

CABINET**28 SEPTEMBER 2023****RESOURCES REPORT – REVENUE BUDGET MONITORING -
MONTH 4 (31 JULY) 2023/24**

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) **Notes the forecast year end position as at 31 July 2023 as outlined in paragraphs 11 and 44 and as detailed in Appendix 1;**
 - (b) **notes the current progress regarding savings plans approved by Council in February 2023 contained in paragraphs 45 and 46 and as detailed in Appendix 2;**
 - (c) **notes the current plan for use of the Public Health Reserve, as detailed in paragraphs 22 to 24 and Appendix 3**
 - (d) **approves the use of reserves as detailed in paragraphs 47 to 53 and notes the forecast year end position on reserves at Appendix 4;**
 - (e) **recommends to Council the variations to the Capital Programme as detailed in paragraphs 54 – 69 and the updated Capital Programme at Appendix 5;**
 - (f) **recommends to Council approval of the updated Capital Strategy 2023-2026 at Appendix 6; and**
 - (g) **notes the report on the Quarter 1 position relating to Treasury Management detailed in paragraph 68 and 69 and Appendix 7.**

Introduction

2. This is the first budget monitoring report of the financial year that details the 2023/24 outturn forecast for the Council's £401 million net revenue budget as at Month 4 (31 July 2023), the progress to date on the savings and reforms programme, use of reserves, Treasury Management and the Capital Programme.

3. This financial year continues to be a challenging time for local government and the County Council is no exception. In financial terms, inflation and placement availability has an ongoing impact which is driving up costs and is affecting the council's ability to manage our overall budgetary position. Though it is not unusual for the revenue position to reflect a forecast overspend at this stage, which then improves over the course of the year, the current

forecast is higher figure than in recent times (this time last year the predicted overspend was £8.3m).

4. At the time of writing CPI is at 6.9% down from 7.9% in June and the UK interest rates are 5.25%. Whilst the council made significant provision in the 2023/24 budget to support price and demand fluctuations, the on-going high inflation combined with the cost-of-living pressures and higher than budgeted prices for goods and services have significantly impacted both the local and national economy. It is important to highlight that all these pressures cannot be managed by the Council alone, for context across the country a significant number of authorities are experiencing these similar pressures that are impacting their financial position.

5. The Council's budget is essentially fixed in cash terms and its ability to raise income is limited. There are national limits in place around council tax and business rates and ability to generate income from trading is minimal in overall budgetary terms. There are also a number of policy changes within our planning horizon such as Children and Adult Social Care reforms which creates a level of uncertainty from a longer-term strategic planning perspective.

6. Overall, the Council is forecasting a net £18.2 million cost pressure at the end of the financial year following the use of budgeted risk reserves without further action. The majority of the overspend forecast is based on demand being faced within Adults and Children's social care as well as Home to School Transport and is a situation that will be subject to change as we progress through the financial year. Demand management and savings opportunities are being implemented within People Services and WCF; however co-ordinated cross council action is required to support the closure of the forecasted financial gap.

7. £16.9 million of the corporate savings target of £22.4 million are forecast to be achieved this financial year, as detailed in paragraphs 46 and 47. Although £3.1 million is non-recurrent (mostly within Adults Services) and will need to be addressed in year or for 2024/25.

8. Looking forward, the Council will be refreshing its Medium-Term Financial Plan in time for February's budget setting, noting the continual need to invest in the priorities that protect vulnerable children and adults, grow the economy and improve infrastructure for the county area whilst acknowledging the financial risks on our income and the ongoing impact of inflationary increases.

9. This report also notes the latest position with regard to the continuing overspend on the Dedicated Schools Grant (DSG) High Needs Block and future risks once the statutory override expires in March 2026 and an update on the DfE Delivering Better Value in SEND programme is detailed in paragraphs 32 to 38.

10. An update on the latest borrowing and lending transactions are also reported in paragraphs 69 to 70 and an update on the Capital Programme in paragraphs 55 to 60.

Summary Revenue Budget Monitoring 2023/24 Forecast at Month 4 (31 July 2023)

11. The County Council's net budget of £401 million was set by Full Council in February 2023.

12. The overall outturn forecast at Period 4 is for a net forecast overspend of £18.246 million at the end of the financial year after the use of budgeted risk reserves, as set out in **Table 1**, with further breakdowns for each service area set out in **Appendix 1**.

13. At budget setting, £7 million was identified as likely to be required from reserves to mitigate against 2023/24 pressures. This comprised £2 million risk for Children's Social Care placements and £5 million risk for non-delivery of savings. Additional business rates income

of £4.1 million is also forecast to be received this financial year. Utilising these mitigations would leave a net forecast overspend of £18.246 million.

14. The identified £22.4 million savings and reforms have been allocated to directorates and their base budgets reduced by the corresponding amounts, with details shown in paragraphs 46 and 47.

Table 1: 2023/24 Month 4 Forecast

FY 2023/24 P4			
Service Area	Budget £m	Forecast £m	Variance £m
People – Adults	146.417	152.299	5.882
People – Communities	21.596	22.188	0.592
Children’s Services/WCF	111.003	111.003	0.000
Economy & Infrastructure	72.072	72.733	0.661
Commercial & Change	9.690	10.707	1.017
Chief Executive / HR / Finance	3.222	3.237	0.015
Public Health	0.186	0.186	0.000
Total: Service excl DSG	364.186	372.353	8.167
Corporate Items	36.630	35.130	-1.500
Non-assigned items	0.000	0.000	0.000
WCC TOTAL	400.816	407.483	6.667
WCF Total (Including HTST)	145.277	167.956	22.679
WCC & WCF Total Services	546.093	575.439	29.346
Additional Funding:			
Business Rates			-4.100
WCC & WCF Underlying Budget Pressure			25.246
Use of Reserves agreed at Budget Setting			-7.000
Net WCC & WCF Overspend			18.246

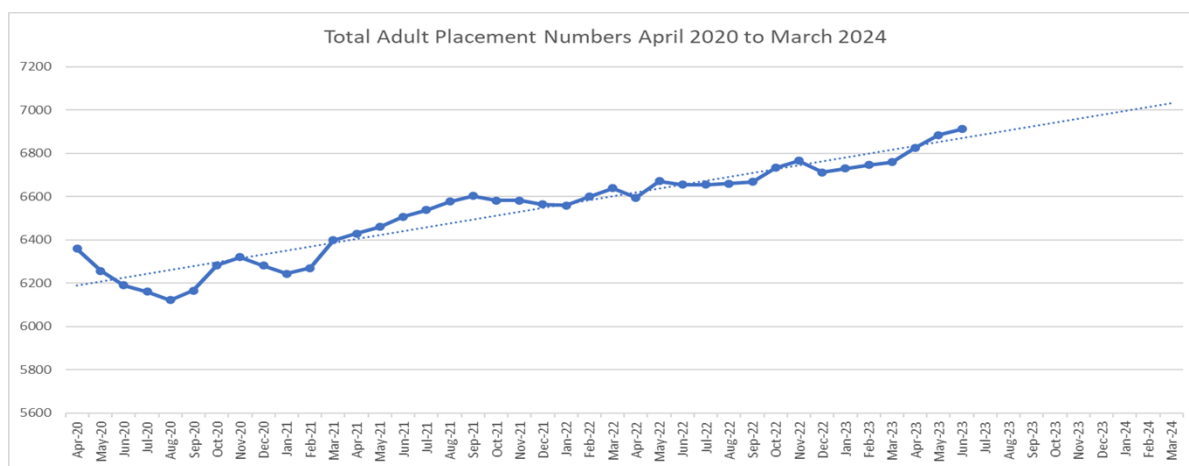
Adult Social Care Budget £146.4m, £5.9m overspend

15. For the past two financial years placement activity and the unit cost of providing care has been higher than forecast with an underlying overspend of c£12 million for last financial year, partially mitigated by one-off sources of funding. Demand has continued to rise in the first quarter of 2023/24 and unit costs have also continued to increase significantly.

16. The 2023/24 budget was based on a net 4% client growth in totality by the year end, meaning any increase or decrease in client growth above or below that rate would result in a change to the budgeted position.

17. As at the end of July, the long-term placement numbers had already identified client growth of 4% since the end of March 2023 equating to a net increase of 238 packages of care. **Chart 1** depicts the growth in placements over the last 3 years and the trendline to the end of the financial year.

Chart 1 – Adult Placement Numbers



18. The forecast gross outturn for Adult Services placements is currently estimated at £9.7 million before mitigation, with variances from budget included in the following paragraphs.

- The *Older People* service area is currently forecasting a gross placement overspend of £2.6 million. Both an increase in client packages (171 packages / 3%) and unit costs are the cost drivers within this area.
 - An increase of 57 clients (8%) has been seen in residential care since the end of March, along with an average 10% increase in unit costs compared to budget equating to an average of £73 / client / week increase to budgeted costs.
 - Nursing care packages have increased by 15 with average unit costs increasing by 9% compared to budgeted costs.
 - Home care with packages have increased by 64 since March, and unit costs increasing by £23 / person / week (7.6%).
- *Learning Disabilities* is currently forecasting a gross placement overspend of £5.2 million. The total number of clients within this service area has increased by 62 since March, and significant increases are being seen in the average unit cost of placements, with residential placements increasing by 10% (£170 / person / week), home care by 11% (£43 / person / week), shared lives by 18% (£80 / person / week) and supported living costs increasing by 9% (£105 / person / week).
- *Mental Health Services* are demonstrating a forecast £0.6 million overspend against budget relating to an increase in unit costs for clients supported, although the number of clients supported are less than expected. An average nursing placement is 22% greater than budgeted with home care being 14% more and residential 11% more than budgeted for.
- *Physical Disabilities* is currently forecasting an overspend of £1.3 million, due to increases both in client numbers and unit costs. Home care average weekly costs have increased by 15% since budget setting (£43 / person / week) and nursing care by 6% (£64 / person / week).

19. The Government announced in late July further funding of £570 million to support pressures in Adult Social over 2 years, £365m will be allocated for the current year, with the remaining £205m in 2024/25 through the Market and Sustainability Improvement Fund. For Worcestershire this will be £3.6 million which will be used to offset the increased cost of provision of care and the associated costs of additional social care assessment and reviews. This grant is not recurrent, and it is expected that the Council will receive further one-off funding of £2 million for 2024/25.

20. The directorate is also working on a number of demand management opportunities and also reviewing the unit costs of all high-cost placements to ensure value for money whilst ensuring the clients Care Act needs are met. This includes focussing on the potential use of direct payments, community support and the further development of the Here2Help offer.

Communities Budget £21.6m, £0.6m overspend

21. The forecast position includes the impact of inflationary increases above budget within Hive PFI contract and partial under-achievement of the corporate vacancy factor savings particularly within Provider Services as well as a delay in the achievement of the Libraries Unlocked savings proposal. The service is investigating areas of income generation and spend reductions to work towards a balanced budget by the year end however risks remain relating to these.

Public Health includes £33.3m Public Health Grant Income and related expenditure. Other services with a net £0.2m budget forecast at breakeven

22. The ring-fenced Public Health Grant is expected to be fully utilised during 2023/24.

23. The Director of Public Health has reviewed the 3-year plan for the use of the Public Health Reserve, the opening balance for 2023/24 being £9.1 million. Of this £5.2 million is expected to be utilised in year. The latest draft of the plan includes allocation of funding for children's prevention and early help, youth support, mental health support across children and adult services and health protection activities and is included in **Appendix 3**.

24. Any proposed changes to this plan will be reported to a future Cabinet for amendment.

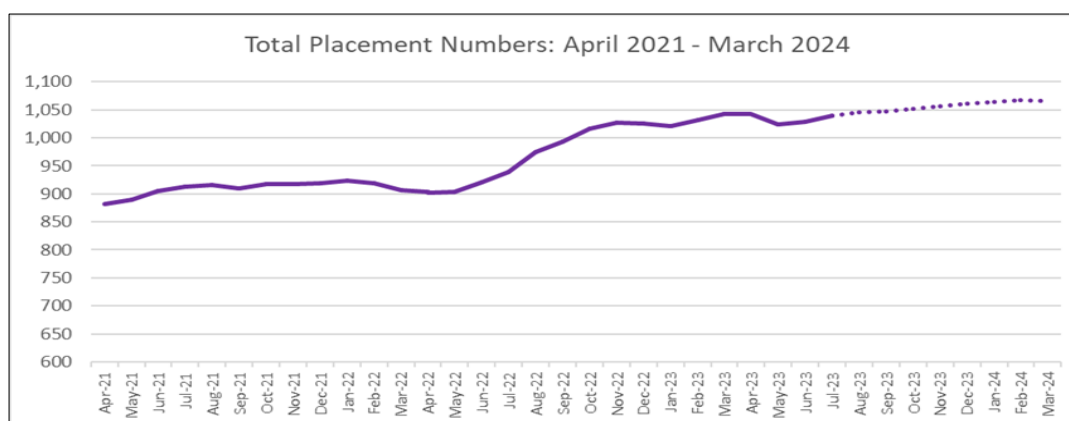
Worcestershire Children First and Home to School Transport (WCF) Budget £145m - £22.7m deficit

25. Worcestershire Children First (WCF) is forecasting a deficit of £22.679 million which includes Home to School Transport. This deficit is within WCF and narrative is included alongside Council variances for information purposes. The Council's contract with WCF which is included in the People Directorate is forecast to balance as this relates to the agreed contract for this financial year, and variance on WCF will be a consideration for future Council budget allocations.

26. Placements for Looked After Children are currently forecast to overspend by £16.9 million which is 18% above budget. Current placement numbers are 1,039, a 11% increase from the 939 recorded in June 2022. A sharp increase in numbers between January 2023 and March 2023 has meant that WCF is starting the year with around 10% more placements than expected at budget setting. In addition, the price of external placements is increasing at a faster rate than last year, with some placements now costing more than £20,000 per week. **Chart 2** depicts the trendline for children's safeguarding placements.

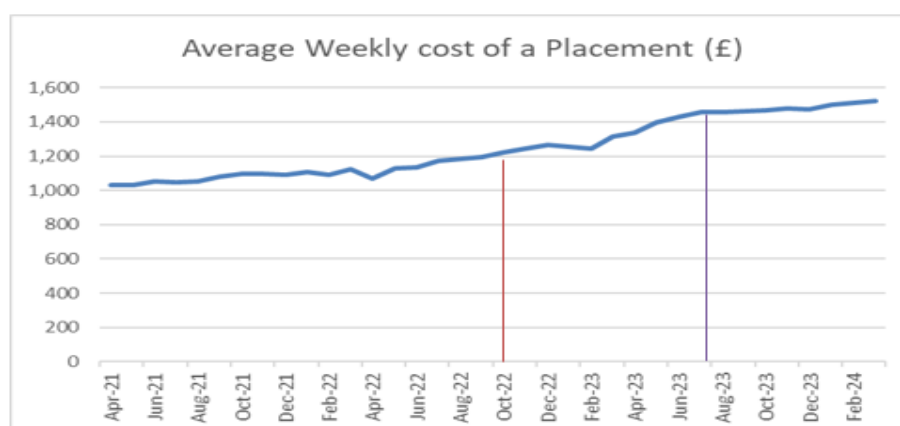
27. These pressures are seen across the country, for context 30 out of 36 County Councils overspent their Children's Social Care budget in 2021/22 and the latest analysis from other councils reporting highlights that these pressures continued into 2022/23 and have increased significantly in the first quarter of 2023/24 due to current market conditions and demand for placements.

Chart 2 – Children’s Placement Numbers – Historic trendline and current forecast



28. **Chart 3** below tracks average weekly costs since April 2021, and shows the increase between the budget setting period (£1,221pw) and now (£1,456pw) – a 19% increase in less than one year. To put this into perspective, in the financial year 2021/22 – average placement cost increased by only 3% for the whole year.

Chart 3 – Children’s Placements Average weekly cost



29. There is also pressure in the All-Age Disability Service, which whilst broadly on budget in terms of staffing establishment, is currently forecasting an overspend of £0.258m due to a particularly high-cost domiciliary care package.

30. Home to School Transport (HTST) is forecast to overspend by c£6 million this year. This is due to current inflationary pressures on providers, which results in increased prices for the service – primarily the impact of fuel and staffing costs. There is also increased demand with more parents seeking use of transport (12% increase in Mainstream numbers from April 2022 to April 2023) and more children receiving a transport package as part of their Education, Health and Care Plans (17% increase in SEND transport numbers from April 2022 to April 2023). Information from the service indicates that contracts are around 10% more expensive than this time last year. This predicted overspend could increase during the year should the number of children requiring transport as part of their EHCP continue to rise, or if the new school year starting September 2023 sees a material increase in mainstream transport numbers.

Dedicated Schools Grant (DSG) - £245m budget, £7.5m overspend

31. The DSG budget forecasts an overspend of £8.1 million against a total budget allocation of £249.2 million. The overspend is mainly within the High Needs block of the DSG, mitigated partly by smaller underspends in other blocks.

32. The starting point for the DSG reserve is a deficit balance of £20.3 million, built up from previous years overspends. Taking into account the current forecast for 2023/24 the deficit balance will increase to £27.8 million at the year-end and is forecast to be £37.3 million by the end of 2024/25. **Table 2** details the forecast position for the current and next financial year.

Table 2 – Forecast DSG Position

Summary Position for Dedicated Schools Grant	
	£m
Accumulated Deficit 1 April 2023	20.3
High Needs Deficit 2023/24	8.0
Projected Early Years and Schools Block	-0.5
Savings on Other Blocks	0.0
Accumulated Deficit 31 March 2024	27.8
Projected Early Years and Schools Block	-0.5
Projected High Needs Shortfall 2024/25	10.0
Projected Accumulated Deficit 31 March 2025	37.3

33. The High Needs deficit sits as a negative unusable reserve on the balance sheet permitted via a statutory instrument. This enables all local authorities to ringfence DSG deficits from councils' wider financial position in their statutory accounts, however this defers the problem of the impact of the deficit and the shortfall in funding. This statute is in place till the end of March 2026 where this would have a significant impact to the council's financial position if we were to fund this deficit. The Council has not set aside any of its own resources to specifically offset this accumulating deficit at this point.

34. The crystallisation of this risk will continue therefore to be monitored alongside the Chief Finance Officer's (CFO's) assessment of the adequacy of the Council's reserves, in particular the Financial Risk Reserve.

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

36. Worcestershire, like many other local authorities, is seeing a continuous increase in demand which is not being met by the same level of increase in funding. This is still a huge pressure throughout local government and the number of authorities with significant DSG deficits are increasing. Authorities with the highest DSG deficits enter into the Safety Value Agreements with the DfE. In March 2023 the DfE announced a further 20 safety value agreements equating to £586 million (2022 (9 LA's) £300 million) (2021 (5 LA's) - £100 million). Worcestershire is in the Delivering Better Value Programme in SEND (DfE funded) with another 55 Local authorities.

37. The Council has done detailed forecasting using the previous 5 years data to highlight the future unmitigated position as part of the work required by the Delivering Better Value in SEND programme scale of the issue without policy reform and additional funding. This will become unsustainable for all local authorities, and Worcestershire's position is not out of line with other authorities participating in the DBV programme.

Economy & Infrastructure (E&I) – Budget £72.1m, £0.7m overspend

38. The Economy and Infrastructure Directorate is forecasting an overspend of £0.667 million against its £72.084 million net budget.

39. The most significant variances from budget are as follows: -

- Planning and Regulation is forecast to overspend by £0.5 million, with pressures in Transport Planning which is after the full utilisation of the £1.037 million earmarked reserve.
- Within Waste Management, there is a £0.6 million overspend projected, due to rates on waste tonnage increasing beyond what was assumed at budget setting. This is net of a favourable position relating to recycling within the contract.
- £0.7 million underspend in Road Lighting, based on the current LED rollout reducing kWh usage by 20% rather than the expected and budgeted 15%.

40. There are several pressures relating to inflationary increases, recognising increased materials and fuel costs, and reduction in levels of income partly due to the ongoing impacts on the national and international economy. Additional pressures are also being seen where consultancy costs are being incurred to cover hard to fill vacancies. Work continues within the directorate to monitor and evaluate the impacts of the current economic climate and establish mitigating action to ensure any further budget pressures can be contained whilst working to reduce the current forecast overspend.

Commercial and Commissioning – Budget £9.7m, £1m overspend

41. The Commercial and Change Directorate is forecasting to overspend its £9.677 million net budget by £1.031 million, with the most significant variances from budget being:-

- £0.7 million underachievement in-year of the Wildwood Tenancy Income Target. A six month rent free period has been agreed as part of the lease (to facilitate remedials), resulting in income being delayed until the final quarter of 2023/24.
- £0.3 million pressure due to the use of consultants for specific corporate projects and pressure on delivery of the vacancy management target.

Chief Executive/HR/Finance – Budget £3.2m, broadly breakeven

42. The Chief Executive/HR/Finance function is forecasting to broadly break-even following achievement of all recurrent savings targets.

Corporate / Non-assigned Budget £36.6m, underspend £1.5m underspend

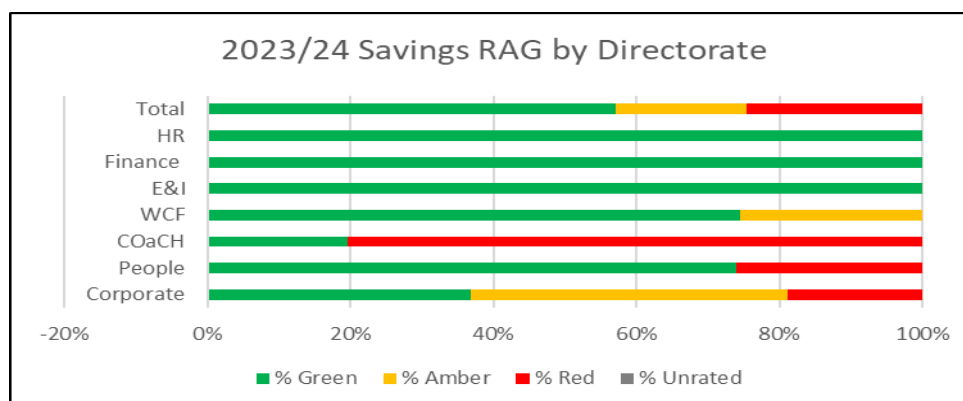
43. The Corporate budget includes items such as the Debt Interest and Minimum Revenue Provision (MRP).

44. The £36.6 million budget for Corporate Items is forecast to underspend in total by £1.5 million. This relates to an assumed slippage in the Capital Programme leading to slightly reduced borrowing costs forecast in 2023/24. This position may change during the year based on the re-profiling of the capital programme expenditure forecasts.

Savings Programme Update

45. The Council set its budget for 2023/24 in February 2023, within it there were £22.4 million of savings targets which have been applied to directorate budgets, details of which are given at **Appendix 2**. At the end of July 2023, 57% are rated as green i.e., delivered or expected to be fully delivered, 18% rated amber where there is some risk of non-delivery, and 25% rated red where there is significant risk of non-delivery as shown in **Chart 4**. The red rated savings are included as part of the overspend reported at Period 4. Work continues to identify alternatives to deliver the budgeted savings and it is hoped that this position will improve over the coming months.

Chart 4 – Savings by Directorate



46. £1.6 million of these proposals are relating to one-off use of grants, including Public Health, and a further £1.5 million of the savings are also one-off, giving a recurrent pressure from 2024/25 of £3.1 million to be mitigated.

Earmarked Reserves

47. 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.

48. 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.

49. During the year, the Council draws down funding from unspent grant and earmarked reserves to help fund expenditure, with the currently forecast levels of reserves detailed within **Appendix 4**.

50. Within the 2023/24 budget as approved by Council in February 2023, an amount of £7 million was identified as likely to be required from reserves to mitigate against 2023/24 pressures. This comprised £2 million risk for Children’s Social Care placements and £5 million risk for non-delivery of savings. It is therefore proposed to draw down these amounts from the Children’s Safeguarding Reserve and the Finance Risk Reserve respectively.

51. Cabinet are also recommended to approve the following uses of reserves to support expenditure being incurred in the 2023/24 revenue account:

- A total of £1 million allocation from the Open For Business Reserve to support the following projects
 - £0.4 million to bring forward a pipeline of future capital projects and “readiness” for funding.

- £0.1 million to continue to support One Worcestershire.
- £0.31 million for monitoring and evaluation of Key Major Infrastructure Projects.
- £0.2 million to support Worcestershire's SMEs through Workforce Resilience.
- Allocation of the remaining £1 million from the Strategic Infrastructure Reserve to continue the funding of the support for major planning applications and appeals.
- Allocation of £0.13 million to complete the corporate information and governance improvement project.
- Allocations from the Business Rates Reserve as follows.
 - £0.25 million to support health and safety works within the council's maintained schools.
 - £0.6 million to fund the increase in Business Rates required to be paid following national revaluations.
 - Transfer the remaining balance to the Finance Risk Reserve.
- Allocations from the Finance Risk Reserve as follows.
 - £0.5 million to support health and safety requirements on the Shrub Hill Industrial Estate site.
 - £0.1 million to continue the funding of the Equality, Diversity, and Inclusion service for 2023/24.
 - £0.1 million to develop the HR systems to provide more effective management information relating to staffing and agency provision.
 - £0.22 million to fund the ongoing costs within legal services relating to securing outstanding debt.

52. As noted in the 29 June 2023 Cabinet report, £8.1 million is currently held within the Finance Risk Reserve to cover the potential pay offer from the national pay award negotiations which was above the value assumed in the 2023/24 budget (£2.6 million), along with the original estimated use of reserves which was required to balance the 2023/24 budget (£5.5 million) as approved by Council in February 2023.

53. Regular monitoring and review of corporate reserves will continue to be undertaken as part of the budget monitoring process through the remainder of the financial year.

Update on Capital Programme

54. Since the Capital Programme was reported to Cabinet in June 2023, additional funding has been secured relating to external grants (including Basic Need Grants for Education), s106 and other Local Authority Contributions. This along with reprofiling the slippage from 2022/23 means that the current value of the Capital Programme for 2023/24 to 2026/27, subject to approval by Full Council, totals £370.2 million. This is included at **Appendix 5** and Cabinet are requested to recommend to Council the approval of the revised overall value of the Capital Programme and the schemes within it.

55. Over half of the total Capital Programme is funded via external sources (53%), namely developer contributions (s106 funding) and government grants (40%) including those allocated to the County Council for scheme delivery by district partners. The remainder is a mixture of borrowing (40%), capital receipts (4%) and use of earmarked reserves held for capital (3%).

56. Within the updated Capital Programme is approx. £23 million of additional funding relating to schools, which is being funded by Basic Need Grant and s106 contributions. This has been identified to fund a number of school expansion and property work schemes as well

as the requirement for a new First School. A further £6 million has been included within the Open For Business Portfolio and £7 million within The Environment Portfolio from additional developer contributions and grant funding to contribute to schemes within the programme including structural maintenance and flood alleviation schemes, as well as Public Realm schemes funded by Towns Fund and Levelling Up Funds allocated via our district partners.

57. There is a major housing development in Redditch, the Foxlydiate Development for 2,500 dwellings, which will require a new 3FE First School. The cost of the school is estimated at £11 million and will be funded by s106 contributions of £9 million and £2 million of basic need funding. This is included within the programme at **Appendix 5**.

58. Wolverley High School has secured a grant of £0.4 million from the Football Foundation to improve the sports and changing rooms and teaching facilities on the school site. This scheme has an overall cost of c£1.2 million, and the terms of the grant requires the applicant to have identified and agreed the £0.8 million additional funding to cover the full costs of the scheme and for the Council to be a joint applicant. The school has identified a number of further contributions and funding of £0.25 million, leaving a balance of £0.55 million. This is recommended to be forward funded using Basic Needs Funding until receipt of the Section 106 contributions available for expansion of the school.

59. In September 2022 Cabinet agreed to progress Kepax Bridge. The Cabinet Report noted that should there be a requirement for additional QRA expenditure, this will be funded from existing resources with the E&I Capital Programme. It was not possible to award the main construction contract immediately following Cabinet largely due to uncertainty in the steel market. During the enabling works, some costs identified within the Quantitative Risk Assessment (QRA) were realised and some risk was moved from the QRA to the core costs. As such the core costs have increased (to £17 million) and the QRA has been reduced correspondingly (to £0.6 million). It is proposed to fund the additional costs from within the E&I Capital Programme, using Integrated Block Funding. This will require the movement of funding from Integrated Block to Kepax Project in 2024/25, which has been reflected in the revised programme within this report.

Revised Capital Strategy

60. In February 2022 Council approved the Capital Strategy 2022-25. Since then continual improvements in governance relating to the Capital Programme have been implemented and an updated Capital Strategy 2023-26 is recommended to be approved by Council. This updated strategy can be found at **Appendix 6**.

Financial planning, strategy and the Medium-Term Financial Plan (MTFP)

61. The Council is in the process of refreshing the MTFP and developing the budget strategy for 2024/25 which as well as meeting new pressures, will also need to deal with any ongoing pressures from 2023/24. Recent budgets have seen significant turbulence and volatility, with the backdrop to setting the budget for next year likely to be very similar, with uncertainty around prices, markets, demand and labour conditions.

62. There are continued and sustained inflationary pressures building in the UK economy and globally, driven principally by fuel and energy prices but the knock-on effect of these is increasingly apparent across other commodities and supply chains. Labour supply is also a significant concern, especially in the care and transport sectors although this is spreading to other areas where the Council operates including corporate, professional and support services.

63. The assumptions for the year ahead as well as the longer-term financial planning horizon is still uncertain, it will be no surprise that the main area of pressure on our financial position will be our demand led services - Adults and Children's Social Care and Home to School Transport which was highlighted to the Council's Overview and Scrutiny Performance Board in July 2023.

Summary, conclusions and next steps

64. 2023/24 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for the first quarter of the year, highlights a significant and ongoing budget pressure.

65. The Council has set aside contingency funding to manage some of this risk, but a prolonged period of inflation could jeopardise the prospect of improvements in the latter part of the financial year. It is vital that the Council remains focused on living within its means, and in particular ensuring that the savings and efficiencies identified in the 2023/24 budget are achieved in full as well as reducing the current forecast overspend in 2023/24.

66. Equally, any overspend not dealt with in 2023/24 would, potentially, carry over into 2024/25 thereby increasing the requirement for savings in that year.

67. The information contained within this report will form basis of the starting position for the 2024/25 budget setting process, which will once again prove to be extremely tough as the Council seeks to achieve its priorities whilst meeting the growing cost of demand, all from within limited funds.

Treasury Management Update Quarter 1 2023/24

68. In accordance with our Treasury Management Strategy and in compliance with CIPFA's Code of Practice on Treasury Management, **Appendix 7** highlights the treasury management activities of the Council. It outlines the economic background against which decisions have been made. It also provides an update on the performance of the treasury management function for the first three months of 2023/24, and covers the following, for the first quarter of the 2023/24 financial year:

- An economic update
- A review of the Council's investment portfolio
- A review of the Council's borrowing strategy
- A review of compliance with Treasury and Prudential Limits

69. In early September there was also and training for all members on our Treasury Management activities as well as reports to Audit and Governance Committee.

Legal Implications

70. There are no direct legal implications. 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 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.

HR Implications

75. A number of existing savings may impact on staff roles and responsibilities and where appropriate senior officers take advice from the Council's Human Resources team.

76. This will include undertaking consultations with staff, trade unions and any other affected body as appropriate.

Equality Duty Considerations

77. 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

78. The Cabinet report includes recommendations regarding the Council's forecast financial position for 2023/24 and the use of earmarked reserves and unspent grants.

79. 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.

Privacy and Public Health Impact Assessment

80. 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.

81. 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.

82. 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.

83. 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 – Forecast Outturn per Service**

- **Appendix 2 – Savings**
- **Appendix 3 – Public Health Reserves**
- **Appendix 4 – Reserves**
- **Appendix 5 – Capital Programme**
- **Appendix 6 – Capital Strategy 2023-26**
- **Appendix 7 – Treasury Management Quarter 1 update**

Contact Points

County Council Contact Points

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Specific Contact Points for this Report

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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