

**CABINET****23 NOVEMBER 2023****RESOURCES REPORT – REVENUE BUDGET MONITORING -  
MONTH 6 (30 SEPTEMBER) 2023/24**

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**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 30 September 2023 as outlined in paragraphs 11 and 43 and as detailed in Appendix 1;**
  - (b) **notes the current progress regarding savings plans approved by Council in February 2023 contained in paragraphs 44 and 45 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 46 to 55 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 56 – 61 and the updated Capital Programme at Appendix 5;**

**Introduction**

2. This budget monitoring report details the 2023/24 outturn forecast for the Council's £401 million net revenue budget as at Month 6 (30 September 2023 end of quarter 2), 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 £13.1m) so this is cause for concern.

4. At the time of writing CPI is at 6.7%, no change from the August figure. UK interest rates remain at 5.25%, again unchanged from last month, which followed 14 successive rate rises since the end of 2021. 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. This was referenced in a County Council Network [Autumn Budget Analysis report](#).

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 £21.9 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 located within the specific demand-led of Adults and Children's social care, and Home to School Transport. The forecast has worsened from the £18.2 million cost pressure reported to Cabinet in September. 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. £17.0 million of the corporate savings target of £22.4 million are forecast to be achieved this financial year, as detailed in paragraphs 44 and 45, 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 36.

10. An update on the latest borrowing and lending transactions are also reported in paragraph 70 and an update on the Capital Programme in paragraphs 56 to 61.

### **Summary Revenue Budget Monitoring 2023/24 Forecast at Month 6 (30 September 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 6 is for a net forecast overspend of £21.876 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. The £21.876 million overspend reported is net of these mitigations.

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 44 and 45.

**Table 1: 2023/24 Month 6 Forecast**

| <b>FY 2023/24 P6</b>                |                  |                    |                    |
|-------------------------------------|------------------|--------------------|--------------------|
| <b>Service Area</b>                 | <b>Budget £m</b> | <b>Forecast £m</b> | <b>Variance £m</b> |
| People – Adults                     | 145.815          | 151.678            | 5.863              |
| People – Communities                | 21.596           | 22.110             | 0.514              |
| Children’s Services/WCF             | 111.003          | 111.003            | 0.000              |
| Economy & Infrastructure            | 72.072           | 72.788             | 0.716              |
| Commercial & Change                 | 10.291           | 11.134             | 0.843              |
| Chief Executive / HR / Finance      | 3.222            | 3.184              | -0.038             |
| Public Health                       | 0.186            | 0.186              | 0.000              |
| <b>Total: Service excl DSG</b>      | <b>364.185</b>   | <b>372.083</b>     | <b>7.898</b>       |
| Corporate Items                     | 36.630           | 35.130             | -1.500             |
| Non-assigned items                  | 0.000            | 0.000              | 0.000              |
| <b>WCC TOTAL</b>                    | <b>400.815</b>   | <b>407.213</b>     | <b>6.398</b>       |
| WCF                                 | 123.325          | 142.403            | 19.078             |
| Home to School Transport            | 22.477           | 31.977             | 9.500              |
| <b>WCF Total</b>                    | <b>145.802</b>   | <b>174.380</b>     | <b>28.578</b>      |
| <b>WCC &amp; WCF Total Services</b> | <b>546.617</b>   | <b>581.593</b>     | <b>34.976</b>      |
| <b>Additional Funding:</b>          |                  |                    |                    |
| Business Rates                      |                  |                    | -4.100             |
| Use of Reserves                     |                  |                    | -9.000             |
| <b>Net WCC &amp; WCF Overspend</b>  |                  |                    | <b>21.876</b>      |

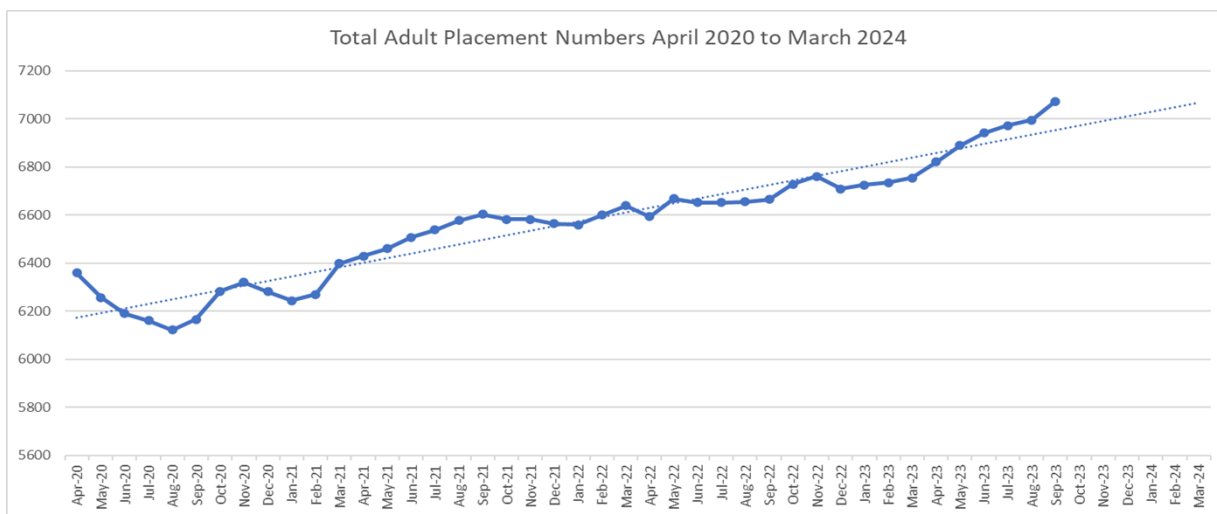
**Adult Social Care Budget £146.4m, £5.9m overspend**

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.

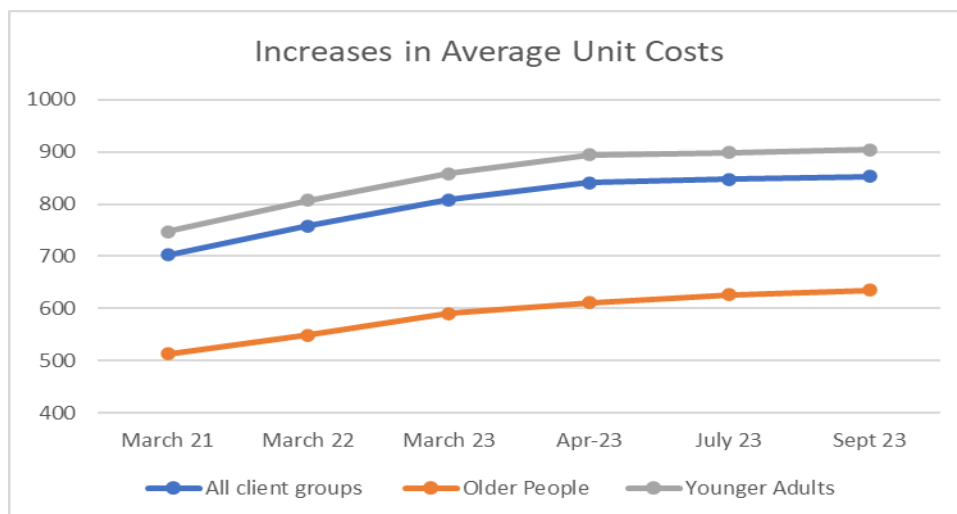
17. As at the end of July, the long-term placement numbers had already identified client growth of 4% since the end of March 2023. That growth has continued, and as at September, client numbers are 5.5% higher than March 2023, equating to a net increase of 366 packages of care. **Chart 1** depicts the growth in placements over the last 3 years and the trendline to the end of the financial year.

**Chart 1 – Adult Placement Numbers**



18. Unit costs have continued to demonstrate a sustained increase, with an overall increase of an average of £150 / person / per week since March 2021, as shown in **Chart 2**.

**Chart 2 – Adult Unit Costs**



19. The forecast gross outturn for Adult Services *placements* is currently estimated at £8.9 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 £2.3 million. Both an increase in client packages (226 packages / 7%) and unit costs are the cost drivers within this area.
  - An increase of 85 clients (12%) has been seen in residential care since the end of March, along with an average 6% increase in unit costs (£43 / client / week increase).
  - Nursing care packages have increased by 68 with average unit costs increasing by 9% (£76 / client / week increase).

- Home care with packages have increased by 61 since March, and unit costs increasing by £25 / person / week (7%).
- *Learning Disabilities* is currently forecasting a gross placement overspend of £4.9 million. The total number of clients within this service area has increased by 53 since March, and significant increases are being seen in the average unit cost of placements, with residential placements increasing by 5% (£85 / person / week), home care by 16% (£62 / person / week), shared lives by 13% (£56 / person / week) and supported living costs increasing by 9% (£113 / person / week).
- *Mental Health Services* are demonstrating a forecast £0.3 million overspend against budget relating to an increase in unit costs for clients supported and an increase of 22 clients since March 2023. An average nursing placement is 15% greater than in March 2023 with home care being 6% more (£13 / person / week) and residential 6% more (£74 / person / week).
- *Physical Disabilities* is currently forecasting an overspend of £1.4 million, due to increases both in client numbers (48 since March 2023) and unit costs. Home care average weekly costs have increased by 9% since March 2023 (£28 / person / week) and nursing care by 9% (£95 / person / week).

20. The directorate is 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, £0.5m overspend**

21. The forecast position includes the impact of inflationary increases above budget within Hive PFI contract as well as a delay in the achievement of the Libraries Unlocked savings proposal. The forecast for Communities has improved slightly in recent months as vacancies have been held in Provider Services and Community Reablement.

### **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, £4.4 million is expected to be utilised in year (reduced from an opening expectation of £6.2m reserve use). 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 £145.8m - £28.6m deficit**

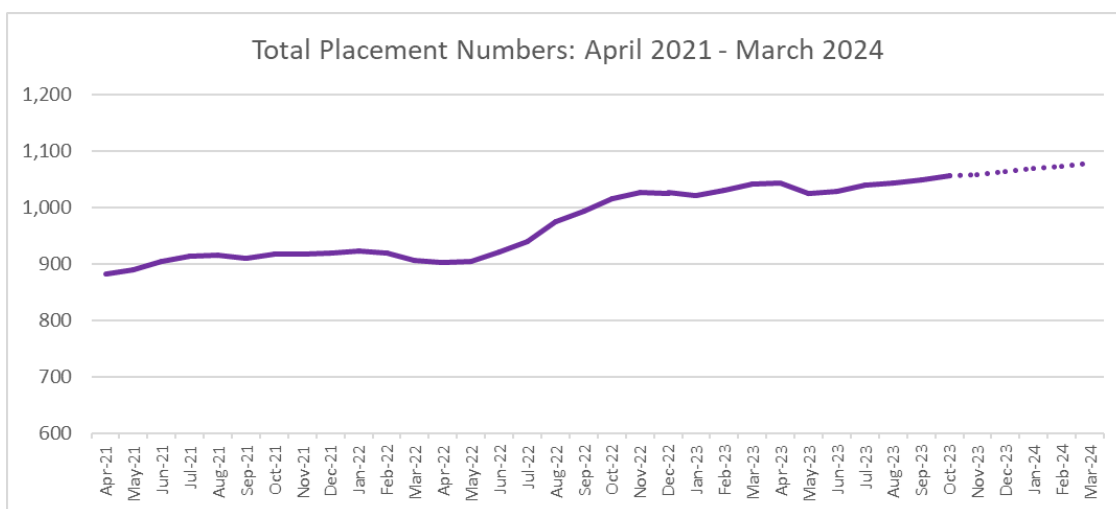
25. Worcestershire Children First (WCF) is forecasting a deficit of £28.578 million which includes Home to School Transport (deficit £9.500 million). This deficit is within WCF and narrative is included alongside Council variances for information purposes. The Council's contract with WCF which is included 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 £19.3 million which is 21% above budget. Current placement numbers are 1,049, a 5.6% increase from the 993 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 3** depicts the trendline for children’s safeguarding placements numbers.

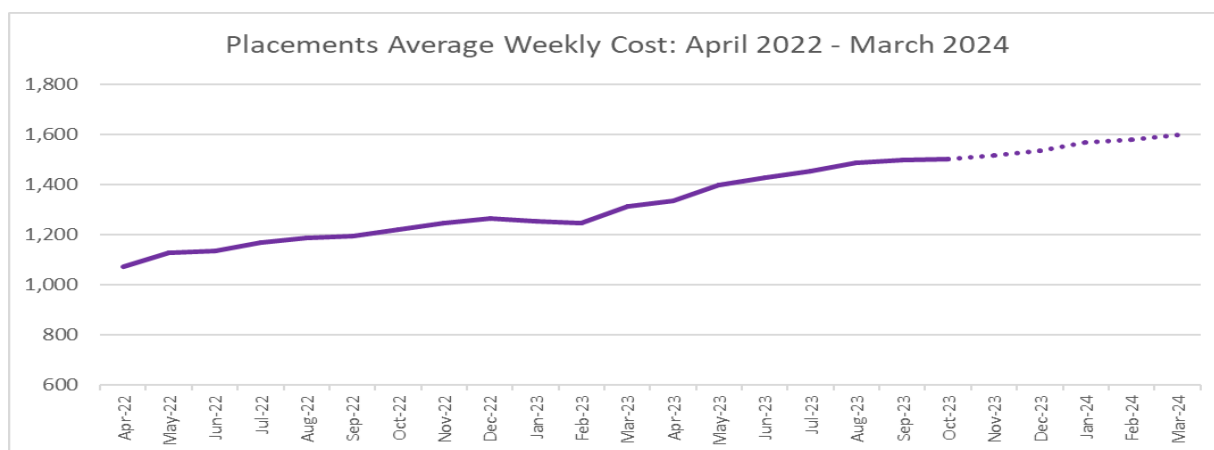
27. As previously reported to Cabinet, these pressures are seen across the country. For context, 30 out of 36 County Councils overspent their Children’s Social Care budget in 2021/22 and the latest analysis from other councils reporting highlights that these pressures continued into 2022/23 and have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

**Chart 3 – Children’s Placement Numbers – Historic trendline and current forecast**



28. **Chart 4** tracks average weekly costs since April 2022. There has been substantial increase since the budget setting period. In October 2022, gross average weekly cost was £1,221pw, and as at September 2023 the gross average weekly cost is £1,498pw – a 23% 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. Whilst there have been inflationary increases across all placement types, the scarcity of fostering placements – increasing the percentage of residential placements – is a major contributor to the overall increase in average cost.

#### Chart 4 – 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 £0.445m due to a particularly high-cost domiciliary care package, and inflationary increases in Short Breaks.

30. Home to School Transport (HTST) is forecast to overspend by c£9.5 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. The overspend forecast has increased in Period 6, based on the service analysis of the implications of the new September term transport requests.

#### **Dedicated Schools Grant (DSG) - £245m budget, £8.1m 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 £28.4 million at the year-end and is forecast to be £37.9 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                         | 8.1         |
| Projected Early Years and Schools Block            | 0.0         |
| Savings on Other Blocks                            | 0.0         |
| <b>Accumulated Deficit 31 March 2024</b>           | <b>28.4</b> |
| Projected Early Years and Schools Block            | -0.5        |
| Projected High Needs Shortfall 2024/25             | 10.0        |
| <b>Projected Accumulated Deficit 31 March 2025</b> | <b>37.9</b> |

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. As the forecast in Table 2 shows, the High Needs budget allocated to Worcestershire through the Dedicated Schools Grant is not sufficient to meet the costs associated with existing EHCPs that have been awarded in accordance with the Children and Families Act 2014. As part of the DfE 'Delivering Better Value in SEND' programme, the Council (along with 55 other local authorities) has completed detailed, independently verified forecasting to highlight the future unmitigated position and scale of the issue without policy reform and/or additional funding. This is an area that requires urgent Central Government review of legislation and/or funding. Even if the statutory override is extended beyond March 2026, the impact of accumulated deficits will be seen in the cash position of local authorities and the increased need to borrow to fund day to day expenditure.

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

37. The Economy and Infrastructure Directorate is forecasting an overspend of £0.716 million against its £72.072 million net budget.

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

- Planning and Regulation is forecast to overspend by £0.6 million, with pressures in Transport Planning driven by increased agency costs and professional fees. The forecast overspend is net of the full utilisation of the £1.037 million earmarked reserve.
- Within Waste Management, there is a £0.6 million overspend projected, due to inflation 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.
- £0.5 million underspend in Road Lighting, based on the current LED rollout reducing kWh usage by 20% rather than the expected and budgeted 15%.

39. 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 £10.3m, £0.8m overspend**

40. The Commercial and Change Directorate is forecasting to overspend its £10.291 million net budget by £0.843 million, with the most significant variances from budget being:-

- £0.6 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.
- £0.4 million pressure in Commercial team due to agency cover and specific IT licences for procurement support.

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

41. 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**

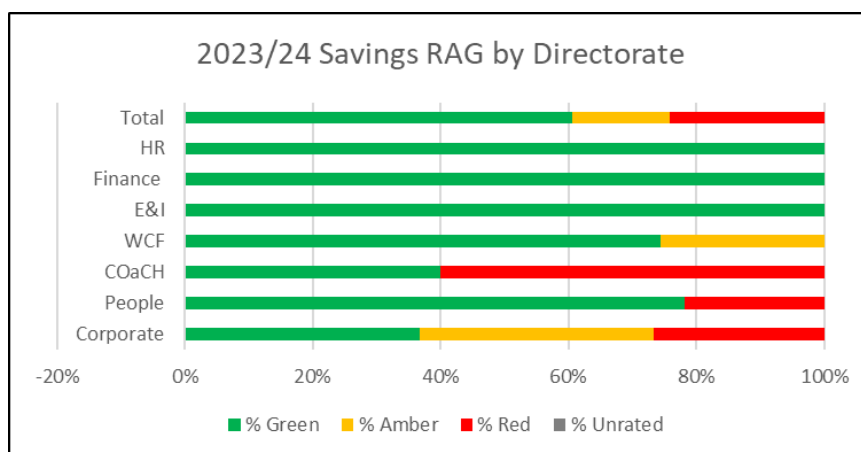
42. The Corporate budget includes items such as the Debt Interest and Minimum Revenue Provision (MRP).

43. 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**

44. 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 September 2023, 61% are rated as green i.e., delivered or expected to be fully delivered, 15% rated amber where there is some risk of non-delivery, and 24% rated red where there is significant risk of non-delivery as shown in **Chart 5**. The red rated savings are included as part of the overspend reported at Period 6. Work continues to identify alternatives to deliver the budgeted savings and it is hoped that this position will improve over the coming months.

### **Chart 5 – Savings by Directorate**



45. £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**

46. 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.

47. 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.

48. 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**.

49. 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. This was approved by Cabinet at its meeting on 28 September.

50. 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.

51. Following the increase in forecast overspend on Home to School Transport, it is proposed to draw down £2 million from earmarked reserves for this purpose. This increases the total forecast use of reserves to £9 million which is included in the period 6 forecast.

52. Cabinet are requested to approve the forecast use of reserves totalling c£4 million relating to the academisation of North Bromsgrove High School which is currently expected to be required in Quarter 4 of this financial year as the school is expected convert on 1 December 2023.

53. Cabinet are also recommended to approve the following transfers of reserves to consolidate and centralise the currently unallocated reserve funding into the Finance Risk Reserve:

- £2.6 million from the communities' support reserve
- A total of £2.6 million from Children's Reserves
- £2 million from the Smarter Ways of Working Reserve
- £1.55 million from the Financial Services Reserve
- £5 million from the High Needs Transformation Reserve
- £0.56 million from other smaller reserves

54. Given our financial position all use of the council's earmarked reserves will be subject to approval by the Section 151 Officer to safeguard the adequacy of reserves for future risks and uncertainties.

55. 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

56. 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 £372 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.

57. Approximately half of the total Capital Programme is funded via external sources (51%), namely developer contributions (s106 funding) and government grants including those allocated to the County Council for scheme delivery by district partners. The remainder is a mixture of borrowing (42%), capital receipts (4%) and use of earmarked reserves held for capital (1%) and revenue funding (2%).

58. Within the updated Capital Programme is a net increase of £5.1 million of additional funding relating to schools, which is being funded by Basic Need Grant, High Needs Provision Capital Allocation and s106 contributions. This has been identified to fund the following along with a number of smaller items:

- an increase of £3.5 million in the forecast cost of the new school at Foxlydiate which is subject to a separate Cabinet Report
- an increase of £3 million in the forecast cost of the Wolverley Secondary School Major Works
- 'Other s106 schemes' is requested to increase by £2.6 million for further expansion at Wolverley to increase to a 210 PAN (Pupil Admission Numbers) linked to Lea Castle housing development. This includes new sports facilities (partly funded through Football Foundation grant). This is separate to the Wolverley Secondary School Major Works scheme which is on a separate line in the programme.
- basic need schemes totalling £0.7 million including new schemes at Grove Primary and to complete S278 works at Unity Alternative Provision Free School
- a scheme for works at St. John's CE Primary School, Kidderminster, with a budget totalling £1.9 million

59. Partially offsetting the increases detailed at paragraph 58, are decreases relating to

- £4.7 million funded by Basic Need Grant, related to the Rubery Area Expansion. Latest work on modelling future pupil numbers suggests that this specific area is unlikely to need expansion currently
- £2.2 million funded from Basic Need relating to Bromsgrove Schools Capacity

60. The amended Capital Programme also includes a total of £0.7 million for enhanced facilities at the Fairfield Adult Learning Centre including a new beauty suite and enhanced classroom facilities. This has been funded from a County Council revenue grant (£0.65 million and £0.05 million contribution from the Towns Fund).

61. It should also be noted that no provision has been made in the Capital Programme for any remedial work to potentially rectify the issues at County Hall until we have confirmed report which assesses the suitable options available.

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

62. 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.

63. 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.

64. 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**

65. 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 two quarters of the financial year, highlights a significant and ongoing budget pressure.

66. 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.

67. 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.

68. Given the size of the forecast overspend, management actions have been put in place to control spending across the council to reduce the deficit in the current financial year and the ongoing impact on future years. These actions to contain income and expenditure within approved budgets are in place for the remainder 2023/24.

69. These include only essential spending on; existing permanent staffing, on goods and services which have already been received, contractually committed expenditure, urgent expenditure to safeguard vulnerable residents (Adults and Children), expenditure required to deliver the council's provision of essential statutory services at a minimum possible level, which includes adults and children's services including HTST and expenditure necessary to achieve value for money and / or mitigate additional in year costs and / or generate additional income where evidenced through an "invest to save" business case.

70. The information contained within this report will form basis of the starting position for the 2024/25 budget setting process which is well underway, 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 2 2023/24**

71. In accordance with our Treasury Management Strategy and in compliance with CIPFA's Code of Practice on Treasury Management, **Appendix 6** 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 second quarter of 2023/24, and covers the following:

- 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

## **Legal Implications**

72. 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**

73. 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.

74. 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.

75. 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.

76. 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**

77. 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.

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

## **Equality Duty Considerations**

79. 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**

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

81. 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**

82. 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.

83. 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.

84. 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.

85. 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 – Treasury Management Quarter 2 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](#)