

CABINET

29 JUNE 2023

RESOURCES REPORT – PROVISIONAL FINANCIAL RESULTS 2022/23

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendations

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses financial performance for the year ended 31 March 2023 and the unaudited Annual Financial Report and Statement of Accounts 2022/23,**
 - (b) **approves the transfers to and from earmarked reserves and general balances as detailed in paragraphs 41 to 57,**
 - (c) **considers the draft Annual Governance Statement for 2022/23 for comment before final approval is sought from the Audit and Governance Committee, and**
 - (d) **notes the capital outturn for 2022/23 as detailed in paragraphs 62 to 69.**

Introduction

2. The Council position for 2022-23 is a net overspend of £7.316m on a £373.2m budget (1.96% of net revenue expenditure). Overspends in all our demand led areas, Adult Social Care, Children's Social Care and Home to School Transport were partially mitigated by underspends in other service areas and in central budgets. The wider economy CPI inflation in the UK has created some of these pressures since the budget was set in February 2022. Our financial controls have enabled us to mitigate this position where earlier in the year we were anticipating a £13 million overspend.
3. The overall outturn position is broadly in line with the Quarter 3 forecast position for services that was presented to Cabinet in February, with the Council's overspend decreasing slightly due to an underspend in corporate budgets.
4. This report details the provisional financial results for both revenue and capital for the year ended 31 March 2023, prior to external audit.
5. This position is after the use of budgeted reserves, capitalisation and grants. The majority of grants received were awarded for a specific purpose and a significant proportion these grants relate to Adult Social Care have been allocated to providers. The £7.316 million overspend for 2022/23 is recommended to be funded from adults and children's earmarked reserves as detailed in paragraph 46.

6. Cabinet is asked in this report to endorse the outturn position and approve the relevant use of and carry forward of the Council's Earmarked Reserves and unspent grant monies to the 2023/24 financial year, as detailed in paragraphs 41 to 57.
7. Financial performance for the Council's Capital Budget is also reported.

Provisional Financial Results for the year ended 31 March 2022

8. The provisional overall outturn for 2022/23 is a net overspend of £7.316 million, with pressures being seen within adults and children's social care and home to school transport.
9. The Council's formal statutory accounts have been prepared and were presented in draft form to the 26 May 2023 meeting of the Audit and Governance Committee. External Audit fieldwork will take place during the summer with the aim of enabling the accounts to be signed off with an unqualified audit opinion by the Audit and Governance committee at its 22 September 2023 meeting, which is within the statutory deadline. An extract of the provisional unaudited accounts is included in this report at **Appendix 1**. The Public Inspection period has been advertised on the Council's website at ([Public inspection notice \(worcestershire.gov.uk\)](https://www.worcestershire.gov.uk/public-inspection-notice)).
10. School balances have decreased from a net surplus of £5.4 million at 31 March 2022 to £4.5 million at 31 March 2023, and the non-schools Dedicated Schools Grant (DSG) continues to carry forward a significant deficit of £20.3 million due to previous underfunding by Government of High Needs and Special Educational Needs and Disabilities (SEND) when the reforms were first introduced.
11. Currently the High Needs deficit does not impact on the council's financial sustainability, as the deficit sits as a negative unusable reserve on the balance sheet permitted via a statutory instrument. There is a temporary statutory override to ringfence DSG deficits from councils' wider financial position in their statutory accounts. 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, until a long term solution is found and agreed. High Needs funding and the impact of the deficit is a national issue and not unique to Worcestershire and to address the future sustainability the DfE has invested a one off £85m over three years in the Delivering Better Value in SEND (DBV) programme which we are one of 55 authorities participating.
12. The Council's Earmarked Reserves have decreased during the year mainly reflecting their budgeted use and the requirement for utilisation to fund the in-year net overspend. Reserve balances, which are set aside for specific purposes, have decreased from £157.7 million as at 31 March 2022 to £144.1 million as at 31 March 2023.
13. The Council spent £106.9 million of its £184.2 million revised 2022/23 Capital Programme, with the £77.3 million balance being carried forward for spend in future years. This is detailed in paragraphs 62 to 69 and in more detail at **Appendix 8**.

Directorate outturn details

14. **Table 1** shows a high-level summary of service outturn variances, with further detail at **Appendix 2**. The causes of significant outturn variations for 2022/23 are summarised in paragraphs 16 to 36, and further detail relating to variances by individual service area greater than £0.250 million is shown in **Appendix 3**.

Table 1: Summary Outturn – 2022/23 Net Directorate Variances

P13 Outturn Forecast - 2022/23 Revenue Budget Monitoring Forecast by Service					One Off / Adjustments			
Service	2022/23 Gross Budget	2022/23 Net Budget	2022/23 Outturn	2022/23 Variance before Adj's	Funded from Capital	Transfer to Reserves	Funding from Reserves	Variance After Adj's
	£000	£000	£000	£000	£000	£000	£000	£000
Total Dedicated Schools Grant (DSG)	500,286	0	8,996	8,996	0	0	(8,996)	0
Total WCF (Excl DSG)	137,098	109,108	116,307	7,199	0	2,232	(2,887)	6,544
Total Economy & Infrastructure	99,771	59,225	67,540	8,315	(3,804)	3,165	(8,393)	(717)
Total Commercial and Change	32,761	7,686	10,358	2,672	(249)	217	(3,165)	(525)
Total Chief Executive	12,479	3,382	3,063	(319)	0	581	(1,174)	(912)
Total People - Adult Services	253,485	138,909	139,405	496	(458)	8,000	(1,597)	6,441
Total People - Communities	53,169	20,601	13,074	(7,527)	0	8,347	(1,283)	(463)
Total Public Health	38,917	124	4,149	4,025	0	403	(4,428)	0
Total : Services (Excl DSG)	627,680	339,035	353,896	14,861	(4,511)	22,945	(22,927)	10,368
Total Corporate Items	35,272	34,662	25,900	(8,762)	0	11,413	(6,203)	(3,552)
Total Non-Assigned Items	0	(500)	0	500	0	0	0	500
Total Expenditure (Excl DSG)	662,952	373,197	379,796	6,599	(4,511)	34,358	(29,130)	7,316
FUNDING								
Total - Funding		(373,197)	(373,197)	0	0	0	(7,316)	(7,316)
Net Position		0	6,599	6,599	(4,511)	34,358	(36,446)	0

15. There are several significant cost pressures that arose across services during the year, and whilst these have been communicated to Cabinet in previous Resources Reports, an update is given in the following paragraphs.

People Services - Adult Social Care gross budget £253.5m, net budget £138.9m, £6.4m net overspend

16. The Adult Social Care budget had a gross overspend of £11 million which, after in-year mitigations, gave a net overspend of £6.4 million, with variances from budget as follows:
- £4.6 million overspend in Learning Disabilities due to higher than forecast numbers of clients, particularly in the younger adult's area of the service and significant increases in unit costs with average costs being 43% greater this year than budgeted expectation.
 - £2.1 million overspend in Mental Health due to higher than expected placement costs, especially in Residential and Nursing services. Numbers of clients in Supported Living have also significantly increased during the financial year and unit costs for the service have increased by an average of 22.5%.
 - £1.9 million overspend in Physical Disabilities due higher than expected placement costs, especially in Residential, Supported Living and Nursing services.

- There is a £1.9 million underlying overspend in Older People due to external placement costs, which has been offset by non-utilisation of Deprivation of Liberty Safeguards growth funding, additional grant income and staffing efficiencies, leaving a non-recurrent service underspend of £0.6 million.
- £1.7 million overspend in Adult Commissioning, due to additional clients requiring support in Pathway 1 (home care).
- £0.7 million underspend in Support Services due to additional non-recurrent income relating to direct payments and £2.7 million in “Grants and other income” due mainly to one off funding for hospital discharge support which are netting off overspends in services.

People Services - Communities Budget gross budget £53.2m, net budget £20.6m, £0.5m underspend

17. The key variance from budget is the effective use of additional grant income to offset staffing costs within the service area which has been accounted for in the Community Leadership area of the budget.

Public Health – includes £31.2m Public Health Grant income – breakeven

18. The ring-fenced Public Health Grant (PHRG) was fully utilised in 2022/23 along with a draw-down from Public Health reserves of £0.6 million to fund additional planned public health activities.
19. Other areas of grant income were received in the year including £1.1 million for domestic abuse, £0.6 million for substance misuse and treatment and £0.2 million for drug and alcohol treatment for rough sleepers. All grant funding was spent during the year, apart from £0.3 million of the domestic abuse grant which will be carried forward for use in 2023/24.
20. The key areas of underspend are:
- £1 million underspend on staff and overheads due to vacant positions in the staffing establishment and receipt of additional unbudgeted grant income
 - £0.9 million underspend on contracts due to the successful receipt of additional income from partners and through government grants
21. The underspend identified have been utilised to fund other Public Health eligible schemes across adult social care and also contributed to a lower than forecast use of reserves.

Worcestershire Children First (excl. Dedicated Schools Grant) – Contract Price £137.1m net budget £109.1m, £6.5m net overspend

22. Worcestershire Children First’s (WCF) outturn is presented alongside services that remain within the County Council. The gross overspend of £10.6 million which after in year mitigations gave a net overspend of £6.5 million. Main factors driving the overspend were increased costs related to demographic pressures in Placements for Looked After Children, rising costs in residential and external foster care provision. Demand and increased costs for Home to School Transport also contributed to the overspend which was offset by management of vacant posts, savings and use of grant and additional income from external customers for Educational Services.

23. The most significant variances from budget are as follows:
- £5 million overspend in Children’s Social Care placements following an increase in placements over the following year as well as the average unit costs over the year increased due mainly to the impact of inflation. The number of placements at the end of March 2023 was 1,042 (639 external), compared with 906 (489 external) at the end of March 2022, an increase of 136 or 15%.
 - £1 million underspend on other areas of Social Care this is largely due to staff vacancies. ‘Targeted Family Support’ have used vacancies to achieve the £280k saving in 2023-24. WCF have managed the use of agency staff well and the cost of agency has reduced since 2021-22 by £0.6 million
 - Home to School Transport (HTST) overspent its £18.5 million budget by a net £5.3 million (£6.3 million gross) mainly due to current inflationary pressures on providers and increased demand for mainstream and SEND transport for pupils. This has resulted in increased prices for the service – primarily the impact of fuel and staffing costs. This is also impacted by increased demand with more parents seeking use of transport and more children receiving a transport package as part of their Education, Health and Care Plans. This overspend position was partly met from within the earmarked reserve for SEND transport (£0.4 million) and from an allocation from the COVID grant reserve (£0.6 million) with the remainder from Council funding.
 - £0.3 million overspend in All Age Disability due to increase in staffing costs to support the SEND staffing team and Educational Psychology Service in order to manage demand/caseloads.
 - £1.3 million underspend in Resources mainly relates to vacant posts and delayed recruitment due to a challenging financial position in other areas of the company.
 - £0.8 million underspend Education, Early Years, Inclusion and Place Planning due to extra income for services and holding vacant posts prior to a restructure in 2023/24.
 - £0.8 million underspend in Vulnerable Learners due to a Virtual Schools underspend which has supported Vulnerable Learners costs within WCF.
24. The starting point for the DSG reserve is a deficit balance of £11.3 million, built up from previous years overspends, the position at year-end is a £20.3 million deficit balance on a £234.5 million net budget.
25. High Needs has been a significant challenge this year, we continued to see an increase in the number of children who have an Education Health and Care Plan (EHCP). At the end of this financial year there were 5,070 Children and Young People with an EHCP. As a result of this increase, we are seeing more students placed in Independent Schools and specialist post 16 placements. Through our work with the Delivering Best Value (DBV) programme we know that our High Needs Block (HNB) expenditure has risen by 23% in the past 3 years and the number of children with an EHCP has increased by 21% over the same period.
26. An area of focus is the Post 16 Cohort where we have seen a 3% increase in case load since 2019 but an 8% case cost increase. This is a priority area of focus for the service as this demand is a contributing factor to the increase in the deficit. We know when comparing with other local authorities in the DBV programme our case cost is above average. **Table 2** details a summary forecast to the end of 2023/24.

Table 2: Dedicated Schools Grant – Future Years Forecast

	£m
Accumulated Deficit 1 April 2022	11.3
High Needs Deficit 2022/22	11.1
Savings on other Blocks	(2.1)
Deficit 31 March 2023	20.3
Potential Future Call on Early Years and Schools Block Pupil Growth	(0.5)
Projected High Needs Shortfall 2023/24	8.0
Projected Deficit 31 March 2024	27.8

27. The deficit will continue to be held as an unusable reserve where it will sit as though it did not exist, and at the end of March 2024 this is forecast to be around £27.8 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.
28. This issue is being experienced nationally, and Worcestershire is not alone in facing these pressures. The County Council is continuing to lobby through County Council Network, Local Government Association, and other groups.
29. As detailed in **Table 3**, school's balances ended the year with a net £4.5 million surplus (2021/22 £5.4 million surplus), with a fifth of all schools being in deficit totalling £10.8 million (2020/21 £9.9 million).

Table 3: Schools Outturn Position - Summary

£10.8m	30 Schools in Deficit
£15.3m	82 Schools in Surplus
£4.5m	Net Surplus

Commercial and Change – gross budget £32.8m, net budget £7.7m, £0.5m underspend

30. The Commercial and Commissioning Directorate underspent it's £7.7 million net budget (£32.8 million gross budget) by £0.5 million.
31. The most significant favourable variance from budget is within ICT where a £0.3 million underspend is reported due to savings relating to vacancy management and software contracts. These savings are recurrent and have been declared as part of the council's savings plans for 2023/24.
32. Other areas of savings include savings related to vacancy management within executive support, democratic services, and the commercial team.

Economy & Infrastructure (E&I) – gross budget £99.8m, net budget £59.2m, £0.7m underspend

33. The Economy and Infrastructure Directorate recorded a 1.2% underspend of £0.717 million against its £59.2 million net budget.
34. The most significant variations are as follows:
 - £0.5 million overspend in Transport Planning due to additional costs relating to professional fees for planning applications which are not able to be capitalised along with professional fees on Development control planning advice.
 - £0.9 million underspend in Network Management due to additional fees & charges income and New Roads and Street Works Act (NRSWA) income.
 - £0.4 million additional contractor costs relevant to s278 activity in the area of development management
 - £0.5 million additional driver training income and concessionary fare income.
 - £0.3 million reduction in spend on ICT, staffing and supplies and services within the business management and economy and sustainability areas of the budget

Chief Executive including Finance and HR – gross budget £12.5m, net budget £3.4m, £0.9m underspend

35. The Chief Executive function underspent its net £3.4 million net budget (£12.5 million gross budget) by £0.9 million. The key underspends being an underspend of £0.4 million in Finance due to vacant posts, the non-utilisation of the £0.4 million corporate contingency budget and a £0.1 million saving within HR due to pausing an element of the Talent Management Programme.

Corporate / Non-assigned Budget gross budget £35.3m, net budget £34.2m, £3.6m underspend

36. The £34.2 million net budget underspent in total by £3.6 million, with the significant variances being:
 - £6.2 million underspend in Financing Transactions Borrowing Costs largely as borrowing was deferred and cash balances were maintained at higher levels than originally forecast resulting in additional interest. This has been partially reduced by a net £3.6 million overspend of the Minimum Revenue Provision (MRP) budget following application of the Council's MRP policy. This net underspend of £2.6 million has been used to reduce the impact of the directorates net overspend.
 - £1 million net underspend on Whole Organisation Services relating mainly to a reduction in the bad debt provision requirement based on an assessment of outstanding debt at the year-end following and an increase in income relevant to business rates.

Savings Programme Update

37. The target for 2022/23 was £8.1 million, broken down between £3 million specific department savings (detailed in **Table 4**) and £5.15 million for cross council savings including the £1.5 million brought forward from 2021/22 (detailed in **Table 5**).
38. Out of the total of £8.15 million only £0.5 million remained unachieved at the end of the financial year, although £2.3 million was achieved non-recurrently. The budget for 2023/24 reset the baseline for savings and efficiency targets at £22.4 million, including the £0.5 million not achieved and the £2.3 million non-recurrent savings from 2022/23, and work is in hand during the current financial year to achieve them.

Table 4 – 2022/23 Service Savings Plans

Service Area	Service Savings £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 software licences
Finance & HR	0.5	Automation of payments and income collection alongside a review of structures, management layers and non-essential spend.
Total	3.0	

Table 5 – 2022/23 Corporately identified savings plans

Service Area	Savings £m	Recurrent	Detail
Finance	0.182	Yes	Deletion of vacant posts
HR	0.150	Yes	Reduction in talent management programme funding
Communities	0.025	No	One off use of grant
Economy & Infrastructure	0.105	Yes	Deletion of vacant posts
	0.230	Yes	Additional income generation for network management / street works
	0.100	No	One off use of external funding
WCF	0.245	Yes	Deletion of vacant posts
	0.250	No	6-month delay in recruitment to residential care staff for 1 bed home
COACH	0.055	Yes	Savings in ICT software costs
	0.010	Yes	Additional income generation in Legal Services
	0.130	Yes	Deletion of vacant posts
	0.040	Yes	Property contract efficiencies
	0.075	No	Savings in energy costs in vacant building
	0.050	No	Delay in recruitment to property post
People Services	0.903	Yes	Deletion of vacant posts
	1.805	No	One off use of external funding
Whole council	0.225	Yes	Stationery, equipment and printing
Total	4.650		Of which £2.3m is non-recurrent
Target	5.150		
Unachieved	0.500		Shown as overspend in “Non-Assigned Items”

General Fund Balances

39. The County Council's General Fund Balances are a contingency to cushion the impact of unexpected events or emergencies. External auditors often refer to the level of general balances when considering an organisation's financial health. The value of general balances has not changed during 2022/23 and remains at £14.3 million or 3.8% of the Council's net budget for 2022/23.
40. For statutory purposes there is a single revenue reserve (the General Fund Balance). There is no defined minimum balance, and it is the responsibility of the Section 151 Officer to advise the Council of that level based on an assessment of risk. This was reported in February as part of the Cabinet 2023/24 Budget and Medium Term Financial Plan Update which can be found at [\(Public Pack\)Agenda Document for Council, 16/02/2023 10:00 \(moderngov.co.uk\)](#).

Earmarked Reserves and Grant Reserves

41. All earmarked and grant reserves are retained either under the delegated authority given to Chief Officers in the Financial Regulations or by Cabinet/Cabinet Member approval, this is subject to recommendations jointly by a Chief Officer in agreement with the Chief Financial Officer for carry forward each year.
42. In February 2023 the Cabinet approved a 2023/24 Budget and Medium-Term Financial Plan Update report that included a forecast of Earmarked Reserves which was based on the best knowledge available at that time.
43. During the year, the Council drew down funding from unspent grants and earmarked reserves to help fund planned expenditure. A full list of use of grants / earmarked reserves in 2022/23 is included at **Appendix 5**.
44. It is also proposed that for a number of areas with unspent grant monies or other funding balances are carried forward to next financial year or onwards. Details of the amounts transferred to reserves are contained at **Appendix 6**.
45. A statement of the opening and closing balances on reserves and amounts transferred to reserves and reserves utilised in the year is given in **Appendix 7**.
46. The overall net overspend at the end of 2022/23 was £7.3 million which is required to be funded from reserves. As approved by Cabinet in December 2022, £2 million of Children's Revenue Grants and £1.9 million of the earmarked Safeguarding Risk Reserve has been used to fund part of this overspend. The remaining £3.4 million overspend is recommended to be funded from the Adults Revenue Grants Reserve. The funding of the overspend will not require any additional funding from other general or specific earmarked reserves.
47. During the closing of our financial statements for 2022/23 a review was undertaken to review our reserves with an approach to consolidate these balances into the corporate financial risk reserve. This will be more transparent to members and improve the Council's resilience and will mitigate some of the continuing risks to the budget, such as inflation and pressure.
48. There remains uncertainty over future funding settlements as the implementation of the Fair Funding Review and the 75% Business Rates Retention Scheme have both been postponed until at least April 2025. Although it is hoped that the County Council should receive more funding as a result of the Fair Funding Review, there is no certainty of this, especially given the wider economic pressures.
49. Therefore a £6 million transfer from the Business Rates Reserve and £1 million from the HR Restructuring Reserve to the Finance Risk Reserve will cover potential pay offer from the national pay award negotiations which was above the value assumed in the 2023/24 budget, along with the estimated use of reserves required to balance the 2023/24 budget as approved by Council in February 2023.
50. Previous Resources Reports have approved several reserves to be earmarked to cover future risk and capital expenditure as well as to fund elements of revenue expenditure in the year. Further transfers between reserves, carry forwards and use of reserves are now recommended as part of this report.
51. A transfer of the final £6 million balance from the earmarked Waste Reserve into the Finance Risk Reserve following the successful extension of the waste contract.

52. A transfer of the remaining, currently unallocated, £3.7 million covid grants into the Finance Risk Reserve to cover potential ongoing risks arising in 2023/24. £2.5 million of this had been set aside to support the funding of the overspend in 2022/23, however this has been covered by the non-recurrent underspend in financing transactions.
53. A £0.5 million surplus in pension back-funding has been transferred to the Finance Risk Reserve.
54. There has been a net increase to the Financial Risk Reserve offset by compensatory reductions in other earmarked reserves / grant reserves which has brought the balance at 31 March 2023 to £29.5 million. This balance is being held to cover a number of known risks including the impact of a higher than budgeted for pay award, pressures within home to school transport, and the budgeted use of reserves to fund the 2023/24 budget. The reserve may also be needed to be drawn down to cover any timing delays in delivering the savings targets in 2023/24. Further usage and allocations from this reserve will be reported to a future Cabinet meeting.
55. The opening balance on the Health and Well-being reserve was £17.6 million which included the carried forward COVID reserves including the Containment Outbreak Management Fund (COMF). The majority of this funding was spent in 2022/23 in line with the plan approved by Cabinet in September 2022 with £1.5 million remaining in the Concessionary Fares reserve for support for transport providers in future years, £3.7 million transferred to the Finance Risk Reserve as detailed in paragraph 52 leaving a balance on the Health and Well-being reserve of £2.9 million to fund the Council's ongoing commitments relating to the Integrated Well-being Offer and Here to Help.
56. During the year the Council received a number of grants relating to support for visitors as part of the Ukrainian, Syrian and Afghan Resettlement programmes. Funding has been allocated to District Councils and utilised by the County Council to provide education, support and advice services. £4.3 million of funding remains within this reserve to for support in future years.
57. It is important to recognise that some of the Earmarked Reserves are already committed or held for specific risk purposes. The County Council has managed its financial resources closely and on a net basis has contained most financial pressures in year and avoided depleting reserves by a significant effect.

Annual Governance Statement

58. The County Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2022/23. This will be signed by the Leader of the Council and the Chief Executive with final approval by the Audit and Governance Committee on 22 September 2023. A draft of this document was reviewed by the Audit and Governance Committee at its meeting on 26 May 2023. The AGS is part of the Statement of Accounts and included at **Appendix 1**. Any significant revision needed between now and September 2023 will be included in a future Cabinet report.
59. The AGS is informed by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers with the Council, internal and external auditors and inspection agencies. The AGS highlights the Council governance arrangements during 2022/23 and identifies areas where it is recognised that governance arrangements could be further strengthened in 2023/24. It is also noted that the Internal Audit opinion remains moderate, and no significant issues have been raised in the Annual report.

60. The current draft AGS will be revised in the light of any observations of Cabinet, the Audit and Governance committee and external audit.
61. Cabinet is invited at this stage to consider the AGS and make any comments.

Summary Capital Outturn 2022/23

62. Since the approval of the Capital Programme, additional external funding in the form of Section 106, government grant and Other Local Authority Funding has been received, which has had the impact of increasing the capital programme by £0.9 million to £184.2 million
63. Capital expenditure outturn and variance compared to the revised budget for 2022/23 is set out in **Table 6**. Expenditure which was not incurred in 2022/23 which remains to be incurred (slippage) will be carried forward into future financial years. A reprofiling exercise will now be undertaken to review the forecast expenditure patterns for 2023/24 and future years. This will be reported to a future meeting of Cabinet as part of the 2023/24 budget monitoring report.

Table 6: Capital Summary Outturn 2022/23

Corporate Priority	2022/23 Revised Budget	Final Outturn 2022/23	2022/23 Variance Outturn to Revised Budget
	£000	£000	£000
Open For Business	34,905	24,823	-10,082
The Environment	81,836	59,858	-21,978
Children and Families	56,998	19,105	-37,892
Efficiency and Transformation	6,897	2,680	-4,217
Health and Well-Being	3,536	406	-3,130
TOTAL	184,171	106,873	-77,299

64. Progress has been made on a number of significant capital projects with £106.9 million spent in 2022/23 with a number of major schemes being progressed or finalised during the year.
65. The more significant schemes include cutting congestion as well as highways maintenance and resurfacing works across the whole County area. There were specific investments during the year relating to Phase 4 of the Worcester Southern Link Road, Pershore Infrastructure Improvements, Malvern Technology Park, A38 Bromsgrove Route Enhancement Programme, the A38 Upton crossroads and Kepax Bridge.
66. The County continued its investment into its street column replacement programme including conversion to more energy efficient LED lighting with £5.6 million being spent in year. Over £19 million of grant funding has been spent on the County's schools and £1.8 million to continue to improve the council's digital strategy.

67. Overall, the capital programme saw a slippage largely due to the impacts of sourcing materials, environmental factors, delays in planning approval timescales and delays in grant allocations however individual projects and their funding will be carried forward to 2023/24 and future years for completion.
68. The capital programme expenditure will be financed in the following ways: £36.7 million Government Grants, £51.8 million temporary and long-term borrowing, £10.5 million capital receipts, £6.6 million from third party contributions, and £1.2 million from the capital reserve / revenue budget contributions. Overall, it is concluded that the expenditure for the Capital Programme is within the budget limit.
69. **Appendix 8** details the Capital Programme outturn for 2022/23, carry forward into 2023/24 (the unspent £77.3 million from 2022/23) and indicative additional budgets for future years. These indicative additional budgets do not currently include the slippage from 2022/23. As such there remains £326.4 million currently approved within the Capital Programme for 2023/24 and future years, consisting of £77.3 million slippage, £119.7 million for 2023/24 and £129.4 million for 2024/25 and an exercise will be undertaken to establish the carry forward impact of schemes to future years and a revised reprofiled Capital Programme will be reported to a subsequent Cabinet meeting.

Legal Implications

70. Legal advice will be provided to support any changes in service delivery in accordance with the requirements of the Council's policies and procedures.

Financial Implications

71. 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 January/February each year.
72. 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 Cabinet 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.
73. 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.
74. 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.
75. Looking forward to 2023/24 the use of any reserves would always need to be considered as part of the financial resilience so further grants and funding announcements are key. However, compared at this stage to 31 March 2022, the Council has managed to continue to demonstrate its continuing positive financial standing and resilience despite a challenging year.

HR Implications

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

Equality Duty Considerations

78. 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.

Risk Implications

79. The Cabinet report includes recommendations regarding the Council's financial outturn for 2022/23 and the carry forward of earmarked reserves and unspent grants.
80. 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 mitigation through the regular budget monitoring process.

Privacy and Public Health Impact Assessment

81. 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.
82. This report is mainly about confirming the forecast outturn financial position for the end of the financial year reflecting existing Cabinet decisions and policies and requesting approval for spending new specific grant monies with spending restrictions associate with these grants.
83. 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 Cabinet report.
84. 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 – Available online

- **Appendix 1** – Unaudited Annual Financial Report and Statement of Accounts 2022/23 including Draft Annual Governance Statement
- **Appendix 2** – Summary Financial Results 2022/23
- **Appendix 3** - Budget variances greater than £0.250 million
- **Appendix 4** - Capitalisation
- **Appendix 5** - Use of Earmarked Reserves / Grant reserves
- **Appendix 6** – Transfers to Earmarked Reserves / Grant reserves
- **Appendix 7** – Proposed Grants / Earmarked Reserves balance as at 31 March 2023
- **Appendix 8** – Capital Budget Financial Results 2022/23

Contact Points

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Background Papers

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

- 2022/23 and 2023/24 Council Budget setting reports
- Previous Cabinet 2022/23 Resources Reports