

COUNCIL
16 FEBRUARY 2023**2023/24 PROPOSED BUDGET AND MEDIUM-TERM FINANCIAL
PLAN 2024/25 to 2026/27**

Relevant Cabinet Member
Councillor S E Geraghty

Relevant Officer
Chief Financial Officer

1. Recommendation**1.1 The Leader and Cabinet recommends that Council approves:**

- (a) The budget of £400.813 million as set out in Appendix 1;
- (b) The capital programme of £432.720 million as set out in Appendix 2;
- (c) The Earmarked Reserves Schedule as set out in Appendix 5;
- (d) That the Council Tax Band D equivalent for 2023/24 be set at £1,465.78 which includes £197.40 relating to the ring-fenced Adult Social Care precept, and the Council Tax Requirement be set at £317.337 million, which will increase the Council Tax Precept by 4.94% in relation to two parts:
 - 2.94% to provide financial support for the delivery of outcomes in line with the Corporate Plan 'Shaping Worcestershire's Future' and the priorities identified by the public and business community; and
 - 2.00% Adult Social Care Precept ring-fenced for Adult Social Care services, in order to contribute to existing cost pressures due to Worcestershire's ageing population;
- (e) The Treasury Management Strategy and Prudential Indicators as set out at Appendix 6; and
- (f) The Pay Policy as set out at Appendix 7.

2. Executive Summary

- 2.1 This report provides an update on the Council's financial position for 2022/23, the 2023/24 precept need that is being considered at Full Council on 16 February 2023, and an update on the Medium-Term Financial Plan (MTFP) 2024/25 to 2026/27.

- 2.2 Overall the Provisional Settlement from the Government alongside additional funding for adult and children's social care is welcomed, with an additional £26.3 million of grant in 2023/24. This is needed given the significant demand and inflation the Council is facing at present, with a need identified of £67.9 million. The Council's Corporate Plan priorities remain to champion Open for Business, support Children & Families, protect The Environment and promote Health & Wellbeing. To that end to ensure we can continue to maintain our current services and commitments the Council is also proposing a 2.94% uplift in Council Tax, plus a 2% uplift in our Adult Social Care levy. This will also mean that alongside investment in Children's & Adults social care to protect the most vulnerable, the Council can maintain its capital commitments to invest in the economy, environment, highways and extra school places as well as enabling an extra £5.5 million to ensure that the recent cost of inflation does not affect the level of deliverability of the Capital programme.
- 2.3 The 2022/23 Period 9 (Quarter 3) budget monitoring information included in this report shows a current forecast overspend before action of £12.6 million for the financial year. There are emerging pressures across many service areas relating to both demand and inflation, in particular home to school transport, which are driving the current forecast overspend for 2022/23 and the majority of funding increases required for 2023/24. This will in part be balanced through the use of reserves.
- 2.4 Looking forward to 2023/24 the Council is facing £67.9 million of investment and pressures, including pay and non-pay inflation. Demand for services continues to increase, in particular across Adults and Children's Social Care. Growth figures obtained from the services total £39.3 million budget additions required, split across Demand, Investment and Rebasing to remove one-off funding sources, as shown in Table 1 and in more detail at Section 5 of this report.

Table 1 – Investment and Pressures faced in 2023/24

Estimated Pressures 2023/24	Latest projections £m
Pay Inflation as set nationally	11.6
Inflation relating to third party contracts	17.0
Rebase Budget to reflect full costs of Waste Plant financing	6.1
Rebase Budget to remove use last year of one-offs & reserves	2.6
Demand Growth - Adult Social Care	18.5
Demand Growth - Children's Social Care	2.5
Demand Growth - Home to School Transport	2.4
Demand Growth - Legal Services	0.5
Demand Growth - Waste Services	0.4
Delivery of existing Capital Programme	5.5
Investment in Highways and Tree maintenance	0.5
Investment in other services	0.3
Total Investment and Pressures	67.9

- 2.5 The Council is also proposing to invest £3.5 million from Earmarked Reserves in 2023/24 to support Public Transport as it recovers from the pandemic. This is on top of the £1.5 million commitment made in 2022/23. Further work will be carried out over the next 15 months to explore how this can also be met with greater community transport options, such as exist in Bromsgrove and Malvern. The proposals also see a continuation of the capital programme set by Council last February as well as new Government funded schemes, such as the A38 Bromsgrove.

- 2.6 Turning to funding, the Government’s provisional Settlement was published 19 December 2022. Overall, we saw an increase in our funding of £26.3 million, with a 12.3% increase in our Settlement Funding Assessment (SFA), and an extra £19.5 million specific grant investment in Adult and Children’s social care. Since the January report was considered by Cabinet, the Government announced that the value of the increase in the core schools’ budget is expected to be c£14 million, which is welcomed. It is however noted that at the time of writing this report, a number of other grants, such as the Public Health Ring-Fenced Grant had not yet been confirmed. If information is received in advance of the February meeting, a verbal update will be provided. The Final Settlement was received on 6 February and is in line with the Provisional Settlement.

Table 2 - Overall Forecast Funding changes 2023/24

Funding Stream 2023/24	£m
Settlement Funding Assessment (SFA)	8.4
Increased Better Care Fund	0.0
Increase to Social Care Grant	15.7
Adult Social Care Discharge Funding	2.7
Reduction in Services Grant	-0.5
Removal of Independent Living Fund Grant	-2.8
Reduction in New Homes Bonus Grant	-1.1
New ASC Market Sustainability and Improvement	4.0
Total Increase / (Decrease) in Funding	26.3

- 2.7 It is proposed that to meet this exceptional year Worcestershire’s Council Tax be increased by 4.94%:

- 2% for the Adult Social Care Levy, and
- 2.94% for other Council Services.

This along with a small projected increase from Council Tax buoyancy would result in £15.991 million increased Council Tax income, although there is a deficit of £2 million on the Collection Fund arising from the three-year offset arising out of the pandemic which will mean a net £14 million additional income.

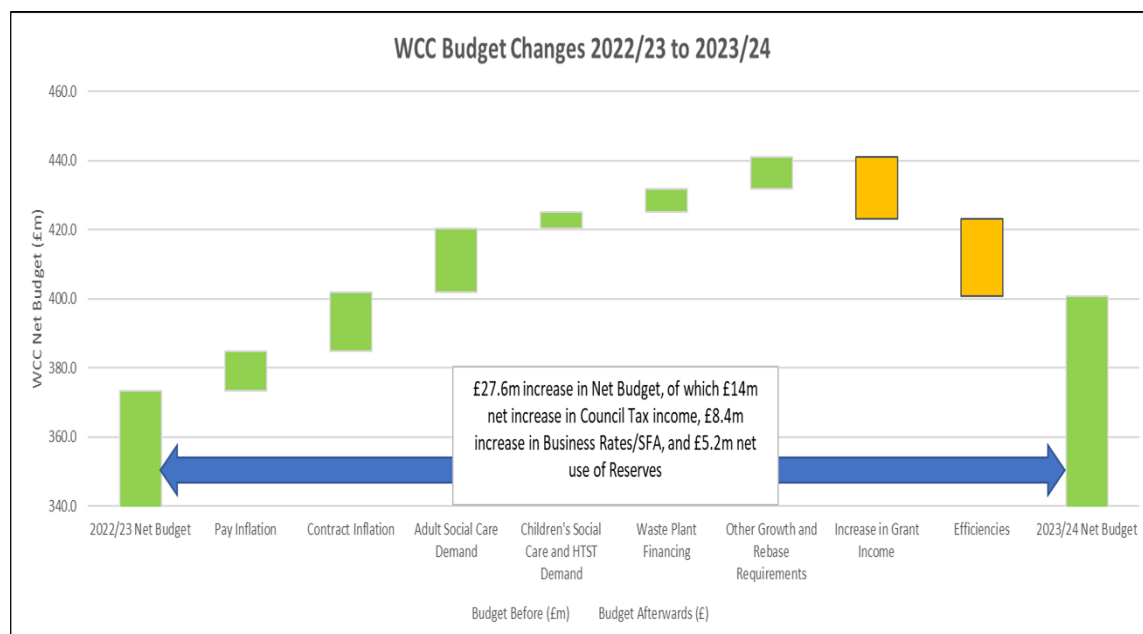
- 2.8 One-off reserves have been identified which will support the overall expenditure position for 2023/24. It is proposed that £5.5 million of earmarked reserves will be used to fund pressures arising from areas such as Waste disposal. Noting £0.3 million was originally planned, giving a £5.2 million net increase.
- 2.9 The net impact of these pressures and funding means the need to find £22.4 million of savings, efficiencies and additional income as set out in Table 3:

Table 3 – Net savings, efficiencies and income requirement 2023/24

Provisional Budget 2023/24	£m
Investment & Pressures to fund	67.9
Funded from:	
Government Funding	-26.3
Council Tax	-14.0
Increase in use of Earmarked Reserves above MTFP	-5.2
Savings, efficiencies, and additional income required	-22.4

- 2.10 The total proposed savings, efficiencies and additional income generation that have been identified, and which are considered to be achievable in 2023/24, total £22.4 million. Chart 1 shows the budget changes from 2022/23 to 2023/24.

Chart 1 – Summarised Budget Changes 2022/23 to 2023/24



- 2.11 The provisional Dedicated Schools grant for Worcestershire for 2023/24 has been confirmed as £532.6 million. The DSG area of the budget is ring-fenced and does not impact on the Council's net budget or Council Tax requirement.
- 2.12 Since the publication of the draft capital programme in January, officers have estimated the impact of the increase in cost due to inflation relating to the investment in highways and footways. The three-year programme has been increased by £19.4 million to ensure that the improvements in footpaths and highways keeps pace with inflation and the level of delivery is unaffected by the impact of inflation. Other schemes which have been agreed during the year such as Redditch Station and the A38 Bromsgrove Route Enhanced Programme (BREP), are also included in the programme. The overall impact of this and the continued capitalisation of highways is a net £5.5 million cost of capital. This has been factored into the pressures and investment noted above and set out in more detail at Sections 4 and 5 of this report.
- 2.13 The Council's Medium Term Financial Plan (MTFP) suggests a shortfall in future years. We understand that Council tax for 2024/25 will follow the limits set in 2023/24 (i.e., 3% General and 2% Adult Social Care levy). At this stage only 3% has been factored in, this alongside an expected increase in Government funding for adult social care will leave a gap across the remainder of the MTFP of £45.7 million, as shown in Table 4. Although noting this is heavily caveated due to the high level of uncertainty over the future costs, demand and macroeconomic outlook. The MTFP assumes that there will be use of £5.5m Reserves in both 2023/24 and 2024/25 to fund the overall net budget requirement. This will need to be replaced by savings, efficiencies and/or income from 2025/26.

Table 4 – Medium Term Financial Plan projections

Provisional Budget 2023/24	2023/24 £m	2024/25 £m (estimates)	2025/26 £m (estimates)	2026/27 £m (estimates)
Pressures & Investments – See Section 5	69.940	39.071	26.722	25.989
Funded from:				
Government Funding – See Section 7	-26.294	-9.979	-2.383	-2.454
Council Tax – See Section 11	-15.991	-11.310	-12.488	-12.989
Use of Earmarked Reserves – See Section 9	-5.238	0.003	5.521	0
Savings, efficiencies & Income – See Section 8	-22.398	-17.779	-17.372	-10.546
Savings, efficiencies and income to find 2024-2027				45.697

- 2.14 Alongside these savings, efficiencies and income generation and delivering the budgets in year the Council needs to keep ensuring that it has sufficient reserves to maintain its financial stability. A review of reserves has identified that there are plans and commitments in place to deliver programmes funded from the Earmarked reserves. When these are considered alongside the General Reserves it is projected that total reserves going in to 2025/26 will be 11% of the net spend. As such continued careful monitoring and use of reserves is needed. This is set out in more detail at Section 9 of this report.

Table 5 – Reserves Forecast 2022-2025

	Opening Balance (£m)	Forecast Reserve Balance (£m)	Forecast Reserve Balance (£m)	Forecast Reserve Balance (£m)
	31/03/2022	At 31/03/2023	At 31/03/2024	At 31/03/2025
Open for Business	18.245	16.742	5.194	1.128
Children & Families	13.194	8.849	4.449	2.449
The Environment	5.371	6.754	2.916	0.297
Health & Wellbeing	35.561	9.546	3.089	0.283
Efficient Council	13.028	10.994	5.250	3.288
Risk	51.087	31.582	27.116	20.868
Capital	8.026	11.529	2.541	0
Unusable	13.168	6.910	3.410	2.410
Total Earmarked Reserves	157.680	102.906	53.965	30.723
General Fund Reserves	14.300	14.300	14.300	14.300
Total Reserves	171.980	117.206	68.265	45.023

- 2.15 As part of our ongoing financial management and stewardship the Council follows CIPFA guidance and regulations relating to its investment of monies and borrowing requirements with full sight and planning of its cash balances. That stewardship and governance is managed through the Council's Treasury Management Strategy. The Council has reviewed its Strategy as part of proposing this year's budget and there are no proposed changes. The Council has however, continued to improve its reporting of its treasury management activity and will be introducing new measures proposed by CIPFA in 2023 (including a new prudential indicator relating to the Liability Benchmark and a new requirement to clarify reporting requirements for service and commercial investment) as set out in the Strategy. Council is asked to consider and approve the Strategy set out at Appendix 6.
- 2.16 The Council annually adopts a pay policy within which it operates to organise and pay its employees, as part of this year's budget setting Council is asked to consider and approve the Strategy set out at Appendix 7.

3. Outcome of engagement on the draft budget throughout January 2023

- 3.1 Cabinet considered and proposed the draft budget on 5 January 2023. Since that meeting the budget has been the subject of significant engagement with a wide range of stakeholders, including the Council's Scrutiny Panels, Schools Forum, Trade Unions, local businesses, Parish and Town Councils as well as other partners, stakeholders and voluntary bodies. The comments from the Overview and Scrutiny Board meeting are enclosed at appendix 8. These were considered when the budget proposals were discussed at the Cabinet meeting on 2 February. The Cabinet member for Communities also reported that consultation had taken place with Parish Councils and the additional investment in the Parish Lengthsmen scheme was welcomed. The Leader also confirmed that consultation had taken place with representatives from the business community and trade unions.
- 3.2 At the time of upload no major Central Government announcements on other funding streams had been received, apart from the indicative allocation of a £14 million increase in funding for schools which was announced on 13 January 2023, including academies, this is on top of the £406 million for schools highlighted in paragraph 10.1. On 2 February 2023 the Government responded to the Independent Review of Social Care which recommended additional funding of £2.6bn over 4 years. The Government plan highlights additional funding of £200m over 2 years. The Government's Plan, entitled 'Children's social care: Stable Homes, Built on Love', is a consultation which runs until 11 May 2023 it is too early to say how much funding will be allocated to Worcestershire.
- 3.3 As a result there are no changes from engagement to the draft proposals presented on 5 January. However, further clarity can now be given on the administration's intention to fund inflationary pressures in the capital programme in particular maintaining the Council's commitment on highways and footways. As a result, £19.4 million has been added to the capital programme at Appendix 2. This will be funded within the £5.5 million additional borrowing as noted in the January budget report and thus no change to the revenue borrowing position.
- 3.4 In September 2022 Cabinet approved a total of £0.360 million from reserves to match fund the development of the Outline Business Cases for the North West Worcestershire Corridor (NWWC) and the A44, both of which are major road network (MRN) improvements. Cabinet has approved a change in use of this funding. Based on updated scheme assessments, it is forecast that the A44 corridor is likely to be able to

be fully funded by developer contributions. As such, the total of the £0.360 million is being allocated to the NWWC. Subject to major road network (MRN) funding being available this will allow the Council to secure further funding to develop the Outline Business Case for this priority scheme, and in the longer-term secure funding for delivery. As such there is no overall change in the total level of funding or impact on reserves and Cabinet has confirmed this approach. Should funding be required in the future relating to the A44, a further report will be considered by Cabinet.

- 3.5 The Legal Services Debt team was set up in January 2021 to support the Council in the recovery of outstanding debts, particularly relating to complex Adult Social Care debts. Between January 2021 and June 2022, the team received 640 new instructions and recovered £2.8 million in unpaid debt. The team is now at full capacity and in order to meet existing and projected demand and continue the current improvement in the rate of recovery of sums owing to the Council there is a need for capacity within the team. A total of £0.180 million p.a. is being allocated from the Finance Risk Reserve to fund additional capacity over the next three financial years.
- 3.6 Cabinet has also agreed a £0.25 million one off allocation from the Business Rates Reserve to support financing the replacement of the kitchen facilities at Malvern Outdoor centre to enable the centre to offer a safe and inclusive site for delivery of 16,000 meals served to the 5,000 children who visit each year. The site also provides free places for over 500 children a year who are in receipt of free school meals.
- 3.7 A £0.05 million one off allocation from the Business Rates Reserve has been agreed to support the promotion of events and activities relating to the King's Coronation, including an amount to support waiving the costs relevant to road closures to support street parties and other community events.
- 3.8 The reserves information detailed in Sections 9 and 11 of this report has been updated to take account of these proposals and is also reflective of the position as at the end of Quarter 3.

4. 2022/23 Period 9 (Quarter 3) Budget Monitoring

- 4.1 The latest forecast for the 2022/23 financial year is an overspend of £12.6 million. This comprises £12.8 million overspend in service directorates, partially mitigated by a £0.2 million underspend in Finance & Corporate Items.
- 4.2 Table 6 shows the breakdown of the Period 9 (Quarter 3) forecast at Directorate level.

Table 6: Summary Outturn forecast for Services as at Period 9 2022/23

Service area	Budget £m	Forecast £m	Variance £m
People – Adults	138.909	145.176	6.267
People – Communities	20.601	20.114	-0.487
Children's Services/WCF	109.108	117.502	8.394
Economy & Infrastructure	59.225	58.543	-0.682
Commercial & Change	7.686	7.068	-0.618
Chief Executive	1.434	1.374	-0.060
Public Health	0.124	0.124	0.000
Total: Service excl. DSG	337.087	349.901	12.814
Finance/Corporate Items	36.612	35.930	-0.682
Non-assigned items	-0.500	0.000	0.500
TOTAL	373.199	385.831	12.632

- 4.3 The forecast overspend in the People Directorate relates to pressures in Adults Services, and the reported position in Table 6 is net of additional Continuing Healthcare income relating to the Fair and Transparent Funding project. Adult Services are reporting that numbers of clients presenting across Learning Disability, Physical Disability, and Mental Health services are above 2022/23 budget-setting expectations, although Older People client numbers are broadly in line with expectations. In addition to this, increased care package complexity, and market forces resulting from the various cost pressures being experienced by care providers (such as National Minimum Wage increase, fuel costs etc.) have contributed to the current forecast overspend position.
- 4.4 In Children's Services, the current forecast overspend includes £3.7 million increased costs for Home to School Transport, attributed to increased fuel and staffing costs for Transport Providers. The remainder of the overspend is within Placements for Looked After Children. Total Placement numbers were 1,026 as at P9, compared with 919 in December 2021 – an increase of 12%. For context, the previous year's change in total placement numbers was an increase of 8%, this rise is consistent with pressures in Children's Services across the country.

5. 2023/24 Investments and Pressures

- 5.1 As indicated by the in-year forecast outturn reported in Section 4, there are a number of underlying pressures to Council services that require additional funding for the 2023/24 budget. Service requests for growth have been challenged by Finance in the first instance, and by Senior Leadership Team and Cabinet Members. The growth requirements laid out in this section of the report reflect the latest estimates and information available.

- Investment in Public Transport

- 5.2 Following the ongoing impact of the pandemic, in 2022/23 the Council committed to support key bus routes around the County, recognising that it is likely to take some time to recover numbers pre pandemic. The Council is committed to this in 2023/24 with £3.5 million being invested in Worcestershire's Public Transport across the entire County for the next 12 months. At the same time the Cabinet will work with officers, residents and partners to assess the alternatives available to see both a return to passenger numbers pre pandemic and more targeted solutions such as community travel schemes.
- 5.3 The Council has already been piloting a number of schemes across the County in places such as Malvern and Bromsgrove. There is likely to be a recurrent revenue cost in such schemes but at this point this is unknown.

- Investment in the Capital Programme

- 5.4 The Council has, like across the whole country, seen a significant rise in the cost of its capital schemes as well as the cost to fund the programme due to higher interest rates. The overall additional cost forecast to deliver the programme has increased by £36.5 million since the middle of 2022, and the cost to fund that by 50%. However, the Council is committed to undertaking all schemes within the Capital Programme approved by Full Council in February 2022, as well as new schemes such the A38 Bromsgrove Route Enhancement Programme (BREP). This includes ensuring that the previous agreements to fund £4 million of extra footpath improvement work each year since 2020 until 2025, and £6 million per year over the same period for highway improvement, are maintained. The Administration recognise though that the recent cost of inflation, especially in the construction industry, means that further funding is needed to ensure the planned level of commitment is maintained at the intended level, as such further borrowing is to be made available to fund additional capital to meet this promise across footpaths and highways

improvement. A total increase in the capital programme of £19.4 million has been included in the revised programme at Appendix 2. The Council will continue to monitor the programmes and its treasury management across the next three to four years to ensure this remains affordable. This is discussed later on in this report at Section 6.

- **Investment into Economy & Infrastructure**

5.5 The Cabinet are proposing to invest a further £0.5 million into highways and environmental services in order to enhance the level of service undertaken to maintain the highways across the County. Specifically, more work will be undertaken to ensure trees around our highways are pruned and safely maintained. In addition, more will be invested in highways minor works to respond to member requests.

- **Investment into Adult Services**

5.6 Overall, there is a gross forecast pressure of £26 million relating to Adult Social Care. This pressure includes the impact of increasing demand, complexity of care and price inflation. These inflationary and demand related pressures have been seen to significantly increase since 2021/22 and the expectation is that this will continue in the coming years due to our ageing population and increasing costs of care. The 2022/23 budget is expected to overspend by c£13.4 million prior to mitigation, and the impact into 2023/24 is expected to be significantly higher due to the full year effect of clients entering the care system this year, forecast future demand growth and the increasing costs of care.

5.7 The forecast has been based on numbers in care continuing to rise at a similar rate to the increases being seen in 2022/23 along with the impact of the current increase in unit costs being paid to providers. This is a national issue being seen by councils across the country, following the effect of the pandemic and increases in unit costs due to the increases in utility, food, transport and wage costs. Demand is, on average, growing by 4% per year and price inflation by at least 5% in some areas, with significantly higher increases being seen in nursing care and supported living packages.

5.8 Details of this and general inflation across Adult Services is detailed in Table 7.

Table 7 – Pressures within Adult Social Care 2023/24

Adult Social Care Net Investment	£m
Additional demand increases along with complexity / acuity for older people	6.3
Growth in number and complexity of packages for Adults with a Learning Disability	5.8
Increase in number of mental health packages of care	4.0
Growth in number and complexity of care packages for Adults with a Physical Disability including those transitioning from Children’s Services	2.4
Demand and Growth Increase in Adult Care	18.5
Pay Inflation across Adult Care Services	1.9
General Inflation and price increases across Adult Care Services	5.6
Total Investment into Adult Care	26.0
Savings, efficiencies and income generation identified relevant to Adult Care	-9.6
Net Investment into Adult Care	16.4
Funded by:	
Discharge Funding Allocation	2.7
Increase in ASC Market Sustainability & Improvement Fund	4.0
Increase in Social Care Grant (with remaining funding Children's Services)	2.5
ASC Equalisation Grant	1.2
2% Adult Social Care Levy	6.0
Total Funding	16.4

- **Pressures and Investment within Children Services**

- 5.9 Our Children’s Services are delivered by our wholly owned company Worcestershire Children First (WCF) and we continue to be pleased with the significant progress in performance that has been made across Worcestershire which has been recognised by the DfE. WCF has been in operation for over 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 across the county.
- 5.10 In financial terms, general inflation and placement availability are the source of the challenge regarding WCF’s ability to manage within financial constraints of the existing contract. We have seen an increase in the number of children in care and although our care prevention continues to be successful where we can safely manage risk within families, we have seen increases due to serious harm and numbers of unaccompanied children. Unaccompanied Asylum-Seeking Children (UASC) in particular has risen from 35 in quarter 2 in 2021/22 to 75 by quarter 2 of 2022/23.
- 5.11 The national challenges seen with the impact of inflation has also led to significant increase in costs for both home to school transport (£3.7 million forecast overspend) mentioned in more detail later in the report and children’s placements costs (£4.7 million forecast overspend) resulting in an in-year 2022/23 forecast overspend of £8.4 million, with these pressures continuing into the new financial year. This trend is not unique to Worcestershire as this position has been seen across the country.
- 5.12 The proposed budget for 2023/24 includes £2.5 million additional for Children’s Social Care placements demand. This is in addition to the £3 million for the impact of inflation mentioned later in the report, bringing the total additional funding for Children’s Placements to £5.5 million. This is covered by the increase in Social Care Grant as shown in Table 8.

Table 8 – Pressures within Children’s Services 2023/24

Children's Services Net Investment	£m
Growth - Demand including Home to School Transport	4.9
Pay Inflation	4.0
Contract inflation including Home to School Transport	4.8
Total Investment into Children's	13.7
Savings, efficiencies and income generation identified relevant to Children's	-3.6
Net Investment into Children's	10.1
Funded by	
Social Care Grant	9.3
Council tax funding for Home to School Transport Pressures	0.8
Total Funding	10.1

- 5.13 A further £2 million of one-off funding has been set aside as an earmarked reserve for potential placement pressures that could arise in 2023/24 to mitigate potential increases in demand. This will replenish the safeguarding reserve that will be used in 2022/23. This is the first time we have utilised this reserve, as this has not been required for the last three financial years due to the strong leadership, good practice careful financial management in the service, however 2022/23 has been unprecedented. This strategic approach has served us well over the last 3 years due to the mature relationship between Council and Company.

5.14 As part of the ongoing budget management WCF have made savings during 2022/23 and these will be re-invested in the All-Age Disability Service to add resource to continue to improve the Council's offer to children with SEND alongside participation of the Delivering Better Value in SEND, which is mentioned later in the section around the Dedicated Schools Grant.

- **Pay Inflation pressures**

5.15 When setting the 2023/24 budget, pay inflation can be considered in two parts. The first is the 'catch-up' in terms of funding the 2022/23 pay award, which National Employers agreed with Trade Unions at £1,925 per full-time employee. As previously reported to Cabinet, this had a £5.5 million impact for the Council, which when compared to the £1.5 million allocated for pay inflation in the last budget setting cycle, results in a recurrent gap of £4 million that needs to be closed.

5.16 In addition to this, there must be an assumption for a 2023/24 pay award. Detailed proposals for this are not yet available, however what is known is that the Chancellor confirmed in his Autumn Statement on 17 November that the NLW rate on 1 April 2023 will be £10.42, an increase of 92p (9.7%) from its current £9.50. It is also known that national employer discussions on the 2023/24 pay award with Trade Unions will take place against a backdrop of high inflation and significant cost of living pressures. The proposed budget assumes a pay award for 2023/24 is likely to be in the region of 4%, giving a total figure for Pay Inflation of £11.6 million when combined with the 2022/23 award impact. This is relevant to all staff employed by the Council and WCF. Table 9 shows this impact across salaries and oncosts.

Table 9 – Pay Inflation Breakdown 2023/24

Description	Total £m
Salaries	8.5
Employer's National Insurance (NI) and other costs	1.5
Employer's Pension Costs	1.6
Total	11.6

- **Non-pay inflation pressures**

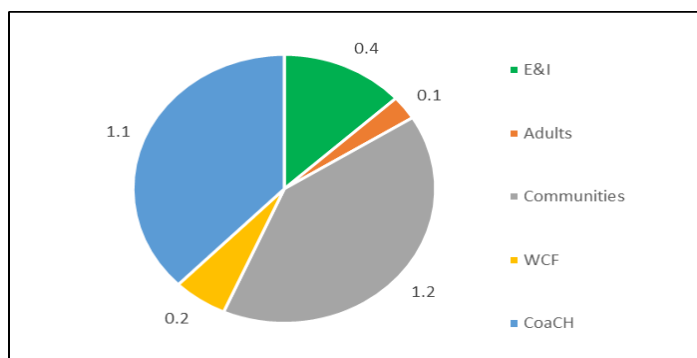
5.17 There are general underlying inflationary pressures in most Council services, driven by the surge in energy prices and third-party provider increases, which during 2022/23 have begun to be reflected in supplier contracts and the general cost of services. A number of inflationary assumptions have been built into the 2023/24 proposed budget and are outlined in Table 10. The other contract inflation includes an uplift of 5% on the amount allocated to the Parish Lengthsmen Scheme.

Table 10 – Non-pay inflation breakdown 2023/24

Inflationary Area 2023/24	Latest Estimate £m
Energy & Premises Costs	2.9
Waste	1.5
Adult Social Care	5.5
Home to School Transport	1.6
Children's Social Care	3.0
Other Contract Inflation	2.5
Total	17.0

- 5.18 Energy costs are a significant area of non-pay inflationary pressure, with current estimates resulting in a £2.9 million budget increase required. This is based on an assumption of 100% increase in electricity prices for 2023/24, as indicated by our suppliers. The biggest direct impact on Council Services are in the Commercial & Change (COaCH) and Communities Directorates, due to the higher number of premises in those directorates, for example County Hall and libraries respectively. Chart 2 shows the energy pressures that have been built into the proposed budget by directorate.

Chart 2 – 2023/24 Energy Pressures by Directorate (£ millions)



- **Home to School Transport pressures**

- 5.19 There are significant pressures in mainstream home to school transport and Special Educational Needs (SEN) transport services which are not unique to Worcestershire. Costs have continued to rise driven mainly by increasing numbers of children with Special Educational Needs that require transport, but also due to difficulties in the market with a shortage of providers / drivers, particularly since Covid.
- 5.20 A recent report by the County Council's Network (CCN) (March 2022) highlighted the challenges of Home to School Transport in county council areas. The report referenced the long-term increases in demand for SEND transport, a sharp rise in numbers of pupils with complex needs, and how fuel and wage inflation are all putting considerable strain on local authority budgets. The war in Ukraine, driver shortages across public transport operators, cost of living increases, and rising UK inflation have all become more significant since the report was published which is impacting on all County Councils.
- 5.21 The proposed budget recognises these challenges and provides a further £2.4 million of funding to keep pace with the increased demand in addition to the £1.6 million inflation stated earlier in the report bring the additional investment to £4 million.

- **Legal Services pressures**

- 5.22 There has been a growth in the number of childcare cases requiring support from legal services, both for pre-proceeding work and to support court cases. The service has been funded by one-off resources for the last two years, however the ongoing nature of this demand has demonstrated a requirement to permanently increase the base budget in this area. Court processes have also been more complex overall requiring a much higher degree of preparation, greater length and complexity of hearings meaning a much greater use of external barristers. The increase in budget is requested to employ permanent members of the team to reduce the over-reliance on more expensive locum resources.

- **Waste Services pressures**

- 5.23 The operation of the waste contract has previously been funded by a mixture of sources, namely a recurrent base budget, allocation of PFI grants, use of Covid funding and via the use of an earmarked waste reserve. During 2023/24 the PFI grant will cease, and the waste reserve will be fully depleted. Alongside this, demand increases for the past 2 years have been funded by one off sources, including reserves and covid grants, therefore the recurrent impact is required to be funded by a permanent increase in the base budget (rebase budget). Alongside this reduction in available funding, an element of growth in tonnage is expected due to continued increases in volume of domestic waste relating to people working more from home and increases in domestic dwellings (growth demand) along with an inflationary increase in the contract sum which has been included in the contract inflation calculation.

- **Other Service pressures**

- 5.24 As detailed within the section relating to Capital, revenue investment of £5.5 million is required to fund the additional borrowing costs relating to increased interest rates and the cost of inflation within the capital programme.
- 5.25 The operation of the Council's Transformation and Change team has previously been funded from capitalisation, use of covid grants or use of reserves. Due to the changes in capitalisation regulations and reduction in time limited funding, permanent funding will be required to continue funding these teams. As such an increase to the base budget of £0.6 million is requested in order to continue the operation of these teams. The teams will be responsible for ensuring the delivery of change management activities and savings, efficiencies and income generation delivery, working in partnership with service managers. This has been included as a "rebase" budget.
- 5.26 There has been a gradual increase in the number of statutory enquiries over the past two years. The increase in costs have been funded by time limited resources, however there is now a need to identify a permanent recurrent base budget to continue to meet the statutory deadlines for completion, and a rebase budget of £0.13 million has been included in the proposed budget.
- 5.27 Investment in E&I is required due to the reduction in income generation abilities within traded areas and the rebase within Finance and Corporate is due to increases in external audit fees and an investment in debt collection services which are expected to be required for the foreseeable future.
- 5.28 In total, the Pressures and Investments built into the proposed budget for 2023/24 amount to £67.9 million, as shown in Table 11, and Appendix 1 shows this detail by service.

Table 11 – 2023/24 Pressures and Investments

Estimated Pressures 2023/24	Latest Estimate £m
Pay Inflation	11.6
Contract Inflation	17.0
Rebase Budget to reflect full costs of Waste PFI	6.1
Rebase Budget to remove use of one-offs and reserves	2.6
Demand Growth - Adult Social Care	18.5
Demand Growth - Children's Social Care	2.5
Demand Growth - Home to School Transport	2.4
Demand Growth - Legal Services	0.5
Demand Growth - Waste Services	0.4
Investment in Capital Programme	5.5
Investment in Highways and Tree Pruning	0.5
Reduction in traded income	0.3
Total Investment and Pressures	67.9

6. Capital and Treasury Management

- 6.1 Cabinet's proposed capital programme for 2022/23 to 2026/27 is recognised in the following paragraphs along with the indicative sources of funding available. The programme proposes a continuation of all of the previous commitments and investments in the County. A total value of £432.7 million of works is identified as needing to be driven to improve our economy and environment, as well as school places and life chances for our residents in the coming years.
- 6.2 Overall 2023/24 will see an increase in the programme of some £46.5 million due to the increase in cost of schemes arising from recent inflationary pressures and the cost of capital with increased borrowing rates. This includes the cost of highways, walking and cycling routes and major infrastructure projects. In particular, one area previously agreed to direct funding of footpaths and highway improvement has faced significant inflation and as such additional capital resources will be made available over the coming years, in each year, to fund that increase in order to ensure that the original planned level of works can be maintained and delivered.
- 6.3 A capital programme in the region of £119.9 million is forecast for 2023/24, as detailed in Appendix 2.
- 6.4 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 a verbal update will be provided to Council should further detail be received. 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 2023/24.
- 6.5 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 and long-term assume a total of £57.4 million in 2023/24 received to fund part of the planned expenditure. This has assumed that all known receipts are achieved and applied to the current capital programme.

6.6 The Council has set out a Treasury Management Strategy in line with CIPFA guidance and regulatory compliance at Appendix 6.

7. Changes to Grant Funding

7.1 The Council's funding comes from a range of Government grant sources – the Settlement Funding Assessment, which is the general grant; and specific grants which are ring fenced for set purposes such as adult care. This section lays out the provisional settlement proposed for these grants for 2023/24. Overall, the level of Government grant awarded has been higher in 2023/24 than any year in the last 15 years, and this recognition of the work and pressures faced by county councils is to be welcomed.

- **Settlement Funding Assessment (SFA)**

7.2 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. The SFA is split into two parts: The Baseline Funding, and the Business Rates Retention Scheme (BRRS). Revenue Support Grant is now nil, meaning that Business Rates Retention forms the second-largest element of Council funding, after Council Tax.

7.3 The announcement of Worcestershire's latest allocation of the Provisional Settlement has been included in this budget report. The Council's budget set against these assumptions is reported in Table 12.

Table 12: Business Rates and SFA 2022/23 to 2023/24

Grant	2022/23 £m	2023/24 £m	Change in years £m
Settlement Funding Assessment	63.5	65.9	+2.4
Business Rates	5.2	11.2	+6.0
Total	68.7	77.1	+8.4

7.4 Going forward there are plans to radically overhaul this grant funding, this has however been deferred and is now not likely until 2025/26.

7.5 The final settlement was announced on 6 February and was in line with the provisional settlement.

- **Other Government Grants**

7.6 Other Government grants for social care were declared at the Chancellor's Statement on 17 November 2022 and affirmed in the Provisional Settlement on 19 December 2022. Current changes to allocations have increased the total grant income to the Council by a net £17.9 million. This is broken down to the various component grants in Tables 13 and 14.

Table 13 – Changes to Social Care Grant Funding 2023/24

Grant	2022/23 £m	2023/24 £m	Change in years £m
Adult Social Care Discharge Fund	-	2.7	+2.7
Market Sustainability	1.6	5.6	+4.0
Social Care Support Grant	21.8	34.6	+12.8
Total	23.4	42.9	+19.5

Table 14 – Changes to Other Grant Funding 2023/24

Budgeted Grant Income	2022/23 £m	2023/24 £m	Change in Funding £m
Services Grant	3.0	2.5	(0.5)
New Homes Bonus	1.5	0.4	(1.1)
Total	4.5	2.9	(1.6)

- 7.7 The gross gap in Adult Social Care is in excess of £26 million and even with funding and savings, efficiencies and income generation, there is still a gap. 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 need to increase the Adult Social Care Levy by 2%. In addition, the Council will continue joint working with NHS colleagues through the Integrated Care Service to continue to develop local pathway solutions alongside national transformation plans.
- 7.8 Table 15 shows the utilisation of this additional grant funding, per directorate. The grants are awarded with specific terms and conditions relating to use. This usually determines the Directorate in which the grants are deployed.

Table 15 – Changes in Grant Funding (by Directorate)

Directorate	Increase / (Decrease) in Funding £m
People - Adults	10.4
People - Communities	0.0
Public Health	0.0
Worcestershire Children First	8.6
Economy & Infrastructure	0.0
Commercial & Change	0.0
Chief Executive	0.0
Finance & Corporate	-1.1
Total Increase / (Decrease) in Grant Funding	17.9

8 Savings, Efficiency and Income Proposals

- 8.1 The Council's proposed budget includes £22.4 million of proposals to reduce the 2023/24 budget gap. A full list of these is included as Appendix 3 to this report, and a summary of which is detailed in Table 16.

Table 16 – Summary of Savings, Efficiencies and Income Proposals by Directorate

Directorate	£m
People - Adults	9.4
People - Communities	1.5
Public Health	0.2
Worcestershire Children First	3.1
Economy & Infrastructure	1.2
Commercial & Change	2.5
Chief Executive	0.4
Finance & Corporate	1.1
Reduced Employers Pension charges	5.9
Removal of 2022/23 savings not achieved	-2.8
Total Proposed Savings, Efficiencies and Income Generation	22.4

- 8.2 The proposed savings, efficiencies and income proposals have been identified, evaluated and assessed through an internal process. These are considered to be realisable, although there may be further movement in some as work progresses, resulting in small elements needing to be found from elsewhere, or from reserves. Achievement of savings, efficiencies and income proposals are reported, and will continue to be, in the regular Budget Monitoring reports to the Strategic Leadership Team and Cabinet.
- 8.3 Where there are proposed efficiencies relating to pay, 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
- 8.4 The Council remains prudent and an element of provision for non-delivery of savings, efficiencies and income generation particularly where there may be a part-year impact of implementation. As such £5 million of reserves have been provided for in the projected use of reserves discussed in more detail in the Reserves section of this report.
- 8.5 The savings, efficiencies and income generation figures include £5.9 million attributed to reduced Pension costs for the Council. This is the recommendation of a September 2022 Actuarial review of the Pension Fund, in which the performance of investments within the fund have resulted in an improved funding position. As such for 2023/24, the Council can lower employer contributions from the current 18.6% to 17.3% and remove the budget for back funding expenditure. There will always be a potential risk for future years, including the MTFP period, that employer contributions will need to be increased again, should the performance of the Pension Fund investments deteriorate. Individual Pension Fund members are not impacted.
- 8.6 The total £22.4 million savings, efficiencies and income generation includes £5.3 million for standardising a 'vacancy factor' in all staffing budgets at 6.5%. This can be achieved by holding vacancies in 2023/24 wherever possible, although services with low levels of staff turnover will find this more challenging. Achievement of this and all 2023/24 savings, efficiencies and income generation will be reported as part of regular budget monitoring.

9 Movement in Use of Reserves

- 9.1 The Council's General Fund reserves are currently at £14.3 million (3.8% of net spend), and whilst at the current projected overspend position reported in Section 4, are forecast to remain at this level at 31st March 2023, it is expected that at least £8 million of earmarked reserves will be needed to deliver a balanced budget.
- 9.2 The General Fund reserve must not fall below this level, therefore it is imperative that savings, efficiencies and income generation are achieved and that reserves are used only where there is no alternative funding. Table 17 shows the projected balance for the General Fund to March 2025

Table 17: General fund risk assessment summary

Year ended 31st March	2020 (£m)	2021 (£m)	2022 (£m)	2023 (£m)	2024 (£m)	2025 (£m)
General Fund Reserve risk assessment	12.217	12.217	12.217	14.217	14.300	14.300
Current Projections	12.217	12.217	14.300	14.300	14.300	14.300
General Fund Reserves sufficient	✓	✓	✓	✓	✓	✓

- 9.3 As part of setting the MTFP and assessing the Council's financial stability under s25 Local Government Act responsibilities, earmarked reserves (EMRs) have been fully appraised, and services challenged on 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 which are fully committed. The proposed planned use of reserves that supports both the Corporate Plan and the change programme is included in Appendix 5 to this report.
- 9.4 The Council has had for many years a Strategic Risk Register and has developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2022/23 and has formed the platform in preparing the Section 151 Officer's assessment of risk.
- 9.5 Within services – where budgeted reserve utilisation is generally limited to ring-fenced grants and other earmarked reserves - efforts are being made to reduce the use of reserves, and this is reflected in the proposed 2023/24 budget. There is challenge to expenditure in the first instance, coupled with a move to 'rebase' budgets to remove reliance on reserves, in instances where expenditure is considered to be necessary. Table 18 shows how the planned budgeted use of reserves within Directorates has fallen from £14.4 million in 2022/23 to £7.2 million in 2023/24, which is a reduction of 50%.

Table 18 – Budgeted use of Reserves by Directorates

Directorate	Budgeted use of Reserves 22/23 (£m)	Year on Year Change (£m)	Budgeted use of Reserves 23/24 (£m)
People - Adults	0.0	0.0	0.0
People - Communities	0.1	0.2	0.3
People - Public Health	3.9	1.3	5.2
Worcestershire Children First	0.6	0.0	0.6
Economy & Infrastructure	7.3	-6.9	0.4
Commercial & Change	2.3	-1.7	0.6
Chief Executive	0.0	0.0	0.0
Finance & Corporate	0.1	-0.1	0.0
Total	14.4	-7.2	7.2

- 9.6 The 2023/24 budget as presented assumes a further £5.5 million use of reserves corporately to close the gap for the bottom line. This is not shown in Table 18, as it is not to support specific service delivery. Current projections for 2023/24 and beyond are that Council reserves will continue to be utilised. Table 19 shows the projection for total reserves (excluding General Fund). Full detail is set out at Appendix 5. Note the current forecast reduction in reserves from March 2023 to March 2024 is £48.941 million. The rest is for planned projects for which reserves have been set aside and for risk. This includes the £7.2 million within services as per Table 18, the £5.5 million identified to close/reduce the Council budget gap, forecast use of capital reserves that do not form part of the revenue budget, and prudent assumptions on potential use of various risk reserves.

Table 19 – Reserves Projection to 31 March 2025

	Opening Balance (£m)	Forecast Reserve Balance (£m)	Forecast Reserve Balance (£m)	Forecast Reserve Balance (£m)
	31/03/2022	At 31/03/2023	At 31/03/2024	At 31/03/2025
Open for Business	18.245	16.742	5.194	1.128
Children & Families	13.194	8.849	4.449	2.449
The Environment	5.371	6.754	2.916	0.297
Health & Wellbeing	35.561	9.546	3.089	0.283
Efficient Council	13.028	10.994	5.25	3.288
Risk	51.087	31.582	27.116	20.868
Capital	8.026	11.529	2.541	0
Unusable	13.168	6.91	3.410	2.410
Total Earmarked Reserves	157.680	102.906	53.965	30.723

10 Dedicated Schools Grant (DSG)

- 10.1 The Education and Skills Funding Agency announced the provisional settlement on 16 December 2022, with the provisional allocation for Worcestershire detailed in Table 20.

Table 20 – DSG Allocations 2023/24

DSG Block	Provisional Allocation (£m)
Schools	405.862
Early Years	37.326
High Needs	86.087
Central Services	3.332
Total	532.608

- 10.2 The Schools block allocation 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 2022, and applied to the October 2022 pupil census. This is then delegated to all mainstream schools - both academies and maintained – 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.
- 10.3 The 2022-23 Schools Supplementary Grant has been rolled into the Schools block NFF. This ensures that this additional funding forms part of schools’ core budgets and will continue to be provided
- 10.4 In the November 2022 Autumn Statement, the Chancellor outlined the Government’s spending plans for each central government department. The Government announced that the core schools’ budget will increase by £2.3 billion in 2023/24 and a further £2.3 billion in 2024-25. This is after adjusting Spending Review 2021 budgets down to account for the removal of the compensation for employer costs of the Health and Social Care Levy and brings the core schools budget to a total of £58.8 billion in 2024/25, £1.451 billion greater than published at Spending Review 2021. Since the publication of the January budget report, the indicative allocations for each council have been published, and for Worcestershire schools (including academies) this equates to an additional £14 million which is not in the DSG figures above. This is very much welcomed, but there are still financial pressures within schools which will be closely monitored during the 2023/24 financial year and lobbying of central government will continue in order to highlight the funding pressures within schools.
- 10.5 In the High Needs block, nationally funding is continuing to increase which was expected, the Autumn Statement committed further additional funding of £400 million nationally for this area of spend which is under severe pressure. The Worcestershire High Needs Block allocation of £86.1 million is 9.91% higher than the £78.3 million for 2022/23. However, this area of the DSG budget is currently forecast to overspend in 2022/23 by £5.1 million due to increased demand and complexity of need. Therefore, the additional funds allocated to this block are likely to cover existing overspends only, rather than address new pressures that may emerge.
- 10.6 The Central School 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. Current DfE policy is to reduce the historic commitments element of the allocation year-on-year. The 2023/24 allocation is a £3.3 million, increase from 2022/23
- 10.7 The Early Years block provides funding for 2 year-olds (targeted support only), as well as the universal and extended entitlements for 3 and 4 year-olds. The allocation is

based on the January 2022 census data, which is the first since COVID for Early Years, and there will be an in-year adjustment to the Worcestershire allocation following the January 2023 census. The current 2023/24 allocation is £3.7 million higher than 2022/23.

- ***The Dedicated Schools Grant Deficit and the Impact on Reserves***

- 10.8 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.
- 10.9 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.
- 10.10 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.
- 10.11 On the 12 December 2022 the Government announced its intention to extend the statutory override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26, which is welcome in the short term, and this essentially defers the problem of funding and how to solve the historical deficit for SEND and High Needs to the end of March 2026.
- 10.12 The deficit will continue to be held as an unusable reserve where it will sit as though it did not exist, at the end of March 2024 this is forecast to be around £20 million. This does mean that the council is required to cash flow the deficit and continue to prioritise the work needed to reduce the deficit through the Delivering Better Value (DBV) in Send programme.
- 10.13 High Needs funding and the impact of the deficit is a national issue and to address the future sustainability the DfE has invested a one off £85 million over three years in the Delivering Better Value in SEND (DBV) programme. This will support the 55 local authorities with deficits to reform their high needs systems, addressing the underlying issues that lead to increased pressure, and putting them on a more sustainable footing. Worcestershire is one of the 55 Local Authorities and is participating in the programme which is being supported by Newton Europe and CIPFA who we have previously worked alongside in Social Care and through the Society of County Treasurers. For information Authorities with the highest deficits participate in the safety valve intervention programme.
- 10.14 Worcestershire is confirmed in Tranche 2 of the DBV Programme, which starts in January to June 2023, and we met with the DfE throughout the Autumn and have submitted our financial and operational data for the last 5 years on 9 December 2022 which supports the diagnostic for the programme. It has now been confirmed that we will receive one off grant funding of £1 million for Worcestershire (this is not to be used to pay off the deficit).

- 10.15 In Tranche 2 there are 20 Local Authorities, which are split into 3 waves geographically. Each wave will be going through the diagnostic concurrently, allowing Local Authorities to learn from and support each other. We are in a group with Gloucestershire, Wiltshire, West Sussex, Rutland and Swindon.
- 10.16 However, this does not address the historical deficit, and this will be considered in detailed review of the council's reserves alongside the Chief Finance Officer's (CFO's) assessment of the adequacy of the Council's reserves as part of the budget process and statutory declarations.

11 Council Tax

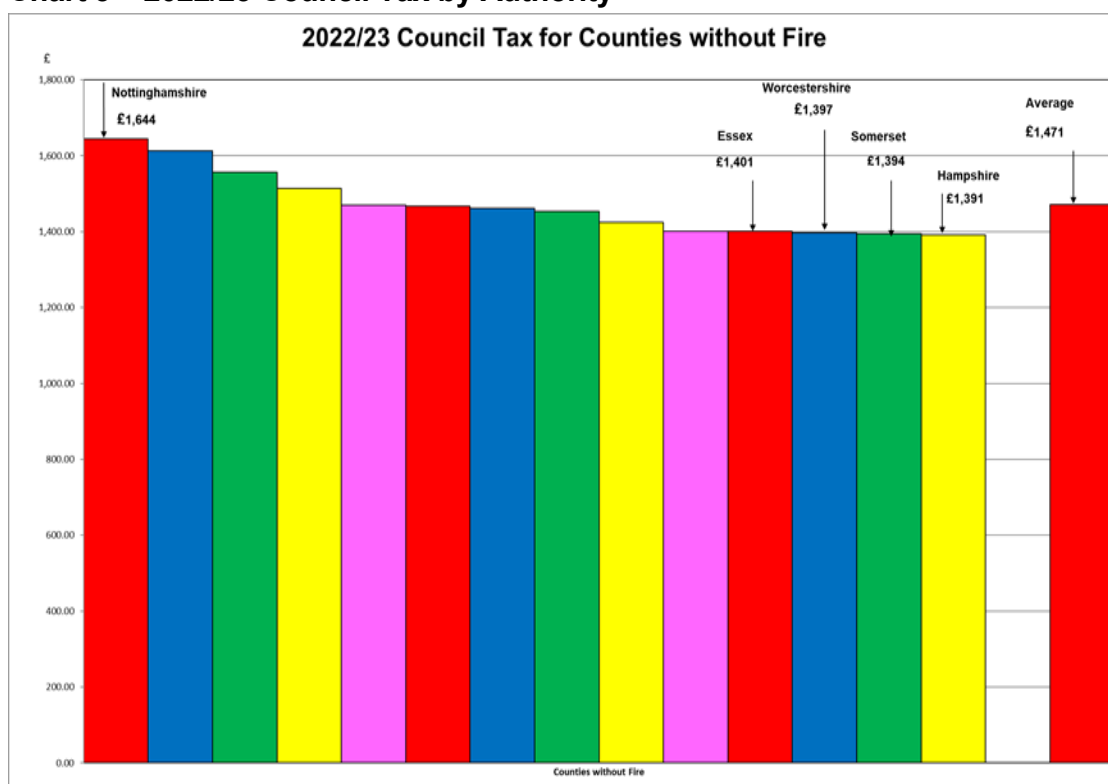
- 11.1 The Local Government Finance Act 1992 (as amended by the 2003 Act) sets out the powers and the duties of the Council in setting the annual Council Tax. The key requirements under Part IV of the 1972 Act are that:
- Council Tax is set at Full Council – Section 33.
 - Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year – Sections 32 and 33.
 - The level of Council Tax is set before 11th March to enable circulation of Council Tax bills to enable people to pay on and after 1st April- Section 30(6).
 - The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25
- 11.2 In the Autumn Statement of November 2022, the Chancellor confirmed that Councils were able to increase Council Tax up to 5% without a referendum – 3% for general services, and 2% for local authorities with a responsibility for Social Care.
- 11.3 The level of Council Tax collected in 2022/23 and 2023/24 may be impacted by wider economic factors, with OBR forecasts at the Autumn Statement indicating that the UK economy would shrink by 1.4% in 2023. However, current data received from our district council partners indicates a small (0.35%) increase in properties. This would generate around £1.053 million additional Council Tax income for Worcestershire.
- 11.4 Taking into account the growth in demand for services, inflationary factors, changes in grants and the reduced flexibility of reserves as detailed in this report, the proposed increase in Council Tax for Worcestershire for 2023/24 is 4.94% - 2.94% for general services, and 2% for Adult Social Care.
- 11.5 The proposed 4.94% Council Tax increase would put Band D Council Tax at £1,465.78 for Worcestershire residents, that is a £69 increase for a Band D property on 2022/23 or £1.33 per week. Across all bandings, the increase equates to the following:

Table 21 – Proposed Council Tax Bandings 2023/24

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
977.19	1,140.05	1,302.92	1,465.78	1,791.51	2,117.24	2,442.97	2,931.56

Worcestershire's Council Tax is at the lower level of County Councils without Fire. Chart 3 shows the 2022/23 Worcestershire figure as the 3rd-lowest of all County Councils without Fire in the data set (excludes unitary authorities).

Chart 3 – 2022/23 Council Tax by Authority



- 11.6 The Treasury predicts that most Councils are expected to increase Council tax by the maximum 5% permitted without a referendum, which would mean that Worcestershire would continue to operate within the lowest quartile of comparative County Councils.
- 11.7 At the proposed level of increase, the total Council Tax income for Worcestershire is expected to increase by £15.991 million – from the current £301.346 million to £317.337 million. This includes the £1.053 million buoyancy, as shown in Table 22.

Table 22 – Worcestershire Council Tax changes 2022/23 to 2023/24

Council Tax element	£m increase / (decrease)
ASC Precept Increase	6.049
Basic Increase	8.889
Tax base Buoyancy	1.053
Total	15.991

- 11.8 The proposed increase of 4.94% reduces the current gap in the 2023/24 budget by £14.938 million and specifically contributes £6.049 million to the growth pressures of £26 million in Adult Social Care
- 11.9 The Council is required to set a Council Tax sufficient to balance the Collection Fund account. The latest information from the District Councils is that the Collection Fund remains in surplus, although there are deficit spreading adjustments in place following the COVID impact of 2020/21. Data on the collection fund surplus/deficit for 2022/23 is not yet finalised, however early indications are that this could be less than the £2.9 million budgeted for in 2022/23.

12. Overall Funding 2023/24

12.1 The overall position for the Council 2023/24 budget is presented in Table 23.

Table 23 – 2023/24 Summary position

	£m	£m
Worcestershire Net Budget 2022/23		373.2
<i>Plus: demand and inflation - see Section 4 of this report</i>		
Pay Inflation	11.6	
Contract Inflation	17.0	
Rebasing to remove use of one-offs and reserves	8.7	
Demand Growth (all services)	24.3	
Investment in Capital Programme	5.5	
Investment in Highways and Tree Pruning	0.5	
Investment in other services	0.3	
Total Investment and Pressures		67.9
Net Spending Requirement before funding		441.1
<i>Mitigated by:</i>		
Increased Grant Funding - see Section 6	-17.9	
Savings, efficiencies and income - see Section 7	-22.4	
Total Savings and Grant Changes		-40.3
Net Budget Requirement 2023/24		400.8
<i>Financed by:</i>		
Business Rates Retention/SFA	77.1	
Use of Reserves	5.5	
Collection Fund Surplus	0.9	
		83.5
Amount to be collected from Collection Fund via Council Tax and ASC Levy		317.3

13 Legal Implications

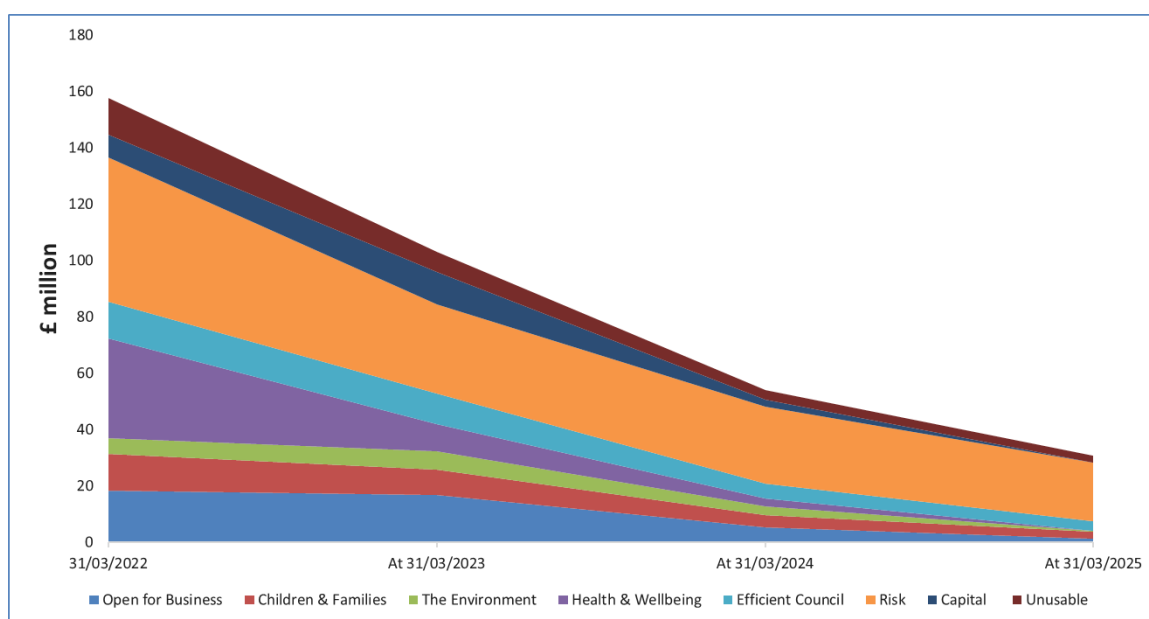
- 13.1 Legal advice will be provided to support any changes in service delivery in accordance with the requirements of the Council's policies and procedures.
- 13.2 This report fulfils the legal and constitutional requirements for the preparation and recommendation of a budget and Council Tax for 2023/24 for consideration by Council before the statutory time limit of 11 March.

14 Financial Implications

- 14.1 Members are required under Section 25 of the Local Government Act 2003 to have regard to the Chief Financial Officer's report when making decisions about the budget calculations for each financial year. This is undertaken through the approval of the annual budget in February each year.
- 14.2 Section 25 of the Act also covers budget monitoring, and this process monitors the robustness of budgets, adequacy of reserves and the management of financial risk throughout the year. This report highlights forecast variances arising from current financial performance and the possible impact of existing pressures on future expenditure so that appropriate action may be taken.

- 14.3 An overall review of the current financial year has identified that there will be a circa £8 million draw down from reserves in 2022/23 to achieve a year end balanced position.
- 14.4 A review of the savings, efficiency and income proposals has identified that all proposals are deliverable, however prior year performance and the scope of the vacancy factor proposal will require a risk reserve to cover the potential for non-delivery of savings, efficiencies and income generation. It is suggested that is in the region of £5 million of need from the Financial Risk Reserve.
- 14.5 A review of the pressures faced across the various directorates has found that the forecast demand and price increases are in line with trend activity data, although a review of Home to School Transport in 2022/23 suggests that 2023/24 needs to have a degree of sensitivity applied to those forecasts that could see a higher cost. In addition, social care services for both adults and children are always subject to need for close monitoring in year to spot any unusual and emerging spend change risks. It is also noted that final price uplifts with care providers are still to be finalised in a number of areas.
- 14.6 It is noted that in 2022/23 the reserves provision for unexpected changes in children care numbers is likely to be drawn down and consideration has been given in the reserves assessment to the need to replenish this in future years risk assessments.
- 14.7 Finally, whilst the High Needs deficit has seen an extension to the statutory override for a further three years there is a need to recognise that work with DfE expected in early 2023 will lead to a further transformation call to address the year on year overspends going forward.
- 14.8 Overall, therefore the projections of income and spend are robust, but there is a need to assess and ensure the Council's reserves are sufficient to meet the ongoing pressures and potential for changes to assumptions. A detailed review of the commitments and forecasts for the Council's earmarked reserves is attached at Appendix 5. This identifies that reserves are sufficient at this point, though there is a considerable downturn, as noted in Chart 4, in the expected levels over the next three years that needs close monitoring and assessment against known data as it arises.

Chart 4 – Reserves 2021-2025



- 14.9 In discharging governance and monitoring roles, Members are asked to consider the issues arising and the potential impact on the budget as well as the financial risks arising.
- 14.10 The Council's procedures for budget monitoring is reinforced through close financial support to managers and services on an ongoing basis to ensure processes and controls are in place to enable tight financial control.

15. HR Implications

- 15.1 A number of existing savings, efficiencies and income generation may impact on staff roles and responsibilities and where appropriate senior officers take advice from the Council's Human Resources team.
- 15.2 This will include undertaking consultations with staff, trade unions and any other affected body as appropriate.

16. Equality Duty Considerations

- 16.1 The Council will continue to have due regard to proactively addressing the three elements of the Public Sector Equality Duty in all relevant areas – in particular the planning and delivery of our services. The Council will continue to assess the equality impact of all relevant transformational change programmes and will ensure that Full Council has sufficient equalities assessment information to enable it to have due regard to the three elements of the Equality Duty when considering any changes to the budget. The Council will continue to ensure best practice is followed with regard to these requirements.

17. Risk Implications

- 17.1 The report includes recommendations regarding the Council's forecast financial position for 2022/23 and the use of earmarked reserves and unspent grants.
- 17.2 If approved, there are normal risks regarding ensuring that appropriate qualifying expenditure is incurred, and that spending is within the cash limited for budgets. These risks are mitigated through the regular budget monitoring process.

18. Privacy and Public Health Impact Assessment

- 18.1 A Health Impact Assessment has been undertaken with regard to this report and recommendations relating to new spending decisions to understand the potential impact they can have on Public Health outcomes across the county area.
- 18.2 This report is mainly about confirming the forecast financial position at this stage of the year reflecting existing Cabinet decisions and policies, and where appropriate utilising specific grant monies with spending restrictions associate with these grants.
- 18.3 Taking this into account, it has been concluded that there are no other specific health impacts as a result of new decisions arising from this report.
- 18.4 A similar assessment has been undertaken with regard to privacy/data protection and has confirmed that there is no impact anticipated as a result of this report. #

Supporting Information

Appendix 1 – 2022/23 to 2023/24 Budget Changes by Directorate

Appendix 2 – 2023/24 Capital Programme

Appendix 3 – 2023/24 Savings, Efficiencies and Income Generation

Appendix 4 – Medium-Term Financial Plan

Appendix 5 – Earmarked Reserves plans

Appendix 6 – Annual Treasury Management Strategy

Appendix 7 – Pay Policy Statement 2023/24

Appendix 8 – Budget Scrutiny Comments from Overview and Scrutiny Performance Board

Contact Points

County Council 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 & 2022/23 Full Council Reports:

[Browse Meetings, 2000 - Worcestershire County Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/Worcestershire-County-Council)