

## **CABINET**

### **1 FEBRUARY 2024**

# **2024/25 PROPOSED BUDGET AND MEDIUM-TERM FINANCIAL PLAN 2025-2028**

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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 recommends to Full Council on 15 February 2024 for approval the:**
  - (a) **Net Budget Requirement of £438.219 million set out in Appendix 1**
  - (b) **Capital programme of £389.013 million as set out in Appendix 2**
  - (c) **Earmarked reserves schedule set out in Appendix 5**
  - (d) **Council Tax Band D equivalent for 2024/25 be set at £1,538.92 which includes £226.72 relating to the ring-fenced Adult Social Care precept, and the Council Tax Requirement be set at £335,762 million, which will increase the Council Tax Precept by 4.99% in relation to two parts:**
    - **2.99% to provide financial support for the delivery of outcomes in line with the Corporate Plan 'Shaping Worcestershire's Future' and the priorities identified by the public and business community; and**
    - **2.00% Adult Social Care Precept ring-fenced for Adult Social Care services, in order to contribute to existing cost pressures due to Worcestershire's ageing population;**
  - (e) **Treasury Management Strategy set out at Appendix 6; and**
  - (f) **The Pay Policy Statement set out at Appendix 7.**
2. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
  - (a) **gives delegated authority to the Leader of the Council to recommend to Full Council, in consultation with the Chief Financial Officer, any further adjustments to the revenue cash limits as a result of Central Government confirming the final Local Government Finance Settlement,**

**Council Tax and Business Rates Income, and associated Specific Grants and income for 2024/25; and**

- (b) authorises the Strategic Director for People, the Director of Children’s Services and the Director of Public Health, in consultation with relevant Cabinet Members with Responsibilities, to approve the agreement for the use of resources between the Council and the Clinical Commissioning Groups under Section 75 of the NHS Act 2006 (the Section 75 Agreement) for 2024/25.**
- (c) approves changes in the forecast use of reserves as set out at paragraphs 77 to 84 of this report.**
- (d) notes the Medium-Term Financial Plan set out in Appendix 4**

### **Executive Summary**

3. This report provides an update on the Council's financial position for 2023/24, the 2024/25 precept needed that will be considered at Full Council on 15 February 2024, and an updated Medium-Term Financial Plan (MTFP) 2025 to 2028.
4. The Council’s budget for the current financial year 2023/24 continues to face demand and cost pressures in three key areas of service provision: Children’s Social Care placements, Home to School Transport and Adult Social Care which have been reported in our regular financial monitoring reports to Cabinet and through Scrutiny. As reported previously these pressures are being experienced by the majority of County Councils and upper tier authorities across the Country. Despite efforts to manage this in year, the forecast outturn position remains a significant overspend mitigated by some additional Business Rates income, further ASC Grant and the one-off use of reserves.
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 our ability to generate income from trading is minimal in overall budgetary terms. The Council has worked with similar councils through the County Councils Network to highlight to Government these concerns about demand and cost pressures, in particular, in Childrens Social Care placements, Home to School Transport and Adult Social Care and we continue to make this case.
6. The income we receive from Government as set out in the Provisional Settlement in December 2023 is increasing in 2024/25 by £21 million, however this is not keeping pace with the demand and pressures we are currently facing. Therefore, the budget proposals seek to address this continuing financial pressure we are facing this financial year that will continue into 2024/25 and we have termed the Structural Deficit, as well as making projections for next year based on the best available information.
7. Since the January report was considered by Cabinet, the Government have not announced the Final Local Government Finance Settlement. It is also noted that at the time of writing this report, a number of other grants, such as the Public Health Ring-Fenced Grant has not yet been confirmed. If information is received in advance of the February meeting, a verbal update will be provided. The final settlement is expected during February 2024, after the upload of this report. If there are changes which result in an increase to the amount of grants awarded to the County Council, this may have the impact of reducing the use of reserves that currently supports the budget.

8. The Council is facing this financial challenge, with similar challenges for all upper tier authorities, as the cost of delivering services is increasing at higher rate than the income we receive. Therefore, the budget seeks to start to address this on-going financial challenge and change the shape and size of the organisation and deliver savings and efficiencies in order to ensure we remain financially sustainable and can continue to protect the most vulnerable in society as well as improve our economy, environment and infrastructure to meet the needs of Worcestershire. Our remaining budget gap of £7.2 million is expected to be covered by reserves unless additional funding is received as part of the Local Government Final Settlement. Although the immediate focus will be to deliver the savings plans identified for 2024/25, further plans will need to be developed or additional funding received to close the remaining gap and start to develop plans for future years.
9. Since the publication of the draft capital programme in September 2023, officers have reviewed the profiling of schemes across financial years, and included additional external funding that is expected to be received by the County Council. Detail of this is included in paragraphs 108 to 113 and **Appendix 2**.
10. As part of our ongoing financial management and stewardship the Council follows CIPFA guidance and regulations relating to its investment of monies and borrowing requirements with full sight and planning of its cash balances. That stewardship and governance is managed through the Council's Treasury Management Strategy. The Council has reviewed its Strategy as part of proposing this year's budget. The Council has also continued to improve its reporting of its treasury management activity and has introduced new measures proposed by CIPFA in 2023 as set out in the Strategy. Council is asked to consider and approve the Strategy set out at **Appendix 6**.
11. The council's financial statements for 2022/23 have been audited as are published on the website which is extremely positive and provides assurance relating to our financial arrangements. During the budget process, we have commissioned an independent check and assurance has been received that Worcestershire County Council's MRP Strategy and Policy is fit for both its current and future spending plans. It also provides the necessary challenge to ensure that any potential options are not missed when considering the capital financing for new capital expenditure and highlights the optimum strategy which is specific to the authority.
12. The Council annually adopts a pay policy within which it operates to organise and pay its employees, as part of this year's budget setting Council is asked to consider and approve the Pay Policy Statement set out at **Appendix 7**.

### **Autumn Statement and Local Government Finance Policy Statement 2024/25**

13. On 22 November 2023 the Chancellor of the Exchequer delivered the 2023 Autumn Statement. Prior to the announcement there were calls for additional funding to support the much-publicised pressures councils are experiencing, especially in respect of Children's Social Care and Home to School Transport. However, this was not forthcoming, and the Statement included very little on the funding for local authorities. The Chancellor stated that the Public Sector would have to reduce in size and further productivity savings would be expected.
14. The Statement was accompanied by an announcement the preceding day that the National Living Wage from April 2024 will increase from the current level of £10.42 an hour to £11.44, an increase of 9.8% which will have a significant impact on the costs of

Social Care services and will also be a significant factor in the setting of local government pay levels for 2024/25 onwards.

15. On 5 December 2023 the Government issued a Policy Paper on the Local Government Finance Settlement 2024/25. There was no significant additional funding for Local Government on top of that announced last year despite the significant pressures faced by Local Government. This paper confirmed a number of assumptions that had been used in the drafting of the MTFS:
  - Core Council Tax referendum threshold at 3% and the adult social care precept referendum threshold at 2% for all authorities responsible for Adult Social Care services.
  - The approach set out at last year's Settlement for other grants such as the New Homes Bonus will continue, except the Services Grant which may need to be reduced to fund the minimum increase in Core Spending Power
  - 3% increase in Core Spending Power before taking any local decisions on Council Tax levels.
  - No fundamental reforms to the system.
16. In respect of future financial sustainability was the inclusion of the statement 'The government asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities'.
17. For Councils concerned about their ability to set or maintain a balanced budget the government will consider representations from councils, including on council tax provision. The statement also referred to the Exceptional Finance Support framework for those Councils with a specific and evidenced financial concern.

### **Provisional Local Government Finance Settlement**

18. Turning to funding, the Government's Provisional Settlement was published on 18 December 2023. Overall, we saw an increase in our funding of £21 million, with a 6.2% increase in our Settlement Funding Assessment (SFA), and an extra £12.9 million specific grant investment in Adult and Children's social care. This was broadly as expected by the Council, with an increase over expectation of £0.8 million for the Social Care Grant and £0.1 million more for the New Home Bonus. However, what was not expected was a £2.2 million reduction in the Services Grant and a £0.3 million variation relating to business rates. It was expected that there would be a reduction of £0.8 million in the Services Grant which would be used to increase the Social Care Grant, but the size of the reduction was unexpected in the sector. Overall, the Council is expected to receive £1.6 million less than forecast. It is noted that a number of other grants, such as Public Health are expected to be confirmed later in 2024, but an estimate has been included based on the increased percentage issued as part of last year's two-year settlement.
19. On 24 January 2024, the Government announced additional measures for local authorities, worth £600 million. This includes £500 million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant. Further details on the provision of this funding will be set out in the Final Settlement with the criteria and the specific allocations for individual authorities. This funding, in turn, will reduce pressures on other areas of children's services such as home to school transport, where the Government recognise there has been a significant increase in

pressures for special educational needs and disability services. This will help with funding the pressures the Council is faced which in part are funded by reserves.

## **Council's Corporate Plan**

**20.** The Council's Corporate Plan priorities remain to champion Open for Business, support Children and Families, protect the Environment and promote Health and Wellbeing. The Council is also proposing a 2.99% uplift in Council Tax, plus a 2% uplift in our Adult Social Care levy. This will also mean that alongside investment in Children's and Adults social care to protect the most vulnerable, the Council can maintain its current capital commitments to invest in the economy, environment, highways and extra school places.

## **Outcome of engagement on the draft budget in January 2024**

21. Cabinet considered and proposed the draft budget on 10 January 2024. Since that meeting the budget has been the subject of significant engagement with a wide range of stakeholders, including the Council's Scrutiny Panels, Schools Forum, Trade Unions, business representatives, Parish and Town Councils as well as staff. Minutes of scrutiny panels and other engagement will be uploaded as part of the 15 February 2024 Full Council Papers and a verbal update will be given at Cabinet.
22. At the time of upload, no further Central Government announcements on other funding streams had been received.
23. The County Council was forecasting a 2024/25 budget gap of £20.4 million in January 2024. Since the publication of the draft budget report, Strategic Directors and their relevant Cabinet Members have been reviewing the growth, income and efficiency forecasts within their specific areas. Further opportunities to close the budget gap are now being recommended as detailed in paragraphs 24 to 27, which total £13.2 million of additional savings and includes changes to council tax figures from the districts.
24. A further total of £3.9 million (after £0.9 million of recurrent investment) within Children's Services relating to
  - Investment into the Rehabilitation Team in order to progress assessments and safety plans and reduce the ongoing costs of placements (£0.5 million net saving in 2024/25)
  - Expansion of Internal Supported Living Provision as an alternative to higher cost placement provision (£3.4 million net saving in 2024/25)
25. A further total of £2.9 million within Adult Services (£3.1 million in a full year) relating to
  - The implementation of the Adult Services Review (£0.9 million)
  - Demand and Price management across adult social care (£2 million)
26. Following an externally commissioned review of the County Council's Minimum Revenue Provision (MRP) Policy a one-off saving of £5 million is deemed prudent to be delivered, the MRP policy has been revised for both 2023/24 and 2024/25 and is include in the Treasury Management Strategy for members to approve.
27. Following receipt of the final numbers from District Council partners for the council tax base and collection fund figures, there is a reduction in the council tax base from the assumptions contained in the draft budget equating to £1.2 million. In addition, the position relating to the Collection Fund has increased from a £0.9 million surplus to £2 million

surplus (a net increase of £1.1 million). District Partners have confirmed the intention to continue the pooling arrangements for Business Rates in 2024/25 which has a benefit to the Council of £1.5 million.

28. Cabinet is also recommending using up to £0.1 million of reserve funding to support response and resilience measures across the Highways and Transport network which has been recently affected by the flooding.
29. The amendments included at paragraphs 24 to 27 relating to additional savings and efficiencies and reduction in income receivable have been included within the information provided as part of this report, the impact of which is a revised gap of £7.2 million. As such, it is being recommended that the remaining gap is funded from reserves.

### 2023/24 Period 8 (November) Budget Monitoring

30. The total gross overspend (structural deficit) currently forecast for 2023/24 is £34.8m or 8.7% of our net revenue budget. This gross overspend is being partially mitigated by additional business rates income of £4.1 million and planned additional use of reserves of £9 million, giving a net forecast overspend for of £21.7 million (5.4%). It is worth highlighting that the 2023/24 budget was originally set with the use of £5.5 million of reserves, meaning the total use of reserves forecast at this point is £14.5 million excluding the residual forecast overspend of £21.7 million.
31. During 2022/23 the net overspend was £7.3m (£22 million before one-off mitigation) and in 2021/22 underlying overspends were also mitigated by one-off sources.
32. **Table 1** shows the breakdown of the Period 8 forecast at Directorate level, with Home to School budgets now being managed within E&I Directorate.

**Table 1: Summary Outturn forecast for Services as at Period 8 2023/24**

FY 2023/24 P8			
Service Area	Budget £m	Forecast £m	Variance £m
People – Adults	145.816	151.450	5.634
People – Communities	21.596	22.169	0.573
WCF Contract	90.244	90.244	0.000
Economy & Infrastructure	72.072	72.823	0.751
Home to School Transport	20.759	29.750	8.991
Commercial & Change	10.291	11.382	1.091
Chief Executive / HR / Finance	3.222	3.154	-0.068
Public Health	0.186	0.186	0.000
<b>Total: Service excl DSG</b>	<b>364.186</b>	<b>381.158</b>	<b>16.972</b>
Corporate Items	36.630	33.948	-2.682
Non-assigned items	0.000	0.000	0.000
<b>WCC TOTAL</b>	<b>400.816</b>	<b>415.106</b>	<b>14.290</b>
WCF Company Position	122.761	143.255	20.494
<b>WCF Total</b>	<b>122.761</b>	<b>143.255</b>	<b>20.494</b>
<b>WCC Net Budget</b>	<b>400.816</b>	<b>435.600</b>	<b>34.784</b>
<b>Additional Funding:</b>			
Business Rates			-4.100
Use of Reserves			-9.000
<b>Net WCC &amp; WCF Overspend</b>			<b>21.684</b>

- 33. The forecast overspend in the People Directorate relates to pressures in Adults Services, and the reported position in **Table 1** is net of additional one-off grant funding of £3.6 million. Adult Services are reporting that numbers of clients presenting across all client groups are 6.5% higher than at the start of the year. In addition to this, increased care package complexity, and market forces resulting from the various cost pressures being experienced by care providers (such as National Minimum Wage increase, fuel costs etc.) have contributed to the current forecast overspend position.
- 34. Placements for Looked After Children are currently forecast to overspend by £20 million, which is 30% above budget (£86 million forecast spend on a £66 million budget). Current placement numbers have increased to 1,066 which is a 5% increase from the 1,016 recorded in October 2022. Whilst the increase in numbers has steadied since April, the sharp increase in numbers in early 2023 has meant that Children’s Services started 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 the average placements now costing £1.5k per week.
- 35. The current forecast overspend includes £9 million increased costs for Home to School Transport, attributed to increased fuel and staffing costs for Transport Providers as well as a significant increase in the number of children with Special Education Needs and Disabilities (SEND) requiring transport.

**Structural Deficit**

- 36. As indicated by the in-year forecast outturn reported in paragraph 30, there are several underlying pressures to Council services which will continue to require funding in 2024/25 as they are deemed to be recurrent. We are terming this pressure as the Structural Deficit. This is where demand and price increases which are occurring in 2023/24 will continue to be required to be funded in future years. The total of this is detailed in **Table 2**.

**Table 2 – Breakdown of Structural Deficit**

Service Area	£m
Childrens Services	19.1
Home to School Transport	9.5
Adults	5.9
Communities	0.5
<b>Total</b>	<b>35.0</b>

**2024/25 Additional Investment, Demand and Pressures**

- 37. There are a number of continuing pressures to Council services that will require additional funding for the 2024/25 budget, over and above the structural deficit. Service requests for growth have been challenged by Finance in the first instance, and by the Senior Leadership Team and Cabinet Members. The growth requirements laid out in this section of the report reflect the latest estimates and information available and reflect the pressures and demand we face in 2024/25.
- 38. Looking forward to 2024/25 the Council is facing an additional £51.5 million of investment and pressures, including pay and non-pay inflation, bringing the total pressures to £86.5 million. 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 rebasing to

remove one-off funding sources, and are shown in **Table 3**, along with the impact of the structural deficit.

**Table 3 – Investment and Pressures faced 2024/25 (including 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	3.3	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
<b>Additional Pressures for 2024/25</b>	<b>13.3</b>	<b>6.2</b>	<b>10.5</b>	<b>21.5</b>	<b>51.5</b>
<b>Structural Deficit</b>	<b>5.9</b>	<b>9.5</b>	<b>19.1</b>	<b>0.5</b>	<b>35.0</b>
<b>Total Pressures</b>	<b>19.2</b>	<b>15.7</b>	<b>29.6</b>	<b>22.0</b>	<b>86.5</b>

- **Pay Inflation pressures**

39. When setting the 2024/25 budget, pay inflation can be considered in two parts. The first is the 'catch-up / legacy' in terms of funding the 2023/24 pay award the additional cost above the original assumption in the 2023/24 budget. National Employers agreed with Trade Unions at £1,925 per full-time employee. As previously reported to Cabinet, this results in a recurrent gap of c£2.4 million now this has been paid that needs to be closed and as a Local Authority we must abide by the agreed award, therefore an unavoidable cost.
40. In addition to this, there must be an assumption for a 2024/25 pay award. Detail proposals for this are not yet available, however what is known is that the Chancellor confirmed in his Autumn Statement that the National Living Wage (NLW) rate on 1 April 2024 will be £11.44, an increase of £1.02 (9.8%) from its current £10.42. The proposed budget assumes a pay award for 2024/25 in the region of 4%, giving a total figure for pay inflation of £7.8 million when combined with the 2023/24 award impact. **Table 4** shows this impact across salaries and oncosts.

**Table 4 – Pay Inflation Breakdown 2024/25**

Description	2023/24 Legacy £m	2024/25 £m	Total £m
Salaries	2.0	4.1	<b>6.1</b>
Employer's NI	0.2	0.5	<b>0.7</b>
Employer's Pension Costs	0.2	0.8	<b>1.0</b>
<b>Total</b>	<b>2.4</b>	<b>5.4</b>	<b>7.8</b>

- **Contract inflation pressures**

41. There are general underlying inflationary pressures in most Council services, driven by energy prices and third-party provider increases, which during 2023/24 are already being reflected in supplier contracts and the general cost of services. Several inflationary assumptions have been built into the 2024/25 budget, which are outlined in **Table 5**.



**Table 5 – Non-pay inflation breakdown 2024/25**

<b>Inflationary Area 2024/25</b>	<b>Latest Estimate £m</b>
Adult Social Care	6.2
Children's Social Care	4.7
Waste	2.5
Home to School Transport	2.1
Energy & Premises Costs	1.2
Other Contract Inflation	1.8
<b>Total</b>	<b>18.5</b>

42. Energy costs are a significant area of non-pay inflationary pressure, with current estimates resulting in a £1.2 million budget increase required. This is based on an assumption of 26% increase in electricity prices for 2023/24, as indicated by our suppliers. The biggest direct impact on Council Services are in Commercial and Change (CoaCH) and Communities Directorates, due to the higher number of premises in those directorates, for example County Hall and libraries respectively.

- ***Rebasing the Budget***

43. During 2023/24 one off savings were delivered relating to the reduction in the direct payments contingency within Adults. The base budget for 2024/25 needs to be increased by £0.4 million to take account of the non-recurrent nature of this saving.

44. There are also non-recurrent uses of grants which were applicable to 2023/24 which need to be reflected in the base for 2024/25 including the removal of ability to use DSG funding and capital receipts for support services within WCF and communities (totalling £0.6 million) and non-recurrent use of Public Health Grant reserves totalling £2.2 million across People Services and Human Resources.

45. A review of income targets for services provided by Corporate Services across the council, WCF and externally has been undertaken. A total of £1.7 million of internal and external income is now deemed unachievable and the budget is requested to be rebased to take account of this. This was mainly due to income from renting out our surplus office space which has been delayed.

46. Additional grant funding is expected to be received relating to Public Health (£0.4 million), and Substance Abuse (£0.7 million). £0.1 million of the Public Health Grant is forecast to be used to fund pay and contract inflation with the remaining available for allocation across projects. As such, the balance of £1 million has been included in the rebase section pending reallocation.

- ***Investment in funding the existing Capital Programme***

47. The Council, like every council across the country, has seen a significant rise in the cost of its capital schemes due to inflation, as well as the cost to fund the existing programme due to higher interest rates. This has been estimated to be c£2.2 million across the current programme in 2024/25. Along with this, and as part of the setting of the 3-year capital programme in 2022/23 which was approved by Council, there is an additional capital requirement for 2024/25 totalling £29.75 million. The funding for this is not currently included

in the revenue budget and this will require additional borrowing and principal repayment costs of c£3 million to be added to the recurrent MTFP. A total overall increase of £5.2 million is therefore recommended to be approved.

- ***Investment and demand pressures relating to Economy & Infrastructure***

48. The Cabinet is proposing to invest a further recurrent £1.3 million into Transport and Strategic Planning relating to the review of planning applications, support for the local plan modelling and strategic schemes. Expenditure on this area of the business is being covered by reserves in 2023/24 however due to the recurrent nature of the required expenditure the budget is being requested to be increased recurrently.
49. The operation of the waste contract has previously been funded by a mixture of sources, namely a recurrent base budget, allocation of PFI grants and via the use of an earmarked waste reserve. During 2024/25 the PFI grant ceases, therefore the £1.3 million recurrent impact is required to be funded by a permanent increase in the base budget (rebase budget). Alongside this reduction in available funding, an element of growth in tonnage is expected (£0.6 million) due to continued increases in volume of domestic waste relating to people working more from home and increases in domestic dwellings (growth demand) along with an inflationary increase in the contract sum which has been included in the contract inflation calculation.

- ***Home to School Transport pressures***

50. There are significant pressures in mainstream home to school transport and Special Educational Needs and Disability (SEND) transport services which are not unique to Worcestershire. Costs have continued to rise driven mainly by increasing numbers of children with Special Educational Needs that require transport, but also due to difficulties in the market with a shortage of providers and drivers. A presentation relating to this was provided to the Children's Overview and Scrutiny Panel on 6 December 2023 and can be found at [PowerPoint Presentation \(moderngov.co.uk\)](#)
51. In a recent report by the County Council's Network (CCN) ([November 2023](#)) highlighted the challenges of Home to School Transport in county council areas. The report referenced the long-term increases in demand for SEND transport, a sharp rise in numbers of pupils with complex needs, and how fuel and wage inflation are all putting considerable strain on local authority budgets. Driver shortages across public transport operators, cost of living increases, and rising UK inflation have all become more significant this year which is impacting on all County Councils. This is one of the main areas that have impacted on the council finances which accounts for £15.7 million of additional pressure in 2024/25 including the £9.5 million to correct the structural deficit.
52. The budget recognises these challenges and provides a further £4.1 million of funding to keep pace with the increased demand in addition to the £2.1 million inflation stated earlier in the report. Alongside the £9.5 million relating to the structural deficit, this brings the additional investment to £15.7 million.

- ***Investment and demand pressures relating to Community Services***

53. Investment totalling £0.2 million is required to be added to the 2024/25 budget relating to previous Cabinet decisions to transfer the responsibility of the Coroners Service into the County Council along with the continuation of funding for Warndon Libraries to offset the reduction in funding from the City Council. This rises to £0.4 million over the Medium-Term Financial Plan period.

- **Investment and demand pressures relating to Corporate Services**

54. The County Council has a statutory obligation to ensure the buildings that services operate from meet the relevant Health and Safety legislation and guidelines. A recurrent investment of £0.15 million is requested to improve the monitoring and evaluation within our maintained schools. These services are being funded by time limited reserves in 2023/24.

- **Investment and demand pressures relating to Adult Services (including Provider Services)**

55. Overall, there is a gross forecast pressure of £20 million relating to Adult Social Care, including the structural deficit of £5.9 million. This pressure includes the impact of increasing demand, complexity of care and price inflation as well as pay and general contract inflation. These inflationary and demand related pressures have been seen to significantly increase since 2021/22 and the expectation is that this will continue in the coming years due to our ageing population and increasing costs of care. The 2023/24 budget is expected to overspend by c£9 million prior to mitigation, and the impact into 2024/25 is expected to be significantly higher due to the full year effect of clients entering the care system this year, forecast future demand growth and the increasing costs of care.

56. The forecast has been based on numbers in care continuing to rise at a similar rate to the increases being seen in 2023/24 along with the impact of the current increase in unit costs being paid to providers. This is a national issue being seen by councils across the country, following the effect of increases in unit costs due to the increases in utility, food, transport and wage costs. Demand is, on average, growing by 5% per year and price inflation by at least 7% in most areas, with significantly higher increases being seen in nursing care and supported living packages, where increases of more than 20% are not uncommon.

57. The budget for 2024/25 includes £3.5 million additional for Adults Social Care placements demand. This is in addition to the £6.3 million for the impact of inflation, £2.4 million for rebase and £1.9 million relating to pay, £5.9 million relating to the structural deficit, bringing the total additional funding for Adults Services (including Provider Services of £0.7 million) to £20 million as detailed in **Table 6**.

**Table 6 – Pressures within Adult Social Care 2024/25**

Adult Social Care Investment	£m
Additional demand increases along with complexity/acuity for older people	1.6
Growth in number and complexity of care packages for adults with a learning disability	1.2
Increase in number of mental health packages of care	0.3
Growth in number and complexity of care packages for adults with a physical disability including those transitioning from Children's Services	0.4
<b>Demand and Growth Increase in Adult Care</b>	<b>3.5</b>
Pay inflation across Adult Care Services	1.9
General inflation and price increases across Adult Care Services	6.3
Rebase of Public Health and one-off savings	2.4
<b>Additional Investment into Adult Social Care</b>	<b>14.1</b>
<b>Structural Deficit</b>	<b>5.9</b>
<b>Total Investment into Adult Social Care (including Provider Services)</b>	<b>20.0</b>

- **Investment and demand pressures relating to Children Services**

58. Our Children's Services are currently delivered by our wholly owned company Worcestershire Children First (WCF). Worcestershire which has been recognised by Ofsted with its Good Rating in July 2023.
59. In financial terms, general inflation and placement availability are the source of the challenge regarding WCF's ability to manage within financial constraints of the existing contract. We have seen an increase in the number of children in care, and although our care prevention continues to be successful where we can safely manage risk within families, we have seen increased referrals into the service, and increasing complexity in terms of need.
60. Along with the structural deficit of £19.1 million, the budget for 2024/25 includes £2.9 million additional for Children's Social Care placements demand. This is in addition to the £4.7 million for the impact of inflation, £0.3 million for rebase and £2.6 million relating to pay, bringing the total additional funding for Children's Services to £29.6 million as detailed in **Table 7**.

**Table 7 – Pressures within Children's Services 2024/25**

<b>Children's Services Investment</b>	<b>£m</b>
Growth / demand	2.9
Pay inflation	2.6
Contract inflation	4.7
Rebase	0.3
<b>Investment into Children's Services</b>	<b>10.5</b>
<b>Structural Deficit</b>	<b>19.1</b>
<b>Total Investment into Children's Services</b>	<b>29.6</b>

- **Total Service pressures**

61. In total, the Pressures and Investments built into the budget at this stage for 2024/25 amount to £86.5 million. This is made up of the structural deficit of £35 million and £51.5 million for additional new year pressures, as shown in **Table 8**, and **Appendix 1** shows this detailed by service.

**Table 8 – 2024/25 Pressures and Investments**

<b>Estimated Pressures 2024/25</b>	<b>Latest Estimate £m</b>
Pay Inflation	7.8
Contract Inflation	18.5
Rebasing of Adults savings	0.4
Rebase non-recurrent grants	2.8
Rebase income targets	1.7
Spend in Public Health funded by additional grant	1.0
Investment into funding capital programme	5.2
Investment in transport and strategic planning	1.3
Demand and investment in Waste Management	1.8
Investment within Community Services	0.2
Investment in Health & Safety in schools	0.2
Demand pressures within Adult Social Care	3.5
Demand pressures within Children's Services	2.9
Demand pressures within Home to School Transport	4.1
<b>Total New Investment and Pressures</b>	<b>51.5</b>
<b>Structural Deficit</b>	<b>35.0</b>
<b>Total 2024/25 Investment and Pressures</b>	<b>86.5</b>

### **Changes to Grant Funding**

62. The Council's funding comes from a range of Government grant sources – the Settlement Funding Assessment, which is the general grant; and specific grants which are ring fenced for set purposes such as adult care. This section lays out the provisional settlement proposals for these grants for 2024/25. The values of most of these grants were indicated as part of the 2023/24 two-year grant settlement, with some amendments as part of the provisional settlement issued on 18 December 2023.

#### **- Settlement Funding Assessment (SFA)**

63. In 2010, the Government simplified the funding for local authorities to one main funding stream – the SFA, and nine separate core grants. At the same time, it announced a review of the funding formula and system with the aim of introducing a more transparent and simplified scheme that also supports the localism agenda. These changes took effect from 2013/14. The SFA is split into two parts: The Baseline Funding, and the Business Rates Retention Scheme (BRRS). Revenue Support Grant is now nil, meaning that Business Rates Retention forms the second-largest element of Council funding, after Council Tax.

64. The figure for Business Rates as approved by Cabinet for 2023/24 was £77.1 million. However, based on information received following the setting of the budget, a further £4.1 million was deemed to be receivable relating to compensation through a Section 31 grant for Business Rates Relief payments. This took the revised 2023/24 figure to £81.2 million. The additional income has been included within the mitigation towards the 2023/24 forecast outturn and is currently forecast to be recurrent into future years. The Settlement indicated an increase in Grant of £5 million, which along with the £4.1 million and a further estimated £1.5 million relating to the surplus on the Business Rates Pool gives a total increase of £10.6 million, which is detailed in **Table 9**.

**Table 9: Business Rates and SFA 2023/24 to 2024/25**

Funding	2023/24	2024/25	Change in years
	£m	£m	£m
Settlement Funding Assessment	65.9	68.7	2.8
Business Rates	11.2	17.5	6.3
Business Rates Pool	0	1.5	1.5
<b>Total</b>	<b>77.1</b>	<b>87.7</b>	<b>10.6</b>

65. There are plans to radically reform this funding for local government, however this has been deferred and is now not likely until at least 2025/26.

- **Other Government Grants**

66. The majority of Government grants for 2024/25 were reported as part of the Chancellor's Statement in November 2022 which gave indications for 2023/24 and 2024/25.

67. As part of the Provisional Settlement on 18 December 2023, the Core Spending Power (CSP) was published which included the detail relating to several grants for each authority. As part of this, the Services Grant was significantly reduced compared with the data provided so far from DLUHC, with the County Council receiving £2.2 million less than in 2023/24 which was unexpected. Part of this reduction nationally was to fund additional Social Care Grant – with £0.8 million having been allocated for Worcestershire. Growth to the New Homes Bonus provides a further £0.1 million.

68. The calculation relating to Business Rates overall is currently £1.2 million higher than forecast, with a reduction of overall settlement grant (£0.3 million) offset by an additional £1.5 million expected to be received from the Business Rates Pool. Our total figure for changes in forecast funding assumptions is broadly in line with the original figure assumed. This is shown at **Table 10**.

69. At the time of writing, the County Council had not yet received the Final Settlement. Should this be received prior to the Cabinet and / or Council meeting, a verbal update will be provided.

**Table 10 - Overall Forecast Funding Changes from assumptions 2024/25**

Increase in Funding Stream 2024/25	2024/25 Originally Assumed £m	Settlement Indicated £m	Change £m
Settlement Funding Assessment (SFA) and Business Rates	9.4	9.1	-0.3
Business Rates Pool	0.0	1.5	1.5
Social Care Grant	5.5	6.3	0.8
Adult Social Care Discharge Funding	1.8	1.8	0.0
ASC Market Sustainability and Improvement Fund	2.8	2.8	0.0
Services Grant	2.6	0.4	-2.2
New Homes Bonus	0.4	0.5	0.1
Supplementary one-off Market Sustainability and Improvement	2.0	2.0	0.0
Public Health Ring-fenced Grant	0.4	0.4	0.0
Substance Abuse and Domestic Violence grants	0.7	0.7	0.0
<b>Total Increase / (Decrease) in Funding</b>	<b>25.6</b>	<b>25.5</b>	<b>-0.1</b>

70. During 2023/24 £3.6 million was awarded relating to the Supplementary one-off Market Sustainability and Improvement Fund. This was not known at the time of budget setting and therefore not included in the base budget. This has been used in line with its criteria to support pressures within adult social care relating to demand and staffing. A further one-off allocation of £2 million has been awarded for 2024/25 and included within the budget.
71. The 2024/25 allocations have increased the total grant income available to the Council by a net £25.5 million. This is broken down to the various component grants in **Tables 11 and 12**.

**Table 11 – Increases to Social Care Grant Funding in 2024/25**

Grant	2023/24	2024/25	Change in Funding
	£m	£m	£m
Adult Social Care Discharge Fund	2.7	4.5	1.8
Market Sustainability and Improvement Fund	4.0	6.8	2.8
Supplementary One-off Market Sustainability and Improvement Fund	0.0	2.0	2.0
Social Care Support Grant	15.7	22.0	6.3
<b>Total</b>	<b>22.4</b>	<b>35.3</b>	<b>12.9</b>

**Table 12 – Changes to Other Funding 2024/25**

Funding Stream	2023/24	2024/25	Change in Funding
	£m	£m	£m
Settlement Funding Assessment	77.1	86.2	9.1
Business Rates Pool	0	1.5	1.5
Public Health grant	32.2	32.6	0.4
Substance Abuse grant	1.0	1.7	0.7
Domestic Violence grant	1.1	1.1	0.0
Services Grant	2.6	0.4	-2.2
New Homes Bonus	0.4	0.5	0.1
<b>Total</b>	<b>114.4</b>	<b>124.0</b>	<b>9.6</b>

72. **Table 13** shows the utilisation of the total additional grant funding per directorate. The grants are awarded with specific terms and conditions relating to use which usually determines the Directorate in which the grants are required to be deployed. The Settlement Funding Assessment, Business Rates Pool and New Homes Bonus has been included within Corporate Wide as this can be utilised across the council as the grant has no set criteria.



**Table 13 – Changes in Funding (by Directorate)**

<b>Directorate</b>	<b>Additional Funding £m</b>
People - Adults	8.2
People - Communities	0.0
People - Public Health	1.1
Worcestershire Children First	2.5
Economy & Infrastructure	0.0
Commercial & Change	0.0
Chief Executive	0.0
Corporate Wide	10.7
<b>Total Increase in Grant Funding</b>	<b>22.5</b>

### **Savings, Efficiency and Council Wide Restructure**

73. The Council's budget includes £37.2 million of proposals to reduce the 2024/25 budget gap. A full list of these is included as **Appendix 3** to this report, a summary of which is shown in **Table 14**. This still leaves a residual gap of £7.2 million which will need to be funded from reserves.
74. As part of the savings there will be a full review of the shape and size of the council from top to bottom, this will be in conjunction with bringing our Children's Services back into the council which will be more efficient use of resources, as approved by Cabinet at its meeting on 10 January 2024.

**Table 14 – Summary of Savings, Efficiencies and Income Proposals by Directorate**

<b>Directorate</b>	<b>£m</b>
Home to School Transport	1.250
Economy & Infrastructure	1.700
Children's Services	14.063
Communities	0.052
Adults	5.725
Corporate	10.250
Commercial & Change	2.726
Human Resources	0.525
Finance	0.876
<b>Total</b>	<b>37.167</b>

75. The proposed savings and income have been identified, evaluated and assessed. These savings are considered to be realisable, although there may be further movement in some as work progresses, resulting in small elements needing to be found from elsewhere, or from reserves. Achievement of savings is reported, and will continue to be, in the regular Budget Monitoring reports to the Strategic Leadership Team (SLT) and Cabinet. In 2024/25 it is imperative that savings are delivered in full, or alternatives must be found.



76. Where there are proposed efficiencies relating to pay, every effort will be made to first remove vacant posts and assess the ability to redeploy staff. This both supports employment and reduces any costs of redundancies.
77. A total of £37.2 million of savings have been identified for 2024/25, however, the net impact of the total pressures and funding available means the County Council still has a gap of £7.2 million which will need to be funded from reserves as set out in **Table 15**.

**Table 15 – Net savings requirement 2024/25**

Provisional Budget 2024/25	Latest Estimate £m
Structural deficit	35.0
2024/25 Investment & Pressures	51.5
<b>Total pressures and investments</b>	<b>86.5</b>
<b>Funded From:</b>	
Government Funding	-22.5
Council Tax	-19.6
Savings and Efficiencies Identified	-37.2
<b>Gap funded by Additional Use of Reserves</b>	<b>7.2</b>

### Movement in Use of Reserves

78. The Council's General Fund reserves are currently at £14.3 million (3.8% of net spend) and are forecast to remain at this level at 31 March 2024.
79. The General Fund reserve must not fall below this level; therefore, it is imperative that savings are achieved and that reserves are used only where there is no alternative funding. **Table 16** shows the projected balance for the General Fund to March 2025.

**Table 16: General fund risk assessment summary**

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

80. As part of setting the MTFP and assessing the Council's financial stability under s25 Local Government Act responsibilities, earmarked reserves (EMRs) have been fully appraised, and services challenged on future need as well as fit with the Corporate Plan. These reserves include a number of items that are not available to the Council such as schools and PFI which are fully committed. The proposed planned use of reserves that supports both the Corporate Plan and the change programme is included in **Appendix 5** to this report.
81. The Council has had for many years a Strategic Risk Register and has developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2023/24 and has formed the platform in preparing the Section 151 Officer's assessment of risk.

82. Within services – where budgeted reserve utilisation is generally limited to ring-fenced grants and other earmarked reserves - efforts are being made to reduce the use of reserves, and this is reflected in the 2024/25 budget. There is challenge to expenditure in the first instance, coupled with a move to ‘rebase’ budgets to remove reliance on reserves for situations where expenditure is considered to be necessary. **Table 17** shows how the planned budgeted use of reserves within Directorates has fallen from £7.5 million in 2023/24 to £2.4 million in 2024/25. This is a reduction of 68%.

**Table 17 – Budgeted use of Reserves by Directorates**

Directorate	Budgeted use of Reserves 23/24 (£m)	Budgeted use of Reserves 24/25 (£m)	Year on Year Change (£m)
People - Adults	0.0	0.0	0.0
People - Communities	0.3	0.2	-0.1
Public Health	5.2	0.0	-5.2
Worcestershire Children First	1.0	1.0	0.0
Economy & Infrastructure	0.4	0.3	-0.1
Commercial & Change	0.6	0.9	0.3
Chief Executive	0.0	0.0	0.0
Finance & Corporate	0.0	0.0	0.0
<b>Total Use of Reserves</b>	<b>7.5</b>	<b>2.4</b>	<b>-5.1</b>

83. The 2024/25 budget as presented assumes a total of £12.7 million use of reserves. This equates to £5.5 million that was included in previous MTFP iterations plus the additional £7.2 million required to close the current budget gap. This is not shown in **Table 17**, as it is not to support specific service delivery. Current projections for 2024/25 and beyond are that Council reserves will continue to be utilised. **Table 18** shows the projection for total reserves (excluding General Fund), with the full detail set out at **Appendix 5**.
84. The current forecast reduction in reserves over the three financial years from 31 March 2023 to 31 March 2026 is £106.2 million (74%). This includes the £2.4 million within services as per **Table 17**, the £9 million already identified to reduce the 2023/24 forecast overspend, £12.7 million assumed to support the 2024/25 budget, the forecast use of capital reserves to support the capital programme and prudent assumptions on potential use of various risk reserves. It also assumes the potential requirement to fund the current year overspend of £21.7 million.

**Table 18 – Reserves Projection to 31 March 2026**

	Balance as at 31/03/2023	Forecast Reserve Balance At 31/03/2024	Forecast Reserve Balance At 31/03/2025	Forecast Reserve Balance At 31/03/2026
Open for Business	19.829	14.773	6.866	1.375
Children & Families	10.302	1.000	0.000	0.000
The Environment	7.595	1.508	0.486	0.000
Health & Wellbeing	31.126	10.414	5.474	4.184
Efficient Council	8.436	5.049	2.807	0.000
Risk	47.764	44.859	34.050	34.050
Insurance	8.392	8.392	8.392	8.392
Capital	4.807	10.821	7.877	7.877
Unusable	5.855	4.906	3.698	3.698
	144.106	101.722	69.650	59.576
Assume Reserves fund 23/24 overspend		-21.685		
Revised Balance		80.037	47.965	37.891

85. The forecast closing balance of reserves at 31 March 2026 is £37.9 million as shown in **Table 18**. However, this assumes that the Council does not use any reserves to fund any overspends occurring in 2024/25. Should this be required, this would significantly impact on the Council's financial resilience and sustainability.

### **Dedicated Schools Grant (DSG)**

86. The Education and Skills Funding Agency announced the provisional settlement on 18 December 2023.
87. The Schools block allocation is comprised of the Primary and Secondary Sector National Funding Formula (NFF) units of funding for Worcestershire, set by the DfE as confirmed in July 2023, and applied to the October 2023 pupil census. This is then delegated to all mainstream schools - both academies and maintained – through Worcestershire's Local Schools Funding Formula (LSFF). The Schools Block also includes an allocation from the national Pupil Growth Fund, based upon the new national DfE formula, for designated and approved pupil growth to support basic need revenue cost requirements.
88. High Needs block allocations continue to rise, however there is a widening gap between allocations and forecast expenditure. This is an issue being reported nationally by many local authorities. The allocation of £78.629 million for 2024/25 is 5.3% higher than the 2023/24 allocation, however it is still below the current level of expenditure in this area, which at Period 8 is forecast at £88.824m for 2023/24.
89. The Central School Services Block comprises a NFF formulaic element for ongoing responsibilities for statutory services provided by the County Council on behalf of all maintained schools and academies, and a sum for continuing historic commitments. Current DfE policy is to reduce the historic commitments element of the allocation year-on-year, and the 2024/25 allocation is £3.310 million, a very minor decrease from the £3.332 million received in 2023/24.

- 90. The Early Years block provides funding for 2 year-olds (targeted support only), as well as the universal and extended entitlements for 3 and 4 year-olds. The allocation is based on the January 2023 census data, and there will be an in-year adjustment to the Worcestershire allocation following the January 2024 census.
- 91. The Early Years allocation shown in **Table 19** includes funding for the expansion of funded childcare hours which comes into place from April 2024, based on DfE assumptions on childcare places required. It does not include additional funding to the local authority for implementation costs relating to the expansion of Early Years and Wrap-around Care. This will be funded through a separate, temporary grant.
- 92. The provisional allocation for Worcestershire is broken down in **Table 19**.

**Table 19 – DSG Net Allocations 2024/25**

DSG Block	Provisional Allocation (£m)
Schools	422.418
Early Years	59.336
High Needs	78.629
Central Services	3.310
<b>Total</b>	<b>563.693</b>

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

- 93. A key consideration in assessing the council’s overall financial health is the risk associated with the deficits on its Dedicated Schools Grant (DSG) with specific reference to the High Needs budget, which has also been highlighted by our external auditors as a key threat to the council’s financial sustainability.
- 94. The High Needs DSG Budget remains an issue for WCC, with an accumulated deficit of £20.3 million carried-forward into 2023/24. Taking into account the current forecast for 2023/24 the deficit balance will increase to £34.4 million at year-end and is forecast to be £43.9 million by the end of 2024/25.
- 95. 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 be required to fund this deficit. The Council has not set aside any of its own resources to specifically offset this accumulating deficit at this point as we are unable to afford to do so.
- 96. 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. Worcestershire has received £1 million through the Delivering Better Value Programme to support the delivery to reduce the deficit.
- 97. The DBV programme will not address the historical deficit, and this will remain an issue that the council cannot solve on its own and does need national policy change. The impact will be considered in detailed review of the council’s reserves alongside the Chief

Finance Officer's (CFO's) assessment of the adequacy of the Council's reserves as part of the budget process and statutory declarations.

## Council Tax

98. The Local Government Finance Act 1992 (as amended by the 2003 Act) sets out the powers and the duties of the Council in setting the annual Council Tax. The key requirements under Part IV of the 1972 Act are that:
- Council Tax is set at Full Council – Section 33.
  - Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year – Sections 32 and 33.
  - The level of Council Tax is set before 11th March to enable circulation of Council Tax bills to enable people to pay on and after 1st April- Section 30(6).
  - The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25
99. In the Autumn Statement of November 2023, the Chancellor confirmed that Councils were able to increase Council Tax up to 5% without a referendum – 3% for general services, and 2% for local authorities with a responsibility for Social Care.
100. The level of Council Tax collected in 2023/24 and 2024/25 may be impacted by wider economic factors. The Office for National Statistics (ONS) has revised GDP figures for previous years, indicating that “the UK’s recovery in 2021 was much stronger than previously thought”. The UK economy is “now 0.6% above the pre-pandemic peak”. The current data received from our district council partners indicates a small increase in properties. This would generate around £1.4 million additional Council Tax income for Worcestershire. This additional income is within – not additional to – the £18.4 million total Council Tax increase. The total funding in the MTFP for council tax is £19.6 million which includes the change in the council tax surplus of £1.2m (2023/24 £2.1m less £0.8m in 2022/23).
101. To ensure a long-term sustainable care market, meet the demand to enable hospital discharge and to support improvements in individual’s health through reablement and rehabilitation we need to increase the Adult Social Care Levy by the maximum of 2%. In addition, the Council will continue joint working with NHS colleagues through the Integrated Care Service to continue to develop local pathway solutions alongside national transformation plans.
102. Taking into account the growth in demand for services, inflationary factors, changes in grants and the reduced flexibility of reserves as detailed in this report, the proposed increase in Council Tax for Worcestershire for 2024/25 is 4.99%:
- 2% for the Adult Social Care Levy, and
  - 2.99% for other Council Services.

This along with a small projected increase from Council Tax buoyancy would result in £18.4 million increased Council Tax income. This figure is lower than presented in January due to updated projections of numbers of new dwellings as provided by our district partners.

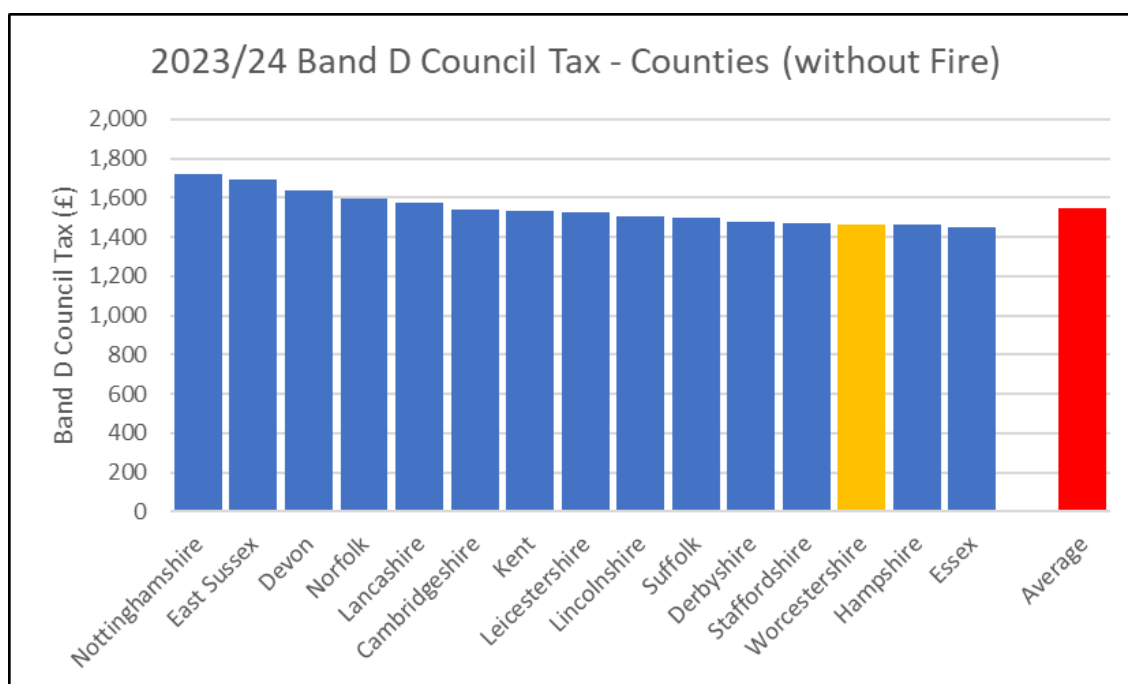
103. The proposed 4.99% Council Tax increase would put Band D Council Tax at £1,538.92 for Worcestershire residents, that is a £73.14 increase for a Band D property in 2024/25 or £1.41 per week. Across all bandings, the increases are shown in **Table 20**.

**Table 20 – Proposed Council Tax Bandings 2024/25**

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
1,025.95	1,196.94	1,367.93	1,538.92	1,880.90	2,222.88	2,564.87	3,077.84

104. Worcestershire’s Council Tax is at the lower level of County Councils. **Chart 1** shows the 2023/24 Worcestershire figure as the 3rd-lowest of all County Councils in the data set.

**Chart 1 – 2023/24 Council Tax by Authority – Counties without Fire**



105. The Treasury predicts that most Councils are expected to increase Council tax by the maximum 4.99% permitted without a referendum, which would mean that Worcestershire would continue to operate within the lowest quartile of comparative County Councils.

106. At the proposed level of increase, the total Council Tax income for Worcestershire is expected to increase by £18.425 million – from the current £317.337 million to £335.762 million. This includes the £1.402 million buoyancy, as shown in **Table 21**.

**Table 21 – Worcestershire Council Tax changes 2023/24 to 2024/25**

<b>Council Tax Element</b>	<b>Increase £m</b>
Basic Increase	10.980
ASC Precept Increase	6.043
Tax Base Buoyancy	1.402
<b>Total</b>	<b>18.425</b>

**Overall Funding 2024/25**

107. The overall position for the Council 2024/25 budget is presented in **Table 22**

**Table 22 – 2024/25 Summary position**

	<b>£m</b>	<b>£m</b>
Worcestershire Net Budget 2023/24		<b>400.813</b>
<b>Plus demand and inflation</b>		
Pay Inflation	7.781	
Contract Inflation	18.538	
Rebasing	5.970	
Demand Growth (all services)	10.500	
Investment in services	3.470	
Investment in funding the existing Capital Programme	5.210	
<b>Total Investment and Pressures</b>		<b>51.469</b>
<b>Structural deficit</b>		<b>35.015</b>
<b>Net Spending Requirement before funding</b>		<b>487.297</b>
<i>Mitigated by:</i>		
Increased Grant Funding (excluding Business Rates)	-11.911	
Savings, efficiencies and income	-37.167	
<b>Total Savings and Grant Changes</b>		<b>-49.078</b>
<b>Net Budget Requirement</b>		<b>438.219</b>
<i>Financed by:</i>		
Business Rates Retention/SFA	86.210	
Business Rates Pool	1.500	
Collection fund Surplus	2.014	
Use of Reserves	12.733	
<b>Subtotal</b>		<b>102.457</b>
<b>Amount to be collected from Collection Fund via Council Tax and ASC Levy</b>		<b>335.762</b>

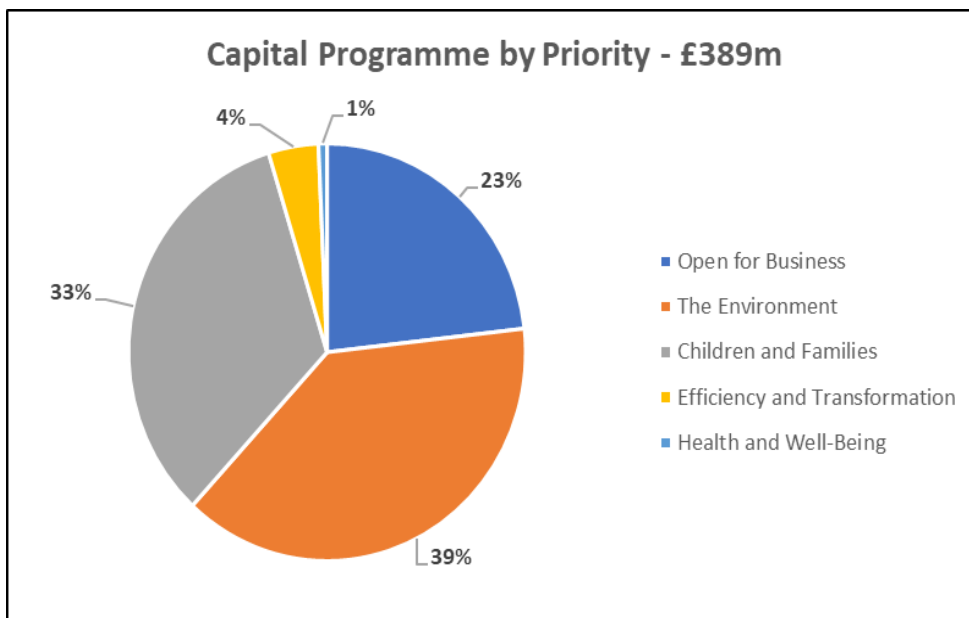
**Capital Programme 2023/24 to 2026/27 and Treasury Management**

108. Since the approval of the Capital Programme by Council on 11 January 2024, which was based on the Quarter 2 position, an additional c£16.6 million of external funding has been added to the programme through Basic Need Grant, Department for Transport Grant and developer contributions. Capital budget managers have also reviewed the timing of expenditure on schemes and reprofiled the expenditure over financial years based on best intelligence at this time. This does not include any additional growth in schemes funded from borrowing for 2024/25 onwards that haven't already been approved by Cabinet and Full Council.

109. The amended Capital Programme also includes a further £0.325 million allocation from the Social Care and Communities Capacity Grant towards the redevelopment of Howbury House, bringing the total for this scheme to £1.075 million, fully funded from grants. This scheme is included within the total for “Repair and Maintenance – Property Costs” within the Efficiency and Transformation Priority.

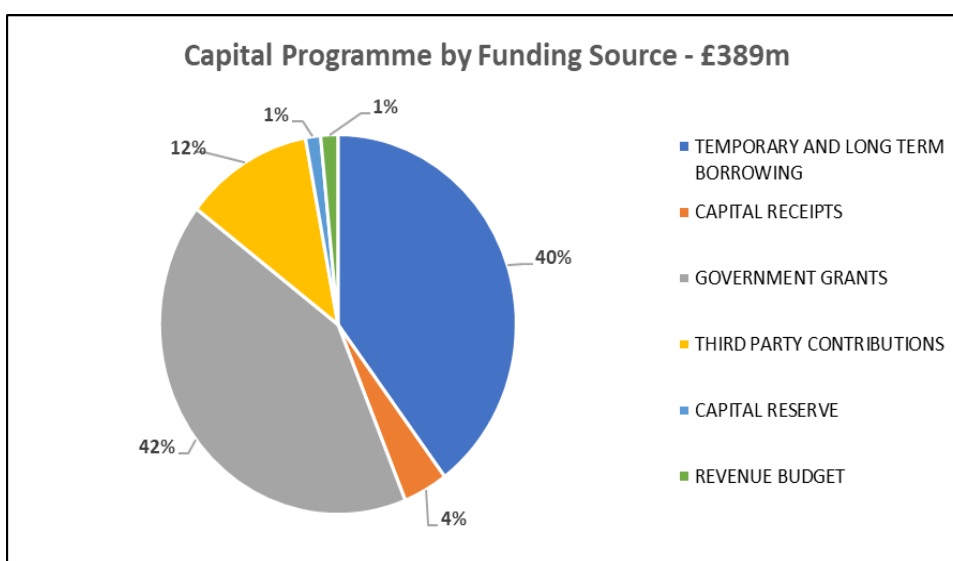
110. The total programme of £389 million is split by corporate priority as indicated in **Chart 2**.

**Chart 2 – Capital Programme allocation by Corporate Priority**



111. Approx 54% of the total Capital Programme is funded via external sources, 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 (40%), capital receipts (4%) and use of earmarked reserves and revenue held for capital (2%), as shown at **Chart 3**.

**Chart 3 – Funding the Capital Programme**





112. Cabinet are requested to note the current Capital Programme as attached at **Appendix 2** and request formal approval by Full Council at its meeting on 15 February 2024.
113. The Council has set out a Treasury Management Strategy in line with CIPFA guidance and regulatory compliance at **Appendix 6**.

## Medium Term Financial Plan

114. The Council's Medium Term Financial Plan (MTFP) suggests a shortfall in future years. We understand that Council tax for 2025/26 will follow the limits set in 2024/25 (i.e., 3% General and 2% Adult Social Care levy). At this stage 4.99% has been factored in, this alongside an expected increase in Government funding for adult social care will leave a gap across the remainder of the MTFP of £45.9 million, as shown in **Table 23**. Although noting this is heavily caveated due to the high level of uncertainty over the future costs, demand and macroeconomic outlook.

**Table 23 – Medium Term Financial Plan projections**

Provisional Budget	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Structural deficit	35.0	0.0	0.0	0.0
Pressures and Investments	51.5	48.2	44.1	44.2
Removal of non-recurrent reserves	0.0	12.7	0.0	0.0
<b>Total pressures and investments</b>	<b>86.5</b>	<b>60.9</b>	<b>44.1</b>	<b>44.2</b>
<b>Funded From:</b>				
Government Funding	-22.5	-8.5	-8.8	-2.8
Council Tax	-19.6	-19.5	-20.7	-19.5
Additional use of Reserves	-7.2	0.0	0.0	0.0
Savings and Efficiencies	-37.2	-1.6	0.0	0.0
<b>Gap</b>	<b>0.0</b>	<b>31.3</b>	<b>14.6</b>	<b>21.9</b>
<b>TOTAL GAP</b>		<b>46.0</b>		

115. Clearly there is still work to be done to ensure that we deliver the savings outlined within this report and reduce our reliance on reserves, including.
- i. Ensuring that tight cost controls are maintained through the remainder of 2023/24 to minimise the spend pressures being brought into 2024/25.
  - ii. Continuing to identify and implement savings for 2024/25.
  - iii. Starting to develop our 'Our Future Council' transformation and reorganisation programme to ensure the long-term financial sustainability of the Council.
116. This cannot be achieved through efficiency alone as the magnitude of the cost reductions we need to deliver is too large and it is therefore inevitable that service delivery will be impacted. Worcestershire County Council are not alone in facing significant financial challenges, but we do need to find local solutions as well as making the case for further national investment in resources for this Council.
117. Funding uncertainties are predominately driven by Government and external factors. It is expected that some funding streams will reduce, for example the planned reset of the Business Rate Baseline will remove the benefit of growth. In addition, the position on some specific grants after 2024/25 is uncertain.

## Legal Implications

118. Section 25 of the Local Government Act 2003 requires the Council's Chief Financial Officer, to report on the robustness of the estimates made for the purpose of calculating Council Tax and the adequacy of council reserves. The Council is required to set a balanced budget and the Local Government Finance Act 1992 requires the Council to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Taxpayers and ratepayers on the one hand and the users of Council services on the other are both taken into account. The Chief Financial Officer has a duty to issue a formal report if they believe the Council is unlikely to set or maintain a balanced budget. In addition, there is a requirement set out in the Local Government Act 2003 and relevant regulations for the Council, when carrying out its duties, to have regard to the Prudential Code for Capital Finance in Local Authorities.
119. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2024.
- 120.** 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

121. 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.
122. 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.
123. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFP have had an initial deliverability assessment so that a realistic financial plan can be presented. With the 2024/25 budget forecast to be balanced by the use of reserves there is less time to generate further recurrent savings and a higher margin of error on delivery. Identifying new recurrent savings will be a key activity, and a task made harder by the reduced options available. There will have to be extremely close monitoring during 2024/25 to ensure we remain on track.
124. The savings plans developed for the next year is substantial, so a significant financial challenge exists as the Council, alongside the rest of the country, seeks to manage in a sustainable manner within available resources. These savings, combined with the drawdown of £12.7 million from the risk reserve, mean that the Council is proposing a balanced budget in 2024/25. However, things are a lot less certain for 2025/26, especially with the prospect of fiscal tightening as indicated in the Chancellor's Autumn Statement. Although the immediate focus will be to deliver the savings plans identified for 2024/25,

further plans will need to be developed or additional funding received to manage the remaining gap and ensure the Council can remain financially sustainable.

125. To deliver this budget, continued effective financial management is essential, particularly on those higher-risk activities of adult care purchasing, children-in-care, children with special educational needs and disabilities (SEND) and SEND home-to-school transport. In addition, savings will need extremely close monitoring during 2024/25 to ensure these remain on track. Adverse trends and any deviation from budgets will require management action to ensure the Council continues to 'live within its means'. Should the 2024/25 Savings Plans fail to adequately deliver cost mitigations, the Council will be required to make more difficult and unpalatable decisions to remain within our financial envelope.
126. It is recognised that the Council will be managing its 2024/25 budget through a continued period of uncertainty and change. Whilst costs in future years are estimated for demand led budgets there is a risk that these estimates may be exceeded. Given that the impact of these factors cannot be foreseen or predicted with any degree of certainty, it is essential that the Council maintains sufficient reserves. To address this, an assessment and quantification of financial risk has occurred, and it has been determined that the level of resources held in the Council's Unallocated Reserves is sufficient to cover the financial impact of plausible scenarios for 2024/25 but will become less resilient over the period of the Medium-Term Financial Plan.
127. Demand Led Budgets - Whilst future years' estimates have been made based on cost and volume assessments there is a risk that these assessments may be exceeded particularly in respect of both Adults and Children's Services and Home to School Transport. There is also the risk of providers withdrawing from the market due to the change in legislation or other external factors. In addition, social care services in both adults and children's are always subject to need for extremely close monitoring in year to spot any unusual and emerging spend change risks. It is also noted that final price uplifts with care providers are still to be finalised in a number of areas.
128. It is noted that in 2023/24 the reserves provision for unexpected changes in children care numbers has been drawn down and consideration will need to be given in the reserves assessment to the need to replenish this in future years' risk assessments.
129. Finally, whilst the High Needs deficit has seen an extension to the statutory override until March 2026, there is a need to recognise that if the override is removed without additional government funding there will be a significant financial pressure for the County Council, and this remains a significant risk as at the end of March 2025 totalling c£43.9 million.
130. All savings and investments have been provided by and agreed by the relevant Strategic Director, and their Assistant Directors. The figures have also been reviewed by the relevant Cabinet Members with Responsibility prior to being included within this report.
131. Overall, therefore the projections of income and spend have been based on the best information at this time and they are deemed to be as robust as possible, but there is a need to assess and ensure the Council's reserves are sufficient to meet the ongoing pressures and potential for changes to assumptions. As such further deliverable savings are required to be identified in due course.
132. 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.

133. The Council's procedures for budget monitoring are 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.
134. The Council has a proven track record on budget management which has been confirmed in the previous Annual Audit Reports by Grant Thornton (the Council's appointed External Auditor). At the time of this report, the Annual Audit Report for 2022/23 has been completed which focusses on the year ended March 2023. The Auditors are required under the National Audit Office's Code of Audit Practice 2020 to present a Value-for-Money (VFM) risk assessment and commentary to provide assurance on the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Grant Thornton will present a report on this in detail to the Audit and Governance Committee in March 2024. The Auditors' report provides a commentary against three specified reporting criteria:
- a. Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services;
  - b. Governance - How the Council ensures it makes informed decisions and properly manages its risks; and
  - c. Improving economy, efficiency, and effectiveness – How the Council uses information about its costs and performance to improve the way it manages and delivers its services, and how it works with partners and other third parties.
135. On 15 December 2023, the Auditors issued an unqualified opinion on the 2022/23 financial statements for the Council, however, they did identify two significant weaknesses in the Council's VFM arrangements in relation to financial sustainability. This was in relation to our current and future revenue position and our High Needs deficit balance. The Chief Financial Officer (s151 Officer) has kept our External Auditors and DLUHC fully informed on our progress in setting the 2024/25 budget. The accounts and audit opinion and are published on the council's website.

## **HR Implications**

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

## **Equality Duty Considerations**

137. In setting the budget the Council must have due regard to the three elements of the Public Sector Equality Duty namely to eliminate unlawful discrimination, advance equality of opportunity between people who share a protected characteristic and those who don't and foster or encourage good relations between people who share a protected characteristic and those who don't. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership (in employment law), pregnancy and maternity, race, religion and belief (including having no religion or belief) sex, and sexual orientation. The Council must have due regard to the impact of policies, decisions and delivery of services, on those who have or share the protected characteristics. The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop the Council from making decisions which may affect one group more than another. The

law requires that the duty to pay “due regard” be demonstrated in the decision-making process. Appendix 3 which details each saving and provides an overview of the general budgetary implications. This is not necessarily reflective of individual elements and programmes of work, however it should provide evidence that ‘due regard’ is being taken, and will be taken at service levels for decisions, by screening for impact through a Joint Impact Assessment and subsequent Equality Impact Assessment.

## **Risk Implications**

138. The Cabinet report includes recommendations regarding the Council’s forecast financial position for 2023/24 and the use of earmarked reserves and unspent grants.
139. 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. However, at this point of the process and as good practice on behalf of the Council the Chief Financial Officer has written to DLUHC and will continue dialogue to ensure they are aware of the significant financial challenges impacting on the Council in setting the budget for 2024/25.
140. It is key to note that the delivery of the refreshed MTFP will be even more challenging than usual. Some local authorities, which are better funded than Worcestershire, were already in financial difficulties before the cost-of-living crisis began, and over the last year many have been publicly stating that their budgets are under unprecedented pressures. The number of Section 114 Notices issued by Section 151 Officers continues to grow and it could be the case that more relatively well-run authorities may be in this position in the future.

## **Supporting Information**

**Appendix 1 – 2023/24 to 2024/25 Budget Changes by Directorate**

**Appendix 2 – Capital Programme**

**Appendix 3 – 2024/25 Savings, Efficiencies and Income Generation**

**Appendix 4 – Medium-Term Financial Plan**

**Appendix 5 – Earmarked Reserves Plans**

**Appendix 6 – Annual Treasury Management Strategy**

**Appendix 7 – Pay Policy Statement 2024/25**

## **Contact Points**

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## **Background Papers**

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

[Previous Cabinet Resources Reports](#)