

2023/24 Revenue Budget Resolution

Recommendations to County Council

The County Council is recommended to plan its budget framework for 2023/24 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, reducing demand through targeted prevention work, adopting more commercial approaches setting financial returns and payback periods for our investments and continuing 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. We are faced with a continuing inflationary risk, interest rate increases and uncertain timing and 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. We continue to see the emergence of long term and societal impacts of the global Pandemic.
- 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 in such a complex and volatile environment.
- 1.7. To ensure the finances of the Council are robust and sustainable we will:
- Directly invest £5.4 million in our children's social care services, including investment of £3.3 million for additional staffing to improve outcomes for young people with the added financial benefit of reducing the costs of care and in particular placement costs;
 - Invest £24.8 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 and the adult social care reform agenda;
 - Invest £1.8 million to continue to support children and young people with disabilities placements and to ensure they can access appropriate support within their communities;
 - Invest £1.5 million to increase capacity in the Special Educational Needs and Disabilities (SEND) assessment and review service, and the admissions and attendance services;
 - Invest £8.2 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

demand and cost of the service, which has been particularly impacted by inflation;

- Invest £0.3 million in support for apprenticeships and reskilling across the county, with an emphasis on reskilling for the changing economy and consistent with the countywide levelling up approach, with proposals to be brought back to Cabinet for approval in April 2023;
- Invest £0.8 million 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;
- Invest £1.2 million to meet the current levels of business and customer support needed in response to the demand pressures in children and families, education and adult social care; and
- Invest £1.2 million in the Waste Management service to meet the increased demand and cost as a result of housing growth and the increased domestic waste generated due to the shift to hybrid/homeworking.

1.8. We will continue to support the delivery of the 2023 business plans of the Warwickshire Property and Development Group and the Warwickshire Recovery and Investment Fund. We will meet the short-term cost of ensuring there is sufficient and effective capacity to manage the financial and commercial risks from these initiatives through the Commercial Risk Reserve in the first instance.

1.9. 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.

1.10. 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 financial sustainability over the medium term. We will continue our current rigorous prioritisation and evaluation processes before funding allocations are confirmed.

1.11. 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 bids 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. We are

particularly keen that bids for this investment specifically address our levelling up priorities, both specific priority places and groups of people across the County.

- 1.12. As a priority, officers are asked to bring forward proposals for a Social Fabric Fund, linked to the countywide approach to Levelling Up and with potential to build more resilient communities and better protect against the cost of living.
- 1.13. Through the use of the Budget Reductions Revolving Fund and the Systems Replacement Fund 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.
- 1.14. We will deliver £15.2 million of budget reductions in 2023/24, increasing to £67.7 million by 2028, through better procurement, improvements in efficiency, increased income and delivering reductions in demand. We all use the services the County Council provides and will ensure they deliver value for money for the taxpayers of Warwickshire.
- 1.15. We acknowledge the need for an increase in local council tax. In the absence of other funding options, we will use the opportunity provided by the Government to levy additional council tax (up to a maximum of 2.99% core council tax plus up to 2% adult social care levy, overall 2% more than previously permitted), to provide resources to fund rising costs and demand for our services. We will take 0.94% of this additional flexibility in 2023/24. In total, this means a 3.94% council tax increase for 2023/24, a 1% increase from the adult social care levy and a 2.94% core council tax increase for all services, but 1.06% below the maximum increase permitted by Government. This is equivalent to an increase of £1.20p per week for a Band D dwelling.

2. Adult Social Care

- 2.1. Adult social care is our highest spending service. In November 2022 the Government increased the amount that local authorities could levy on top of their normal council tax in each of the next two years to 2% in each year, with this additional funding to be ring-fenced for use in adult social care. We planned to take the maximum 1% flexibility then permitted when we set the 2022-27 MTFS in February 2022.

- 2.2. We intend to maintain this position and take a 1% levy for adult social care in 2023/24 and 2024/25, as planned last year. We know that, both locally and nationally, adult social care is a top priority for citizens, but we also recognise that taking the maximum 2% levy would be an additional financial burden given the financial challenges for households across Warwickshire as a result of the rising cost of living.
- 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 2023/24 and the indicative allocations for next year 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 Social Care Grant, Market Sustainability and Improvement Fund and Better Care Fund to continue to work with partners to progress health and social care integration, promote healthier more independent lives for adults receiving care and support, and 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 continue to manage its resources in the most efficient and 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 support, working with communities to build capacity to manage demand. This decision will protect Warwickshire adult services at a time of long life-expectancies, and severe pressures on the wider system of health and social care.

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, which largely relate to Special Educational Needs and Disabilities (SEND). These substantial pressures reflect the national position and systemic issues relating to special needs education.

- 3.3. We will continue to work with schools and the Schools' Forum to identify and implement solutions to help bring the high needs budget back into balance. We will continue to invest in building capacity locally as part of 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 2023 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 SEND and Inclusion Change 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 continues 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 before the statutory override ceases at the end of 2025/26 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 £67.363 million.
- 4.2. We will provide £32.489 million for the estimated cost of pay and price inflation in 2023/24, 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 costs will increase at different rates. 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 £34.874 million to meet additional spending need, of which £12.175 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 2024/25 MTFS refresh.
- 4.5. In addition, we will allocate £5.000 million to increase the Council's transformation funding specifically to support the implementation of the Digital Road Map over the next three years, where our investment in digital technology and automation will drive future cost reductions as a result of the investment made, and to continue with the SEND and Inclusion Change Plan to deliver cost and demand reductions across both the sector and in home to school transport.
- 4.6. We expect Services to manage all other issues in 2023/24 from within existing financial resource levels and support the net planned use of £0.178 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 level 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 £15.158 million in 2023/24 and a further £52.513 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 2023/24 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 £0.221 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 £93.629 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 £80.799 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. 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 2023/24.
- 5.8. We will use £22.692 million of reserves in 2023/24 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 3.94% in 2023/24.** 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 strong track record of delivering savings and this has served us well as we have steered the Authority through challenging financial times. Looking forward we

will be operating in an environment of increased uncertainty – in respect of funding, demand and inflationary pressures - as we strive to deliver on the three priorities and seven areas of focus set out in the Council Plan.

- 6.2. We recognise that changes to the system of local government finance and the increasing movement 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 and the current cost-of-living crisis, 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. Our Integrated Delivery Plan for 2023, which we will approve in April 2023 will set out our rolling two-year programme of deliverables against the strategic ambitions set out in the Council Plan and consistent with the available resources of the authority as set out in this resolution and the accompanying capital resolution.
- 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 2028. After 2023/24 this requires a 1.99% annual increase in the council tax and taking 1% of the flexibility allowed through the adult social care levy in 2024/25. We accept that if future spending needs exceed the indicative levels, further budget reductions will need to be identified and delivered or further increases in council tax agreed 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 ask Corporate Board to proactively consider how the Future Budget Reductions Revolving Fund can be most effectively used 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;
- 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 both the supply and cost of care markets;
- Achieving our climate change target of net zero by 2030 and County net zero by 2050;
- Sustained inflationary pressures and cost of living increases putting pressure on staff costs, recruitment and retention and impacting on service resilience;
- The results (financial and social) from our commercial and investment activities;
- The resources needed to match the increasing demand for SEND provision and to deliver the post Ofsted Written Statement of Action;
- Continued uncertainty about external influences on local government and factors such as Government policies and economic outlook that inform longer term plans;
- Legal, regulatory, information security compliance requirements;
- Staff health and wellbeing due to post-pandemic new ways of working;
- Continuing covid-19 transmissions and infections;
- Sustaining and progressing change to modernise, innovate and take advantage of technology-driven solutions; and
- Our reputation, including our financial reputation from commercial activities locally, nationally and with partners and our community.

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 £33.735 million of reserves, including £22.692 million in 2023/24, 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 2023/24 budget is to remain balanced and be sustainable over time. We will set up a Member Working Group, with the terms of reference to be approved by Cabinet by March 2023, to enhance focus on the demand and cost management of home to school transport and the delivery of the home to school budget reductions included in this resolution. We expect the initial outcomes from this

work to form part of the 2024/25 MTFS refresh. We ask Corporate Board to continue its 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.

- 6.9. We ask that during 2023/24 the Chief Fire Officer develops viable proposals to improve value for money, with any resultant savings options to be considered for inclusion in the budget in future years.
- 6.10. A summary of our MTFS, demonstrating how we plan to balance our spending needs and resources over the medium term is shown in **Appendix E**.

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); and*
- *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 still awaiting a multi-year settlement, the scale of the expenditure reductions required because of rapidly 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 2023/24 budget remains balanced and sustainable into the future. In an environment of high inflation, high and rapidly increasing demand pressures, and severe workforce challenges, delivery of the savings will be more challenging than ever. To mitigate this risk:

- *Key policy changes associated with major savings proposals in 2023/24 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

The Authority continues to face significant inflationary risk as a result of supply/labour shortages and the general economic uncertainty. The direct and indirect impacts on the County Council are uncertain. The inflation provisions in this resolution are based on the Chancellor of the Exchequer’s forecast that inflation will return to the long-term objective of a 2% annual uplift by 2024. If this forecast fall in the rate of inflation does not happen and inflation remains higher for longer there is a risk as to whether it will lead to additional budget pressures in future years.

The Authority, along with the wider public sector is also facing growing difficulties with recruitment and retention as well as demands for higher pay uplifts to keep pace with inflation. The provisions for pay inflation in this resolution are based on a 4% uplift for the next two years and 2% thereafter. If nationally agreed pay settlements are higher than this then there is a risk of additional budget pressures in the future.

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 2023/24 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 £32.5m 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 – Cost-of-Living Risk

The UK is experiencing a period of significant economic challenge, with living costs steadily rising nationally since early 2021. The magnitude of cost-of-living pressures will have significant impacts on the residents, communities and businesses of Warwickshire and are likely to be fluid and changeable in what is a fast-moving environment. The Government has recently made announcements which introduce a package of measures intended to mitigate the impacts of cost-of-living increases. At a local level we are working with partners, as far as we reasonably can within available financial resources, to alleviate the impact of the cost-of-living increases on Warwickshire households and businesses.

At the same time there is a risk that the demand for our services from the most vulnerable in our communities will be greater than the provisions included as part of these budget proposals.

Working with partners, there will be a need to target resource in a way which delivers greatest impact for local residents and businesses and mitigates the risk of increased demand for our services, recognising that we are unlikely to be able to mitigate the impact completely.

To mitigate this risk:

- *The Government’s Household Support Fund will be used to provide direct support to vulnerable households as part of an overall package of £4.5m support;*
- *The cost-of-living microsite will signpost people to the support available;*
- *The cost-of-living actions will be embedded into the refresh of the Integrated Delivery Plan; and*
- *Addressing long-term (existing and new) inequality through the Levelling Up and longer-term strategies with the benefits delivered being a key assessment criterion in the allocation of the Authority’s revenue and capital investment funds.*

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 2023/24. The flexibility to manage this through reserves is reduced as a result of the use of reserves proposed in this resolution.

By the end of 2022/23 directorate risk reserves, equivalent to a maximum of 3% of their net budget (2% for Resources), will be below these maximum levels once the forecast

overspend has been resourced. The flexibility to use these reserves to enable services to manage any in-year overspends without impacting on service delivery is reduced.

The minimum general reserves risk provision includes £4.2m of specific provisions to mitigate the risk of overspending and unforeseen budget pressures impacting on the Authority's financial sustainability, but this risk cannot be removed.

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 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 commercial risk reserve has been set up to mitigate these risks. The current balance is £8.7m.

One of the savings options included in this resolution is to generate £0.5m a year from the discount from paying the Council's contribution to the Warwickshire Pension Fund early or from investing over the longer term. This will use over £100m of our surplus cash balances earlier than planned, reducing our short-term liquidity.

Collectively these approaches will mean decision-making will need to take a broader range of financial risk criteria into account than has previously 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. Government had promised a two-year settlement but, understandably, opted for a single year settlement in recognition of the volatile and uncertain financial landscape, both at national and local level. This lack of long-term certainty and risk of reduced funding from Government 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 2023/24 provisional Local Government Finance Settlement deferred the commitment to consult on changes to how the relative need to spend and the level of Government support needed by authorities is calculated until after the next general election, known generally as the 'Fair Funding Review'. This review may result in the level of our government funding increasing or decreasing compared to 2023/24 levels. This places greater importance on the need to maintain reserves to manage any volatility and there may be a need to identify additional budget reductions in future years.

The 2023/24 provisional Local Government Finance Settlement did include significant levels of additional grant funding for social care. In allocating this funding between authorities the Government took into account the differing capacity of authorities to generate additional council tax income. There is a risk to the Authority's financial sustainability if this approach to allocating funding is extended to other new and existing funding streams.

Risk 9 – On-going Impact 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 as a result of the Pandemic 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 2023/24 budget remains balanced and sustainable into the future.

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 2.94% increase in council tax plus 1% of the available adult social care levy in 2023/24 and a 1.99% annual increase in the council tax in future years plus the additional 1% adult social care levy in 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 2023/24 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 2023/24. 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 2023 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Environment Services	49,359,191	12,256,000	(1,119,000)	60,496,191
Fire and Rescue Service	22,031,435	1,016,000	(50,000)	22,997,435
Strategic Commissioning - Communities	23,419,058	2,017,000	(1,294,000)	24,142,058
Children and Families	78,997,700	5,376,000	(2,814,000)	81,559,700
Education Services	122,581,784	1,386,000	(209,000)	123,758,784
Strategic Commissioning – People	35,486,051	759,000	(551,000)	35,694,051
Social Care and Support	185,966,131	26,098,000	(6,269,000)	205,795,131
Business and Customer Services	19,046,382	1,719,000	(546,000)	20,219,382
Commissioning Support Unit	5,486,800	366,000	(234,000)	5,618,800
Enabling Services	23,818,163	1,408,000	(666,000)	24,560,163
Finance	5,683,072	448,000	(121,000)	6,010,072
Governance and Policy	3,175,913	53,000	(325,000)	2,903,913
Other Services – spending	43,187,293	14,461,000	(960,000)	56,688,293
Other Services - schools and funding	(115,289,971)	0	(174,428,000)	(289,717,971)
	502,949,002	67,363,000	(189,586,000)	380,726,002
<u>Contributions to/(from) reserves:</u>				
- Service Reserves	(178,000)	5,000,000	0	4,822,000
- General Reserves	0	0	(22,691,834)	(22,691,854)
Budget Requirement	502,771,002	72,363,000	(212,277,834)	362,856,168

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 2024 as follows:

	£
Budget Requirement	362,856,168.37
Less Council Tax Surplus on Collection	(221,305.84)
Council Tax Requirement for the year ended 31 March 2023	362,634,862.53
Divided by aggregate Council Tax Base for the County Area	219,304.21
Basic Amount of Council Tax (Band D)	1,653.57

10. Council Tax

- 10.1. The council tax for 2023/24 is increasing by 3.94%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,102.3800
Band B	1,286.1100
Band C	1,469.8400
Band D	1,653.5700
Band E	2,021.0300
Band F	2,388.4900
Band G	2,755.9500
Band H	3,307.1400

11. Precepts

- 11.1. The Chief Executive is authorised to issue the 2023/24 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	36,026,048.48
Nuneaton and Bedworth Borough Council	64,861,117.89
Rugby Borough Council	66,861,524.20
Stratford-on-Avon District Council	99,525,418.41
Warwick District Council	95,360,753.55

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 F**. The County Council agrees the application of these remuneration policies for the financial year 2023/24 and authorises the Chief Executive to amend the Pay Policy 2023/24 to reflect the remaining 2022/23 pay awards, when agreed.