructure, the environment and the economy of the County to meet our corporate plan commitments. As such there is a £2 million allocated sum that will be used both to fund borrowing for capital schemes and increase the revenue budget over the next two years. This commitment will be repeated in 2021/22 and a further £2 million has been built into the MTFP. The following paragraphs highlight how that fund will be used.

Highways, Footways and Cutting Congestion

- 8.15. The county highways network is a key asset of the Council and our aim is to maintain the condition of our roads and pavements to strive to achieve national top quartile performance by 2022. The ability to attract inward investment for a thriving economy and to ensure residents benefit from well-maintained transport networks is vital to the Council's Corporate Plan. Over the last few years the Council has used specific grants, capital and one-off funding such as s106 to support the provision of these services. The services continue to face demand and cost increases due to contract and sector inflation. However, given the overall pressures facing the Council and the injection of new one-off Government funding, this has enabled the service to propose some modest efficiencies to contribute to the overall budget challenge.
- 8.16. In 2018/19 Government awarded the County £6.6 million of one-off in year investment. In addition, in 2020/21 the County will continue to invest the remainder of the £37.5 million Hllf programme. The Council has also capitalised a large element of highways spend to enable condition of the network to be maintained in order to continue to aim to achieve top quartile performance.
- 8.17. In addition, this report recommends a further £25 million on:
- £12 million on improving highways over the next two years (£6 million a year in 2020/21 and 2021/22).
 - £8 million on improving footpaths over the next two years (£4 million a year in 2020/21 and 2021/22).
 - £5 million on cutting road congestion, that is on top of the £5 million allocated in 2019/20.
 - £0.2 million to support the Worcestershire Public Transport Strategy.

Public Transport, Flood Mitigation and Street Lighting

- 8.18. The County Council with its partners has invested heavily in recent years in flood defences and mitigation for the County. To progress further improvements and avoid deterioration, it is proposed to spend a further £1 million per annum for 2020/21 and 2021/22 of capital on smaller flood mitigation and to improve surface water drainage.
- 8.19. This report also recommends £1 million on street lighting with a further £1 million in 2021/22 for continuation of the LED replacement programme.

Woodland Planting Scheme

- 8.20. In addition, £0.1 million of the Strategic Initiative funding will be used to increase the countryside service revenue budget to support the planting and maintenance of 150,000 new trees across the County area.

General inflation – pay and contractual: £1.9 million

Waste disposal

- 8.21. As the number of households in the County increase it is estimated that there will be an inflationary increase in the cost of disposal of waste of £0.4 million and a further £0.4 million increase in the volume of waste disposal which will be funded from the Waste PFI reserve. The non-inflationary demand increase relates to growth in households of approximately 1% equating to 3,000 tonnes of extra waste.
- 8.22. The contract for the Waste disposal plants is due for break or extension in January 2024 and as per the December 2018 Cabinet Report, work is ongoing to consider the proposals regarding possible contract extension.

Other pressures

- 8.23. Increased demand has an impact on 'back office' services through increased costs, for example IT support for new services. In addition, we are starting to see increases in inflation projections. At this stage whilst these pressures have been recognised no provision has been made for the majority of these items to fund these, and as such these areas will have to meet these pressures as well as the overall efficiencies target. Budget monitoring in 2020/21 will maintain a review of this position and any in-year action needed.

Pay and related costs at £3 million cost pressure on the 2020/21 base budget

- 8.24. It has been assumed that a number of factors will place significant pressures on the Council's pay and pension costs in 2020/21, as follows:

Table 10: Pay inflation 2019/19 and 2020/21

Description	2019/20 Pressure £m	2020/21 Pressure £m
Pay inflation at 2% - Any pay awards are determined nationally between employer representatives and Trade Unions. Current suggestions indicate, whilst not settled, a likely outcome could be an average increase of 2%, with more for lower paid staff. In addition, there are pressures from both the National Living Wage and incremental increases in pay. An allowance has been made for incremental awards.	4.050	3.132

- 8.25. At this stage it is proposed that the pay award as well as increment and pension increases will be funded in the main as part of the budget. However, there is an acceptance that the two-tier approach currently in place around hours paid must be addressed based on fairness. Discussions on this and other terms and conditions will take place with staff and Trade Unions over the coming months and the outcomes will be reported back to Cabinet.

Therefore, at this stage no account has been taken in the budget assumptions.

Looking forward

- 8.26. Looking forward the current economic climate makes the prediction of inflation and demand harder given the wider variation of professional views. Projections around adult and child care service demand have been strengthened to reflect better analysis of care data and trends, and higher levels of inflation have been assumed to be prudent. Thus, the investments are considered justified and reasonable.

9. Capital and Schools

- 9.1 The following paragraphs summarise the changes to the capital programme and the dedicated schools grant (DSG).

Capital

- 9.2 Cabinet's proposed capital programme for 2020/21 is attached at Appendix 1D, along with the indicative sources of funding available. The programme for 2020/21 proposes a total value of £111 million of works. This maintains a long-term capital programme in the region of £305.4 million. Although it is noted that a large number of externally funded grants have yet to be identified beyond 2020, in part due to the General Election and the fact that Government funding reviews are expected to be announced well after Council considers the 2020/21 budget. As such the figure is likely to significantly increase in later years. The programme is largely built up from Government and other grants received or due to be received. This amount is forecast to be £57.4 million in 2020/21 (including carried forward from 2018/19). In some cases, grant allocations for 2020/21 are also still to be announced or finalised, particularly for education, so estimates have been used which will need to be adjusted once grant levels are announced. Additionally, other sums may become available during the year from a variety of sources which can be added to the programme during the quarterly reporting of the capital programme in 2020/21.
- 9.3 In addition to Government grants, additional sums in the form of capital receipts from sales of assets and borrowing are able to be added to the programme. Capital receipts assume a total of £5.8 million in 2020/21 received to fund part of the planned expenditure. This has assumed that all known receipts are achieved and applied to the current capital programme.
- 9.4 The total programme for 2020/21 requires £111 million funding which includes £39.2 million from borrowing. Given the financial pressures on the revenue fund, this borrowing assumption in 2020/21 has been assessed as affordable within the current provision for financing.
- 9.5 The other major driver of borrowing increases is the investment in economy and infrastructure through the Growth Deal support and schemes designed to boost the local economy.
- 9.6 By maintaining a prudent and low borrowing forecast for 2020/21 it has a positive knock on impact to the general fund expenditure as regards the cost of repaying borrowing.

- 9.7 At the same time as continually challenging the programme, Finance officers have been carrying out treasury management reviews to take opportunities to reprioritise, re-profile and better manage cash over borrowing to fund schemes. The focus is to ensure capital financing costs are squeezed downwards wherever possible. The effect of reprogramming of the capital programme has the impact of pushing the costs into later years, and an estimate of this has been made within the budgeting. This will prevent the Council from borrowing money too early and having to pay unnecessary interest repayments. Work was undertaken to assess the ability to apply more capital receipts from disposal of assets. In addition, officers continue to explore proposals to manage its minimum revenue provision. As a result of all of this work the Council anticipates that this will mean the capital programme can be funded within the current budget for our cost of borrowing.

Dedicated Schools Grant

- 9.8 The announcement by the Department for Education of the Schools Funding Settlement 2020/21 is now expected late December 2019 at the earliest. In October 2019 the DfE issued a provisional Dedicated Schools Grant (DSG) allocation for Worcestershire County Council for three of the DSG blocks - Schools, Central School Services and High Needs of £399.095 million. This is detailed below and includes the effect of Year 2 of the DfE National Funding Formula (NFF) arrangements but is still based upon the October 2017 school census.
- 9.9 The October 2019 provisional DSG allocation for Worcestershire in 2020/21 for the blocks excluding Early Years is broken down as follows:

Table 11: Gross DSG Blocks, excluding early years (prior to Academy Recoupment)

Blocks	£m (Provisional allocations)
Schools Block – currently based on October 2017 school census and to be updated for the October 2019 census	335.912
Central Schools Services Block	3.491
High Needs Block – provisional allocation based on the national funding formula for High Needs	59.692
Total	399.095

- 9.10 The provisional DSG for 2020/21 using the October 2019 data sets is now not expected to be available until later in December 2019 at the earliest and will be reported to Cabinet and the Worcestershire Schools Forum (WSF) in January 2020.

- 9.11 Cabinet in December 2017 approved the Local Schools Funding Formula (LSFF) for Worcestershire mainstream schools (maintained and academies) for 2018/19 and 2019/20 to move as close to the National Funding Formula (NFF) parameters as is affordable. This includes in each year a Minimum Funding Guarantee (MFG) of +0.5% per pupil meaning that all schools will see at least a minimum increase in funding of 0.5% per pupil before any pupil premium is added; a cap of +3.0% per pupil to support the cost of the MFG by limiting the gains for those schools who would receive larger increases in funding through the formulaic changes due to the NFF parameters; and national Minimum Funding Levels (MFLs) for the primary and secondary sectors.
- 9.12 The Worcestershire Schools Forum (WSF) met on 28 November 2019 and approved as required for 2020/21, under their responsibilities in the School Forum (England) Regulations 2012, the service de-delegations for maintained mainstream schools and centrally retained services for all schools. The WSF is due to meet again on 14 January 2020 to consider the School Funding Settlement 2020/21, the LSFF for mainstream schools and the required submission of the LSFF to the Education and Skills Funding Agency (ESFA) during January 2020.

10 Efficiencies, reform and income proposals

- 10.1 The Council's proposed budget for 2020/21 includes the need for £9.6 million of proposals to balance the budget.
- 10.2 As part of the process of setting the budget, managers have been assessing their expenditure and income forecasts. The efficiencies have then been split between those where officers have authority to take actions within the existing Council Policy Framework and processes termed service decisions (this includes consultation where appropriate with the public and / or Trade Unions and staff); and those where decisions require a change in policy and approval by elected members. At this stage, the decisions for Cabinet or Council have been taken, as set out below.
- 10.3 All the proposals are set out within Appendix 1C to this report. There are two corporate targets totalling £2.1 million to be allocated to services for contract and procurement (£1.445 million); and a continuation of the redesign around executive support and centralising financial transactions (£0.650 million).

10.4 In summary, the efficiencies are broken down by directorate as follows:

Table 12: Breakdown of Proposed efficiencies 2020/21

Service Area	£ million
Worcestershire Children First	0.437
Economy & Infrastructure	1.674
Commercial and Change	1.923
Adults	3.295
Finance	0.150
Corporate	2.095
Total	9.574

10.5 The efficiencies proposals have been classified to align to the Corporate Plan and Medium-Term Financial Strategy:

Table 13: Analysis of efficiencies by type 2020-22

MTFS 3 Year Financial Efficiencies Plan	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Efficiencies , including digital and working differently	3,595	910	350	4,855
Reforms , redesign including prevention to avoid costs	4,911	0	0	5,083
Income , including commercial and trading opportunities	1,068	0	0	896
Total	9,574	910	350	10,834

10.6 These efficiencies have been assessed and considered realisable, although there may be some further movement in some as work progresses which means a small element could need to be found from other areas or reserves.

10.7 The proposals are coming from two main sources; pay and non-pay. Of the pay efficiencies, every effort will be made to first remove vacant posts and assess the ability to redeploy staff. This both supports employment and reduces any costs of redundancies.

10.8 The Council remains prudent and an element of provision for non-delivery of efficiencies has been provided for in the General Fund Reserves discussed in more detail at Section 12 of this report.

11 Council Tax calculation

11.1 The overall position for 2020/21 reflected in this report is therefore:

Table 14: 2020/21 Council tax provision required

	£m	£m
2019/20 Revised Base Budget		332.637
<i>Plus</i>		
Net demand and inflation (Section 8)	32.005	
Spending requirements		364.642
<i>Less</i>		
<i>Net efficiencies, reforms & Income (as set out at Section 10):</i>		(9.574)
Net movement in other grants - Social Care Grant		(9.000)
Transfer from Earmarked Reserves		(1.149)
Net budget requirement		344.919
Financed by		
- Settlement Funding Allocation (paragraphs 7.4 to 7.8) plus adjustments for local share of business rates		(64.301)
- Social Care Levy at 2% (paragraphs 7.11 to 7.14)		(5.351)
- Council Tax Collection Surplus (paragraph 7.16)		(2.331)
Amount to be found from the Collection fund through Council Tax		(272.936)
Total		(344.919)

- 11.2 The Local Government Finance Act 1992 (as amended by the 2003 Act) sets out the powers and duties of the Council in setting the annual Council Tax. The key requirements under Part IV of the 1972 Act are that:
- Council Tax is set at Full Council – Section 33.
 - Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year – Sections 32 and 33.
 - The level of Council Tax is set before 11 March to enable circulation of Council Tax bills to enable people to pay on and after 1 April- Section 30(6).
 - The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25.
- 11.3 The Government has yet to confirm what the level of Council Tax could be before it triggers a referendum. This is expected at 2% at this stage.
- 11.4 The original assumptions employed in setting the Medium-Term Financial Plan in 2019 were that Council Tax for Worcestershire County Council would be set as follows:
- 2020/21 - 2.99%
 - 2021/22 - 2.99%
- 11.5 At this stage following the changes to the expected referendum thresholds the Financial Plan has been updated and reflects a reduction in Council Tax to 1.99% to reflect the referendum cap, and a similar increase in 2021/22 of 1.99% for the general council tax rise.
- 11.6 Overall this still means that Worcestershire is likely to remain in the lowest quartile for Council Tax for comparative county councils without fire responsibility.
- 11.7 The Council is required to set a Council Tax sufficient to balance the Collection Fund account. Based on the projections at December Worcestershire County Council's Collection Fund is forecast to be balanced. That results in a funding requirement in 2020/21 from Council Tax of £278.287 million.
- 11.8 The latest estimates from District Councils of the average Band D tax base are 212,263 for 2020/21. The County Council's Council Tax Requirement has been identified as £278.287 million (this is inclusive of the social care precept); The Band D Council Tax proposed for 2020/21 is estimated at £1,311.05.

11.9 Across the bandings that equates to the following:

Table 15: Banding analysis for 2020/21 County Council precept

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
874.03	1,019.71	1,165.38	1,311.05	1,602.39	1,893.74	2,185.08	2,622.10

12 Assessment of reserves

12.1 The Council has had for many years a Strategic Risk Register and developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2019/20 and has formed the platform in preparing the Section 151 Officer's assessment of risk. Appendix 3 of this report summarises the significant financial risks arising from this assessment.

12.2 The total potential reserves required from this assessment is as follows:

Table 16: General fund risk assessment summary

Year ended 31st March	2019 £ million	2020 £ million	2021 £ million	2022 £ million
General Fund Reserve risk assessment – Appendix 3	12.217	12.217	12.217	12.217
Current Projections (see Para 12.6)	12.217	12.217	12.217	12.217
Reserves sufficient	✓	✓	✓	✓

12.3 The Council's General Fund estimated reserve at 31 March 2020 based on the forecast outturn, at Section 3 of this report from the current forecast outturn is circa £12.2 million. This means the General Fund Reserve is in line with the revised recommended level, and future use of these funds is a matter of last recourse given the levels. The reserves are for use where other actions cannot deliver efficiencies or urgent one off needs arise unexpectedly. The Council will seek to manage within resources by proposing alternative efficiencies first rather than drawing on reserves which are only available as a one off and do not address recurring saving needs. The following key assumptions have been made in considering the level of reserves:

- Service efficiencies – the risk assessment continues to provide for non-delivery of efficiencies. The risk remains around corporate target risks and this has in part been covered in this allocation against the General Fund as a last resort, but principally would be sought from other efficiencies or earmarked reserves.

- The lack of certainty over funding beyond 2020/21, and the significant level of grants in particular that relate to social care has increased the funding risk. As such an element of risk has been included to provide for a shortfall in Government funding in the coming and future years.
- Provision has also been made for unexpected demand due to unforeseen events around care or weather.

12.4 Based on the assessment at Appendix 3 there is no opportunity for a further call on general fund reserves in 2020/21 or earmarked reserves.

12.5 The key risk identified this time as noted above are related to transformation programmes, inflation, the uncertainties over future funding streams and the increasing volatility in both demand beyond 2020/21.

12.6 As such the reserves for the following years are estimated / proposed as: 31st March

Table 17: Forecast General fund reserves requirement 2019-22

	2019	2020	2021	2022
	£m	£m	£m	£m
Opening General Fund Reserve	12.217	12.217	12.217	12.217
Contribution to / (from) general fund reserves	0.000	0.000	0.000	0.000
Closing General Fund Reserve	12.217	12.217	12.217	12.217

12.7 Any movements in assumptions in the General Fund Reserve position in 2020/21 will be kept under continual review as part of the budget monitoring process.

Table 18: Analysis of earmarked reserves 2019-22

	31/03/2019 £	2019/20 Movement £	31/03/2020 £	2020/21 Movement £	31/03/2021 £	2021/22 Movement £	31/03/2022 £
Open for Business	13,030,962	-3,296,055	9,734,907	-2,861,790	6,873,117	-2,993,422	3,879,695
Children & Families	3,989,375	367,715	4,357,090	-1,000,000	3,357,090	-1,000,000	2,357,090
The Environment	559,657	6,645	566,302	0	566,302	0	566,302
Health & Well-Being	6,355,472	-283,000	6,072,472	-2,800,000	3,272,472	-1,000,000	2,272,472
Efficient Council	40,105,602	565,300	40,670,902	-1,082,495	39,588,406	-1,394,000	38,194,406
Total	64,041,067	-2,639,395	61,401,672	-7,744,285	53,657,387	-6,387,422	47,269,965
Totals Rounded							

12.8 There are also a number of reserves that are not able to be redistributed. These include the Dedicated Schools Grant and the forecasts below for use of these funds take account of government funding allocated to date which at this time is less than forecast expenditure. It is anticipated that the government's intention is to review DSG allocations in light of forecast pressures with the aim of increasing funding.

Table 19: Analysis of Schools / PFI reserves 2019-22

	31/03/2019 £	2019/20 Movement £	31/03/2020 £	2020/21 Movement £	31/03/2021 £	2021/22 Movement £	31/03/2022 £
Other - Unusable							
Schools Balances	5,574,471	-5,574,471	0	0	0	0	0
Schools ICT-PFI Reserve	338,645	-99,000	239,645	-99,000	140,645	-99,000	41,645
Bromsgrove High School PFI Adv	1,643,469	-226,908	1,416,561	-226,908	1,189,653	-226,908	962,745
DSG c/fwd Balance Reserve	0	975,000	975,000	0	975,000	0	975,000
DSG High Needs Overspend	-632,798	-8,999,000	-9,631,798	-4,800,000	-14,431,798	0	-14,431,798
Other - Unusable	-2,775		-2,775		-2,775		-2,775
Waste Contract PFI Grant	10,458,354	-3,079,486	7,378,868		7,378,868		7,378,868
Total	17,379,366	-17,003,865	375,501	-5,125,908	-4,750,407	-325,908	-5,076,315

12.9 The level of general and earmarked reserves overall is considered to be sufficient to meet potential risks and demonstrate a prudent level.

13 Engagement on proposals

13.1 The Council has clear policies to consult on issues such as specific changes of policy and restructures. At this stage, the Council is reviewing all areas and will ensure that appropriate processes are followed. All efficiencies arising from decisions taken in previous years relating to 2020/21 have followed these processes, for example changes in Libraries.

13.2 The proposals will also be subject to review and scrutiny by a range of stakeholders, including elected members through the scrutiny process, Trade Unions through meetings with them; and Schools Forum consideration of the Dedicated Schools Grant changes.

14. Legal advice

14.1. The Monitoring Officer considers that the proposals fulfil the statutory requirements set out below with regard to setting the amount of Council Tax for the forthcoming year and to set a balanced budget: -

- S30 (6) Local Government Finance Act 1992 (the 1992 Act). This section requires that Council Tax must be set before 11 March, in the financial year preceding that for which it is set.
- S32 the 1992 Act. This section sets out the calculations to be made in determining the budget requirements, including contingencies and financial reserves.
- S33 the 1992 Act. This section requires the Council to set a balanced budget.

- S25 (1) Local Governance Act 2003 (the 2003 Act). The Chief Finance Officer of the Authority must report to it on the following matters: - (a) the robustness of the estimates made for the purposes of the calculations; and (b) the adequacy of the proposed financial reserves.
- S25 (2) the 2003 Act. When the Council is considering calculations under S32, it must have regard to a report of the Chief Finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended)

14.2. These Regulations set out what are to be the respective functions of Council and of the Cabinet. With regard to the setting of the budget and Council Tax for the forthcoming year, Regulations provide that the Leader formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under S32 of the 1992 Act. However, the adoption of any such plan or strategy/calculations is the responsibility of (full) Council.

14.3. This report meets those requirements.

14.4. The legislation that governs local government is changing significantly and the business plan will be kept under review to see if changes are needed as the changes in legislation are made available and clarified.

15. HR advice

15.1. The Head of Human Resources & Organisational Development has been involved in the process surrounding efficiencies in the service areas and with human resource implications arising from the proposals. This has included / will include consultations with the recognised trade unions and relevant employees in relation to the restructuring of services to deliver efficiencies and in accordance with the Council's relevant policies. Where restructuring of services proposes more than 20 redundancies at an

establishment a HR1 form for each relevant review has been / will be completed and sent to both the recognised trade unions and the Department for Business, Energy and Industrial Strategy (BEIS) formerly the Department for Business, Innovation and Skills (BIS). In addition, a section 188 is issued to the recognised Trade Unions. Efficiencies from service reviews are realised once consultation on each review is completed. There are processes in place to carry out further consistent consultations arising from other service saving proposals over the next 12 months where there are human resource implications.

- 15.2.** The Council has had good negotiation and consultation relationships with the trade unions and has continually negotiated revised terms and conditions, including in 2019. The pay increment was lifted as part of those negotiated terms and has been built into the base budget, and this as well as the pay inflation of c.2% and other associated costs have been included within the base budget assumptions, in line with the national pay negotiations and agreement.

16. Equalities assessment

- 16.1. The Corporate Plan sets out Worcestershire's approach to strengthening the county and how it will interact with its customers and improve access to services and information. It contains specific investment to support vulnerable adults and children in Worcestershire. The equalities implications of the long-term strategies already approved were considered as part of the development of those strategies.
- 16.2. In order for the Council to fulfil its legal requirements under the Public-Sector Equality Duty, individual Equality Impact Assessments will be done on the delivery plans for the respective budget decisions at the stage when plans for implementation are drawn up. These will be made available to all elected members during the decision-making process so that the full equality implications of proposals are understood, inform final decisions and due regard is paid to the Equality Duty.

17. Risk assessment

- 17.1. The financial risk assessment that supports the 2020/21 budget is discussed at Appendix 3. Services have considered risk in developing the proposals for investment and efficiencies shown in the financial plan and these will be reflected in their usual risk management arrangements.
- 17.2. The changes that have been made by the Government since May 2010 are significant, and further changes to the public sector are expected over the next few years. During 2020/21, we will need to consider whether further changes are needed to our structures and arrangements once the full details of legislative changes have been disclosed by the Government.
- 17.3. There is a risk that budget proposals will impact on delivery of the Council's Corporate Plan, but this will be monitored, and appropriate action taken.

18. Financial Implications

- 18.1. In accordance with Section 25 of the Local Government Act 2003 and CIPFA Code of Practice, this section of the report sets out the Section 151 Officer's assessment of the major areas of risk in the 2020/21 base budgets / Medium Term Financial Plan, and recommended budget options. It is presented in order to provide elected members with assurances about the robustness of assumptions made, and to assist them in discharging their governance and monitoring roles during the forthcoming year.
- 18.2. Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.
- 18.3. Section 25 of the Act also covers budget monitoring, and this is a procedure which also helps to confirm the robustness of budgets. Current financial performance is taken into account in assessing the possible impact of existing pressures on the new year budgets. It also provides early indications of potential problems in managing the current year budget so that appropriate action may be taken. Members are asked to note therefore that the budget forecast, has been included in our risk-based assessment for balances. Budget monitoring is reinforced through close financial support to managers and services. These processes and controls will continue to be built upon for 2020/21, to maintain tight financial control.
- 18.4. In addition, I have considered the Council's position regarding reserves, including reference to CIPFA's Financial Resilience Index assessment. Whilst the Council's levels of reserves are comparably low this does not impact on my judgement as the Council is taking a prudent view in relation to balancing its retention of surplus, pursuit of delivering savings and levels of council tax. A full risk assessment of reserves has been undertaken and is set out at Section 12 and Appendix 3 in more detail.
- 18.5. In assessing the assumptions in the setting of the 2020/21 Council Tax, chief officers have provided details of their service responsibilities and aims, together with explanations of current pressures and other issues. These narratives were set alongside each Director and Assistant Director's base budget calculations to put the figures in context and to help inform the formulation of this budget and the Council Corporate Plan.
- 18.6. My assessment of all this information, following the risk assessment set out, is that the budget calculations are fair and robust, and reserves are adequate to reflect known circumstances.

Assumptions around the base budget

- 18.7. The financial assumptions are set out in detail in Section 8. These take account of key factors such as demographic and inflation rates of change.

19. Conclusions

- 19.1. The Council's Corporate Plan, supported by its Financial Plan 2019-23 and the budget for 2020/21 sets a clear direction for the coming years, and the budget proposals within that are robust. The council is assessed as financially viable with sound and strong financial standing.

Supporting Information

Appendices:

Appendix 1A – Financial Plan Update 2020/21 to 2022/23

Appendix 1B – Service Budget summary

Appendix 1C – Summary of efficiencies, reforms and income proposals

Appendix 1D – Capital Programme

Appendix 2 - Earmarked Reserves

Appendix 3- General Fund Reserve's assessment

Appendix 4 - Glossary of terms

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- Previous Cabinet Resources Reports

Financial Plan Update 2020/21 to 2022/23

MTFP - Subjective Summary

	2020/21	2021/22	2022/23
	£000	£000	£000
Funding			
Council Tax	278,287	287,862	297,646
Collection Fund Surplus	2,331	1,500	1,500
Business Rates Reserve Release	500	0	0
Business Rates Retention Scheme	63,801	65,077	66,379
	344,919	354,440	365,525
Expenditure			
Base budget	332,637	347,217	364,958
Change in Specific Grants	-9,000	0	0
Rebase Budgets	9,820	-1,149	0
Pay inflation	3,132	3,300	3,400
Contract inflation	5,995	6,000	6,000
Growth - Demand	7,707	8,500	8,000
Growth - Investment	4,000	2,000	2,000
Growth - Pressures	1,351	0	0
	355,642	365,868	384,358
Efficiencies	-9,574	-910	-350
Net Expenditure Budgets	346,068	364,958	384,008
Funding Gap	0	10,518	18,483
Transfer from Earmarked Reserves	-1,149		
Funding requirement	344,919	354,440	365,525

AGENDA ITEM 4

Service Budget summary (page 1 of 4)

Appendix 1B

Service	2019/20 Revised Budget	Change In Specific Grants	Rebase / Virement	Change in recharges 2019/20 to 2020/21	2020/21 Pay Inflation	2020/21 Contract Inflation	2020/21 Growth (Demand)	2020/21 Growth (Investment)	2020/21 Growth (Pressure)	2020/21 New Efficiencies	2020/21 Existing Efficiencies	2020/21 Virement	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHILDREN'S SERVICES BUDGETS													
CSC Safeguarding Locality Teams	12,886	0	(2,358)	0	0	0	0	0	0	(206)	0	0	10,322
CSC Through Care Locality based Hubs	4,580	0	0	0	127	0	0	0	0	0	0	0	4,707
CSC Family Front Door	5,047	0	0	0	198	0	0	0	0	0	0	0	5,245
CSC Targeted Family Support	1,663	0	0	0	57	0	0	0	0	0	0	0	1,720
CSC Safeguarding and Quality Assurance	1,928	0	0	0	605	0	0	0	0	0	0	0	2,533
CSC Placements & Provision	46,376	(3,600)	500	0	331	127	3,677	0	0	0	(56)	0	47,355
Worcestershire Safeguarding Children Board	168	0	0	0	1	0	0	0	0	0	0	0	169
Education & Skills	5,687	0	0	0	25	0	0	0	0	0	0	0	5,712
Home to School & College Transport	14,419	0	1,000	0	0	400	580	0	0	(100)	0	0	16,299
Early Help & Partnerships	5,288	0	(1,717)	0	79	0	0	0	0	0	(75)	0	3,575
WCC Contribution to West Mercia Youth Offending Service	514	0	0	0	0	0	0	0	0	0	0	0	514
Finance and Resources	1,108	0	248	0	84	17	0	235	0	0	0	0	1,692
Alternative Delivery Model	0	0	66	0	0	0	0	0	230	0	0	0	296
Non-Assigned Items	0	0	1	0	0	0	0	0	0	0	0	0	1
Children's Services (Excl DSG)	99,664	(3,600)	(2,260)	0	1,507	544	4,257	235	230	(306)	(131)	0	100,140
E&I													
Strategic Infrastructure & Economy	4,628	0	(38)	0	313	(101)	0	0	0	(330)	(30)	0	4,441
Highways Contracts, Winter Service and Projects	7,293	0	250	0	96	555	0	0	0	(299)	0	0	7,894
Waste Services	27,587	0	0	0	0	0	0	0	0	0	0	0	27,587
Operations, Highways and PROW	6,840	0	0	0	113	101	0	0	0	(621)	0	0	6,433
Transport Operations	12,090	0	0	0	187	213	0	0	0	(200)	(142)	0	12,148
Transport recharges to CFC and DAS	(885)	0	0	0	0	0	0	0	0	0	0	0	(885)
Business Administration & Systems	181	0	0	0	30	1	0	0	0	(52)	0	0	160
Total E&I	57,734	0	212	0	739	768	0	0	0	(1,502)	(172)	0	57,779

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Appendix 1B

Service	2019/20 Revised Budget	Change In Specific Grants	Rebase / Virement	Change in recharges 2019/20 to 2020/21	2020/21 Pay Inflation	2020/21 Contract Inflation	2020/21 Growth (Demand)	2020/21 Growth (Investment)	2020/21 Growth (Pressure)	2020/21 New Efficiencies	2020/21 Existing Efficiencies	2020/21 Virement	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COACH													
COaCH Management	1,302	0	100	0	41	(22)	0	0	0	0	0	0	1,421
Legal and Democratic Services	7,113	0	(18)	0	174	46	0	20	0	(130)	(70)	0	7,135
Commercial Team	2,882	0	(208)	0	91	22	0	0	0	0	(180)	0	2,607
Property Services	8,289	0	0	0	22	289	0	0	0	0	0	0	8,600
HR	3,994	0	38	0	153	2	0	0	0	(160)	(405)	0	3,622
Service Transformation (Custome Servs, IT)	7,798	0	(105)	0	181	108	0	0	0	0	(60)	0	7,922
Contents and Communications	1,023	0	0	0	37	(5)	0	0	0	0	(250)	0	805
Community Services Management including Community Solutions Fund	167	0	0	0	0	0	0	0	0	(100)	0	0	67
ChS Commissioning and Partnership Function	189	0	0	0	0	0	0	0	0	0	0	0	189
Directorate Recharges	(25,546)	0	0	0	0	0	0	0	0	0	0	0	(25,546)
Alternative Delivery Model & former Childrens Service Budgets	0	0	1,899	0	18	3	0	150	0	(87)	0	0	1,983
Strategic Libraries and Learning	6,192	0	(27)	0	139	130	0	0	0	(205)	0	0	6,229
Strategic Music Education	19	0	0	0	0	0	0	0	0	0	0	0	19
Museum Service	577	0	0	0	13	19	0	0	0	0	0	0	609
Countryside Greenspace, Gypsy Service and Road Safety	548	0	0	0	39	(27)	0	0	0	0	0	0	560
Adult Learning	0	0	657	0	38	(8)	0	0	0	(276)	0	0	411
SEND & DoE	0	0	177	0	6	0	0	0	0	0	0	0	183
Total Commercial & Change	14,547	0	2,513	0	952	557	0	170	0	(958)	(965)	0	16,816

Service	2019/20 Revised Budget	Change In Specific Grants	Rebase / Virement	Change in recharges 2019/20 to 2020/21	2020/21 Pay Inflation	2020/21 Contract Inflation	2020/21 Growth (Demand)	2020/21 Growth (Investment)	2020/21 Growth (Pressure)	2020/21 New Efficiencies	2020/21 Existing Efficiencies	2020/21 Virement	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive													
Recharges to other directorates	(299)	0	0	0	0	0	0	0	0	0	0	0	(299)
Chief Executive	730	0	0	0	18	4	0	0	0	0	0	0	752
Total E&I	431	0	0	0	18	4	0	0	0	0	0	0	453

Service Budget summary (page 3 of 4)

Appendix 1B

Service	2019/20 Revised Budget	Change In Specific Grants	Rebase / Virement	Change in recharges 2019/20 to 2020/21	2020/21 Pay Inflation	2020/21 Contract Inflation	2020/21 Growth (Demand)	2020/21 Growth (Investment)	2020/21 Growth (Pressure)	2020/21 New Efficiencies	2020/21 Existing Efficiencies	2020/21 Virement	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DAS													
Older People	64,335	0	2,192	0	585	1,763	1,675	1,595	1,583	(359)	(5)	0	73,364
Physical Disabilities	13,517	0	80	0	12	279	160	0	46	(118)	(1)	0	13,975
Learning Disabilities	65,615	0	169	0	340	1,638	761	0	(294)	(11)	(786)	0	67,432
Mental Health	10,812	0	437	0	115	339	572	0	(453)	0	(8)	0	11,814
Support Services	(274)	0	(340)	0	53	0	588	0	(536)	0	0	0	(509)
Integrated Commissioning Unit	625	0	10	0	63	(3)	0	0	263	(361)	0	0	597
BCF (excluding Health)	514	0	(708)	0	133	14	(190)	0	228	0	0	0	(9)
IBCF	(15,045)	0	(36)	0	0	0	0	0	0	0	0	0	(15,081)
Social Care Support Grant	0	(5,400)	0	0	0	0	0	0	0	0	0	0	(5,400)
Non-Assigned Items	(4,270)	0	133	0	0	0	(116)	0	41	(1,646)	0	0	(5,858)
Total DAS	135,829	(5,400)	1,937	0	1,301	4,030	3,450	1,595	878	(2,495)	(800)	0	140,325

Service	2019/20 Revised Budget	Change In Specific Grants	Rebase / Virement	Change in recharges 2019/20 to 2020/21	2020/21 Pay Inflation	2020/21 Contract Inflation	2020/21 Growth (Demand)	2020/21 Growth (Investment)	2020/21 Growth (Pressure)	2020/21 New Efficiencies	2020/21 Existing Efficiencies	2020/21 Virement	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Public Health													
Public Health	0	0	1,433	0	40	34	0	0	243	0	0	0	1,750
Total Public Health	0	0	1,433	0	40	34	0	0	243	0	0	0	1,750

Service Budget summary (page 4 of 4)

Appendix 1B

Service	2019/20 Revised Budget	Change In Specific Grants	Rebase / Virement	Change in recharges 2019/20 to 2020/21	2020/21 Pay Inflation	2020/21 Contract Inflation	2020/21 Growth (Demand)	2020/21 Growth (Investment)	2020/21 Growth (Pressure)	2020/21 New Efficiencies	2020/21 Existing Efficiencies	2020/21 Virement	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance & Corporate													
Financial Services	1,021	0	(11)	0	169	42	0	0	0	0	(150)	0	1,071
PMO Office - Central (funded from capital)	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Transactions (Borrowing and Investments)	13,893	0	0	0	0	0	0	0	0	0	0	0	13,893
Minimum Revenue Provision	10,782	0	0	0	0	0	0	0	0	0	0	0	10,782
Contributions and Precepts	251	0	0	0	0	8	0	0	0	0	0	0	259
Insurance (costs are fully recharged to services)	0	0	0	0	0	0	0	0	0	0	0	0	0
Pension Fund Backfunding Liabilities	5,981	0	18	0	(1,598)	0	0	0	0	0	0	0	4,401
Miscellaneous Whole Organisation Services	133	0	213	0	4	8	0	0	0	0	0	0	358
New Homes Bonus	(2,614)	0	0	0	0	0	0	0	0	0	0	0	(2,614)
Public Health Grant	0	0	0	0	0	0	0	0	0	0	0	0	0
Community Solutions Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Whole Organisation - Contingency	1,850	0	(1,100)	0	0	0	0	0	0	0	0	0	750
Total Finance & Corporate	31,297	0	(880)	0	(1,425)	58	0	0	0	0	(150)	0	28,900
Non Assigned													
Pay Inflation	0	0	0	0	0	0	0	0	0	0	0	0	0
Contract Inflation	0	0	0	0	0	0	0	0	0	0	0	0	0
Strategic Initiatives	0	0	0	0	0	0	0	2,000	0	0	0	0	2,000
Organisational Redesign and Total Reward	(3,000)	0	3,000	0	0	0	0	0	0	0	0	0	0
Organisational Redesign - Exec Support	0	0	0	0	0	0	0	0	0	0	(500)	0	(500)
Organisational Redesign - AP/AR	0	0	0	0	0	0	0	0	0	0	(150)	0	(150)
Commercial Savings	(2,965)	0	2,965	0	0	0	0	0	0	0	(1,445)	0	(1,445)
Review of former Education Services Grant	(100)	0	100	0	0	0	0	0	0	0	0	0	0
Agency Forced Absence, Staff Leave Purchase Scheme, Matrix Contract Review	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non Assigned	(6,065)	0	6,065	0	0	0	0	2,000	0	0	(2,095)	0	(95)

Summary of efficiencies, reforms and Income proposals

Appendix 1C

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
	WCF					
WCF 1	Housing Support contract review	(56)			Efficiency	CEO WCF
WCF 2	Commissioning Service Review	(75)			Reform	CEO WCF
WCF 3	Adoption Group Manager post and Overnight Short Breaks service	(206)			Reform	CEO WCF
WCF 4	Post 16 education transport inflationary increase	(100)			Income	CEO WCF
	Economy & Infrastructure					
E&I 1	County Enterprises efficiencies	(30)			Efficiency	Director of E&I
E&I 2	Scientific Services full year affect	(142)			Efficiency	Director of E&I
E&I 3	Delaying of management and removal of posts. This will be carried out through consultation with the recognised Trade Unions and staff as per the Council's HR policies and practices.	(830)			Reform	Director of E&I
E&I 4	Further Lean systems review following the re-organisation to review end-to end processes and practices	(500)			Reform	Director of E&I

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
E&I 5	Support for Trading Standards through use of the Public Health Ring-fenced Grant (PHRG) as it has been identified that the benefits delivered by this service have a direct impact on health and well-being of the public. This is not a reduction in delivery of the service, just a change in funding. There is also a proposal to enhance the level of trading standards activities through further use of PHRG.	(172)			Income	Director of E&I
	Commercial & Change					
CoaCh 1	Planned reduction of the one-year community solutions fund to £45,000	(100)			Efficiency	Director Commercial & Change
CoaCh 2	Library efficiencies identified in previous years which involves the transformation of library service delivery models which puts emphasis on engaging local communities, implementing new technologies and service delivery models.	(205)			Reform	Director Commercial & Change
CoaCh 3	Review of processes, income generation and structure within Legal services. Where required consultation will take place with staff and the recognised trade unions using the Councils HR policies and practices.	(70)			Reform	Director Commercial & Change

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
CoaCh 4	A redesign of the provision, collation and use of data across the organisation. The Council currently has several teams that manage, collect and report on data. This proposal looks to redesign the way that works and to pull together under one team to better manage information and improve the intelligence of decision making and use of information. This will require a restructure and will involve consultation with staff following the Trade Unions Councils HR policies and practices.	(180)			Reform	Director Commercial & Change
CoaCh 5	Review of processes, income generation and structure within HR and OD. Where required consultation will take place with staff and the recognised trade unions using the Councils HR policies and practices.	(405)			Reform	Director Commercial & Change
CoaCh 6	Review of processes, income generation and structure within IT services. Where required consultation will take place with staff and the recognised trade unions using the Councils HR policies and practices.	(60)			Reform	Director Commercial & Change
CoaCh 7	Review of processes, income generation and structure within Engagement and Communications services. Where required consultation will take place with staff and the recognised trade unions using the Councils HR policies and practices.	(250)			Reform	Director Commercial & Change

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
CoaCh 8	Support for Adult Learning (£0.211m), Positive Activities (£0.65m), Coroners (£0.130m) and Occupational Health (£0.160m) from Public Health Ring-fenced Grant (PHRG). This will not constitute a reduction in service delivery as it is merely a change in funding for the operations. It has been identified that these areas should demonstrate a direct positive impact on the health and well-being of staff and the public and therefore meets the criteria for use of PHRG.	(566)			Income - Public Health Grant	Director Commercial & Change
CoaCh 9	Contract Review - A review of the contract relating to provision of support for education services A review of the contract relating to provision of support for education services.	(87)			Efficiency	CEO WCF / Director Commercial & Change
CoaCh 10	Rationalise property maintenance costs		(300)		Efficiency	Director Commercial & Change
	Adults					
DAS 1	Review of processes, income generation and structure within People Services. Where required consultation will take place with staff and the recognised trade unions using the Councils HR policies and practices.	(830)			Reform	Director of People

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
DAS 2	Provider Service Review in order to develop an optimum model for one service that will provide reablement focused care and support across the current pathway one teams and the intended community teams,	(500)			Reform	Director of People
DAS 3	Demand management opportunities to mitigate the growth in numbers, cost and complexity of people within the adult services by the development of the community reablement and stay at home service, use of assistive technology, more effective commissioning of external placements and improvements to access to services using digital technology.	(855)	(610)	(350)	Efficiency	Director of People
DAS 4	Reduce Budget Contingency for Direct Payments	(250)			Efficiency	Director of People
DAS 5	Contribution to additional commissioning staff by the use of Public Health Ring-Fenced Grant (PHRG). This will not constitute a reduction in service delivery as it is merely a change in funding for the relevant staff	(60)			Income - Public Health Grant	Director of People
DAS 6	Reviews of current care packages - increasing independence – full year effect of 2019/20 saving	(130)			Efficiency	Director of People

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
DAS 7	Continuing Health Care funding is available to some individuals who have a nursing rather than social care need – the project aims to ensure that individuals who are entitled to CHC receive services through health funding streams – full year effect of 2019/20 saving.	(500)			Efficiency	Director of People
DAS 8	In partnership with DWP/Voluntary sector partners support people to maximise their entitlement to benefits; to help promote health and wellbeing whilst aiding independent living. This will increase the amount that people can contribute to their care – full year effect of 2019/20 saving.	(170)			Income	Director of People
	Finance					
Fin 1	Following work as part of the 2019/20 redesign proposals we will be centralising financial transactions around requisitioning and income management. There are several opportunities to manage spend and improve cash collection / reduce bad debt levels.	(150)			Reform	CFO

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
	Corporate					
Corp 1	The target for 2019/20 of £3 million is being delivered in relation to cost avoidance or capital which are being accounted for in directorate budget areas. For 2020/21 this saving will identify new areas for budget reductions across directorates. At this stage it is noteworthy that nearly £0.750 million may be a one off negotiated settlement that would need to be addressed the following year.	(1,445)			Efficiency	Director Commercial & Change
Corp 2	There are currently a range of administrative functions across the Council's directorates. The aim of this review is to set up a corporate Executive Support function that will co-ordinate a more efficient administrative and assistant functionality for the business. This will cover a range of functions, including personal assistants and administrators. There will be one overall Executive Support Manager who will then lead the service.	(500)			Reform	Director Commercial & Change

Ref	Description	2020/21 £000	2021/22 £000	2022/23 £000	Type of proposal	Responsible Officer post
Corp 3	It is recognised that in centralising financial transactions there will be scope for efficiencies from reduced operations across the Council. Efficiencies can be achieved from standardising practices, controlling spend and income collection that will yield further efficiencies / income.	(150)			Reform	CFO
	Total	(9,574)	(910)	(350)		

Capital Programme

Appendix 1D

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
TOTAL EXPENDITURE	£000	£000	£000	£000	£000
CHILDREN AND FAMILIES	26,862	10,263			37,125
OPEN FOR BUSINESS	71,572	49,981	6,131	27	127,711
THE ENVIRONMENT	53,253	41,317	5,100	2,000	101,670
HEALTH & WELL-BEING	9,758	508			10,266
EFFICIENCY & TRANSFORMATION	10,620	8,971	9,000		28,591
TOTAL	172,064	111,040	20,231	2,027	305,362
	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
TOTAL FUNDING	£000	£000	£000	£000	£000
TEMPORARY AND LONG TERM BORROWING	56,304	39,214	10,270	2,000	107,788
CAPITAL RECEIPTS	10,886	5,799	5,009		21,694
GOVERNMENT GRANTS	90,976	57,409	4,952	27	153,364
CAPITAL RESERVE	1,831				1,831
THIRD PARTY CONTRIBUTIONS	10,270	8,618			18,888
REVENUE BUDGETS	1,797				1,797
TOTAL	172,064	111,040	20,231	2,027	305,362

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
Children and Families	£000	£000	£000	£000	£000
- The Chantry High School Expansion	131				131
- Nunnery Wood High School Expansion	1,000	248			1,248
- Christopher Whitehead High School Expansion	22				22
- Rushwick Primary School Expansion	130				130
- Bengeworth 1st	139				139
- Social Care Projects	254				254
- Social Care Projects 17/18	159	3,302			3,461
- Redditch S.77 Projects	12				12
- Evesham St Andrews	130				130
- Leigh and Bransford	134	88			222
- Holyoaks Field 1st School	3,000	2,902			5,902
- Worcester Library and History Centre (Non - PFI capital costs)	174				174
- Redditch Library	131				131
- Kidderminster Library	84				84
- Capitalised Transformation Costs	498	248			746
- Flexible use of Capital Receipts		133			133
- Major Schemes - Residual	304				304
- Capital Maintenance	7,773				7,773
- Basic Need	10,028	3,100			13,128
- School Managed Schemes (Inc. Universal Infant School meals and Devolved Formula Capital)	2,157				2,157
- EFA Extension of Provision (Early Years)	259				259
- Libraries Minor Works	343	100			443
- Composite Sums - Residual		142			142
TOTAL	26,862	10,263			37,125

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
Open for Business	£000	£000	£000	£000	£000
- Open For business	1,000	1,250	750		3,000
- QinetiQ Land Purchase	1,001	1,000			2,001
- Worcester Technology Park	10	10	9		29
- Malvern Hills Science Park Scheme	339				339
- Local Broadband Plan Phase 1	3,164	146			3,310
- Local Broadband Plan Phase 3	3,896				3,896
- Investment Initiatives to Support Business and /or Green Technology	998	175	151		1,324
- A4440 WSLR Phase 4	24,273	28,052	3,917		56,242
- A38 Bromsgrove	6,462	8,268	269		14,999
- Kidderminster Churchfields	3,769	798	129		4,696
- Pershore Northern Infrastructure (including up to £5.1m from HIIF)	4,394	6,242			10,636
- HIIF Projects		1,271			1,271
- Capital Skills Programme	1,950	222			2,172
- Southern Link Dualling Phase 3	6,500	745			7,245
- Southern Link Dualling Phase 3 - Broomhall Way Footbridge	3,549				3,549
- Worcester Parkway Regional Interchange	2,170				2,170
- Kidderminster Rail Station Enhancement	3,269				3,269
- Kidderminster Town Centre Phase 2	1,134				1,134
- Droitwich High Street	45				45
- Redditch Town Centre	103				103
- Worcester City Centre	1,045				1,045
- Malvern Public Realm	39				39
- ERDF Capital Projects	2,356	1,598	709		4,663
- Warm Homes Fund	103	204	197	27	531
TOTAL	71,572	49,981	6,131	27	127,711

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
The Environment	£000	£000	£000	£000	£000
Local Transport Plan:					
- Structural Carriageway/Bridgeworks	26,312	21,851			48,163
- Integrated Transport	1,269	2,405			3,674
Major Schemes: Infrastructure					
- Regeneration £23 million total allocation:-					
- Cutting Congestion					
- A38 / A4104 Staggered Junction Upton	300	1,700			2,000
- Evesham Town Centre	200	800			1,000
- Bromsgrove Town Centre	200	800			1,000
- Hoobrook Roundabout, Kidderminster	200	800			1,000
- Railway Stations Upgrades / Extra Parking	1,000	2,900	1,100		5,000
- Next Generation Economic Game Changer Sites	500	2,000	1,500		4,000
- Walking and Cycling Bridges	2,420	1,080	500		4,000
- River Severn - Keepax to Gheluvelt Park					
- River Severn - Sabrina Bridge refurbishment					
- Town Centre Improvements					
- Evesham		500			500
- Redditch	50	450			500
- Stourport	250				250
- Worcester	400	850			1,250
- Local Members Highways Fund	1,250	1,250			2,500
- Worcestershire Intelligent Transport Systems	3				3
- Walk Cycle Route to Worc Parkway	185	80			265
- Green Deal Communities	44				44
- Eastham Bridge	34				34
- Pavement Improvement Programme	1,786				1,786
- Cutting Congestion Programme	10,777	821			11,598
- Highway Flood Mitigation Measures	341				341
- Worcester Transport Strategy	555				555
- Hoobrook Link Road - Pinch Points	301				301
- Public Rights of Way	300				300
- Highways Capital Maintenance Costs		1,000	1,000	2,000	4,000
- Capitalisation of staff costs	500	500	500		1,500
- Highways Strategic Investment Fund	750	750	500		2,000
- Completion of Residual Schemes	75				75
- Vehicle Replacement Programme	1,325	480			1,805
- Street Column Replacement Programme	1,926	100			2,026
- Highways Minor Works		200			200
TOTAL	53,253	41,317	5,100	2,000	101,670

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
Health and Well-Being	£000	£000	£000	£000	£000

Major Schemes:

- Capital Investment in Community Capacity/ Specialised Housing	3,921				3,921
- Investment in New Technologies in Care	1,838				1,838
- Care Act Capital	147				147
- Social Care Case Management System Replacement	2,821				2,821
- Capitalised Transformation Costs		408			408
- Capital funding utilisation	250				250
- A&CS Minor Works	261	100			361
- Social Care Performance IT Enhancement	520				520
TOTAL	9,758	508			10,266

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23	LATEST FORECAST TOTAL
Efficiency and Transformation	£000	£000	£000	£000	£000

Major Schemes:

- Digital Strategy	3,235	1,071	3,000		7,306
- Repair and Maintenance of a Longer Term Benefit (And BUoP)	2,418	900			3,318
- Energy Efficiency - Spend to Save	486				486
- Stourport Library/ Coroners Relocation to Civic Centre	18				18
- Capitalised Transformation Costs	3,945	5,000	5,000		13,945
- Revenue Maintenance Costs	200				200
- Property, IT and Facilities Management	303	2,000	1,000		3,303
- Completion of Residual Schemes	15				15
TOTAL	10,620	8,971	9,000		28,591

Appendix 2
Earmarked Reserves

	31/03/2019	2019/20	31/03/2020	2020/21	31/03/2021	2021/22	31/03/2022
	£	Movement	£	Movement	£	Movement	£
Open for Business							
Revolving Investment Fund	4,471,570	-744,412	3,727,158	-1,000,000	2,727,158	-1,000,000	1,727,158
Open for Business	3,900,000	-585,000	3,315,000	-1,500,000	1,815,000	-1,500,000	315,000
Local Authority Business Growth Initiative	568,422	-137,500	430,922	-200,000	230,922	-168,422	62,500
Mineral and Waste Strategy	588,506	-200,000	388,506	163,210	551,716		551,716
LEP Reserve	356,402	-13,000	343,402	-25,000	318,402	-25,000	293,402
Growing Places Reserve	2,429,919	-900,000	1,529,919	-300,000	1,229,919	-300,000	929,919
Regional Improvement and Efficiency Reserve	716,143	-716,143	0		0		0
	13,030,962	-3,296,055	9,734,907	-2,861,790	6,873,117	-2,993,422	3,879,695
Children & Families							
New Worcester Library	44,626	0	44,626		44,626		44,626
Rev Grants Unapplied	3,944,749	-732,285	3,212,464	-1,000,000	2,212,464	-1,000,000	1,212,464
Safeguarding	0	1,100,000	1,100,000		1,100,000		1,100,000
	3,989,375	367,715	4,357,090	-1,000,000	3,357,090	-1,000,000	2,357,090
The Environment							
Wildmoor Landfill Deposit	35,356	-	35,356		35,356		35,356
Env Serv Rev Grants	38,304	-	38,304		38,304		38,304
Concessionary Fares	60,507	-	60,507	0	60,507	0	60,507
Rev Grants Unapplied	425,490	6,645	432,135		432,135		432,135
	559,657	6,645	566,302	0	566,302	0	566,302
Health & Well-Being							
Public Health	6,355,472	-283,000	6,072,472	-2,800,000	3,272,472	-1,000,000	2,272,472
	6,355,472	-283,000	6,072,472	-2,800,000	3,272,472	-1,000,000	2,272,472
Efficient Council							
Transformation/Change Reserve	3,852,700	-3,311,700	541,000	-250,000	291,000	-250,000	41,000
Digital	3,000,000	-140,000	2,860,000	-140,000	2,720,000	-140,000	2,580,000
Elections	365,000	0	365,000	109,000	474,000	-474,000	0
Property Management	521,606	40,000	561,606	40,000	601,606	40,000	641,606
Insurance	8,410,815	0	8,410,815		8,410,815		8,410,815
Business Rates Pool	9,843,533	2,253,000	12,096,533		12,096,533		12,096,533
Coroners Major Inquests	187,784	0	187,784		187,784		187,784
Councillors Divisional Fund	1,710,000	-570,000	1,140,000	-570,000	570,000	-570,000	0
Fleet Surplus Reserve	361,495	-290,000	71,495	-71,495	0		0
Capital Funding	1,769,654	-1,606,000	163,654		163,654		163,654
Financial Services Reserve	1,551,161	0	1,551,161		1,551,161		1,551,161
Financial Risk & Investment Reserve	8,531,855	4,190,000	12,721,855	-200,000	12,521,855		12,521,855
	40,105,602	565,300	40,670,902	-1,082,495	39,588,406	-1,394,000	38,194,406
Total	64,041,067	-2,639,395	61,401,672	-7,744,285	53,657,387	-6,387,422	47,269,965
Totals Rounded							

Earmarked Reserves (continued)

	31/03/2019	2019/20	31/03/2020	2020/21	31/03/2021	2021/22	31/03/2022
	£	Movement	£	Movement	£	Movement	£
Other - Unusable							
Schools Balances	5,574,471	-5,574,471	0	0	0	0	0
Schools ICT-PFI Reserve	338,645	-99,000	239,645	-99,000	140,645	-99,000	41,645
Bromsgrove High School PFI Adv	1,643,469	-226,908	1,416,561	-226,908	1,189,653	-226,908	962,745
DSG c/fwd Balance Reserve	0	975,000	975,000	0	975,000	0	975,000
DSG High Needs Overspend	-632,798	-8,999,000	-9,631,798	-4,800,000	-14,431,798	0	-14,431,798
Other - Unusable	-2,775		-2,775		-2,775		-2,775
Waste Contract PFI Grant	10,458,354	-3,079,486	7,378,868		7,378,868		7,378,868
Total	17,379,366	-17,003,865	375,501	-5,125,908	-4,750,407	-325,908	-5,076,315

General Fund Reserves Assessment
Chief Financial Officer's Statement on the Robustness of the Budget and the Adequacy of General Balances and Reserves

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
1. Future available funding less than assumed.	Possible	High	The Government has committed to review the method used to allocate local councils funding from 2021. Discussions have been ongoing for a number of years and there is a likelihood that County Councils may gain. At this stage though there is too much uncertainty over both the main grant (SFA) and grants such as New Homes Bonus and the ring-fenced Better Care Fund. If the grants were removed that could make the Council's funding worse off by more than £30m, although that is not expected. As such a change of +/-£3m is estimated at this stage. This can only be mitigated in part through lobbying, so the residual risk remains high in 2021/22.	0	3,000	0
2. Volatility of Business	Possible	Low	The volatility of this funding stream is outside of Council control however the impact is mitigated	0	500	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
Rates funding given uncertainty around impact of appeals			by the establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning. As such the impact is mitigated to low in later years.			
3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Low	The awards are negotiated nationally, and there is a potential risk of increases being greater than the current provision of c.2%. However, the last few years have shown that the agreed level is similar to the December position between the national employers and Trade Unions. Future year increases remain at similar levels which remain in line with inflation forecasts. As such the risk is viewed as low impact.	500	500	500
4. Anticipated efficiencies/ efficiencies not achieved	Possible	High to Medium	Regular monitoring and reporting take place but the size of the proposals increases or decreases the likelihood of this risk. Due diligence of proposals and scrutiny focuses on early assessment to mitigate this risk, but there can always be slippage in the timing of delivery. Therefore, non-achievement of efficiencies	3,000	1,000	1,000

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
			would require compensating reductions in planned spending within services each year. A provision has also been set aside in Earmarked reserves. As such any call on the general fund reserves will be last resort and the efficiencies programme governance provides some assurance that this risk can be managed but this remains a medium risk.			
5. Revenue implications of capital programmes not fully anticipated	Unlikely	Low	Any overrun or additionality to the Capital Programme without grant, capital receipts or third-party contributions, will lead to pressure on the council's revenue borrowing costs in the following year. This risk is mitigated by a capital bid approval framework that identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning means this risk can be identified early and mitigated. The increasingly commercial nature of investment opportunities means that the Council engages the appropriate advisors to assist with undertaking the required due diligence to fully understand the potential financial implications and risks.	0	0	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
6. Income targets not achieved, including council tax	Possible	low	The current economic climate is likely to impact on resident and businesses income however the key sources and types of charging are council tax, business rates and contributions towards the cost of adult social care. Regular monitoring and reporting take place at district and county levels. A full review of adult fees and charges is undertaken on a regular basis and a bad debt provision is in place. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process.	500	500	500
7. Budget monitoring not effective	Unlikely	High	Regular monitoring and reporting is in line with the corporate timetable and framework. Action plans are developed to address areas of overspend with regular reports to Scrutiny and Cabinet. The council has had a recent track record of delivering budget with use of earmarked reserves. The use of earmarked reserves has been commented on by external audit and is reducing with greater confidence in budget delivery. As such this risk is being	0	0	0

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
			mitigated and any call on the general fund should be from unforeseen events identified in budget monitoring.			
8. Loss of principal deposit	Unlikely	Low	The Council places significant sums on deposit to secure investment income and manage risk. The risk of loss of investments due to market failures is managed by the controls in the Treasury Management Strategy which prioritise security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions.	0	0	0
9. Interest rates lower than expected	Unlikely	Low	The Council's income earned from interest has been significantly reduced in later years and prudent projections based on continued lower levels of rates. The risk is thus low and is regularly reviewed, monitored and reported on interest rates. As such the risk of unforeseen impacts is considered managed at this stage.	0	0	0
10. Unforeseen demand in Children's care	Possible	Medium	The level of demand can never be accurately predicted due to the nature of the services provided. The Council through its budget setting has sought to redirect resources to meet trend and forecast data. In addition, the Council has set aside £1.1 million in earmarked reserves to	750	750	750

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
			fund any increase above projections. As such the use of general fund would be for urgent placements that cannot be foreseen.			
11. Unforeseen demand in Adult care	Possible	Medium	The level of demand can never be accurately predicted due to the nature of the services provided. The Council through its budget setting has sought to redirect resources to meet trend and forecast data. However, trend data is based on historic external factors such as weather. With changes in these external factors there is a need for urgent placements and care packages to be funded in in unforeseen / unusual periods.	1,500	1,500	1,500
12. Poor winter weather conditions leading to unforeseen costs in highways and other services that are not covered by	Possible	Medium	The Council has significantly invested in flooding and other emergency events. The Government also provides emergency funding through its Bellwin scheme; however, events could always happen, and the Council needs a provision that it knows it can call upon in an emergency that will not constrain immediate response reaction due to financial constraints	800	800	800

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
the national Bellwin scheme						
13. Other costs rise by more than inflationary assumptions	Unlikely	Low to Medium	There is always a risk that inflation could vary. At this stage treasury management advice suggests inflation remaining broadly stable at 2% over the next two years, although there is some risk regarding the impact of leaving the European Union. For this reason, there is a greater provision in 2021-23.	0	1,000	2,000
14. Insufficient insurance liability cover	Unlikely	Low	The Council has insurance cover up to set levels, as well as elements of self-insurance. Risks of events are proactively managed through safety checks for example. This provision is a contingency if an unexpected event arises outside of weather-related that does give rise to any higher provision than is already set aside. However, it is expected the Council will work to mitigate claims and liability and this amount is thus felt to be a lower level of risk and value.	500	500	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
15. Breaches of legislation around health and safety or data protection.	Possible	Low	Changes to legislation around Health & Safety and data protection have led to high value penalties set against organisations. Worcestershire County Council has dedicated teams and roles set to monitor and manage this risk, however there could always be cases and as such a provision has been made equally across all future years.	500	500	500
16. Commercial venture risk	Unlikely	Low	The Council has several commercial ventures such as Place Partnership Ltd and has created a new company Worcestershire Children First. As such there is a risk that in future years there could be risks of loss or additional costs, and whilst there will always be best endeavours to manage this risk within the company there is a need to make provision in future years for this to ensure the financial sustainability.	500	500	500
17. Contingency for other unforeseen events and any	Possible	High to Medium	Whilst specific risks have been identified the list is not exhaustive and there may always be other factors giving rise to financial pressures. The Council will through budget monitoring and management look to manage these effectively	3,000	1,000	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2020/21 £000	2021/22 £000	2022/23 £000
unplanned year end overspend			as has been the case previous years, however if it cannot and the matter is unforeseen then the reserves will be used as a matter of last recourse. The sum provided for is greater in earlier years due to the fact that events could materialise in these years not foreseen, whereas the risks in later years are at this stage more specific. As more specific risks such as business rates are known, they may reduce the general contingency accordingly.			
			TOTAL	11,550	12,050	10,050

Appendix 4
Glossary of terms

SFA	Settlement Funding Assessment	The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant and is part of the Council's funding.
RSG	Revenue Support Grant	Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. For Worcestershire County Council this grant was reduced to zero from 2020/21.
DSG	Dedicated Schools Grant	<p>The grant is paid in support of the local authority's schools' budget. It is the main source of income for the school's budget.</p> <p>Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools' budget (ISB) in conjunction with local schools' forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.</p>
NNDR	National Non-Domestic Rates	Also referred to as business rates. In Worcestershire, NNDR is collected by District Councils and 50% of this money is retained by the County Council, District Councils and the Hereford and Worcester Fire and Rescue Authority as part of their funding. The remaining 50% is returned to Central Government for redistribution elsewhere across local government.
MTFS	Medium Term Financial Strategy	The Strategy that sets out the future ways in which the Council will manage its finances, considering pressures, funding and available resources.
MTFP	Medium Term Financial Plan	The Financial Model covering the next three years based on assumptions within the MTFS

Glossary of terms, continued

GFR	General Fund Reserve	Reserves held for non-specific purposes, to manage risks as / if they arise during the year.
EMR	Earmarked Reserve	Reserves held for specific purposes.
CPI	Consumer Price Index	Measures changes in the price level of market basket of consumer goods and services purchased by households.
RPI	Retail Price Index	A measure of inflation published monthly by the Office for National Statistics. It measures the changes in the cost of a representative sample of retail goods and services.
SEND	Special Educational Needs & Disabilities	A focused service on helping a child or young person in learning where that individual has a disability or special educational needs, for example dyslexia or physical ability, that requires additional support.
DAS	Directorate of Adult Services	Directorate of the Council providing services such as care for the elderly, adults with disabilities, mental health and integration with health partners
CFC	Children, Families and Communities Directorate	Directorate of the Council providing services such as care placements, education, SEND, libraries and arts.
E&I	Economy and Infrastructure Directorate	Directorate of the Council providing services such as highways, waste and transport.
COACH	Commercial and Change Directorate	Directorate of the Council providing services such as human resources, legal and procurement.
LEP	Local Enterprise Partnership	Partnership between local authorities and businesses set up by the then Department for Business, Innovation and Skills in 2011 to help determine local economic priorities and lead economic growth and job creation in the County.
LGF	Local Growth Fund	Growth deals provide funds to LEPs for projects that benefit the local area and economy.
BCF and iBCF	Better Care Fund and Improved Better Care Fund	A programme spanning both the NHS and local government which seeks to join up health and care services, so that people can manage their own health and well-being and live independently in their communities for as long as possible and avoid delayed transfers of care (DTOCs).
PFI	Private Finance Initiative	A way of creating 'public – private partnerships where private firms are contracted to fund, complete and manage public projects, predominantly building related.