

CABINET
7 January 2021**2021/22 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL
PLAN UPDATE 2022-24**

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendations

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

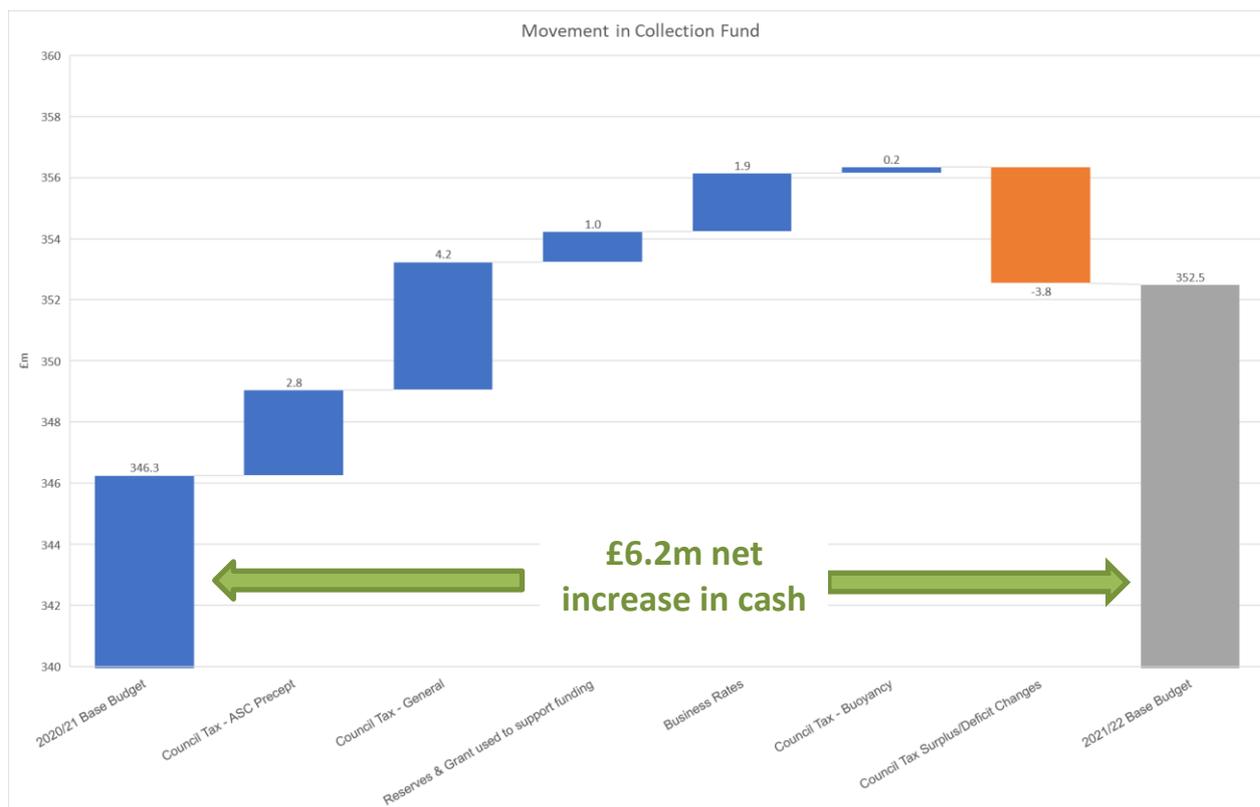
- (a) approves for consultation the draft budget set out at Appendix 1B of £355.530 million;**
- (b) approves for consultation the capital programme of £382.3 million as set out at Appendix 1C;**
- (c) approves for consultation an earmarked reserves schedule as set out at Appendix 2; and**
- (d) agrees that it is minded to recommend to Council in February 2021 an increase in Council Tax Precept of 1.5% and in the Adult Social Care Levy by 1.0%.**

1. Executive Summary

- 1.1. This draft Budget Report provides a first assessment of the 2021/22 precept need, an update on the Medium-Term Financial Plan (MTFP) and the Council's budget for 2021/22 to be considered at Full Council on 18 February 2021. The assessment takes into account 2020/21 Period 7 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 2021 to the end of the current Corporate Plan in 2022, as well as beyond, 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. Despite an extraordinary year dealing and responding to the COVID pandemic, the Council's strong financial management and controls have ensured that we are forecasting a small (£0.01 million) underspend for 2020/21 by year end. This places the Council in a strong position going into 2021/22.

- 1.3. The Chancellor's one-year Spending Round announcement on 25 November 2020 indicated overall levels of funding available to Councils. Further details were published in the local government provisional finance settlement on 17 December 2020, and these have been reviewed and included within these draft budget proposals. This includes a council tax referendum limit of 2% and up to 3% Adult Social Care Levy that can be spread across 2021-23.
- 1.4. Treasury and MHCLG have also announced that the Fair Funding Review has been deferred due to COVID. To partially compensate and to recognise the impact that COVID will still have on 2021/22 the Government has announced a number of one-off grants to support local authorities. As a result our Government grant funding is estimated to increase by £9.011 million. In addition, all specific grants from 2020/21 have also been rolled forward on average at the same level as 2020/21
- 1.5. The Cabinet recognise the impact COVID has had on the economy over the last and potentially coming year, and the pressure that could place on families and individuals' finances. As such Cabinet is proposing a 1.5% increase in Council Tax in line with inflation. Alongside that Cabinet proposes a 1.0% Adult Social Care Levy to reflect the additional costs and demand on care arising from COVID. In total that will give rise to an additional £6.2 million income in 2021/22 to spend on Council revenue services.

Chart 1: Movement in Collection Fund 2020/21 to 2021/22

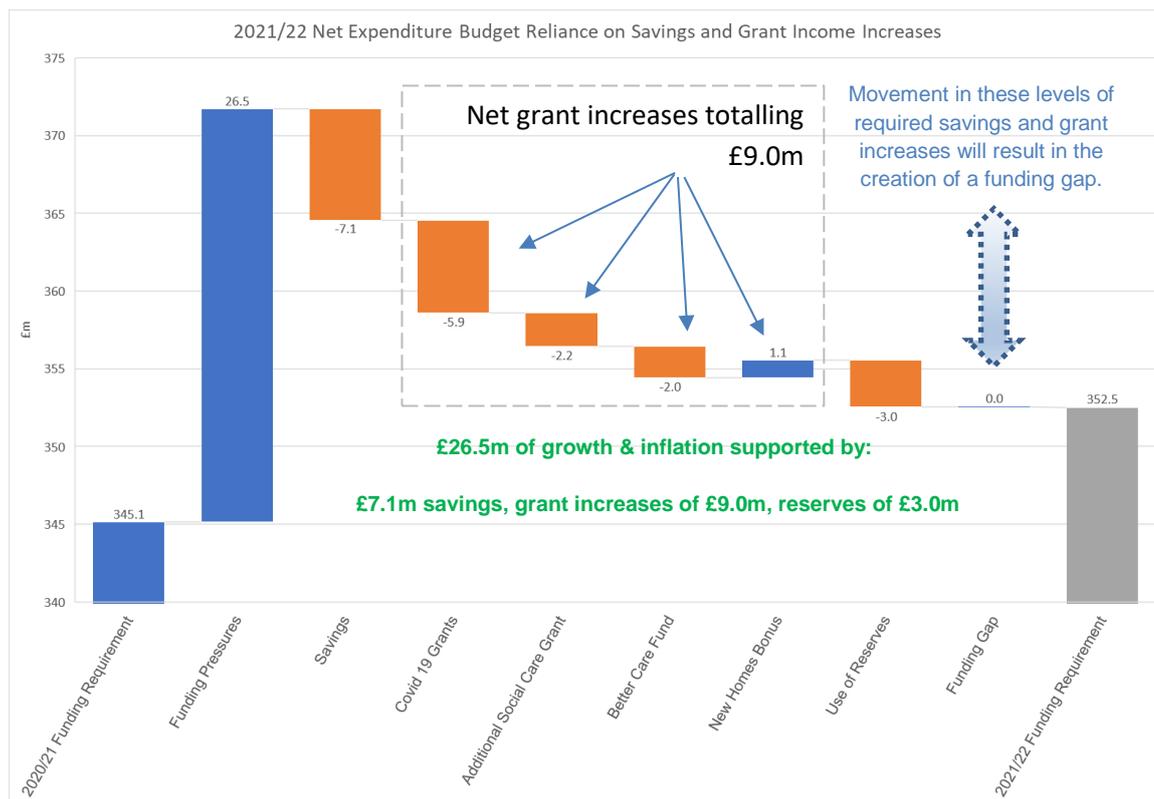


- 1.6. However, whilst income is growing, it is not increasing fast enough to keep pace with the complexity and demand of all our services, response to COVID and the long-term impact of the virus on our services, as well as the rising cost of inflation (1.3% RPI / 0.7% CPI as at October 2020). In 2021/22 we need to invest a further gross £11.5 million in Adults Social Care and £7.7 million in Children's Social Care and Home to School Transport. This reflects a continuing increase in the volume, complexity and cost of care that were already growing prior to COVID. With demand and costs forecast to continue to increase a permanent national funding/policy solution is still needed.
- 1.7. In addition to pressures in care we also need to maintain all our other services, especially to deliver our Corporate Plan targets around the economy, highways and the environment. We are also seeing significant increases in the cost of the provision in these services through inflation and other external factors, including the impact of weather on our roads, footways and other infrastructure and the transport provider market. At the same time more homes mean more waste disposal costs. Altogether we are forecasting a further £7.3 million of pressure on other services, on top of the £19.2 million from social care and related transport. This means a £26.5 million pressure.
- 1.8. The £26.5 million gap is proposed to be addressed in 2021/22 through the following:

Table 1 – Addressing the £26.5 million pressures to balance the 2021/22 budget:

	£m
Increase in Government grants	9.0
Council Tax / Adult Social Care Levy	5.0
Efficiencies	7.1
Earmarked Reserves	3.0
Business Rates Income	2.4
Total	26.5
Remaining gap	0.0

Chart 2 – Overall Movement from 2020/21 to 2021/22 Budget



1.9. Against the financial challenges the Council has continued to significantly invest in the County’s infrastructure and economy. Across the three years this will have amounted to £291 million. That investment has seen the opening of:

- Worcestershire Parkway;
- Worcester Junction 6 Business Park phase 1;
- three phases of Worcester Southern Road Link;
- Kidderminster Rail Station;
- the expansion of Malvern Hills Science Park;
- increased broadband coverage;
- cross County improvements to roads, pavements, drainage and streetlighting; and
- traffic relieving measures and town centre improvements in Worcester, Kidderminster, Evesham and Redditch.

More detail can be found in Appendix 1C.

- 1.10. In addition, the County Council has a number of ongoing projects continuing the investment in growing the economy and infrastructure, including:
- Cutting congestion projects around Kidderminster, A38 Upton, Bromsgrove and Evesham Town Centres;
 - Worcester Shrub Hill and Redditch Stations;
 - further town centre improvements in Stourport and Evesham;
 - Pershore infrastructure improvement programme and Worcester Southern Link Road;
 - flood relief at Tenbury Wells and Bewdley;
 - A38 Bromsgrove Route Enhancement Programme; and
 - continued improvements to roads, pavements, flood mitigation, highway drainage, streetlighting and signage.
- 1.11. 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 £338 million in the Capital Programme for investment in the economy, infrastructure (£308 million) and transformation (£30 million) of the County. In 2020/21 in response to COVID the Council allocated £3 million initially from the Open for Business Reserves to support our local businesses deal and respond to the pandemic. The Council also provided £0.2 million to support our businesses prepare and plan for the EU Exit.
- 1.12. Turning to schools and the funding of education in the County, the Government made a two-year commitment in 2018 of which 2021/22 is the second year. This included a 2% uplift in the pupil premium for schools as well as a further £730 million (£780 million in 2020/21) for Special Educational Needs and Disabilities (SEND). This commitment / funding has been confirmed by DfE for 2021/22. It is noted that despite the ongoing increase in High Needs DSG Funding there is still forecast to be significant deficits on SEND High Needs and potentially the schools block. As a result, the Council is working with schools to look at local actions to address this spend and lobbying Government over this issue.
- 1.13. Given the uncertainty impacting on years after 2021/22, in particular the long-term response and impact of COVID; the uncertainty of funding for local authorities; and the shaping of our next Corporate Plan we have only set out an iterative MTFP to 2024. Further work will need to be carried out in 2021 when more clarity is available.
- 1.14. Subject to the outcome of the Fair Funding Review going forward, the Council's reserves are adequate, and a risk assessment identifies that the budget and reserves are robust. Improvements in budget monitoring and control continue to be made, and there will be regular monitoring of the delivery of the 2021/22 budget throughout the year.

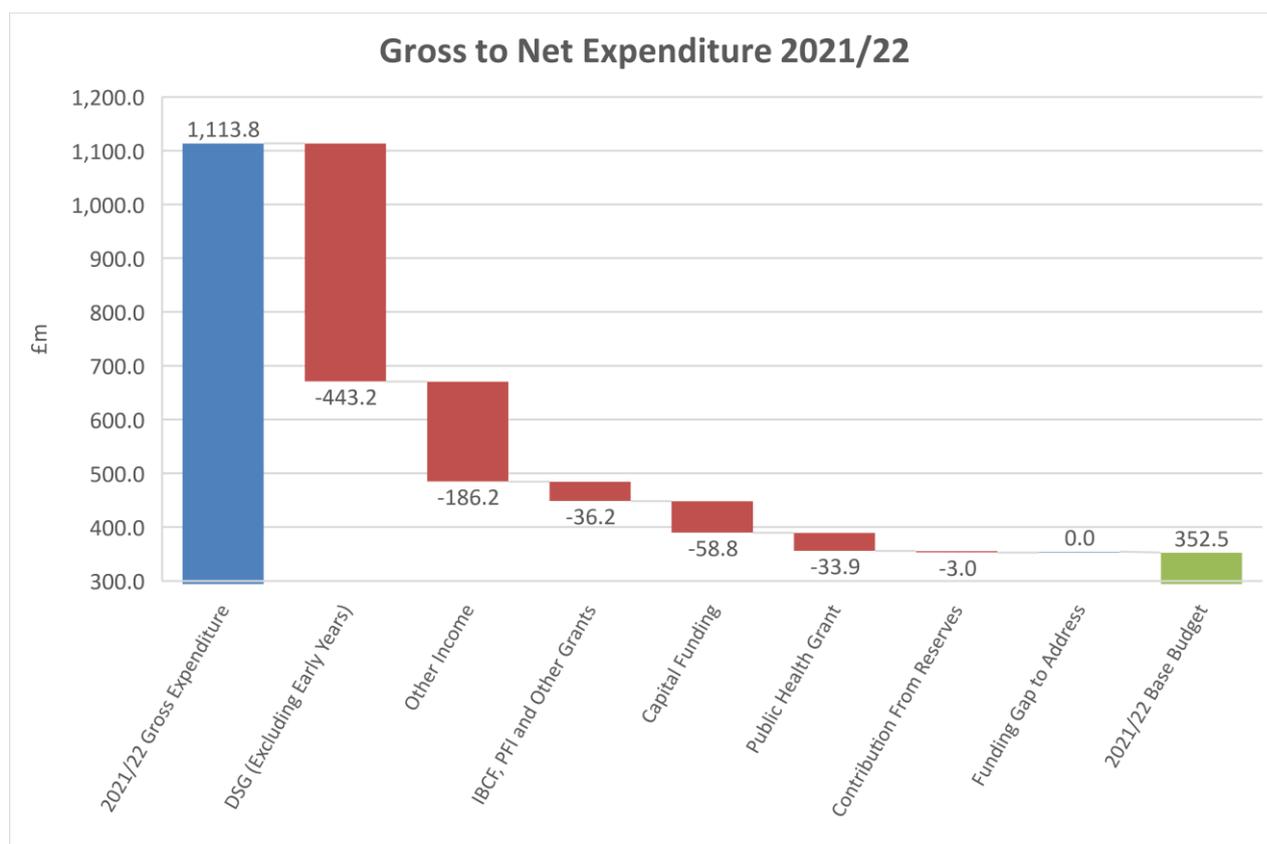
2. **Purpose of Report**

- 2.1. This is a covering report that provides an assessment to Full Council to set a budget for 2021/22, that takes into account 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 2021-24.
- 2.2. In approving the draft budget, Cabinet will commence the consideration of the proposals by Scrutiny and any feedback will be presented back to Cabinet for consideration. Cabinet and Council will also be asked to consider any comments alongside any other feedback received including those from the Schools Forum, Trade Unions and any other stakeholders.
- 2.3. Council will be asked to debate and approve the budget, capital programme, schools' overall budget as well as the level of reserves.

3. **Background**

- 3.1. The Council's Corporate Plan can be found here (see attached [Link](#) - Shaping Worcestershire's Future). This report sets out a revised Medium-Term Financial Plan and draft budget for 2021/22 to deliver the priorities set out in the Corporate Plan. The Council is obliged by legislation to set a balanced budget. As a result, Cabinet Members and the Strategic Leadership Team have been revising the MTFP to present to Council to set its element of the 2021/22 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 £1.1 billion as shown below:

Chart 3: The Gross expenditure incurred annually by the County Council



- 3.4. Over the last two to three years the Council has faced a continued increase in the demand for some services; particularly to those who are most vulnerable, as well as inflationary pressures and changes in Government policy and funding. In what has been a very challenging year the Council has worked hard to deliver the 2020/21 budget despite the significant pressures placed on it by responding to COVID-19. The 2020/21 Period 7 budget monitoring forecast is for a balanced budget this year. As previously reported to Cabinet this could rely on the use of £3 million from the Financial Risk Reserve as a result of balancing the cash implications of additional COVID support expenditure. Looking forward, this and other cost/demand pressures could put pressure on our level of reserves. The latest projections for ongoing expenditure have been included in the budget for next financial year. This is considered further in section 5 of this report.
- 3.5. The Corporate Plan covers a period up to 2022 and as such will need to be reviewed and revised in 2021 that is set alongside funding changes anticipated from Government reforms that are still in development. The MTFP is set out in more detail in Section 11 and at Appendix 1 of this report.
- 3.6. This report is an assessment to inform Council of the decision-making process and the adequacy and ability to deliver the proposals made by Cabinet, and the impact that this will have on the Council's financial standing.

3.7. This report therefore considers:

- Delivering the Corporate Plan and funding its priorities – **Section 4**
- The current financial position of the Council for 2020/21 – **Section 5**
- The level of funding available for 2021/22 – **Section 6**
- The level of investment required for delivering the Corporate Plan in 2021/22 – **Section 7**
- The consequences of capital investment and school's proposals – **Section 8** and Appendix 1C
- 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**
- An assessment of reserves – **Section 12 and Appendix 2**
- Engagement on the proposals – **Section 13**
- Consideration of other factors and professional advice – **Sections 14 to 19**

4 Delivering the Council's Corporate Plan 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 MTFP that covers the remaining year of the Corporate Plan. It also reflects the current Government funding announcements, including additional Adult and Children's Social Care Grant.

4.2. The key changes reflect

- the revised forecast for the increasing costs associated with demand for care for the vulnerable, including adults and children with complex care needs and special educational needs and disabilities (SEND);
- the forecast is in part matched by the additional assumed one-off social care grant and the extension of the Social Care Precept at up to 3% over 2021-23; and
- the additional pressures faced on the cost and demand for services outside of care, for example waste, highways and transport.

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

Open for Business

4.4. The Council is committing spending of over £23 million next year on supporting our local businesses. That will make it a total of £160 million over the lifetime of the Plan, that has seen significant growth and improved our connectivity. The deliverables under the Plan that have 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, upgrades and parking at railway stations, Kidderminster Churchfields, broadband connectivity, economic game changer sites and public realm improvements.
- In conjunction with Worcestershire LEP and Partners, the Council has been successful in securing ongoing funding to support 5G initiatives which support productivity improvements in manufacturing. 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 and Redditch.
- £0.4 million investing in the skills agenda through the Open for Business funding in order 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.
- £0.5 million on promoting and enabling One Worcestershire and Visit Worcestershire, aimed at promoting the business and cultural opportunities of the County in order to attract greater businesses and visitors.
- £7.4 million 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 to further progress the North Cotswold Line rail development proposals

4.5. Going forward the Council recognises the significant impact COVID has had globally, nationally and locally. As part of the immediate response the Council invested £3 million of its reserves into supporting businesses to respond and survive and has spent £1 million to date. Since the commitment Government has identified funding from the Containment Outbreak Management Fund and it is intended that this will now be utilised to fund this pledge. That will enable the reversion of the fund to the Open for Business Reserve and thus enable the ongoing use of the £3 million to invest in the County's economy. At the same time £0.2 million has been made available to prepare for the EU Exit.

Health and Wellbeing

4.6. The draft budget proposes a substantial increase in the resources available for Adult Social Care. There is a commitment to invest £11.5 million to meet the demand led Adult Social Care pressures. Section 7 Table 5 provides further detail. In 2021/22, there are plans set out to invest:

- £11.5 million gross to reflect the rising demand, complexity and cost of Adult care. A forward looking strategy ([Link](#)) was presented to Cabinet in November 2018 which sets out how going forward the Council is continuing its focus on helping people live longer and in better health through prevention, reablement and support to live in their own homes including the development of assistive technology. Section 6 of this report also sets out some of the future pressures and how the Council is looking to manage within that forward strategy.
- £30 million of Public Health grant will be focused on preventative actions to improve the health of County residents, including early years and reablement of adults. The grant will continue to spend within budget and in line with grant conditions, 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.
- £2 million will 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. 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.
- £3.4 million in capital, as well as transformational funding, to ensure technology can improve care.
- We have an agreed ambition to bring pathways, structures and processes together around 0-25 services.

Children and Families

4.7 There is a continued commitment to invest £7.7 million to improve outcomes for children and young people (up to the age of 25) in Worcestershire, by addressing their needs holistically through early help and prevention, education provision and social care. There is a further £1.1 million set aside in earmarked reserves which was established through the 2019/20 budget process and reinforced again in 2021/22 to mitigate any potential financial risk on placements for looked after children which reflect the ongoing demographic and cost pressures in the service. This has not been required in the last two financial years due to the strong leadership, good practice in the service and careful financial management. However, following the Covid-19 pandemic demand for services has risen which is consistent with all other local authorities, therefore the financial risk has increased. The budget in 2021/22 includes new investment for:

- Continuing the Council's journey of improvement in children's safeguarding with further full year investment of £4.2 million to reflect an increase in overall demographic pressures and costs.
- Funding increase of £2.6 million on the placements budget to reflect demand and COVID pressures.
- A further investment £0.6 million into Special Educational Needs Transport.
- A further £0.3 million towards general inflation across Children and Families.
- Providing £27.3 million in capital to improve schools across the County.

The Environment

4.8. There is a commitment to stay on track to deliver over £131 million of investment to improve the local environment and highway network. These plans include:

Highways:

- £2.4 million spent on the Highways Infrastructure Investment Fund (HIIF) in 2021/22, as part of £37.5 million over four years 2018-22 including a focus on striving for top quartile performance in the condition of our roads and pavements. This is on top of structural maintenance grants received from Government.
- Extending the local members capital highways fund for a further year (2021/22), giving a further £1.25 million commitment to addressing local members' highway priorities.
- £10 million on the Cutting Congestion programme to deliver the schemes planned at A38 Upton, Bromsgrove, Evesham and Kidderminster.
- £6 million on highways, that is on top of the £6 million extra invested in 2020/21
- £4 million on footways, again on top of the £4 million extra invested in 2020/21
- £25,000 revenue funding to enhance highway safety markings & signage

Environment:

- £2.5 million on street lighting, including LED and concrete column replacement. That is £1.5 million more than we announced last year and on top of the £1 million extra invested in 2020/21 to accelerate the conversion to LED streetlighting across the County.
- £2.5 million on flood mitigation, £1.5 million more than we announced last year and on top of the £1 million extra invested in 2020/21.
- £0.5 million (2020/21) commitment to support flood defences in Bewdley in aid of securing Environment Agency funding to seek long term solutions for the town.

4.9. The Council is also committed to improving the environment through the delivery of its Corporate Plan. As such in 2021/22 the Cabinet is committing the following:

- We will maintain the public transport revenue budget £0.2 million uplift to support the Worcestershire Public Transport Strategy.
- Support for the successful bid that secured £4.9 million for flood defences at Tenbury Wells. Construction of the scheme is due to start in March 2022 and aims to reduce the risk of flood to Tenbury Wells, Worcestershire, benefitting approximately 120 residential and 145 commercial properties
- Delivering on the commitment to plant 150,000 new trees on land owned by the Council to contribute to our environment initiatives. The Council spending £0.1 million and foregoing over £1.5 million of capital land receipts to make this happen.
- We are purchasing green energy for all our electricity supplies

Efficient and effective organisation

4.10. Delivering on our plans to spend £29 million over the lifetime of our Corporate Plan, 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:

- £10.8 million in digital and technological improvements
- £15.1 million in the way we work across the organisation and with our residents
- £3.4 million in our buildings and working environment to ensure we work smarter.

4.11. 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. 2020/21 Forecast Outturn

5.1. The Council has received regular updates on its financial performance throughout 2020. In addition to the c.£345 million budget the Council has managed around £77 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 7 (October 2020) forecasts a small underspend (£0.01 million) on its budget by the end of 2020/21, assuming the use of £2 to £3 million of Financial Risk Reserve to cover any shortfall in COVID funding, if that is not covered at year end. An update will be provided to 4 February 2021 meeting of Cabinet. The following table summarises the variances as at Period 7.

Table 2: Summary Outturn forecast for Services as at Period 7 2020/21

Service	2020/21 Net Budget	2020/21 Forecast Excluding Covid-19 & Exc One-off Adjustments	20/21 Draft Variance Before Adj's	Transfer to Capital	Proposed Additional Use of Reserves / C/wd Grants	Proposed C/Fwds	2020/21 Forecast Excluding Covid-19 Incl one off adj	Variance After Adj's
	£000	£000	£000	£000	£000	£000	£000	£000
Total Dedicated Schools Grant (DSG)	0	666	667	0	0	(667)	(1)	(0)
Total WCF (Excl DSG)	101,449	101,749	300	0	(300)	0	101,449	0
Economy & Infrastructure	55,924	60,502	4,578	322	(4,917)	0	55,907	(17)
Total Commercial and Change	6,954	6,825	(143)	96	(546)	0	6,361	(592)
Total Chief Executive	970	564	(406)	159	99	0	822	(148)
Total People - Adult Services	130,676	131,588	912	0	(895)	0	130,692	17
Total People - Communities	19,210	18,933	(385)	0	0	0	18,826	(385)
People - Public Health	1,854	2,621	767	0	(792)	0	1,829	(25)
Total : Services (Excl DSG)	317,037	322,780	5,623	577	(7,350)	0	315,886	(1,150)
Finance / Corporate Items	29,794	22,649	(7,146)	0	0	7,298	29,947	152
Non-Assigned Items	(1,692)	(706)	986	0	0	0	(706)	986
Funding - Transfer To/(From) Reserves	1,112	0	0	0			1,112	0
Total (Excl DSG)	346,251	344,723	(537)	577	(7,350)	7,298	346,239	(12)
Total - Funding	(346,251)	(346,251)	0	0	0	0	(346,251)	0
Grand Total - Services and Funding (Excl DSG)	(0)	(1,528)	(537)	577	(7,350)	7,298	(13)	(12)
Total Dedicated Schools Grant (DSG)	0	666	667	0	0	(667)	(1)	(0)
Total	(0)	(862)	129	577	(7,350)	6,631	(13)	(13)

5.2 Overall, the Council is forecasting to balance its budget at Period 7 (£13k underspend). In total the Council has received/allocated over £80 million of income from Government to respond to the pandemic, however we are forecasting we may need to fund slightly more. This shortfall will be offset as a matter of last resort by £2 to £3 million withdrawal from the Financial Risk Reserve. However, we continue to seek additional funding and use of further grants, including Public Health Ringfenced Grant.

5.3 The main variances at P7 are as follows:

- -£0.6 million underspend in Commercial & Commissioning Directorate as a result of reduced contract expenditure.
- -£6.2 million net underspend on Finance/Corporate Items of which £2.6 million is from reduced borrowing costs and £4.1 million underspend of MRP budget and £0.4 million general service underspends, offset by £0.9 million of unallocated corporate savings target not being achieved due to capacity following COVID-19 responses. Without COVID-19, it would have been proposed that this underspend is transferred to the Financial Risk earmarked reserve however it is noted that this could be needed to offset any additional costs incurred by the Council in responding and dealing with actions arising from the COVID pandemic.

5.4 The current Dedicated Schools Grant forecast, due in the main to shortfall in high needs funding, is an overspend of £2.8 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 actions.

5.5 The Schools balances forecast position for 2020/21 reported at period 6, is a net deficit position of £5.0 million. The Schools balances position brought forward at 1 April 2020 was a net £1.4 million surplus. This change is reflective of the pressure placed on schools from high needs funding shortfalls, the cost of responding to COVID and clearly demonstrates the need for changes 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 £17.9 million of longer term (>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 and Cabinet on a regular basis to address this.

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. **2021/22 Level of Funding**

6.1 The Council draws its funding from two main sources – Council Tax and Business Rates. The Council's Government funding allocated for 2021/22 comprises of 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 effect 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 Provisional Settlement has been included in this budget report. The Council’s budget set against these assumptions is reported in the following table.

Table 3: Business Rates movement 2020/21 to 2021/22

	2020/21 £m	2021/22 £m	2020/21 to 2021/22 Change £m	2020/21 to 2021/22 Change %
Revenue Support Grant	0.000	0.000	0	0%
Baseline Funding	63.801	66.206	+2.405	+3.76%
Total	63.801	66.206	+2.405	+3.76%

6.6 Going forward there are plans to radically overhaul this grant funding, this has however been deferred due to COVID and is now not likely until 2022/23 at the earliest.

Government Ring fenced grants

6.7 In addition to this the Government is issuing a smaller number of specific grants for Public Health, Dedicated Schools Grant, Extended Rights for Free Travel, Social Care including Winter Pressures and NHS Care Act. The Dedicated Schools Grant and, Better Care Fund have both been increased in line with Government commitments above inflation. The Public Health Grant has been maintained at the same level as 2020/21.

- 6.8 Government has announced an extension to the Social Care Grant of £300 million nationally, which after adjustments for equalisation of council tax raising abilities means Worcestershire will receive £2.177 million. In addition, the Government has recognised the need to continue a number of one-off grants to support local authorities in the first few months of 2021/22 to enable response and actions related to the ongoing COVID position. This includes a £1.55 billion un-ringfenced Tranche 5 grant, and £790 million to support collection fund losses. To date only the COVID Quarter 1 grant has been announced and Worcestershire expects to receive £11.4 million from this grant. This will be noted as additional one-off income, for which an element will require one off expenditure and part has been added at this stage to the Public Health income for the Director of Public Health to co-ordinate via the governance framework the Council has put in place with its partners for 2021/22.

Adult Social Care Precept / Levy

- 6.9 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.
- 6.10 In the 2017/18 Provisional Settlement announcement the Secretary of State for the MHCLG set out a new flexibility confirming the remaining 6% across the residual years (i.e. 2% each year 2017/18 to 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.
- 6.11 The total forecast pressures facing Adult Social Care (ASC) in 2021/22 is set out in more detail at section 7; the gross demand and inflation facing these services is £11.5 million.
- 6.12 Even with the grant and levy, the pressures faced in Adult Social Care still exceed the demand forecast and the service is seeking to make efficiencies in 2021/22 and beyond through transformation of the service in order to ensure the sustainability of the service is in line with a longer funding position. This is to ensure that where costs continue to be forecast that exceed funding, the service works on prevention and efficiencies so as to mitigate as far as possible the impact on the overall Council budget.

Council Tax

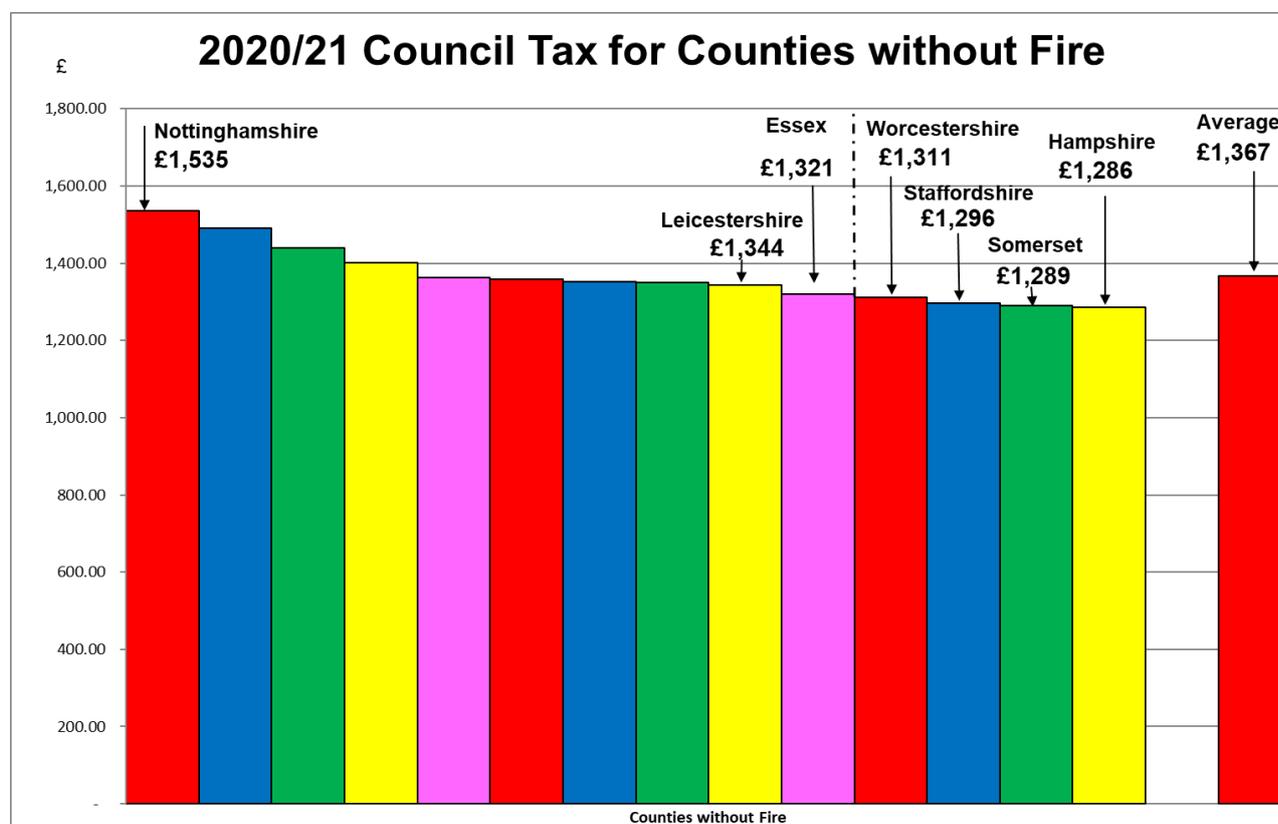
- 6.13 The Council has seen an increase in the number of properties in the County subject to Council Tax. The February 2020 Council meeting approved an MTFP with assumed Council Tax base levels being increased in 2021/22 by an estimated 1.5%. However, following COVID that forecast has been scaled back to around 0%.
- 6.14 The spending review confirmed that we are able to increase the rate of Council Tax by 2% without having to hold a referendum, with an additional 3% allowed for Adult Social Care precept (with an option to spread over 2021/22 and 2022/23).

6.15 The level of Council Tax collected in 2020/21 and forecast for 2021/22 has been impacted by COVID, and there is no scope to increase assumptions around collection, in fact we are now projecting a £6 million loss on the collection fund. Although changes in regulations to reflect the impact of COVID will allow this to be recovered now over three years not one. The County Council is working with District Councils to update the impact on the tax base of COVID. To help offset some of the losses the Government has announced a one-off Irrecoverable Council Tax Grant of £790 million grant. The details of how this grant will be allocated were set out in the provisional settlement of 17 December 2020, but the precise amounts will not be known until well into 2021 (estimated September 2021) however on information available to date it is estimated that will mean the overall net loss on our collection fund is reduced to £1 million. It is not yet known if the £790 million national collection fund grant will be recurring for the three years of recovery or a one off for just 2021/22.

6.16 After applying the overall forecast change in the tax base after adjustments arising from COVID, the impact of COVID on collection and the Government Grant when the Council applies a 2.5% increase (1.5% Council Tax plus 1% Social Care Levy) this gives rise to additional net £3.4 million more Council Tax expected to be collected in 2021/22, as shown in Section 10 of this report.

6.17 Overall, as Chart 4 shows, the County Council's level of Council Tax remains low when compared to comparative councils, and remains in the bottom quartile:

Chart 4: 2020/21 Council Tax Band D County Council comparator



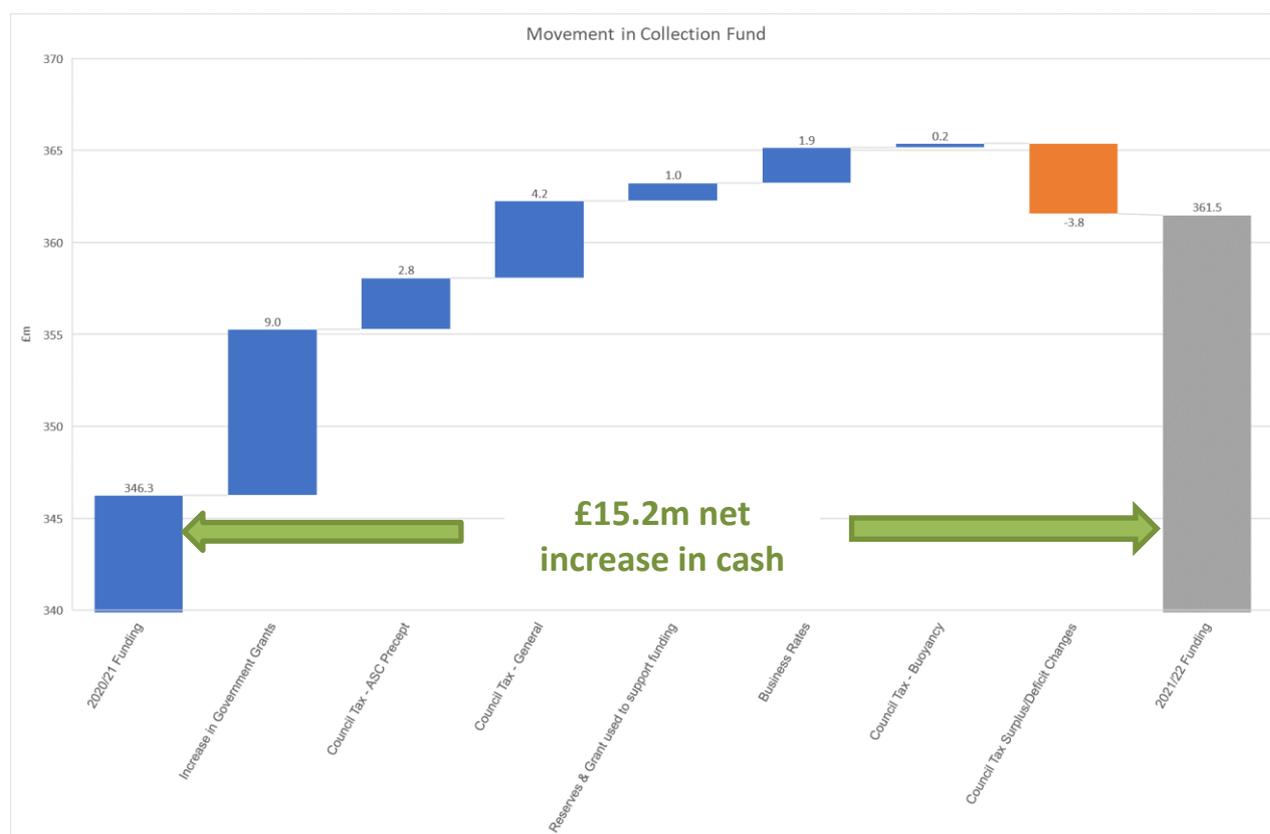
Government Funding – Fair Funding

- 6.18 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, however it is anticipated that the Government will roll out a new formula distribution method for 2022/23 or 2023/24 to replace the current one-year deal.
- 6.19 The refreshed MTFP therefore is based on assumptions that the current limited growth in our NNDR allocation will increase slightly (£0.3 million per annum) from 2021/22 onwards, but no further benefit has been included in the calculations at this stage due to the unprecedented level of uncertainty.

Overall funding levels

- 6.20 After adjusting for movements in grant, the proposed levels of Council Tax and business rates income, the net impact is that the Council projects it will have £361.5 million of funds available (£346.3 million in 2020/21), that is a net increase from 2020/21 of £15.2 million. It is noted that within the £9 million of Government Grants £3.1 million is from one-off grants to deal and respond to COVID in 2021/22.

Chart 5: Change in WCC's Government & Council Tax funding 2020/21 to 2021/22



- 6.21 However, as the next section identifies the level of demand exceeds this amount and thus efficiencies as set out in section 8 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 COVID since the MTFP was reported to Council in February 2020. The gross level of pressures has also changed from the forecast financial plan reported to Council in February 2020 (£9 million to £26.5 million).

7.2 Overall, the gross pressures and change in spend is £26.5 million as follows:

Table 4: Total gross pressures faced in 2021/22

Investment / Growth / Pressures	£,000
Adult care	11.5
Children's Care, safeguarding, Home to School Transport	7.7
Pay and contract general inflation (Excl. Adults & Children's Care services)	2.5
Strategic Initiatives	2.0
2021/22 pressures	2.8
Total	26.5

The investment in each area is discussed in the following paragraphs:

Adult Social Care - £11.5 million gross pressure from 2020/21 to 2021/22, with net increase of £4.7 million after grants and other income

7.3 Overall, there is a gross forecast pressure of £11.5 million. The main reasons for the pressure relate to the increased cost of care services for all client groups which is already being seen due to the overall increase in costs of service provision in particular the cost of more complex care needs (£7.5m), alongside pay inflation, including provider uplifts out for consultation, and general inflation across People Services, as follows:

Table 5: 2021/22 Adult Care cost pressures

Description of pressure	2021/22 £m
Additional costs relating to complexity / acuity for over 65s	2.7
Growth in the price and complexity of care packages for Adults with a Learning Disability	3.1
Growth in the complexity of care packages for Adults with a Physical Disability including those transitioning from Children's to Adults care	0.8
Greater cost of mental health packages of care	0.9
Total Price Related Inflation	7.5
Pay Inflation across People Services	0.6
General Inflation across People Services	3.4
Total	11.5

7.4 As set out in the last table, the cost pressure on adults continues to increase with pressures arising from increasing complexity 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) - £7.7 million gross increase in base budget less service efficiencies of £3.0 million.

Worcestershire Children First (WCF)

7.5 On 1 October 2019 the our wholly owned company Worcestershire Children First 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. The following [link](#) to the companies key documents which include the Business Plan agreed by Cabinet in March 2020. 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 remain unchanged in this report and supporting MTFP attached at Appendix 1C.

7.7 On 1 October 2020 the Council and WCF had to submit a joint report to the Department for Education (DfE) as part of the statutory direction on all aspects of the first year of operation and for Ministers to assess our improvement journey which includes current and future financial performance. In summary, the first year had seen very good performance across the piece and the trajectory of improvement was upward even during the COVID pandemic. We have consistently invested over the last four years to enable social care service improvements.

7.8 The proposed investment in 2021/22 will focus on:

Table 6: 2021/22 Gross and Net Investment spend proposed to improve children's services

	2021/22 £m	Comments
Funding ongoing safeguarding pressures	6.8	includes £2.6million for 2020/21 pressures, and reflects a 5% increase in numbers and inflation
SEND and Home to School Transport	0.6	Includes £0.6m for demand increases
Pay inflation	0.1	Whilst a pay freeze was announced by the Chancellor there are still additional costs for staff paid less than £24,000 who receive £250 increases, as well as pay increment changes.
Prices Inflation	0.2	Contracts inflation
Total	7.7	
Less		
Savings	(3.0)	Discussed at section 10 and Appendix 1C
Net change	4.7	

7.9 As a result, the gross WCF contract budget will be approved in January 2021 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 £106.6 million as indicated in Appendix 1B.

Strategic Initiatives - £2 million investment

7.10 In line with last February Council decision there will be a further investment in infrastructure, the environment and the economy of the County to meet our corporate plan commitments. As such there is a £2 million allocated sum that will be used both to fund borrowing for capital schemes and increase the revenue budget over the next year. The following paragraphs highlight how that fund will be used.

- ***Highways and Footways***

7.11 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 by 2022. The ability to attract inward investment for a thriving economy and to ensure residents benefit from well-maintained transport networks is vital to the Council's Corporate Plan. Over the last few years, the Council has used specific grants, capital and one-off funding such as s106 to support the provision of these services. The services continue to face demand and cost increases due to contract and sector inflation. This budget proposes to invest a further £30 million of capital funds into local highways, and a further £25,000 from strategic initiatives for continual improvement to highway safety markings and signage.

7.12 Cabinet also recognise 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 due to end after 2020/21, this proposal is that strategic initiatives will fund that for 2021/22.

- ***Street Lighting***

7.13 February 2020 Council recommended £1 million on street lighting with a further £1 million in 2021/22 for continuation of the LED replacement programme. Since that time further analysis of our lighting columns and bulb replacement programme suggest that greater funding is needed to maintain excellent performance and shift to more efficient bulbs. Therefore, this report seeks to put an extra £1.5 million commitment in, taking the spend in this area for 2021/22 to a £2.5 million increase.

- ***Flood management***

7.14 Last year we committed £1 million more in to flood mitigation and highway drainage with a further £1 million planned for 2021/22. Given the scale of coverage and ongoing weather we have identified a need for further capital resources to ensure that we can continue to make improvements to the highway drainage network and have thus set aside £1.5 million more for 2021/22; making a total of £2.5 million next year.

7.15 In addition, we recognise the significant events of 2020 flooding that occurred in Bewdley. We were successful in securing monies for Tenbury Wells and we are keen to ensure a similar solution is found for Bewdley with the Environment Agency. As such we are setting aside £0.5 million as the County's contribution towards a solution for the residents and businesses of the town.

General inflation – pay and contractual: £2.5 million

Waste disposal

- 7.16 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 £0.6 million increase in the volume of waste disposal which will be funded from the Waste PFI reserve. The non-inflationary demand increase relates to growth in households of approximately 1% equating to 3,000 tonnes of extra waste.
- 7.17 The contract for the Waste disposal plants is due for break or extension in January 2024 and as per the December 2018 Cabinet Report, work is ongoing to consider the proposals regarding possible contract extension and an estimate of £0.5 million of costs associated with this has also been assumed to be funded from the Waste PFI reserve.

Other pressures

- 7.18 Increased demand has an impact on 'back office' services through increased costs, for example IT support for new services. In addition, we are starting to see increases in inflation projections. At this stage whilst these pressures have been recognised no provision has been made for the majority of these items to fund these, and as such these areas will have to meet these pressures as well as the overall savings target. Budget monitoring in 2021/22 will maintain a review of this position and any in-year action needed.

Pay and related costs at £1.1 million cost pressure on the 2021/22 base budget

- 7.19 Despite the Chancellor announcing a pay freeze on 25 November 2020 for the public sector, excluding doctors and nurses, there will still be an element of pay pressure going into 2021/22:

Table 7: Pay inflation 2021/22

Description	2021/22 Pressure £m
The budget includes an estimate of the Spending Review announced pay freeze (with protections for some staff)	1.075

- 7.20 Mandatory Unpaid Leave (MUL) has been in place for three years and was due to end 31 March 2021, however following the financial pressures and funding restrictions it is proposed that following consultation and ballot as necessary and if successful this approach will continue for a further year.
- 7.21 At this stage it is proposed that the Government's announced process for dealing with pay awards in 2021/22 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 changes to the capital programme and the dedicated schools grant (DSG).

Capital

- 8.2 Cabinet's proposed capital programme for 2021/22 is attached at Appendix 1C, along with the indicative sources of funding available. The programme for 2021/22 proposes a total value of £59.3 million of works. This maintains a long-term capital programme in the region of £382.3 million. Although it is noted that a large number of externally funded grants have yet to be identified beyond 2021/22, in part due to the fact that because of COVID response Government funding reviews are expected to be announced well after Council considers the 2021/22 budget. As such the figure is likely to significantly increase in later years. The programme is largely built up from Government and other grants received or due to be received. Where grant allocations for 2021/22 are also still to be announced or finalised, particularly for education, estimates have been used which will need to be adjusted once grant levels are announced. Additionally, other sums may become available during the year from a variety of sources which can be added to the programme during the quarterly reporting of the capital programme in 2021/22.
- 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 £11 million in 2021/22 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 total programme for 2021/22 as it currently stands requires £59.3 million of funding which includes £33.9 million from borrowing. Given the financial pressures on the revenue fund, this borrowing assumption in 2021/22 has been assessed as affordable within the current provision for financing.
- 8.5 The other major driver of borrowing increases is the investment in economy and infrastructure through the Growth Deal support and schemes designed to boost the local economy.
- 8.6 By maintaining a prudent and low borrowing forecast for 2021/22 it has a positive knock on impact to the general fund expenditure as regards the cost of repaying borrowing.

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

Dedicated Schools Grant

8.8 The Education and Schools Funding Agency announced the provisional Settlement on 17 December 2020. The provisional DSG allocations for Worcestershire are broken down as follows:

Table 8: Gross DSG Blocks, (prior to Academy Recoupment)

Blocks	£m (Provisional allocations)
Schools Block	371.403
Central Schools Services Block	3.377
High Needs Block – provisional allocation based on the national funding formula for High Needs	68.401
Early Years Block	36.476
Total	479.657

8.9 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 2020, applied to the October 2020 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 2021-22, the DfE have indicated they will consult further on their NFF policy from 2022-23, including the potential for a 'hard' NFF for schools.

- 8.10 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.
- 8.11 The High Needs Block is based on the DfE NFF and includes an additional allocation of £8.2 million gross (£8.0 million net) in 2021-22, which is Worcestershire's share of the national £730 million announced in October 2020, to support High Needs placement and top up pressures being experienced in all LAs and the mainstreaming of former specific grant funding. This will support the future expected ongoing significant cost pressures in the High Needs DSG, however this will not eliminate the deficit from 2020/21 of around £10.5 million which will need to be carried forward into 2021/22. The Council continues to lobby and assess actions to address this area of spend.
- 8.12 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 £36.476 million being based upon the January 2020 census. This provides for minor increases to the DfE's NFF hourly rates. Subsequently it will be updated for the effect of the January 2021 census.
- 8.13 Following a consultation with the Worcestershire Schools Forum (WSF) and notification to all schools in the Autumn Term 2020, Cabinet on 10 December 2020 approved the LSFF for Worcestershire mainstream schools, both maintained and academies, for 2021-22 to continue, as in 2018-19, 2019-20 and 2020-21, 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.
- 8.14 The Worcestershire Schools Forum (WSF) met on 15 September 2020 and on 5 November 2020. The WSF endorsed the proposals for the LSFF for 2021-22 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 will meet again on 21 January 2021 to consider the School Funding Settlement 2021-22, the LSFF for mainstream schools and the required submission of the LSFF to the Education and Skills Funding Agency (ESFA) during January 2021.

9 Efficiencies, reform and income proposals

- 9.1 The Council's proposed budget for 2021/22 includes the need for £7.1 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 processes termed service decisions (this includes consultation where appropriate with the public and / or Trade Unions and staff); and those where decisions require a change in policy and approval by elected members. Where Cabinet took decisions in 2020/21 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. At this stage therefore the decisions for Cabinet / Council to consider as part of this budget paper related to, savings are broken down by directorate as follows:

Table 9: Breakdown of Proposed savings 2021/22

Service Area	£ million	Detail
People	0.0	Social care and communities will seek to manage demand and costs within their increased cash limit.
Worcestershire Children First	3.0	A review of back office posts and vacancies is forecast to yield £0.650m. Ongoing consultations with staff to be carried out in accordance with our HR policies; The in-sourcing of school improvement has enabled us to grow our traded element and we forecast to seek an additional £0.6m in 2021/22. Finally, a range of service reviews have begun to seek efficiencies, and this will focus on removing £1.75m.
Economy & Infrastructure	2.2	Capitalisation of staffing costs across a range of service areas along with other income generation opportunities.
Commercial and Change	0.4	There is an ongoing review of property charges and costs following both COVID and the in-sourcing of PPL that expects to save £0.4m.
Corporate	1.5	This is a continuation of the Organisational Design target set in 2020/21 following work supported by advisors 'C.Co' to change the way we work and review structures and posts.
Total	7.1	

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 2021/22 reflected in this report is therefore:

Table 10: 2021/22 Council tax provision required

	£m	£m
2020/21 Revised Base Budget		345.139
Plus		
Net demand and inflation (Sections 7, 9 and Appendix 1B)	26.549	
Spending requirements		371.688
Less		
<i>Net efficiencies, reforms & income (as set out at Section 9):</i>		(7.147)
Net movement in other grants		(9.011)
Transfer from Earmarked Reserves		(3.000)
Net budget requirement		352.530
Financed by		
- Settlement Funding Allocation (paragraphs 6.4 to 6.6) plus adjustments for local share of business rates		(67.206)
- Council Tax Collection deficit after assumption of support from Central Government (paragraph 6.15)		1.000
Amount to be found from the Collection fund through Council Tax (paragraphs 10.7 to 10.9)		(286.324)
Total		(352.530)

- 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 11 March to enable circulation of Council Tax bills to enable people to pay on and after 1 April- Section 30(6).
 - The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25.
- 10.3 The Government has confirmed that the level of Council Tax could be before it triggers a referendum is 2%. In addition, the Chancellor announced a further extension of the use of the Adult Social Care Levy of up to 3% spread over the following two years 2021/22 and 2022/23 or all taken in 2021/22.
- 10.4 The original assumptions employed in setting the Medium-Term Financial Plan in 2020 were that Council Tax for Worcestershire County Council would be set as follows:
- 2021/22 - 2.99%
 - 2022/23 - 2.99%
- 10.5 At this stage following the impact of COVID on employment and household incomes across the County the Financial Plan has been updated and reflects a reduction in Council Tax to 1.5% to reflect the general rate of inflation and the loss of Council Tax arising from COVID, and a 1.0% Adult Social Care Levy. Looking forward it is assumed that there will be similar increases in future years.
- 10.6 Overall, this still means that Worcestershire is likely to remain in the lowest quartile for Council Tax for comparative county councils without fire responsibility.
- 10.7 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 Worcestershire County Council's Collection Fund is forecast to be in deficit. Regulations have been amended again due to COVID to enable this deficit to be recovered over 3 years as opposed to the previous guidelines of 1 year. That will mean from 2022/23 the County will need to pay an extra £3.0 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.
- 10.8 The latest estimates from District Councils of the average Band D tax base are 213,070 for 2021/22. The County Council's Council Tax Requirement has been identified as £286.324 million (this is inclusive of the social care precept); The Band D Council Tax proposed for 2021/22 is estimated at £1,343.83 (£1,311.05 in 2020/21). That represents a change of £32.78, or an average of £2.73 per month.

10.9 Across the bandings that equates to the following:

Table 11: Banding analysis for 2021/22 County Council precept

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£							
895.89	1,045.20	1,194.52	1,343.83	1,642.46	1,941.09	2,239.72	2,687.66

11. Medium Term Financial Plan

- 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 which in 2021/22 will be in its fifth year of five and remains unchanged, however a number of factors locally and nationally have changed since the MTFP was last considered by Full Council in February 2019. COVID has not only impacted on the timing and scope of the settlement, but it has significantly impacted on the demand and delivery of services in the current year and it is expected for at least some of 2021/22. In addition, the Fair Funding Review of local government funding and settlement allocations has again been delayed by 12 months due to the focus on COVID meaning there is still a high degree of uncertainty going into the final year of the Corporate Plan. Therefore, the MTFP scenarios have been updated on an iterative basis on the assumption of CPI inflation and that the current level of funding will be maintained and included as part of this report at Appendix 1A. The following paragraphs summarise some of the key challenges and approaches.
- 11.2 The MTFP assesses both the funding Worcestershire County Council expects to receive and the cost of doing tomorrow, what it does today, to identify what if any, gap exists. The latest forecast is based on certain assumptions that could change (the longer the forecast the greater the risk of change). Factors on both sides of the equation mean that the gap shown below may change (for the Government's grant funding is still being reviewed and we do not have clear forecasts beyond 2021; and we are still unclear of other external factors).

11.3 The assumption at present for 2022-24 is that there will be a total of around £76.5 million of efficiencies, reforms and income generation that will need to be found.

Table 12: Funding Gap Forecast 2022-24 Assuming all grant income is retained

	2021/22	2022/23	2023/24	Total
Medium Term Financial Plan	£000	£000	£000	£000
Funding	352,530	361,727	373,900	
Transfer from Reserves	3,000	0	0	
Total	355,530	361,727	373,900	
Projected Budget Requirement	362,677	394,736	417,371	
2021/22 Funding Gap before savings (Retaining current quantum of grants less one off COVID Grants)	7,147			
2022-24 Funding gap		33,009	43,471	76,480

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

Funding

11.5 The Government has issued a Provisional settlement consultation. However, it is assumed for this report that the announcements made by the Chancellor and Secretary of State MHCLG will remain unchanged for the final settlement. The key changes to the MTFP reported to Council in February 2020 are:

- £300 million of adult and children’s social care grant – of which Worcestershire County Council is expected to receive £2.2 million.
- £0.5 billion of tax raising power through the extension of the Social Care Precept for a further year, of up to 3%. For Worcestershire this would mean a further £2.8 million at 1.0% in 2021/22, meaning up to a further 2.0% in 2022/23.
- £730 million for High Needs which we estimate will mean an extra £8 million for Worcestershire’s DSG.

11.6 As such the main sources of the Council’s income will be collected and spent locally. The local taxation (Council Tax and Adult Social Care Precept) will account in 2021/22 for 81% of all funding income, with 19% coming from our share of the Business Rates.

11.7 The MTFP forecasts that the Council will experience a positive cash flow for the next two years, subject to the outcome of the Fair Funding Review. 2022/23 will see a £10.0 million increase in Council Tax from returning assumed growth in our tax base to reflect new homes across Worcestershire, and a 1% increase in Council Tax and further 1.5% increase in Social Care Levy. There is a risk to increases in council tax base with regard

to the number of Council Tax Support scheme claimants.

11.8 Future year increases in the number of new properties range between 1% and 2% at this stage due to prudence in the projection of future growth by district councils.

11.9 The funding increase expected in 2021-24 is £21.4 million, as follows:

Table 13: Funding increase forecast 2021/24

	2021/22	2022/23	2023/24
Funding	£000	£000	£000
Council tax	286,324	296,367	308,214
Collection fund surplus / (deficit)	-1,000	-1,000	1,000
Grant / Reserves used to support funding	1,000	1,000	-1,000
Business rates retention scheme	66,206	65,359	65,686
Total	352,530	361,726	373,900

Challenges to our spending

11.10 If all things were equal the Council would be able to use the additional funding income for new service provision and to fund growth. However, the scale of cost pressures facing the Council is more than the projected increase in income. The potential increase in the base budget is as follows:

- **Investment decisions** – this is policy decisions to invest monies from another service area, or from external funding into a new service or area that will deliver a change; and that supports the Corporate Plan delivery.
- **Growth in demand** – this is recognition that some demand cannot always be prevented, and as such we have to allocate funding – see next steps below regarding how we fund some of this.
- **Cost Pressure** – this is the recognition that inflation cannot always be avoided. It could also be recognition of a prior year base budget ‘issue’ that needs to be addressed, an example that could include an over statement of income target not achieved – see next steps regarding how we plan to fund some of this.

11.11 Examples of each of the above areas over the last 12 months and for 2021/22 are:

- **Investment** – £2 million Strategic Initiatives increase in the revenue borrowing budget to fund highways, flood mitigation and cutting congestion capital investment (detailed in Section 8)
- **Growth** – £11.5 million net increase in care services required for older people and £7.7 million in Children's Social Care
- **Pressures** – £2.5 million of inflationary uplifts in contracts and utility costs;

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

11.13 The focus of the spending challenges faced in year 1 (2021/22) are coming from:

- **Continued rise in demand and growth pressure** of approx. £17 million of which £12.6 million is driven by social care;
- **Investment** - £2 million Strategic Initiatives and £1.4 million waste services

11.14 This results in a gross funding requirement in 2021/22 to meet all of these challenges of £26.5 million.

Table 14: Funding pressures faced 2021/22

Service	Revised	Pay	Contract	Growth	Growth	Growth	Total
	Budget	Inflation	Inflation	(Demand)	(Investment)	(Pressure)	Growth
	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
People Services	151,374	575	3,464	0	0	7,500	11,539
WCF	101,815	0	2,718	4,950	0	100	7,768
E&I	55,924	187	1,315	200	300	0	2,002
Coach	6,954	131	193	60	0	240	624
Chief Executive	970	71	-98	0	0	250	223
Finance & Corporate	29,794	110	687	0	0	1,644	2,441
Non Assigned Items	-1,692	0	-50	0	2,000	0	1,950
Total	345,139	1,074	8,229	5,210	2,300	9,734	26,547

11.15 Looking ahead the growth and pressures on spend will continue at similar levels; however, as set out below the adult and children's reform programmes are expected on an escalating scale to cover annual pressures, and prevent costs rising as fast. Other programmes around enabling communities, digital and commercial will also help address pressures. As such the planned investment for 2022/24 is £61.8 million.

Table 15: Funding Pressures 2020-24

	2021/22	2022-24
	£000	£000
Rebase Budgets	2,234	
Growth - Demand	5,210	9,400
Growth - Investment	2,300	
Growth - Pressures		
• Pressures	7,500	32,389
• Pay inflation	1,075	3,483
• Contract inflation	8,230	16,569
Total 2021/22	26,549	
Total 2022-2024		61,841

Transformation programme

11.16 The Council has a number of transformation and change programmes focused on the corporate plan priorities and addressing the projected budget gap. The key programmes are:

- **Children's Services** - The Company's Business Plan for the period was presented to Cabinet in September 2020. 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 in 2021, 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.

11.17 More detail on the 2021/22 proposed savings is set out at Section 9 of this report.

11.18 As a result, the MTFP is aligned to corporate programmes to deliver savings.

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

Reserves

11.20 The Council's General Fund reserves are currently at £12.2 million (3.4% of net spend). This has resulted in a real focus on savings as the Council cannot allow overspends or underachievement of income to occur on a recurring basis.

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

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

11.23 Overall, the Council has a robust MTFP to allocate resources to set and deliver balanced budgets for the remaining year of the Corporate Plan, starting with 2021/22, that supports the delivery of the Council's priorities. The following sections of this report set out in more detail the position for 2021/22.

12. Assessment of reserves

12.1 The Council has had for many years a Strategic Risk Register and developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2020/21 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 16: General fund risk assessment summary

Year ended 31st March	2020 £ million	2021 £ million	2022 £ million	2023 £ million
General Fund Reserve risk assessment	12.217	12.217	12.217	12.217
Current Projections (see Para 12.6)	12.217	12.217	12.217	12.217
General Fund Reserves sufficient	✓	✓	✓	✓

12.3 The Council's General Fund estimated reserve at 31 March 2021 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 2021/22, and the significant level of grants in particular that relate to social care and one off COVID response grants has increased the funding risk. As such an element of risk has been included to provide for a shortfall in Government funding in the coming and future years.
- Provision has also been made for unexpected demand due to unforeseen events around care or weather.

12.4 Based on an assessment there is no opportunity for a further call on general fund reserves in 2021/22 or earmarked reserves. Further information will be provided to Cabinet and Council in February 2021.

12.5 The key risk identified this time 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 and the increasing volatility in both demand beyond 2021/22 arising post COVID.

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

Table 17: Forecast General fund reserves requirement 2019-22

	2020	2021	2022	2023
	£m	£m	£m	£m
Opening General Fund Reserve	12.217	12.217	12.217	12.217
Contribution to / (from) general fund reserves	0.000	0.000	0.000	0.000
Closing General Fund Reserve	12.217	12.217	12.217	12.217

12.7 Any movements in assumptions in the General Fund Reserve position in 2021/22 will be kept under continual review as part of the budget monitoring process.

12.8 The Council has also set aside significant amounts within its Earmarked Reserves (EMRs). The forecast movement and balances in these reserves is summarised below and shown in more detail at Appendix 2.

Table 18: Analysis of earmarked reserves 2019-22

	2019/20		2020/21		Forecast	2021/22	Forecast
	31/03/2019	Movement	31/03/2020	Movement	31/03/2021	Movement	31/03/2022
	£m	£m	£m	£m	£m	£m	£m
Open for Business	13.0	0.7	13.7	-4.9	8.8	-0.5	8.3
Children & Families	4.0	0.8	4.8	0.0	4.8	0.0	4.8
The Environment	0.6	0.3	0.9	-0.2	0.7	0.0	0.7
Health & Well-Being	6.4	0.0	6.4	-0.6	5.8	-2.8	3.0
Efficient Council	40.1	5.8	45.9	-2.6	43.3	-2.3	41.0
Total	64.0	7.7	71.7	-8.3	63.4	-5.6	57.8

12.9 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 19: Analysis of ring-fenced reserves 2019-22

	31/03/2019	2019/20 Movement	31/03/2020	2020/21 Movement	Forecast 31/03/2021	2021/22 Movement	Forecast 31/03/2022
	£m	£m	£m	£m	£m	£m	£m
Other							
Schools Balances	5.6	-4.2	1.4	0.0	1.4	0.0	1.4
Schools ICT-PFI Reserve	0.3	-0.1	0.2	0.0	0.2	-0.1	0.1
Bromsgrove High School PFI Adv	1.6	0.0	1.6	-0.1	1.5	-0.2	1.3
DSG c/fwd Balance Reserve	-0.6	0.6	0.0	-6.3	-6.3	0.0	-6.3
DSG High Needs Overspend	0.0	-6.3	-6.3	4.5	-1.8	0.0	-1.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Waste Contract PFI Grant	10.5	-2.8	7.7	-3.8	3.9	-3.8	0.1
Total Other	17.4	-12.8	4.6	-5.7	-1.1	-4.1	-5.2
Total Earmarked Reserves	81.4	-5.1	76.3	-14.0	62.3	-9.7	52.6

12.10 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 2021/22 have followed these processes, for example changes in Libraries.

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

14. Legal Advice

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

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

- S25 (1) Local Governance Act 2003 (the 2003 Act). The Chief Finance Officer of the Authority must report to it on the following matters: - (a) the robustness of the estimates made for the purposes of the calculations; and (b) the adequacy of the proposed financial reserves.
 - S25 (2) the 2003 Act. When the Council is considering calculations under S32, it must have regard to a report of the Chief Finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 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 2019. The pay increment was lifted as part of those negotiated terms and has been built into the base budget, and this as well as the pay inflation for those paid less than £24,000 and other associated costs 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 a further year. This will form part of a consultation with unions and staff and further updates brought back to Cabinet and Council.

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 2021/22, we will need to consider whether further changes are needed to our structures and arrangements once the full details of legislative changes have been disclosed by the Government.
- 17.3 There is a risk that budget proposals will impact on delivery of the Council's Corporate Plan, but this will be monitored, and appropriate action taken.

18. Financial Implications

- 18.1 In accordance with Section 25 of the Local Government Act 2003 and CIPFA Code of Practice, this section of the report sets out the Section 151 Officer's assessment of the major areas of risk in the 2021/22 base budgets / Medium Term Financial Plan, and recommended budget options. It is presented in order to provide elected members with assurances about the robustness of assumptions made, and to assist them in discharging their governance and monitoring roles during the forthcoming year.
- 18.2 Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.

- 18.3 Section 25 of the Act also covers budget monitoring, and this is a procedure which also helps to confirm the robustness of budgets. Current financial performance is taken into account in assessing the possible impact of existing pressures on the new year budgets. It also provides early indications of potential problems in managing the current year budget so that appropriate action may be taken. Members are asked to note therefore that the 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 2021/22, to maintain tight financial control.
- 18.4 In assessing the assumptions in the setting of the 2021/22 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 Head of Service's base budget calculations to put the figures in context and to help inform the formulation of this budget and the Council Corporate Plan. My assessment of all this information, following the risk assessment set out, is that the budget calculations are fair and robust, and reserves are adequate to reflect known circumstances.

Assumptions around the base budget

- 18.5 The financial assumptions are set out in detail in sections 7 to 10. These take account of key factors such as demographic and inflation rates of change.

19. Conclusions

- 19.1 The Council's Corporate Plan, supported by its Financial Plan and the budget for 2021/22 sets a clear direction for the coming year, and the budget proposals within that are robust. The council is assessed as financially viable with sound and strong financial standing.

Supporting Information

Appendices:

Appendix 1A – Financial Plan Update 2021-24

Appendix 1B – Service Budget summary

Appendix 1C – Capital Programme

Appendix 2 - Earmarked Reserves

Appendix 3 - Glossary of terms

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this Report

Michael Hudson, Chief Finance Officer, 01905 845560, mhudson@worcestershire.gov.uk

Stephanie Simcox, Deputy Chief Finance Officer (Service Finance) / Head of Finance, 01905 846342 ssimcox@worcestershire.gov.uk

Mark Sanders, Deputy Chief Finance Officer (Corporate Finance), 01905 846519, mssanders@worcestershire.gov.uk

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 2021/22 to 2023/24

MTFP - Subjective Summary

	2021/22	2022/23	2023/24	Total
	£,000	£,000	£,000	£,000
Funding				
Council Tax	286,324	296,367	308,214	890,905
Collection Fund Surplus	-1,000	-1,000	1,000	-1,000
Business Rates Reserve Release	0	0	0	0
Reserves Used to Support Funding	1,000	1,000	-1,000	1,000
Business Rates Retention Scheme	66,206	65,359	65,686	197,252
	352,530	361,727	373,900	1,088,157
Expenditure				
Base budget	345,139	355,530	394,736	1,095,405
Change in Specific Grants	-9,011	0	0	-9,011
Rebase Budgets	2,234	0	0	2,234
Pay inflation	1,075	1,680	1,803	4,558
Contract inflation	8,230	8,187	8,383	24,799
Growth – Demand	5,210	4,450	4,950	14,610
Growth – Investment	2,300	0	0	2,300
Growth – Pressures	7,500	24,889	7,500	39,889
	362,677	394,736	417,371	1,174,784
Efficiencies	-7,147	0	0	-7,147
Net Expenditure Budgets	355,530	394,736	417,371	1,167,637
Funding Gap	0	33,009	43,471	76,480
Transfer from Earmarked Reserves	-3,000	0	0	-3,000
Funding requirement	352,530	361,727	373,900	1,088,157

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Appendix 1B

Service	Revised Budget 2020/21 £'000	Service Income Changes 2021/22 £'000	Changes in Specific			Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Demand) 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	Unachieved Savings 2020/21 £'000	New Savings 2021/22 £'000	Net Budget 2021/22 £'000			
			Grants and Other Funding 2021/22 £'000	Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000									Growth (Demand) 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000
PEOPLE SERVICES																
Older People	64,260	0	-2,596	174	296	0	0	2,700	0	0	64,834					
Better Care Fund (excluding Health)	-269	0	0	0	296	0	0	0	0	0	28					
Older People	64,528	0	-2,596	173	0	0	0	2,700	0	0	64,806					
Learning Disabilities	61,111	0	-1,100	24	2,019	0	0	3,100	0	0	65,154					
Mental Health	17,048	0	-1,100	28	0	0	0	900	0	0	16,876					
Physical Disabilities	15,984	0	0	3	0	0	0	800	0	0	16,787					
Adults Commissioning Unit	593	0	0	18	0	0	0	0	0	0	610					
IBCF	-18,500	0	0	7	-19	0	0	0	0	0	-18,512					
Social Care Grant	-9,819	0	-2,177	0	0	0	0	0	0	0	-11,996					
Adult Provider Services	9,299	0	0	149	0	0	0	0	0	0	9,449					
Strategic Libraries	4,935	-213	0	41	272	0	0	0	0	0	5,036					
Museum Services	636	-3	0	3	15	0	0	0	0	0	652					
Archives and Archaeology	1,525	-52	0	25	45	0	0	0	0	0	1,543					
Greenspace & Gypsy Services	500	-38	0	13	26	0	0	0	0	0	501					
Community Services Leadership Team	204	0	0	2	2	0	0	0	0	0	208					
Skills & Inv incAdult learning	414	-49	0	20	21	0	0	0	0	0	406					
Severn Arts Music	0	0	0	0	0	0	0	0	0	0	0					
SENDIASS	95	-2	0	2	1	0	0	0	0	0	96					
Chs Comm & Ptnership	349	0	0	4	2	0	0	0	0	0	355					
Historic Chs	199	0	0	10	313	0	0	0	0	0	522					
Registration & Coroner	872	-38	0	16	30	0	0	0	0	0	881					
Public Analyst	67	0	0	0	1	0	0	0	0	0	69					
Trading Standards	183	-20	0	9	8	0	0	0	0	0	179					
Childrens S75	1,419	0	0	0	0	0	0	0	0	0	1,419					
Public Health Grant Funded Services	0	0	-3,139	27	846	0	0	0	0	0	-2,266					
Total People Services	151,374	-415	-10,112	575	3,879	0	0	7,500	0	0	152,802					

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Appendix 1B

Service	Revised	Service	Changes in	Pay	Contract	Growth	Growth	Growth	Unachieved	New	Net
	Budget	Income	Specific								
	2020/21	2021/22	Grants and								
	£'000	£'000	Other Funding								
WCF Contract	101,815	0	0	0	2,718	4,950	0	0	100	-3,000	106,583

Service	Revised	Service	Changes in	Pay	Contract	Growth	Growth	Growth	Unachieved	New	Net
	Budget	Income	Specific								
	2020/21	2021/22	Grants and								
	£'000	£'000	Other Funding								

E&I											
Business, Administration & Systems	-375	-24	0	11	-9	0	0	0	0	0	-397
Strategic Land & Economy	1,116	-131	0	28	97	0	300	0	0	-211	1,198
Waste management	27,947	-416	0	6	1,224	0	0	0	0	0	28,760
Infrastructure & Assets	6,146	-2	0	9	164	0	0	0	0	-1,166	5,151 *
Winter Maintenance	1,179	0	0	1	33	0	0	0	0	-224	989 *
Project Delivery	359	0	0	6	66	0	0	0	0	-431	0 *
Sustainable Schemes	13	0	0	-1	3	0	0	0	0	-15	0
Operations, Highways and PROW	6,951	0	0	34	0	0	0	0	0	0	6,985
Transport Operations	11,114	-153	0	51	509	200	0	0	0	-200	11,522
Planning & Regulation	908	-18	0	15	13	0	0	0	0	0	918
Network Control	567	-75	0	28	34	0	0	0	0	0	554
Total E&I	55,924	-819	0	187	2,135	200	300	0	0	-2,247	55,680

* The net reduction of the service budget is due to capitalisation of staff and additional income generation. The service level remains unchanged.

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Appendix 1B

Service	Revised	Service	Changes in	Pay	Contract	Growth	Growth	Growth	Unachieved	New	Net
	Budget	Income	Specific	Inflation	Inflation	(Demand)	(Investment)	(Pressure)	Savings	Savings	Budget
	2020/21	2021/22	Grants and	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21	2021/22	2021/22
	£'000	£'000	Other Funding	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COACH											
COACH - Management	266	-10	0	4	11	0	0	0	0	0	270
Legal and Democratic Services	5,172	-69	0	35	149	0	0	0	0	0	5,287
Commercial, Management Information	255	-68	0	23	28	0	0	0	180	0	418
Property Services	715	-344	0	3	365	60	0	0	0	-400	398
Digital, IT and Customer Services	504	0	0	63	129	0	0	0	60	0	756
Programme Office	43	0	0	4	2	0	0	0	0	0	48
Total Coach	6,954	-491	0	131	684	60	0	0	240	-400	7,177
Service	Revised	Service	Changes in	Pay	Contract	Growth	Growth	Growth	Unachieved	New	Net
	Budget	Income	Specific	Inflation	Inflation	(Demand)	(Investment)	(Pressure)	Savings	Savings	Budget
	2020/21	2021/22	Grants and	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21	2021/22	2021/22
	£'000	£'000	Other Funding	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHIEF EXECUTIVE											
Engagement & Communications	56	0	0	12	-2	0	0	0	250	0	315
Health & Safety	22	-10	0	4	3	0	0	0	0	0	19
HR - Core	444	-143	0	52	49	0	0	0	0	0	402
HR - Old	0	0	0	0	0	0	0	0	0	0	0
Chief Executive	448	0	0	4	5	0	0	0	0	0	457
Total Chief Executive	970	-153	0	71	55	0	0	0	250	0	1,194

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Appendix 1B

Service	Revised Budget 2020/21 £'000	Service Income Changes 2021/22 £'000	Changes in Specific		Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Demand) 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	Unachieved Savings 2020/21 £'000	New Savings 2021/22 £'000	Net Budget 2021/22 £'000
			Grants and Other Funding 2021/22 £'000									
FINANCE & CORPORATE												
Financial Services	584	-139	0		47	23	0	0	0	150	0	665
Financing Transactions (Borrowing and MRP)	15,593	-11	0		0	468	0	0	0	0	0	16,050
Contributions and Precepts	10,782	0	0		0	316	0	0	0	0	0	11,098
Pension Fund Backfunding Liabilities	259	0	0		0	8	0	0	0	0	0	267
Miscellaneous Whole Organisation Ser	4,401	0	0		63	0	0	0	0	0	0	4,464
New Homes Bonus Grant Income	358	-7	0		0	18	0	0	0	0	0	368
COVID-19	-2,614	0	1,101		0	0	0	0	0	0	0	-1,513
Whole Organisation - Contingency	0	0	0		0	0	0	0	0	0	0	0
Whole Organisation - Contingency	431	0	0		0	13	0	0	0	1,494	0	1,938
Total Finance & Corporate	29,794	-158	1,101		110	845	0	0	0	1,644	0	33,336

Service	Revised Budget 2020/21 £'000	Service Income Changes 2021/22 £'000	Changes in Specific		Pay Inflation 2021/22 £'000	Contract Inflation 2021/22 £'000	Growth (Demand) 2021/22 £'000	Growth (Investment) 2021/22 £'000	Growth (Pressure) 2021/22 £'000	Unachieved Savings 2020/21 £'000	New Savings 2021/22 £'000	Net Budget 2021/22 £'000
			Grants and	Other Funding								
			2021/22	2021/22								
NON ASSIGNED												
Organisation Review	-1,692	0	0	0	0	-50	0	0	0	0	-1,500	-3,242
Strategic Initiatives	0	0	0	0	0	0	2,000	0	0	0	2,000	
Total Non Assigned	-1,692	0	0	0	0	-50	0	2,000	0	0	-1,500	-1,242

TOTAL	345,139	-2,036	-9,011	1,075	10,266	5,210	2,300	7,500	2,234	-7,147	355,530
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Capital Programme

Appendix 1C

	ACTUAL 2019/20	REVISED FORECAST 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23 and Beyond	REVISED TOTAL FORECAST 2020/21 - 2022/23 and Beyond
TOTAL EXPENDITURE	£000	£000	£000	£000	£000
CHILDREN AND FAMILIES	9,834	26,466	832		37,132
OPEN FOR BUSINESS	45,452	94,724	30,407	800	171,383
THE ENVIRONMENT	38,636	73,280	22,470	2,143	136,529
HEALTH & WELL-BEING	4,070	3,412			7,482
EFFICIENCY & TRANSFORMATION	6,568	12,553	5,620	5,056	29,797
TOTAL	104,560	210,435	59,329	7,999	382,323
	ACTUAL 2019/20	REVISED FORECAST 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23 and Beyond	REVISED TOTAL FORECAST 2020/21 - 2022/23 and Beyond
TOTAL FUNDING	£000	£000	£000	£000	£000
TEMPORARY AND LONG TERM BORROWING	30,502	87,721	33,889	4,426	156,538
CAPITAL RECEIPTS	9,652	10,950	3,559	3,550	27,711
GOVERNMENT GRANTS	56,351	100,667	21,654	23	178,695
CAPITAL RESERVE	1,192	598			1,790
THIRD PARTY CONTRIBUTIONS Bfwd THIRD PARTY CONTRIBUTIONS In Year THIRD PARTY CONTRIBUTIONS	6,863	10,499	227		17,589
TOTAL	104,560	210,435	59,329	7,999	382,323

	ACTUAL 2019/20	REVISED FORECAST 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23 and Beyond	REVISED TOTAL FORECAST 2020/21 - 2022/23 and Beyond
Children and Families	£000	£000	£000	£000	£000
- The Chantry High School Expansion	109	22			131
- Nunnery Wood High School Expansion	764	484			1,248
- Christopher Whitehead High School Expansion	7	15			22
- Rushwick Primary School Expansion		130			130
- Bengeworth 1st		139			139
- Social Care Projects	217	37			254
- Social Care Projects 17/18	138	3,323			3,461
- Redditch S.77 Projects	12				
- Evesham St Andrews	1	129			130
- Leigh and Bransford	57	165			222
- Holyoaks Field 1st School	936	4,966			5,902
- Worcester Library and History Centre (Non - PFI capital costs)	27	147			174
- Redditch Library	12	119			131
- Kidderminster Library	6	78			84
- Flexible use of Capital Receipts		133			133
- Major Schemes - Residual	250	54			304
- Capital Maintenance	978	6,716			7,694
- Basic Need	3,135	9,993			13,128
- School Managed Schemes (Inc. Universal Infant School meals and Devolved Formula Capital)	2,525	-368	368		2,525
- EFA Extension of Provision (Early Years)		259			259
- Healthy Pupil	73	-73	73		73
- Special Provision	391	-391	391		391
- Libraries Minor Works	196	247			443
- Composite Sums - Residual		142			142
TOTAL	9,834	26,466	832		37,120

	ACTUAL 2019/20	REVISED FORECAST 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23 and Beyond	REVISED TOTAL FORECAST 2020/21 - 2022/23 and Beyond
Open for Business	£000	£000	£000	£000	£000
- Open For business		1,550	1,000	450	3,000
- QinetiQ Land Purchase	1	2,000			2,001
- Worcester Technology Park	11	9	9		29
- Malvern Hills Science Park Scheme	18	321			339
- Local Broadband Plan Phase 1		3,310			3,310
- Local Broadband Plan Phase 3	510	3,386			3,896
- A4440 WSLR Phase 4	16,480	29,321	10,441		56,242
- A38 Bromsgrove	2,720	8,170	3,097		13,987
- Kidderminster Churchfields	1,658	2,909	129		4,696
- Pershore Northern Infrastructure (including up to £6.4m from HIIF)	2,377	5,758	3,772		11,907
- Capital Skills Programme	1,950	222			2,172
- Southern Link Dualling Phase 3	5,477	1,768			7,245
- Southern Link Dualling Phase 3 - Broomhall Way Footbridge	409	4,268			4,677
- Getting Building Fund (Including Redditch Transport Hub)		6,000	6,000		12,000
- Worcester Parkway Regional Interchange	6,850	1,320			8,170
- Kidderminster Rail Station Enhancement	2,338	931			3,269
- Railway Stations Upgrades / Extra Parking	359	15,541	3,750	350	20,000
- Next Generation Economic Game Changer Sites		2,500	1,500		4,000
- Town Centre Improvements:					
- Evesham	10	490			500
- Redditch	27	473			500
- Stourport	214	86			300
- Worcester	40	1,160			1,200
- Kidderminster Town Centre Phase 2	1,546	8			1,554
- Redditch Town Centre	2	0			2
- Worcester City Centre	963	412			1,375
- Malvern Public Realm		39			39
- ERDF Capital Projects	1,492	2,769	709		4,970
TOTAL	45,452	94,724	30,407	800	171,383

The Environment	ACTUAL 2019/20	REVISED FORECAST 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23 and Beyond	REVISED TOTAL FORECAST 2020/21 - 2022/23 and Beyond
	£000	£000	£000	£000	£000
Local Transport Plan:					
- Structural Carriageway/Bridgeworks	27,617	33,868	6,287		67,772
- Integrated Transport	331	3,476	213		4,020
Major Schemes: Infrastructure					
- Cutting Congestion:					
- A38 / A4104 Staggered Junction Upton	36	3,964	2,500		6,500
- Evesham Town Centre	26	174			200
- Bromsgrove Town Centre	33	367	400		800
- Hoobrook Roundabout, Kidderminster	75	2,425			2,500
- Walking and Cycling Bridges:					
- River Severn - Keepax to Gheluvelt Park	290	3,709			3,999
- River Severn - Sabrina Bridge refurbishment	1	2,900			2,901
- Local Members Highways Fund	324	1,948	1,250		3,522
- Active Travel Fund - Walking and Cycling Schemes			519		519
- Walk Cycle Route to Worc Parkway	77	20			97
- Green Deal Communities	41	3			44
- Investment Initiatives to Support Business and /or Green Technology	1	1,172	151		1,324
- Energy Efficiency - Spend to Save	24	462			486
- Warm Homes Fund	72	234	196	23	525
- Eastham Bridge	16	18			34
- Pavement Improvement Programme	1,700	4,086	4,000		9,786
- Cutting Congestion Programme	5,489	6,109			11,598
- Cutting Congestion Programme - Phase 2					
- Highway Flood Mitigation Measures	757	584	2,500		3,841
- Bewdley Flood Mitigation Measures			500		500
- Worcester Transport Strategy	112	443			555
- Hoobrook Link Road - Pinch Points	108	27			135
- Public Rights of Way	241	359			600
- Zebra Crossings Package		592			592
- Covid 19 Emergency Active Travel Fund		97			97
- Highways Capital Maintenance Costs			1,000	2,000	3,000
- Highways Strategic Investment Fund	583	843	454	120	2,000
- Completion of Residual Schemes	199	31			230
- Vehicle Replacement Programme	101	1,704			1,805
- Street Column Replacement Programme	382	3,665	2,500		6,547
TOTAL	38,636	73,280	22,470	2,143	136,529

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

Major Schemes:

- Capital Investment in Community Capacity/ Specialised Housing	992	2,485			3,477
- Care Act Capital		61			61
- Social Care Case Management System Replacement	2,283				
- IT Personalisation	444				444
- Capital funding utilisation		336			336
- A&CS Minor Works	90	271			361
- Social Care Performance IT Enhancement	261	259			520
TOTAL	4,070	3,412			5,199

	ACTUAL 2019/20	REVISED FORECAST 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23 and Beyond	REVISED TOTAL FORECAST 2020/21 - 2022/23 and Beyond
Efficiency and Transformation	£000	£000	£000	£000	£000

Major Schemes:

- Digital Strategy	2,013	5,255	2,070	1,506	10,844
- Repair and Maintenance of a Longer Term Benefit (And BUoP)	959	2,877			3,836
- Stourport Library/ Coroners Relocation to Civic Centre		18			18
- Capitalised Transformation Costs	3,596	4,403	3,550	3,550	15,099
TOTAL	6,568	12,553	5,620	5,056	29,797

Appendix 2
Earmarked Reserves

	Balance at 31 March 2019	Transfers out	Transfers in	Balance at 31 March 2020	Transfers out	Transfers in	Balance at 31 March 2021	Transfers out	Transfers in	Balance at 31 March 2022
Open for Business										
Revolving Investment Fund	3.9	1.0		4.9		0.2	5.1		0.2	5.3
Open for Business	4.5	-1.3	0.7	3.9	-1.3		2.6	-0.2		2.4
Local Authority Business Growth Initiative	0.6			0.6	-0.2		0.4	-0.2		0.2
Sub regional mineral plan	0.6	-0.2	0.2	0.6	-0.5		0.1	-0.1		0.0
Growing Places reserve	2.4	-0.5	1.0	2.9	-2.9		0.0			0.0
Regional Improvement and Efficiency Reserve	0.7	-0.7		0.0			0.0			0.0
Other	0.4		0.4	0.8	-0.2		0.6	-0.2		0.4
Children & Families										
Safeguarding			1.1	1.1	0.0		1.1			1.1
Revenue grants unapplied	4.0	-2.4	2.1	3.7			3.7	0.0		3.7
The Environment										
Regeneration and Infrastructure	3.0	-3.0	0.5	0.5			0.5			0.5
Revenue grants unapplied	0.4			0.4	-0.2		0.2	0.0		0.2
Health and Wellbeing										
Public Health	6.2	-1.9	2.1	6.4	-0.9		5.5	-2.5		3.0
Revenue grants unapplied	0.1		0.2	0.3			0.3	-0.3		0.0
Efficient Council										
Transformation / Change Reserve	5.3	-3.4	2.4	4.3	-1.0		3.3	-1.3		2.0
Digital Reserve	3.0			3.0			3.0			3.0
Elections	0.2		0.1	0.3		0.1	0.4	-0.4		0.0
Property Management	0.5		0.1	0.6		0.0	0.6		0.0	0.7
Insurance	8.4	-0.5	1.3	9.2			9.2			9.2
Business Rates Pool	9.8	-13.2	20.2	16.8			16.8			16.8
Coroners Major Inquests	0.2		0.2	0.4			0.4			0.4
Councillors Divisional Fund	0.6	-0.5	1.1	1.2	-0.6		0.6	-0.6		0.0
Fleet Surplus Reserve	0.4	-0.3		0.1	-0.1		0.0			0.0
Future Capital Investment	1.8	-0.6	0.3	1.5			1.5			1.5
Financial Services Reserve	1.6			1.6			1.6			1.6
Financial Risk Reserve	5.5	-7.2	8.3	6.6	-0.8		5.8			5.8
Other reserves (not available for core spend)										
Schools balances held under delegation	5.6	-5.6	1.4	1.4			1.4			1.4
Schools ICT PFI Reserve	0.4	-0.2		0.2			0.2	-0.1		0.1
Bromsgrove High School PFI Advance	1.7	-0.1		1.6	-0.1		1.5	-0.2		1.3
DSG c/fwd Balance Reserve	-0.7	-7.2	1.6	-6.3	-1.8		-8.1			-8.1
Waste Contract PFI Grant	10.4	-7.5	4.8	7.7	-9.1	5.3	3.9	-8.8	5.0	0.1
Total	81.5	-55.3	50.1	76.3	-19.7	5.6	62.3	-14.9	5.2	52.6

Appendix 3

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 2021/22.
DSG	Dedicated Schools Grant	<p>The grant is paid in support of the local authority's schools budget. It is the main source of income for the schools budget.</p> <p>Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.</p>
NNDR	National Non Domestic Rates	Also referred to as business rates. In Worcestershire, NNDR is collected by District Councils and 50% of this money is retained by the County Council, District Councils and the Hereford and Worcester Fire and Rescue Authority as part of their funding. The remaining 50% is returned to Central Government for redistribution elsewhere across local government.
MTFS	Medium Term Financial Strategy	The Strategy that sets out the future ways in which the Council will manage its finances, considering pressures, funding and available resources.
MTFP	Medium Term Financial Plan	The Financial Model covering the next three years based on assumptions within the MTFS

Glossary of terms, continued

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