

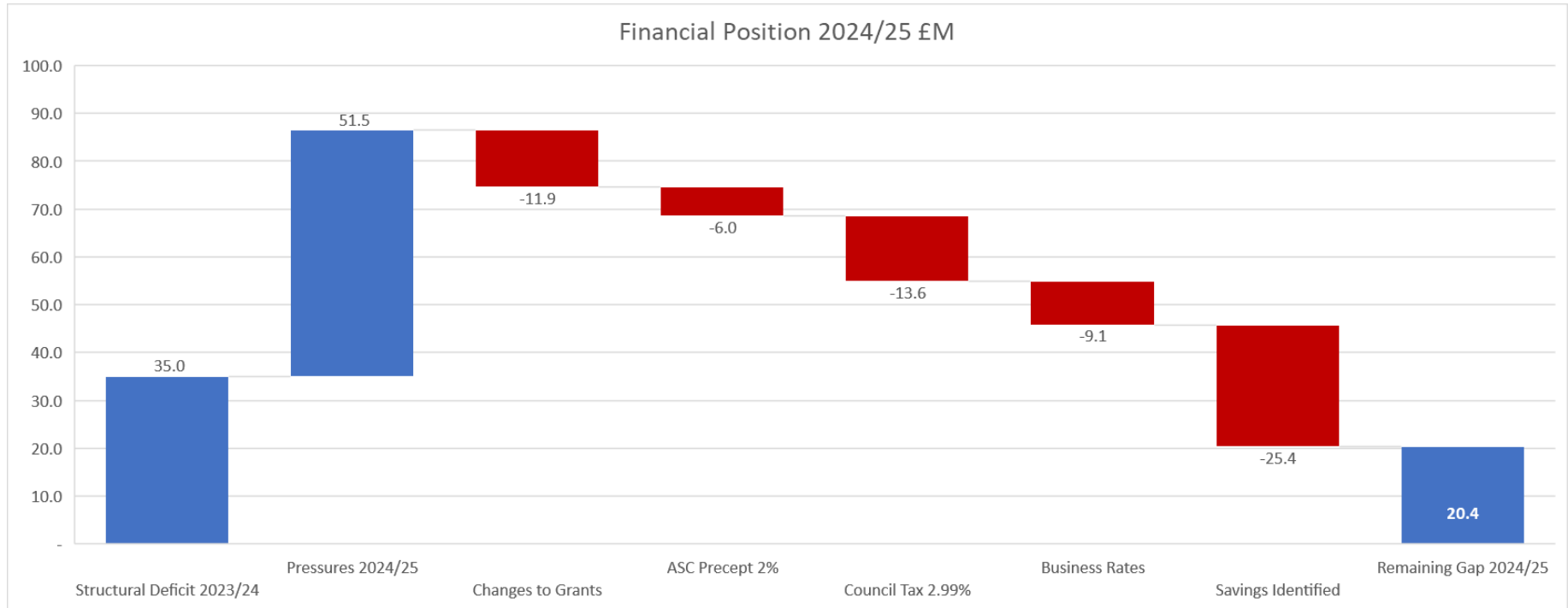
2024/25 Draft Budget for Consultation

**Environment Overview and Scrutiny
Panel**

25 January 2024

- Nationally, Local Government is under severe financial pressure due to inflationary and demand pressures in three main areas - Children's Social Care, Home to School Transport and Adults Social Care. These overspends reflect the continuing costs in these sectors which show no sign of abating.
- At the end October, our net overspend was at **£22.2m** on a £401m net budget – this was **after** using one off monies from additional income from business rates (£4.1m), £9m additional use of reserves (on top of £5.5m used to balance the budget approved before the start of this year) that were set aside in the budget to manage. Our structural deficit (*a budget deficit due to our ongoing expenditure greater than our income*) is c£35m.
- Our overspend position is not because of poor control, oversight or policy decisions. It is simply an exceptionally large increase in our costs for demand-led services, set against our constrained ability to raise additional income.
- Worcestershire County Council has had strong record of good financial management, constantly adapting to operate in a more cost-effective way, whilst continuing to deliver frontline services
- We are continuing to make savings and are on course to make around £20 million of savings in the financial year.

- Budget Report to Cabinet on 10 January 2024 summarises the financial position for the Council and each of the service areas.
- Local Government Settlement announced on 18 December (a one-year settlement), indicated additional government funding of £21m. However, this was a net £1.6m reduction on the expected funding which was built into our MTFP, and this is not keeping pace with demand and pressures we are facing.
 - Core spending power increased to upper tier Authorities to recognise significant demand pressures which included an increase to our Settlement Funding assessment by £9.1m.
 - Further funding of £12.9m to recognise significant pressures within Adults and Children's Social Care.
 - Public Health and Substance Abuse Grants – additional £1.1m (estimated)
 - Reduction in services grant of £2.2m.
- No fundamental reforms to funding system anticipated.
- Government included a statement in settlement around Councils using reserves in this difficult period which is not sustainable in longer term.
- Proposed Council Tax increase of 2.99%, plus a 2% Adult Social Care Levy - Total 4.99%



- At this point there is a gap of £20.4m that needs to be addressed
- Cabinet Members continue to work with their respective Strategic Directors to identify options to reduce the current reported gap by either additional savings or agree strategies to reduce the current growth and demand assumptions prior to the final budget report.

- The table below show the indicative pressures including the structural deficit of £35m which has been addressed.
- Demand for services continues to increase, particularly across Adults and Children’s Social Care as well as Home to School Transport. Growth figures have been obtained from the services split across inflation, demand, investment and removal one-off funding sources, along with the impact of the structural deficit

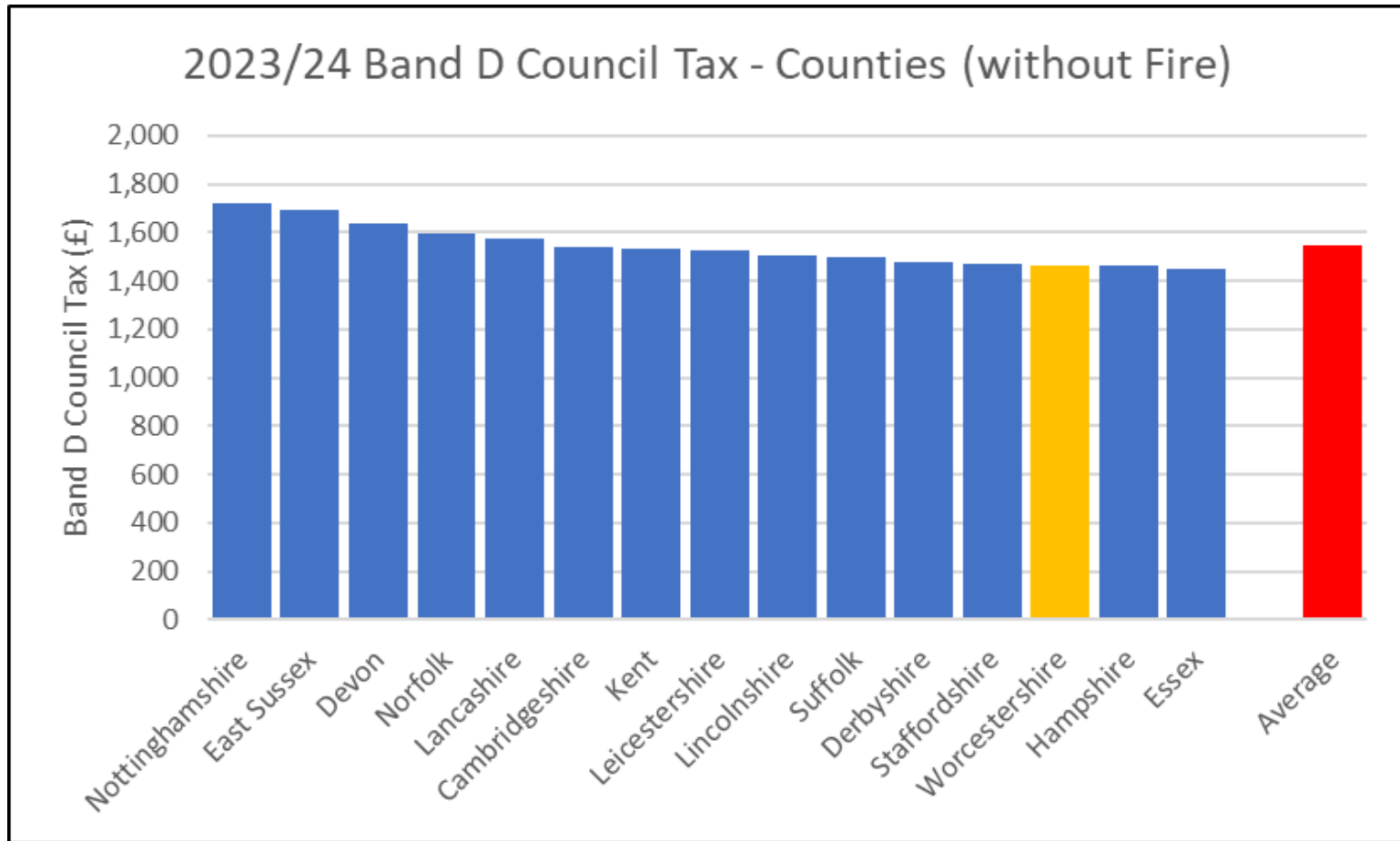
2024/25 Pressures and Funding (Including Structural Deficit)	Adults (£m)	HTST (£m)	Childrens (£m)	Other (£m)	Total (£m)
Rebase	2.4	0.0	0.3	3.2	6.0
Pay Inflation	1.2	0.0	2.6	4.0	7.8
Contract Inflation	6.2	2.1	4.7	5.5	18.5
Demand	3.5	4.1	2.9	0.6	11.1
Investment	0.0	0.0	0.0	2.9	2.9
Capital	0.0	0.0	0.0	5.2	5.2
Additional Pressures for 2024/25	13.4	6.2	10.5	21.4	51.5
Structural Deficit	5.9	9.5	19.1	0.5	35.0
Total Pressures	19.3	15.7	29.6	21.9	86.5

2% Adult Social Care Levy for 2024/25 to contribute to existing cost pressures due to Worcestershire's ageing population.

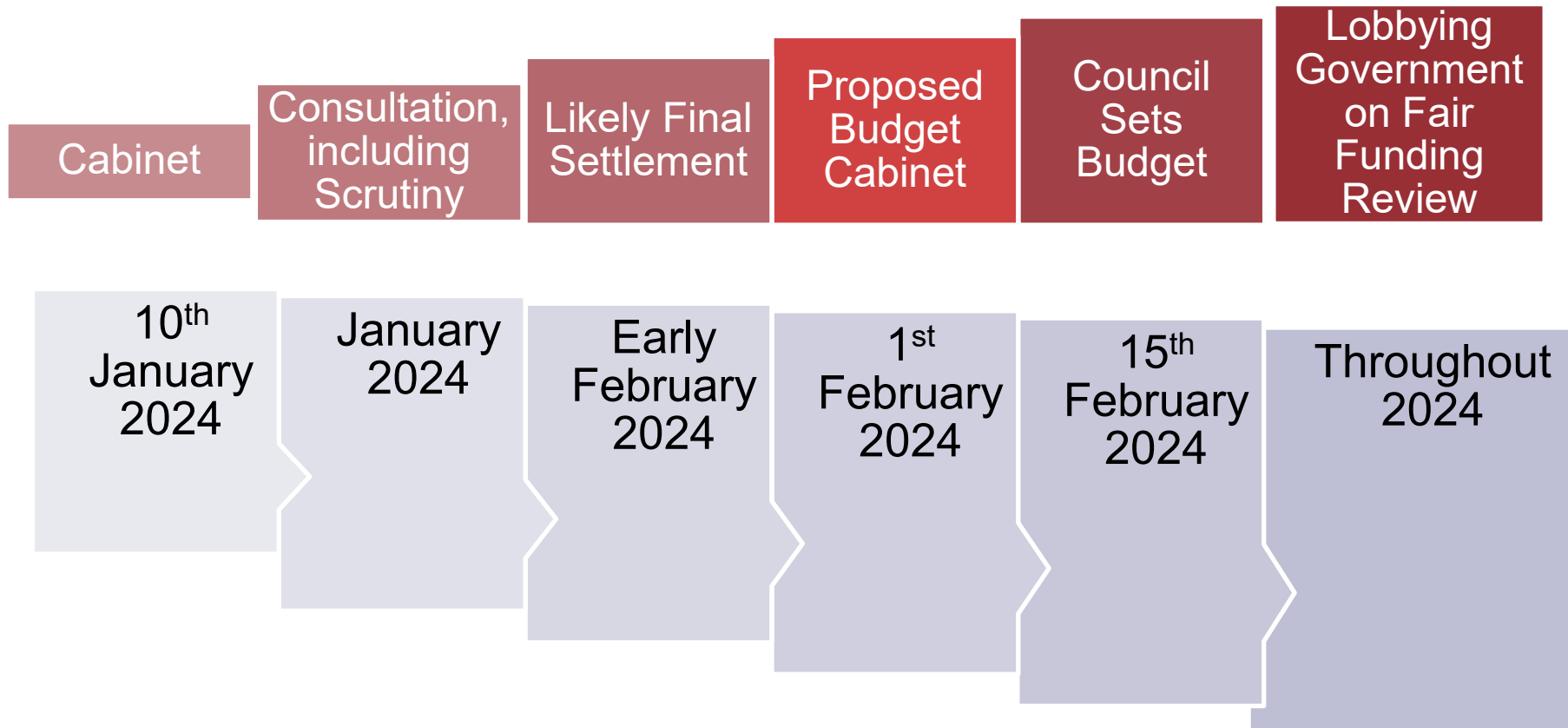
2.99% - to provide financial support to continue to fund investments in those areas that the public have consistently highlighted as important.

An increase of 4.99% which is an average £1.41 per week for a Band D householder.

Worcestershire is likely to remain in the lower quartile for level of Council Tax for comparable councils.



Budget Planning Timeline for 2024/25



Economy & Infrastructure

Specific 2024/25 Budget Information

Summary Indicative Net Revenue Investment (1)

- £1.3m increase into Transport and Strategic Planning relating to the review of planning applications, support for the local plan modelling and strategic schemes (paragraph 35)
- £1.3m increase relating to the fall out of the final tranche of the PFI grant relating to waste along with £0.6m relating to waste demand (paragraph 36)
- Pay Inflation - £1m
- Contract inflation including waste - £3.379m
- Transfer of budget from WCF relating to management of the Home to School Transport Service - £0.962m

Total indicative investment and inflation of £8.5m

NB The Council still has a £20.4m gap which needs to be addressed – so these figures may change

Summary Indicative Net Revenue Investment (2)

Offset by

- £1.1m from a review of the services and structures within E&I
- £0.6m relating to a review of discretionary spend across E&I
- For detail see [Appendix 3](#)

Total reductions = **£1.7m**

Overall, there is an indicative net investment of £6.8m

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Home to School Transport - Paras 37 - 39

- Pressures remain in mainstream home to school transport and SEND transport which are not unique to Worcestershire.
- Costs have continued to rise driven mainly by increasing numbers of children with Special Educational Needs that require transport, but also due to difficulties in the market with a shortage of providers and drivers.
- The draft budget recognises these challenges and provides a further
 - £4.1m for increased demand
 - £2.1m for inflation
 - £9.5m relating to the structural deficit
 - Total = £15.7m million.
- A part year effect saving of £1.25m is forecast in this area following a detailed review of the services
- Indicative net investment = **£14.45m**

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Draft Revenue Budget – Extract of Appendix 1

SERVICE	Revised Budget 2023/24	Directorate Virements	Structural Deficit	Pay Inflation	Contract Inflation	Growth (Investment)	Growth (Demand)	Savings	Net Budget 2024/25
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Economy & Environment Panels									
Road Lighting	5,807	0	0	10	-512	0	0	0	5,304
Waste Management	38,831	0	0	29	2,626	1,264	561	0	43,311
Development Management	69	0	0	48	0	0	0	0	117
Network Management	-394	0	0	153	53	0	0	0	-188
Highways Operations & PROW	8,934	0	0	137	816	0	0	0	9,887
Business Management	767	0	0	23	0	0	0	-1,700	-910
Economy & Sustainability	922	0	0	122	12	0	0	0	1,057
Major Projects	1,830	0	0	47	31	0	0	0	1,908
Infrastructure & Contracts	1,224	0	0	18	63	0	0	0	1,305
Passenger Transport Operations	10,586	962	0	357	290	0	0	0	12,195
Planning & Regulation	508	0	54	75	0	1,300	0	0	1,937
Total E&I	69,083	962	54	1,018	3,379	2,564	561	-1,700	75,922
Home to School Transport	0	20,759	9,446	0	2,053	0	4,100	-1,250	35,108
Skills & Inv inc. Adult Learning	51	0	0	100	3	0	0	0	155

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