

County Council

Addendum

Date: Tuesday 8 February 2022

Time: 10.00 am

Venue: Council Chamber, Shire Hall

Items on the agenda: -

3. 2022/23 Budget and 2022-27 Medium Term Financial Strategy 3 - 32

Additional documents enclosed in this pack:

- Conservative Additional Recommendation to County Council
- Agreed Revenue Resolution and Appendix.

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2022/23 Revenue Budget Proposal

Conservative Additional Recommendation to County Council

The County Council is recommended to plan its budget framework for 2022/23 on the following basis:

Section 1: Financial Direction of Travel

Add the following to Section 1 of the Conservative original budget proposal:

Our Council Plan seeks to harness the power, energy and collective endeavour of the community spirit shown during the Pandemic. Through our Community Powered Warwickshire programme, the Council intends to harness the power of communities to tackle inequality and social inclusion through a community-powered approach. County Councillors are the fundamental link between this Council and our communities, and as such are at the core of Community Power. Recognising this, as we step forward from Covid, we will increase Councillor Grants by £2,000, giving elected members additional capacity to invest in community powered solutions in their communities. We will allocate £0.114 million to provide the resources to deliver this on an on-going basis.

7. Strategic Director for Resources: Statement

The Strategic Director for Resources statement remains unchanged from that included in the original recommendations from the Conservative's.

We authorise the Strategic Director for Resources to update sections 4, 5, 6 and 8 and all appendices as required to reflect the financial impact of the addition set out above.

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2022/23 Revenue Budget Resolution

Recommendations to County Council

The County Council is recommended to plan its budget framework for 2022/23 on the following basis:

1. Financial Direction of Travel

- 1.1. We plan our budgets over the medium term, ensuring we have a clear financial strategy that underpins the delivery of the outcomes we set out in our Council Plan. The decisions we make will ensure Warwickshire's finances are robust and sustainable whilst being ambitious in our plans to make Warwickshire the best it can be; now and for future generations.
- 1.2. We will sustainably tackle the major financial and demand challenges we face as we continue to be faced with demand for services rising much more quickly than our resources. We will respond to the demographic growth in adult social care, the increasing numbers of children and families needing support and delivering on the challenges of climate change and commitment to strive to have net zero carbon emissions by 2030. We will do this by resourcing the additional costs we face now whilst retaining sufficient capacity to invest to be more efficient and effective in the future. We will drive cost reductions through investment in digital, data and automation technologies, adopt more commercial approaches setting financial returns and payback periods for our investments and continue to support investment that provides for a buoyant taxbase.
- 1.3. The way we do this will recognise that we need to retain flexibility in what is a changing economic and political environment. The last two years have been dominated by the global Pandemic which will have long term and societal impacts that remain unknown and volatile at this stage. We are faced with a growing inflationary risk, possible interest rate increases and uncertain impacts of key national policy choices around adult social care reform, integrated care systems and the fair funding review of central government support for local authorities.
- 1.4. We are confident our approach of ensuring our financial resilience and medium-term financial sustainability, has placed the Authority in a strong position to respond to the uncertainty and challenges ahead.

- 1.5. We will remain robust, ambitious and sustainable in setting both next year's budget and our medium term financial strategy (MTFS), with a focus on outcomes and social value. Given that current economic uncertainties remain we will continue to look for efficiencies to drive better value for money for our taxpayers. We will invest our resources to ensure:
- Warwickshire is a county where all people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently;
 - Warwickshire has a thriving economy and places that have the right jobs, training, skills and infrastructure; and
 - Warwickshire is a county with a sustainable future so our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.
- 1.6. We have had to make difficult decisions and choices in developing these proposals. We have not taken decisions to address the short-term challenges we face that undermine our financial sustainability over the medium term or leave financial 'gaps' to be closed in future years. We have recognised that our plans, whilst remaining robust and ambitious also need to be flexible to handle most plausible scenarios, whilst recognising it is impossible to guarantee this.
- 1.7. To ensure the finances of the Council are robust and sustainable we will:
- Directly invest £10.1 million in our children's social care services, providing resources to meet costs arising from: the higher numbers of Looked After Children; the limited options to tackle the foster care / placement mix; and to provide increased capacity in the service to meet the increase in demand and identified service improvement needs;
 - Invest £14.4 million to protect our elderly citizens and vulnerable adults to fund additional demand and manage the cost of placements whilst continuing to make progress on our vision of greater integration between health and social care;
 - Invest £1.9 million to continue to support children and young people with disabilities placements and to ensure they can access appropriate support within their communities;
 - Invest £2.8 million to increase capacity in the Special Educational Needs and Disabilities (SEND) assessment and review service and to invest in the next phase of our SEND and Inclusion Change Programme;
 - Invest £2.8 million in home to school transport to ensure we continue to provide services in line with our policy whilst being able to respond to the increasing demands on the service;

- Invest £1.8 million, as part of a £5.0 million programme over the next three years, in digital technology and automation to drive future cost reductions as a result of the investment made;
- Invest £1.5 million over two years in the Fire and Rescue Service to review current strategies and processes for prevention activity and identification of high-risk premises as well as the promotion of equality, diversity and inclusion in the workplace;
- Provide £1.3 million to reflect the increased insurance risk the Authority is carrying, reflecting the level of self-insurance and claims;
- Invest £0.8 million to meet the current levels of business support needed in response to the demand pressures in children and families, education and adult social care;
- Invest £1.3 million in the Waste Management service to meet the increased demand as a result of housing growth and the increased domestic waste generated due to the shift to hybrid/homeworking following the Pandemic; and
- Invest £0.7 million to provide targeted support for young people to improve mental health and well-being and provide activities that are a distraction from crime/county lines.

- 1.8. Our Council Plan seeks to harness the power, energy and collective endeavour of the community spirit shown during the Pandemic. Through our Community Powered Warwickshire programme, the Council intends to harness the power of communities to tackle inequality and social inclusion through a community-powered approach. County Councillors are the fundamental link between this Council and our communities, and as such are at the core of Community Power. Recognising this, as we step forward from Covid, we will increase Councillor Grants by £2,000, giving elected members additional capacity to invest in community powered solutions in their communities. We will allocate £0.114 million to provide the resources to deliver this on an on-going basis.
- 1.9. We will provide £1.1 million to meet the operating cost to the Council of the Warwickshire Property and Development Group in its second year and to ensure effective governance capacity is in place to manage the financial and commercial risks. By the end of the MTFS we expect the company to be delivering a surplus of £3.4 million a year.
- 1.10. We intend to continue the approach adopted over recent years to invest our short-term resources to support the priorities of the Council Plan and to invest in Warwickshire's future.

- 1.11. We are determined to make the best use of the funding we have available ensuring investments are supported by robust business cases and realise benefits and help address long-term issues such as climate change. With evidence-based decision-making we are looking to make step changes towards the delivery of our service objectives whilst ensuring any allocations do not cause difficulties with sustainability over the medium term. We will continue with the rigorous prioritisation and evaluation processes before funding allocations are confirmed.
- 1.12. Our Investment Funds contain over £10 million revenue funding which will be topped up during the five-year period as our finances allow. These allocations are deliberately flexible and may be varied as bids emerge and are prioritised, although we expect a minimum of £2 million to be allocated against each of the Best Lives, Sustainable Futures and Thriving Economy and Places blocks. We expect those allocations brought forward for approval to deliver measurable benefits and clarity about the material contribution to the delivery of the areas of focus in the Council Plan.
- 1.13. The key projects that we expect to see come forward for approval from the Revenue Investment Fund are:
- Best Lives
 - An options appraisal on the potential for the County Council to work with local universities and other partners to improve education attainment and social mobility, particularly focussing on areas of the county where educational attainment is lower;
 - Piloting opportunities to improve employment opportunities for and the employability of young people focussed on high-skilled and higher-paid jobs;
 - The use of digital technology and automation to support the well-being and independence of those in receipt of adult social care;
 - Deliver our Child Friendly Warwickshire programme – Happy, healthy, safe, heard and skilled children;
 - Enable and support young people to have a high-quality education to achieve their potential and transform our Special Educational Needs and Disabilities provision; and
 - Support people to live healthy, happy and independent lives and work with partners to reduce health inequalities.
 - Sustainable Futures
 - Promote inclusive, sustainable economic growth, successful business, good quality jobs and future skills; and
 - Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero.

- Thriving Economy and Places
 - Options for increasing the income generated by our country parks whilst at the same time maximising their social value and positive impact on the well-being of residents and communities and visitors to Warwickshire;
 - Create vibrant places with safe and inclusive communities; and
 - Deliver major infrastructure, digital connectivity and improved transport options.

1.14. In addition we have created:

- A revolving fund to support the delivery of future budget reductions which, after an initial investment of £5 million, should be self-sustaining. We expect allocations from the fund to create a pipeline of future budget reductions; and
- An annual allocation of £0.5m to a Systems Replacement Fund to provide capacity to update and replace the Council's core IT systems on a phased basis.

1.15. Through the use of the two funds we expect the Chief Executive to continue to drive forward our internal organisational change programme, investing in ways to be more efficient and effective in maximising outcomes from local and national taxpayers' money, by driving savings/headcount reduction through digital, data and automation, setting financial return and pay-back periods for invest-to-save proposals and rationalising the County's estate, to meet the changing needs of our communities and the cost-effective delivery of services.

1.16. We will deliver £10.2 million of budget reductions in 2022/23, increasing to £65.7 million by 2027, through better procurement, improvements in efficiency, increased income and delivering reductions in demand. We all use the services the County Council provides. We also represent and will deliver value for money for the tax payers of Warwickshire.

1.17. We acknowledge the need for an increase in local tax. In the absence of other funding options we will use the opportunity provided by the government to levy additional council tax, to provide additional ring-fenced resources to fund rising costs and demand for adult social care. We will take 2% of this additional levy in 2022/23 and propose to take a further 1% in each of the next two years. In addition, we require an increase of 1.75% on the council tax for all other services. In total, this means a 3.75% council tax increase for 2022/23, equivalent to an increase of £1.10p per week for a Band D dwelling.

2. Adult Social Care

- 2.1. Adult social care is our highest spending service. In December 2020 the Government announced that local authorities would be able to levy an additional 3% on top of their normal council tax, spread across 2021/22 and 2022/23, with this additional funding to be ring-fenced for use in adult social care. We took advantage of 1% of this flexibility last year and planned to take the remaining 2% in 2022/23. In November 2021 the Government extended this flexibility allowing local authorities to levy a further 1% on top of their normal council tax increase, for the three years 2022/23 to 2024/25, with the additional funding again ring-fenced for use in adult social care.
- 2.2. We intend to take the 2% levy for adult social care in 2022/23, as planned last year and also intend to take the additional 1% levy available in 2023/24 and 2024/25. We know that, both locally and nationally, adult social care is a top priority for citizens, but we also recognise that taking all of the levy given the financial challenges for households across Warwickshire as a result of the rising cost of living, would be an additional financial burden. The 2% additional levy is the minimum increase that will allow us to maintain services over the medium term and is 1% below the maximum increase we could levy.
- 2.3. We will increase the resources available to deliver adult social care by at least the amount raised from the levy. The allocations we are making in 2022/23 and the indicative allocations for the next two years deliver on this commitment. We expect the Service to manage within the funding allocated in this resolution, including the additional funding provided by the Government through the Better Care Fund to meet demographic, statutory and inflationary pressures. We expect the Service to continue to work with partners to manage the extent of any emerging demand-led spending pressure, thereby reducing the level of savings needed.
- 2.4. We believe this approach provides the flexibility needed by the Service to manage its resources in the most effective way. Our focus is the transformation of adult social care pathways, the enhancement of information and advice to enable people to shape their own solutions, the use of digital technology and automation to support the well-being and independence of those in receipt of adult social care and working with communities to build capacity to manage demand. This decision will protect Warwickshire adult services at a time of long-life expectancies.

3. Dedicated Schools Grant

- 3.1. We continue to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant (DSG). Our policy remains that we do not intend to subsidise the DSG from our own resources. We will continue to allocate resources to schools and other educational settings in accordance with the National Funding Formula for schools and early years.
- 3.2. We recognise that meeting our policy aspirations in relation to high needs services and support can only be achieved over the medium term; given the nationally growing demand for services and the lack of capacity in the system. We have an ambitious and substantial transformation programme to tackle the significant pressures on the DSG budget. These substantial pressures reflect the national position.
- 3.3. The Schools Forum has agreed to transfer 0.5% (£1.989m) of DSG funding for schools to support high needs services in 2022/23 and we thank the Forum for its support as we work together to identify solutions to help bring the high needs budget back into balance. We will continue to invest in building capacity locally and our wider transformation programme.
- 3.4. However, with the Government requiring all schools and early years services to be provided within the level of DSG allocated we recognise more still needs to be done to ensure the budget for these services is robust and sustainable. We require that a further report is brought to Cabinet, for approval, by September 2022 that sets out the next stage of our plans for how the DSG can be brought back into balance following consultation with partners across the sector, alongside an update on the benefits being delivered from the current improvement plan.
- 3.5. The magnitude of the numbers means that the impact of the SEND forecast deficit on the overall financial sustainability of the Council's finances has to be integral to our budget proposals. Whilst our improvement plan is implemented and further plans developed, or the until Government brings forward proposals for funding DSG deficits at a national level and acknowledging we will be unable to bring the DSG back into balance before the statutory override ceases at the end of 2022/23 we will ensure the Authority's overall financial resilience is maintained. We will set aside sufficient funding in reserves to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

4. Revenue Allocations

- 4.1. To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £67.311 million.
- 4.2. We will provide £21.258 million for the estimated cost of pay and price inflation in 2022/23, allocated between Services as shown in **Appendix A**. In making this allocation it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that some costs will increase above the standard rate and some below. Once the overall allocation has been agreed, a Service will have the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.
- 4.3. In addition to meeting the estimated cost of inflation we will also provide £45.053 million to meet additional spending need, of which £21.080 million is time-limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B** for time-limited allocations.
- 4.4. Allocations for future years, as listed in Appendices A and B, are indicative at this stage. They are detailed as part of ensuring that our budget proposals are robust and sustainable over the medium term. We require the need for, and level of, all these allocations to be reviewed as part of the 2023/24 Medium Term Financial Strategy refresh.
- 4.5. We expect Services to manage all other issues in 2022/23 from within existing financial resource levels and support the net planned use of £0.442 million of earmarked reserves to provide capacity to invest in service change and to allow space to effectively implement service redesign/reprioritisation.

5. Funding Sources

- 5.1. Over recent years we have taken the decisions necessary so we can continue to provide services to the residents and communities of Warwickshire whilst continuing to innovate and invest in ensuring our services are fit for the future. We are financially resilient and hold reserves to manage financial risk and promote financial sustainability. However, we recognise the need to control the amount of scarce resources held in reserves and refine our approach to managing reserves to maintain a proportionate, sustainable, flexible and risk-based approach.

- 5.2. Our approach to the effective use of reserves is set out in **Appendix C**. It provides for transparency and accountability around reserves and ensures the framework is in place to align decision-making around the use of reserves with the Council Plan. We will continue to consider the advice and recommendations of our Strategic Director for Resources (Section 151 Officer) bi-annually as part of budget setting and after closing our accounts. We will look to utilise our reserves prudently whilst also recognising that this is taxpayers' money.
- 5.3. We will provide sufficient resources to ensure the level of General Reserves is at least consistent with that stated by the Strategic Director for Resources as the minimum level of general reserves given the financial risks facing the authority. We will retain our Revenue Investment Funds to deliver our investment proposals over the period of the Medium Term Financial Strategy and to develop the pipeline of further budget reductions.
- 5.4. Our plan for budget reductions will generate savings of £10.244 million in 2022/23 and a further £55.438 million over the period of the Medium Term Financial Strategy. Approval is given to the plans for the delivery of these savings detailed in **Appendix D**. If during 2022/23 any of the budget reductions do not materialise to the degree shown, the Assistant Director in conjunction with their Strategic Director and Portfolio Holder should identify alternative proposals to ensure the required levels of reduced spend are delivered and report this as part of quarterly monitoring.
- 5.5. We will use the £2.805 million surplus on previous years' council tax collection as part of the funding for the time-limited allocations in Appendix B.
- 5.6. We will use the £84.958 million of government grants to support the budget. Included within the roll-forward budgets are a number of other grants we receive from the Government for specific purposes. Any variations to the levels of funding received will be matched by an equivalent adjustment in the budget for the respective service.
- 5.7. We will use business rates funding of £73.635 million to support the overall budget of the County Council. We recognise that the level of income we will receive from business rates remains a material financial risk, despite the additional hardship funding provided by the Government. In the event of business rates funding being above or below this level the Strategic Director for Resources is authorised to make an adjustment to the Business Rates Volatility Reserve during 2022/23.
- 5.8. We will use £18.597 million of reserves in 2022/23 to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases.

- 5.9. **The council tax will increase by 3.75% in 2022/23.** With the other funding resources identified, this will fund the proposals contained within this resolution.

6. Medium Term Financial Strategy

- 6.1. We will continue to operate with a rolling five-year MTFS where we can demonstrate that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable for the benefit of the residents and businesses of Warwickshire. We have a track record of delivering savings and this has served us well as we have steered the Authority through some undoubtedly challenging financial times. Looking forward we will be operating in an environment of increased uncertainty - over funding, demand and inflationary pressures as we strive to deliver on the core outcomes and areas of focus as set out in the Council Plan.
- 6.2. We recognise that changes to the system of local government finance and the increasing moves towards self-sufficiency means our financial planning processes will need to change as our income will become increasingly variable and unpredictable. Alongside supporting residents, individuals and businesses as society and the economy recovers from the Pandemic, technological developments, changing national and international economic relationships and the long-term challenge of climate change also mean our plans need to be more flexible than ever and able to adapt to change at pace whilst retaining a focus on our longer-term goals and ambitions.
- 6.3. Our Council Plan sets out our ambitions and our operating model provides the framework to deliver them. We ask Corporate Board to develop commissioning strategies, action plans, key business measures and performance management requirements aligned and consistent with the available resources of the authority.
- 6.4. The indicative future spending allocations and planned reductions we have set out deliver a balanced MTFS over the period of the Council Plan through to 2027. After 2022/23 this requires a 1.99% annual increase in the council tax and taking the 1% flexibility allowed through the adult social care levy in 2023/24 and 2024/25. We accept that without this level of increase in council tax, or if future spending needs exceed the indicative levels, further budget reductions will need to be identified and delivered to ensure our finances remain sustainable.
- 6.5. We expect the focus of change to be on invest-to-save projects that will release the resources needed to invest in our ambitions and have created the Future Budget Reductions Revolving Fund to support this. We require services to focus on the

preventative agenda to manage demand downwards, so we can further improve the Council's value for money. Investment decisions should be based on a more commercial approach with greater clarity about the measurable benefits to be delivered and how these make a material contribution to the delivery of the areas of focus in the Council Plan. This work should drive the options for further budget reductions over the period of the MTFS.

6.6. We expect the MTFS to reflect on and respond to the Council's key strategic risks of:

- Economic growth affecting business, key sectors and town centre viability;
- Delivering or achieving on our area-based regeneration and place priorities;
- Education and skills gaps and the ability to catch-up and gain pre-pandemic levels of attainment;
- Continuing Covid-19 transmissions and infections;
- Post Pandemic social and health inequalities and the ability to catch up;
- The protection of vulnerable children in our communities;
- The protection of vulnerable adults in our communities;
- Continued and increasing levels of disruption to care markets and impacts on the supply of core provision;
- Achieving our climate change target of net zero by 2030 and County net zero by 2050;
- Sustaining and progressing change to modernise, innovate and take advantage of technology-driven solutions;
- Staff health and wellbeing due to post-pandemic new ways of working;
- The results (financial and social) from our commercial and investment activities;
- The resources needed to match the increasing demand for SEND provision and achieving our SEND and Inclusion ambitions;
- Continued uncertainty about key policy, economic and funding forecasts; impacting on financial planning assumptions and our ability to address the ongoing structural gap in available resources to deliver Council Plan priorities and respond effectively to unplanned events;
- Legal, regulatory, information security compliance requirements; and
- Sustained inflationary pressures and cost of living increases putting pressure on staff costs, recruitment and retention and impacting on service resilience.

6.7. We recognise our MTFS means significant challenges for the organisation, including the changing way in which people want to access services. Our proposals recognise that this will take time and investment and a broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £41.089 million of reserves, including £18.597 million in 2022/23, to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax

taxbases. The availability of this level of reserves is consistent with our Reserves Strategy, attached at Appendix C.

- 6.8. Whilst we have an excellent track record of delivering savings, we acknowledge that this needs to continue if our 2022/23 budget is to remain balanced and be sustainable over time. We ask Corporate Board to review the arrangements for the oversight of the delivery of the savings plan to ensure there is clarity about delivery and, where there are areas of concern, any necessary corrective action is put in place at the earliest opportunity.

7. Strategic Director for Resources: Statement

7.1. The following statement from the Strategic Director for Resources is noted:

“The 2003 Local Government Act places specific responsibilities on me, as “Chief Financial Officer”, to report on the robustness of the budget and the adequacy of proposed financial reserves when the authority is considering its budget requirement. The Council is required to have regard to this report when it sets the budget. There are a range of other safeguards that I must also consider to prevent the Local Authority from over committing itself financially, including:

- the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992);*
- the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs (section 151 of the Local Government Act 1972).*

The uncertainties of the economic environment, in particular rising inflation, the fact we are awaiting a multi-year settlement, the scale of the expenditure reductions required and because of growing demands on our core services, mean that there are significant risks facing the Authority in delivering a balanced budget. In fulfilling the various responsibilities placed on me as Chief Financial Officer, I have set out below, what I see as the key risks associated with the proposed budget and how they can be managed, so that Members are clear on the risks associated with these budget proposals when making their budget decision.

Risk 1 – Delivery of the Planned Budget Reductions

The planned budget reductions need to be fully implemented to ensure the Council’s 2022/23 budget remains balanced and sustainable into the future. To mitigate this risk:

- Key policy changes associated with major savings proposals in 2022/23 have been identified;*
- Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders have been charged with ensuring that processes are in place to ensure that the planned budget reductions are delivered to the required timetable;*
- If the planned budget reductions are not delivered, Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders are required to identify alternative ways of balancing the Service and/or Directorate budgets; and*
- Monitoring of the delivery of the planned budget reductions has been extended to include the monitoring of project delivery milestones to ensure decisions are taken in a timely manner and implementation timescales are met.*

Risk 2 – Inflationary Risk

For the first time in over a decade the Authority is facing a significant and growing inflationary risk as a result of supply /labour shortages. The direct and indirect impacts on

the County Council are uncertain. The inflation provisions in this resolution are 1% below the Chancellor of the Exchequer's forecast for the next two years and therefore it remains a risk as to whether it will lead to additional budget pressures in future years.

In addition, the planned budget reductions include contract management savings, reductions in third party spend and the delivery of small-scale efficiencies to absorb the impact of inflation on budgets that increase the risk of inflationary cost increases on financial sustainability over the medium-term.

There needs to be an awareness of additional inflationary costs as part of decision-making and potential additional costs need to be managed to ensure the Council's 2022/23 budget remains balanced and sustainable into the future. The risk has been mitigated through the allocations in this resolution, but the risk cannot be completely removed. To mitigate this risk:

- The minimum general reserves provision includes a specific £7.5 million provision for the risk of inflation, in addition to the £21.3m inflationary allocations to service budgets;*
- Capital maintenance allocations are no longer strictly cash limited but have been uprated for inflation on an annual basis; and*
- Enhanced budget monitoring arrangements have been introduced to require corrective action to be put in place as soon as any areas of overspending begin to emerge.*

Risk 3 – On-going Impact of the Covid-19 Pandemic

This budget is being agreed at a time when the country remains in the shadow of the Covid-19 Pandemic. The Council is still in the midst of the response phase to the additional demand for services from residents and communities and there is a level of uncertainty as to how the Pandemic will have changed the social and economic environment of Warwickshire over the longer term.

The potential additional costs and loss of income need to be managed to ensure the Council's 2022/23 budget remains balanced and sustainable into the future. To mitigate this risk:

- All Covid-related funding received is managed corporately, with decisions on the allocation of any resources requiring Corporate Board approval to ensure the effective use of resources;*
- Time-limited allocations of funding where demands for additional capacity in 2022/23 have been identified are included as part of this resolution; and*
- The retention of the taxbase volatility reserve, alongside the existing business rates appeals reserve to provide for any deficits on the collection of the council tax and business rates from the current economic downturn.*

Risk 4 – Repayment of Overspends

Arrangements will need to be put in place, as part of the financial outturn report to Cabinet and this budget resolution, to stabilise the financial position of those services that are overspending. If overspends occur in future years, services will need to deliver additional budget reductions to repay overspends as well as delivering the planned budget reductions in 2022/23. The flexibility to manage this through reserves is reduced as a result of the use of reserves proposed in this resolution.

However, the retention of directorate risk reserves, equivalent to 3% of their net budget (2% for Resources), should enable services to manage any in-year overspends without impacting on service delivery.

Risk 5 – Dedicated Schools Grant Deficits

There is a financial risk to the Authority as a result of the new provisions that local authorities will not be permitted to fund any part of the DSG deficit without the authorisation of the Secretary of State, in the absence of any extra funding to resource any deficit. This has been mitigated by an equal and opposite provision in reserves to offset the projected deficit, but this does not provide a long-term solution or remove the need to identify options for bringing spending into line with the level of DSG received.

Risk 6 - Treasury Management

The level of interest receipts and return on Treasury Management activities and borrowing costs are subject to market rates. Members are advised of this risk each year and this is mitigated by application of the Council's annual Treasury Management Strategy, which in turn is informed by specialist external advice. However, actual interest returns/costs are determined by a variety of factors largely outside the Council's control.

The capital programme, setting up of the Warwickshire Property and Development Group and the creation of the Warwickshire Recovery and Investment Fund, highlighted in this budget resolution and the accompanying capital budget resolution, have created additional financial risk for the Council from the associated treasury management and investment activity. These risks have been mitigated as far as possible through the governance arrangements that have been put in place, but the risk cannot be completely removed. Collectively the proposals will see a material increase in the Council's borrowing and, alongside the significant use of reserves proposed in the Medium Term Financial Strategy, this will increase the requirement to ensure we have sufficient liquid cash balances to manage our day-to-day activity. A specific £7.5 million commercial risk reserve has been set up to mitigate these risks.

It will mean decision-making will need to take a broader range of financial risk criteria into account than has traditionally been necessary.

Risk 7 – Uncertainty of the National Funding Position

There is uncertainty around the national funding position for local government as a result of the lack of a three-year Comprehensive Spending Review, wider economic uncertainty given the need to agree and work within new EU and international trade agreements. This means we need to have a higher level of general reserves and may face more significant revenue pressures until a multi-year spending review is received.

Risk 8 – Local Government Funding Reform

The 2022/23 provisional Local Government Finance Settlement included a commitment to consult on changes to how the relative need to spend and the level of Government support needed by authorities is calculated in Spring 2022, for implementation for the 2023/24 financial year. This review may result in the level of our government funding increasing or decreasing compared to 2022/23 levels for the remainder of the MTFS. This places greater importance on the need to maintain reserves to manage any volatility and if our losses as a result of the fair funding review are bigger than the 2% assumption in the MTFS there may be a need to identify additional budget reductions in future years.

Risk 9 – Pensions

Given the range of possible changes to the Local Government Pension Scheme, this remains a key risk for the Council, in terms of possible costs arising from any new scheme and the financial consequences of large numbers of staff leaving the scheme.

Risk 10 – Impact on the Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) outlines the significant additional financial challenge to the authority in future years. The indicative future spending allocations and planned reductions deliver a balanced MTFS over the period of the Council Plan with a 1.75% increase in council tax plus 2% of the available adult social care levy in 2022/23 and an 1.99% annual increase in the council tax in future years plus the additional 1% adult social care levy in 2023/24 and 2024/25. Without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable. Given this challenge Members are advised it is important that decisions taken in agreeing the 2022/23 budget do not increase this financial risk. The commitment of Members to meet the financial challenges ahead and take the decisions needed to ensure the finances of the authority remain robust into the future is welcomed.

The budget information used in preparing this budget resolution has undergone extensive scrutiny by:

- *Assistant Directors and their staff;*
- *Staff within the Finance Service; and*
- *Corporate Board.*

In addition to this I have worked closely with members in preparing this budget resolution. In overall terms I am of the view that this revenue budget has been prepared on realistic assumptions in an uncertain environment and that as such it represents a robust, albeit challenging, budget.

I have also undertaken a risk analysis of the adequacy of financial reserves, taking account of the financial risks above. This highlighted the need to retain a minimum of £26.0 million in general reserves in 2022/23. This resolution makes provision for this level of reserves. I am therefore of the view that this budget does provide for an adequate level of reserves."

8. Summary of Service Estimates

- 8.1. Approval be given to the individual service net revenue estimates shown below, which will be finalised for the service estimates to be presented to Cabinet in April 2022 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Education Services	137,782,334	9,084,000	(572,000)	146,294,334
Environment Services	25,235,002	1,194,000	(1,286,000)	25,143,002
Fire and Rescue Service	21,437,143	1,242,000	(43,000)	22,636,143
Strategic Commissioning - Communities	22,205,051	2,901,000	(778,000)	24,328,051
Adult Social Care	157,536,241	14,374,000	(3,519,000)	168,391,241
Children and Families	67,025,880	10,716,000	(521,000)	77,220,880
Strategic Commissioning – People	34,799,376	1,694,000	(313,000)	36,180,376
Business and Customer Services	17,339,861	1,289,000	(540,000)	18,088,861
Commissioning Support Unit	4,751,954	741,000	(44,000)	5,448,954
Enabling Services	24,228,671	3,264,000	(2,055,000)	25,437,671
Finance	5,423,224	182,000	(79,000)	5,526,224
Governance and Policy	2,066,352	1,007,000	(138,000)	2,935,352
Other Services – spending	42,171,269	19,623,000	(356,000)	61,438,269
Other Services - schools and funding	(100,485,044)	0	(158,593,000)	(259,078,044)
	461,517,314	67,311,000	(168,837,000)	359,991,314
<u>Contributions to/(from) reserves:</u>				
- Service Reserves	(442,305)	0	0	(442,305)
- General Reserves	5,000,000	0	(18,597,081)	(13,597,081)
Budget Requirement	466,075,009	67,311,000	(187,434,081)	345,951,928

9. Council Tax Requirement

- 9.1. Approval is given to a council tax requirement and a Band D Council Tax for the County Council for the year ending 31 March 2023 as follows:

	£
Budget Requirement	345,951,928.12
Less Council Tax Surplus on Collection	(2,805,031.88)
Council Tax Requirement for the year ended 31 March 2022	343,146,896.24
Divided by aggregate Council Tax Base for the County Area	215,689.50
Basic Amount of Council Tax (Band D)	1,590.93

10. Council Tax

- 10.1. The council tax for 2022/23 is increasing by 3.75%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,060.6200
Band B	1,237.3900
Band C	1,414.1600
Band D	1,590.9300
Band E	1,944.4700
Band F	2,298.0100
Band G	2,651.5500
Band H	3,181.8600

11. Precepts

- 11.1. The Chief Executive is authorised to issue the 2022/23 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	34,237,465.88
Nuneaton and Bedworth Borough Council	62,377,978.91
Rugby Borough Council	62,817,902.87
Stratford-on-Avon District Council	93,985,796.59
Warwick District Council	89,727,751.99

12. Budget Management

- 12.1. The Chief Executive is directly responsible for the implementation of the budget.
- 12.2. Cabinet will continue to receive quarterly reports on service performance, financial performance and progress on the delivery of the savings plans.
- 12.3. The Chief Executive and Strategic Director for Resources are authorised to vire revenue budgets between Services where such virements are as a direct consequence of the specific spending allocations, delivery of the planned net reductions and funding strategies contained in this resolution and the accompanying capital budget resolution.
- 12.4. The Chief Executive and Strategic Director for Resources, in consultation with the Leader, are authorised to reverse allocations made as part of this budget process where the investment does not progress.
- 12.5. The Chief Executive and Strategic Director for Resources are authorised to draw down from reserves and vire money between reserves where these adjustments are as a direct consequence of the specific spending allocations, delivery of the planned budget reductions and funding strategies contained in this resolution and the accompanying capital budget resolution.
- 12.6. The Chief Executive and Strategic Director for Resources are authorised to make the necessary budget adjustments to fund the new responsibilities given to the County Council during the year, or where responsibility for services transfers out, up to the level of Government funding provided/withdrawn.
- 12.7. The Chief Executive is instructed to remind the Strategic Directors, the Chief Fire Officer and Assistant Directors that budgets must not be overspent and that effective budget management arrangements should be the cornerstone of Services' work to secure value for money.
- 12.8. Services, and also schools, are encouraged to take a medium-term view of spending commitments and ensure a prudent approach is adopted in entering into initiatives which create commitments in future years and developing clear strategies for the utilisation of service reserves.
- 12.9. All member bodies, Members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic

Directors, Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.

- 12.10. Authority is given for all necessary tenders to be obtained and contracts to be completed to give effect to this budget, subject to compliance with Contract Standing Orders, Financial Regulations and the key decision regime.

13. Pay Policy

- 13.1. Section 38 of the Localism Act 2011 requires us, as a local authority to prepare and approve an annual pay policy statement by 31 March, immediately preceding the year to which it relates.
- 13.2. The pay policy statement must set out the authority's policies for the financial year relating to the remuneration of chief officers (which, in the case of the County Council, includes the Chief Executive, Strategic Directors and Assistant Directors) and the remuneration of employees who are not chief officers.
- 13.3. Our pay policy statement that meets these statutory requirements is set out in **Appendix E**. The County Council agrees the application of these remuneration policies for the financial year 2022/23 and authorises the Chief Executive to amend the Pay Policy 2022/23 to reflect the 2021/22 pay award, when agreed.

Permanent Revenue Allocations 2022/23 to 2026/27

APPENDIX A

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Education Service					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	1,063	673	687	700	714
SEND home to school transport - An allocation to meet the demand for home to school transport; thereby ensuring eligible children have a seat to get to and from school.	1,288	1,453	1,400	1,500	-
Provision for children with disabilities - An allocation to continue to support current placements, to meet the expected demand for future placements and to reflect increases in unit costs. This will ensure looked after children are in appropriate specialist places to meet their need.	1,888	605	323	354	378
Mainstream home to school transport - An allocation to reflect increased cost caused by the implementation of Public Sector Vehicle Accessibility Regulations (2020), continued demand for taxi service and medical transport following Covid-19, increases in pupil numbers and the breadth of the network to be covered.	1,500	-	-	-	-
SEND mediation - An allocation to ensure compliance with The School and Early Years Finance (England) Regulations 2020, where the cost of mediation can no longer be charged to the Dedicated Schools Grant.	113	-	-	-	-
SEND Service Review - An allocation to meet the cost of changes to SEND Assessment and Review Service following Ofsted Local Area inspection and implementation of the new service structure.	1,021	123	-	-	-
Education leadership capacity - An allocation to increase the senior leadership capacity in the Education Service.	100	-	-	-	-
Direct payments for children with disabilities - An allocation to continue to support the children and young people with disabilities who already receive a direct payment and to reflect the continuing growth in overall numbers.	-	76	33	35	38
Education sub-total	6,973	2,930	2,443	2,589	1,130

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Environment Services					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	684	209	213	217	222
Vehicle activated signs - An allocation for the repair and preventative maintenance of aging vehicle activated signs.	80	-	-	-	-
Gulley cleansing - An allocation to support the increase in frequency of gulley cleansing, particularly in known flood areas.	200	-	-	-	-
Forestry - An allocation to provide for an increase in capacity in the Forestry Team, including the creation of a tree planting team, to meet the increase in demand and provide resilience to support emerging climate change initiatives and tree planting schemes.	90	90	-	-	-
Coventry, Solihull and Warwickshire Resilience Team - An allocation to meet Warwickshire's share of the cost of the expanded team.	65	-	-	-	-
Transport Delivery - An allocation to implement the recommendation of the SEND Transport Review including a enhanced focus on vehicle inspections, safeguarding, quality assurance and contract management. This investment provides the capacity to deliver the reduced SEND and home to school transport costs included in the options for budget reductions.	75	75	-	-	-
Environment Services Sub-total	1,194	374	213	217	222
Fire and Rescue					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	237	79	80	82	84
Day crew plus fatigue mitigation - An allocation to fund the fatigue risk posed by the day-crewed-plus crewing system. This allocation is part of a change that delivers a saving of £140,000 a year after reflecting for this allocation.	230	-	-	-	-
Fire and Rescue sub-total	467	79	80	82	84

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Strategic Commissioner for Communities					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	791	502	508	514	521
Waste management - An allocation to address the increased waste management costs being incurred as a result of housing and population growth within the county and as set out in the District and Borough Council Local Plans.	300	300	300	300	-
Transport planning capacity - An allocation to provide additional capacity to meet the demand for transport planning and the ability to be able to respond at pace.	207	-	-	-	-
Warwickshire Employment Support Services capacity - An allocation to provide additional resources for the Warwickshire Employment Support Service, focussed on helping young people with SEND to move from education into employment.	150	-	-	-	-
Strategic Commissioner for Communities sub-total	1,448	802	808	814	521
Communities Directorate	10,082	4,185	3,544	3,702	1,957
Adult Social Care					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	8,394	4,857	4,915	4,972	5,030
Care demand - An allocation to meet the cost of increase in demand for adult social care due to population growth, the increased length of support and intensity of care need as a result of increased life expectancy and the estimated reduction in people who can fund their own care over time.	3,680	4,000	4,000	3,800	3,800
Adult Social Care sub-total	12,074	8,857	8,915	8,772	8,830

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Strategic Commissioner for People					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	889	575	586	598	610
Advocacy - An allocation to meet increased costs due to updated legislation and the increase in demand for mental health services post pandemic.	75	-	-	-	-
Fluoridisation - An allocation to meet the increase in fluoridisation cost, due to very restricted market for purchase of chemicals.	70	-	-	-	-
Integrated sexual health service - An allocation to meet the increased cost of the service as a result of retendering and reflecting the increased demand for the service.	500	-	-	-	-
Dementia - An allocation of funding to support the development and implementation of the 'Living well with Dementia' strategy	60	-	-	-	-
Public health - tackling inequalities capacity - An allocation to provide permanent funding critical to the implementation of the Council Plan.	100	-	-	-	-
Public health contract management - An allocation to meet the on-going cost of the new system for the management of public health contracts.	-	60	-	-	-
Strategic Commissioner for People sub-total	1,694	635	586	598	610

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Children and Families					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	1,657	798	814	830	846
Child allowances - An allocation to meet demand increase in use of allowances to extended family members caring for children; thereby supporting children to leave or avoid care.	125	125	191	55	65
Children leaving care supported accommodation - An allocation to fund the increased cost of supported accommodation for those aged 16 plus, particularly care leavers, due to continued increases in the complexity of placements driving cost increases.	589	216	106	112	118
Children's placements (exc. children with disabilities) - An allocation to meet the cost of the impact of fostering/placements framework contracts and changes to the placement mix.	5,666	1,676	930	1,216	1,301
Parent and baby placements - An allocation due to the increasing trend in court orders placing parents with babies in family residential placements.	253	-	-	-	-
Children and Families capacity - An allocation to provide increased capacity in the service to meet the increase in demand and service improvement needs.	1,586	-	-	-	-
Digital support for Care Leavers - An allocation to provide data packages and technical support for care leavers to complement the provision of smart phones, tablets and laptops and to facilitate digital access to job searching, applications and on-line training.	50	50	-	-	-
Warwickshire's Next Generation - Levelling Up - An allocation to provide targeted support for young people to improve mental health and well-being and provide activities that are a distraction from crime/county lines.	590	75	-	-	-
Children and Families sub-total	10,516	2,940	2,041	2,213	2,330
People Directorate	24,284	12,432	11,542	11,583	11,770

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Business and Customer Support					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	164	36	36	37	38
Management of complaints - An allocation to provide the capacity needed to manage stage 2 complaints across the Authority in accordance with the statutory requirements.	60	-	-	-	-
Business support capacity - An allocation to provide capacity to support those services, particularly children, education and adults, responding to increased demand.	175	-	-	-	-
Community Councillor grants - An allocation to increase councillor grants by £2,000 to invest in community powered solutions in communities.	114	-	-	-	-
Business and Customer Support sub-total	513	36	36	37	38
Commissioning Support Unit					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	93	-	-	-	-
Business analyst capacity - An allocation to increase the Authority's business analyst capacity and thereby reduce the use of fixed term contracts and interim staff on a project-by-project basis.	120	-	-	-	-
Climate change programme – An allocation to create a permanent capacity within the organisation to drive forward the development and implementation of the Council's ambition to reach net zero carbon emissions by 2030.	170	100	-	-	-
Consultation and engagement - An allocation to enhance the current consultation and engagement offer, including the Voice of Warwickshire.	-	60	-	-	-
Commissioning Support Unit sub-total	383	160	0	0	0

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Enabling Services					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	455	211	215	220	224
Microsoft licence and cloud costs - An allocation to meet the additional licence and cloud costs as a result of the new approach to the delivery of ICT and to reflect the increased staffing capacity required across the organisation in response to growth in demand.	300	-	-	-	-
Income replacement for the salary sacrifice scheme - An allocation to offset the loss of income due to legislative changes reducing National Insurance savings through the take-up of child care vouchers.	53	-	-	-	-
Enabling Services sub-total	808	211	215	220	224
Finance					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	50	-	-	-	-
Adult Social Care Financial Assessments - An allocation to provide capacity to undertake the increased numbers of social care financial assessments and the collection of income as a consequence of the demographic growth and increased demand in adult social care.	32	-	-	-	-
Finance sub-total	82	0	0	0	0
Governance and Policy					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	49	-	-	-	-
Graduate scheme - An allocation to extend the graduate scheme to provide capacity and capability across all priority outcomes.	167	53	-	-	-
Strategic asset management rightsizing - An allocation to resource Authority's strategic asset management function following the implementation of the service redesign.	521	-	-	-	-
Subject access requests - An allocation to provide sufficient capacity to deliver the Council's statutory responsibilities in relation to subject access requests.	150	-	-	-	-
Governance and Policy sub-total	887	53	0	0	0
Resources Directorate	2,673	460	251	257	262

Description	2022/23 £'000	Indicative Additional Allocation in Future Years			
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Corporate Services					
Inflation - An allocation to meet the cost of net price inflation and the uplift in National Insurance costs from April 2022.	66	78	79	81	83
Insurance - An allocation to meet the additional cost of the Council's insurance as a result of schools moving to a nationally administered scheme.	647	-	-	-	-
Coroner - An allocation to meet the increase in post mortem and area coroner costs (shared with Coventry) and the phased transfer of staff into the Council of coronial related functions.	50	50	95	75	50
Audit fees and valuations - An allocation to meet the increased cost of audit fees and valuations driven by reporting requirements and the complexity of the Council's activities.	161	-	-	-	-
Core IT system replacement fund - An allocation to create a fund that will provide capacity to update and replace the Council's core IT systems on a phased basis.	500	-	-	-	-
DSG deficit offset funding - An allocation to set aside sufficient resources to fund the structural deficit in the DSG High Needs budget.	-	-	-	6,789	-
Capital financing costs - An allocation to meet the additional financing costs resulting from the planned borrowing requirement in the capital programme.	102	408	408	1,208	3,214
Provision for future pay inflation - A provision to meet the cost of future pay awards, to be allocated to Services one awards are approved.	6,666	5,543	3,868	3,950	4,132
Provision for future indicative spending pressures - A provision for future unknown and unquantified spending need to mitigate future potential costs as part of ensuring the Council's services are sustainable over the medium term.	1,000	9,000	9,000	7,500	7,500
Corporate Services sub-total	9,192	15,079	13,450	19,603	14,979
Corporate Services	9,192	15,079	13,450	19,603	14,979
Total Annual Additional Permanent Allocations	46,231	32,156	28,787	35,145	28,968
Total Cumulative Additional Permanent Allocations	46,231	78,387	107,174	142,319	171,287