Worcestershire County Council

Agenda

Cabinet

Thursday, 3 February 2022, 10.00 am
County Hall, Worcester

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DISCLOSING INTERESTS

There are now 2 types of interests:
<u>'Disclosable pecuniary interests'</u> and <u>'other disclosable interests'</u>

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your <u>spouse/partner</u> as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days <u>and</u>
- **Declare** it where you have a DPI in a matter at a particular meeting
    - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
  You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR**
  relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
    - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

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Cabinet
Thursday, 3 February 2022, 10.00 am, County Hall

Membership: Cllr Alan Amos, Cllr Marc Bayliss, Cllr Matt Dormer, Cllr Simon Geraghty (Chairman), Cllr Adrian Hardman (Vice Chairman), Cllr Marcus Hart, Cllr Adam Kent, Cllr Karen May, Cllr Tony Miller and Cllr Andy Roberts

Agenda

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1	**Apologies and Declarations of Interest**	
2	**Public Participation** Members of the public wishing to take part should notify the Assistant Director for Legal and Governance in writing or by e-mail indicating both the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case Wednesday 2 February 2022). Further details are available on the Council's website. Enquiries can also be made through the telephone number/e-mail address listed on the website and in the agenda.	
3	**Confirmation of the Minutes of the previous meeting** The Minutes of the meeting of 6 January 2022 have been previously circulated.	
4	**2022/2023 Budget and Council Tax**	1 - 130
5	**Mental Health Aftercare Arrangements S117**	131 - 142
6	**Development of All Age Disability Service and the Transition of that Service into WCF**	143 - 150
7	**Review of Adult Social Care Transport Policy**	151 - 156
8	**National Bus Strategy**	157 - 162

NOTES

- **Webcasting**

Members of the Cabinet are reminded that meetings of the Cabinet are Webcast on the Internet and will be stored electronically and accessible

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To obtain further information or a copy of this agenda contact Sheena Jones, Democratic Governance and Scrutiny Manager on Worcester (01905) 846011 or email: DemocraticServices@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website.

Date of Issue: Wednesday 26 January, 2022

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	through the Council's Website. Members of the public are informed that if they attend this meeting their images and speech may be captured by the recording equipment used for the Webcast and may also be stored electronically and accessible through the Council's Website.	

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CABINET
3 FEBRUARY 2022

2022/23 BUDGET AND MEDIUM-TERM FINANCIAL PLAN UPDATE 2022-24

Relevant Cabinet Member
Mr S E Geraghty – Leader of the Council and Cabinet Member with Responsibility for Finance

Relevant Officer
Chief Financial Officer

Recommendations

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

(a) the budget requirement for 2022/23 be approved at £373.199 million as set out at Appendix 1B, having regard to the proposed Transformation and Reforms programme set out in section 9;

(b) the Council Tax Band D equivalent for 2022/23 be set at £1,396.78 which includes £169.47 relating to the ring-fenced Adult Social Care precept, and the Council Tax Requirement be set at £301.346 million, which will increase the Council Tax Precept by 3.94% in relation to two parts:

- **0.94% 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;**

- **3.00% Adult Social Care Precept ring-fenced for Adult Social Care services of which 2% was carried forward from 2021/22, in order to contribute to existing cost pressures due to Worcestershire's ageing population;**

(c) the Capital Strategy 2022-25 and Capital Programme of £146.064 million be approved as set out at Appendix 1C and 1D and section 8;

(d) the earmarked reserves schedule as set out at Appendix 2 be approved;

(e) the Treasury Management Strategy and Prudential Indicators set out at Appendix 4 be approved; and

(f) the Council's Pay Policy Statement set out at Appendix 5 be approved.

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

(a) gives delegated authority to the Leader of the Council to recommend to Full Council, in consultation with the Chief Financial Officer, any further adjustments to the revenue cash limits as a result of Central Government confirming the final Local Government Finance Settlement, Council Tax and Business Rates Income, and associated Specific Grants and income for 2022/23; and

(b) authorises the Strategic Director for People and the Director of Children's Services in consultation with relevant Cabinet Members with Responsibilities, to approve the agreement for the use of resources between the Council and the Clinical Commissioning Groups under Section 75 of the NHS Act 2006 (the Section 75 Agreement) for 2022/23.

1.0 Executive Summary

1.1 This Budget Report provides the 2022/23 precept need, an update on the Medium-Term Financial Plan (MTFP) and the Council's budget for 2022/23 to be considered at Full Council on 17 February 2021. The assessment takes into account 2021/22 Period 8 financial monitoring, the impact on Council Tax, 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 2022 onwards, although noting this is heavily caveated due to the high level of uncertainty over the future funding of local government and recovery post COVID.

1.2 The draft budget was presented at Cabinet on 6 January 2022 and is being brought back to Cabinet following engagement around those proposals, as well as to account for any updates related to funding or possible changes in assumptions. The main updates to the budget proposals are:

- District Councils have now finalised and confirmed their tax-base and Council Tax surplus/deficits, and these have been included within the Medium-Term Financial Plan. This has increased the Council Tax income forecast by £2.1 million, as well as returning a surplus of £2.5 million which is better than reported in January 2022. As a result, £2 million of the additional sum will be held in reserves to enable the delivery of the priorities within the refreshed Corporate Plan, that will be allocated through an additional £1 million one-off increase in the Open for Business Reserve 2022/23. For 2023-25 then a recurring £2 million will be used via Strategic Initiatives to fund a further year of key priority capital programme funding as set out at Table 15. The £0.1 million balance will be used to support general funding. The £2.5 million is still subject to audit and will be retained in the Collection Fund until the audit is complete.

- In addition, £0.1 million of the one-off surplus will be used to fund one off investment in enabling Jubilee celebrations, including supporting the delivery of events across the County by waiving fees such as street closures.

- Commentary from the Overview and Scrutiny Performance Board will be tabled on the day. No significant issues though were raised at Panels.

- The Education and Schools Funding Agency announced further additions to the Dedicated School Grant, including an additional £2.777 million High Needs funding taking the overall total for High Needs to £9.9 million.

- Budget forecasts have been updated as at the end of Period 8; however, this shows no changes to those previously reported to Cabinet.

- A medium-term financial plan is included at Section 11.

- The £3.4 million additional funding from the NHS has continued to be discussed and finalised and has been amalgamated with the other grants and reserves.

- The Capital Strategy, Treasury Management Strategy and Pay Policy Statement have now been included (Appendices 1D, 4 and 5 respectively).

- An analysis of the planned spend from the Public Health Ring-Fenced Grant has been included at Appendix 6, although we are still awaiting the final settlement for this grant and thus is based upon 2021/22 allocations at this stage.

- Central Government are due to issue their final Local Government Finance Settlement early February, as such an update will be given at Cabinet of any impact of the final settlement if known. The following table summarises the updates made since the January 2022 Cabinet Report to funding and expenditure for 2022/23.

Table 1: Summary of changes since 6 January 2022 Cabinet

	January £m	February £m	Change £m
Council Tax	299.2	301.3	2.1
Collection Fund Surplus	-0.8	2.9	3.7
Business Rates Retention	68.7	68.7	0.0
Reserves & Grants used to support funding	2.7	2.5	-0.2
Total Funding Available	**369.8**	**375.4**	**5.6**
Total Net Expenditure	**373.2**	**373.2**	**0.0**
Transfer from/(to) Earmarked Reserves	0.0	-2.1	-2.1
Jubilee celebration funding	0.0	-0.1	-0.1
Adults external funding (*note for February merged in grants line above now*)	3.4	0.0	-3.4

1.3 Despite another extraordinary year dealing and responding to the COVID pandemic, the Council's strong financial management and controls have ensured that we will not carry any undue financial pressures in to 2022/23. Officers are currently taking action to address the small overspend (approximately £1 million that is 0.3% of the net budget) arising from delayed corporate savings deferred due to responding and recovering from the pandemic. It is projected that with these actions the Council will achieve a balanced position by 31 March 2022 placing the Council in a strong position going into 2022/23.

1.4 Funding in 2021/22 has included an additional £52 million of COVID grants above the net budget of £355.5 million, which the Council is spending on response and recovery with its key stakeholders to ensure that our residents and business remain safe and able to continue about their daily lives as best as possible.

1.5 Spend includes:

- £21 million for the most vulnerable in our communities
- £9 million on testing, tracing, and support for outbreak control
- £6 million supporting the NHS with hospital discharges
- £6 million supporting the Adults and Children's Social Care providers care for individuals
- £3 million on support for free school meals
- £2 million hardship support through our District Councils
- £2 million supporting transport, including home to school transport
- £3 million support to businesses

Provisional Settlement and Council Tax / Adult Social Care Levy

1.6 The Chancellor's Spending Round 2021 (SR21) announcement on 27 October 2021 indicated overall levels of funding available to Councils. Further details of the Provisional Settlement were published 16 December 2021. This included setting a Council Tax referendum limit of 2% for general purpose, 1% for social care and any carried forward percentage relating to Adult Social Care Levy not applied in 2021/22, when a levy was announced and could be spread across 2021-23 capped at 3%. As Worcestershire County Council implemented a 1% Adult Social Care Levy in 2021/22 that enables up to 2% of the 2021-23 levy available to be applied in 2022/23. Therefore, Cabinet proposes 3% (1% plus 2%) to be directed to supporting Adult Social Care to reflect the additional costs and demand on care arising from COVID and ensure the most vulnerable in society are protected.

1.7 However, the Cabinet recognise the impact COVID and the current rise in inflation is having on residents and the local economy. As such Cabinet is proposing only a 0.94% increase in general Council Tax to continue to fund investments in those areas that the public have consistently highlighted as important, such as highways and footpaths, as well as measures to support the economy and environment.

1.8 In total that will give rise to an additional £11.4 million Council Tax income in 2022/23. In addition, the Council will secure an additional £4.6 million from Council Tax from new properties. There is still a small surplus carried forward on the collection fund due to the income collected over the last 12 months being higher than first thought at the start of the pandemic. This is £4.6m better than the previous year forecast. Therefore, the overall forecast additional income from Council Tax will give rise to an increase of £20.7 million in the Council's income. However, this includes £2.5 million of one-off surplus which are still subject to audit and as such £2.1m of recurring items at this stage are proposed to move to earmarked reserves as set out above in paragraph 1.2. The £2.5 million will be held in the Collection Fund and consideration of any distribution occur following external audit's opinion.

1.9 It is noted that the Provisional Settlement only announces a one-year budget settlement for local government due to a planned Fairer Funding Review to be carried out in 2022 and applied for 2023/24. The Provisional Settlement also does not cover any capital announcements, and these are not expected until March 2022. In addition to this, the Provisional Settlement announced on 16 December has identified further grant funding of £12.6 million predominantly for care services, made up as follows:

- a further £6.1 million for Social Care Grant (Adults and Children),
- a further £0.5 million for Adult Care from the Improved Better Care Fund (iBCF),
- a new grant of £1.6 million for Market Sustainability and Fair Cost of Care,
- a new one-off gross £4.4 million Services Grant – note this grant needs to be discounted by £1.4 million to reflect that this grant in part is to fund the Council's liability as an employer in relation to the new National Insurance levy giving a net one-off increase of £3 million.

1.10 Overall, that means the Council's income from Council Tax and Government grants gives rise to a total forecast increase in its net income of £40.6 million as per table below:

Table 2: Movement in Council Tax and Grant Income 2021/22 to 2022/23

Source of Funding	£m
Council Tax increase	11.4
Council Tax buoyancy	4.7
Collection Fund Improvement	4.6
Settlement Funding Assessment	2.5
Reserves & Other External Funding	4.8
Social Care Grant	6.1
Market Sustainability and Fair Cost of Care	1.6
Improved Better Care Fund	0.5
Services Grant	4.4
Total	**40.6**

Revenue investment and pressures

1.11 However, whilst income is growing, it is not increasing fast enough to keep pace with the complexity and demand of all our services, response to COVID and the long-term impact of the virus on our services, as well as the rising cost of inflation (7.5% RPI / 5.4% CPI as at January 2022). In 2022/23 we need to invest a further gross £25 million in adult and children's care (£17.1 million in Adults and £7.9 million in Children's). This reflects a continuing increase in the volume, complexity and cost of care that were already growing prior to the global pandemic. We continue to make the case that this needs to be reflected in our on-going funding or in changes to national policy.

1.12 In addition to pressures in care we also need to maintain and in certain cases invest in 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, particularly street lighting; and other external factors including the impact of adverse weather on our roads, footways and other infrastructure and the transport provider market. At the same time more homes mean more waste disposal costs and the need to support the provision of adequate infrastructure.

1.13 The Cabinet is keen to ensure that the feedback from Viewpoint resident surveys, continually highlighting the importance of roads, pavements, tackling congestion and transport are invested in. As a result, the Cabinet are proposing to Council to:

- Invest £0.350 million to:
    - increase the number of Highway Liaison Officers,
    - ensure there are more Local Highways Response Teams
    - uplift the funding for the Parish Lengthsman
    - extending the Highways and Transport Control Response contact hours to 07:00 to 19:00 hours weekdays
- invest £0.1 million to increase the Economic Development Team to ensure that we can continue to support measures to grow our economy
- maintain the £0.6 million invested in Public Transport in 2020/21 to ensure services and connectivity is maintained across the County as we recover from the pandemic.
- Invest £4 million to finance capital investment in over £40 million of capital schemes to maintain and improve our highways and footpaths across the County 2023-25. More capital investment is set out paragraphs 1.20 and 1.21 as well as Appendix 1c, this is funded from within the existing revenue programme.

1.14 Altogether we are forecasting a further £44.1 million of pressure and investment in other services. This is made up of:

Table 3 – Total 2022/23 £44.1 million pressures:

Assumed Pressures 2022/23 ***Further explain at Section 7 of this report***	**Latest Estimate £m**
Pay Inflation – ***see Table 12 later in this report***	6.2
Contract Inflation	4.0
Net Service Demand and growth – ***see Tables 8 to 10 later in this report***	28.1
Addressing use of reserves for 2021/22 for COVID – ***see Table 7***	5.8
Total	**44.1**

Other Funding

1.15 There is £0.5 million of COVID general grant that is forecast to be carried forward and spent in 2022/23.

1.16 Whilst the funding for Social Care from the provisional settlement grants and Adult Social Care Levy raises £13.7 million, the pressures faced in ASC forecast for 2022/23 are £17.1 million. That leaves funding to be bridged of £3.4 million. The majority of the pressures faced are around managing the provider workforce retention and recruitment. To ensure a long-term sustainable care market, meet the demand in order to enable hospital discharge and to support improvements in individual's health through reablement and rehabilitation we are currently finalising with the NHS Herefordshire and Worcestershire Clinical Commissioning Group (H&WCCG) how local NHS funding will support this. The focus will be to look to fund continual improvements in discharge and care through even stronger partnership and integrated forward-thinking approaches. This will involve continuing to work together on pathways of care to support both our local hospitals' discharge as well as social care. As such we are looking at joint funding options to address the gap, albeit that may in part be non-recurrent. However, at the stage of uploading this budget, the NHS funding provisional settlement has not been released and therefore we will update members on progress early in February. This joint working will continue to be developed alongside national transformation plans under the Government's Build Back Better initiative.

1.17 After accounting for the pressures faced by the Council and the investment to be made offset by additional income this means the Council is seeking to make £8 million of efficiencies as set out in Section 9 of this report (£2.9 million within services and £5.1 million in Corporate targets).

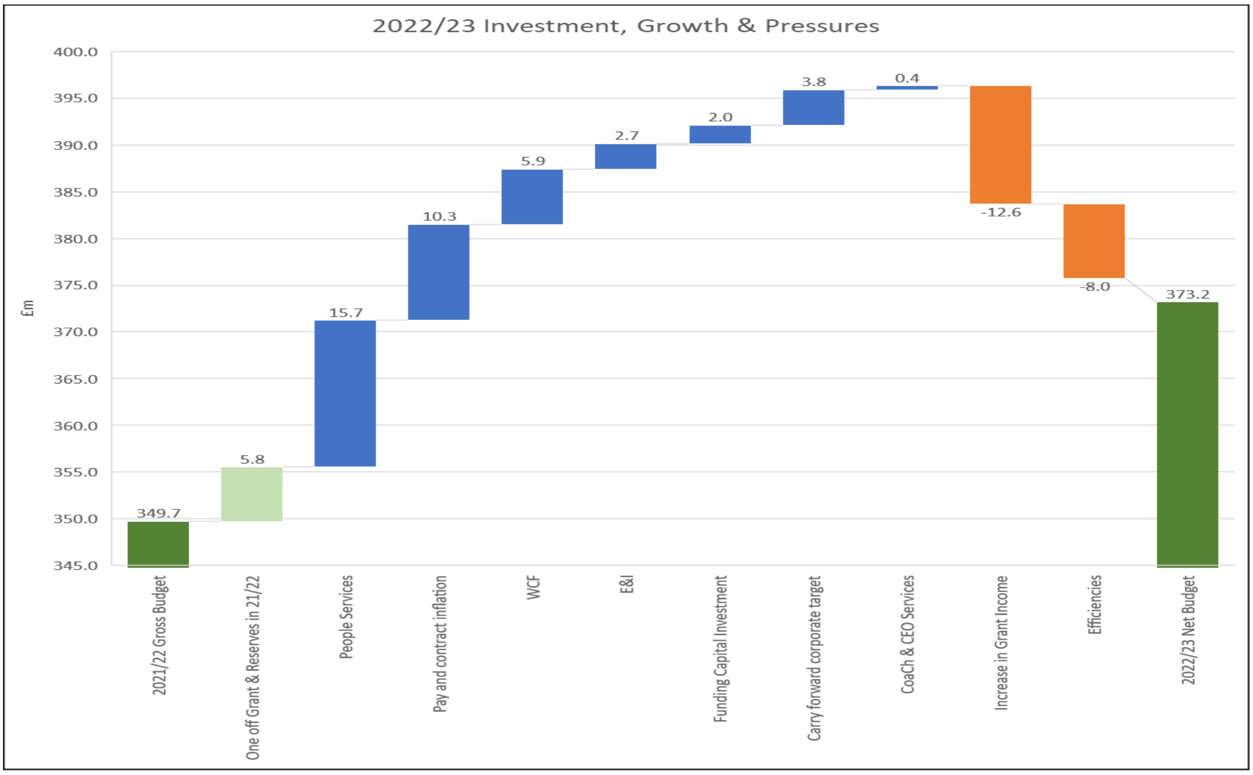
1.18 Table 3 therefore sets out how the £44.1 million gap is to be addressed in setting the 2022/23 budget:

Table 4 – Funding the £44.1 million pressures to balance the 2022/23 budget:

	£m
Council Tax / Adult Social Care Levy – (Section 10)	17.1
Settlement Funding Assessment (Section 6)	2.5
Provisional Settlement Grant announcements (Section 6)	12.6
Use of Covid grant (Section 5)	0.5
Directorate Specific Efficiencies (Section 9)	2.9
Corporate changes in service income and efficiencies (Section 9)	5.1
ASC external funding (Section 6)	3.4
Total	**44.1**

1.19 The result is that the overall net revenue total budget for 2022/23 is £373.199 million as shown by Chart 1 below:

Chart 1 – Summary movement 2021/22 to 2022/23 Net Budget



Capital

1.20 Turning to the Capital Programme, the Council has continued to significantly invest in the County's infrastructure and economy. Across the five years (2020 to 2025) this will have amounted to £468.8 million. That investment has already delivered:

- the opening of Worcester Six Business Park phase 1;
- further phases of Worcester Southern Link Road;
- Worcestershire Parkway;
- Kidderminster Rail Station;
- the expansion of Malvern Hills Science Park;
- £4.5 million of grant to local businesses to help them deal with and support recovery from the pandemic;
- increased Superfast Broadband and overall broadband coverage;
- improvements to roads, walking & cycling projects, pavements, drainage and streetlighting; and
- traffic relieving measures and town centre improvements in Worcester, Kidderminster, Pershore, Evesham, Stourport and Redditch.

1.21 In addition, the County Council has a number of ongoing projects continuing the investment in growing the economy and improving infrastructure, including:

- Cutting congestion projects across the County;
- Worcester Shrub Hill and Redditch Stations;
- Pershore infrastructure improvement programme
- Worcester Southern Link Road further phase 4;
- Securing flood relief at Tenbury Wells and Bewdley;
- Worcester Six Business Park phase 2;
- Building a new secondary school in Worcester, as well as increasing places and improving condition in key places across the County's schools;
- Kepax and Hampton Bridges
- A38 Bromsgrove Route Enhancement Programme; and
- continued improvements to roads, walking & cycling, pavements, flood mitigation, highway drainage, streetlighting and road markings.

1.22 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 £13.7 million in earmarked reserves and £141.4 million in the Capital Programme 2020 to 2024 for investment in the economy, infrastructure (£207.1 million) and transformation (£26.1 million) of the County.

1.23 Looking further into the medium and longer-term future is complicated by the fact that the Provisional Settlement only sets out a one-year funding allocation. Government have announced plans to revisit the funding for local authorities and how allocations are made in 2022 to hopefully be introduced in 2023/24 allocations. There are also a number of significant national changes in policy, particularly around adult care as well as how we forecast the impact of the pandemic and the increase in inflation.

1.24 At this stage high level analysis suggests that funding gaps in 2023-26 could on a highlighted scenario total £32 million across the three years. However, this clearly needs to be couched in the current climate which includes uncertainty over funding, inflation and demand after 2022/23, as there is with Council Tax limits and the impact of COVID on long term demand. As such further detailed MTFP updates will be brought back to Cabinet as appropriate ahead of 2023/24 depending on any significant changes to assumptions.

1.25 The Council's Chief Finance Officer (Section 151 Officer) has completed an assessment of the budget, MTFP and reserves with more detail set out in Sections 11 and 12 of this report. The conclusion is that reserves at this stage are adequate, with additional resilience proposed through this budget to be provided for in an increase in the Financial Risk Reserve to reflect the uncertainty over future years funding and potential changes in Adult Care arising from the White Paper. Improvements in budget monitoring and control continue to be made, and there will be regular monitoring of the delivery of the 2022/23 budget throughout the year.

2 Purpose of Report

2.1 This is a covering report that provides an assessment to Full Council to set a budget for 2022/23, that considers the impact on Council Tax, 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 2022-26.

2.2 In previously approving the draft budget for consultation, Cabinet commenced 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. All of this feedback will be attached at Appendix 7 for Full Council and presented verbally at Cabinet.

2.3 Council will be asked to debate and approve the budget, Council Tax, capital programme, schools' overall budget as well as the level of reserves.

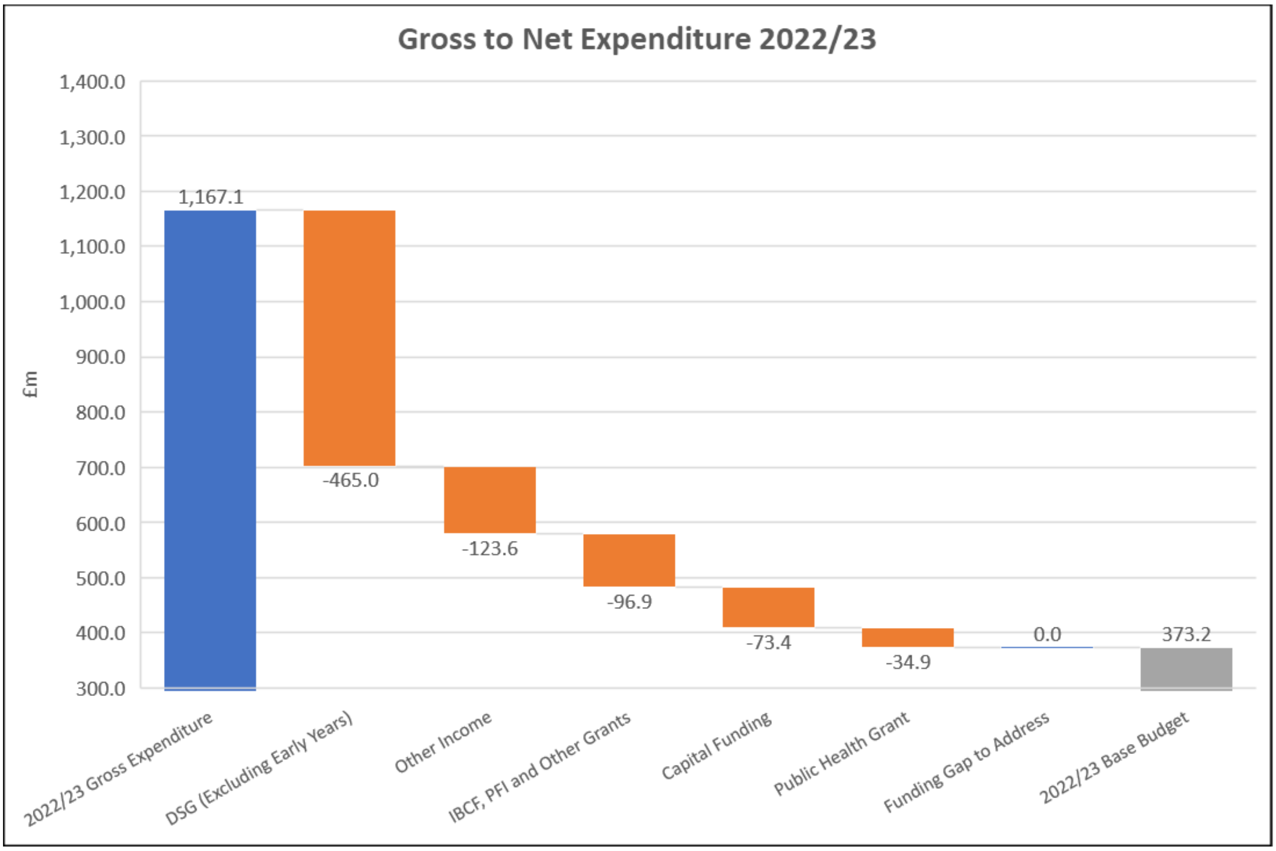
3 Background

3.1 The Council's Corporate Plan 2017-22 can be found here (Shaping Worcestershire's Future). This report sets out a draft budget for 2022/23 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 financial forecasts and budget proposals to present to Council to set its element of the 2022/23 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, including DSG, is circa £1.2 billion as shown in Chart 2:

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



3.4 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. This report therefore considers:

- Delivering the Corporate objectives and funding its priorities, – **Section 4**
- The current financial position of the Council for 2021/22 – **Section 5**
- The level of funding available for 2022/23 – **Section 6**
- The level of investment required for delivering the Corporate Plan in 2022/23 – **Section 7**
- The consequences of capital investment and school's proposals – **Section 8**
- The level of savings, reforms and income required – **Section 9**
- The resultant Council Tax precept calculation – **Section 10**
- The Council's Medium-Term Financial Plan – **Section 11 and Appendix 1A**
- An assessment of reserves – **Section 12 and Appendix 2**
- Engagement on the proposals – **Section 13**
- Treasury Management Strategy, including Prudential Indicators – **Section 14 and Appendix 4**
- Pay Policy Statement – **Section 15 and Appendix 5**
- Consideration of other factors and professional advice – **Sections 16 to 19**

4 Delivering the Council's Corporate objectives and funding its priorities

4.1 The current Medium-Term Financial Plan takes account of the Corporate Plan set alongside the uncertainty of Government funding. As such this report sets out an updated budget that covers the remaining year of the Corporate Plan. It also reflects the latest Government funding announcements.

4.2 In relation to the Council's priorities in the Corporate Plan 2017-22, the financial plan confirms the commitment to continue to resource these:

Open for Business

4.3 The Council is committing spending of over £141 million next year on supporting our local economy. The deliverables under the Plan that have been invested and continue to be invested in the local economy include:

- Continuing investment into the capital programme for schemes including A4440 Worcester Southern Link Phase 4, A38 Bromsgrove, Pershore Infrastructure Improvements, Cutting Congestion projects, upgrades and parking at railway stations, 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. This will run alongside the existing broadband programme
- The Council is also working with the LEP under the 'Getting Building Fund'. The LEP was awarded £12 million to deliver jobs, skills and infrastructure across the County. As part of that we are seeking to fund the development of economic growth around our transport hubs, including Worcester Shrub Hill and Redditch
- £0.4 million continues to be invested in the skills agenda through the Open for Business funding to support Inspiring Worcestershire that has focused on embedding a tailored Worcestershire careers planning programme, supporting young people and educational establishments to understand the needs of our economy and the employment opportunities within it
- £0.7 million continues to be invested in promoting and enabling One Worcestershire and Visit Worcestershire, aimed at promoting the business and cultural opportunities of the County to attract more businesses and visitors to Worcestershire
- £5.5 million has been invested through the Open for Business and Revolving Investment Fund Reserves on progressing development opportunities around key town centre and railway sites
- £0.3 million one-off revenue expenditure has been provided to further progress the North Cotswold Line rail development proposals

- We launched Here2Help Business in 2021 designed to assist in the wake of COVID Worcestershire Businesses to recover, adapt, develop and support their future resilience. (Here2Help Business | Worcestershire County Council)

- We continue our investment into the Midlands Engine.

4.4 Going forward the Council recognises the significant impact COVID has had globally, nationally, and locally. As part of the immediate response the Council is going to continue:

- its focus of developing economic and growth sites around main transport hubs, including significant investment at Worcester Shrub Hill and Redditch stations

- investing in support alongside local businesses through grants via the Open for Business Board, including for investment in skills

- supporting businesses through the continued impact of the pandemic in partnership with our District Council colleagues and Worcestershire Regulatory Services (£1 million)

- working with the Worcestershire LEP as it moves forward delivery of our Economic Plan and support for key sectors.

Health and Wellbeing

4.5 The draft budget proposes a substantial increase in the resources available for Adult Social Care. There is a commitment to invest a gross £17.1 million to meet the demand led Adult Social Care pressures including £2.1 million baselining of funding used in 2021/22 from grants to support the resourcing of the pandemic (Section 7 provides further detail). In 2022/23, therefore there will be over £250 million spent on the health and well-being of our residents, young and old. This budget includes the following specific increases:

- £15 million to reflect the rising demand, complexity and cost of adult care, this includes significant pressures faced within the market to retain and recruit workforce and the rising cost of care. A forward looking strategy (Item 5 Cabinet Report Forward Look Adult Social Care) as presented to Cabinet in November 2018 which set 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. In 2022 as part of that improvement journey a new domiciliary care contract will begin. 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, and an update was provided to Cabinet in September 2021 of progress over the last 12 months (Item 8 September Cabinet Report Adult Social Care - Annual Local Account).

- Around an additional £1 million more will be spent on Public Health in 2022/23 through the Public Health Ringfenced Grant (PHRG), focused on preventative actions to improve the health of County residents, including early years and reablement of adults. In total we expect to spend around £34 million on Worcestershire's Public

Health in 2022/23, including plans to spend £2.7 million of PHRG reserves not used due to the pandemic funding, the use of the reserves will be spread over 3 years and focus further on how we can support our local communities to respond in the best way and recover from the pandemic to reduce socio-economic gaps and improve the well-being across the whole County. The grant and reserve will continue to spend within budget and in line with grant conditions, that will include responding and dealing with the ongoing COVID situation. 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 to help support our ongoing work in areas such as preventative mental health or physical health through services such as libraries and countryside.

- Supporting residents during COVID through the Council's Covid Grant, Winter Support Grant, Household Support Grant, Hospital Discharge Grant, and Contain Outbreak Management Fund (COMF) totalling in excess of £30 million, of which a significant proportion was in partnership with our District Councils and Worcestershire Regulatory Services colleagues.

- £2 million continues to be funded from the Transformation programme to change the way we work with our communities and voluntary partners to reshape our services to improve efficiency and digital access. In 2021 we launched our Here2Help service that is changing the way we work with our partners and communities. The service is to support people of all ages and is available for both residents and organisations to access information, advice, tools, guidance and local support available to them or others in the local community based on their needs (Here2Help website link). At the same time, we are revising the way we engage with our partners through more innovative and effective contracts to secure savings and improve quality.

- We are investing £4.3 million in capital, as well as transformational funding, to ensure technology can improve care.

- From 2022 we are bringing the pathways, structures and processes together around all age disabilities.

Children and Families

4.6 Our focus is to ensure children and young people in Worcestershire receive a good quality and "inclusive" approach to education for children with additional needs enabling all to achieve their potential. We are committed to support vulnerable children and their parents through early help and targeted family support, keeping families together and building on their strengths and resilience in response to problems they face in their lives. We safeguard children from significant harm and support our children in care to have good outcomes and a supported transition as care leavers to adulthood.

4.7 In November Will Quince MP, Parliamentary Under Secretary of State for Children and Families confirmed that the Statutory Direction placed on Worcestershire County Council has been lifted and we have formally moved to the "support and supervision" period. This is a key milestone in our improvement journey and demonstrates the significant progress made in safeguarding and the services for vulnerable children in the County.

4.8 Our Children's services are delivered by our wholly owned company Worcestershire Children First (WCF) and we continue to be pleased with the progress made in delivering Children's Services across Worcestershire. WCF has been in operation for almost 3 years and there continues to be strong relationships and collective ownership between the council and the company in improving outcomes for children and young people.

4.9 Given the pressure on Children's services nationally and locally there is a commitment to invest into the base budget to cover pay increases and to fund some increased placement pressures. Cabinet proposes using £2.6 million of the additional £6.1 million Social Care Grant plus £3 million of the one-off Services Grant in 2022/23 to fund Children's Services.

4.10 A further £1.9 million of one-off funding has already been set aside as an earmarked reserve for potential placement pressures that could arise following recovery from the pandemic to mitigate an increase in demand. Our focus remains 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.

4.11 A draw down has not been required in the last three financial years due to the strong leadership, good practice in the service and careful financial management. However, during the past year, the associated impact of the pandemic has resulted in increased demand and costs for support, protection, and care services, including for children with special education needs which has risen locally in line with the national picture. Therefore, the financial risk has increased.

4.12 The investment outlined above also includes £0.3 million into Special Educational Needs Transport.

4.13 The budget in 2022/23 includes new investment for providing £3 million in capital to improve schools across the County, noting a further net £50 million on building and extending schools across 2022-27.

The Environment

4.14 There is a commitment to stay on track to deliver over £216 million of revenue and capital investment to improve the local environment and highway network. These plans include:

Highways:

4.15 Over the last year the Council has continued to investment in the capital programme for highways and cutting congestion schemes remains a key priority and capital investment will be invested for three years in:

- A further £12 million per annum on resurfacing roads to continue with funding previously allocated from the Highways Infrastructure Investment Fund (£6 million p.a.) along with additional funding to ensure the meeting of top quartile performance in the condition of the highway network (£6 million p.a.).
- £4 million each year extra on pavements in addition to the expected Department for Transport grant to continue to improve the condition of footways.
- £0.5 million a year for the next three years for small scale schemes to create new pedestrian crossings and tackle congestion.

4.16 There is also investment in:

- An additional £1 million to bring forward early pipeline schemes and ensuring funding available for highways assessments for local plans.
- A new £0.350 million revenue recurring commitment to invest in operations with increases to:
    - i. local Highway's liaison officers
    - ii. an uplift in the budget for Parish Lengthsman
    - iii. Local Highway's Response Teams, as well as
    - iv. extending the contact hours within the Highways and Transport Control Centre to 07:00 to 19:00 weekdays.

4.17 In addition, to note Cabinet in June also committed:

- £2 million for a new reserve for Infrastructure Project Support to enable the Council to move forward with highways and transport / connectivity.
- £2.5 million to extend for a further three years (2022-25) the Local Member's Capital Highways Fund to enable local level improvement schemes.

Environment:

4.18 A further £1 million investment into drainage schemes including support for flood alleviation.

4.19 £6 million on streetlighting (£3 million p.a. 2022/23 and 2023/24) to complete the roll out of LED street lighting. That is on top of the monies committed across 2020/21 and 2021/22.

4.20 The Council is also committed to improving the environment through the delivery of its Corporate Plan. As such in 2022/23 the Cabinet is committing the following:

- We will maintain the enhanced public transport revenue budget commitment made in 2021/22 for 2022/23 (£0.6 million) to continue to support the Worcestershire Public Transport Strategy and recovery from the pandemic.
- We are purchasing green energy for all our electricity supplies.
- £1 million towards our vehicle replacement strategy.
- £1.1 million to extend for a further two years (2022-24) the Councillors Divisional Funds Scheme
- Continuing the programme planting 150,000 new trees on council owned land to create new Worcestershire woodlands.
- Working with the Environment Agency to progress the planned flood defences for Tenbury Wells and Bewdley.

Efficient and effective organisation

4.21 Delivering on our plans 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 investing:

- £2.0 million in digital and technological improvements
- £2.0 million in our buildings and working environment to ensure we work smarter.

4.22 The Council will continue to secure efficiencies from challenging the way it works, including standardising our processes and using technology to avoid delays and speed up access to our varied services. 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.

5 2021/22 Forecast Outturn

5.1. The Council has received regular updates on its financial performance throughout 2021. In addition to the £355.5 million budget the Council has managed around £52 million of one-off funding to support our response to COVID. Various management actions and elected member decisions throughout the year have been taken to deliver an improved financial position. The latest position at Period 8 (November 2021) forecasts an overspend (£1.235 million, or 0.3% of the annual net spend) on its budget by the end of 2021/22. Officers are taking action to address this shortfall to return to a balanced position by year end and reducing any call on the Council's reserves. An update will be provided to the February 2022 meeting of Cabinet. The following table summarises the variances as at Period 8.

Table 5: Summary Outturn forecast for Services as at Period 8 2021/22

Service area	Budget £m	Forecast £m	Variance £m
People – Adults	133.691	133.664	-0.027
People – Communities	20.131	20.127	-0.004
People – Public Health	-2.389	-2.394	-0.005
Children's Services/WCF	106.791	106.791	0.000
Economy & Infrastructure	55.350	55.585	0.235
Commercial & Change	7.465	7.519	0.054
Chief Executive	1.098	1.024	-0.074
Total: Service excl DSG	**322.137**	**322.316**	**0.179**
Finance/Corporate Items	34.896	34.452	-0.444
Non-assigned items	-1.500	0.000	1.500
TOTAL	**355.533**	**356.768**	**1.235**

5.2 In total the Council has received / allocated over £126 million of income from Government to respond to the pandemic since March 2020. Of that £52 million relates to spending in 2021/22. The 2021/22 grants have been used to fund a wide range of activities to respond and drive recovery from the pandemic, including:

- £21 million for the most vulnerable in our communities
- £9 million on testing, tracing, and support for outbreak control
- £6 million supporting the NHS with hospital discharges
- £6 million supporting the Adults and Children's Social Care providers care for individuals
- £3 million on support for free school meals
- £2 million hardship support through our District Councils
- £2 million supporting transport, including home to school transport
- £3 million support to businesses

We estimate £0.5 million of grants received will be carried forward to be spent in 2022/23.

5.3 The main variances at Period 8 are as follows:

- -£0.4 million underspend on corporate items relating to the release of contingency provision.
- £1.5 million forecast overspend on corporate saving targets which were deferred due to the need to respond to the pandemic. However, it is worth noting that the procurement team did identify c£1 million of savings on non-revenue budgets.

5.4 The current Dedicated Schools Grant forecast, due in the main to shortfall in High Needs funding, is an overspend of £6.1 million and rising which is consistent with other County Council's. This remains an ongoing area of both lobbying and work with schools to consider next steps.

5.5 The school's balances forecast position for 2021/22 reported at period 6, is a net deficit position of £3.6 million, however the period 9 forecast position is that the net deficit has reduced to £1.7 million. The school's balances position brought forward at 1 April 2021 was a net £1.4 million surplus. This change is reflective of the pressure on schools from High Needs funding shortfalls, the cost of responding to COVID and clearly supports the changes needed to schools funding. We continue to lobby for all of these areas to be addressed and are working with our schools for a national funding solution.

5.6 There are £16.1 million of longer term (greater than 30 days) debts outstanding. Nearly all of this is with public sector partners or construction firms. A decision has been taken to centralise income management and action has started to address this position and further reporting is being taken to the Audit and Governance Committee on a regular basis.

5.7 Monitoring of the capital budgets shows schemes are broadly on target to be within the re-programmed spend profile at year end. It is expected that planned expenditure will be carried forward to next financial year

6 2022/23 Level of Funding

6.1 The Council draws its funding from two main sources – Council Tax and Business Rates. The Council's Government funding allocation comprises three elements; the first two make up what is referred to as Worcestershire's Settlement Funding Allocation (SFA), which is the MHCLG 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).

6.2 A third element of Government funding is from additional ring-fenced grants, such as Public Health.

6.3 This funding and the impact for Worcestershire are set out in more detail in the following paragraphs. Section 10 of this report sets out the calculation of the proposed Council Tax precept, and Section 8 assesses assumptions on the funding for capital programmes including schools.

Government Grant - Settlement Funding Allocation (SFA)

6.4 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 affect from 2013/14. In 2016 the Government offered, and the County Council accepted, a four-year funding offer that ended in 2020/21. 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

6.5 The announcement of Worcestershire's latest allocation of the Settlement has been included in this budget report. The Council's budget set against these assumptions.

6.6 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.

6.7 Worcestershire's 2022/23 allocation from the Provisional Settlement was announced on 16 December 2021. The overall increase is 2.8%, however it is noted that this now includes allocations for the Financial Transparency of Local Authority Maintained Schools grant previously reported outside of the SFA. As such the uplift is as follows.

Table 6: Provisional Settlement SFA movement 2021/22 to 2022/23

	2021/22 £m	2022/23 £m	2021/22 to 2022/23 Change £m	2021/22 to 2022/23 Change %
SFA	63.5	63.5	0	0
Business Rates	2.7	5.2	2.5	48%
Total SFA	66.2	68.7	2.5	3.7%

6.8 The Secretary of State for DLUCH confirmed on 16 December that in 2022 the local government funding will be overhauled with a review of Fairer Funding to be in effect for 2023/24. We will update further on any announcements aligned to the finalisation of the Provisional Settlement at the February Council.

Government Ring Fenced Grants

6.9 The Government issues a number of specific grants including for Public Health, Dedicated Schools Grant (DSG), and Extended Rights for Free Travel. Section 8 discusses DSG in more detail. At this stage the following grants and DSG are the only grants announced, with further announcements still due in February and March 2022.

6.10 Government however have issued both growth in existing grants and a new Grant to reflect the investment noted by the Chancellor in his October Statement to Build Back Better in relation to NHS and Adult Social Care. To begin to deliver on that the Provisional Settlement released on 16 December thus identifies further funding for the Council in terms of:

- Social Care grants were first announced in 2019/20 and 2020/21 including Winter Pressures and NHS Care Act as one-off but were then rolled into a single grant – the Social Services Grant for 2021/22. For 2022/23 this grant has continued, and Worcestershire will receive £21.6 million, that is £6.1 million more than in 2021/22. This grant is for both adult and children's social care and is to meet both increases in demand and complexity of care, as well as increasing pressures on costs of providing care.

- In September this year the Government announced they would be supporting local authorities towards paying a fair rate of care. The Provisional Settlement confirmed a new grant has therefore been introduced - Market Sustainability and Fair Cost of Care (MSFCC) Fund, with Worcestershire getting £1.6 million. The Government published the purpose and conditions of the MSFCC Fund. There will be further information and a grant determination letter in early 2022. This is funded from the National Insurance Health and Care Levy and in 2022/23 nationally is £162m which increases to £600m in both 2023-24 and 2024-25. The funding will be spent on:

  - Conducting a cost of care exercise to determine the sustainable rates
  - Engaging with local providers on the costs and numbers of self-funders
  - Strengthening capacity to plan for greater market oversight.
  - To increase fee rates as appropriate to local circumstances – together with the increases in the Social Care Grant and the iBCF.

- £0.5 million increase in the Improved Better Care Fund (iBCF) to aid the pathways of care and joint working with the NHS.
- The Provisional Settlement also announced a new one-off un-ringfenced Services Grant to fund general responsibilities. Worcestershire County Council's gross allocation is £4.4 million. At the time of uploading this report further detail on what has been included in this grant is still awaited, however we do understand that the allocation includes funding for local government costs for the increase in employer National Insurance Contributions to fund the NHS and Social Care Levy. The pay cost pressures discussed in section 7 of this report includes this cost estimated to be £1.4 million, as such the net additional one-off income is £3 million of new one-off grant.

6.11 The Dedicated Schools Grant (DSG) and Improved Better Care Fund (iBCF) have both been increased in line with Government commitments above inflation. The Public Health Grant is expected to increase in line with inflation but will not be released until late January / early February 2022, and remains ring fenced. We understand it is also likely to be a three-year Public Health announcement and outside of any funding review.

6.12 Government has announced a number of other new grants, including:

- £200m for the "cross-government Supporting Families programme",
- £37.8m for cyber security.

At the time of uploading this report the Council is still awaiting announcements on any allocation to Worcestershire, but we assume this will come with new spending requirements, and as such will be cost neutral in overall budget terms.

Adult Social Care Precept / Levy

6.13 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 (25th 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.

6.14 In the 2017/18 Provisional Settlement announcement the Secretary of State for the then MHCLG set out a new flexibility confirming the remaining 6% across the residual years (i.e., 2% each year 2017/18 to 2020/21). Across these three years Worcestershire applied 6%. It was assumed 2020/21 was the final year, however a further two years of up to 3% spread across 2021/22 and 2022/23 for the precept was announced by the Chancellor in November 2020. In setting the 2021/22 budget Council applied 1% of the 3%, thus carrying forward 2% to be applied in 2022/23.

6.15 On 16 December the Secretary of State for DLUCH set out a Council Tax and social care levy position allowing for any unapplied social care levy applied over 2021-23 to be carried forward. For Worcestershire County Council that is up to 2% unapplied in 2021/22. The Secretary of State also stipulated that of the 3% capable of being added in 2022/23 1% is for adult social care as discussed later in this report.

6.16 The total forecast gross £17.1 million service pressures facing Adult Social Care (ASC) including replacement of spend funded by COVID grants in 2022/23 is set out in more detail at section 7.

6.17 Whilst the funding for Social Care from the provisional settlement grants and Adult Social Care Levy raises £13.7 million, the pressures faced in ASC forecast for 2022/23 are £17.1 million. That leaves funding to be bridged of £3.4 million. The majority of the pressures faced are around managing the provider workforce retention and recruitment. To ensure a long-term sustainable care market, meet the demand to enable hospital discharge and to support improvements in individual's health through reablement and rehabilitation we have been discussing with the NHS Herefordshire and Worcestershire Clinical Commissioning Group (H&WCCG) how local NHS funding might support this. The focus will be to look to fund continual improvements in discharge and care through even stronger partnership and integrated forward-thinking approaches. This will involve continuing to work together on pathways of care to support both our local hospitals' discharge as well as social care. As such we are looking at joint funding options to address some or all of the gap, albeit that may in part be non-recurrent. However, at the stage of uploading this budget, the NHS funding provisional settlement has not been released and therefore we will update members on progress early in February. This joint working will continue to be developed alongside national transformation plans under the Government's Build Back Better initiative.

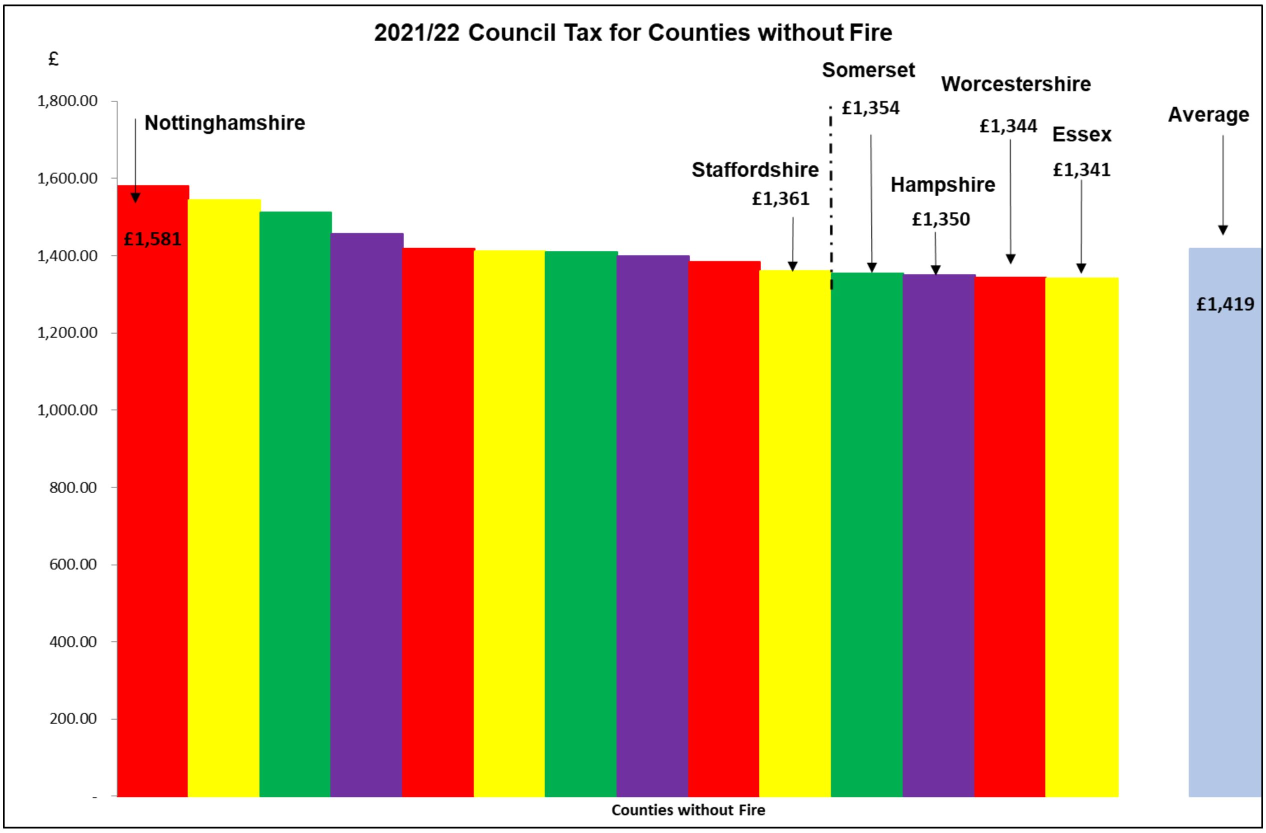
Council Tax

6.18 The Provisional Settlement as made clear by the Secretary of State for DLUCH, sets out that the Council will be able to increase the rate of Council Tax by 2% without having to hold a referendum, with an additional 1% allowed for Social Care plus any element of the previous 3% Adult Social Care precept spread over 2021-23, which for Worcestershire is 2%. This gives a maximum capable of being precepted of 5% (2% on general services and 3% on Adult Social Care).

6.19 After applying the overall forecast change in the tax base, adjustment for Government support, any continued impact of COVID on collection, and application of the Council's draft proposals to apply a 3.94% increase (0.94% Council Tax plus, 1% 2022/23 Social Care precept, and 2% Adult Social Care 2021-23 Levy) this gives rise to additional net £20.7 million more Council Tax income expected to be collected in 2022/23, as shown in Section 10 of this report.

6.20 Overall, as Chart 3 shows, the County Council's level of Council Tax remains one of the lowest when compared to comparative councils, and remains in the bottom quartile:

Chart 3: 2021/22 Council Tax Band D County Council comparator



Government Funding – Fair Funding

6.21 The Government was due in 2020 to open consultation on revisions to local government funding and the localisation of NNDR (Business Rates). This review and consultation was delayed due to the effect and capacity following the COVID outbreak. DLUCH has now announced that the review will happen during 2022 for 2023/24. As such the Provisional Settlement for 2022/23 is a one-year settlement. Further updates will be provided after the timeline for the 2022 Fair Funding review is announced.

Overall funding levels

6.22 After adjusting for movements in Government grants, the proposed levels of Council Tax and Business Rates income, and other income the net impact is that the Council projects it will have an increase in its cash before accounting for need to invest £40.6 million as shown in the following table:

Table 7: Movement in Council Tax, Grant and Other Income 2021/22 to 2022/23

Source of Funding	£m
Council Tax increase	11.4
Council Tax buoyancy	4.7
Collection Fund Improvement	4.6
Settlement Funding Assessment	2.5
Use of Reserves	-1.4
ASC external funding	3.4
Social Care Grant	6.1
Market Sustainability and Fair Cost of Care	1.6
Improved Better Care Fund	0.5
Services Grant	4.4
Total	**40.6**

6.23 However, as the next section identifies the level of demand exceeds this amount and thus efficiencies as set out in section 9 are also required.

7. Level of investment and changes to the original plan

7.1 Changes to assumptions on both income and spend have occurred largely due to the ongoing response to COVID and Government announcements since the MTFP was reported to Council in February 2021. The level of certainty of course was also heavily caveated at the time due to both of those factors with a level of prudence assumed which gave rise to an assumed gap at that point in time of £44.1 million in 2022/23.

Table 8: Pressures faced in 2022/23

Assumed Pressures 2022/23	Latest Estimate £m	Comments
Pay Inflation	6.2	Government announced an end to the public sector pay freeze giving rise to a higher than anticipated pay rise settled nationally in 2021/22 and expected again around 2% in 2022/23, plus a higher than forecast increase in the National Living Wage and ongoing increases in pension liabilities giving rise to higher assumption than assumed in the MTFP.
Contract Inflation	4.0	Our assumption is broadly in line with the original MTFP forecast
Net Service Demand and growth	28.1	Initial forecasts on an increase in care services from demand has been reduced, although pressures remain in certain areas as noted later in this report. Note the gross pressure is £36.3 million before £8.1 million of service efficiencies – see further analysis in Table 8
Services Total	**38.3**	**As per Appendix 1A**
Plus, the need to address spend funded in 2021/22 from reserves and grant	5.8	In 2021/22 the net budget was set applying £3 million from reserves and £2.8 million from COVID grants. This spending is now assessed as recurring and thus as the funding is one-off these costs need to be added to the base funding in 2022/23.
Total net budget change	**44.1**	

7.2 The Net Service demand and growth of £28.1 million, excluding contract and pay inflation, is shown in the following table and discussed in the following paragraphs:

Table 9: Net Service Pressures, excluding pay and contract inflation, faced by Directorate area in 2022/23

Net Service Demand and Growth 2022/23	Latest Net Estimate £m
People Services – *See Table 10 (£15.3m plus £0.4m)*	15.6
WCF – *See Table 11*	5.9
Economy and Infrastructure – *See Table 12*	2.7
Coach and Chief Executive Services	0.4
Corporate	3.5
Total	**28.1**

People Services - £18.5 million gross, Adult Social Care is £17.1 million gross increase

7.3 Overall, there is a gross forecast pressure of £18.5 million across all of People Services with the majority relating to Adult Social Care - £17.1 million. The main reasons for the pressure relate to the increased cost of care services for all client groups (£6.4 million) which is already being seen due to the overall increase in costs of service provision in particular the cost of older people and learning disabilities. Specific issues are being seen with our provision for domiciliary care due to workforce and other inflationary pressures, resulting in the need to review and consult with providers on any uplifts. Details of this and general inflation across People Services is detailed as follows:

Table 10: 2022/23 People Services cost pressures

Description of pressure	2022/23 £m
Additional demand and price increases along with complexity / acuity for older people	6.0
Growth in number, price and complexity of care packages for Adults with a Learning Disability	5.5
Increase in number and cost of mental health packages of care	0.7
Growth in cost, number and complexity of care packages for Adults with a Physical Disability including those transitioning from Children's Services	1.0
Subtotal (1) Demand and Growth Increase in Adult Care	**13.2**
Add back Specific Grant funding for Adults in 2021/22 for COVID	2.1
Subtotal (2) Demand and Growth Increase in Adult Care	**15.3**
Pay Inflation across Adult Care Services	1.6
General Inflation across Adult Care Services	0.2
Subtotal (3) Demand and Growth Increase in Adult Care	**17.1**
Add back Specific Grant funding for Communities in 2021/22 for COVID	0.4
Pay Inflation across People Services	0.4
General Inflation across People Services	0.6
Total People Services	**18.5**

7.4 As set out in the last table, the cost pressure on adults continues to increase with pressures arising from increasing demand of those cared for, as well as increases in the cost of both transport and care. These pressures are forecast to increase following the COVID position further in the MTFP without further action or change in national policy given the impact that is projected to have on demand, complexity and the provider market.

Children's Services / Worcestershire Children First (WCF) - £7.9 million gross increase

7.5 On 1 October 2019 our wholly owned company Worcestershire Children First (WCF) was launched with over 800 staff transferring. A further 130 staff have transferred into WCF following the insourcing of the Learning and Achievement Service from Babcock Prime in the Summer of 2020, and a further 6 in September 2021 from Liberata and the Council's Finance Team. March 2021 agreed the company's Business Plan - Item 4 Cabinet 18 March 2021 WCF Annual Business Plan 2021-22. The company's vision which is summarised in the following diagram.

7.6 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.

7.7 WCF's [2021 annual report] presented by the Board at the Annual General Meeting in October 2021 identified continued improvement in services with good performance across the piece and the trajectory of improvement remaining upward even during the COVID pandemic. WCF have consistently sustained, invested and innovated over the last four years to enable social care service improvements. This is reflected in the Statutory Direction being removed by the Department of Education.

7.8 The proposed investment in 2022/23 will focus on:

Table 11: 2022/23 Gross and Net Investment proposed to improve Children's Services

	2022/23 £m	Comments
Funding ongoing children's social care placement pressures	5.9	Reflects gross increases in potential demand for numbers of cases and inflation for cost placements
Pay inflation	1.3	Staff inflation 3% across 2021/22 and 2022/23 noting the pay award for 2021/22 offer has been made but not agreed.
Prices Inflation	0.7	Contract inflation, including SEND and Home to School Transport costs
Total Gross	**7.9**	
New Funding		
WCF will in part be funded for 2022/23 by use of Social Care Grant plus the one-off Services Grant	**(5.6)**	The 2022/23 budget funds the agreed potential costs faced by WCF for the coming year. The in-year budget will be monitored carefully to assess any recurrent pressure. The net budget will be uplifted in 2023/24 if the one-off grant is removed and the demand remains. This is expected to be revised base budget starting position of at least £4.1 million.
Net base budget change	**2.3**	

7.9 As a result, the gross WCF contract budget was approved in January 2022 alongside related income budgets that will be retained by the Council. As part of this process the WCF Board will have to approve the company budget as part of the governance arrangements. The net position is estimated to be £109.1 million as indicated in Appendix 1B.

Economy & Infrastructure - £2.9 million net increase

7.10 The Economy and Infrastructure Directorate manages a wide range of revenue and capital funded services, including major infrastructure covered in more detail in Section 8 of this report. Overall, the net base budget is recommended to increase by £2.9 million as detailed below.

Table 12: 2022/23 Investment in Economy & Infrastructure

Description of pressure	2022/23 £m
Increase in Highways Liaison Officers	0.100
Uplift budget for Parish Lengthsmen	0.075
More Local Highways Response Team resource	0.100
Investment in Economy, Regeneration and Skills	0.100
Extension of contact hours in Highways & Transport control centre	0.075
Investment in Economy and Sustainability	0.250
Passenger Transport	0.600
Street Lighting energy	0.700
Increase in cost of staffing within Highways Operations	0.700
Subtotal Demand and Growth Increase	**2.700**
Pay Inflation	0.626
Contract Inflation and waste growth	2.009
Total Investments and Inflation	**5.335**
Savings and efficiencies, largely further capitalisation and income	(0.853)
One-off funding from waste reserve	(1.545)
Net Investment	**2.937**

7.11 The investment of £0.6 million will be allocated to fund the reduced demand and lost income still being felt in Passenger Transport as numbers remain low as we build back and recover from the pandemic.

7.12 The cost of energy is expected to give rise to a £0.7 million pressure on the energy cost for street lighting in 2022/23. A full-scale review and business case is underway to complete the transition to LED lights across the whole of the County.

7.13 Ongoing capacity issues are faced in Highways due to the scale of work and ability to retain / recruit staff. As such a £0.7 million fund is being created to enable an increase in temporary workers if needed to meet the level of works required. This should also assist in enabling more to be completed early to stem future inflation pressures.

7.14 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 £0.8 million and a further £0.8 million increase in the volume of waste disposal, both of which will be funded from the Waste PFI reserve. This has been included within the contract growth / inflation figure of £2.009 million in the table above. The non-inflationary demand increase relates to growth in households of approximately 1% equating to c.3,000 tonnes of extra waste.

7.15 The contract for waste disposal was agreed to be extended by Cabinet in December 2021.

Other pressures

7.16 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 and as such these areas will have to meet these pressures as well as the overall savings target. Budget monitoring in 2022/23 will maintain a review of this position and any in-year action needed.

7.17 Two specific areas of funding requirements have been identified within ICT (£0.2 million) and HR (£0.1 million). The ICT investment is to continue the funding of key systems affecting adults and children's social care with the HR investment funding the social work academy.

7.18 In addition, there is a need to identify ways to meet the £1.5 million of Corporate saving targets not achieved in 2021/22. As identified in the budget monitoring report these have not been achieved due to the need to respond to the pandemic and as such have been rolled forward into the £5 million target discussed in section 9 of this report.

Pay and related costs at £6.2 million cost pressure on the 2022/23 base budget

7.19 The Chancellor announced on 27 October 2021 a lifting of the national pay freeze for the public sector in 2022. Negotiations around 2021/22 are still ongoing and it is now forecast that across 2021/22 and 2022/23 the Council will face a further increase above that previously assumed (1%). That includes a potential pay increase of circa 1.75% plus other pay costs such as increments, the Council's liability for the new National Insurance Health and Care Levy (1.25% - funded from Services Grant discussed within this report) and pensions. As such there is a cost pressure to be addressed:

Table 13: Pay inflation 2022/23

Description	2022/23 Pressure £m
This includes an uplift in the base budget to reflect the late pay awards for 2021/22 that were funded from reserves due to the late timing of the final announcement, plus forecast increase in costs arising from a national pay uplift of circa 1.75% plus increases. There are also uplifts in pay for increment rewards and to recognise the increase in annual pension liability.	6.171

7.20 Following consultation and ballot Mandatory Unpaid Leave (MUL), which was due to end on 31 March 2021, was continued for a further two years. As such a further approach to 2023/24 and beyond will need to be determined and agreed during 2022.

7.21 At this stage it is proposed that the Government's announced process for dealing with pay awards in 2022/23 as well as incremental and pension increases will be funded in the main as part of the budget.

8. Capital and Schools

8.1 The following paragraphs summarise the headline proposed changes to the capital programme and the Dedicated Schools Grant (DSG).

Capital

8.2 Cabinet’s proposed capital programme for 2022/23 and 2023-25 is recognised in the following paragraphs along with the indicative sources of funding available. The programme proposes a continuation of many of the previous commitments and investments in the County. A total value of £146.1 million of works is identified as needing to be driven to maintain and improve connectivity, life chances and the economy in the coming years. This maintains a capital programme in the region of £73.4 million for 2022/23. Of that, £52.3 million relates to extended and new commitments as detailed in Table 14 below. It is noted that a large number of externally funded grants have yet to be identified and as such a full capital programme will evolve and an update provided to Cabinet and Council in February 2022. Therefore, grant allocations, particularly for education have been based on estimates 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 2022/23.

8.3 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 £3.6 million in 2022/23 received to fund part of the planned expenditure. This has assumed that all known receipts are achieved and applied to the current capital programme.

8.4 The focus of investment over the coming year is summarised in the following table:

Table 14: Extended / New Capital Investment Commitments Proposed 2022/23

Scheme	Description	2022/23
Highways Strategic Investment Fund	Bring forward early pipeline highway schemes; A456/450/491 corridor, A44 corridor study, A435, West of Worcester proposals including Crown East, plus smaller local schemes and Highway's assessments for local plans	2,500,000
Rail Investment * *Note further spending proposed in 2023/24 below*	The development of Redditch Rail Quarter Programme; and bring forward car park and rail investment.	2,000,000
Highways Asset Maintenance * Note further spending proposed in 2023/24 below	Continuation of annual programme of Highways Maintenance Funding	6,000,000
Highways Asset Condition to maintain top quartile performance * *Note further spending proposed in 2023/24 below*	Assuming DfT funding (Maintenance Funding and Pothole Action Fund) remain as per 2021/22 this additional funding is required to ensure highways asset conditions achieve Top Quartile performance.	6,000,000
Footways * *Note further spending proposed in 2023/24 below*	Additional funding over and above the forecast DfT grant to improve the condition of footways.	4,000,000
Highway Drainage for flood alleviation* *Note further spending proposed in 2023/24 below*	Investment into drainage schemes including support for flood alleviation	1,000,000
Street Lighting * *Note further spending proposed in 2023/24 below*	Continued investment in LED roll out and replacement of concrete lighting columns.	3,000,000

Scheme	Description	2022/23
Vehicle Replacement Budget	An increase in the capital allocation to fleet replacement.	1,000,000
Potential pressures within existing capital programme	Financial risk provision for inflation pressures impacting projects within the existing E&I capital programme	5,000,000
Structural maintenance - staffing capitalisation	Continuation of the existing capitalisation of staff working on capital projects	2,500,000
Further small infrastructure developments * *Note further spending proposed in 2023/24 below*	To fund smaller local cutting congestion projects and pedestrian crossings	500,000
Specific School Expansion activity	Specific activity including the Pershore Pyramid, maintenance of Wolverley High School, fencing at North Bromsgrove High School	3,000,000
Other School Expansion activity * *Note further spending proposed in 2023/24 below*	To work with maintained schools in general to secure and attribute funding to key school expansion and changes	1,000,000
New Secondary School * *Note further spending proposed in 2023/24 below*	Requirement for investment relating to the need to build a new secondary school in Worcester to meet our statutory provision	11,000,000
Property	Non Schools property - repair and maintenance	1,970,000
Continuation of Minor works	Addition to the existing capital programme for Property, libraries, Adult services.	300,000
IT	Addition to the existing capital programme for various Digital IT Capital requirements	315,000
Local Members Highways Fund	Extension of the funding provided to all councillors	1,250,000
	TOTAL - 2022/23	**52,335,000**

8.5 In addition, Cabinet is proposing that several of these investments (£41.8 million) will run in 2023/24 as well as £29.8 million in 2024/25. Further additions to future years will be updated following further clarification of the Governments Fairer Funding Review and capital grants announcements. The following table sets out the programmes extended within 2022/23 funding:

Table 15: Extended / New Capital Investment Commitments Proposed 2023-25

Scheme, continuation of current schemes	2023/24	2024/25
Highways Asset Condition to maintain top quartile performance	6,000,000	6,000,000
Footways	4,000,000	4,000,000
Highways Asset funded from capital	6,000,000	6,000,000
Rail Investment	9,000,000	
Further small infrastructure developments	500,000	500,000
Highway Drainage for flood alleviation	1,000,000	1,000,000
Local Members Highways Fund extension	1,250,000	1,250,000
Street Lighting	3,000,000	
New Secondary School	11,000,000	11,000,000
Overall Commitment	**41,750,000**	**29,750,000**

Highways and Footways

8.6 The county highways network is a key asset of the Council and our aim is to maintain the condition of our roads, footways and pavements to strive to achieve national top quartile performance. 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. This budget proposes to continue for a further three years the £6 million investment into highways which was previously agreed for 2021/22 along with a further £6 million of capital funds into improving the condition of local highways. The Cabinet are also proposing continuing to invest £4 million for a further three years to improve footways, as well as £1 million to support flood alleviation for a further three years.

8.7 Cabinet also recognises that sometimes the most efficient way to maintain our highways is to ensure greater local empowerment. Over the last few years, we have set aside £1.250 million each year for local members to meet highway improvements in their areas. That fund was extended for two further years by Cabinet in June 2021, and now proposed for three years including 2024/25.

- ***LED Street Lighting***

8.8 £6 million has been set aside (£3 million per annum for 2022/23 and 2023/24) to continue the £5 million investment across 2020/21 and 2021/22 into the LED Street Lights to continue the roll out of the programme along with acceleration of the replacement of key concrete columns. Our analysis has shown that greater funding is needed to maintain excellent performance and shift to more efficient bulbs, which in the medium term will reduce the cost and level of energy consumption.

- ***Rail Investment***

8.9 £11 million has been set aside from 2022/23 onwards to support and progress the Redditch Rail Quarter Programme and bring forward further car parking and rail investments.

- ***New Secondary School, expanding school places and improving condition***

8.10 A separate report was presented to November Cabinet (Cabinet Papers 19th November 2021 - Item 4) that set out the need to build a new secondary school in Worcester to meet our statutory provision. This will increase the capital programme over the coming years by approximately £44 million.

8.11 In addition, the Council is working with maintained schools to secure and attribute funding to key expansion and changes throughout the County, including the Pershore Pyramid, maintenance of Wolverley High School, fencing at North Bromsgrove High School and expansion of schools in general. As such £3 million has been set aside in the capital programme for these works where grant cannot be secured.

- ***Structural Maintenance – Capitalisation and Inflationary Issues***

8.12 The Council needs to continue funding existing capitalisation of staff working on capital projects (£2.5 million) along with ensuring that there is sufficient within the Capital Programme to fund inflationary pressures within the existing E&I Capital Programme (£5 million) and fund small infrastructure developments.

- ***Vehicle Replacement Programme***

8.13 An additional £1 million is proposed for the vehicle replacement strategy.

Overall Programme and funding

8.14 The total programme for 2022/23 as it currently stands requires £73.4 million of funding which includes £57.6 million from borrowing need before assessment of grants. At this stage no capital grants have been announced, as such this in all likelihood will reduce the ask and will be the first call for financing the programme alongside other funding such as section 106. Based on these assumptions and the current internal financing the borrowing assumption in 2022/23 is that there could be a net need to borrow around £10 million. For 2023-25 a further £28 million per annum of borrowing will be needed to deliver the continuation of commitments. The borrowing need for both years will be funded from a mixture of base funding set aside in Strategic Initiatives and from capital receipts. Looking forward a key task is to secure additional funding such as grants and capital receipts to reduce the need to borrow as far as possible.

8.15 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. At this stage the focus is to develop proposals utilising the Open for Business reserve as appropriate, as well as external grants such as Levelling Up and borrowing that can be funded from the programme through income sources such as rent or future disposal. As such the Council is exploring opportunities for further extensions to its economic game changer programme.

8.16 By maintaining a prudent and low borrowing forecast for 2022/23 and 2023/24 it has a positive knock-on impact to the general fund expenditure as regards the cost of repaying borrowing.

8.17 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 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 (MRP). 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 2022/23.

Dedicated Schools Grant

8.18 The Education and Schools Funding Agency announced the Provisional Settlement on 16 December 2021, with a further allocation announcement on 12 January 2022. The provisional DSG allocations for Worcestershire are broken down as follows:

Table 16: Gross DSG Blocks, (prior to Academy Recoupment)

Blocks	£m (Provisional allocations)
Schools Block	383.357
Central Schools Services Block	3.325
High Needs Block – provisional allocation based on the national funding formula for High Needs	78.325
Early Years Block	33.613
Total	**498.620**

8.19 The Schools Block DSG is comprised of the Primary and Secondary Sector National Funding Formula (NFF) units of funding for Worcestershire set by the DfE as confirmed in July 2021, applied to the October 2021 pupil census plus a historic allocation for the funding of premises costs. This is then delegated to all mainstream schools both maintained and academies through Worcestershire's Local Schools Funding Formula (LSFF). The Schools Block also includes an allocation from the national Pupil Growth Fund, based upon the new national DfE formula, for designated and approved pupil growth to support basic need revenue cost requirements. Beyond 2022/23, the DfE have indicated they will consult further on their NFF policy from 2023-24, including the potential for a 'hard' NFF for schools.

8.20 The Central Schools Services Block comprises a NFF formulaic element for ongoing responsibilities for statutory services provided by the County Council on behalf of all maintained schools and academies and a sum for continuing historic commitments. However, current DfE policy has reduced the historic commitments element of the allocation by another 20% for all LAs.

8.21 The High Needs Block is based on the DfE NFF and includes an additional allocation of £9.9 million gross in 2022/23, which is Worcestershire's share of the national £780 million announced in the Spending Review in October 2021 and a further £325 million announced in the settlement which includes funding for the Health and Social Care Levy (Employers NI Rate increase of 1.25% (13.8% to 15.05%)) our share is £2.777 million, however, the cost of the NI increase for High Needs should be less than a 1% pressure on the authorities High Needs budget.

8.22 This will support the future expected ongoing significant cost pressures in the High Needs DSG, however this will not eliminate the deficit from 2021/22 of around £16 million which will need to be carried forward into 2022/23. The Council continues to lobby and assess actions to address this area of spend.

8.23 The Early Years Block providing funding for 2-year-olds targeted support, 3 & 4 year-olds for the universal and extended entitlement and other early years funding is provisionally allocated at £33.613 million being based upon the January 2021 census which was impacted by Covid-19. This provides for minor increases to the DfEs NFF hourly rates. Subsequently it will be updated for the effect of the January 2022 census.

8.24 Following a consultation with the Worcestershire Schools Forum (WSF) and notification to all schools in the Autumn Term 2021, Cabinet on 9 December 2021 approved the LSFF for Worcestershire mainstream schools, both maintained and academies, for 2022/23 to continue, as in previous financial years, to be based as far as is practicable and affordable on the DfE NFF parameters. The DfE's parameters include a Minimum Funding Guarantee (MFG) of up to +2.00% per pupil, no gains cap and mandatory national Minimum Funding Levels (MFLs) for the primary and secondary sectors.

8.25 The Worcestershire Schools Forum (WSF) met on 23 September 2021 and on 18 November 2021. The WSF endorsed the proposals for the LSFF for 2022/23 and approved as required for 2021/22, under their responsibilities in the School Forum (England) Regulations 2021, the service de-delegations for maintained mainstream schools and centrally retained services for all schools. The WSF met again on 20 January 2022 to consider the School Funding Settlement 2022/23, the LSFF for mainstream schools and the required submission of the LSFF to the Education and Skills Funding Agency (ESFA) this was submitted on the 21 January 2022.

Dedicated Schools Grant (High Needs Block Funding)

8.26 A key consideration in assessing the council's overall financial health is the risk associated with the deficits on its Dedicated Schools Grant (DSG) with specific reference to the High Needs budget.

8.27 These growing deficits are considered a direct consequence of the 2014 Children and Families Act, which increased the age range of children and young people with Special Educational Needs and Disabilities (SEND) that councils are required to support as well as significantly raising the expectations of parents across all age ranges without providing the necessary financial support.

8.28 Currently the council is not required to set aside any of its own resources, for example as an earmarked reserve, to specifically offset this accumulating deficit This position is based on the CIPFA bulletin for the closure of the 2019/20 financial statements which stipulated that the reserve did not need to be in place from the 1 April 2020 onwards. This position was reinforced by a Department for Education statutory instrument which became law at the end of November 2020.

8.29 This means that the council cannot now contribute to the deficit, cannot hold a reserve to act as a counterweight and has been required to move the deficit to an unusable reserve where it will sit as though it did not exist. It does though mean that the council is required to cash flow the deficit and continue to prioritise the work needed to reduce the deficit as the statutory instrument was silent on what the position will be from 1 April 2023 onwards.

8.30 Currently there is a key risk associated with the expectations of government once the period of the statutory instrument comes to an end, namely the position for the 2023/24 financial year that will therefore be appraised in the reserves position reported for the 2022/23 accounts. The crystallisation of this risk will continue therefore to be monitored alongside the Chief Finance Officer's (CFO's) assessment of the adequacy of the Council's reserves, in particular the Financial Risk Reserve.

8.31 The council continues to work with the Local Government Association and other local authorities to seek clarification on both the position once the statutory instrument expires and a sustainable funding strategy for the High Needs budget.

9 Efficiencies, reform and income proposals

9.1 The Council's proposed budget for 2022/23 includes the need for £8.0 million of proposals to balance the budget.

9.2 As part of the process of setting the budget, managers have been assessing their expenditure and income forecasts. The savings have then been split between those where officers have authority to take actions within the existing Council Policy Framework and 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. Where Cabinet took decisions in 2021/22 or are in the process of consultation then any related savings have been assumed within the base already and the updates will be through separate Cabinet papers. The efficiency proposals for 2022/23 are broken down by directorate as follows:

Table 17: Breakdown of Proposed efficiencies 2022/23

Service Area	£m	Detail
People	0.8	Additional income generation plus the continuation of libraries strategy.
Economy & Infrastructure	0.9	Capitalisation of inflationary increases for staff already capitalised, plus increased income relating to driver training and concessionary fares.
Commercial and Change	0.7	Contract savings and staffing efficiencies within ICT services including mobile phones and broadband. A good house-keeping exercise to review and challenge non-essential spend within all areas. This includes spend on categories such as printing, paper, postage, phones, furniture, etc…
Finance & HR	0.5	Automation of payments and income collection alongside a review of structures, management layers and non-essential spend.
Corporate	5.1	This is a continuation of the Organisational Design target set in 2020/21 to change the way we work and review structures and posts. This includes the £1.5 million target carried forward from 2021/22. This will also overlap with the good-housekeeping exercise being led by the Section 151 Officer (CFO) with the Chief Officers Group (COG).
Total	**8.0**	

9.3 These savings 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.

9.4 The proposals are coming from two main sources; pay and non-pay. Of the pay savings, 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.

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

10 Council Tax calculation

10.1 The overall position for 2022/23 reflected in this report is therefore:

Table 18: 2022/23 Council Tax provision required

	£m	£m
2021/22 Base Funded Budget		355.532
Plus		
Net Demand and Inflation (Section 7)		38.238
Spending requirement before funding		393.770
Transfer To Earmarked Reserves		2.200
Less		
Changes in Specific Grants	(12.602)	
Net efficiencies, reforms and income (Section 9)	(7.969)	
Sub Total		(20.571)
Net Budget Requirement		**375.399**
Financed by:		
Settlement Funding Assessment (Section 6)	68.686	
Use of reserves and Grants	-2.482	
Use of Waste Reserve	1.545	
ASC external funding	3.400	
Council Tax Collection Surplus	2.904	
Sub Total		74.053
Amount to be funded from the Collection Fund via Council Tax and ASC Levy		301.436
Total financing		**375.399**

10.2 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 11th March to enable circulation of Council Tax bills to enable people to pay on and after 1st April- Section 30(6).
- The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25.

10.3 The Government has indicated that the level of Council Tax rise before it triggers a referendum is likely to be 3%, plus the use of any of the Adult Social Care Levy 3% carried over from 2021/22 which was allowed to be spread over the 2021/22 and 2022/23 or all taken in 2021/22. For Worcestershire that would mean a cap of 5% in 2022/23.

10.4 At this stage being mindful of the impact of COVID on employment, household incomes and inflation, the Financial Plan has been updated and reflects a Council Tax / Adult Social Care Levy to 3.94% to limit the impact on households.

10.5 Overall, this still means that Worcestershire is likely to remain in the lowest quartile for Council Tax for comparative county councils without fire responsibility.

10.6 The Council is required to set a Council Tax sufficient to balance the Collection Fund account. Due to the impact of COVID projections at December 2020 suggested that Worcestershire County Council's Collection Fund was forecast to be in deficit. Regulations were amended to enable this deficit to be recovered over 3 years from 2021/22 as opposed to the previous guidelines of 1 year. Based on the latest information from districts that is likely to mean for 2022/23 the County will need to pay an extra £0.9 million into the Collection Fund less any one-off support from Central Government under the Local Tax Income Guarantee Scheme where the Council could receive reimbursement for 75% of irrecoverable Council Tax.

10.7 The latest estimates from District Councils of the average Band D tax base are 215,744 for 2022/23. The County Council's Council Tax Requirement has been identified as £301.346 million (this is inclusive of the social care precept); The Band D Council Tax proposed for 2022/23 is estimated at £1,396.78 (£1,343.83 in 2021/22). That represents a change of £52.95, or an average of £1 per week.

10.8 Across the bandings that equates to the following:

Table 19: Banding analysis for 2022/23 County Council precept

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
931.19	1,086.38	1,241.58	**1,396.78**	1,707.18	2,017.57	2,327.97	2,793.56

11. Medium Term Financial Plan (MTFP)

11.1 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. This will be the fifth year of five of the Corporate Plan and as such the focus of the MTFP remains unchanged. However, a number of factors locally and nationally have changed since the MTFP was last considered by Full Council in February 2021. Factors such as the impact and legacy of COVID, as well as national changes, most notably Build Back Better, mean that there is significant uncertainty around the future service need in key care services. The Government's Provisional Settlement released on 16 December 2021 was only a one-year settlement as a fair funding review is due to be undertaken in 2022 for 2023/24 onwards. As such there is also uncertainty over funding and how certain services will be funded.

11.2 The MTFP assesses both the funding Worcestershire County Council expects to receive and the cost of doing tomorrow, what it does today, and thus 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 may change significantly, most notably the Government's grant funding is still to be announced for later years, so we do not have clear forecasts beyond 2022/23; and we are still unclear of other external factors.

11.3 It must be noted that due to the uncertainty alluded to above, forecasting the MTFP scenario has a higher degree of risk this year in terms of accuracy than in previous years.

- **Assessment of funding**

11.4 The Government's Provisional Settlement affects the MTFP in terms of:

- Previously assumed one-off adult and children's social care grants are to be built into the Government baseline grant funding. That is £6.6 million additional in 2022/23.

- Circa £2.7 million of tax raising power through the extension of the Social Care Precept for a further year, and up to 3% in total, i.e., 2% for general services. For Worcestershire this would mean a further c£8.1 million extra in 2022/23 for Adult Social Care.

- Whilst there will be new grants, particularly to help adult care providers and general fund responsibilities these are one-off grants. That equates to £6 million. However, £1.6 million of that relates to Maintaining and sustaining the social care market, and the risk relates to how the formula allocates a larger number in 2023/24 and as such can be discounted. The £4.4 million of general responsibilities includes the funding for public sector employer NI costs, as this is not a one-off cost Government have committed to fund this. This reduces the one-off risk hopefully by £1.3 million but that still therefore leaves a £3.1 million of one-off risk. Government intends to use this sum to form a cap and collar dampening type system for any funding allocation changes across local government. As a loss of this grant could be offset by an increase in our Government grant, a maintenance of this grant may mean the authority were unsuccessful in securing more additional funding and the impact will fall thus in later years 2024 onwards.

11.5 As such it is assumed at this stage and for prudence in terms of considering the MTFP that Government funding will flat line for the next three years, apart from an increase in funds for Adult's Social Care linked to the Build Back Better proposals announced by the Chancellor in October 2021. For now, we assume that could be circa £5 million per annum for each of the next three years.

11.6 Forecasts continue through to suggest that the Council will experience a positive cash flow for the following years with the main sources of the Council's income remaining to be collected and spent locally. The local taxation (Council Tax and Adult Social Care Precept) will account in 2022/23 for 81% of all funding income, with 19% coming from our share of the Business Rates and Government Grant. This is assumed to remain as the split. Government have indicated that the increase in the Council Tax for the next three years will be limited to a maximum of 3%. Going forward figures therefore below assume an increase of 3% each year. We also assume new properties to increase by around 1.25% and collection rates remain unaffected. The result of all of that would be around £36 million more income by 2025/26.

- **Assessment of Spending**

11.7 The key risk to monitor is the funding and any cost consequence arising from the Government's Build Back Better. This will for example see the introduction of an £86,000 cap on care, as well as greater access to the local government market for self-funders. The detail and analysis of financial support likely to be provided to local authorities has not been provided. The majority of the changes are due to be implemented from October 2023, and as such will impact on six twelfths of the 2023/24 financial year. Changes proposed around transparency of prices will potentially give rise to a significant cost in 2023/24 and beyond, and as such this is recognised in the risk and reserves assessment.

11.8 The potential increase in the base budget spending can be split into three categories 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.

- **Cost Pressure** – this is the recognition that inflation, pay and non-pay (including third party) 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.

11.9 Examples of each of the above areas over the last 12 months and for 2022/23 are:

- **Investment –** increase in the revenue borrowing budget to fund highways, flood mitigation and cutting congestion capital investment (detailed in Section 8)

- **Growth –**increase in care services required for older people and Children's Social Care.

- **Pressures –** inflationary uplifts in contracts and utility costs.

11.10 Looking ahead the growth and pressures on spend will continue at similar levels; although, reform programmes around enabling communities, new ways of working, digital and commercial will help address pressures. However, inflation pressures (pay and non-pay) are estimated to run at around 3% to 5% for the next three years, meaning circa £9 million per annum pressures each year for the next three years.

11.11 Key pressures though remain related to the ongoing demand and inflation pressures in Adult and Children's Social Care. We are assuming that across both areas the annual pressure will be an average of circa £7 - 10 million per annum across the two areas of care before factoring in changes for the White Paper changes.

11.12 In addition, the extension of the Waste contract coincides with the restructure of the Council’s loan arrangement that means whilst there is a reduction in the contract price to offset previous years use of reserves, the borrowing advantage gained from the original loan will end and a £10 million pressure will be faced over 2023-26 (£6m, £3m, then £1m million in years 2023/24, 2024/25 and 2025/26 respectively).

11.13 Another pressure that will start to materialise is the increased cost of borrowing. Up to this stage the Council has been able to internally finance most of its capital programme that is not funded from other sources. With an ongoing commitment to continue to invest in corporate plan priorities there is a risk that the cost of borrowing introduced will add around £23 million over 2023-2026. Although this may be mitigated to some extent through grants, capital receipts and/or slippage.

Efficiency assumptions

11.14 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:

- **Children's Services -** The Company’s Business Plan for the period was presented to Cabinet in March 2021. This identified a continuation of the improvement programme that has been in place for a number of years.
- **People** – The Council is developing an Integrated Well-Being strategy that will seek to transform the way we work with our voluntary bodies and communities. It seeks to build on areas such as the success of Here2Help in response to COVID as well as the change to a reablement focussed domiciliary care service and helping people live in their own homes well for longer. Alongside a clear digital shift to support communities find the right services.
- **Commercial, procurement and efficiency** – The Council is progressing a Commercial Strategy which will set out an overall approach to delivering greater commercial challenge of costs including procurement. With the anticipated changes to procurement legislation and the new flexibility to be introduced, we will have a significant opportunity to deliver improved commercial and qualitative outcomes, whilst potentially channelling more spend to local providers, including SMEs.
- **Corporate Change Initiatives** – The Council is progressing a number of localised reorganisation and service optimisation reviews designed to enable a more centralised, efficient and effective operating model, and that have been engineered to best leverage our new ways of working, both during and post pandemic.

11.15 More detail on the 2022/23 proposed savings is set out at Section 9 of this report. At this stage the savings for later years have not been assessed further, but there is a potential reduction in the Council’s pension contribution to reflect the improved valuation position currently being reported.

- **Summary**

11.16 The assessment of funding and spending alongside efficiency programmes at this stage, caveated for uncertainties notes is set out in more detail at Appendix 1A, and summarised below:

	2023/24 £m	2024/25 £m	2025/26 £m
Funding	381.2	396.0	410.3
Spending	403.3	413.2	425.0
Efficiencies & Grant	-11.5	-5.0	-5.0
Total Gap	-10.6	-12.2	-9.7
		Total 2023-26	32.5

11.17 This is the highlighted scenario and there is considerable uncertainty over both spend and Government funding as set out above, as such the range and scenarios could see a higher funding gap emerge over the coming months as more work is done and greater clarity on the Fair Funding Review. This for example could rise to circa £40 million if less grant is forthcoming.

11.18 We will at least annually update the forecasts and assumptions to reflect the latest data, priorities, policy changes as well as any changes in the Government's funding proposals or Council Tax allocations.

12. Assessment of reserves

12.1 The Council has had a Strategic Risk Register for many years and developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2021/22 and has formed the platform in preparing the Section 151 Officer's assessment of risk.

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

Table 20: General fund risk assessment summary

Year ended 31st March	2020 £ million	2021 £ million	2022 £ million	2023 £ million
General Fund Reserve risk assessment	12.000	11.550	12.050	12.050
Current Projections (see Para 12.3)	12.217	12.217	12.217	12.217
General Fund Reserves sufficient	✓	✓	✓	✓

12.3 The Council's General Fund estimated reserve at 31 March 2022 based on the forecast outturn, at Section 5 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 savings or urgent one of needs arise unexpectedly. The Council will seek to manage within resources by proposing alternative savings first rather than drawing on reserves which are only available as a one off and do not address recurring saving needs. The following key assumption have been made in considering the level of reserves:

- Service savings – the risk assessment continues to provide for non-delivery of savings. 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 savings or earmarked reserves.
- The lack of certainty over funding beyond 2022/23, means that an element of risk has still been included to provide for a shortfall in Government funding in the coming and future years. In addition, the funding risk needs to increase for the possible consequences of the outcome of changes from Building Back Better. There is no timetable for the release of further information relating to this national policy change.
- Provision has also been made for unexpected demand due to unforeseen events around care or weather.

12.4 Based on an assessment there is no opportunity for a further call on General Fund reserves in 2022/23 or earmarked reserves.

12.5 The key risks identified as noted above are related to the ongoing response to the COVID pandemic, the transformation programmes in progress, inflation, the uncertainties over future funding streams to deal with the Government White Paper on Adult Social Care – People at the Heart of Care, potential changes in High Needs deficit status and the increasing volatility in demand beyond 2022/23 arising post COVID.

12.6 It is proposed that to allow for greater consideration of the impact of the Government's planned changes to Adult Social Care being proposed by the White Paper that the Council's earmarked reserves need to set aside funding for potential costs incurred due to unforeseen circumstances. At this stage there is significant risk that the funding will not meet all of the costs in the following years. In addition, the Fairer Funding outline is not known, and uncertainty remains around the DfE's position related to historic High Need deficit treatment. Therefore, as part of the budget setting it is proposed to transfer £10 million from the Business Rates Risk Reserve the Financial Risk Reserve to meet potential unfunded changes. Further updates will be provided as appropriate to Cabinet and Council.

12.7 One of the reasons to support the General Fund Reserve assumed resilience is the existence of the Financial Risk Reserve that was set up to anticipate and allow for any gradual management of any significant change in the Councils baseline funding from Government Grants arising from an expected Fair Funding Review or other policy changes. The fair funding review is now expected to take place throughout 2022 in readiness for a new formula 2023/24 as such it is suggested that at this time the level of the FRR is maintained.

12.8 Any movements in assumptions in the General Fund Reserve position in 2022/23 will be kept under continual review as part of the budget monitoring process.

12.9 The Council has also set aside significant amounts within its Earmarked Reserves (EMRs). The forecast movement and balances in these reserves (subject to additions to the Financial Risk Reserve as set out in paragraph 12.6) is summarised below and shown in more detail at Appendix 2.

Table 21: Analysis of earmarked reserves 2020-24

Earmarked Reserves	Balance at 31 March 2020 £m	2020/21 Movement £m	Balance at 31 March 2021 £m	2021/22 Movement £m	Forecast at 31 March 2022 £m	2022/23 Movement £m	Forecast at 31 March 2023 £m	2023/24 Movement £m	Forecast at 31 March 2024 £m
Open for Business	13.6	4.0	17.6	-1.1	16.5	-1.3	**15.2**	0.0	**15.2**
Children & Families	4.8	6.3	11.1	0.3	11.4	-0.8	**10.6**	-0.8	**9.8**
The Environment	1.0	2.9	4.0	-0.8	3.2	-0.3	**2.9**	0.0	**2.9**
Health & Well-Being	6.7	4.4	11.1	1.4	12.5	-7.1	**5.4**	-3.2	**2.2**
Efficient Council	45.4	7.7	53.2	-2.8	50.4	-0.6	**49.8**	-0.3	**49.4**
Total	**71.6**	**25.4**	**97.0**	**-3.0**	**94.0**	**-10.2**	**83.9**	**-4.4**	**79.5**

12.10 There are also a number of reserves that are not able to be redistributed for County Council purposes. 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 due to the deficit held by schools overall. It is anticipated that the government's intention is to review DSG allocations in light of forecast pressures with the aim of increasing funding for DSG.

Table 22: Analysis of ring-fenced reserves 2020-24

	Balance at 31 March 2020 £m	2020/21 Movement £m	Balance at 31 March 2021 £m	2021/22 Movement £m	Forecast at 31 March 2022 £m	2022/23 Movement £m	Forecast at 31 March 2023 £m	2023/24 Movement £m	Forecast at 31 March 2024 £m
Other									
Schools Balances	1.4	2.6	4.0	0.0	4.0	0.0	**4.0**	0.0	4.0
Schools ICT-PFI Reserve	0.2	0.0	0.2	-0.1	0.1	-0.1	**0.0**	0.0	0.0
Bromsgrove High Schoool PFI Adv	1.6	0.1	1.7	0.0	1.7	0.0	**1.7**	0.0	1.7
Dedicated Schools Grant	-6.2	6.2	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0
Waste Contract PFI Grant	7.7	4.2	11.9	-6.9	5.0	-5.0	**0.0**	0.0	0.0
Total Other	**4.7**	**13.1**	**17.8**	**-7.0**	**10.8**	**-5.1**	**5.7**	**0.0**	**5.7**
Total Earmarked Reserves	**76.3**	**38.4**	**114.7**	**-10.0**	**104.8**	**-15.3**	**89.5**	**-4.4**	**85.2**

12.11 The level of general and earmarked reserves overall are 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 savings arising from decisions taken in previous years relating to 2022/23 have followed these processes, for example changes in Libraries.

13.2 The proposals have also been 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.

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 will continue to be reviewed across this parliamentary term 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 savings 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 savings. 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. Savings 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 2021. The pay increment will be lifted as part of those negotiated terms and as the national negotiations remain to be concluded for now an estimate in line with those negotiations has been built into the base budget, as well as other associated costs such as increments have been included within the base budget assumptions, in line with the national pay negotiations and agreement. The report also contains the proposals to continue with Mandatory Unpaid Leave (MUL) for 2022/23 as agreed last year.

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 Services have considered risk in developing the proposals for investment and savings 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 2022/23, 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.

18. Financial Implications

18.1 In accordance with Section 25 of the Local Government Act 2003 and CIPFA Code of Practice Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.

18.2 The financial assumptions are set out in detail in in sections 7 to 10. These take account of key factors such as demographic and inflation rates of change. In assessing the assumptions in the setting of the 2022/23 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. The key risks for 2022/23 relate to the delivery of the corporate savings and any changes in Adult Care that could arise from the White Paper and fairer charging. At this stage the later is assumed to be fully funded from Government and further announcements are due in 2022. This will thus be monitored, The CFO is leading a review of corporate saving options with the Chief Officer Group to be in place by 1 April 2022. Regular budget monitoring will update members on progress and any need to draw on reserves. At this stage without consideration of future years if reserves were to be drawn down as a last resort this would not impact on the financial standing for 2022/23 but clearly will on the longer term., As such every effort needs to be focused on delivering these savings.

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 balanced 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 2022/23, to maintain tight financial control.

18.4 The final part of the assessment covers the financial resilience going forward over the MTFP and the sufficiency of reserves. Indicators highlight that Worcestershire has one of the lowest level of reserves, as such the Council needs to ensure that its spending and funding plans are managed robustly. This includes strong management of saving programmes and a reduction in any reliance / use of reserves to balance budgets. The forecast gap based on information in February 2022 suggest the gap across 2023-26 could be around £32 million. However, this is heavily caveated due to exceptional uncertainty over many factors, not least Government funding and changes to adult social care as well as the long-lasting impact of COVID. In addition to this the Council has a legacy deficit related to High Needs which without DfE intervention could revert back to the Council's balance sheet. At this stage that balance is £16 million. Clearly these risks are potentially higher that the Council's reserves position without any further action, however clearly action is being taken and as such there will be a need for strong programme of savings and efficiencies delivered across the next three years alongside a considered Council Tax strategy. At this stage whilst the uncertainty increases the Council's risk, there is a strong and controllable ability to mitigate any risk impact on reserves. However, clearly the Council will need to continue to review this position throughout the next 12 months as a high priority. As such budget monitoring reports will be presented to Cabinet on at least a quarterly position relating to both the 2022/23 budget and updating the MTFP as appropriate.

19. Conclusions

19.1 The Council's Corporate Plan, supported by its Financial Plan and the budget for 2022/23 sets a clear direction for the coming year, and the budget proposals within that set a balanced position for engagement before feedback to Cabinet and recommendation to Full Council.

Supporting Information

Appendices:

Appendix 1A – Financial Plan Update 2022-25

Appendix 1B – Service Revenue Budget summary

Appendix 1C – Proposed Capital Programme

Appendix 1D – Capital Strategy

Appendix 2 - Earmarked Reserves

Appendix 3 – General Fund Reserves' Statement

Appendix 4 – Treasury Management Strategy including Prudence Indicators

Appendix 5 – Pay Policy Statement

Appendix 6 – Public Health Ring Fenced Grant proposed spending

Appendix 7 – Commentary from Overview and Scrutiny Performance Board and other groups

Appendix 8 - Glossary of terms

Contact Points

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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 2022/23 to 2025/26

MTFP - Subjective Summary

	2022/23 £,000	2023/24 £,000	2024/25 £,000	2025/26 £,000	Total £,000
Funding					
Council Tax	301,346	312,714	324,522	336,788	
Collection Fund Surplus/(Deficit)	2,904	-1,018	0	0	
Business Rates Reserve Release	0	0	0	0	
Reserves & Grants used to support funding	2,462	0	0	0	
Business Rates Retention Scheme	68,686	69,473	71,434	73,474	
	375,399	**381,169**	**395,956**	**410,263**	
Expenditure					
Base budget	355,532	375,399	381,169	395,956	
Change in Service Income & Grants	-12,602	-5,000	-5,000	-5,000	
Rebase Budgets	0	-2,200	0	0	
Pay inflation	6,171	4,106	4,229	4,356	
Contract inflation	3,961	4,935	5,272	5,634	
Growth - Demand	0	0	0	0	
Growth - Investment	0	0	3,000	0	
Growth - Pressures	28,107	21,000	19,500	19,000	
	381,168	398,240	408,171	419,946	
Efficiencies	-7,969	-6,500	0	0	
Net Expenditure Budgets	**373,199**	**391,740**	**408,171**	**419,946**	
Funding Gap	0	10,571	12,215	9,683	32,469
Transfer (from)/to Earmarked Reserves	2,200	0	0	0	
Funding requirement	**375,399**	**381,169**	**395,956**	**410,263**	

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Service Budget summary (page 1 of 5)

Appendix 1B

Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2022/23 £'000	Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
PEOPLE SERVICES									
Older People	63,999	0	717	105	0	5,956	0	0	**70,777**
Learning Disabilities	59,269	0	114	33	0	5,453	0	0	**64,868**
Mental Health	17,768	0	161	4	0	846	0	0	**18,779**
Physical Disabilities	15,221	0	0	1	0	989	0	0	**16,211**
Adults Commissioning Unit	2,304	0	85	9	0	0	0	0	**2,398**
IBCF	-18,025	-500	58	4	0	0	0	0	**-18,463**
Contribution to Adult Social Care	0	0	0	0	0	0	0	0	**0**
Social Care Grant	-10,853	-5,100	0	26	0	0	0	0	**-15,927**
Adult Provider Services	7,277	0	386	56	0	0	0	0	**7,719**
Strategic Libraries	3,045	0	84	102	0	0	-90	0	**3,141**
Museum Services	574	0	7	10	0	0	-17	0	**574**
Archives and Archaeology	1,283	0	53	31	0	0	-26	0	**1,341**
Greenspace & Gypsy Services	110	0	28	18	0	0	-46	0	**110**
Community Services Leadership Team	187	0	4	1	0	0	-5	0	**187**
Skills & Inv incAdult learning	135	0	42	69	0	0	-111	0	**136**
Severn Arts Music	0	0	0	0	0	0	0	0	**0**
SENDIASS	26	0	5	0	0	0	0	0	**31**
Chs Comm & Ptnership	354	0	11	1	0	0	0	0	**365**
Buildings & Pensions (Chs)	407	0	2	222	0	0	-224	0	**407**
Registration & Coroner	565	0	34	18	0	0	-168	0	**449**
Public Analyst	2	0	1	0	0	0	-1	0	**2**
Trading Standards	50	0	18	0	0	0	-18	0	**51**
Childrens S75	1,954	0	0	0	0	0	0	0	**1,954**
Public Health Grant Funded Services	-2,513	0	70	0	0	2,513	-70	0	**0**
T **Total People Services**	**143,139**	**-5,600**	**1,881**	**711**	**0**	**15,757**	**-775**	**0**	**155,110**

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Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2022/23 £'000	Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
WCF Contract	**106,843**	**-5,600**	**1,327**	**723**	**0**	**5,850**	**0**	**0**	**109,143**

Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2021/22 £'000	Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	New Savings 2021/22 £'000	Rebase Budgets 2021/22 £'000	Net Budget 2022/23 £'000
E&I									
Business Management	975	0	27	2	0	0	-29	0	**975**
Economy & Sustainability	374	0	95	52	0	350	-126	0	**745**
Waste Management	27,864	0	20	1,545	0	0	-20	0	**29,408**
Major Projects	6,461	0	104	4	0	700	-28	0	**7,242**
Infrastructure Asset Mgmt	0	0	0	0	0	0	0	0	**0**
Operations, Highways and PROW	6,111	0	41	115	0	800	-156	0	**6,912**
Passenger Transport Operations	9,968	0	239	255	0	850	-358	0	**10,954**
Planning & Regulation	258	0	22	5	0	0	-27	0	**258**
Development Management	29	0	16	5	0	0	-21	0	**29**
Network Management	322	0	63	25	0	0	-88	0	**321**
Total E&I	**52,360**	**0**	**626**	**2,009**	**0**	**2,700**	**-853**	**0**	**56,843**

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Appendix 1B

Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2021/22 £'000	Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	New Savings 2021/22 £'000	Rebase Budgets 2021/22 £'000	Net Budget 2022/23 £'000
COACH									
COACH - Management	337	0	7	329	0	0	-104	0	**568**
Legal and Democratic Services	2,418	0	70	26	0	0	0	0	**2,514**
Commercial, Management Information & I	2,410	0	69	12	0	0	0	0	**2,491**
Property Services	4,724	0	69	10	0	0	0	0	**4,803**
Digital, IT and Customer Services	5,114	0	222	69	0	200	-545	0	**5,060**
Programme Office	-34	0	8	1	0	0	-9	0	**-35**
Total Coach	**14,969**	**0**	**444**	**447**	**0**	**200**	**-658**	**0**	**15,402**

Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2021/22 £'000	Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	New Savings 2021/22 £'000	Rebase Budgets 2021/22 £'000	Net Budget 2022/23 £'000
CHIEF EXECUTIVE									
Engagement & Communications	453	0	25	3	0	0	-28	0	**453**
Health & Safety	116	0	7	3	0	0	-10	0	**116**
HR - Core	2,058	0	121	4	0	100	-112	0	**2,171**
HR - Old	0	0	0	0	0	0	0	0	**0**
Chief Executive	269	0	25	0	0	0	-8	0	**286**
Total Chief Executive	**2,897**	**0**	**178**	**11**	**0**	**100**	**-158**	**0**	**3,027**

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Appendix 1B

Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2021/22 £'000	Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	New Savings 2021/22 £'000	Rebase Budgets 2021/22 £'000	Net Budget 2022/23 £'000
FINANCE & CORPORATE									
Financial Services	3,718	0	180	21	0	0	-201	0	**3,718**
Financing Transactions (Borrowing and I	17,678	0	0	0	0	2,000	0	0	**19,678**
MRP	11,098	0	0	0	0	0	0	0	**11,098**
Contributions and Precepts	267	0	0	6	0	0	-6	0	**267**
Pension Fund Backfunding Liabilities	4,464	0	134	0	0	0	-134	0	**4,464**
Miscellaneous Whole Organisation Servi	668	0	0	22	0	0	-22	0	**668**
New Homes Bonus Grant Income	-1,513	0	0	0	0	0	0	0	**-1,513**
COVID-19	0	0	0	0	0	0	0	0	**0**
Whole Organisation - Contingency	444	-1,400	1,400	11	0	0	-11	0	**444**
Total Finance & Corporate	**36,825**	**-1,400**	**1,715**	**60**	**0**	**2,000**	**-375**	**0**	**38,825**

Service Budget summary (page 5 of 5)

Appendix 1B

Service	Revised Budget 2021/22 £'000	Changes in Specific Grants and Other Funding 2021/22 £'000	Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	New Savings 2021/22 £'000	Rebase Budgets 2021/22 £'000	Net Budget 2022/23 £'000
NON ASSIGNED									
Organisation Review	-1,500	0	0	0	0	1,500	-5,150	0	**-5,150**
Strategic Initiatives	0	0	0	0	0	0	0	0	**0**
Total Non Assigned	**-1,500**	**0**	**0**	**0**	**0**	**1,500**	**-5,150**	**0**	**-5,150**
TOTAL	355,532	-12,600	6,171	3,961	0	28,107	-7,969	0	373,199

38,238

Net Budget Growth

worcestershire county council

Appendix 1C

Proposed Capital Programme (1 of 5)

TOTAL EXPENDITURE	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
CHILDREN AND FAMILIES	13,734	30,125	23,970	22,000	89,829
OPEN FOR BUSINESS	55,358	72,275	4,600	9,200	141,433
THE ENVIRONMENT	51,076	77,378	37,153	41,500	207,107
HEALTH & WELL-BEING	314	3,689	300		4,303
EFFICIENCY & TRANSFORMATION	2,752	16,051	7,341		26,144
TOTAL	**123,234**	**199,517**	**73,364**	**72,700**	**468,815**

TOTAL FUNDING	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
TEMPORARY AND LONG TERM BORROWING	35,987	92,723	57,561	62,700	248,971
CAPITAL RECEIPTS	3,387	11,121	3,550	10,000	28,059
GOVERNMENT GRANTS	76,878	82,260	7,593		166,731
CAPITAL RESERVE	399	604			1,003
THIRD PARTY CONTRIBUTIONS	6,583	12,809	4,660		24,052
TOTAL	**123,234**	**199,517**	**73,364**	**72,700**	**468,815**

Appendix 1C

Proposed Capital Programme (2 of 5)

Children and Families	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
- The Chantry High School Expansion	22				22
- Nunnery Wood High School Expansion	206	1,402			1,608
- Christopher Whitehead High School Expansion	15				15
- Rushwick Primary School Expansion	62	68			130
- Bengeworth 1st	28	111			139
- Social Care Projects		37			37
- Social Care Projects 17/18		3,323			3,323
- Evesham St Andrews	7	122			129
- Leigh and Bransford		165			165
- Holyoaks Field 1st School	3,304	1,662			4,966
- Specific School Expansion Activity			3,000		3,000
- Other School Expansion Activity			1,000		1,000
- New Secondary School			11,000	22,000	33,000
- Flexible use of Capital Receipts		133			133
- Major Schemes - Residual		54			54
- Capital Maintenance		13,360	1,400		14,760
- Basic Need	10,090	6,295	7,570		23,956
- EFA Extension of Provision (Early Years)		259			259
- Higher Level Need Grant 21-22		1,539			1,539
- Special Provision		1,452			1,452
- Composite Sums - Residual		142			142
TOTAL	**13,734**	**30,125**	**23,970**	**22,000**	**89,829**

Proposed Capital Programme (3 of 5)

Open for Business	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
- Open for Business (including Economic Game Changer Sites).	41	6,509	450		7,000
- QinetiQ Land Purchase	101	1,899			2,000
- Worcester Technology Park		18			18
- Malvern Hills Science Park Scheme	121	0			121
- Local Broadband Plan Phase 1	1	3,809			3,810
- Local Broadband Plan Phase 3	1,788	1,598			3,386
- A4440 WSLR Phase 4	17,784	20,631			38,415
- A38 Bromsgrove	6,121	6,188			12,309
- Kidderminster Churchfields	2,430	55			2,485
- Pershore Northern Infrastructure (including up to £6.4m from HIIF)	3,277	5,991	2,000		11,268
- Capital Skills Programme	222	0			222
- Southern Link Dualling Phase 3	1,147	1,968			3,115
- Southern Link Dualling Phase 3 - Broomhall Way Footbridge	4,853	486			5,339
- Getting Building Fund - Vale Business Park	600				600
- Getting Building Fund - Low Carbon Housing		610			610
- Getting Building Fund - Construction & Automotive Skills (Kidderminster College)		550			550
- Getting Building Fund - Health, Wellbeing & Inclusive Sport (University of Worcester)	993	2,008			3,000
- Getting Building Fund - Flood Resilience Tenbury - (Environment Agency)	144	356			500
- Getting Building Fund - Malvern Technology Park	445	1,405			1,850
- Getting Building Fund - Redditch Transport Interchange	231	769			1,000
- Worcestershire Parkway Regional Interchange	2,182	1,387			3,569
- Kidderminster Rail Station Enhancement	1,199	0			1,199
- Railway Stations Upgrades / Extra Parking	204	3,917	2,000	9,000	15,121
- Worcester Shrub Hill Industrial Estate	9,672	7,163			16,835
- Next Generation Economic Game Changer Sites	156	555	150	200	1,061
- Town Centre Improvements:					
- Evesham	85	605			690
- Redditch	239	234			473
- Stourport	17	69			86
- Worcester	397	763			1,160
- Kidderminster Town Centre Phase 2	17	0			17
- Worcester City Centre	31	-0			30
- Malvern Public Realm		39			39
- ERDF Capital Projects	861	2,691			3,552
TOTAL	**55,358**	**72,275**	**4,600**	**9,200**	**141,433**

Appendix 1C

Proposed Capital Programme (4 of 5)

The Environment	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
Local Transport Plan:					
- Structural Carriageway/Bridgeworks	33,349	30,691	12,000	24,000	100,040
- Integrated Transport	135	3,914			4,049
- Potential pressures within existing capital programme			5,000		5,000
- Further small infrastructure developments			500	1,000	1,500
Major Schemes: Infrastructure					
- Cutting Congestion:					
- A38 / A4104 Staggered Junction Upton	768	5,696			6,464
- Evesham Town Centre	48	126			174
- Bromsgrove Town Centre	36	731			767
- Hoobrook Roundabout, Kidderminster	1,535	2,190			3,726
- Walking and Cycling Bridges:					
- River Severn - Keepax to Gheluvelt Park	908	3,802			4,709
- River Severn - Sabrina Bridge refurbishment	2,144	56			2,200
- Local Members Highways Fund	1,345	1,895	1,250	2,500	6,990
- Road Safety Improvements		553			553
- Traffic Signals Grant		500			500
- Public Sector Decarbonisation	7	879			886
- South Littleton to Blackminster Cycleway		101			101
- Hampton Bridge	61	1,000	3,260		4,321
- Walk Cycle Route to Worc Parkway	77	13			90
- Green Deal Communities		3			3
- Investment Initiatives to Support Business and /or Green Technology		1,323			1,323
- Energy Efficiency - Spend to Save		462			462
- Warm Homes Fund	51	379	23		453
- Eastham Bridge		18			18
- Pavement Improvement Programme	2,232	5,815	4,000	8,000	20,047
- Cutting Congestion Programme	3,095	3,567			6,662
- Highway Flood Mitigation Measures	90	2,994	1,000	2,000	6,084
- Bewdley Flood Mitigation Measures		500			500
- Worcester Transport Strategy	6	437			443
- Hoobrook Link Road - Pinch Points	2	25			27
- Public Rights of Way	283	1,167			1,450
- Worcester Woods Paths Project	31				31
- Zebra Crossings Package	396	183			579
- Covid 19 Emergency Active Travel Fund	64	552			616
- Highways Capital Maintenance Costs		2,000	3,500	1,000	6,500
- Highways Strategic Investment Fund	993	334	2,620		3,947
- Completion of Residual Schemes	-202	224			22
- Vehicle Replacement Programme	1,391	313	1,000		2,704
- Street Lightig LED and Concrete Replacement Programme	2,232	4,935	3,000	3,000	13,168
TOTAL	**51,076**	**77,378**	**37,153**	**41,500**	**207,107**

Appendix 1C

Proposed Capital Programme (5 of 5)

Health and Well-Being	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
Major Schemes:					
- Capital Investment in Community Capacity/ Specialised Housing	-182	2,283			2,101
- IT Personalisation	447				447
- A&CS Minor Works	5	266			271
- Social Care Performance IT Enhancement		593			593
- Worcester Library and History Centre (Non - PFI capital costs)	25	122			147
- Redditch Library		119			119
- Libraries Minor Works	19	228	300		547
- Kidderminster Library		78			78
TOTAL	**314**	**3,689**	**300**		**4,303**

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Efficiency and Transformation	YEAR-END OUTTURN 2020/21 £000	REVISED FORECAST 2021/22 £000	REVISED FORECAST 2022/23 £000	REVISED FORECAST 2023/24 and Beyond £000	REVISED TOTAL FORECAST (incl. outturn 20-21) £000
Major Schemes:					
- Digital Strategy	1,812	5,513	1,821		9,146
- Brownfield Land Release Grant - Kidderminster		400			400
- Property Repair and Maintenance	939	2,168	1,970		5,077
- Stourport Library/ Coroners Relocation to Civic Centre		18			18
- Capitalised Transformation Costs		7,953	3,550		11,503
TOTAL	**2,752**	**16,051**	**7,341**		**26,144**

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Appendix 1D

Capital Strategy

1. Purpose

The Council has a key role in shaping and influencing economic growth in the local area through investment and regeneration of public realm assets, IT and transport infrastructure achieved through working with partners, making best use of Central Government grant funding and any third-party contributions.

This Capital Strategy outlines governance arrangements for the management of the Council's assets and future capital investment. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy is a key document for the Council and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure; capital financing and treasury management activity contributes to the provision of services. The strategy also provides an overview of how associated risk is managed and the implications for future financial sustainability including an overview of the governance processes for approval and monitoring of capital expenditure.

2. Scope

This Capital Strategy includes all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered into under group arrangements. It sets out the long-term context in which decisions are made with reference to the life of the projects/assets.

3. Capital Expenditure

The Council's capital expenditure broadly fits into two categories:

- A maintenance programme that ensures our assets continue to be fit for purpose and able to support the current and future delivery of services.
- An investment programme that creates, enhances and develops new assets such as transport infrastructure, school improvements, IT systems and hardware as well as investments to support wider economic development.

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset that is needed to provide services. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This contrasts with revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

The capital programme is guided by the Capital Strategy and provides a list of capital works for future years, including how schemes are funded. Capital projects may comprise projects such as the purchase of land and buildings, the construction of new buildings and road improvements, design fees and the acquisition of vehicles and major items of equipment. Service and commercial investments would also constitute as capital investments.

4. Capital vs. Treasury Management Investments

Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, ultimately representing balances which need to be invested until the cash is required for use during business.

For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.

The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity.

5. Service and Commercial Investments

These are investments for policy reasons outside of normal treasury management activity. This may include:

Service investments

These are investments held clearly and explicitly during the provision of operational services, including regeneration.

Commercial investments

These are investments taken for mainly financial reasons. These may include:

- investments arising as part of business structures, such as shares and loans in subsidiaries, specific organisations or other outsourcing structures such as IT providers or building services providers;
- investments explicitly taken with the aim of making a financial surplus for the Council

  Commercial investments also include fixed assets which are held primarily for financial benefit, such as investment properties.

Due to the nature of the assets or for valid service reasons, such investments do not always give priority to security and liquidity over yield. In these cases, such a decision will be explicit, with the additional risks set out and the impact on financial sustainability identified and reported.

The Chief Financial Officer will ensure the proportionality of all investments so that the Council does not undertake a level of investment which exposes it to an excessive level of risk compared to its financial resources.

6. **Due Diligence**

For all capital investments, the appropriate level of due diligence will be undertaken with the extent and depth reflecting the level of additional risk being considered.

Due diligence process and procedures will include:

- effective scrutiny of proposed investments by the relevant committee;
- identification of the risk to both the capital sums invested and the returns;
- understanding the extent and nature of any external underwriting of those risks;
- the potential impact on the financial sustainability of the Council if those risks come to fruition;
- identification of the assets being held for security against debt and any prior charges on those assets;
- where necessary independent and expert advice will be sought.

The Chief Financial Officer will ensure that members are adequately informed and understand the risk exposures being taken on

7. **Council Objectives / Corporate Plan**

The Council has agreed a number of corporate aims, priorities and objectives which guide its work. These are set out in the Corporate Plan 'Shaping Worcestershire's Future'. Capital investment projects must be in line with these overall objectives as well as individual service aims and objectives.

Notwithstanding these processes, the Council will continue to be cognisant of emerging issues and opportunities that may arise through local members or the work other organisations and will incorporate them into the capital programme as appropriate

8. **The Capital Budget Setting Process**

8.1. **Key Criteria Set by Members**

For any budget setting year, the process starts in the preceding year with planning sessions held with members of the Cabinet to help identify and discuss the key criteria by which proposals will be considered. These may include:

- Maintenance of the essential infrastructure of the Council;
- Essential Health and Safety works;
- Essential rolling programmes;
- Addressing demand and need to build strong communities;
- New projects such as transport infrastructure improvements or those for wider economic development
- Investment in IT infrastructure
- Building enhancements
- Investment opportunities
- Whether wholly financed by external/internal funding;

- Match funded investment e.g. for regeneration projects;
- The outcome of feasibility studies and Gateway Reviews;
- Invest to save schemes.

8.2. Identifying the need for Capital Expenditure/Investment

Services annually prepare plans for the improvement of their areas (ensuring that their objectives meet the overall aims and objectives of the Council) and community need; these must identify any capital investment needed to meet future service demands. This should be the main method of identifying and planning for service's capital requirements;

The Property Asset Strategy highlight deficiencies in the condition, suitability and sufficiency of the Council's existing building stock and identify future areas of need;

The Local Transport Plan is a comprehensive and rolling plan of local transport strategies for achieving an integrated transport system to tackle the problems of congestion and pollution, looking at the roads and infrastructure needs of the Council;

Reviews and external inspections may identify areas that need capital investment;

Following the receipt of capital grant allocations for a specific purpose;

The need to respond to Central Government initiatives, new laws and regulations;

The need to invest to generate a revenue income to contribute to the funding of services.

8.3. Deciding which Schemes are to be put forward

Once the list of key capital priorities has been identified, in preparing capital project proposals consideration should been given to the key criteria identified earlier in the year.

Prudence:

- Recognition of the ability to prioritise and refocus following transformation work;
- Recognition of the capacity in the organisation to deliver such a programme;
- Recognition of the knowledge and skills available and whether these are commensurate with the appetite for risk;
- Recognition of the future vision of the authority;
- Recognition of community need and future impact on service delivery;
- The approach to commercial activities ensuring effective due diligence, expert advice and scrutiny, defining the risk appetite and considerations of proportionality in respect of overall resources;
- The approach to treasury management and the management of risk as set out in the Treasury Management Strategy.

Affordability:

- Revenue impact of the proposals on the Medium-Term Financial Plan;
- The borrowing position of the Council, projections of external debt and the use of internal borrowing to support capital expenditure;
- The authorised limit and operational boundary for the following year;
- Whether schemes are profiled to the appropriate financial year.
- How receipt of any third-party funding is ensured
- Opportunities to generate income
- How any overspends will be mitigated and funded.

Sustainability:

- A long-term view of capital expenditure plans, where long term is defined by the financing strategy of and risks faced with reference to the life of the project/assets;
- Provision for the repayment of debt over the life of the underlying debt as set out in the Minimum Revenue Provision policy;
- An overview of asset management planning including maintenance requirements and planned disposals.
- All bids are produced in line with the Council's timetable with consideration for the financial information contained within the bid.
- Cabinet Members with responsibility for the areas concerned will be part of the consideration which will cover clearly outlining the service need and the budget consequences, both revenue and capital, of completing the scheme.
- Possible sources of funding should be considered for each of the proposed capital schemes. Each project will be considered in terms of revenue funding to cover the operational running costs of the asset, any borrowing repayment costs and how the asset will be funded in terms of capital expenditure.
- The proportionality of the proposals will be considered in respect of overall resources and longer-term sustainability and risk. The Chief Financial Officer will take an overall view on the prudence, affordability and sustainability of the overall borrowing level if all bids are accepted.

Once the Chief Financial Officer has taken a view of the prudence of the overall borrowing level, the Senior Leadership Team will then consider the bids from a corporate priority perspective.

8.4. **Prioritisation of schemes put forward**

The Council has a formalised corporate system for prioritising capital projects and this has resulted in:

- Identifying essential capital investment;
- Utilising feasibility studies where needed drawing on techniques such as return on investment (economically and socially);
- Adopting a Gateway Review approach for larger strategic schemes to enter the programme at the required time;

- The ability to enter items into the capital programme in a managed way through firstly the annual budget round and secondly when the programme is reviewed mid-year, together with incorporating any emerging new third-party funding or new grants;
- Being mindful of the current level of the programme in relation to capacity to deliver, the relevant financing of schemes and any other running costs.

This will result in a list of capital project proposals to be considered as part of that year's budget approval process.

8.5. **Management Boards**

The Council operates a number of management boards and groups to ensure the delivery of the Capital Strategy. These involve each Cabinet Member with Responsibility as appropriate.

Whilst these boards provide the internal management processes, any and all key decisions are still subject to Cabinet and Full Council approval as appropriate.
The main boards / groups are as follows: -

Property Innovation and Asset Strategy Board (PIAS)

The PIAS board provides a structure through which there can be legitimate challenge and review of corporate property strategy, policy and practice in order to ensure that the County Council obtains maximum benefit from the use of its own property assets and those of other public sector partners.

The board is a "Corporate Landlord Model" and operates under the following principles: -

- That property is a corporate resource available to support the delivery of all Services
- That its use is based upon clear and justified need emanating from Service Plans
- That its occupation is managed through the introduction of commercial principles that clarify the expectations and responsibilities of both the Landlord and Occupier
- That challenge and review of use, provision and performance is seen as a positive approach to ensuring that assets are fit for purpose and that retention, investment and utilisation is focussed on the needs of the customer and the achievement of the council's corporate objectives
- That all reports that have an impact upon the property resource will have been prepared in a collaborative way with the Corporate Landlord's views clearly stated
- That asset management planning is an integral part of the Council's strategic, service and financial planning process
- The role of the Corporate Landlord should be a positive contribution to cultural change within the organisation and a collaborative approach to our business.

Open for Business Board

This board works to develop and promote Worcestershire nationally and internationally to attract private sector investment and new visitor spend; invest in the skills base to support young people and local residents. Secure higher value employment opportunities that are generated in Worcestershire; generate new business formation and entrepreneurship in Worcestershire; and encourage further private sector investment in regeneration and bringing forward development opportunities across our key 'Economic Game Changer' sites.

The Council's investment forms part of an overall investment plan, which includes partnerships with other public and private sector organisations, including:

- Worcestershire Local Enterprise Partnership
- District Councils
- Central Government Departments
- Universities, Colleges, Schools and Academies
- Commercial Partners – Landowners, Developers, Services/Utilities Contractors
- Chamber of Commerce / Federation of Small Businesses
- Employer organisation and trade bodies

Transformation Board

The Transformation Board manages the capital investment required to drive and support organisational change to deliver the Corporate Plan.

Future Technology Transformation Board

This board manages the implementation of the Council's digital investment plans.

Transport Infrastructure

Capital investment in transport infrastructure is supported by the Economic Infrastructure Programme Board and the Delivery Programme Board

Senior Leadership Team (SLT)

This is the Council's leadership team and is chaired by the Chief Executive. All draft Cabinet reports, including those that are requesting the approval of new capital expenditure are approved by SLT as part of the normal process for officer and member reporting.

Finance Leadership Team (FLT)

FLT is chaired by the Chief Financial Officer and supports all the above boards and groups in providing financial advice and support for business cases and provide constructive challenge as appropriate. All matters relating to capital financing are advised by FLT.

8.6. **Member Approval Process**

The Cabinet receive the Capital Programme in draft in December / January each year which is then subject to scrutiny via all the relevant scrutiny committees. Then the Cabinet receive the updated Capital Programme in February each year and in turn make their recommendations to full Council.

Members approve the overall borrowing levels arising because of the Capital Programme at the same meeting that the forthcoming budget precept is approved by Council. This joined up approach ensures all relevant information regarding capital strategy, prudential indicators and

Treasury Management Strategy are considered as a whole in context. The taking of external loans then becomes an operational decision for the Chief Financial Officer who will decide based on the level of reserves and money market position whether borrowing should be met internally from the Capital Reserve/Capital Receipts or whether to enter into external borrowing.

Once the Council has approved the capital programme, expenditure can be committed against these approved schemes subject to the normal contract procedure rules and the terms and conditions of funding.

Whether capital projects are funded from grant, contributions, capital allocations or borrowing, the revenue costs must be able to be met from existing revenue budgets or identified (and underwritten) savings or income streams.

Following approval by Council the capital programme expenditure is then monitored on a quartery basis.

9. **Monitoring of the Capital Programme Expenditure**

The responsibility for financial management of the capital programme lies with the Directors under schemes of delegation. A budget forecasting and reporting system is in place and made available for budget holders and spend managers to monitor expenditure daily.

10. **Multi-Year Schemes**

Payments for capital schemes often occur over many years, depending on the size and complexity of the project. Therefore, estimated payment patterns are calculated for each project so that the expected capital expenditure per year is known. This is called a cash flow projection or budget profiling and typically happens over a rolling 4-year timeframe.

The approval of a rolling multi-year capital programme assists the Council in setting out a direction for investment enabling services to plan service delivery, build strong, connected and resilient communities, enabling the Council to interact with residents and businesses. It assists service managers, allowing them to develop longer term capital plans for service delivery. It allows greater flexibility in planning workloads and more certainty for preparation work for future schemes. It will also allow greater integration of the revenue budget and capital programme. It also matches the time requirement for scheme planning and implementation since capital schemes have a considerable initial development phase.

11. **Options, appraisals, feasibility studies and the Gateway Review process**

As part of the process of producing a list of potential schemes for the capital programme service managers should complete option appraisals to determine the most cost effective and best service delivery options.

By submitting the project, the service manager is agreeing to fund all operational and running costs of the scheme and to find any necessary capital resources to fund the scheme or make the Cabinet aware of the full requirement of the use of corporate resources.

Those projects requiring a feasibility study should include an assessment of the maintenance costs per annum averaged over the whole life of the asset should be calculated. As a minimum this will be based on the RICS (Royal Institute of Chartered Surveyors) recommended benchmark figure prevailing at the time.

For major, complex and strategic projects a Gateway Review process will operate. This will operate in the following four stages:

Stage One – Project Initiation

- the initial scheme submitted would be to enable the preparation of the initial project brief;
- at the culmination of this stage a detailed Gateway Review would be undertaken to sign off the direction of travel, noting the project risks and the initial projection of investment required to realise the project;

Stage Two – Project Development

- approval would be sought to proceed to the next stage with resource allocated to enable the project to be taken forward to a fully developed design;
- at the culmination of this stage a detailed Gateway Review would be undertaken to sign off the direction of travel, noting the project risks and the projection of investment required to realise the project;

Stage Three – Project Implementation

- approval would be sought to proceed to the next stage with resource allocated to take the project through the technical design stage to project tendering;
- at the culmination of the tendering stage a review would be undertaken against the approved budget and the investment decision agreed for the appointment of the main contractor;

Stage Four – Project Review

- a final Gateway Review would be undertaken considering whether the project has met its initial objectives and reviewing all lessons learned.

Further resources to progress any of these gateway schemes will need to be approved separately by Cabinet and/or as part of the annual review of the capital programme and would be subject to the relevant resources being available.

12. **In Year Opportunities**

The Council can add projects to the Capital Programme at any time it meets or formally authorises delegation, through the existing Cabinet/Council reporting cycle utilising the advice of the internal management boards / groups as appropriate.

Any other schemes which arise during the year will only be considered for borrowing or funding from central resources if they meet key criteria set out in section 8.1 or one or more of the following criteria:

- The location of the property to be purchased will bring added value to the estate;

- The requirement for the asset is an extraordinary service demand which could not be anticipated in the normal planning processes;
- There is a limited time span when the opportunity is available.

Requests for approval of revisions to the profiling of scheme expenditure across financial years and the movement of budget between schemes (known as a virement) will be managed according to the delegation limits in the Council’s financial regulations. Where this needs Cabinet approved this will be through formal cabinet meeting reports.

13. **Funding Strategy and Capital Policies**

This section sets out the policies of the Council in relation to funding capital expenditure and investment.

13.1. **External Funding**

Services must seek to maximise external funding wherever possible to support capital schemes. This can be in the form of grants and contributions from outside bodies including central government. However, services must underwrite any cost overruns on externally funded schemes. If services bid for external funding for schemes and though the implementation of the scheme that those costs exceed the available funding or are unsuccessful, then services must fund any shortfall from their existing resources (either revenue or capital).

Prior to submitting bids for grant funding, an assessment of the risk of a contract price increase, associated market conditions or abnormal building plan demands attached to some grants, must be completed to estimate the likelihood of additional funding being needed.

In respect of match funding bids then the relevant service must fully identify the necessary match funding resources from within existing service budgets.

13.2. **Capital Receipts**

A capital receipt is an amount of money exceeding £10,000 which is received from the sale of an asset. They cannot be spent on revenue items (except under specific Central Government direction).

The Chief Financial Officer will work with property officers to inform the long-term management of the Council’s property annually against the aims and objectives of the Property Asset Strategy. The general policy is that any capital receipts are then pooled and used to finance future capital expenditure and investment according to priorities, although they may be used to repay outstanding debt on assets financed from loans, as permitted by the regulations.

Flexible Use of Capital Receipts Strategy

Central Government's Spending Review in 2015 announced that to support local authorities to deliver more efficient and sustainable services that Government will allow local authorities to spend up to 100% of its fixed asset capital receipts on the revenue costs of reform projects.

The criteria is that the expenditure incurred must be designed to generate ongoing revenue savings and/or transform service delivery in a way that reduces cost or demand for services in future years for any of the public sector delivery partners.

The County Council intends to take advantage of this flexibility to support the financing of the reforms programme, change activity around the children's social care improvement plan and transformation change programmes. However, it is also recognised that this flexibility is due to end after 2023/24 and as such the Authority will continue to review its practices and approaches in line with potential changes.

It is anticipated that one-off costs may be incurred that would qualify for being funded from capital receipts. The consequential impact on the County Council's Capital Programme as a result of using additional borrowing to fund what would otherwise have be funded by these capital receipts has been accounted for within the Council’s revenue budget. It is important to note that the County Council's Treasury Management Strategy optimises the use of internal cash resources before having to take external borrowing, so this impact is unlikely to be realised in the short term.

13.3. Revenue Funding

Services may use their revenue budgets to fund capital expenditure. This may be via the Future Capital Investment Reserve which is an internal fund set up to finance capital expenditure as an alternative to external borrowing.

The Director of the service in conjunction with the Chief Financial Officer will need to take an overview and decide the most appropriate way of funding their service areas.

13.4. Prudential/Unsupported Borrowing

Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by Central Government so services need to ensure they can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing.

Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. Services must be able to afford the borrowing repayment and interest charges on the loan from existing revenue budgets or the Council will include this as a key priority for the budget process to be factored into the medium-term financial strategy accordingly.

The Chief Financial Officer will assess the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code for Capital Finance.

The view of the Chief Financial Officer will be fed into the corporate bidding process so that, should the borrowing levels be unaffordable or not prudent, then the schemes will be prioritised against the available funding from borrowing using the corporate prioritisation system.

The Chief Financial Officer will also determine whether the borrowing should be from internal resources such as the Capital Reserve or whether to external borrowing.

13.5. **Pump Priming and Invest to Save Schemes**

Occasionally projects arise for which services require assistance with meeting the set-up costs of projects which may bring long term service delivery improvements and/or cost savings. The initial set up costs may be of a revenue or capital nature. Assistance for these schemes must be considered on an individual basis by internal management boards / Senior Leadership Team and then the Cabinet with consideration to the Council's overall priorities and resources.

For 'invest to save' schemes assistance may be given for initial set up costs, but it is expected that in the longer term these schemes will produce savings and/or additional income that will as a minimum fund any additional operational or borrowing costs. If the additional savings/income does not cover the additional costs incurred, then the service will be required to fund the gap from their existing budgets (i.e. they will underwrite the savings/income).

13.6. **Leasing**

The Chief Financial Officer may enter into finance leasing agreements to fund capital expenditure on behalf of services. However, a full option appraisal and comparison of other funding sources must be made, and the Chief Financial Officer must be certain that leasing provides the best value for money method of funding the scheme.
Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

14. **Procurement and Value for Money**

Procurement is the purchase of goods and services, with a strategy being developed to assist with the definition of quality standards and securing provision of the best possible services for local people for a given price.

The Council has a Procurement team that ensures they provide value for money and to see where efficiency savings can be achieved. This also covers capital procurement.

It is essential that all procurement activities comply with EU procurement directives, or equivalent and adhere to the relevant requirements stipulated in directives. Guidance on this can be sought from the Procurement team. Procurement must also comply with the Councils policies and regulations such as Contract Procedural Rules and Financial Regulations.

The main aim is to hold ‘value for money’ as a key goal in all procurement activity to optimise the combination of cost and quality.

15. **Partnerships and Relationships with other Organisations**

Wherever possible and subject to the usual risk assessments services should look to expand the number of capital schemes which are completed on a partnership basis and continually look for areas where joint projects can be implemented.

16. **Performance Management**

Clear measurable outcomes should be developed for each capital scheme. After the scheme has been completed, services should check if outcomes have been achieved.

Post scheme evaluation reviews should be completed by Directorates for all schemes over £0.5 million and for all strategic capital projects.

Reviews should look at the effectiveness of the whole project in terms of service delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

17. **Risk Management**

Risk is the threat that an event or action will adversely affect the Council’s ability to achieve its objectives and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies.

The Chief Financial Officer will report on the affordability and risk associated with the Capital Strategy through the existing cabinet reporting process. Where appropriate he will have access to specialised advice to enable him to reach his conclusions.

An assessment of risk should therefore be built into every capital project and major risks recorded in a Risk Register.

Credit Risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot pay us our investment returns or complete the agreed contract. Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

Liquidity Risk

This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example because of inflation, interest rates or exchange rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible appropriate interventions will occur as early as possible.

Interest Rate Risk

This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

Exchange Rate Risk

This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

Inflation Risk

This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

Legal and Regulatory Risk

This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before committing to capital expenditure or making capital investments, the

Council will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

Fraud, Error and Corruption

This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Members and Officers involved in any of the processes around capital expenditure or funding are required to follow the Council's policies and procedures such as the Employee Code of Conduct and detailed policies such as Anti-Fraud and Corruption, Anti Money Laundering, Whistle Blowing and Declaration of Interests.

18. **Other Considerations**

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, Council policies, Contract Procedure Rules and Financial Regulations. Reference should also be made to other strategies and plans of the Council

Earmarked Reserves

Earmarked Reserves	Balance at 31 March 2020	Movement	Balance at 31 March 2021	Movement	Forecast at 31 March 2022	Movement	Forecast at 31 March 2023	Movement	Forecast at 31 March 2024
Open for Business									
Revolving Investment Fund	**8.2**	1.5	**9.7**	-2.1	**7.6**	-3.0	**4.6**	0.0	**4.6**
Open for Business	**0.6**	2.9	**3.5**	0.5	**4.0**	3.0	**7.0**	0.0	**7.0**
Local Authority Business Growth Initiative	**0.6**	0.0	**0.6**	0.0	**0.6**	0.0	**0.6**	0.0	**0.6**
Sub regional mineral plan	**0.6**	0.0	**0.6**	-0.3	**0.3**	-0.3	**0.0**	0.0	**0.0**
Growing Places reserve	**2.9**	-0.9	**2.1**	0.8	**2.9**	-0.6	**2.3**	0.0	**2.3**
Regional Improvement and Efficiency Reserve	**0.0**	0.3	**0.3**	0.0	**0.3**	0.0	**0.3**	0.0	**0.3**
Other	**0.7**	0.2	**0.9**	0.0	**0.9**	-0.4	**0.5**	0.0	**0.5**
Children & Families	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Safeguarding	**1.1**	0.8	**1.9**	0.0	**1.9**	0.0	**1.9**	0.0	**1.9**
Revenue grants unapplied	**3.7**	5.5	**9.2**	0.3	**9.5**	-0.8	**8.7**	-0.8	**7.9**
The Environment	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Regeneration and Infrastructure	**0.6**	3.0	**3.6**	-0.9	**2.7**	-0.3	**2.4**	0.0	**2.4**
Revenue grants unapplied	**0.5**	0.0	**0.4**	0.1	**0.5**	0.0	**0.5**	0.0	**0.5**
Health and Wellbeing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Public Health	**6.4**	0.0	**6.4**	2.7	**9.1**	-4.0	**5.1**	-3.2	**1.9**
Revenue grants unapplied	**0.3**	4.4	**4.7**	-1.3	**3.4**	-3.1	**0.3**	0.0	**0.3**
Efficient Council	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Transformation / Change Reserve	**3.9**	1.8	**5.7**	-1.9	**3.8**	0.0	**3.8**	0.0	**3.8**
Digital Reserve	**3.3**	-0.3	**3.0**	-0.2	**2.8**	-0.1	**2.7**	-0.1	**2.6**
Elections	**0.4**	0.1	**0.5**	0.2	**0.7**	0.2	**0.9**	0.2	**1.1**
Property Management	**0.6**	0.0	**0.6**	0.1	**0.7**	0.1	**0.7**	0.1	**0.8**
Insurance	**9.2**	0.1	**9.3**	0.0	**9.3**	0.0	**9.3**	0.0	**9.3**
Business Rates Pool	**16.8**	-2.6	**14.3**	0.0	**14.3**	0.0	**14.3**	0.0	**14.3**
Coroners Major Inquests	**0.4**	0.0	**0.4**	0.0	**0.4**	0.0	**0.4**	0.0	**0.4**
Councillors Divisional Fund	**1.2**	0.6	**1.7**	-0.6	**1.1**	-0.6	**0.5**	-0.5	**0.0**
Fleet Surplus Reserve	**0.1**	0.0	**0.1**	-0.1	**0.0**	0.0	**0.0**	0.0	**0.0**
Future Capital Investment	**1.5**	6.4	**7.9**	0.0	**7.9**	0.0	**7.9**	0.0	**7.9**
Financial Services Reserve	**1.6**	0.0	**1.6**	0.0	**1.6**	0.0	**1.6**	0.0	**1.6**
Financial Risk Reserve	**6.6**	1.6	**8.2**	-0.2	**8.0**	-0.2	**7.8**	0.0	**7.8**
Other reserves (not available for core spend)	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Schools balances held under delegation	**1.4**	2.6	**4.0**	0.0	**4.0**	0.0	**4.0**	0.0	**4.0**
Schools ICT PFI Reserve	**0.2**	0.0	**0.2**	-0.1	**0.1**	-0.1	**0.0**	0.0	**0.0**
Bromsgrove High School PFI Advance	**1.6**	0.1	**1.7**	0.0	**1.7**	0.0	**1.7**	0.0	**1.7**
Dedicated Schools Grant	**-6.2**	6.2	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Waste Contract PFI Grant	**7.7**	4.2	**11.9**	-5.9	**6.0**	-4.4	**1.6**	-1.6	**0.0**
Total	**76.3**	**38.4**	**114.7**	**-9.0**	**105.7**	**-14.7**	**91.1**	**-6.0**	**85.1**

worcestershire county council

Appendix 3

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 2022/23 £000	Residual Risk Provision 2023/24 £000	Residual Risk Provision 2024/25 £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 2023. Discussions have been ongoing for a number of years and there is a likelihood that County Councils may gain. At this stage there is too much uncertainty over both the main grant (SFA) and specific 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 2023/24.	0	3,000	2,000

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2022/23 £000	2023/24 £000	2024/25 £000
2. Volatility of Business Rates funding given uncertainty around impact of appeals	Possible	Low	The volatility of this funding stream is outside of Council control however the impact is mitigated by the establishment of specific earmarked reserve and financial monitoring framework. The Council participates in a Business Rates Pool with District Councils to support the mitigation of risk. Modelling of potential impacts is used to inform internal financial planning. As such the impact is mitigated to low in later years.	0	500	500
3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Low to Medium	The awards are negotiated nationally, and there is a potential risk of increases being greater than the current assumption. Future year increases remain at similar levels which remain in line with inflation forecasts. It is anticipated the economy will recover in the short to medium-term which may give rise to inflationary pressures. Therefore, the impact is considered to be low-medium.	1,000	500	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision 2022/23 £000	2023/24 £000	2024/25 £000
4. Anticipated savings/ efficiencies not achieved	Possible	High to Medium	Regular monitoring and reporting takes 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 savings 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 savings programme governance provides some assurance that this risk can be managed but this remains a medium risk.	1,500	1,000	1,000

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision 2022/23 £000	Residual Risk Provision 2023/24 £000	Residual Risk Provision 2024/25 £000
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 2022/23 £000	Residual Risk Provision 2023/24 £000	Residual Risk Provision 2024/25 £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 of income and charges are council tax, business rates and contributions towards the cost of adult social care. Regular monitoring and reporting takes 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 mitigated and any call on the general fund should be from unforeseen events identified in budget monitoring.	0	0	0

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision 2022/23 £000	Residual Risk Provision 2023/24 £000	Residual Risk Provision 2024/25 £000
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 earnt 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 £1.9 million in earmarked reserves to fund any increase above projections. As such the use of general fund would be for urgent placements that cannot be foreseen.	750	750	750

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2022/23 £000	2023/24 £000	2024/25 £000
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 the national Bellwin scheme	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		
				2022/23 £000	2023/24 £000	2024/25 £000
13. Other costs rise by more than inflationary assumptions	Possible	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 medium to long term impact of COVID. In addition, overall national financial recovery and specific inflationary pressure areas such as energy costs could drive additional cost pressures.	1,500	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		
				2022/23 £000	2023/24 £000	2024/25 £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 a number of commercial ventures 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	Possible	High to Medium	Whilst specific risks have been identified the list is not exhaustive and there may always be other	3,000	1,000	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision 2022/23 £000	2023/24 £000	2024/25 £000
unforeseen events and any unplanned year end overspend			factors giving rise to financial pressures. The Council will through budget monitoring and management look to manage these effectively 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. This risk contingency recognises that Central Government is meeting most of additional costs of COVID-19. This can be supplemented by re-prioritising in year expenditure to priority areas.			
			TOTAL	**12,050**	**12,050**	**12,050**

Appendix 4

Treasury Management Strategy 2022/23

Background

In accordance with the County Council's Treasury Management Practices (TMPs) and The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice the Council is required to approve the Treasury Management Strategy and Annual Investment Strategy for 2022/23. The Treasury Management Strategy is reflected in the Personal Assurance Statement given by the Chief Financial Officer concerning the 2022/23 budget calculations.

Treasury management is undertaken by a small team of professionally qualified staff within financial services.

In addition, the County Council employs Treasury Management advisors, Link Asset Services (formally Capita Asset Services), who provide information and advice on interest rate movements which is used to inform borrowing and investment decisions. The advisors have been engaged on a fixed term basis after a tendering procedure completed in August 2016.

Relevant information is also obtained from other financial commentators, the press and seminars arranged by other organisations, for example CIPFA and the Local Government Association.

Information received from these different sources is compared in order to ensure all views are considered and there are no significant differences or omissions from information given by the County Council's advisors.

All Treasury Management employees take part in the County Council's Staff Review and Development scheme, where specific individual development needs are highlighted training in Treasury Management activities and networking opportunities provided by both professional and commercial organisations are taken up where appropriate.

During 2021/22 the County Council has invested its surplus cash with selected Banks, AAA-rated Money market and cash-plus funds, the UK Debt Management Office and with other local authorities.

Economic Commentary

The surge in COVID-19 cases caused by the Omicron variant prompted the government to impose 'Plan B' restrictions from mid-December, which included guidance to work from home and COVID-19 passports for some hospitality venues. Timely data indicated that households changed their behaviour in response to the risk of infection, even without the imposition of formal restrictions limiting social interactions. For example, restaurant attendance was hit hard in the run-up to Christmas, while journeys on public transport fell. That chimes with the fall in December's flash PMIs, which pointed to a big drop in services output.

That prompted the government to announce a new £1bn support package for consumer-facing businesses in retail and hospitality as those sectors lost earnings over the Christmas period due to heightened virus caution and the ‘Plan B’ measures. With eligible businesses able to receive grants of up to £6,000, that should have helped to cushion some of the blow. That said, the measures are much less generous than the support offered earlier in the pandemic and crucially don’t include a furlough scheme, so businesses are unlikely to have avoided a hit to their balance sheets entirely.

As it stands, our forecast is for GDP growth in December of -0.1% m/m. But it is suspected that the fall could be larger than that. Indeed, the flash composite PMI for December was consistent with GDP growth of -1.5% m/m. Although we suspect that is a little pessimistic, a more conservative estimate of -0.5% m/m would pull down our forecast for Q4 as a whole to +0.7% q/q. That would delay the return of GDP to its pre-virus level, pushing it back from January 2022, (as we had expected), into Q2.

With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

The December 2021 Monetary Policy Committee meeting was “more” concerned with combating inflation over the medium term than supporting economic growth in the short term. Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022. However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next downturn as rates under 2% are providing stimulus to economic growth.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that supresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- Geo-political risks - on-going global power influence struggles between Russia/China/US/Iran.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.
- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

Prospects for Interest Rate

The Council has appointed Link Group as its treasury advisor and part of their service isto assist the Council to formulate a view on interest rates. Link provided the following forecasts on the 11th of August 2021.

Link Group Interest Rate View	20.12.21												
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done significant economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes the following increases, quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and quarter 1 of 2025 to 1.25%. With the high level of uncertainty prevailing on several different fronts, we expect these forecasts to be revised.

The forecast for PWLB borrowing rates show a general upward trend across all maturity bands over the next three years. There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates from numerous factors. The balance of risks to medium to long term PWLB rates are to the upside.

Treasury Management Strategy

The Prudential Code for Capital Finance requires the Council to set several Prudential Indicators. The Treasury Management Strategy has been developed in accordance with these indicators.

Borrowing Strategy

Due to the overall financial position no external borrowing has been undertaken this year to date. This has caused a rundown of our reserves and other balances. As forecasts stand it is likely that borrowing could be undertaken late in 2021/22 and mid-year 2022/23.

PWLB maturity certainty rates year to date to 31st December 2021

Gilt yields and PWLB rates were on a falling trend between May and August. However, they rose sharply towards the end of September before falling again during quarter 3 until rising once more in the last ten days of the year.

The 50-year PWLB target certainty rate for new long-term borrowing started 2021/22 at 1.90%, rose to 2.00% in May, fell to 1.70% in August, returned to 2.00% at the end of September until falling to 1.90% in early November and then falling again to 1.50% in December.

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, which has just been passed by both houses, and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when:

- A fast vaccination programme has enabled a rapid opening up of the economy.
- The economy has been growing strongly during 2021.
- It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
- And The FED was still providing stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation.

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The following borrowing sources will be considered:

- Borrowing from other local authorities -an active and easily accessible market with terms of up to 5 years available.
- Plain vanilla, fixed rate borrowing from other financial institutions, for fixed terms of up to30 years, requiring some credit assessment by the lender and longer lead-times than PWLB.
- Forward rate agreements with lenders for fixed rate loans above, to secure funding for drawdown at a future date, for a certain rate.

The strategy will be to borrow to replenish a proportion of the reserves and cash balances used to support capital expenditure since October 2008. This will mitigate any interest rate risk in that borrowing and will be taken before borrowing rates begin to increase significantly. The timing of the borrowing will depend on cashflow requirements and forecast future developments and on interest rate movements and the forecast for those future movements. A mixture of shorter and longer-term loans will be taken to fit with the County Council's debt maturity profile.

Interest rates will be monitored but as forecasts stand it is likely that borrowing could be undertaken late in 2021/22 and mid-year 2022/23.

The gross capital borrowing requirement for 2022/23 is estimated to be £93.8million. After the use of the minimum revenue provision to repay debt of £12.3 million, the net capital borrowing requirement is estimated to be £81.5 million.

The management of the County Council’s debt will be exercised in the most efficient manner considering maturing debt. The opportunity may be taken to reschedule any outstanding debt if rates become favourable to delivering savings in the revenue budget. The cost of external interest of maintaining the council debt is estimated to be £15.2 million in 2022/23.

The Council’s forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
External Debt						
Debt at 1 April	**415,180**	**411,928**	**407,000**	**403,000**	**403,000**	**403,000**
Net Borrowing need (£'000):	43,104	81,588	79,000	32,243	12,633	-3,063
Other Liabilities:LOBO	50,000	50,000	50,000	50,000	50,000	50,000
Other Liabilities - Pension Loan	57,500	45,000	45,000	45,000	45,000	45,000
Capital Financing Requirement	600,106	706,147	748,180	763,723	745,027	725,741
Under/(Over) borrowing	77,426	117,631	167,180	233,480	234,394	230,804

Annual Investments Strategy

Investment policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non- financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The County Council's investment policy has regard to the following:

- DLUCH’s Guidance on Local Government Investments (“the Guidance”).
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”).
- CIPFA Treasury Management Guidance Notes 2018.

The policy objective for the County Council is the prudent investment of its cash balances. The investment priorities are firstly the security of capital (protecting sums from capital loss) and secondly the liquidity of investments (ensuring cash is available when required). Only when these two priorities are met will the third of achieving the optimum return on investments, be taken into account.

The County Council will not borrow money purely to invest. The County Council will only borrow up to 2 years in advance of cash being required to fund its capital expenditure and the amount borrowed will not exceed the annual borrowing requirement.

The investments, which the County Council can use for the prudent management of cash balances are categorised as ‘Specified Investments’ and ‘Non-Specified Investments’.

A Specified Investment offers high security and high liquidity, must be in sterling and have a maturity date of less than a year. Any Specified Investment must be with the United Kingdom Government, a local authority in England or Wales or a similar body in Scotland or Northern Ireland, a parish or community council, a AAA-rated Money Market Fund, a bank which is part-owned by the UK Government, or with a body of high credit quality. The County Council defines a body of high credit quality as counterparties who satisfy the criteria as described below:

- For overnight investments, or money placed in instant access accounts, the council defines a body of high credit quality as firstly having the below Short-Term ratings:

Agency:	**Short-Term rating:**
Fitch	F1
Moody’s	P-1
Standard and Poors	A-1

- For **unsecured** term deposits between 2 and 364 days, the council will firstly define a body of high credit quality as having the below Long-term ratings:

Agency:	**Long-Term rating:**
Fitch	A+
Moodys	A1
Standard and Poors	A+

- The County Council will undertake continued due diligence and will not automatically lend to Counterparties that merely satisfy the above criteria. As additional consideration, the County Council will assess for each:

    - Input from Treasury Advisors
    - Other market data from a reputable source
    - Press coverage
    - Market presence by the Counterparty
    - Availability of suitable products from the Counterparty
    - Ease of execution with the Counterparty
    - Level of Customer service from the Counterparty

- The above list is not exhaustive, the County Council may at any time exclude a Counterparty should it perceive any reasonable doubt concerning its Creditworthiness; the 2011 Code and subsequent revisions advise that subjective criteria may be used, in line with the Council's risk appetite.

- For **secured** term deposits, the council defines high credit quality as an **instrument** that has the above ratings with every agency that rates it.

- Enhanced Money Market funds or Cash Plus funds, which carry a AAA-rating from at least one rating agency.

Non-Specified Investments have a range of vehicles not covered by the definition of Specified Investments, which are set out in the Treasury Management Practices (TMPs) and generally carry more risk.

The only types of non-specified investments the County Council will enter into or hold during the coming financial year are as below:

- A routine term deposit with a counterparty as described above for Specified Investments, for a period of more than 1 year. This type of investment will be considered when rates are favourable and cash balances allow. The Council's prudential indicators allow no more than £10 million to be invested in this category.

- Investments in Pooled Property Funds, these will be considered as having a 5 to 10-year term.

The credit ratings of Fitch, Moody's and Standard and Poors are monitored at least weekly, ratings-watches and downgrades are acted upon immediately. Any other information that is deemed relevant to the creditworthiness of any Counterparty will be acted upon, in line with the 2009 code revision.

The County Council may hold cash within its current account overnight as a transactional control to mitigate the risk of going overdrawn and incurring penalty and interest charges. The County Council may also leave funds in this account when it is impractical and/or not economically feasible to invest elsewhere. These balances are considered as cash or cash equivalents and not investments.

The County Council will aim to have not less than 50% of its investments returnable within 28 days with at least 20% within 7 days.

Pension Fund

Cash is held in the Pension Fund account at the bank. This is a transactional sum to ensure that contributions are received, and benefits are paid efficiently. The vast majority of Pension Fund assets are invested elsewhere under separate Governance Arrangements to the County Council's Annual Investments Strategy above. The cash held at the bank may be either held in this account or be invested in a manner deemed appropriate by the Pension Committee.

Non-Treasury Investments

The County Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The County Council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. For instance, liquidity shall ordinarily not be a consideration for such investments, since the monies invested are pursuant to a service outcome and yield may comprise intangible elements such as Economic and Social Development and expansion of the tax base.

The County Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

Below is a schedule for current approved non-treasury investments, other than Energy from waste, which is discussed later in this document:

Borrower	Amount	Date Lent	Terms
Malvern Hills Science Park	£4.4m at cost. Carried at £3.0m Fair Value.	Various tranches 29/10/1998 to 15/10/2014	Preference Shares, with a semi-annual coupon based on cost, as follows: £944k at 3% £3,500k at 6.37% Note: As these shares carry no voting rights, this holding does not constitute a joint venture or subsidiary.

In managing these Investments, the Chief Financial Officer shall be responsible for:

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments, and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing

- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

MIFID II

The County Council has elected to opt-up to Professional Client status for most of its Counterparties, on the grounds of the typical size of its Investment portfolio and the volume of Transactions on the relevant market. This was primarily concerned with maintaining access to the financial instruments used. A few selected Counterparties indicated that the County Council would not need to opt-up to Professional Client status to continue service.

A schedule of the County Council's status with its Counterparties (Retail or Professional) is maintained as part of the Treasury Management Practices and will be reviewed annually and/or when a counterparty is added or removed.

West Mercia Energy

With regard to the joint ownership of West Mercia Energy, the County Council may, if deemed in the best interest of prudent management of the West Mercia business, undertake transactions pertaining to foreign currencies, such as foreign exchange deals and investments. Such dealings must have relevance to the course of business of West Mercia Energy. These dealings will be classified as Non-specified Investments as they are not sterling denominated.

Energy from Waste

In partnership with Herefordshire Council, the County Council provided finance to Mercia Waste for the building of an Energy from Waste Plant, which they are operating for a period determined by the existing PFI contract. At the end of the contract, the ownership of the plant will revert to the Councils. The construction phase commenced on the 21st May 2014; Mercia took control of the plant from the contractor at the beginning of March 2017.

Worcestershire County and Herefordshire Councils provided the finance on a 758:252 split, by granting loans on a commercial basis, in accordance with the agreed timetable. Loans granted to Mercia Waste for this purpose will be considered separately to normal Treasury Management investment activity. All costs and income related to this scheme shall be ringfenced for budget monitoring purposes and the loans granted are being considered as Capital Expenditure under the 2003 Regulations and is carried at amortised cost.

For the remainder of the waste PFI contract, Mercia Waste is repaying the Council Capital and Interest on the amortising senior term loan. At the expiration of the PFI contract during 2023/24, the Council shall assume ownership of the plant, which will represent repayment of the bullet loan.

As at the 31st March 2021, the carrying value of the loan to Mercia Waste was £106.0m, repayments of Principal and Interest to date have proceeded to schedule.

Extension of Mercia Loan facility

WCC and HC have received a proposal from Mercia to extend the current waste management services arrangements by 5 years (to expire on 11th January 2029) on the following terms:

- WMSC term extended by 5 years but with a reduction in the unitary payment by WCC and HC by the following amounts:
- £2.5m on the date of signature of the extension
- £4.5m per calendar year, from 1st January 2022 to 31 December 2023 “subject to clarification”
- £6m per annum, from 1st January 2024 to the end of extension period (i.e. + 5 years) which together are referred to as “M” in the proposal.

The impact of extending the WMSC will be that repayment of Facility B will also be extended by 5 years as it is linked to the Expiry Date of the WMSC. However, Mercia proposes that the bullet payment amounts due from Mercia under the Funding Agreements and from the WCC and HC under the WMSC are reduced to £106.1m. It is understood that this is to reflect a reduction in the projected value of the EfW facility at the end of the extended period. Mercia will pay to the Council a level of principal payments on Facility B, equivalent to the balance in the proposed reduction to the bullet payment amounts i.e. £21.95m ”subject to clarification”.

Statement of Prudential Indicators

Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003. Local Authorities are no longer subject to government controlled borrowing approvals and are free to determine their own level of capital investment controlled by self-regulation. Central Government does however, for national economic reasons retain a reserve power to set a national limit on the increase in borrowing.

The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent, and sustainable.

The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the County Council should operate to ensure the objectives of the Prudential Code are met.

The Prudential Indicators have been prepared with regard to the Council's Capital Strategy; they will provide a monitoring framework against which to assess the **Affordability** and **Prudence** of the Council's Capital investment plans therein.

AFFORDABILITY (CAPITAL AND BORROWING INDICATORS)

The Prudential Indicators for which the County Council is required to set limits are as follows:

The Chief Financial Officer reports that the County Council had no difficulty meeting this requirement for 2020/21, nor are any difficulties envisaged for the current or future years. This view takes into account all plans and commitments included in the 2022/23 budget policy.

Capital Expenditure

The actual amount of capital expenditure that was incurred during 2020/21, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2022/23 budget policy are as follows:

Capital Expenditure

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 & Beyond Estimate £m
Total Capital Expenditure	**123.2**	**199.5**	**73.4**	**73.0**

Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the County Council is required to set aside to repay debt, less interest, and investments income.

The actual Net Revenue Stream is the total of revenue support grant, business rate and council tax income.

The prediction of the Net Revenue Stream in this Prudential Indicator for future years assumes changes in the County Council's funding from government and the local taxpayer consistent with expectations in the Medium-Term Financial Plan. This is indicative only and in no way meant to influence the actual future years funding or in particular the funding from Council Tax.

The authority shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium-term forecast.

The estimates of the ratio of financing costs to net revenue stream are as follows:

Ratio of Financing Costs to Net Revenue Stream

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Financing Costs	**27.9**	**28.8 28.8**	**28.2 28.2**	**28.0 28.0**	**28.0 28.0**
Net Revenue Stream	**346.3**	**352.2 352.2**	**362.1 373.2**	**374.3 379.5**	**374.3 394.9**
Ratio	**8.05%**	**8.18%**	**7.56%**	**7.38%**	**7.09%**

<u>Capital Financing Requirement</u>

The capital financing requirement is a measure of the extent to which the County Council needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any one point in time. The County Council has an integrated treasury management strategy where there is no distinction between revenue and capital cash flows and the day-to-day position of external borrowing and investments can change constantly.

The capital financing requirement concerns only those transactions arising from capital spending, whereas the amount of external borrowing is a consequence of all revenue and capital cash transactions combined together following recommended treasury management practice.

The estimates of the end of year capital financing requirement are as follows:

Capital Financing Requirement

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Financing Requirement at 31 March	**625.7**	**706.1**	**748.2**	**763.7**

<u>Authorised Limit</u>

The Authorised Limit represents an upper limit of borrowing that could be afforded in the short term but may not be sustainable. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary.

The Cabinet should note that the Authorised Limit represents the limit specified in section 3 (1) of the Local Government Act 2003 (Duty to determine affordable borrowing limit).

The Chief Financial Officer has delegated authority, within the total Authorised Limit, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-Term Liabilities. Any such changes will be reported to the next Cabinet meeting following the change.

The following Authorised Limits for gross external debt are recommended:

Authorised Limit for External Debt

	2020/21 £m	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
External Borrowing	660.0	750.0	790.0	800.0
Other Long-Term Liabilities	13.0	13.0	13.0	13.0
Total Authorised limit	**673.0**	**763.0**	**803.0**	**813.0**

Operational Boundary

The Operational Boundary represents an estimate of the most likely, prudent, but not worst-case scenario and provides a parameter against which day-to-day treasury management activity can be monitored.

The Chief Financial Officer reports that procedures are in place to monitor the Operational Boundary on a daily basis, and that sufficient authorisation is in place to take whatever action is necessary to ensure that, in line with the Treasury Management Strategy, the cash flows of the County Council are managed prudently.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together.

Consistent with the Authorised Limit, the Chief Financial Officer has delegated authority, within the Total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-Term Liabilities. Any such changes will be reported to the next Cabinet meeting following the change.

Both the Authorised Limit and the Operational Boundary include an element relating to debt restructuring where, for the short term only, external borrowing may be made in advance of the repayment of loans. In this circumstance External Borrowing is increased temporarily until the replaced loans are repaid. The converse can also apply where loans are repaid in advance of borrowings.

The following limits for each year's Operational Boundary for gross external debt are recommended:

Operational Boundary for External Debt

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
External Borrowing	640.0	730.0	770.0	780.0
Other Long-Term Liabilities	10.0	10.0	10.0	10.0
Total Operational Boundary	**650.0**	**740.0**	**780.0**	**790.0**

Actual External Debt

The County Council's actual external debt as at 31/03/21 was £528.0 million, comprising £528.0 million External Borrowing and £0 (zero) Other Long-Term Liabilities.

PRUDENCE (TREASURY MANAGEMENT AND TM CODE INDICATORS)

Gross Debt and the Capital Financing Requirement

This Prudential Indicator provides an overarching requirement that Debt does not exceed the Capital Financing Requirement for current, coming and subsequent 2 financial years. Where Gross Debt is or projected to be greater than the Capital Financing Requirement, the reasons for this would be clearly stated in the Treasury Management Strategy Statement.

The table below analyses the actual and projected Gross Debt against the Capital Financing requirement as at the 31st of March over the previous, current and coming Financial Years. It is not anticipated that there shall be any difficulty in complying with this Indicator over the medium term. The Gross debt projections below are just a guide, the actual gross debt may vary within the limits as defined.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Gross Debt	**527.3**	**608.3**	**646.9**	**659.0**
Capital Financing Requirement	**625.7**	**706.1**	**748.2**	**763.7**
Ratio of Gross Debt to the Capital Financing Requirement	**84.2%**	**86.2%**	**86.5%**	**86.3%**

The following prudential indicators have been taken into account in the 2022/23 Treasury Management Strategy.

Fixed and Variable Interest Rate Exposures

The Prudential code no longer requires the County Council to monitor its Fixed and variable rate interest exposure. However, the Council shall aim to ensure that sums borrowed at Fixed and variable rates shall not exceed the following:

Upper limits for net principal sums outstanding at fixed and variable rates

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Net Principal sums Outstanding at Fixed Rates	**733.0**	**753.0**	**753.0**	**753.0**
Net Principal sums Outstanding at Variable Rates	**219.9**	**225.9**	**225.9**	**225.9**

This represents the position that all of the County Council's authorised external borrowing could be at a fixed rate at any one time and up to 30% of its borrowing could be at a variable rate.

Maturity Structure of Borrowing

It is recommended that the County Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Period of Maturity	Upper Limit %	Lower Limit %
Under 12 months	**14**	**0**
12 months and within 24 months	**13**	**0**
24 months and within 5 years	**5**	**0**
5 years and within 10 years	**10**	**0**
10 years and above	**58**	**25**

Investments for longer than 364 days

It is recommended that the County Council sets an upper limit of total principal sums invested for periods longer than 364 days of £25 million for 2022/23, 2023/24 and 2024/25.

The Council may hold non-treasury investments for periods longer than 364 days, in assets other than financial instruments. The sums invested in this manner shall not exceed £25m at any one time for 2022/23, 2023/24 and 2024/25.

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT

Introduction

On the 28 February 2008 the Department for Communities and Local Government issued statutory guidance under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 that came into force on 31 March 2008.

The statutory guidance recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to full council. The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year.

The MRP is an amount of revenue money set aside each year for the repayment of external borrowing required to finance capital expenditure.

MRP should normally commence in the financial year following the one in which the expenditure, to be financed from borrowing, was incurred.

The regulations include a change to the way MRP is calculated by replacing the detailed formulae for calculating MRP with a duty to make an amount of MRP which the authority considers "prudent".

Meaning of "Prudent Provision"

The broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The guidance specifies four options as methods of making prudent provision as follows:

> **Option 1**: Regulatory Method - where debt is supported by Revenue Support Grant, authorities will be able to continue using the current methodology. As a transitional measure this option is also available for all capital expenditure incurred prior to 1 April 2008.
>
> **Option 2**: CFR Method - multiplying the Capital Financing Requirement at the end of the preceding year by 4%
>
> **Option 3**: Asset life Method - amortising expenditure over an estimated useful life for the relevant assets created.
>
> **Option 4**: Depreciation Method – making charges to revenue based on proper accounting practices for depreciation as they apply to the relevant assets.

Options 1 and 2 may only be used in relation to capital expenditure incurred before 1 April 2008 and capital expenditure incurred on or after that date which forms part of supported capital expenditure.

For unsupported capital expenditure incurred on or after 1 April 2008 Options 3 and 4 apply and can be applied to all capital expenditure, whether or not supported and whenever incurred.

MRP Policy relating to capital expenditure financed from borrowing

Taking into the need to make prudent provision the Chief Financial Officer recommends that Option 3 is used for all capital expenditure financed by borrowing for the calculation of MRP commencing from 1 April 2017. The calculation is to be made using the annuity method.

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year.

The revised codes will have the following implications:

- A requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement.
- Clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment.
- Address Environmental, Social and Governance (ESG) issues within the Capital Strategy.
- Require implementation of a policy to review commercial property.
- Create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- Ensure that any long-term treasury investment is supported by a business model.
- Amendment to Treasury Management Practice Statement 1 to address ESG policy within the treasury management risk framework.
- Amendment to the knowledge and skills register for individuals involved in the treasury management function.
- A new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes:

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e. that 'losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

Members will be updated during the next financial year on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 Treasury Management Strategy report.

Minimum Revenue Provision (MRP) consultation

In addition, the DLUHC is currently conducting a consultation on amending the MRP rules for England that will also come into effect, if agreed, on the 1st April 2023. Members will be briefed on the outcome of this consultation, but it could have a negative revenue impact for capital loans to third parties.

Pay Policy Statement

Introduction and Purpose

The purpose of this policy is to clarify the County Council's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay and to provide the citizens of Worcestershire with a clear statement of the principles underpinning decisions on the use of public funds.

Under section 112 of the Local Government Act 1972, the Council has the power to appoint officers on such reasonable terms and conditions, including remuneration, as the authority thinks fit. This Pay Policy Statement (the 'statement') sets out the Council's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying;

- the methods by which salaries of all employees are determined;

- the detail and level of remuneration of its most senior staff i.e., 'chief officers', as defined by the relevant legislation;

- the Panel responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and for recommending any amendments to the statement to the full Council.

Once approved by the full Council, the statement will come into immediate effect and will be published by no later than 1 April each year, subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes, but is not an exhaustive list, the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality-proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

The purpose of pay is to encourage staff with the appropriate skills to seek to work for the County Council and then to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.

Based on the application of job evaluation processes, the Council uses the nationally negotiated pay spine as the basis for its local grading structure (known as the main salary scale). This determines the salaries of the majority of the workforce, together with the use of other nationally defined rates where relevant. In common with the majority of authorities, the Council is committed to the Local Government Employers national pay bargaining framework in respect of the national pay spine and any annual associated cost of living increases negotiated with the trade unions.

Any other pay rates are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources.

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2022[1]. Salaries quoted are based on the full time equivalent (FTE) of 37 hours per week. The Council since April 2011 has adopted a maximum of 35 hours per week for new appointments and corresponding salaries are shown in brackets. Currently 24 of the chief officers as defined within S43 of the Localism Act are employed on a 35 hour per week contract. Table 1 lists the 32 chief officer posts as defined within S43 of the Localism Act that make up 1.09% of the 2931[2] people employed by the County Council (excluding schools).

Table 1: Chief Officer posts

Title	Grade	Pay range minimum	Pay range maximum	Incremental points
Chief Executive (35 hours per week)	Chief Executive	(£164,668)	(£185,390)	4
Strategic Director for People (Includes a Market Forces Supplement)	Director	£130,015 (£123,353)	£142,332 (£135,005)	6
Strategic Director of Economy & Infrastructure Strategic Director of Commercial and Change	Director (2 posts)	£123,229 (£116,567)	£135,546 (£128,219)	6
Chief Financial Officer (Includes a Pay Supplement of 15%)	Assistant Director 1	£104,100 (£99,234)	£113,234 (£107,873)	n/a
Director of Public Health (Includes a responsibility allowance of 18%)	Assistant Director 1	£106,914 (£102,048)	£116,048 (£110,687)	6

[1] *Data to populate this was run on 4th November 2021 based on Chief Officers in post and expected to be in post with effect from 1st April 2022*

[2] *Refers to the staffing count as at 4th November 2021 which includes all permanent, temporary and relief/casual/sessional employees (as/when required) excluding Schools. The 2021 NJC award is currently being negotiated. The rates above are those effective from 1st April 2020*

Assistant Director for Legal & Governance (Includes a responsibility allowance of 10%)	Assistant Director 1	£99,410 (£94,544)	£108,544 (£103,184)	6
Assistant Director for Adult Social Care Assistant Director for Communities Assistant Director for Economy, Major Projects & Waste Assistant Director for Highways, Transport & Operations Assistant Director for Human Resources, Organisational Development & Engagement Assistant Director for People Commissioning Assistant Director for Integration & Service Development	Assistant Director 1 (7 posts)	£90,030 (£85,164)	£99,164 (£93,803)	6
Head of Finance Assistant Director for IT & Digital Assistant Director for Transformation & Commercial	Assistant Director 2 (3 posts)	£84,556 (£79,985)	£93,680 (£88,616)	6
Public Health Consultant*	Public Health BAND 9	£77,850	£98,453	6
Public Health Consultant* (Includes a Market Forces Supplement)	PO7 + MFS (7 posts)	£75,674 (£72,277)	£79,519 (£75,914)	n/a
Chief Accountant* Head of Communications and Engagement* Head of Human Resources Operations and Employee Relations* Programme Manager*	PO7 (4 posts)	£62,836 (£59,439)	£66,681 (£63,076)	4
Chief Auditor* (Includes an Honorarium)	PO6 + Honorarium	£59,150 (£56,090)	£62,517 (£59,277)	4
Finance Manager - Pensions Treasury & Capital*	PO6	£56,579 (£53,519)	£59,946 (£56,706)	4
Public Health Service Manager*	PO5	£50,716 (£47,975)	£53,926 (£51,010)	4

*These posts are not Chief Officer posts as defined by the County Council's constitution but meet the definition of S43 Localism Act.

For information, the main salary scale covering most of the workforce, is shown in Table 2 in the Appendices. The number of posts in each grade is also shown in Chart 1 in the Appendices.

Recruitment of Chief Officer Related Posts

The Council's policy and procedures with regard to recruitment of chief officer related posts is set out within the Constitution which can be accessed at *http://www.worcestershire.gov.uk/info/20088/about_your_council/83/the_councils_constitution*. When recruiting to all posts the Council will take full and proper account of its own policies and procedures. The determination of the remuneration to be offered to any newly appointed chief officer related position will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies. Currently we have 2 posts (8 post holders) receiving a market forces supplement.

Where the Council remains unable to recruit to chief officer related posts under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive chief officer related post, the Council will, where necessary, consider engaging individuals under ‘contracts for service’. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. Currently the Council has no interim chief officer related positions under such arrangements.

Additions to Salary of Chief Officer Related Posts

The Council does not normally apply any bonuses or performance related pay to its chief officer related posts. However progression through the incremental scale of the relevant grade is subject to satisfactory performance, which is assessed on an annual basis.

In addition to basic salary, the Council may pay other elements of ‘additional pay’ which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties, which could include returning officer fees or responsibility allowances. This list is not exhaustive. The Council currently pays three additional responsibility allowances, one of which is paid to the Chief Financial Officer, one to the Director of Public Health and one to the Assistant Director for Legal & Governance. The Council currently pays one honorarium to the Chief Auditor.

Payments on Termination

The Council’s approach to discretionary payments on termination of employment of chief officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

In 2011 the Council introduced a ceiling of £50,000 on redundancy payments for all employees.

Publication

Upon approval by the full Council, this statement will be published on the Council’s Website. In addition, the Council's Annual Statement of Accounts will include a note setting out the number of staff whose total remuneration is at least £50,000 and for chief officer posts it will show the amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- employers contribution to the person's pension
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

Lowest Paid Employees

The Council since April 2011 has adopted a maximum of 35 hours per week for new appointments. The lowest paid persons employed under a contract of employment with the Council are employed on 35 hour per week in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1st April 2021[3] this is £16,878 per annum. The Council employs Apprentices who are not included within the definition of 'lowest paid employees' as the terms and conditions are determined by the National Apprenticeship Service.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that "it would not be fair or wise for the Government to impose a single maximum pay multiple across the public sector". The Council accepts the view that the relationship to median earnings is a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

The current pay levels within the Council define the multiple between the lowest paid (35 hours per week) employee and the Chief Executive (35 hour per week) as 1:10.98 and; between the lowest paid employee (35 hours per week) and average chief officer as 1:4.95. The multiple between the median (average) full time equivalent earnings and the Chief Executive (35 hours per week) is 1:7.77 and; between the median (average) full time equivalent earnings and average chief officer is 1:3.50.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

Re-engagement and Re-employment of former Chief Officer Related Posts

Other than in exceptional circumstances the Council would not normally re-employ or re-engage chief officers who were previously employed by the Council and who on ceasing to be employed, received severance or redundancy payment.

Accountability and Decision Making

In accordance with the Constitution of the Council, the Appointments Etc Panel is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to chief officer positions within the Council. Overall, the Council aims to maintain a mid-market position on chief officer pay in comparison to similar authorities.

FOR OFFICE USE ONLY
Res/HR/BAC: Prepared 25 January 2012
Approved by Council 16 February 2012

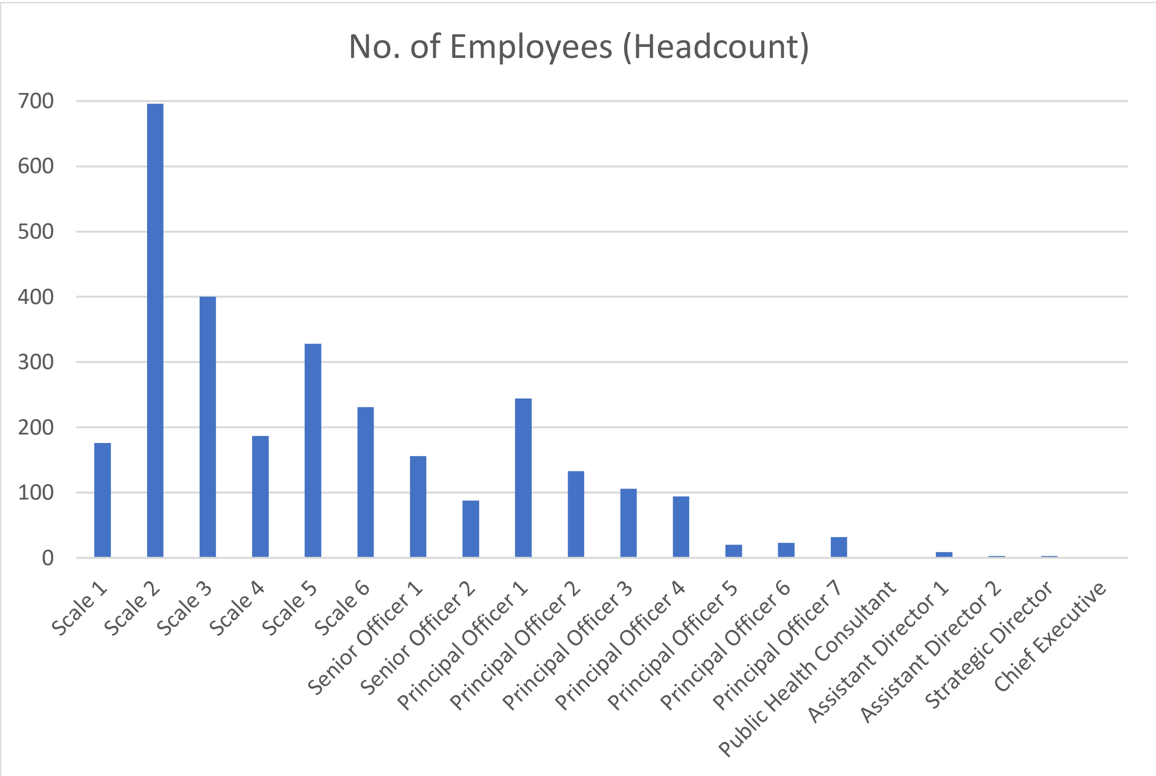
[3] *Refers to pay structure at 4th November 2021. The 2021 NJC award is currently being negotiated. The rates above are those effective from 1st April 2020*

Res/HR/BAC: Updated 17 January 2013
Approved by Council 14 February 2013
Res/HR/BAC: Updated 29 January 2014
Approved by Council 13 February 2014
COaCH/HR/BAC: Updated 20 January 2015
Approved by Council 12 February 2015
COaCH/HR/BAC: Updated 13 January 2016
Approved by Council 11 February 2016
COaCH/HR/BAC: Updated 13 January 2017
Approved by Council 9 February 2017
COaCH/HR/BAC: Updated 25th January 2018
Approved by Council 15 February 2018
COaCH/HR/BAC: Updated 14 January 2019
Approved by Council 14 February 2019
CEU/HR/BAC: Updated 16 January 2020
Approved by Council 13Febraury 2020
CEU/HR/SH: Updated 4 January 2021
Approved by Council 18 February 2021
CEU/HR/JL: Updated 4 January 2022

Table 2: Other main salary grades from April 2021* based on 37-hour full time equivalent (35-hour full time equivalent shown in brackets)

Grade	Pay range minimum	Pay range maximum	National Pay spine Points
Scale 1	£17,842 (£16,878)	£18,198 (£17,214)	1 – 2
Scale 2	£18,562 (£17,559)	£ 18,933 (£17,910)	3 – 4
Scale 3	£19,312 (£18,268)	£19,698 (£18,633)	5 – 6
Scale 4	£20,092 (£19,006)	£21,748 (£20,572)	7 – 11
Scale 5	£22,183 (£20,984)	£24,491 (£23,167)	12 – 17
Scale 6	£24,982 (£23,632)	£27,041 (£25,579)	18 – 22
SO1	£27,741 (£26,241)	£29,577 (£27,978)	23 – 25
SO2	£30,451 (£28,805)	£32,234 (£30,492)	26 – 28
PO1	£32,234 (£30,492)	£34,728 (£32,851)	28 – 31
PO2	£35,745 (£33,813)	£38,890 (£36,788)	32 – 35
PO3	£39,880 (£37,724)	£42,821 (£40,506)	36 – 39
PO4	£45,610 (£43,144)	£49,186 (£46,527)	40 – 43
PO5	£50,716 (£47,975)	£53,926 (£51,010)	44 – 47
PO6	£56,579 (£53,519)	£59,946 (£56,706)	48 – 51
PO7	£62,836 (£59,439)	£66,681 (£63,076)	52 – 55

Chart 1: Staff Distribution Across Grades



Notes:

Chart 1 above refers to the staffing count as at 4th November 2021 which includes all permanent, temporary and relief/casual/sessional (as/when required) employees excluding maintained Schools. Table 3 overleaf shows a breakdown of the staffing numbers with percentages per grade.

Table 3: Staff distribution across grades[4]

Grade	No. of Employees (Headcount)	Percentage (%)
Scale 1	176	6.00%
Scale 2	696	23.75%
Scale 3	400	13.65%
Scale 4	187	6.38%
Scale 5	328	11.19%
Scale 6	231	7.88%
Senior Officer 1	156	5.32%
Senior Officer 2	88	3.00%
Principal Officer 1	244	8.32%
Principal Officer 2	133	4.54%
Principal Officer 3	106	3.62%
Principal Officer 4	94	3.21%
Principal Officer 5	20	0.68%
Principal Officer 6	23	0.78%
Principal Officer 7	32	1.09%
Public Health Consultant	1	0.03%
Assistant Director 1	9	0.31%
Assistant Director 2	3	0.10%
Strategic Director	3	0.10%
Chief Executive	1	0.03%
Grand Total	**2931**	**100%**

[4] *Refers to the staffing count as at 4th November 2021 which includes all permanent, temporary and relief/casual/sessional (as/when required) employees excluding Schools*

Appendix 6

Public Health ring fenced grant proposed spending

Strategic Functions

Strategic Functions	BUDGET 22/23
Public Health Team	3,107
Medicines Management	32
PH Recharges	328
Commissioning and Finance Support	335
Instant Atlas	15
Joint Funded Apprenticeship Scheme	60
Suicide Bereavement	35
Total	**3,912**

Adults Universal Prevention Services

Adults/Universal Prevention Services	BUDGET 22/23
Lifestyle Services	350
Community Engagement	60
Smoking in Pregnancy	164
Smoking	118
Health Checks	670
Walking for Health	25
Worcestershire Works Well	55
Obesity, Diet, Exercise	20
Carers Support	617
Stroke Contract	90
Info & Advice Contracts	250
Connect Services	312
Fluoridation	268
Healthwatch	275
Local Reform and Community Voice Grant	-224
Quell	120
MECC (Health Chats)	48
Time to Change	25
Substance Misuse Contract	3,942
DIP Grant	-106
Support at Home	49
Social Prescribing	100
Loneliness Service	150
Strength and Balance	90
Warmer Worcestershire	53
Adults Housing Support	100
Oral Health	50
LD Reablement	60
Promoting Independent Living Service	273
Sexual Health Transformation	300
Sexual Health - GUM Out of Area	300
Sexual Health (WHCT)	4,458
Total	**13,062**

Children’s Prevention Services

Children’s Prevention Services	BUDGET 22/23
Children's Targeted Family Support	850
Youth Services	595
CDOP	15
Young Adult Carers	35
Family Safeguarding Model	125
Dawn's Project	75
0-19 Health Services – Starting Well	12,328
Social Mobility Project	91
Total	**14,114**

Adults Universal Services

Adults Universal Services	BUDGET 22/23
Workplace Wellbeing including Flu & Immunisation	190
Libraries Service	998
Countryside Service	295
Quality Assurance and Compliance	132
Quality Improvement	140
Trading Standards	706
Planning Service	70
Adult Learning	211
Coroners & Registrars	130
3 Conversation Model	291
SENDIASS	74
Road Safety	109
Total	**3,346**

Total Expenditure and Funding	BUDGET 22/23
Total Public Health Spend (above)	**34,434**
Funded by:	
Expected Ringfenced Grant (assumes 1% Inflation)	30,669

Funded from Public Health Reserves	3,765
Total Funding	**34,434**

Appendix 7

Commentary from Overview and Scrutiny Performance Board and other groups

Will be added here

worcestershire
countycouncil

Appendix 8

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 2022/23.
DSG	**Dedicated Schools Grant**	The grant is paid in support of the local authority's school's budget. It is the main source of income for the school's budget. 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.
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.

Report from Overview and Scrutiny Performance Board to Cabinet 3 February 2022

Budget Scrutiny 2022/23 – Scrutiny comments (discussed at the January 2022 Scrutiny Meetings).

The Overview and Scrutiny Performance Board considered the comments from each of the Scrutiny Panels (except Health Overview and Scrutiny) relating to the draft budget approved for consultation by Cabinet on 6 January 2022.

The comments came from a rigorous scrutiny process, in particular of the revenue budget, and the Board is grateful to the officers and witnesses who enabled this scrutiny to take place in a tight timescale.

<u>Adult Care and Well Being Overview and Scrutiny Panel (14 January 2022)</u>

The Panel heard that there were £17.1m pressures, which would be funded by the 3% Adult Social Care Council Tax Precept of £8.1m, the increase in the social care grant of £3.5m, the increase in the Improved Better Care Fund income of £0.5m and the Market Sustainability and Fair Cost of Care Fund of £1.6m. The funding to be bridged was £3.4m and the potential for joint funding with health was being explored.

The Panel appreciated the clarity of the budget presentation which picked out the salient points of the budget report to Cabinet.

During the discussion, the following main points were noted:

- In response to a query about the Council's rationale for the apportionment of the Adult Social Care Levy which, when Government had announced it, had said could be spread across 2021-23, capped at 3%, the Cabinet Member with Responsibility (CMR) for Adult Social Care explained that as a 2% increase in 2021/22 had not in fact been needed but in view of projected increased pressure on budgets further down the line, it was felt that the approach to opt for 1% in 2021/22 and a further 2% levy be applied for 2022/23, was the sensible approach. The Chief Financial Officer advised that nationally, there had been a 50/50 split between some Council's taking the same approach as Worcestershire or taking 3% at the start of the period.
- The Panel discussed with the CMR and Council's officers, the fact that a significant proportion of the Government's settlement for adult social care is in the form of grants. It is understood that many grants have been renewed/rolled over for several years because of the delays in the Government's plans to reform adult social care funding, which is an unsettling situation when planning services. The Adult Social Care Reform White Paper was recently published for Consultation; however the ensuing transition will be a key risk to local authorities.
- The adequacy of the budget and whether there would be any savings incurred from increasing the use of IT and assistive technology when planning for individual care needs was discussed. Officers confirmed that, in order to retain an individual's independence, the Council would always consider low level technology early on in the process. Officers also worked with health and district partners closely throughout the planning process. The CMR hoped that the increased use of technology would result in cost saving but thought that

there were limitations. The increased role and cost benefit of assistive technology to support people's independence and to complement the role of staff was added to the Panel's work programme.

- It is observed that any impact from the Integrated Care System development on budgets is not anticipated during the first year.
- The CMR outlined that following the recent publication of the Adult Social Care Reform White Paper (which is broadly in step with the Council's approach) the Council would be looking to update its 2018 Strategy and link with the new Corporate Plan.

Children and Families Overview and Scrutiny Panel (11 January 2022)

The Panel was advised that the full-year Worcestershire Children First (WCF) Budget was £134.9m gross, of this £109.143m related to the Council's base budget contribution to the total running costs of WCF, £23.319m related to other funding and £2.459m related to non-County Council sales, fees and charges.

Over half of the WCF Budget was the 'demand led' placements and home to school transport budgets. There was a risk that the placements budget for 2022/23 could exceed the budget by £2-3m and that this was being mitigated by a £1.9m risk reserve. Close monitoring of the situation would be maintained during the year and prompt action would be taken if required.

During the discussion, the following main points were discussed:

- For 2022/23 WCF would in part be funded by further use of Social Care Grant as well as a new one-off Services Grant.
- The Panel was informed of an additional allocation of £7.1m to the High Needs Block in 2022/23 which is Worcestershire's share of the national £780m announced in October 2021 and a further £325m announced in the settlement to support High Needs placement and top up pressures being experienced by all local authorities.
- The above would support some of the ongoing significant cost pressures in the High Needs Dedicated Schools Grant (DSG), however, it was highlighted that it would not eliminate the deficit of around £16m which would need to be carried forward into 2022/23. The Panel was advised of the key risk associated with the expectations of the Government when the statutory instrument comes to an end, that being the position for the 2023/24 financial year. The Council is continuing to actively lobby on this matter.
- It was highlighted that £1.3m had been included in the WCF 2022/23 budget for pay inflation. The 2021/22 pay award had not yet been settled, but the Panel was advised that 3% *(an estimated 1.75% for 2021/22 and 1.25% for 2022/23)* was deemed to be a realistic increase in budget, in line with the approach of other local authorities. The Panel wished to be kept informed of the negotiations.

Corporate and Communities Overview and Scrutiny Panel (17 January 2022)

A summary of the 2022/23 draft budget was presented to the Panel, which highlighted that the proposals included pressures of £44.2m. Of particular interest was £6.2m of pay inflation, £4m of contract inflation and £28.2m of net service demand. Within the remit of the Panel, £0.4m was specifically due to service demand within the Directorate of Commercial and Change and Chief Executive's Unit. To achieve a balanced budget, the £44.2m pressures were to be funded mainly through Council Tax and Adult Social Care Levy, Settlement Grant and Directorate and Corporate efficiencies.

During the discussion on pressures and efficiencies related to the remit of the Panel, the following points were noted:

Corporate Areas

- Investment of £200k in Information Communication Technology (ICT) was required to support key systems affecting Adult and Children's services and £100k investment for Human Resources (HR) support of the Social Work Academy
- Senior Leaders were challenging Officers on non-essential spend and promoting good housekeeping
- It was anticipated that demand and inflation be mitigated by service efficiencies, including contract savings. One example was given whereby discussions with the NHS were taking place in relation to discharge into social care
- £5.1m of corporate savings related to the continuation of the Organisational Design target set in 2020/21, including the way in which the Council worked were also included
- The Panel was concerned about the Council's proposal for £6.2m for pay inflation given that a resolution on the national pay award had not yet been reached. Alongside this, recruitment continued to be a concern, especially in specialist roles such as Finance, HR and ICT. It was reported that London authorities had advertised roles based on remote working, yet included salary based on London weighting. The Panel was supportive of the Cabinet Member lobbying Govt about this concern
- The Panel was aware that the Cabinet Member encouraged succession planning across the organisation, including the expansion of Apprenticeship schemes
- When asked whether the Council was proactive in bid writing and seeking grants, it was reported that there was a good record of activity, however the Strategic Director acknowledged that more could always be done
- There was general concern about the Government funding review, at this stage parts of the allocation are based upon data going as far back as 2001, and thus any review of this will bring both opportunities but also associated risks. Likewise, there was concern about the White Paper on Adult Social Care, which proposed that residents who were self-funders would be able to access Local Authority negotiated rates, likely resulting in market rates for care levelling out.

Communities (budget within the People Directorate, remit of the Panel)

- Proposals included a £2m investment into the Here2Help scheme
- Additional £1m demand relating to pay inflation and general inflation
- The savings of £0.9m are as a result of income generation and the continuation of the library strategy e.g. 'open libraries' and partner agencies utilising buildings. Also library use was changing and evolving following the COVID-19 pandemic.

When asked about the resilience of the draft Budget the Chief Financial Officer was clear that he had a duty to present a robust and deliverable draft Budget and was confident that there should be no surprises due to the rigour of monitoring throughout the year.

The Cabinet Member supported the draft Budget and the Panel agreed with the proposals put forward.

Economy and Environment Overview & Scrutiny Panel (20 January 2022)

In summary, the Panel was advised that the proposed 2022/23 budget for Economy and Infrastructure included investment of £2.7m and an allocation of £2.635m to cover inflation (pay and contract) and waste management growth, making a total for investment and inflation of £5.335m. This was offset by use of waste reserves of £1.545m, and savings and efficiencies of £0.853m to give a net investment of £2.937m.

The proposed net 2022/23 budget for Economy and Infrastructure is £56,843,000. The additional revenue is to help fund the following improvements:

- More highway liaison officers to help progress member concerns
- Extra highway response teams to tackle local issues
- An uplift in the budget for the Parish Lengthsman
- Enhanced public transport budget
- Highway & Transport contact centre open 7am-7pm weekdays
- Increased resources for economic development & sustainability

In addition, there was £65.5m new and additional capital investment for 2022/23 and 2023/24. This includes the following additional capital programme allocations per year for the next 2 years:

- £6 million extra for resurfacing roads (on top of the existing £6m capital/year)
- £4 million more for improving the condition of pavements
- £3 million to accelerate the roll out of LED streetlights
- £1 million for highway drainage & flood mitigation
- £1.25 million for the Local Members Highways Fund
- £500k for small scale cutting congestion projects and new pedestrian crossings
- £2m for Rail station upgrades \ parking

The Panel felt this was a great budget and welcomed the investments across the board in the areas that mattered to residents and areas about which the Panel had previously expressed concern, including small flood alleviation schemes, footways and Public Rights of Way. During the discussion, the following points were noted:

- It was important to ensure better communications with Members and local residents about projects. The One.Network interactive map was a useful tool to show where there are roadworks, but a more in-depth system was needed to keep Members informed about upcoming projects in their local area; for example, which roads, and which pavements were planned to be resurfaced.

The Panel requested an update on Highway's communications at a future meeting.

- The Panel welcomed the acceleration of the ongoing investment in the rollout of LED street lighting which will reduce the Council's carbon footprint. They were also particularly pleased to hear that a Worcestershire company was being used to supply the LED lamps. Members requested an update on Street Lighting at the Panel's March meeting.
- The Panel was pleased to hear that the extension of the Waste Contract would be signed before the end of the current financial year and savings would be achieved. They asked for an update on this at a future Panel meeting.
- The increase in funding for the Public Rights of Way Team was welcomed. However the panel did stress that recruitment of more Countryside Access volunteers must be made a priority to make the most use of additional funding. The volunteers help install new gates, footbridges, stiles, footpath signs and general upkeep of paths.

Overall, the Panel welcomed the budget proposals. The Chairman wished to thank the Cabinet Members and the Officers for their help and assistance.

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CABINET
03 FEBRUARY 2022

MENTAL HEALTH AFTERCARE ARRANGEMENTS AS REQUIRED UNDER SECTION 117 OF THE MENTAL HEALTH ACT 1983

Relevant Cabinet Member
Councillor Adrian Hardman

Relevant Chief Officer
Strategic Director of People

Local Member(s)
N/A

Recommendations

1. **The Cabinet Member for Adult Social Care recommends that Cabinet:**

   a) approves the joint policy for section 117 mental health aftercare; and

   b) authorises the Strategic Director of People, in consultation with the Cabinet Member for Health and Wellbeing and the Director of Children's Services, to make all operational decisions to ensure implementation of the policy and operating procedure, agreeing any operational changes to the documents, including those arising from case law, as required for their implementation.

Background:

2. Section 117 of the Mental Health Act 1983, as amended, requires clinical commissioning groups (CCGs) and local authorities, in co-operation with voluntary agencies, to provide or arrange for the provision of after-care services to individuals detained in hospital for treatment under sections 3, 37, 45A, 47 or 48 of the Act who then cease to be detained.

   Prior to April 2021, Mental Health Social Care and s117 responsibilities were delegated to Hereford and Worcestershire Health and Care Trust under an agreement pursuant to a Section 75 NHS 2006 (s75 agreement.) Whilst there was an agreed s117 policy with 50:50 funding arrangement between the Council and the relevant CCGs in Worcestershire this only applied to eligible working aged adults and older people. This funding arrangement and s117 policy did not expressly apply to people with a Learning Disability or Children's resulting in one or other of the partner agencies meeting the s117 needs of those people and funding the s117 aftercare package. A review of partnership arrangements for

Adult mental health undertaken in 2019 led to termination of the s75 agreement in April 2021.

This review also identified that there was also no monitoring of compliance and assurance that aftercare services were delivered consistently to all those who are entitled to these services.

This also led to the Council having lack of certainty as to the appropriate spending commitments arising from its section 117 duties.

Key considerations

3. The arrangements proposed in this report relate to the care and support people may need to help with their mental health after they have been discharged from compulsory detention in hospital. The law recognises that these aftercare needs may be particularly significant where someone has been detained in hospital for a period of time, more than 28 days. This applies to both adults and children and the care people need can be varied and may last for an indeterminate length of time. Individuals who are eligible for aftercare services under s117 will remain eligible until a decision by both the CCG and the local authority is taken to with draw aftercare following a reassessment of need.

4. Section 117 of the Mental Health Act 1983, as amended, requires clinical commissioning groups (CCGs) and local authorities, in co-operation with voluntary agencies, to provide or arrange for the provision of after-care services to individuals who are ordinary resident in the local authority's area and who are detained in hospital for treatment under sections 3, 37, 45A, 47 or 48 of the Act who then cease to be detained. Section 3 concerns treatment of mental health needs and provides that someone can be detained for up to six months initially and that the detention can be renewed. The other eligible sections of the Act all form part of the criminal justice provisions and concern detention or transfer whilst detained, Section 37 being the most commonly used.

5. The great majority of people detained under the Mental Health Act 1983 are detained only for up to 28 days, under section 2 for assessment, and so are not eligible for aftercare under section 117. Of those people who are eligible for aftercare, most have been detained for treatment under section 3.

The relevant forms of detention are as follows;

Section 3	Detained in hospital for treatment
Section 37	Admitted to hospital by an order of the Court
Section 45A	Admitted to hospital by a direction of the Court
Section 47	Removal to hospital of a person serving sentence of imprisonment
Section 48	Removal to hospital of other prisoners

6. The Mental Health Act Code of Practice paragraph 33.2 defines section 117 aftercare services as having the purpose of:

a. *meeting a need arising from or related to a person's mental health disorder at the time of their detention; and*

b. *reducing the risk of a deterioration of the person's mental health condition and so reducing the risk of a person requiring re-admission for treatment for mental disorder at the time of their original detention.*

7. Generally, these duties have been understood and followed appropriately by Worcestershire County Council and the CCG, but the existing policy does not outline clearly the responsibilities and expectations of all partners including the funding arrangements under section 117, as set out in the Mental Health Act 1983 and subsequently amended under the Care Act 2014.

8. Since the autumn of 2020, the Council has been working with Herefordshire and Worcestershire CCG, Herefordshire and Worcestershire Health and Care Trust (HWHCT) and Herefordshire Council to review and develop a new section 117 policy, and Standard Operating Procedure (SOP). Work has also been undertaken to clarify arrangements for quality assurance purposes and maintaining a joint register of all individuals who are entitled to s117 aftercare. The draft policy is a joint policy between Worcestershire County Council, NHS Herefordshire and Worcestershire Clinical Commissioning Group and Herefordshire and Worcestershire Health and Care NHS Trust. Herefordshire Council has its own similar joint policy.

9. The draft Worcestershire joint section 117 policy and associated SOP clearly set out the legal framework for section 117 aftercare, the duties imposed on health and social care, with details of how each agency is required to fulfil its obligations to people.

10. It is important to note that not every person who becomes eligible for section 117 aftercare services will actually need them at the point of being discharged from hospital, while others may decline an offer of aftercare support. This does not mean that the Council or CCG no longer have a responsibility to provide aftercare services, if the situation changes over time. As a consequence, there will always be some disparity between the numbers of people who are recorded as being entitled to aftercare, and the actual number who are receiving aftercare services.

11. As a result of the new arrangements, people will receive the benefit of;

a. *An agreed aftercare plan- provided in writing to all parties*

b. *Clarity and assurance that the agreed care and support will be arranged and funded*

c. *Clarity on the professional network responsible for the plan with a named lead and review timescales for the agreed aftercare plan.*

d. *Clear and concise information and advice*

Individuals receiving aftercare services will be reviewed by NHS and or Social Care professionals depending on their needs and their agreed discharge plan. Aftercare plans and services may alter over time, depending on any reduction or increase in need for after care services.

12. Aftercare services can be very wide ranging and may include nursing or residential care, supported living, Shared Lives placements, domiciliary care or daytime services, as well as support arranged through direct payments. As of September 2021, there were 159 people receiving aftercare services for whom Worcestershire Council was making a financial contribution. There were eight young people under the age of 18 eligible for aftercare under section 117, six of whom were 16 years or above.

13. Charges cannot be made by the council for services provided to a person under section 117. Importantly however, any services provided to the person which do not relate to their mental health condition, for example assistance with a physical disability, would be provided under the Care Act 2014, where a person has been assessed as having eligible needs under that Act and so a financial contribution toward the cost of that care may be required.

14. The CCG is responsible for the provision of clinical health aftercare services, most of this work is carried out by the local commissioned mental health provider; Herefordshire and Worcestershire Health and Care Trust (HWHCT). However, the CCG will make the final decision for the NHS with regard to services arranged under section 117.

15. The policy reflects the key elements of legislation that apply to people who are eligible under section 117 and so little of its detail is especially bespoke for Worcestershire. However, it is required under the Mental Health Act to have a local joint statement of how the law is implemented. Some of the provisions of section 117 are complex in practice, so having a policy in place will ensure compliance with legislation and assist operational and commissioning staff for health and social care in making individual decisions.

16. Some important aspects of the policy are:

a. *Section 117 applies to people of all ages and so it is important that the policy is clear and enables staff from Children and Families Services to fulfil the council's duties. Where decisions about aftercare for children are being made, appropriate representation is involved throughout the whole process.*

b. *Ordinary Residence (OR) rules govern the responsibility for funding someone's care when they relocate between council areas. OR can be a complex and problematic issue under normal circumstances, but section 117 can complicate such cases further. It is essential that staff understand the implications of section 117 for OR and responsibilities will often continue when a person moves to a different area. However, responsibilities can change if a person already subject to section 117 moves to a new area and is then subsequently detained in hospital under one of the relevant sections.*

c. *A person can be discharged from section 117 where they are assessed as no longer requiring aftercare support, but this must be a joint decision between health and social care.*
The agencies should agree that the person's mental health care needs have reduced to the point that the aftercare services are no longer required; the patient should be as fully involved as possible in this decision.

d. *Responsibility for funding aftercare services is joint between health and social care, but this section also covers the interface with continuing healthcare, funded nursing care as well as the Care Act 2014*

e. *Aftercare services can be provided from existing health and or local authority social care provisions including those commissioned by either. In more exceptional circumstances aftercare services not available through these routes but identified as required to meet need can be commissioned and consideration will be given to joint commissioning in such cases.*

f. *Funding for aftercare services can be taken as a direct payment through a Personal Budget or, in the case of health funding, as a Personal Health Budget (PHB)*

g. *The s117 Care Plan will set out the after care arrangements and other related care and support needs, so that they are clear to the individuals receiving the care and support, providing a basis from which the individual's needs and care plans will be reviewed as set out in the Standard Operating Procedures.*

17. The Standard Operating Procedure goes into greater detail including some areas not expressly included in the policy and provides a framework for good practice in Worcestershire, in line with statutory duties. It aims to ensure that staff in both the NHS and the council, are aware of their responsibilities under Section 117, highlighting expectations around the planning and provision of aftercare services.

a. *Planning for aftercare services following discharge from hospital should commence at the earliest opportunity with a joint planning meeting taking place prior to discharge. The SOP identifies who should be involved and the process for making decisions,*

b. *In assessing needs under section 117, these cannot be seen in isolation and therefore other appropriate assessments such as continuing healthcare and strengths based assessment should be completed prior to determining aftercare needs*.

c. *Under the new arrangements, all those eligible will have an aftercare plan. The care planning procedure identifies the need to share the care plan across all involved agencies who are either commissioning or providing services.*

d. *The SOP provides guidance on how and when reviews of aftercare should take place and how they should be documented and shared.*

e. *Discharge from section 117 aftercare will be appropriate in some cases and must follow guidance and direction provided to ensure the correct procedures are followed by all agencies.*

18. The Standard Operating Procedure also encompasses in more detail other parts of the Policy, so giving greater clarity around the legal framework and local procedures. Two additional elements are also covered relating to the funding of aftercare services and monitoring the effectiveness of aftercare services, including a joint register of people who are subject to section 117. These are highlighted in the document, but there will be separate terms of reference for both the monitoring group and the quality assurance panel.

19. A monitoring group is being established, comprising senior officers from Worcestershire County Council, Worcestershire Children First, CCG and HWHCT. The group's purpose is to ensure the effectiveness and efficiency of section 117 aftercare services across the system, for all ages, and ensure compliance with the joint policy.
The group's terms of reference are set out in annex 3 of the policy but some issues which the group will monitor include:

a. operational performance of section 117 services

b. the section 117 register, identifying trends, and recommending commissioning intentions

c. the continued effectiveness of the policy and SOP

d. compliance with the local policy and SOP, supported by periodical audit and review where appropriate.

20. A joint quality and assurance panel is established, meeting on a fortnightly basis to consider joint arrangements for aftercare plans and services. The panel will ensure that after care arrangements are appropriate, cost effective and comply with legal duties and responsibilities. Agreed terms of reference set out the purpose of the panel, who should attend and frequency of meetings. Specifically the panel will be responsible for considering all section 117 packages of care.

21. There are no procurement, human resources or specific ICT implications from the proposed new policy and SOP.

Legal, Financial and HR Implications

Resource implications

22. The latest reported 2021/22 forecast expenditure for Worcestershire S117 clients was c£24.6 million. Approx. £0.8 million is funded via the Better Care Fund and the remainder funded by the County Council and the CCG. The County Council's element (60%) equates to c£14.3m, with the CCG funding the balance (£9.5 million) The County Council's share equates to c 11% of the Adults services net budget.

23. The council's s117 spending is distributed broadly as follows:

a. *68% of the costs are spent on Residential Care/Nursing care*

b. *26% of the costs are spent on supported living*

c. *2% of the costs are spent on Direct Payments*

d. *The remaining 4% covers a range of services including domiciliary and day care services*

24. The proposed decision has no specific or immediate resources implications for the Council but will enable it in the future to monitor spending on aftercare services more closely. This monitoring will ensure that all spending is appropriate, and balance costs met under section 117 with spending on other support needs under the Care Act 2014 or other NHS funding streams such as Funded Nursing Care (FNC) or Continuing health care.

25. The arrangements will ensure that the balance of spending on section 117 aftercare services between the council and CCG is transparently fair and appropriate. In addition, they will ensure that for services provided under the Care Act and outside section 117, reasonable consideration can be given to any charging which may be appropriate. The arrangements for review under the policy and SOP will also ensure that spending continues only for as long as someone's need for aftercare services remains.

Legal implications

26. Section 117 of the Mental Health Act 1983 imposes an enforceable duty on Local Authorities and CCG's, on a joint basis, to provide and/or commission After Care Services to those individuals that meet the relevant eligible criteria. A Joint Policy provides a clear understanding between the relevant parties as to the expectation and role of each party in meeting section 117 aftercare needs. The policy also covers the process to be followed should any disagreement arise between the parties.

Risk management

27. Consideration is given to the risks / opportunities to the Council if the recommendations are declined.

Risk / Opportunity	Mitigation
<u>Risk if Policy and SOP are not approved</u> **Risk to customers** Section 117 of the Mental Health Act 1983 places a joint responsibility of the local authority and Clinical Commissioning Group to provide services to people who have previously	The policy and Standard Operating Procedure, set out clearly the legal framework and provide guidance for staff, in children's' and adult services

been detained in hospital under the 1983 Act. The intention of Section 117 is to assist recovery and help to prevent deterioration in mental health and further admissions to hospital. Without the joint policy and SOP, staff may neglect to assess needs appropriately and consequently provide services that do not meet the mental health needs of the person, which could lead to relapse and a return to hospital or, result in a legal challenge to the council.	about the steps they should follow to ensure compliance with legislation and what actions have to be taken to involve the customer in the assessment process to ensure mental health care needs are met appropriate with a focus on recovery. Additionally the Quality Assurance Panel and the Review and Monitoring Panel, will ensure proper oversight of Section 117 arrangements monitoring quality and cost effectiveness.
Legal and reputational. If the joint Section 117 Policy and Standard Operating Procedure are not approved, there is a risk that some of the council's legal obligations could be neglected, misapplied or misunderstood. This could lead to legal challenge in the courts, especially if the council was found to have failed to meet its legal responsibilities under the Mental Health Act 1983	The policy and SOP clearly set out the legal responsibilities for the council with links to the overarching legislation such as the Mental Health Act 1983 and the Care Act 2014. The documents have been reviewed by legal departments of both council and CCG to ensure the documents are fully appropriate and compliant with legislation.
System Wide Risks; Section 117 of the Mental Health Act imposes a joint responsibility on the local CCG and the local authority to provide aftercare services. In practice this also means working closely with the local mental health services provider. Without an agreed policy and procedure, this could lead to differences of opinion between organisations about how regulations and duties should be interpreted and implemented. Disputes as to funding apportionment may also arise in the absence of an agreed joint policy.	The joint Policy and SOP have been developed and written with cross agency involvement. Senior operational and commissioning officers from Worcestershire County Council, Herefordshire and Worcestershire Clinical Commissioning Group, Herefordshire and Worcestershire Health and Care NHS Trust and, Herefordshire Council have worked together to ensure system wide agreement.
Organisational; The joint Section 117 Policy and Standard Operating Procedures provide guidance and instruction for council employees. Without these documents staff, especially those who do not regularly work with people who are subject to Section 117 aftercare	The documents make very clear the expectations on staff to work within the legal framework and comply with locally agreed procedures. All staff who have any responsibilities around the implementation of Section 117 aftercare services will be expected to make full

arrangements, could inadvertently act inappropriately or unlawfully which may result in legal challenge and reputational damage.	use of these documents so that professional and legal obligations are fully met.
Risk if Policy and SOP are approved **Changes in the statutory framework through case law** Changes to the Mental Health Act and to Section 117 can occur as a result of case law. This could lead to parts of the policy and SOP being out of date or incorrect.	The Section 117 Monitoring Group will ensure that any changes to aftercare regulations as a result of case law will be identified as and when they occur and any subsequent amendments to the documents take place in a timely way.
Changes in Legislation There is likely to be a review of the Mental Health Act 1983 within the next two years which may have an impact on section 117 provisions.	The section 117 Monitoring Group will keep under scrutiny any Mental Health Act changes and ensure that the policy and SOP are updated to comply with any changes as they are implemented.

Alternative options

28. No other alternative. The existing policy which will be superseded by this proposal is no longer current and has been overtaken by various legislative developments and new case law, as well as changes in practice.

Joint Equality, Public Health, Data Protection and Sustainability Impact Assessments

Equality duty

29. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:

    A public authority must, in the exercise of its functions, have due regard to the need to: –

a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

30. An Equality Impact Assessment has been carried out to assess the impact of the Joint Policy and Standard Operating Procedure to consider how people subject to Section 117 aftercare arrangement may be affected by the introduction of these documents.

31. Taking into consideration the Equality Act 2010 and the 9 protected characteristics of Age; Disability; Gender Reassignment; Marriage & Civil Partnership; Pregnancy & Maternity; Race; Religion & Belief; Sex; Sexual Orientation, The EIA found that there would be either a neutral or positive impact as a consequence of approving these policy documents. For example, Children and young people under 18 years have very discrete needs and all arrangements need to take account of parental views, whilst ensuring that the child or young person's welfare is paramount. This will be reflected in the policy and SOP. Existing arrangements are focused on adults, so the revisions will ensure people under 18 are fully included in section 117 arrangements and their outcomes monitored.

32. A copy of the Equality Impact Assessment can be found at Appendix 3

Community impact

33. In addition to meeting statutory obligations the approval and implementation of the proposed Policy and SOP will help to ensure that all people who are entitled to aftercare services will be part of the planning process and have the opportunity to express their wishes and preferences about the care and support they receive once they have been discharged from hospital.

34. The county plan outlines three key themes of Sustainability, Connectivity and Wellbeing. The provision of the Section 117 Policy and SOP will better enable people who have been detained under the Mental Health Act 1983 to be connected and involved in decisions that impact on their wellbeing as they continue their recovery after leaving hospital. Access to universal services and supporting and connecting people to their own communities will also contribute to the ambition to protect and improve the lives of vulnerable people.

35. The introduction of a joint review and monitoring group will ensure the effectiveness and efficiency of section 117 aftercare services across the system, for all ages, and ensure compliance with the agreed policy. This will include the monitoring and review of operational performance in respect of section 117 services and, commission periodic reviews and audits of compliance with the local policy and SOP.

36. There are no specific implications of this decision for health and safety. The council and NHS partners each take steps to promote appropriate health and

safety practice in commissioning and contract arrangements for services for people with mental health needs.

37. There are no specific implications of the proposed policy or SOP for the corporate parenting responsibilities of the council and its partners. However, there will be a small number of cases of young people looked after by the council or leaving care who are eligible for aftercare after a period of detention. The revised procedural arrangements will help ensure that young people receive the right aftercare, with appropriate arrangements for its funding and review

Environmental Impact

38. Worcestershire County Council provides and purchases a wide range of services for the people of Worcestershire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Worcestershire's outstanding natural environment.

39. Approving the joint Policy and Standard Operating Procedures would be expected to have a neutral environmental impact, focused as they are on information and guidance around council activity that is already taking place.

Consultees

40. The process of developing the joint Policy and Standard Operating Procedure has taken place over a number of months with cross agency involvement. This has enabled consultation of senior officers of the CCG and HWHCT and those agencies have also engaged with experts by experience who advise them. That consultation with health partners has helped shape the draft policy and SOP overall, rather than changing or influencing any particular section or aspect.

Appendices – available electronically

- Appendix 1 Section 117: After-Care under the Mental Health Act 1983/2007 Worcestershire Joint Policy

- Appendix 2 Section 117: Aftercare under the Mental Health Act 1983/2007 Worcestershire Joint Standard Operating Procedure – Working Draft for information only

- Appendix 3 Section 117 Equality Impact Assessment

Background papers
None

Contact Points

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CABINET
3 FEBRUARY 2022

CREATION OF AN ALL AGE DISABILITY SERVICE (0-25) INCORPORATING ADULT SERVICES YOUNG ADULT TEAMS (YAT)

Relevant Cabinet Member
Cllr A Hardman
Cllr A Roberts

Relevant Chief Officer
Director of Children's Services
Strategic Director for People

Recommendations

1. **The Cabinet Member with Responsibility for Adult Services recommends that Cabinet:**

   (a) Approves the development of an All Age Disability Service (0-25);

   (b) Approves the transfer of staff resource in the Young Adult's team (TUPE) to be hosted by WCF as part of an All Age Disability Service (0-25) - Integrating SEND Team, Children with a Disability Team and Young Adults Team, to improve the customer experience and drive better short and long term outcomes;

   (c) Notes that the budget for provision and care packages remains in People Services but will be operationally managed by the new All Age Disability (0-25) service;

   (d) Delegates authority to the Strategic Director of Commercial and Change and AD for Legal and Governance in consultation with the Strategic Director for People, Director of Children's Services and Chief Finance Officer to amend the contract with WCF and performance reporting as needed to deliver the above;

   (e) Delegates authority to Worcestershire Children First to exercise, on the Council's behalf, the functions of Part 1 of the Care Act 2014 in respect of children and young people up to age 25 years with the exceptions set out in paragraph 26 of the report pursuant to s79 of the Care Act.

Background

2. The Health and Social Care Act 2012 and the NHS Mandate both make clear that NHS England, CCGs and Health and Wellbeing Boards must promote the integration of services if this will improve services and/or reduce inequality, and they should consider arrangements under section 75 of the National Health Service Act 2006, including the use of pooled budgets. The Children Act 2004 also places a duty on local authorities to make arrangements to promote cooperation with its partners (including the police, health service providers and youth offending teams and the probation services) in promoting the wellbeing of children and young people under 18 which includes safeguarding and the welfare of children.

3. It is under these national drivers that it is an expectation that the council and its independent company WCF should review and implement integration of its services where it is evident it could improve services and/or reduce inequalities.

4. This is joint venture of design and change between Worcestershire's People's Directorate and Worcestershire Children First

5. Currently the services to support children, young people and young adults is divided across four service areas. The Special Educational Needs and Disability service (SEND), managed by Education directorate within WCF, The Children's Social Care Children with Disability Team (CWD) until recently was within Children's Social Care but has been moved into Education to improve working together with SEND, Early Years SEND and the Young Adults Team (YAT) within People's Services, Adult Social Care. Each service is separately managed and although the Teams do work closely together the proposal is to structure these service areas together to further strengthen and enable a more co-ordinated and integrated offer to children, young people and their parent carers.

6. The programme is sponsored jointly by the Director for People and the CEO WCF/Director of Children's Services.

7. The new service would continue to be accountable and be delivering to the priorities and statutory duties of all the three service areas. This means for SEND it will be the lead agency for the refreshed Special Educational Needs Strategy and ensuring delivery of the Accelerated Progress Plan to address the four identified areas from the OFSTED CQC Inspection November 2021. For Children with Disability working to support and provide respite to prevent family breakdown and for Young Adults promotion of independent living, including employment and integration in local communities reducing dependency on services

8. The catalyst for the development of the Service came from a stakeholder engagement with parent carers and young people in the autumn of 2019 as part of the Special Educational Needs & Disability improvement. This followed OFSTED's SEND Inspection in 2018 that required an action plan for improvement and the SEND Strategy 2019-2021 to focus on Preparation for Adulthood. The participants made it clear there were a number of areas they found challenging, and it was difficult to get the right help at the right time as a young person prepared for adulthood and moved between Children's and Adults' services (often called transition). It has also been informed by both national and local feedback from children, young people and parent carers over time that constantly has raised the challenges of:

- Having to tell their "story" multiple times as they move between services
- Lack of information of options for adulthood
- Late planning and decision making
- A feeling of stop start as a new service becomes involved
- Being referred to another service to only be told they don't meet criteria
- Lack of local provision promoting independence
- Earlier decision on education options not linked to longer term plans for Adulthood i.e. course choice not linked to preferred employment choice.

9. This was reinforced by analysis of the data about late decision making, difficulties in timely planning for adulthood from the earliest of years and challenges of co-ordinating responses to this transition. This was despite the improvements that had been made from the creation of the Young Adults Team (People Directorate). There was also an issue of too many young people having their needs met out of the county away from family and their local community. It was clear a joint response was needed to both provide improved local provision and confidence to both parent carers and young people of the offer.

10. The focus of the review has been on improving the experiences of support and coordination through a joined up "offer" for those children and young people with disabilities and special educational needs aged 0 to 25.

11. The aim is to offer longer term life and independence planning for children and young people into adulthood. As a consequence, the individual will see diminishing experiences of a sharp change in their support at 18 years old (social care) or 25 years old (education). Support will be planned early, with individuals and their families/carers to ensure ongoing achievement and sustainment of their independence, enabling and empowering people to live their own lives, in their local community with choice and control.

12. Engagement with young people. Young people were engaged in the design of the SEND strategy and the All Age Disability service will be delivering to that Strategy.

13. The All Age Disability 0-25 Service is a direct response to an engagement exercise in the Autumn of 2019 where parent carers and young people identified "Hard to navigate the maze of teams/services" and "Need to bridge the gap between children's and adult services". Implementing the response was disrupted by the impact of COVID. By bringing the three service areas together we will be providing that single point of contact in each locality and co-ordinating our services better.

The development of the All Age Disability service has been informed and designed in response to what could be described as an “ongoing conversation” (Engagement events, complaints, national parent carer feedback) that has consistently raised concerns about having to tell their “story” more than once, multiple meetings, navigating the different teams and services, missing the aspiration of the 2014 Child and Family act of working to a single Education, Health and Care plan (EHCP). This conversation has continued with Families in Partnership, Worcestershire’s Carers Association, Preparation for Adulthood stakeholders’ group as we have been developing both the All Age Disability structure and offer.

Options Considered:

14. **Option 1** – Remain as is and improve communication and joint working. – Continued competing management priorities, absence of co-location and having a shared vision and shared accountability made this a less attractive option.

15. **Option 2** – The preferred option – To effectively deliver this as a coherent All Age Disability Service, integrating the teams is the preferred option. That is a single 0-25 Service, led by a single strategic lead, with a locality footprint of combined staff of Children with Disability (CWD), Special Educational Needs or Disability (SEND), Early Years SEND and Young Adults Team (YAT) under single management. This would provide a consistent and coherent offer with locality flexibility responding to levels of need and locality resources. By structuring to a locality footprint, it will improve local networks and community provision.

The benefits of restructuring into a more integrated service and the best way to enable a more coherent and coordinated approach from 0-25, in line with Special Educational Needs transformation changes brought in by the 2014 Children and Family Act, is by the Adult Services (People Directorate) provision being hosted under a single strategic leadership and management team alongside children’s services provision, to support early identification and planning.

16. **Option 3** – extend the reach of Young Adults Team to age 14 -25. This is not recommended as it risks fragmenting the joined-up processes in Children’s services and risks seeing preparation for adulthood as an Adults social Care responsibility, when it is best delivered holistically and everybody’s business, encouraging long term planning at every point of change or transition.

17. **Option 4** – suggested by some parent carers was to place SEND officers in the Young Adults Team. Whilst this did have the potential to meet many of the integrated and coordinated benefits of the preferred option it was not desirable in distancing SEND from Early Years, School Improvement, Education Support services and Children’s social care who will all have significant contributions to make to address the Accelerated Action Plan of supporting mainstream schools to be more inclusive and like option 3, risked seeing long term planning the responsibility of Adults service rather than shared by all involved.

Benefits

18. The identified benefits of the proposed changes are:

- They will improve the experience for young people and their families.
- They will enable better information sharing and coordination of assessments and plans for its service users.
- Build stronger relationships with the child, young person, and their families, which leads to a more person-centred approach to provide greater consistency for families and avoid information getting lost.
- Ensure preparing for adulthood can run through the entire service, with a broader and better understanding of resources/support for the 17+ cohort.
- Achieve greater collaboration and ownership of the Education Health Care Plan (EHCP) and Child and Young Person's future planning.
- Have a Locality focus for each 0-25 team, enabling better links with schools and community resources and a greater understanding of that specific local area's needs.
- By integrating the teams into a single service improve joint problem solving, be more solution focused, and increase expertise and creativity across the AAD workforce and its partners.
- Improve communication between the different disciplines and individual professionals. A reported benefit from authorities that have taken similar approaches (Knowsley, North Yorkshire)

Legal, Financial and HR Implications

19. There will be a transfer of 17.55 fte from the People Directorate to WCF. The total estimated cost of delivering the joint service is £6.35 million which is £0.2 million greater than the current combined service, to enable an improved focus on management and operational activity within the service. The additional costs to facilitate an integrated area-based model will be met from existing budgets and from efficiencies in both WCF and the People Directorate.

20. The Budgets for placements and care packages will remain for pre-18-year-olds in WCF and post-18 year olds in the Council but both will be delivered and managed through the All Age Disability 0-25 Service.

21. A contract variation will be required for WCF to accommodate the increase in cost of operation of the service undertaken by WCF with a corresponding transfer of c£0.8 million funding from the Council to WCF.

22. Young Adults Team Staff will be TUPE'd to WCF with current terms and conditions. It is not envisaged that there will be any redundancies as a result of these proposals.

23. Legal advice sought confirmed that, as there is no reduction or change in statutory criteria for accessing services it does not constitute significant change requiring formal public consultation. *Our engagement and co-production with parents will remain a key feature in our AAD services. Whilst formal public consultation is not required we are committed to hearing about the experiences, views and ideas of parents and carers and we will provide them and children and young people with opportunities to feed in their views and ideas as we develop the services. The AAD service will develop its own service user on going engagement as part of its quality assurance programme.*

24. The Council may authorise the Director of a Body Corporate to exercise its functions under the Part One of the Care Act 2014 save for those functions expressly excluded in s79(2) of the 2014 Act e.g.

a) section 3 (promoting integration with health services etc.),

(b) sections 6 and 7 (co-operating),

(c) section 14 (charges),

(d) sections 42 to 47 (safeguarding adults at risk of abuse or neglect), or

(e) this section.

Risk Implications

25. Creating a new "cliff edge" at 25 when young people leaving the service. This is being mediated by improving longer term planning and transferring to Adults Social Care locality teams when provision is stable as is the current practice in YAT. Young adults when stable in their adulthood support will either be independent and supported by universal community services or transferred to Adult service community team at some point between their 18^{th} and 25^{th} Birthday according to their needs and education pathways/choices.

26. Parent cares have raised concerns about risk of dilution of Young Adult team skills and knowledge. To mitigate against this risk, there will be a "leadership team" of group managers each with lead responsibility for SEND, Children with Disabilities and one for Young Adults which will be the link with adult services.

27. The All Age Disability service will adopt WCF robust quality assurance framework that is composed of three elements:

Audits – to tell us about the quality of work.
Performance management – delivering to targets and key performance indicators
Service User feedback – to tell us how the services are being experienced and the difference they are making

28. The AAD service will be accountable to People's directorate by providing both Key Performance Indicators and Quality Assurances measures, including users feedback. These will be utilising current measures used by YAT /SEND/CWD and confirmed by the new Director of AAD and People's Director as a service "dashboard" on which to monitor quality, timeliness and service user experiences. We are committed to building on the best practice and experience of all the service areas.

Joint Equality, Public Health, Data Protection and Sustainability Impact Assessments

29. The Council must, during planning, decision-making and implementation, exercise a proportionate level of due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010

• Advance equality of opportunity between people who share a protected characteristic and those who do not
• Foster good relations between people who share a protected characteristic and those who do not.

An Equality Relevance Screening has been carried out in respect of these recommendations. The JIA screening did not identify any potential considerations requiring further assessment during implementation.

Supporting Information

Appendix 1 – Joint Impact Assessment

Contact Points

County Council Contact Points
County Council: 01905 763763

Specific Contact Points for this report
Name, Stephen Mason Interim Head of Service All Age Disability (0-25) – Design & Change
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Background Papers

In the opinion of the proper officer (in this case the Strategic Director for People and the Director of Children's Services) there are no background papers relating to the subject matter of this report.

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CABINET
3 FEBRUARY 2022

TRANSPORT POLICY FOR ADULT SOCIAL CARE

Relevant Cabinet Member
Councillor A Hardman

Relevant Chief Officer
Strategic Director for People

Local Member(s)
None

Recommendation

1. **The Cabinet Member with Responsibility for Adult Social Care recommends that Cabinet:**

   a) **Notes the current work programme related to the provision of transport for adults with assessed eligible needs under the Care Act 2014, including feedback from stakeholder engagement.**

   b) **Notes and approves the new Transport Policy for Adult Social Care and authorises the Strategic Director for People to implement the policy.**

Background

2. The Council has a duty under the Care Act 2014 to assess adults' social care needs and a duty to meet the identified eligible needs. Where eligible needs are identified, transport assistance is not automatically provided by the Council as part of other service provisions unless it has been assessed as an eligible care need. The need for transport should be considered as part of the Needs Assessment and subsequent Support Plan to ascertain if transport provision is necessary to enable the adult to safely access facilities or services in the local community.

3. Around 220 adults are currently in receipt of transport commissioned by the Council. The large majority (over 90%) of these adults have Learning Disability support needs and travel to day services (both Council-provided and external contracted services) and to replacement care/respite services. The budget for adult social care transport provision is approximately £2 million per annum.

4. At its meeting on 15 November 2018, as part of the “Forward Look at Adult Services” paper, Cabinet endorsed the Adult Social Care Transport Guidance and Procedures. In line with the People Directorate’s regular review of policies and to support the transformational development programme set out in the People Strategy, Cabinet is now asked to endorse the revised Transport Policy for Adult Social Care (“the policy”). The revised policy updates the previous guidance and procedures,

formalising these into a policy document which sets out clear criteria which Social Workers and front line Adult Social Care staff responsible for assessment and support planning will use to determine whether an adult is eligible to be provided with transport assistance from the Council and how transport will be provided.

5. The overarching principle of the policy is to promote safe and independent travel using an adult's own strengths and community assets (i.e., the resources available to the adult in the community where they live) wherever possible. Where transport assistance is assessed as needed, the aim is to ensure the method of provision maximises independence, supports personalised approaches which make the best use of the resources available in people's own communities and offers best value for money in line with the Council's strategic aims and objectives.

6. The policy is included at Appendix 1.

Stakeholder Engagement

7. The policy has been co-produced with stakeholders, including people who use services and experts by experience, family carers, social work teams and other officers from across the Council, including Economy and Infrastructure and Worcestershire Children First through the Corporate Transport Board. The policy has also been discussed at Worcestershire's Learning Disability Partnership Board.

8. Some highlights from the feedback received from stakeholders, which has either been incorporated into the updated policy as appropriate, or been considered as part of wider work on transport (see below) are summarised as follows:

- There were some positive stories relating to the use of community transport, which is seen as a flexible, local option, well adapted to meet the needs of people with support needs and particularly important where community transport is available in the rural areas of Worcestershire.

- The difficulty of accessing transport which sometimes arises in rural areas was highlighted, particularly matching the needs to access services at specific times of the day, compared to the availability of transport. Services need to be available at the right time and in the right place, and consistency and reliability of transport services is important. There is also a need to grow the market in rural areas, for example the availability of passenger/personal assistants.

- Carers and people using services stressed the importance of availability of good quality, clear information about transport options.

- The role of carers was flagged as an important consideration, particularly recognising the support that carers provide and their valuable contribution, working in partnership with the Council, to the support of people with care and support needs. The Council's duties under the Care Act in relation to carers, for example around prevention of need and promoting carers' wellbeing, are an important consideration within the policy.

- There is a need for further raising of awareness of the needs of people with disabilities in Worcestershire's communities, including among the providers of transport. The need for public transport providers to make reasonable adjustments was highlighted by stakeholders as an area for focus, with suggestions of further awareness-raising and training for drivers as something to consider moving forward, as well as ensuring practical adjustments are easy to access such as accessibility ramps on trains and wheelchair accessibility of buses etc.

- The need to continue the approach of personalising both assessments and services was highlighted, with a focus on person-centred planning being important.

Wider work on Transport

9. **Information and Advice.** Alongside the policy, a "toolkit" of guidance and information has also been produced. It is intended that this will be launched in spring 2022, both through the Council's intranet and "e-guide" for social workers and through the Council's external website for Worcestershire citizens. The information available is in direct response to stakeholder feedback, with the intention of providing more accessible information about the transport options available in people's local communities, including community transport, public transport and assistive technologies.

10. **Independent Travel Training.** As part of the policy, options available to adults to travel independently are explored and promoted. To further enable this, joint work is ongoing between the People Directorate, Worcestershire Children First and the Economy and Infrastructure Directorate Transport Team to develop Independent Travel Training. This is initially focussed on children and young people, with a new service launching in 2022, but with the intention to widen the programme in time to include independence training for adults.

11. **Direct Payments.** The policy aims to encourage individuals who are eligible for funded transport to consider receiving funding through a direct payment in the first instance. Direct payments are a cash amount based on the amount agreed in someone's personal budget so that the individual can arrange and pay for social care support instead of the Council arranging services on their behalf. Direct payments offer greater flexibility, choice and control for individuals, and work is ongoing to encourage the uptake of direct payments for transport services, supported by the information to be made available in the toolkit and website and the market development work referenced below.

12. **Market development.** The People Directorate Commissioning Unit is working with the Transport Commissioning Team in the Economy and Infrastructure Directorate to ensure there is a diverse and vibrant range of transport provision available for people to use to access services. In particular, work is underway to develop micro enterprises in Worcestershire and increase the availability of Personal or Passenger Assistants who can act as drivers for adults with care and support needs who are unable to drive themselves. There is also a wide range of Community Transport available across all districts in Worcestershire (see https://www.communitytravel.org.uk/ for more details).

13. **Bus Service Improvement Plan.** Worcestershire's Bus Service Improvement Plan was approved at Cabinet in September 2021. The plan sets out a major and complete transformation of bus services in Worcestershire and is accompanied by a bid to Central Government for £86 million over three years to improve public transport. Part of the improvement plan will focus on accessibility of services to people with additional needs, and officers are working to ensure that plans and strategies, including Worcestershire's Learning Disability Strategy and All Age Autism Strategy, are aligned.

Legal Implications

14. The Care Act 2014, in conjunction with the Care and Support (Eligibility Criteria) Regulations 2015 (SI 2015/313) and the Care and Support Statutory Guidance provide the legal framework for making decisions in relation to eligibility for adult social care support.

15. The Council has a duty under the Care Act 2014 to assess adults' social care needs and a duty to meet the identified eligible needs. Where eligible needs are identified, transport assistance will be provided when the assessor determines such provision is necessary to enable the adult to safely access facilities or services in the local community, and no other travel option is available to the adult.

16. Whilst it is desirable that those eligible for transport assistance should take this by way of a direct payment, the Council is not permitted to insist that people accept a direct payment, and direct payments will be considered alongside other options to meet need, for example, the Council directly commissioning a transport service.

Financial Implications

17. The total budget for transport across Adult Social Care for 2021/22 is £2.053m, with the majority being spent on clients with Learning Disabilities. The review will help to enable the service to remain within the existing budget which is presently facing pressures without reform.

Joint Equality, Public Health, Data Protection and Sustainability Impact Assessments

18. A joint impact assessment (JIA) screening has been carried out in respect of these recommendations. It identified that further impact analysis was required in respect of Equality and Sustainability. The full Equality Impact Assessment did not identify any potential negative impacts in respect of any of the Protected Groups but did identify potential for positive impacts through the proposed improved access to information and advice, and development of additional travel options for individuals and communities. The full Sustainability Impact Assessment also identified potential positive impacts in relation to increased use of public and community transport. Relevant findings from the impact assessments will contribute to future service commissioning.

Supporting Information

Appendix 1 Transport Policy for Adult Social Care (draft awaiting approval)

Contact Points

County Council Contact Points
County Council: 01905 763763

Specific Contact Points for this report
Rebecca Wassell, Assistant Director - People Commissioning
Tel: 01905 844308
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Background Papers

In the opinion of the proper officer (in this case the Strategic Director for People) the following are the background papers relating to the subject matter of this report:

Cabinet Report November 2018:
Cabinet agenda and minutes - Thursday 15 November 2018

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CABINET
3 FEBRUARY 2022

NATIONAL BUS STRATEGY
- **BUS SERVICE IMPROVEMENT PLAN**
- **WORCESTERSHIRE ENHANCED PARTNERSHIP (PLAN AND SCHEME)**
- **WORCESTERSHIRE ZERO EMISSION BUS REGIONAL AREA**

Relevant Cabinet Member
Councillor A T Amos

Relevant Chief Officer
Strategic Director of Economy and Infrastructure
Assistant Director for Highways and Transport Operations

Local Member(s)
All County Councillors involved at the relevant stage.

Recommendation

1. The Cabinet Member with Responsibility for Highways & Transport recommends that Cabinet:

(a) Acknowledges the work to date on the Worcestershire Bus Service Improvement Plan (BSIP) and how this influences Worcestershire's Enhanced Partnership and Schemes;

(b) Approves in principle the draft Enhanced Partnership Plan and Schemes, which has been prepared in accordance with guidance from Central Government;

(c) Authorises the Strategic Director of Economy and Infrastructure, in consultation with the Cabinet Member for Highways, to implement the Plan noting that the Enhanced Partnership Schemes are contingent on Department for Transport funding (to be announced) and results of the 28-day legal requirement consultation, and formulate operational schemes and policies with an appropriate implementation schedule having regard to the Plan;

(d) Authorises the commencement of a full review by the Strategic Director of Economy and Infrastructure of the Council's Passenger Transport network, which will incorporate all aspects of the public Transport network; and

(e) Notes that the Council has made a submission to the Department for Transport relating to the implementation of a Zero Emissions Bus Regional Area (ZEBRA).

Background

2. The main purpose of Worcestershire's passenger transport network is to provide an efficient, resilient and integrated system which provides access for everyone to a wide range of services and facilities which are essential for a good quality of life. These include employment, education, healthcare, retail and leisure.

3. Our priorities will include home to work and home to school journeys. A healthy commercial network is critical in delivering this. The main providers of passenger transport services in Worcestershire are commercial organisations that operate local bus services on a profit-making basis, as envisaged when the local bus service market outside London was de-regulated in 1985.

4. It is important for Worcestershire's residents that the public transport network is attractive, efficient and reliable. Well run networks can meet the needs of local people by providing a transport network which reduces congestion and provides access to a wide range of employment and wider life-enhancing opportunities.

5. The Enhanced Partnership is a statutory requirement with bus operators and will enable Worcestershire County Council to work in co-operation with commercial operators to help deliver an efficient, reliable bus network which meets the needs of Worcestershire's residents, improving customer satisfaction and encouraging increased use of local transport services.

6. Following new powers introduced by the Bus Services Act 2017 (which was replaced by the 2000 Act), Worcestershire County Council considers that an Enhanced Partnership will offer benefits to the travelling public and wider community which could not be achieved within the current arrangements. These benefits are fully outlined within the Bus Service Improvement Plan and include such things as frequency enhancements, infrastructure improvements, and a Passenger Charter. The Enhanced Partnership's principles will be those outlined in the Worcestershire's Bus Service Improvement Plan and summarised in the diagram below.

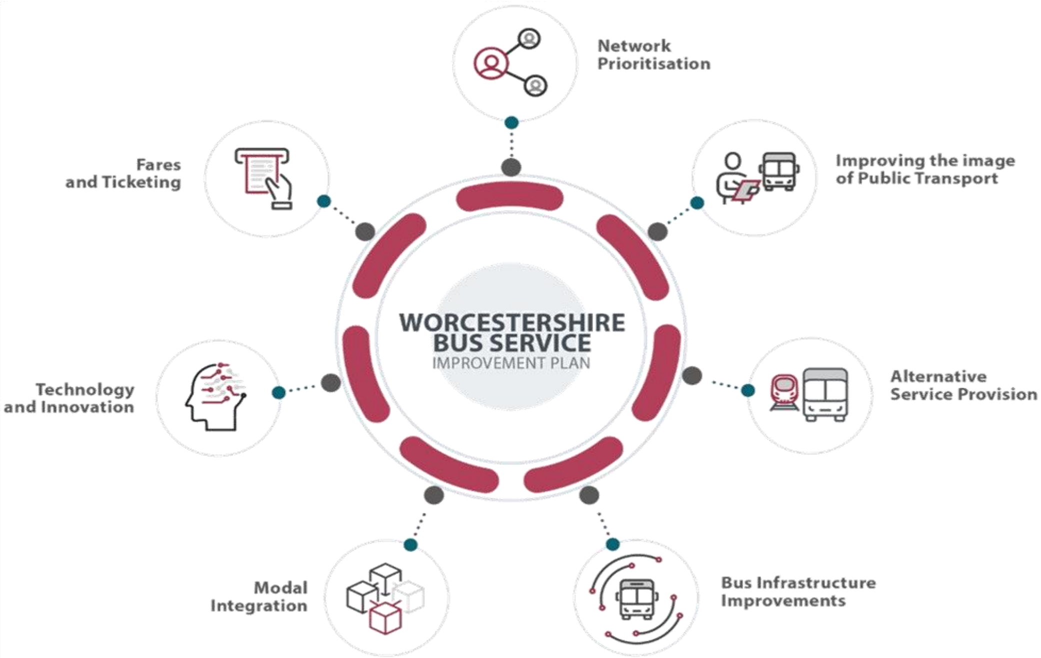

Diagram to illustrate the Bus Service Improvement Plan Principles

7. Worcestershire's Bus Service Improvement Plan is based on seven core principles. Working in partnership with stakeholders, we will be able to meet the key national objectives: frequent buses, low fares and priorities. This will complement our recently published Worcestershire Passenger Transport Strategy.

8. To deliver the core principles, there will be a transformational programme of measures as outlined in the Bus Service Improvement Plan and including increasing the number of Demand Responsive Transport Services, taking ownership of bus shelters and creating a Worcestershire strategic bus network. Together, these will deliver services that our residents, visitors and businesses require and expect.

9. The creation of a Worcestershire Enhanced Partnership will include legal elements that will enhance quality standards and enable access to funding for investment in public transport-related projects and activities, which would not otherwise be available. The Department for Transport has stated that no funding will be allocated to Local Authorities who do not enter into an Enhanced Partnership or Franchise arrangement for the next ten years. This includes both future funding and could impact on other key strategies.

10. The Worcestershire Bus Service Improvement Plan, together with the Worcestershire Enhanced Partnership Plan and Scheme, will make a substantial contribution to the implementation of Worcestershire Passenger Transport and Local Transport Plan 4 (LTP4) policies. These will bring benefits to passengers using local bus services in Worcestershire by improving the quality and efficiency of the public transport network and support the efficient use of the road network and the delivery of sustainable growth. In addition, it will limit the impacts of additional traffic congestion and air pollution.

11. Critical to Worcestershire's BSIP ambitions is the decarbonising of current fleets within the County. Worcestershire has been successful in being shortlisted for the final

stages of the Zero Emission Bus Regional Area (ZEBRA) which will be subject to a future Cabinet report once this bidding process has concluded.

Legal, Financial and HR Implications

12. Legal implications
    a) Enhanced Partnership arrangements will be affected/curtailed should the funding bid be unsuccessful
    b) The creation of a Worcestershire Enhanced Partnership will include legal elements that will enhance quality standards and form access to funding for investment in public transport-related projects and activities which would not otherwise be available

13. Financial implications

    a) The DfT will clarify funding allocations for BSIP in February 2022. The funding will be for three years and delivered through the Enhanced Partnership. The key outcomes are to enhance bus services, and increase availability, whilst ensuring the network, associated services and infrastructure are commercially viable and sustainable.
    b) The net budget for Passenger Transport related activities is c£10 million for 2021/22 and there are no financial implications arising directly from the implementation of the recommendations within this report.

14. HR Implications
    a) The impact on staffing will be considered throughout this process. There is the requirement to act in the capacity of Traffic Commissioner as part of the Enhanced Partnership scheme.

Joint Equality, Public Health, Data Protection and Sustainability Impact Assessments

15. The Joint Impact Assessment (JIA) screening has been carried out and does not identify any potential considerations requiring further assessment during implementation.

Supporting Information

Available electronically:

- Appendix 1 Bus Service Improvement Plan
- Appendix 2: Enhanced Partnership Plan and Schemes

Contact Points

Specific Contact Points for this report
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Background Papers
In the opinion of the proper officer (in this case the Strategic Director for Economy & Infrastructure) there are no background papers relating to the subject matter of this report.

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