

CABINET

6 January 2022

2022/23 DRAFT BUDGET

Relevant Cabinet Member

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

Relevant Officer

Chief Financial Officer

Recommendations

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

- (a) approves for consultation the draft budget set out at Appendix 1A of £373.199 million;**
- (b) approves for consultation the new 2022-24 total capital programme of £113.8 million as noted in Appendix 1B;**
- (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 2022 an increase in Council Tax Precept of 0.94%, plus a 1% Adult Social Care Levy and 2% Adult Social Care Levy that was carried forward from 2021/22.**

1. Executive Summary

- 1.1. This draft Budget Report provides a first assessment of the 2022/23 precept need and the Council's budget for 2022/23 to be considered at Full Council on 17 February 2022. The assessment takes into account 2021/22 Period 7 financial monitoring, the impact on Council Tax, the capital investment programme, schools' overall budgets, as well as the Council's reserves.
- 1.2. Despite another extraordinary year dealing and responding to the COVID pandemic, the Council's strong financial management and controls have ensured that we will not carry any undue financial pressures in to 2022/23. Officers are currently taking action to address the small overspend (approximately £1 million that is 0.3% of the net budget) arising from delayed corporate savings deferred due to responding and recovering from the pandemic. It is projected that with these actions the Council will achieve a balanced position by 31 March 2022 placing the Council in a strong position going into 2022/23.

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

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

- **Provisional Settlement and Council Tax / Adult Social Care Levy**

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

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

1.6. In total that will give rise to an additional £11.338 million Council Tax income in 2022/23. In addition, the Council will secure an additional £2.666 million from Council Tax from new properties. However, there is still a small deficit carried forward to address on the collection fund due to the fall in income collected over the last 12 months as an impact of the pandemic. This is still £0.9m better than the previous year forecast. Therefore, the overall forecast additional income from Council Tax will give rise to an increase of £14.915 million in the Council's income.

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

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

1.8. Overall, that means the Council’s income from Council Tax and Government grants gives rise to a total forecast increase in its net income of £30 million as per table below:

Table 1: Movement in Council Tax and Grant Income 2021/22 to 2022/23

Source of Funding	£m
Council Tax increase	11.3
Council Tax buoyancy	2.7
Collection Fund Improvement	0.9
Settlement Funding Assessment	2.5
Social Care Grant	6.1
Market Sustainability and Fair Cost of Care	1.6
Improved Better Care Fund	0.5
Services Grant	4.4
Total	30.0

- **Revenue investment and pressures**

1.9. However, whilst income is growing, it is not increasing fast enough to keep pace with the complexity and demand of all our services, response to COVID and the long-term impact of the virus on our services, as well as the rising cost of inflation (7.1% RPI / 5.1% CPI as at December 2021). In 2022/23 we need to invest a further gross £25 million in adult and children’s care (£17.1 million in Adults and £7.9 million in Children's). This reflects a continuing increase in the volume, complexity and cost of care that were already growing prior to the global pandemic. We continue to make the case that this needs to be reflected in our on-going funding or in changes to national policy.

- 1.10. In addition to pressures in care we also need to maintain and in certain cases invest in other services, especially to deliver our Corporate Plan targets around the economy, highways and the environment. We are also seeing significant increases in the cost of the provision in these services through inflation, particularly street lighting; and other external factors including the impact of adverse weather on our roads, footways and other infrastructure and the transport provider market. At the same time more homes mean more waste disposal costs and the need to support the provision of adequate infrastructure.
- 1.11. The Cabinet is keen to ensure that the feedback from Viewpoint resident surveys, continually highlighting the importance of roads, pavements, tackling congestion and transport are invested in. As a result, the Cabinet are proposing to Council to:
- Invest £0.350 million to:
 - increase the number of Highway Liaison Officers,
 - ensure there are more Local Highways Response Teams
 - uplift the funding for the Parish Lengthsman
 - extending the Highways and Transport Control Response contact hours to 07:00 to 19:00 hours weekdays
 - invest £0.1 million to increase the Economic Development Team to ensure that the County's recovery post pandemic ensures we can continue to support measures to grow our economy
 - maintain the £0.6 million invested in Public Transport in 2020/21 to ensure services and connectivity is maintained across the County as we recover from the pandemic.
 - Invest £2 million to finance capital investment in over £20 million of capital schemes to maintain and improve our highways and footpaths across the County. More capital investment is set out paragraphs 1.18 and 1.19 as well as Appendix 1b, this is funded from within the existing revenue programme.
- 1.12. Altogether we are forecasting a further £44.205 million of pressure and investment in other services. This is made up of:

Table 2 – Total 2022/23 £44.2 million pressures:

Assumed Pressures 2022/23 <i>Further explain at Section 7 of this report</i>	Latest Estimate £m
Pay Inflation – <i>see Table 12 later in this report</i>	6.2
Contract Inflation	4.0
Net Service Demand and growth – <i>see Tables 8 to 10 later in this report</i>	28.2
Addressing use of reserves for 2021/22 for COVID – <i>see Table 7</i>	5.8
Total	44.2

- **Other Funding**

- 1.13 The Cabinet agreed in December Item 6 ([Agenda Document for Cabinet 9th December 2021](#)) to extend the Waste disposal contract, as part of that arrangement the Council will continue for one more year to use the Waste reserve (£1.5 million) to cover the increased demand on this service. In addition, there is £1.2 million of COVID general grant that is forecast to be carried forward and spent in 2022/23.
- 1.14 Whilst the funding for Social Care from the provisional settlement grants and Adult Social Care Levy raises £13.7 million, the pressures faced in ASC forecast for 2022/23 are £17.1 million. That leaves funding to be bridged of £3.4 million. The majority of the pressures faced are around managing the provider workforce retention and recruitment. To ensure a long-term sustainable care market, meet the demand in order to enable hospital discharge and to support improvements in individual's health through reablement and rehabilitation we are currently discussing with NHS Herefordshire and Worcestershire Clinical Commissioning Group (H&WCCG) how local NHS funding might support this. The focus will be to look to fund continual improvements in discharge and care through even stronger partnership and integrated forward-thinking approaches. This will involve continuing to work together on pathways of care to support both our local hospitals' discharge as well as social care. As such we are looking at the potential for joint funding options to address some or all of the gap, albeit that may in part be non-recurrent. However, at the stage of uploading this budget, the NHS funding provisional settlement has not been released and therefore we will update members on progress early in the new year. This joint working will continue to be developed alongside national transformation plans under the Government's Build Back Better initiative.
- 1.15 After accounting for the pressures faced by the Council and the investment to be made offset by additional income this means the Council is seeking to make £8.1 million of efficiencies as set out in Section 9 of this report (£3.1 million within services and £5.1 million in Corporate targets).
- 1.16 Table 3 therefore sets out how the £44.2 million gap is to be addressed in setting the 2022/23 budget:

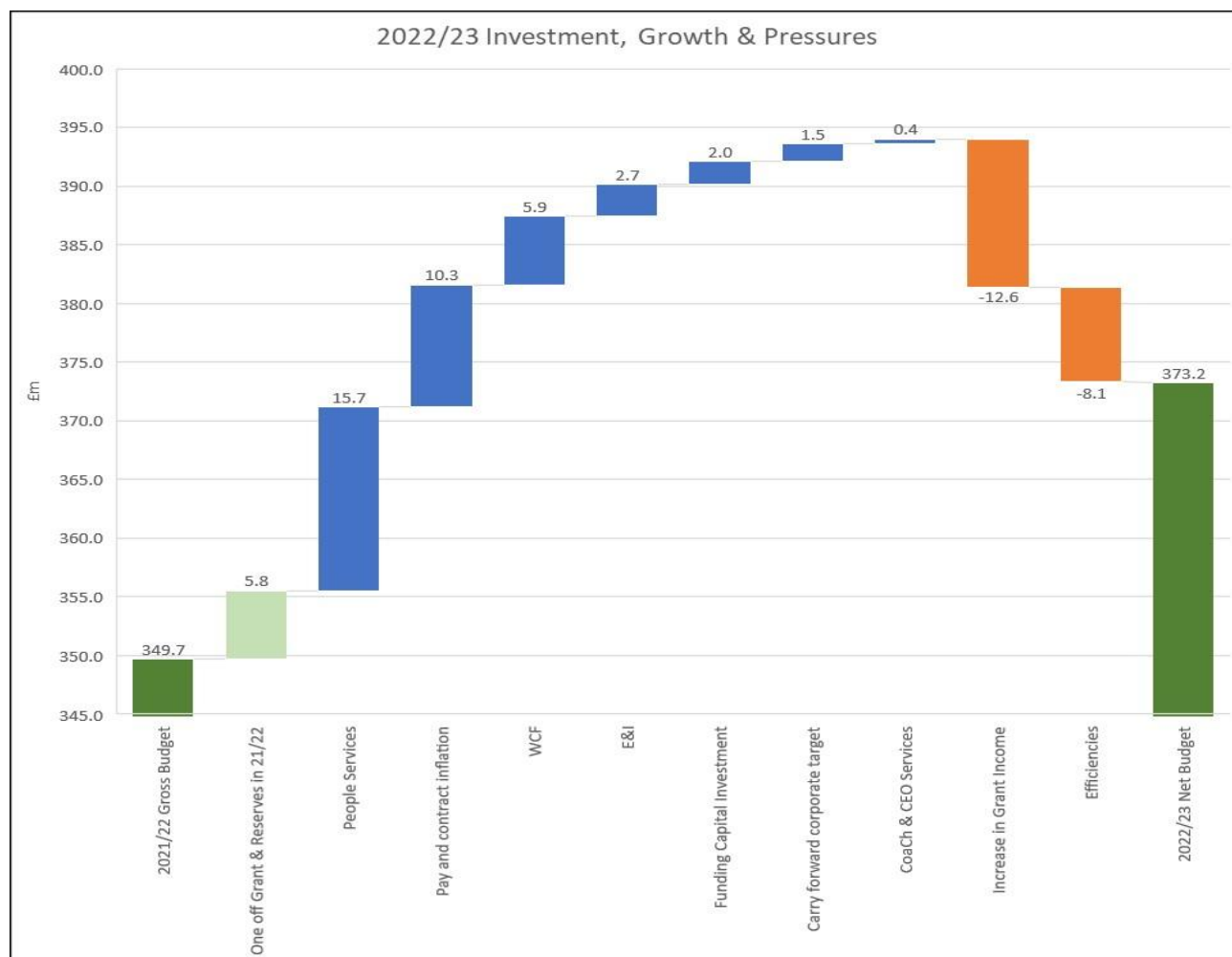
Table 3 – Funding the £44.2 million pressures to balance the 2022/23 budget:

	£m
Council Tax / Adult Social Care Levy – (Section 10)	14.9
Settlement Funding Assessment (Section 6)	2.5
Provisional Settlement Grant announcements (Section 6)	12.6
Use of waste (£1.5m) and Covid (£1.2m) reserves (Section 11)	2.7
Directorate Specific Efficiencies (Section 9)	3.0
Corporate changes in service income and efficiencies (Section 9)	5.1
ASC external funding (Section 6)	3.4
Total	44.2

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

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

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- **Capital**

1.16 Turning to the Capital Programme, the Council has continued to significantly invest in the County's infrastructure and economy. Across the four years (2020 to 2024) this will have amounted to £438.8 million. That investment has already delivered:

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

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

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

- 1.18 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 £355.7 million in the Capital Programme 2020 to 2024 for investment in the economy, infrastructure (£329.8 million) and transformation (£25.9 million) of the County.
- 1.19 Looking further into the medium and longer-term future is complicated by the fact that the Provisional Settlement only sets out a one-year funding allocation. Government have announced plans to revisit the funding for local authorities and how allocations are made in 2022 to hopefully be introduced in 2023/24 allocations. There are also a number of significant national changes in policy, particularly around adult care as well as how we forecast the impact of the pandemic and the increase in inflation. As a result, there is less certainty over funding and demand after 2022/23.
- 1.20 The Council's reserves are adequate and an increase in the Financial Risk Reserve is proposed to reflect the uncertainty over future years funding and potential changes in Adult Care arising from the White Paper. Improvements in budget monitoring and control continue to be made, and there will be regular monitoring of the delivery of the 2022/23 budget throughout the year.

2 Purpose of Report

- 2.1 This is a covering report that starts a process working towards an assessment to Full Council to set a budget for 2022/23, that considers the impact on Council Tax, the capital investment programme, schools' overall budgets, as well as Council reserves. This first stage seeks to set out proposals for them to be considered before the final budget settling in February 2022.
- 2.2 Cabinet will commence the engagement after its meeting on 6 January 2022 to consider this report and will then take into consideration any proposals by Scrutiny or other stakeholders such as Trade Unions, with any feedback being presented back to Cabinet for consideration on 3 February 2022. Cabinet and Council will also be asked to consider any comments alongside any other feedback received including those from the Schools Forum, and any other stakeholders.
- 2.3 Council will then be asked on 17 February to debate and approve the budget, Council Tax, capital programme, schools' overall budget as well as the level of reserves.

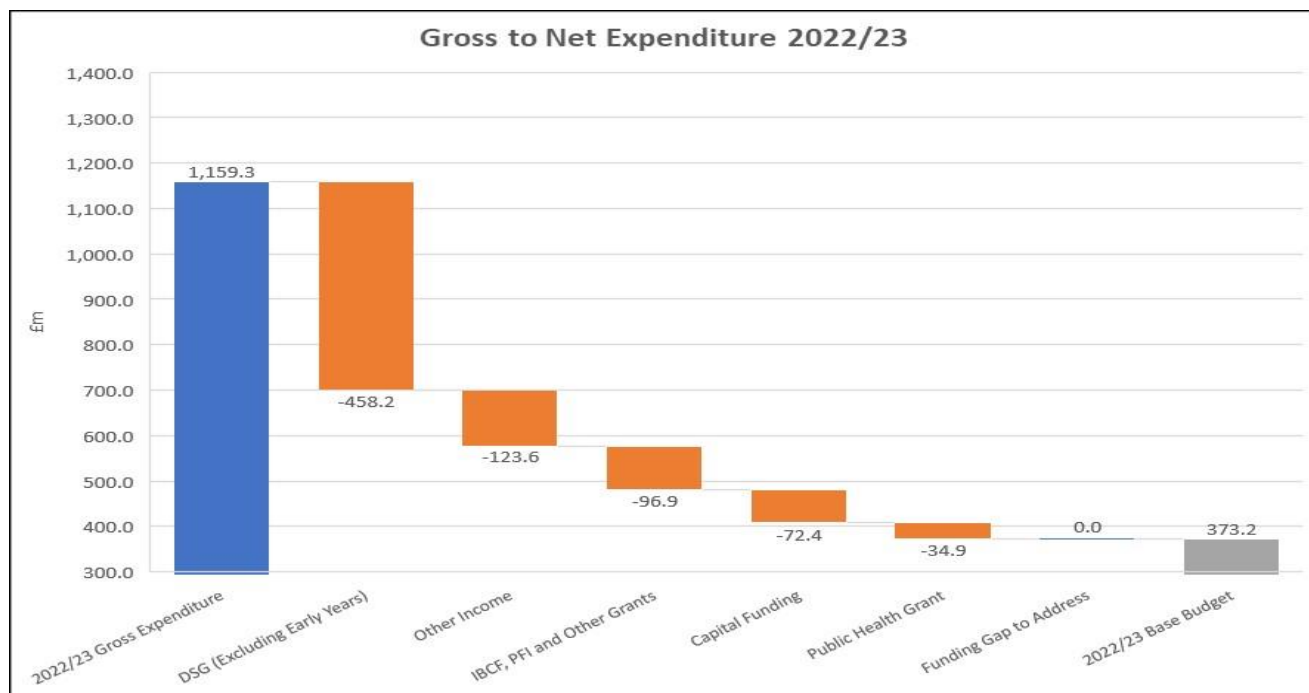
3 Background

- 3.1 The Council's Corporate Plan 2017-22 can be found here ([Shaping Worcestershire's Future](#)). This report sets out a draft budget for 2022/23 to deliver the priorities set out in the Corporate Plan. The Council is obliged by legislation to set a balanced budget. As a result, Cabinet Members and the Strategic Leadership Team have been revising the financial forecasts and budget proposals to present to Council to set its element of the 2022/23 Council Tax precept.

3.2 The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and reflects the County Council's Corporate Plan, 'Shaping Worcestershire's Future' and the MTFP.

3.3 The current total gross expenditure budget for the Council, including DSG, is circa £1.2 billion as shown in Chart 2:

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



3.4 This report is an assessment to inform Council of the decision-making process and the adequacy and ability to deliver the proposals made by Cabinet, and the impact that this will have on the Council's financial standing. This report therefore considers:

- Delivering the Corporate objectives and funding its priorities, – **Section 4**
- The current financial position of the Council for 2021/22 – **Section 5**
- The level of funding available for 2022/23 – **Section 6**
- The level of investment required for delivering the Corporate Plan in 2022/23 – **Section 7**
- The consequences of capital investment and school's proposals – **Section 8**
- The level of savings, reforms and income required – **Section 9**
- The resultant Council Tax precept calculation – **Section 10**
- The Council's Medium-Term Financial Plan – **Section 11**
- 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 objectives and funding its priorities

- 4.1 The current Medium-Term Financial Plan takes account of the Corporate Plan set alongside the uncertainty of Government funding. As such this report sets out an updated budget that covers the remaining year of the Corporate Plan. It also reflects the latest Government funding announcements.
- 4.2 In relation to the Council's priorities in the Corporate Plan 2017-22, the financial plan confirms the commitment to continue to resource these:

Open for Business

- 4.3 The Council is committing spending of over £130.4 million next year on supporting our local economy. That is a mixture of new and continued investment (revenue and capital), making a total of £160 million 2017-2024, which has supported significant growth and improved our connectivity. The deliverables under the Plan that have been invested and continue to be invested in the local economy include:
- Continuing investment into the capital programme for schemes including A4440 Worcester Southern Link Phase 4, A38 Bromsgrove, Pershore Infrastructure Improvements, Cutting Congestion projects, upgrades and parking at railway stations, broadband connectivity, economic game changer sites and public realm improvements
 - In conjunction with Worcestershire LEP and Partners, the Council has been successful in securing ongoing funding to support 5G initiatives which support productivity improvements in manufacturing. This will run alongside the existing broadband programme
 - The Council is also working with the LEP under the 'Getting Building Fund'. The LEP was awarded £12 million to deliver jobs, skills and infrastructure across the County. As part of that we are seeking to fund the development of economic growth around our transport hubs, including Worcester Shrub Hill and Redditch
 - £0.4 million continues to be invested in the skills agenda through the Open for Business funding to support Inspiring Worcestershire that has focused on embedding a tailored Worcestershire careers planning programme, supporting young people and educational establishments to understand the needs of our economy and the employment opportunities within it
 - £0.7 million continues to be invested in promoting and enabling One Worcestershire and Visit Worcestershire, aimed at promoting the business and cultural opportunities of the County to attract more businesses and visitors to Worcestershire
 - £5.5 million has been invested through the Open for Business and Revolving Investment Fund Reserves on progressing development opportunities around key town centre and railway sites

- £0.3 million one-off revenue expenditure has been provided to further progress the North Cotswold Line rail development proposals
- We launched Here2Help Business in 2021 designed to assist in the wake of COVID Worcestershire Businesses to recover, adapt, develop and support their future resilience. ([Here2Help Business | Worcestershire County Council](#))
- We continue our investment into the Midlands Engine.

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

- its focus of developing economic and growth sites around main transport hubs, including significant investment at Worcester Shrub Hill and Redditch stations
- investing in support alongside local businesses through grants via the Open for Business Board, including for investment in skills
- supporting businesses through the continued impact of the pandemic in partnership with our District Council colleagues and Worcestershire Regulatory Services (£1 million)
- working with the Worcestershire LEP as it moves forward delivery of our Economic Plan and support for key sectors.

Health and Wellbeing

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

- £15 million to reflect the rising demand, complexity and cost of adult care, this includes significant pressures faced within the market to retain and recruit workforce and the rising cost of care. A forward looking strategy ([Item 5 Cabinet Report Forward Look Adult Social Care](#)) as presented to Cabinet in November 2018 which set out how going forward the Council is continuing its focus on helping people live longer and in better health through prevention, reablement and support to live in their own homes including the development of assistive technology. In 2022 as part of that improvement journey a new domiciliary care contract will begin. Section 6 of this report also sets out some of the future pressures and how the Council is looking to manage within that forward strategy, and an update was provided to Cabinet in September 2021 of progress over the last 12 months ([Item 8 September Cabinet Report Adult Social Care - Annual Local Account](#)).

- Around an additional £1 million more will be spent on Public Health in 2022/23 through the Public Health Ringfenced Grant (PHRG), focused on preventative actions to improve the health of County residents, including early years and reablement of adults. In total we expect to spend around £34 million on Worcestershire's Public Health in 2022/23, including plans to spend £2.7 million of PHRG reserves not used due to the pandemic funding, the use of the reserves will be spread over 3 years and focus further on how we can support our local communities to respond in the best way and recover from the pandemic to reduce socio-economic gaps and improve the well-being across the whole County. The grant and reserve will continue to spend within budget and in line with grant conditions, that will include responding and dealing with the ongoing COVID situation. This supports a broad, population-based programme of preventive work to improve health and well-being and narrow health inequalities, with a focus on evidence-based prevention. This year as in previous years, an investment from the Grant is made in areas of the Council outside the Public Health service to help support our ongoing work in areas such as preventative mental health or physical health through services such as libraries and countryside.
 - Supporting residents during COVID through the Council's Covid Grant, Winter Support Grant, Household Support Grant, Hospital Discharge Grant, and Contain Outbreak Management Fund (COMF) totalling in excess of £30 million, of which a significant proportion was in partnership with our District Councils and Worcestershire Regulatory Services colleagues.
 - £2 million continues to be funded from the Transformation programme to change the way we work with our communities and voluntary partners to reshape our services to improve efficiency and digital access. In 2021 we launched our Here2Help service that is changing the way we work with our partners and communities. The service is to support people of all ages and is available for both residents and organisations to access information, advice, tools, guidance and local support available to them or others in the local community based on their needs ([Here2Help website link](#)). At the same time, we are revising the way we engage with our partners through more innovative and effective contracts to secure savings and improve quality.
 - We are investing £4.3 million in capital, as well as transformational funding, to ensure technology can improve care.
 - From 2022 we are bringing the pathways, structures and processes together around all age disabilities.
- **Children and Families**
 - 4.6 Our focus is to ensure children and young people in Worcestershire receive a good quality and "inclusive" approach to education for children with additional needs enabling all to achieve their potential. We are committed to support vulnerable children and their parents through early help and targeted family support, keeping families together and building on their strengths and resilience in response to problems they face in their lives. We safeguard children from significant harm and support our children in care to have good outcomes and a supported transition as care leavers to adulthood.

- 4.7 In November the Will Quince MP, Parliamentary Under Secretary of State for Children and Families confirmed that the Statutory Direction placed on Worcestershire County Council has been lifted and we have formally moved to the “support and supervision” period. This is a key milestone in our improvement journey and demonstrates the significant progress made in safeguarding and the services for vulnerable children in the County.
- 4.8 Our Children’s services are delivered by our wholly owned company Worcestershire Children First (WCF) and we continue to be delighted with the progress made in delivering Children’s Services across Worcestershire. WCF has been in operation for almost 3 years and there continues to be strong relationships and collective ownership between the council and the company in improving outcomes for children and young people.
- 4.9 Given the pressure on Children’s services nationally and locally there is a commitment to invest into the base budget to cover pay increases and to fund some increased placement pressures. Cabinet proposes using £2.6 million of the additional £6.1 million Social Care Grant plus £3 million of the one-off Services Grant in 2022/23 to fund Children’s Services.
- 4.10 A further £1.9 million of one-off funding has already been set aside as an earmarked reserve for potential placement pressures that could arise following recovery from the pandemic to mitigate an increase in demand. Our focus remains to improve outcomes for children and young people (up to the age of 25) in Worcestershire, by addressing their needs holistically through early help and prevention, education provision and social care.
- 4.11 A draw down has not been required in the last three financial years due to the strong leadership, good practice in the service and careful financial management. However, during the past year, the associated impact of the pandemic has resulted in increased demand and costs for support, protection, and care services, including for children with special education needs which has risen locally in line with the national picture. Therefore, the financial risk has increased.
- 4.12 The investment outlined above also includes £0.3 million into Special Educational Needs Transport.
- 4.13 The budget in 2022/23 includes new investment for providing £3 million in capital to improve schools across the County, noting a further net £50 million on building and extending schools across 2022-27.

The Environment

- 4.14 There is a commitment to stay on track to deliver over £196.4 million of revenue and capital investment to improve the local environment and highway network. These plans include:

Highways:

- 4.15 Over the last year the Council has continued to investment in the capital programme for highways and connectivity schemes including the A4440 Worcester Southern Link Phase 4, A38 Bromsgrove, Pershore Infrastructure Improvements and Cutting Congestion projects. Going forward this remains a key priority and capital investment will be invested for two years in:

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

- 4.16 There is also investment in:

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

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

- £2 million for a new reserve for Infrastructure Project Support to enable the Council to move forward with highways and transport / connectivity.
- £2.5 million to extend for a further two years (2022-24) the Local Member's Capital Highways Fund to enable local level improvement schemes.

Environment:

- 4.18 A further £1 million investment into drainage schemes including support for flood alleviation.
- 4.19 £6 million on streetlighting (£3 million p.a. 2022/23 and 2023/24) to complete the roll out of LED street lighting. That is on top of the monies committed across 2020/21 and 2021/22.
- 4.20 The Council is also committed to improving the environment through the delivery of its Corporate Plan. As such in 2022/23 the Cabinet is committing the following:
- We will maintain the enhanced public transport revenue budget commitment made in 2021/22 for 2022/23 (£0.6 million) to continue to support the Worcestershire Public Transport Strategy and recovery from the pandemic.
 - We are purchasing green energy for all our electricity supplies.
 - £1 million towards our vehicle replacement strategy.
 - £1.1 million to extend for a further two years (2022-24) the Councillors Divisional Funds Scheme
 - Continuing the programme planting 150,000 new trees on council owned land to create new Worcestershire woodlands.
 - Working with the Environment Agency to progress the planned flood defences for Tenbury Wells and Bewdley.

Efficient and effective organisation

- 4.21 Delivering on our plans to ensure that the County Council is operating efficiently, prepared for the future including more digitally enabled operations and closer working with our key partners. This includes investing:
- £2.0 million in digital and technological improvements
 - £2.0 million in our buildings and working environment to ensure we work smarter.
- 4.22 The Council will continue to secure efficiencies from challenging the way it works, including standardising our processes and using technology to avoid delays and speed up access to our varied services. The Council has invested in developing its in-house capacity to undertake system thinking reviews and is in the next phase of developing its digital strategy. This continued focus to reduce unnecessary costs will form the bedrock of future saving plans.

5 2021/22 Forecast Outturn

5.1. The Council has received regular updates on its financial performance throughout 2021. In addition to the £355.5 million budget the Council has managed around £52 million of one-off funding to support our response to COVID. Various management actions and elected member decisions throughout the year have been taken to deliver an improved financial position. The latest position at Period 7 (October 2021) forecasts an overspend (£1.198 million, or 0.3% of the annual net spend) on its budget by the end of 2021/22. Officers are taking action to address this shortfall to return to a balanced position by year end and reducing any call on the Council's reserves. An update will be provided to the February 2022 meeting of Cabinet. The following table summarises the variances as at Period 7.

Table 4: Summary Outturn forecast for Services as at Period 7 2021/22

Service area	Budget £m	Forecast £m	Variance £m
People – Adults	133.887	133.859	-0.028
People – Communities	20.131	20.134	0.003
People – Public Health	-2.389	-2.394	-0.005
Children's Services/WCF	106.791	106.791	0.000
Economy & Infrastructure	55.350	55.540	0.190
Commercial & Change	7.466	7.507	0.041
Chief Executive	1.097	1.038	-0.059
Total: Service excl DSG	322.333	322.475	0.142
Finance/Corporate Items	34.701	34.257	-0.444
Non-assigned items	-1.500	0.000	1.500
TOTAL	355.534	356.732	1.198

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

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

- 5.3 The main variances at P7 are as follows:
- -£0.4 million underspend on corporate items relating to the release of contingency provision.
 - £1.5 million forecast overspend on corporate saving targets which were deferred due to the need to respond to the pandemic. However, it is worth noting that the procurement team did identify c£1 million of savings on non-revenue budgets.
- 5.4 The current Dedicated Schools Grant forecast, due in the main to shortfall in High Needs funding, is an overspend of £6.1 million and rising which is consistent with other County Council's. This remains an ongoing area of both lobbying and work with schools to consider next steps.
- 5.5 The schools' balances forecast position for 2021/22 reported at period 6, is a net deficit position of £3.6 million. The schools' balances position brought forward at 1 April 2021 was a net £1.4 million surplus. This change is reflective of the pressure on schools from High Needs funding shortfalls, the cost of responding to COVID and clearly supports the changes needed to schools funding. We continue to lobby for all of these areas to be addressed and are working with our schools for a national funding solution.
- 5.6 There are £13.2 million of longer term (greater than 30 days) debts outstanding. Nearly all of this is with public sector partners or construction firms. A decision has been taken to centralise income management and action has started to address this position and further reporting is being taken to the Audit and Governance Committee on a regular basis.
- 5.7 Monitoring of the capital budgets shows schemes are broadly on target to be within the re-programmed spend profile at year end. It is expected that planned expenditure will be carried forward to next financial year.

6. **2022/23 Level of Funding**

- 6.1 The Council draws its funding from two main sources – Council Tax and Business Rates. The Council's Government funding allocated for 2022/23 comprises of three elements; the first two make up what is referred to as Worcestershire's Settlement Funding Assessment (SFA), which is the DLUCH 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. For 2021/22 in response to the pandemic Government only announced a one-year settlement, it has in effect repeated this for 2022/23 with the 16 December Provisional Settlement discussed in more detail in this section.
- 6.5 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.
- 6.6 Worcestershire's 2022/23 allocation from the Provisional Settlement was announced on 16 December 2021. The overall increase is 2.8%, however it is noted that this now includes allocations for the Financial Transparency of Local Authority Maintained Schools grant previously reported outside of the SFA. As such the uplift is as follows.

Table 5: Provisional Settlement SFA movement 2021/22 to 2022/23

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

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

Government Ring Fenced Grants

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

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

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

- In September this year the Government announced they would be supporting local authorities towards paying a fair rate of care. The Provisional Settlement confirmed a new grant has therefore been introduced - Market Sustainability and Fair Cost of Care (MSFCC) Fund, with Worcestershire getting £1.6 million. The Government published the purpose and conditions of the MSFCC Fund. There will be further information and a grant determination letter in early 2022. This is funded from the National Insurance Health and Care Levy and in 2022/23 nationally is £162m which increases to £600m in both 2023-24 and 2024-25. The funding will be spent on:
 - Conducting a cost of care exercise to determine the sustainable rates
 - Engaging with local providers on the costs and numbers of self-funders
 - Strengthening capacity to plan for greater market oversight.
 - To increase fee rates as appropriate to local circumstances – together with the increases in the Social Care Grant and the iBCF.
- £0.5 million increase in the Improved Better Care Fund (iBCF) to aid the pathways of care and joint working with the NHS.
- The Provisional Settlement also announced a new one-off un-ringfenced Services Grant to fund general responsibilities. Worcestershire County Council's gross allocation is £4.4 million. At the time of uploading this report further detail on what has been included in this grant is still awaited, however we do understand that the allocation includes funding for local government costs for the increase in employer National Insurance Contributions to fund the NHS and Social Care Levy. The pay cost pressures discussed in section 7 of this report includes this cost estimated to be £1.4 million, as such the net additional one-off income is £3 million of new one-off grant.

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

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

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

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

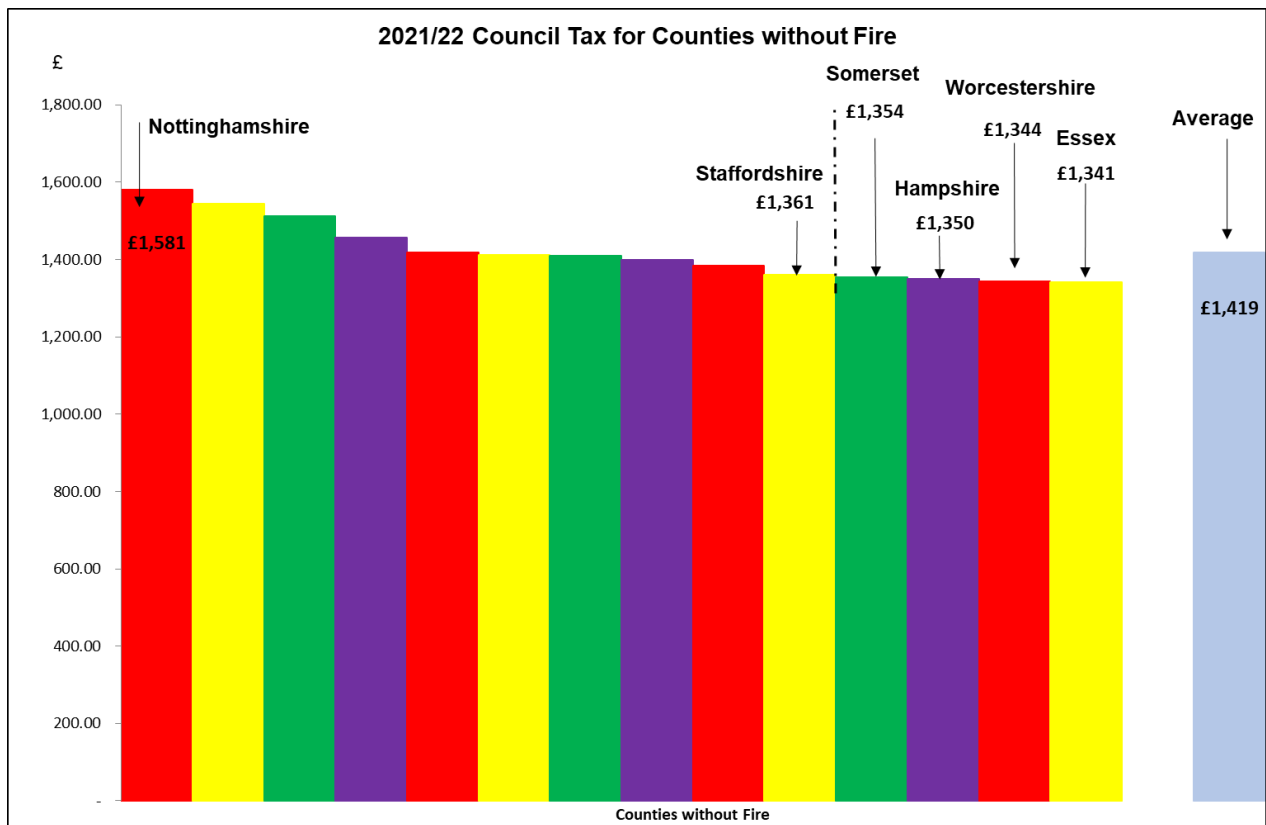
Adult Social Care Precept / Levy

- 6.12 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.
- 6.13 In the 2017/18 Provisional Settlement announcement the Secretary of State for the then MHCLG set out a new flexibility confirming the remaining 6% across the residual years (i.e., 2% each year 2017/18 to 2020/21). Across these three years Worcestershire applied 6%. It was assumed 2020/21 was the final year, however a further two years of up to 3% spread across 2021/22 and 2022/23 for the precept was announced by the Chancellor in November 2020. In setting the 2021/22 budget Council applied 1% of the 3%, thus carrying forward 2% to be applied in 2022/23.
- 6.14 On 16 December the Secretary of State for DLUCH set out a Council Tax and social care levy position allowing for any unapplied social care levy applied over 2021-23 to be carried forward. For Worcestershire County Council that is up to 2% unapplied in 2021/22. The Secretary of State also stipulated that of the 3% capable of being added in 2022/23 1% is for adult social care as discussed later in this report.
- 6.15 The total forecast gross £17.1 million service pressures facing Adult Social Care (ASC) including replacement of spend funded by COVID grants in 2022/23 is set out in more detail at section 7.
- 6.16 Whilst the funding for Social Care from the provisional settlement grants and Adult Social Care Levy raises £13.7 million, the pressures faced in ASC forecast for 2022/23 are £17.1 million. That leaves funding to be bridged of £3.4 million. The majority of the pressures faced are around managing the provider workforce retention and recruitment. To ensure a long-term sustainable care market, meet the demand to enable hospital discharge and to support improvements in individual's health through reablement and rehabilitation we are currently discussing with NHS Herefordshire and Worcestershire Clinical Commissioning Group (H&WCCG) how local NHS funding might support this. The focus will be to look to fund continual improvements in discharge and care through even stronger partnership and integrated forward-thinking approaches. This will involve continuing to work together on pathways of care to support both our local hospitals' discharge as well as social care. As such we are looking at the potential for joint funding options to address some or all of the gap, albeit that may in part be non-recurrent. However, at the stage of uploading this budget, the NHS funding provisional settlement has not been released and therefore we will update members on progress early in the new year. This joint working will continue to be developed alongside national transformation plans under the Government's Build Back Better initiative.

Council Tax

- 6.17 The Provisional Settlement as made clear by the Secretary of State for DLUCH, sets out that the Council will be able to increase the rate of Council Tax by 2% without having to hold a referendum, with an additional 1% allowed for Social Care plus any element of the previous 3% Adult Social Care precept spread over 2021-23, which for Worcestershire is 2%. This gives a maximum capable of being precepted of 5% (2% on general services and 3% on Adult Social Care).
- 6.18 The level of Council Tax collected in 2021/22 and forecast for 2022/23 continues to be impacted by COVID, however we are forecasting a very small increase in properties and improvements in collection. The County Council is still working with district councils on the precise changes but for this report it is assumed that the level of Council Tax income that could increase due to these changes will give rise to a further £2.7 million in 2022/23. This will be confirmed at the 3rd February Cabinet meeting.
- 6.19 After applying the overall forecast change in the tax base, adjustment for Government support, any continued impact of COVID on collection, and application of the Council's draft proposals to apply a 3.94% increase (0.94% Council Tax plus, 1% 2022/23 Social Care precept, and 2% Adult Social Care 2021-23 Levy) this gives rise to additional net £14.915 million more Council Tax income expected to be collected in 2022/23, as shown in Section 10 of this report.
- 6.20 Overall, as Chart 3 shows, the County Council's level of Council Tax remains one of the lowest when compared to comparative councils, and remains in the bottom quartile:

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



Government Funding – Fair Funding

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

Overall funding levels

- 6.22 After adjusting for movements in Government grants, the proposed levels of Council Tax and Business Rates income, and other income the net impact is that the Council projects it will have an increase in its cash before accounting for need to invest £33.4 million as shown in the following table:

Table 6: Movement in Council Tax, Grant and Other Income 2021/22 to 2022/23

Source of Funding	£m
Council Tax increase	11.3
Council Tax buoyancy	2.7
Collection Fund Improvement	0.9
Settlement Funding Assessment	2.5
Social Care Grant	6.1
Market Sustainability and Fair Cost of Care	1.6
Improved Better Care Fund	0.5
Services Grant	4.4
ASC external funding	3.4
Total	33.4

- 6.23 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 the ongoing response to COVID and Government announcements since the MTFP was reported to Council in February 2021. The level of certainty of course was also heavily caveated at the time due to both of those factors with a level of prudence assumed therefore at that time gave rise to an assumed gap at that point in time of £44.2 million in 2022/23.

Table 7: Pressures faced in 2022/23

Assumed Pressures 2022/23	Latest Estimate £m	Comments
Pay Inflation	6.2	Government announced an end to the public sector pay freeze giving rise to a higher than anticipated pay rise settled nationally in 2021/22 and expected again around 2% in 2022/23, plus a higher than forecast increase in the National Living Wage and ongoing increases in pension liabilities giving rise to higher assumption than assumed in the MTFP.
Contract Inflation	4.0	Our assumption is broadly in line with the original MTFP forecast
Net Service Demand and growth	28.2	Initial forecasts on an increase in care services from demand has been reduced, although pressures remain in certain areas as noted later in this report. Note the gross pressure is £36.3 million before £8.1 million of service efficiencies – see further analysis in Table 8
Services Total	38.4	As per Appendix 1A
Plus, the need to address spend funded in 2021/22 from reserves and grant	5.8	In 2021/22 the net budget was set applying £3 million from reserves and £2.8 million from COVID grants. This spending is now assessed as recurring and thus as the funding is one-off these costs need to be added to the base funding in 2022/23.
Total net budget change	44.2	

7.2 The Net Service demand and growth of £28.2 million, excluding contract and pay inflation, is shown in the following table and discussed in the following paragraphs:

Table 8: Net Service Pressures, excluding pay and contract inflation, faced by Directorate area in 2022/23

Net Service Demand and Growth 2022/23	Latest Net Estimate £m
People Services – See Table 10 (£15.3m plus £0.4m)	15.7
WCF – See Table 11	5.9
Economy and Infrastructure – See Table 12	2.7
Coach and Chief Executive Services	0.4
Corporate	3.5
Total	28.2

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

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

Table 9: 2022/23 People Services cost pressures

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

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

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

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



- 7.6 The Business Plan sets out the continuation of the Council's improvement journey to good, and the financial plan around key areas such as safeguarding, schools and early years.
- 7.7 WCF's [2021 annual report](#) presented by the Board at the Annual General Meeting in October 2021 identified continued improvement in services with good performance across the piece and the trajectory of improvement remaining upward even during the COVID pandemic. WCF have consistently sustained, invested and innovated over the last four years to enable social care service improvements. This is reflected in the Statutory Direction being removed by the Department of Education.

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

Table 10: 2022/23 Gross and Net Investment proposed to improve Children's Services

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

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

Economy & Infrastructure - £2.9 million net increase

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

Table 11: 2022/23 Investment in Economy & Infrastructure

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

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

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

- 7.13 Ongoing capacity issues are faced in Highways due to the scale of work and ability to retain / recruit staff. As such a £0.7 million fund is being created to enable an increase in temporary workers if needed to meet the level of works required. This should also assist in enabling more to be completed early to stem future inflation pressures.
- 7.14 As the number of households in the County increase it is estimated that there will be an inflationary increase in the cost of disposal of waste of £0.8 million and a further £0.8 million increase in the volume of waste disposal, both of which will be funded from the Waste PFI reserve. This has been included within the contract growth / inflation figure of £2.009 million in the table above. The non-inflationary demand increase relates to growth in households of approximately 1% equating to c.3,000 tonnes of extra waste.
- 7.15 The contract for waste disposal was agreed to be extended by Cabinet in December 2021.

Other pressures

- 7.16 Increased demand has an impact on 'back office' services through increased costs, for example IT support for new services. In addition, we are starting to see increases in inflation projections. At this stage whilst these pressures have been recognised no provision has been made for the majority of these items and as such these areas will have to meet these pressures as well as the overall savings target. Budget monitoring in 2022/23 will maintain a review of this position and any in-year action needed.
- 7.17 Two specific areas of funding requirements have been identified within ICT (£0.2 million) and HR (£0.1 million). The ICT investment is to continue the funding of key systems affecting adults and children's social care with the HR investment funding the social work academy.
- 7.18 In addition, there is a need to identify ways to meet the £1.5 million of Corporate saving targets not achieved in 2021/22. As identified in the budget monitoring report these have not been achieved due to the need to respond to the pandemic and as such have been rolled forward into the £5 million target discussed in section 9 of this report.

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

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

Table 12: Pay inflation 2022/23

Description	2022/23 Pressure £m
This includes an uplift in the base budget to reflect the late pay awards for 2021/22 that were funded from reserves due to the late timing of the final announcement, plus forecast increase in costs arising from a national pay uplift of circa 1.75% plus increases. There are also uplifts in pay for increment rewards and to recognise the increase in annual pension liability.	6.246

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

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

8. Capital and Schools

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

Capital

8.2 Cabinet’s proposed capital programme for 2022/23 and 2023/24 is recognised in the following paragraphs along with the indicative sources of funding available. The programme proposes a continuation of many of the previous commitments and investments in the County. A total value of £116.3 million of works is identified as needing to be driven to maintain and improve connectivity, life chances and the economy in the coming years. This maintains a capital programme in the region of £73.4 million for 2022/23. Of that, £52.3 million relates to extended and new commitments as detailed in Table 13 below. It is noted that a large number of externally funded grants have yet to be identified and as such a full capital programme will evolve and an update provided to Cabinet and Council in February 2022. Therefore, grant allocations, particularly for education have been based on estimates which will need to be adjusted once grant levels are announced. Additionally, other sums may become available during the year from a variety of sources which can be added to the programme during the quarterly reporting of the capital programme in 2022/23.

8.3 In addition to Government grants, additional sums in the form of capital receipts from sales of assets and borrowing are able to be added to the programme. Capital receipts assume a total of £3.6 million in 2022/23 received to fund part of the planned expenditure. This has assumed that all known receipts are achieved and applied to the current capital programme.

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

Table 13: Extended / New Capital Investment Commitments Proposed 2022/23

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

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

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

Table 14: Extended / New Capital Investment Commitments Proposed 2023/24

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

- **Highways and Footways**

8.6 The county highways network is a key asset of the Council and our aim is to maintain the condition of our roads, footways and pavements to strive to achieve national top quartile performance. The ability to attract inward investment for a thriving economy and to ensure residents benefit from well-maintained transport networks is vital to the Council's Corporate Plan. Over the last few years, the Council has used specific grants, capital and one-off funding such as s106 to support the provision of these services. The services continue to face demand and cost increases due to contract and sector inflation. This budget proposes to continue for a further two years the £6 million investment into highways which was previously agreed for 2021/22 along with a further £6 million of capital funds into improving the condition of local highways. The Cabinet are also proposing continuing to invest £4 million for a further two years to improve footways, as well as £1 million to support flood alleviation for a further two years.

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

- **LED Street Lighting**
- 8.8 £6 million has been set aside (£3 million per annum for 2022/23 and 2023/24) to continue the £5 million investment across 2020/21 and 2021/22 into the LED Street Lights to continue the roll out of the programme along with acceleration of the replacement of key concrete columns. Our analysis has shown that greater funding is needed to maintain excellent performance and shift to more efficient bulbs, which in the medium term will reduce the cost and level of energy consumption.
- **Rail Investment**
- 8.9 £11 million has been set aside from 2022/23 onwards to support and progress the Redditch Rail Quarter Programme and bring forward further car parking and rail investments.
- **New Secondary School, expanding school places and improving condition**
- 8.10 A separate report was presented to November Cabinet ([Cabinet Papers 19th November 2021 - Item 4](#)) that set out the need to build a new secondary school in Worcester to meet our statutory provision. This will increase the capital programme over the coming years by approximately £44 million.
- 8.11 In addition, the Council is working with maintained schools to secure and attribute funding to key expansion and changes throughout the County, including the Pershore Pyramid, maintenance of Wolverley High School, fencing at North Bromsgrove High School and expansion of schools in general. As such £3 million has been set aside in the capital programme for these works where grant cannot be secured.
- **Structural Maintenance – Capitalisation and Inflationary Issues**
- 8.12 The Council needs to continue funding existing capitalisation of staff working on capital projects (£2.5 million) along with ensuring that there is sufficient within the Capital Programme to fund inflationary pressures within the existing E&I Capital Programme (£5 million) and fund small infrastructure developments.
- **Vehicle Replacement Programme**
- 8.13 An additional £1 million is proposed for the vehicle replacement strategy.

Overall Programme and funding

- 8.14 The total programme for 2022/23 as it currently stands requires £72.1 million of funding which includes £56.3 million from borrowing need before assessment of grants. At this stage no capital grants have been announced, as such this in all likelihood will reduce the ask and will be the first call for financing the programme alongside other funding such as section 106. Based on these assumptions and the current internal financing the borrowing assumption in 2022/23 is that there could be a net need to borrow around £10 million. For 2023/24 a further £28 million of borrowing will be needed to deliver the continuation of commitments. The borrowing need for both years will be funded from a mixture of base funding set aside in Strategic Initiatives and from capital receipts. Looking forward a key task is to secure additional funding such as grants and capital receipts to reduce the need to borrow as far as possible.
- 8.15 The other major driver of borrowing increases is the investment in economy and infrastructure through the Growth Deal support and schemes designed to boost the local economy. At this stage the focus is to develop proposals utilising the Open for Business reserve as appropriate, as well as external grants such as Levelling Up and borrowing that can be funded from the programme through income sources such as rent or future disposal. As such the Council is exploring opportunities for further extensions to its economic game changer programme.
- 8.16 By maintaining a prudent and low borrowing forecast for 2022/23 and 2023/24 it has a positive knock-on impact to the general fund expenditure as regards the cost of repaying borrowing.
- 8.17 At the same time as continually challenging the programme, finance officers have been carrying out treasury management reviews to take opportunities to reprioritise, re-profile and better manage cash over borrowing to fund schemes. The focus is to ensure capital financing costs are squeezed downwards wherever possible. The effect of reprogramming the capital programme has the impact of pushing the costs into later years, and an estimate of this has been made within the budgeting. This will prevent the Council from borrowing money too early and having to pay unnecessary interest repayments. Work was undertaken to assess the ability to apply more capital receipts from disposal of assets. In addition, officers continue to explore proposals to manage its Minimum Revenue Provision (MRP). As a result of all of this work the Council anticipates that this will mean the capital programme can be funded within the current budget for 2022/23.

Dedicated Schools Grant

- 8.18 The Education and Schools Funding Agency announced the Provisional Settlement on 16 December 2021. The provisional DSG allocations for Worcestershire are broken down as follows:

Table 15: Gross DSG Blocks, (prior to Academy Recoupment)

Blocks	£m (Provisional allocations)
Schools Block	383.356
Central Schools Services Block	3.325
High Needs Block – provisional allocation based on the national funding formula for High Needs	75.548
Early Years Block	33.613
Total	495.842

- 8.19 The Schools Block DSG is comprised of the Primary and Secondary Sector National Funding Formula (NFF) units of funding for Worcestershire set by the DfE as confirmed in July 2021, applied to the October 2021 pupil census plus a historic allocation for the funding of premises costs. This is then delegated to all mainstream schools both maintained and academies through Worcestershire's Local Schools Funding Formula (LSFF). The Schools Block also includes an allocation from the national Pupil Growth Fund, based upon the new national DfE formula, for designated and approved pupil growth to support basic need revenue cost requirements. Beyond 2022/23, the DfE have indicated they will consult further on their NFF policy from 2023-24, including the potential for a 'hard' NFF for schools.
- 8.20 The Central Schools Services Block comprises a NFF formulaic element for ongoing responsibilities for statutory services provided by the County Council on behalf of all maintained schools and academies and a sum for continuing historic commitments. However, current DfE policy has reduced the historic commitments element of the allocation by another 20% for all LAs.
- 8.21 The High Needs Block is based on the DfE NFF and includes an additional allocation of £7.1 million gross in 2022/23, which is Worcestershire's share of the national £780 million announced in the Spending Review in October 2021 and a further £325 million announced in the settlement to support High Needs placement and top up pressures being experienced in all local authorities. This will support the future expected ongoing significant cost pressures in the High Needs DSG, however this will not eliminate the deficit from 2021/22 of around £16 million which will need to be carried forward into 2022/23. The Council continues to lobby and assess actions to address this area of spend.

- 8.22 The Early Years Block providing funding for 2-year-olds targeted support, 3 & 4 year-olds for the universal and extended entitlement and other early years funding is provisionally allocated at £33.613 million being based upon the January 2021 census which was impacted by Covid-19. This provides for minor increases to the DfE's NFF hourly rates. Subsequently it will be updated for the effect of the January 2022 census.
- 8.23 Following a consultation with the Worcestershire Schools Forum (WSF) and notification to all schools in the Autumn Term 2021, Cabinet on 9 December 2021 approved the LSFF for Worcestershire mainstream schools, both maintained and academies, for 2022/23 to continue, as in previous financial years, to be based as far as is practicable and affordable on the DfE NFF parameters. The DfE's parameters include a Minimum Funding Guarantee (MFG) of up to +2.00% per pupil, no gains cap and mandatory national Minimum Funding Levels (MFLs) for the primary and secondary sectors.
- 8.24 The Worcestershire Schools Forum (WSF) met on 23 September 2021 and on 18 November 2021. The WSF endorsed the proposals for the LSFF for 2022/23 and approved as required for 2021/22, under their responsibilities in the School Forum (England) Regulations 2021, the service de-delegations for maintained mainstream schools and centrally retained services for all schools. The WSF will meet again on 20 January 2022 to consider the School Funding Settlement 2022/23, the LSFF for mainstream schools and the required submission of the LSFF to the Education and Skills Funding Agency (ESFA) during January 2022.

Dedicated Schools Grant (High Needs Block Funding)

- 8.25 A key consideration in assessing the council's overall financial health is the risk associated with the deficits on its Dedicated Schools Grant (DSG) with specific reference to the high needs budget.
- 8.26 These growing deficits are considered a direct consequence of the 2014 Children and Families Act, which increased the age range of children and young people with Special Educational Needs and Disabilities (SEND) that councils are required to support as well as significantly raising the expectations of parents across all age ranges without providing the necessary financial support.
- 8.27 Currently the council is not required to set aside any of its own resources, for example as an earmarked reserve, to specifically offset this accumulating deficit. This position is based on the CIPFA bulletin for the closure of the 2019/20 financial statements which stipulated that the reserve did not need to be in place from the 1 April 2020 onwards. This position was reinforced by a Department for Education statutory instrument which became law at the end of November 2020.
- 8.28 This means that the council cannot now contribute to the deficit, cannot hold a reserve to act as a counterweight and has been required to move the deficit to an unusable reserve where it will sit as though it did not exist. It does though mean that the council is required to cash flow the deficit and continue to prioritise the work needed to reduce the deficit as the statutory instrument was silent on what the position will be from 1 April 2023 onwards.

- 8.29 Currently there is a key risk associated with the expectations of government once the period of the statutory instrument comes to an end, namely the position for the 2023/24 financial year that will therefore be appraised in the reserves position reported for the 2022/23 accounts. The crystallisation of this risk will continue therefore to be monitored alongside the Chief Finance Officer's (CFO's) assessment of the adequacy of the Council's reserves, in particular the Financial Risk Reserve.
- 8.30 The council continues to work with the Local Government Association and other local authorities to seek clarification on both the position once the statutory instrument expires and a sustainable funding strategy for the High Needs budget.

9 Efficiencies, reform and income proposals

- 9.1 The Council's proposed budget for 2022/23 includes the need for £8.1 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 service decisions (this includes consultation where appropriate with the public and / or Trade Unions and staff); and those where decisions require a change in policy and approval by elected members. Where Cabinet took decisions in 2021/22 or are in the process of consultation then any related savings have been assumed within the base already and the updates will be through separate Cabinet papers. The efficiency proposals for 2022/23 are broken down by directorate as follows:

Table 16: Breakdown of Proposed efficiencies 2022/23

Service Area	£m	Detail
People	0.9	Additional income generation plus the continuation of libraries strategy.
Economy & Infrastructure	0.9	Capitalisation of inflationary increases for staff already capitalised, plus increased income relating to driver training and concessionary fares.
Commercial and Change	0.7	Contract savings and staffing efficiencies within ICT services including mobile phones and broadband. A good house-keeping exercise to review and challenge non-essential spend within all areas. This includes spend on categories such as printing, paper, postage, phones, furniture, etc...
Finance & HR	0.5	Automation of payments and income collection alongside a review of structures, management layers and non-essential spend.
Corporate	5.1	This is a continuation of the Organisational Design target set in 2020/21 to change the way we work and review structures and posts. This includes the £1.5 million target carried forward from 2021/22. This will also overlap with the good-housekeeping exercise being run through CoaCh and will be led by the Chief Officers Group (COG).
Total	8.1	

- 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 2022/23 reflected in this report is therefore:

Table 17: 2022/23 Council tax provision required

	£m	£m
2021/22 Base Funded Budget		355.532
<i>Plus</i>		
Net Demand and Inflation (Section 7)		38.388
Spending requirement before funding		393.920
<i>Less</i>		
Changes in Specific Grants	(12.600)	
Net efficiencies, reforms and income (Section 9)	(8.121)	
Sub Total		(20.721)
Net Budget Requirement		373.199
<i>Financed by:</i>		
Settlement Funding Assessment (Section 6)	68.686	
Use of reserves – Waste (£1.5m) plus COVID (£1.189m)	2.689	
ASC external funding	3.400	
Council Tax Collection deficit	(0.782)	
Sub Total		73.993
Amount to be funded from the Collection Fund via Council Tax and ASC Levy		299.206
Total financing		373.199

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:

- 6 Council Tax is set at Full Council – Section 33.
- 7 Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year – Sections 32 and 33.
- 8 The level of Council Tax is set before 11th March to enable circulation of Council Tax bills to enable people to pay on and after 1st April- Section 30(6).
- 9 The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25.
- 10.3 The Government has indicated that the level of Council Tax rise before it triggers a referendum is likely to be 3%, plus the use of any of the Adult Social Care Levy 3% carried over from 2021/22 which was allowed to be spread over the 2021/22 and 2022/23 or all taken in 2021/22. For Worcestershire that would mean a cap of 5% in 2022/23.
- 10.4 At this stage being mindful of the impact of COVID on employment, household incomes and inflation, the Financial Plan has been updated and reflects a Council Tax / Adult Social Care Levy to 3.94% to limit the impact on households.
- 10.5 Overall, this still means that Worcestershire is likely to remain in the lowest quartile for Council Tax for comparative county councils without fire responsibility.
- 10.6 The Council is required to set a Council Tax sufficient to balance the Collection Fund account. Due to the impact of COVID projections at December 2020 suggested that Worcestershire County Council's Collection Fund was forecast to be in deficit. Regulations were amended to enable this deficit to be recovered over 3 years from 2021/22 as opposed to the previous guidelines of 1 year. Based on the latest information from districts that is likely to mean for 2022/23 the County will need to pay an extra £0.9 million into the Collection Fund less any one-off support from Central Government under the Local Tax Income Guarantee Scheme where the Council could receive reimbursement for 75% of irrecoverable Council Tax.
- 10.7 The latest estimates from District Councils of the average Band D tax base are 214,211 for 2022/23. The County Council's Council Tax Requirement has been identified as £299.206 million (this is inclusive of the social care precept); The Band D Council Tax proposed for 2022/23 is estimated at £1,396.78 (£1,343.83 in 2021/22). That represents a change of £52.95, or an average of £1 per week.

10.8 Across the bandings that equates to the following:

Table 18: Banding analysis for 2022/23 County Council precept

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

11. Medium Term Financial Plan

- 11.1 As part of our good financial management, the Council has an MTFP that is updated annually as part of the process of setting the Budget and Council Tax levels. The Plan sets out both the process and assumptions in aligning the Council's financial resources with its Corporate Plan. This will be the fifth year of five of the Corporate Plan and as such the focus of the MTFP remains unchanged. However, a number of factors locally and nationally have changed since the MTFP was last considered by Full Council in February 2021. Factors such as the impact and legacy of COVID, as well as national changes most notably Build Back Better mean that there is significant uncertainty around the future service need in key care services. The Government's Provisional Settlement released on 16 December 2021 was only a one-year settlement as a fair funding review is due to be undertaken in 2022 for 2023/24 onwards. As such there is also uncertainty over funding and how certain services will be funded.
- 11.2 Therefore, the MTFP scenarios are being updated for February Cabinet and Council following full assessment of the Secretary of State's announcement relating to Fairer Funding Review, as well as other factors including assumptions around inflation and potential Government changes in policy. The following paragraphs summarise some of the key challenges and risks in determining a future MTFP.
- 11.3 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 may change significantly, most notably the Government's grant funding is still to be announced for later years, so we do not have clear forecasts beyond 2022/23; and we are still unclear of other external factors.

- 11.4 The Government issued the Provisional Settlement for consultation on 16 December 2021. The key factors from those announcements affecting the MTFP are:
- Previously assumed one-off adult and children's social care grants are to be built into the Government baseline grant funding.
 - Circa £2.7 million of tax raising power through the extension of the Social Care Precept for a further year, and up to 3% in total, i.e., 2% for general services. For Worcestershire this would mean a further c£8.1 million extra in 2022/23 for Adult Social Care.
 - Whilst there will be new grants, particularly to help adult care providers and general fund responsibilities these are one-off grants.
- 11.5 The key risk to monitor is the funding and any cost consequence arising from the Government's Build Back Better. This will see the introduction of an £86,000 cap on care, as well as greater access to the local government market for self-funders. The detail and analysis of financial support likely to be provided to local authorities has not been provided. The majority of the changes are due to be implemented from October 2023, and as such will impact on six twelfths of the 2023/24 financial year. However, changes proposed around transparency of prices will be implemented from October 2022, and as such will potentially give rise to additional. This could see a significant impact on the Council's costs in 2022/23 and as such this is recognised in the risk and reserves assessment.
- 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 2022/23 for 81% of all funding income, with 19% coming from our share of the Business Rates.
- 11.7 Forecasts continues to suggest that the Council will experience a positive cash flow for the following years, subject to the outcome of the Fairer Funding Review. 2022/23 will see a net £14.915 million increase in Council Tax from returning assumed growth in our tax base to reflect new homes across Worcestershire, and a 0.94% increase in Council Tax and further 3% increase in Social Care Levy (2% relating to the element able to be spread across 2021-23 not taken last year).
- 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. There is a risk to increases in council tax base with regard to the number of Council Tax Support scheme claimants and this will continue to be monitored.
- 11.9 If all things were equal the Council would be able to use any 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.

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

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

11.11 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.

11.12 The focus of the £44.2 million spending challenges faced in 2022/23 are coming from:

- **Continued rise in demand and growth pressure** of which £24.6 million is driven by social care, but also £2.0 million in passenger transport, highways and operations and street lighting energy costs.
- **Investment** - £0.7 million investment in Economy and Infrastructure to fund increases in operations and extending contact hours; plus £0.3 million within COACH and Chief Executive for ICT and HR support for social care.
- **Corporate items** – the ability to deliver £1.5 million of savings in year has been hampered by the capacity needed to respond to the pandemic. There is also a need to add back £5.8 million of funding for the use of reserves and COVID grants in 2021/22.
- **Strategic Initiatives** - £2.0m to support the Capital Strategy.
- **Pay and Contract inflation** - £10.3 million

11.13 This results in a gross funding requirement in 2022/23 to meet all of these challenges of £44.2 million.

- 11.14 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.
- 11.15 The Council has a number of transformation and change programmes focused on the Corporate Plan priorities and addressing the projected budget gap. The key programmes are:
- **Children's Services** - The Company's Business Plan for the period was presented to Cabinet in March 2021. This identified a continuation of the improvement programme that has been in place for a number of years.
 - **People** – The Council is developing an Integrated Well-Being strategy that will seek to transform the way we work with our voluntary bodies and communities. It seeks to build on areas such as the success of Here2Help in response to COVID as well as the change to a reablement focussed domiciliary care service and helping people live in their own homes well for longer. Alongside a clear digital shift to support communities find the right services.
 - **Commercial, procurement and efficiency** – The Council is progressing a Commercial Strategy which will set out an overall approach to delivering greater commercial challenge of costs including procurement. With the anticipated changes to procurement legislation and the new flexibility to be introduced, we will have a significant opportunity to deliver improved commercial and qualitative outcomes, whilst potentially channelling more spend to local providers, including SMEs.
 - **Corporate Change Initiatives** – The Council is progressing a number of localised reorganisation and service optimisation reviews designed to enable a more centralised, efficient and effective operating model, and that have been engineered to best leverage our new ways of working, both during and post pandemic.
- 11.16 More detail on the 2022/23 proposed savings is set out at Section 9 of this report.
- 11.17 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.
- 11.18 The Council's General Fund reserves are currently at £12.2 million (3.3% 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.
- 11.19 As part of setting the process the CFO 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.
- 11.20 More detail on the Council's reserves is set out at Section 12 of this report.

12. Assessment of reserves

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

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

Table 19: 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 2022 based on the forecast outturn, at Section 5 of this report from the current forecast outturn is circa £12.2 million. This means the General Fund Reserve is in line with the revised recommended level, and future use of these funds is a matter of last recourse given the levels. The reserves are for use where other actions cannot deliver savings or urgent one of needs arise unexpectedly. The Council will seek to manage within resources by proposing alternative savings first rather than drawing on reserves which are only available as a one off and do not address recurring saving needs. The following key assumption have been made in considering the level of reserves:

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

12.4 Based on an assessment there is no opportunity for a further call on General Fund reserves in 2022/23 or earmarked reserves. Further information will be provided to Cabinet and Council in February 2022.

- 12.5 The key risks identified as noted above are related to the ongoing response to the COVID pandemic, the transformation programmes in progress, inflation, the uncertainties over future funding streams to deal with the Government White Paper on Adult Social Care – People at the Heart of Care, potential changes in High Needs deficit status and the increasing volatility in demand beyond 2022/23 arising post COVID.
- 12.6 It is proposed that to allow for greater consideration of the impact of the Government's planned changes to Adult Social Care being proposed by the White Paper that the Council's earmarked reserves need to set aside funding for potential costs incurred due to unforeseen circumstances. At this stage there is significant risk that the funding will not meet all of the costs in the following years. In addition, the Fairer Funding outline is not known, and uncertainty remains around the DfE's position related to historic High Need deficit treatment. Therefore, as part of the budget setting it is proposed to vire £10 million from the Business Rates Risk Reserve the Financial Risk Reserve to meet potential unfunded changes. Further updates will be provided in February to Cabinet and Council.
- 12.7 One of the reasons to support the General Fund Reserve assumed resilience is the existence of the Financial Risk Reserve that was set up to anticipate and allow for any gradual management of any significant change in the Councils baseline funding from Government Grants arising from an expected Fair Funding Review or other policy changes. The fair funding review is now expected to take place throughout 2022 in readiness for a new formula 2023/24 as such it is suggested that at this time the level of the FRR is maintained.
- 12.8 Any movements in assumptions in the General Fund Reserve position in 2022/23 will be kept under continual review as part of the budget monitoring process.
- 12.9 The Council has also set aside significant amounts within its Earmarked Reserves (EMRs). The forecast movement and balances in these reserves (subject to additions to the Financial Risk Reserve as set out in paragraph 12.6) is summarised below and shown in more detail at Appendix 2.

Table 20: Analysis of earmarked reserves 2020-24

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

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

Table 21: Analysis of ring-fenced reserves 2020-24

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

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

13. Engagement on proposals

13.1 The Council has clear policies to consult on issues such as specific changes of policy and restructures. At this stage, the Council is reviewing all areas and will ensure that appropriate processes are followed. All savings arising from decisions taken in previous years relating to 2022/23 have followed these processes, for example changes in Libraries.

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

16. Equalities assessment

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

17. Risk assessment

- 17.1 Services have considered risk in developing the proposals for investment and savings shown in the financial plan and these will be reflected in their usual risk management arrangements.

- 17.2 The changes that have been made by the Government since May 2010 are significant, and further changes to the public sector are expected over the next few years. During 2022/23, we will need to consider whether further changes are needed to our structures and arrangements once the full details of legislative changes have been disclosed by the Government.

18. Financial Implications

- 18.1 In accordance with Section 25 of the Local Government Act 2003 and CIPFA Code of Practice Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.
- 18.2 The financial assumptions are set out in detail in sections 7 to 10. These take account of key factors such as demographic and inflation rates of change. In assessing the assumptions in the setting of the 2022/23 Council Tax, chief officers have provided details of their service responsibilities and aims, together with explanations of current pressures and other issues. These narratives were set alongside each Director and Assistant Director's base budget calculations to put the figures in context and to help inform the formulation of this budget and the Council Corporate Plan.
- 18.3 Section 25 of the Act also covers budget monitoring, and this is a procedure which also helps to confirm the robustness of budgets. Current financial performance is taken into account in assessing the possible impact of existing pressures on the new year budgets. It also provides early indications of potential problems in managing the current year budget so that appropriate action may be taken. Members are asked to note therefore that the balanced budget forecast, has been included in our risk-based assessment for balances. Budget monitoring is reinforced through close financial support to managers and services. These processes and controls will continue to be built upon for 2022/23, to maintain tight financial control.
- 18.4 At this stage the budget proposals are out for engagement and this report sets out the process the budget has been put together to achieve a balanced position. In addition, the settlement is only a provisional one and further details are awaited on a number of significant grants, as well as the process for future years funding. Therefore, the full CFO financial appraisal and risk assessment will be set out in the February reports to Cabinet and Council to reflect more information known at that time.

19. Conclusions

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

Supporting Information

Appendices:

Appendix 1A – Service Revenue Budget summary

Appendix 1B – Proposed Capital Programme

Appendix 2 - Earmarked Reserves

Appendix 3 - Glossary of terms

Contact Points

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Background Papers

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

- Previous Cabinet Resources Reports

Service Budget summary (page 1 of 5)
Appendix 1A

Service	Changes in Specific Grants and Other								
	Revised Budget 2021/22 £'000	Funding 2022/23 £'000	Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
PEOPLE SERVICES									
Older People	63,999	0	717	105	410	5,546	0	0	70,777
Learning Disabilities	59,269	0	114	33	288	5,165	0	0	64,868
Mental Health	17,768	0	161	4	64	782	0	0	18,779
Physical Disabilities	15,221	0	0	1	38	951	0	0	16,211
Adults Commissioning Unit	2,304	0	85	9	0	0	0	0	2,398
IBCF	-18,025	-500	58	4	0	0	0	0	-18,463
Social Care Grant	-10,853	-3,500	0	26	0	0	0	0	-14,327
Adult Provider Services	7,277	-1,600	386	56	0	0	0	0	6,119
Strategic Libraries	3,045	0	121	173	0	0	-255	0	3,084
Museum Services	574	0	7	10	0	0	-17	0	574
Archives and Archaeology	1,283	0	53	35	0	0	-88	0	1,283
Greenspace & Gypsy Services	110	0	28	18	0	0	-46	0	110
Community Services Leadership Team	187	0	4	1	0	0	-5	0	187
Skills & Inv incAdult learning	135	0	62	69	0	0	-132	0	135
Severn Arts Music	0	0	0	0	0	0	0	0	0
SENDIASS	26	0	5	0	0	0	0	0	31
Chs Comm & Ptnership	354	0	9	1	0	0	0	0	365
Buildings & Pensions (Chs)	407	0	22	222	0	0	-244	0	407
Registration & Coroner	565	0	34	18	0	0	-52	0	565
Public Analyst	2	0	1	0	0	0	-1	0	2
Trading Standards	50	0	18	0	0	0	-18	0	51
Childrens S75	1,954	0	0	0	0	0	0	0	1,954
Public Health Grant Funded Services	-2,513	0	70	0	0	2,513	-70	0	0
Total People Services	143,139	-5,600	1,956	786	800	14,957	-927	0	155,110

Service Budget summary (page 2 of 5)

Appendix 1A

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

Service	Changes in Specific Grants and Other								
	Revised Budget	Funding	Pay Inflation	Contract Inflation	Growth (Investment)	Growth (Pressure)	New Savings	Rebase Budgets	Net Budget
	2020/21	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
E&I									
Business Management	975	0	27	2	0	0	-29	0	975
Economy & Sustainability	374	0	95	52	350	0	-126	0	745
Waste Management	27,864	0	20	1,545	0	0	-20	0	29,408
Major Projects	6,461	0	104	4	0	700	-28	0	7,242
Infrastructure Asset Mgmt	0	0	0	0	0	0	0	0	0
Operations, Highways and PROW	6,111	0	41	115	975	0	-156	0	7,087
Passenger Transport Operations	9,968	0	239	255	675	0	-358	0	10,779
Planning & Regulation	258	0	22	5	0	0	-27	0	258
Development Management	29	0	16	5	0	0	-21	0	29
Network Management	322	0	63	25	0	0	-88	0	321
Total E&I	52,360	0	626	2,009	2,000	700	-853	0	56,843

Service Budget summary (page 3 of 5)

Appendix 1A

Service	Changes in Specific Grants and Other								
	Revised Budget 2020/21 £'000	Funding 2022/23 £'000	Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
COACH									
COACH - Management	337	0	7	4	0	0	-11	0	336
Legal and Democratic Services	2,418	0	70	85	0	0	-124	0	2,449
Commercial, Management Information & I	2,410	0	69	37	0	0	-91	0	2,425
Property Services	4,724	0	69	197	0	0	-188	0	4,802
Digital, IT and Customer Services	5,114	0	222	123	200	0	-236	0	5,423
Programme Office	-34	0	8	1	0	0	-8	0	-34
Total Coach	14,969	0	444	447	200	0	-658	0	15,402
Service	Changes in Specific Grants and Other								
	Revised Budget 2020/21 £'000	Funding 2022/23 £'000	Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
CHIEF EXECUTIVE									
Engagement & Communications	453	0	25	3	0	0	-28	0	453
Health & Safety	116	0	7	3	0	0	-10	0	116
HR - Core	2,058	0	121	4	100	0	-112	0	2,171
HR - Old	0	0	0	0	0	0	0	0	0
Chief Executive	269	0	25	0	0	0	-8	0	286
Total Chief Executive	2,897	0	178	11	100	0	-158	0	3,027

Service Budget summary (page 4 of 5)

Appendix 1A

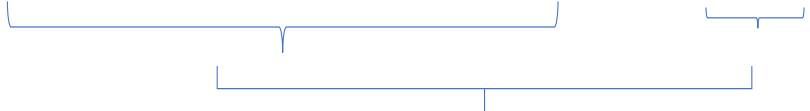
Service	Revised Budget 2020/21 £'000	Changes in Specific Grants and Other Funding		Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
		2022/23 £'000	2022/23 £'000							
FINANCE & CORPORATE										
Financial Services	3,718	0	180	21	0	0	0	-201	0	3,718
Financing Transactions (Borrowing and In	17,678	0	0	0	0	0	0	0	0	17,678
MRP	11,098	0	0	0	0	0	0	0	0	11,098
Contributions and Precepts	267	0	0	6	0	0	0	-6	0	267
Pension Fund Backfunding Liabilities	4,464	0	134	0	0	0	0	-134	0	4,464
Miscellaneous Whole Organisation Servic	668	0	0	22	0	0	0	-22	0	668
New Homes Bonus Grant Income	-1,513	0	0	0	0	0	0	0	0	-1,513
COVID-19	0	0	0	0	0	0	0	0	0	0
Whole Organisation - Contingency	444	-1,400	1,400	11	0	0	0	-11	0	444
Total Finance & Corporate	36,825	-1,400	1,715	60	0	0	0	-375	0	36,825

Service Budget summary (page 5 of 5)

Appendix 1A

Service	Revised Budget 2020/21 £'000	Changes in Specific Grants and Other Funding 2022/23 £'000	Pay Inflation 2022/23 £'000	Contract Inflation 2022/23 £'000	Growth (Investment) 2022/23 £'000	Growth (Pressure) 2022/23 £'000	New Savings 2022/23 £'000	Rebase Budgets 2022/23 £'000	Net Budget 2022/23 £'000
NON ASSIGNED									
Organisation Review	-1,500	0	0	0	0	1,500	-5,150	0	-5,150
Strategic Initiatives	0	0	0	0	2,000	0	0	0	2,000
Total Non Assigned	-1,500	0	0	0	2,000	1,500	-5,150	0	-3,150

TOTAL	355,532	-12,600	6,246	4,036	5,100	23,007	-8,121	0	373,199
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38,388
Net Budget Growth

Proposed Capital Programme

	YEAR-END OUTTURN 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23	REVISED FORECAST 2023/24 and Beyond	REVISED TOTAL FORECAST (incl. outturn 20-21)
TOTAL EXPENDITURE	£000	£000	£000	£000	£000
CHILDREN AND FAMILIES	13,734	30,125	23,970	11,000	78,829
OPEN FOR BUSINESS	55,358	72,275	4,600	9,200	141,433
THE ENVIRONMENT	51,076	77,378	37,153	22,750	188,357
HEALTH & WELL-BEING	314	3,689	300		4,303
EFFICIENCY & TRANSFORMATION	2,752	15,821	7,341		25,914
TOTAL	123,234	199,287	73,364	42,950	438,835

	YEAR-END OUTTURN 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23	REVISED FORECAST 2023/24 and Beyond	REVISED TOTAL FORECAST (incl. outturn 20-21)
TOTAL FUNDING	£000	£000	£000	£000	£000
TEMPORARY AND LONG TERM BORROWING	35,987	92,493	57,561	32,950	218,991
CAPITAL RECEIPTS	3,387	11,121	3,550	10,000	28,059
GOVERNMENT GRANTS	76,878	82,260	7,593		166,731
CAPITAL RESERVE	399	604			1,003
THIRD PARTY CONTRIBUTIONS	6,583	12,809	4,660		24,052
TOTAL	123,234	199,287	73,364	42,950	438,835

	YEAR-END OUTTURN 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23	REVISED FORECAST 2023/24 and Beyond	REVISED TOTAL FORECAST (incl. outturn 20-21)
Children and Families	£000	£000	£000	£000	£000
- The Chantry High School Expansion	22				22
- Nunnery Wood High School Expansion	206	1,402			1,608
- Christopher Whitehead High School Expansion	15				15
- Rushwick Primary School Expansion	62	68			130
- Bengeworth 1st	28	111			139
- Social Care Projects		37			37
- Social Care Projects 17/18		3,323			3,323
- Evesham St Andrews	7	122			129
- Leigh and Bransford		165			165
- Holyoaks Field 1st School	3,304	1,662			4,966
- Specific School Expansion Activity			3,000		3,000
- Other School Expansion Activity			1,000		1,000
- New Secondary School			11,000	11,000	22,000
- Flexible use of Capital Receipts		133			133
- Major Schemes - Residual		54			54
- Capital Maintenance		13,360	1,400		14,760
- Basic Need	10,090	6,295	7,570		23,956
- EFA Extension of Provision (Early Years)		259			259
- Higher Level Need Grant 21-22		1,539			1,539
- Special Provision		1,452			1,452
- Composite Sums - Residual		142			142
TOTAL	13,734	30,125	23,970	11,000	78,829

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

The Environment	OUTTURN 2020/21 £000	FORECAST 2021/22 £000	FORECAST 2022/23 £000	FORECAST 2023/24 and Beyond £000	TOTAL FORECAST (incl. outturn 20-21) £000
Local Transport Plan:					
- Structural Carriageway/Bridgeworks	33,349	30,691	12,000	12,000	88,040
- Integrated Transport	135	3,914			4,049
- Potential pressures within existing capital programme			5,000		5,000
- Further small infrastructure developments			500	500	1,000
Major Schemes: Infrastructure					
- Cutting Congestion:					
- A38 / A4104 Staggered Junction Upton	768	5,696			6,464
- Evesham Town Centre	48	126			174
- Bromsgrove Town Centre	36	731			767
- Hoobrook Roundabout, Kidderminster	1,535	2,190			3,726
- Walking and Cycling Bridges:					
- River Severn - Keepax to Gheluvelt Park	908	3,802			4,709
- River Severn - Sabrina Bridge refurbishment	2,144	56			2,200
- Local Members Highways Fund	1,345	1,895	1,250	1,250	5,740
- Road Safety Improvements		553			553
- Traffic Signals Grant		500			500
- Public Sector Decarbonisation	7	879			886
- South Littleton to Blackminster Cycleway		101			101
- Hampton Bridge	61	1,000	3,260		4,321
- Walk Cycle Route to Worc Parkway	77	13			90
- Green Deal Communities		3			3
- Investment Initiatives to Support Business and /or Green Technology		1,323			1,323
- Energy Efficiency - Spend to Save		462			462
- Warm Homes Fund	51	379	23		453
- Eastham Bridge		18			18
- Pavement Improvement Programme	2,232	5,815	4,000	4,000	16,047
- Cutting Congestion Programme	3,095	3,567			6,662
- Highway Flood Mitigation Measures	90	2,994	1,000	1,000	5,084
- Bewdley Flood Mitigation Measures		500			500
- Worcester Transport Strategy	6	437			443
- Hoobrook Link Road - Pinch Points	2	25			27
- Public Rights of Way	283	1,167			1,450
- Worcester Woods Paths Project	31				31
- Zebra Crossings Package	396	183			579
- Covid 19 Emergency Active Travel Fund	64	552			616
- Highways Capital Maintenance Costs		2,000	3,500	1,000	6,500
- Highways Strategic Investment Fund	993	334	2,620		3,947
- Completion of Residual Schemes	-202	224			22
- Vehicle Replacement Programme	1,391	313	1,000		2,704
- Street Lightig LED and Concrete Replacement Programme	2,232	4,935	3,000	3,000	13,168
TOTAL	51,076	77,378	37,153	22,750	188,357

	YEAR-END OUTTURN 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23	REVISED FORECAST 2023/24 and Beyond	REVISED TOTAL FORECAST (incl. outturn 20-21)
Health and Well-Being	£000	£000	£000	£000	£000

Major Schemes:

- Capital Investment in Community Capacity/ Specialised Housing	-182	2,283			2,101
- IT Personalisation	447				447
- A&CS Minor Works	5	266			271
- Social Care Performance IT Enhancement		593			593
- Worcester Library and History Centre (Non - PFI capital costs)	25	122			147
- Redditch Library		119			119
- Libraries Minor Works	19	228	300		547
- Kidderminster Library		78			78
TOTAL	314	3,689	300		4,303

	YEAR-END OUTTURN 2020/21	REVISED FORECAST 2021/22	REVISED FORECAST 2022/23	REVISED FORECAST 2023/24 and Beyond	REVISED TOTAL FORECAST (incl. outturn 20-21)
Efficiency and Transformation	£000	£000	£000	£000	£000

Major Schemes:

- Digital Strategy	1,812	5,513	1,821		9,146
- Brownfield Land Release Grant - Kidderminster		400			400
- Property Repair and Maintenance	939	1,938	1,970		4,847
- Stourport Library/ Coroners Relocation to Civic Centre		18			18
- Capitalised Transformation Costs		7,953	3,550		11,503
TOTAL	2,752	15,821	7,341		25,914

Earmarked Reserves

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

Glossary of terms

SFA	Settlement Funding Assessment	The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant and is part of the Council's funding.
RSG	Revenue Support Grant	Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. For Worcestershire County Council this grant was reduced to zero from 2022/23.
DSG	Dedicated Schools Grant	<p>The grant is paid in support of the local authority's school's budget. It is the main source of income for the school's budget.</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.