2024/25 Revenue Budget Resolution

Recommendations to County Council

The County Council is recommended to plan its budget framework for 2024/25 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 continue to face as demand for services is 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, Special Educational Needs and Disabilities (SEND), home to school transport 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 technologies and data, reducing demand through targeted prevention activity, 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 an uncertain and rapidly changing economic and political environment. We continue to be dominated by fundamental financial uncertainties and our economic situation remains hugely challenging over both the short and medium term. In addition, global conflict is increasing economic uncertainty. We are faced with continuing inflationary risk and relatively high interest rates, predictions of low levels of economic growth alongside the uncertain timing and impacts of key national policy choices including adult and children's social care reform, SEND, achieving health and social care intervention and the fair funding review of central government support for local authorities. We continue to see the emergence of long-term societal impacts of the global Pandemic and rising demand for our services as households and communities struggle with the impacts of inflation and the rising costs of living. We are also seeing the slowdown in the housing market impacting on our resource levels with uncertain timing as to when it will recover.

1.4. We are confident our approach of ensuring our financial resilience and medium-term financial sustainability, whilst focussing relentlessly on our greatest issues, 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 in a way that undermines our financial sustainability over the medium-term or leaves 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:

- Invest £28.3m 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;
- Directly invest £8.3m in our children's social care services, including investment of £4.9m for the increased cost and demand for children's placements and £2.0m for the cost of emergency provision until our own children's homes are fully operational;

- Invest £8.9m 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 and the growth in the number of pupils with special educational needs and disabilities (SEND); and
- Invest £1.2m to meet the increased support services capacity needed in response to the demand pressures in children and families, education and adult social care.

1.8. We will continue to support the delivery of the 2024 business plans of the Warwickshire Property and Development Group and the Warwickshire 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. 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 the long-term issues of growing demand for the services' we provide to vulnerable residents and the structural failures in the market for these services. Our Investment Funds will be refocused to support this activity with evidence-based decision-making through which we are looking to maximise impact without detriment to our medium-term financial sustainability. We will continue our current rigorous prioritisation and evaluation processes before funding allocations are confirmed.

1.10. Through the use of the Budget Reductions Revolving Fund, the Systems Replacement Fund and the funding allocated for the Digital Roadmap 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.

1.11. We will deliver £16.2m of budget reductions in 2024/25, increasing to £64.0m by 2029, 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.

1.12. We acknowledge the need for an increase in local council tax, which now amounts to 65% of our budget, excluding Dedicated Schools Grant, and is necessary to fund statutory duties in the main demand driven service areas like social care and home to school transport. In the absence of other funding options, we will use the opportunity provided by the Government to levy additional council tax of 4.99% (2.99% core council tax plus up to 2% adult social care levy), to provide resources to fund rising costs and demand for our services. This is equivalent to an increase of £1.59p per week for a Band D dwelling.

2. Adult Social Care

2.1. Adult social care is our highest spending service. In December 2023 the Government confirmed that local authorities could levy 2% on top of their normal council tax in 2024/25, with this additional funding to be ring-fenced for use in adult social care. We planned to take 1% of this flexibility when we set the 2023-28 MTFS in February 2023.

2.2. However, the increase in demand and cost pressures we have faced since February 2023 means we have no choice but to take the full 2% levy in 2024/25. We know that, both locally and nationally, adult social care is a top priority for citizens; we also recognise that taking the maximum 2% levy is an additional financial burden given the financial challenges for households across Warwickshire as a result of the rising cost of living. We would not be making this choice if there was an alternative that would still ensure we were able to deliver an adult social care service that meets our statutory responsibilities.

2.3. The budget being recommended provides for £28.3m demand and cost pressures in adult social care, triple the level assumed in February 2023 and means we will increase the resources available to deliver adult social care by at least the amount raised from the levy. 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, Discharge Grant, Market Sustainability and Improvement Fund and Improved 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 and ensure we make the most effective use of resources through our approach to the commissioning and procurement of services. This decision will protect Warwickshire's adult social care services at a time when the population is ageing, and there are 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 delivered 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 SEND represents a fundamental risk to the MTFS. We welcome the decision of the Secretary of State to approve the use of 0.5% of the DSG funding for schools to top up the funding for high needs services in 2024/25, although this only has a marginal impact on the funding gap for SEND services. In addition to this we will continue with the approach adopted in recent years and set aside £18m of one-off funding to match the forecast high needs deficit. Together we expect this funding to mean the Authority does not have to take advantage of the statutory override to carry the cumulative deficit forward to be sorted out in future years in 2024/25.

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 towards balance. We will step-up our capital programme to invest in building capacity locally as part of our wider SEND transformation programme and require a report to be bought to Cabinet at the earliest opportunity that set out these plans.

3.4. However, we recognise that a robust and sustainable solution does not lie wholly at a local level. The magnitude of the numbers means that managing the impact of the SEND forecast deficit on the overall financial sustainability of the Council's finances will be unaffordable beyond 2024/25. Additional Government funding or fundamental system reform is required. Working with others across local government we will continue to actively pursue opportunities to highlight the national systemic change needed before the statutory override ceases at the end of 2025/26, requiring a sustainable solution to be put 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 £82.943m.

4.2. We will provide £31.869m for the estimated cost of pay and price inflation in 2024/25, 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 £51.074m to meet additional spending need, of which £23.422m 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 2025/26 MTFS refresh.

4.5. We expect Services to manage all other issues in 2024/25 from within existing financial resource levels and support the net planned use of £4.439m 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 Executive 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 Executive 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 Medium Term Financial Strategy and to develop the pipeline of further budget reductions.

5.4. Our plan for budget reductions will generate savings of £16.177m in 2024/25 and a further £47.868m 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 2024/25 any of the budget reductions do not materialise to the degree shown, the Director in conjunction with their Executive Director and Portfolio Holder should identify alternative proposals to ensure the required reductions in expenditure are delivered. We will report on this as part of quarterly monitoring reports to Cabinet.

5.5. We will use £0.360m of reserves to fund the deficit on previous years' council tax collection.

5.6. We will use the £118.490m 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 £90.709m 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 Executive Director for Resources is authorised to make an adjustment to the Business Rates Volatility Reserve during 2024/25.

5.8. We will use £15.699m of reserves in 2024/25 to fund time-limited costs and budget allocations.

5.9. **The council tax will increase by 4.99% in 2024/25, comprising 2.99% core council tax and 2% adult social care levy**. 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. Whilst this approach is more challenging than budgeting over a shorter period, it provides the lead time to manage change effectively over the medium-term. 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 challenges, 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 Council Delivery Plan for 2023, which we will approve in April 2024 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 2029. After 2024/25 this requires a 2.99% annual increase in the council tax, assuming future referendum limits are set at a level that permits this. 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. We require services to focus on the preventative agenda to better meet need and 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:

- slow economic growth and an increase in inequalities across communities;
- a mismatch between demand and resources;
- being unable to keep children and vulnerable adults safe;
- a lack of movement towards Sustainable Futures;
- the failure to meet operational requirements;
- an insufficiently skilled and experienced workforce; and
- a successful cyber-attack.

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 broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £20.310m of reserves, including £15.699m in 2024/25. 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, the level of cost and demand pressures has meant this has become more difficult during 2023/24. By the end of 2024/25 we will have used £67.443m of reserves over the last three years. Using this level of reserves on an annual basis is not sustainable. We will set up a Budget Delivery Oversight Group to work with Corporate Bord to oversee budget performance and the delivery of savings to ensure the Council delivers against its budget in 2024/25 and, where there are areas of concern, any necessary corrective action is put in place at the earliest opportunity.

6.9. As a priority, officers are asked to review and, if appropriate redesign our provision of support for bus services, early years/early help services to ensure the most effective use of resources for the long-term.

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. Executive Director for Resources: Statement

7.1. The following statement from the Executive 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 external auditors have assessed the Council positively in terms of its financial sustainability and governance concluding the Council is performing strongly in terms of its financial planning and management with good processes in place for the monitoring of risks, ensuring standards, behaviour and effective decision-making. This strong financial track record provides a robust starting point from within which the 2024/25 budget and MTFS has been developed.

However, the Council has seen material overspends forecast in 2023/24 as demand and cost increases outstrip the allocations made in the budget set in February 2023. As a result the 2024/25 budget and MTFS refresh has to incorporate the medium-term implications of this position in an environment which continues to be dominated by fundamental financial uncertainties arising from the current, significant inflationary pressures (labour, supplies and services) arising from a number of factors, not least the war in Ukraine and shortages of labour and low predicted levels of economic growth, with consequent impacts on both the cost of services the Council delivers and rising demand for services as households and communities struggle with the impacts of inflation and the rising cost of living.

The key assumptions for the 2024/25 budget and MTFS in this resolution are:

- *a 4.99% council tax increase in 2024/25 and a planning assumption of a 2.99% annual increase in future years;*
- *a 1.65% increase in the council tax taxbase for the first three years of the MTFS, increasing to 1.75% for the last two years;*
- *cash flat government grants for the period of the MTFS;*
- *a 2% annual uplift in income from business rates, with a flat taxbase;*

- *a 2% provision for general pay and price inflation each year (4% for pay in 2024/25) plus additional specific inflationary increases for services above this where known, totalling £89.9m over the five years of the MTFS;*
- *provision for specific spending pressures of £94.0m plus £34.0m for future unknown or unquantified spending need;*
- *a programme of budget reductions totalling £64.0m to be delivered in the next five years; and*
- *the use of £20.3m reserves.*

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

- *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.

That said, the uncertainties of the economic environment 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 2024/25 budget remains balanced and sustainable into the future. In an environment of high inflation, high and rapidly increasing demand pressures, and significant workforce challenges, delivery of the savings will remain extremely challenging. To mitigate this risk:

- *Key policy changes associated with major savings proposals in 2024/25 have been identified;*
- *Directors, Executive 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, with proposals for a new Budget Oversight Delivery Group being introduced to provide additional scrutiny of the delivery of the budget;*
- *If the planned budget reductions are not delivered, Directors, Executive 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 now return to the long-term objective of a 2% annual uplift by the end of 2025. If this forecast fall in the rate of inflation does not happen and inflation remains higher for longer, or specific inflation on local authority costs persists 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 and to deal with a shortage of skilled labour. The provisions for pay inflation in this resolution are based on a 4% uplift in 2024/25 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 2024/25 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 £2.3m provision for the risk of inflation, in addition to the £31.9m inflationary allocations to service budgets;*
- *Capital maintenance allocations are no longer strictly cash limited but have been uprated for inflation for the next three years; 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 – Dedicated Schools Grant Deficits

Like the majority of upper tier councils, there is a material and serious financial risk to the Authority as a result of the underfunding of SEND services. Local authorities are not 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 in 2024/25, 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.

However, the underlying financial position is deteriorating as demand increases. There continues to be a growing structural deficit in the High Needs DSG, with the accumulated deficit forecast to be £52m by the end of 2024/25. The Authority has been working with the Department for Education (DfE) as part of their "Delivering Best Value" in SEND programme with authorities across the country to identify options for bringing about the required change to delivering statutory duties within allocated resources.

The outputs from this work conclude that the proposed interventions, if successfully delivered, are unlikely to fully remove the structural deficit. They will not generate sufficient underspends to repay the accumulated deficit, which will continue to grow even if all recommendations are successfully implemented. The key proposed intervention will require significant capital investment in the expansion of resource provision in mainstream schools which, in turn, will increase pressure on the Council's scarce capital resources. A sustainable national solution is required, which addresses accumulated as well as in-year deficits.

The Government has put in place a statutory override until March 2026 that means that authorities do not have to make good their accumulated deficit until this point. However, unless there are material levels of additional resources provided by the Government and fundamental system changes at a national level, it is not affordable for the Authority to make provision for the deficit beyond 2024/25 at this point in time. The financial assumption in this budget is that the Authority will take advantage of the statutory override from April 2025 onwards and commit to implementing the options available to make good the accumulated deficit (such as taking out additional borrowing or raising the council tax) when the statutory override is lifted. Without the way froward to a financially sustainable solution being clear this represents a step change in the Authority's underlying financial risk and sustainability.

Risk 4 – School Place Planning and the Affordability of the Capital Programme
The Authority will need to provide over 3,000 new school places within the next five years. This creates two critical risks – ensuring the capacity across the Authority to effectively plan and deliver school places in a timely way and then funding the required investment.

The investment to deliver sufficient school places cannot be delivered within the government grant and developer contributions that have traditionally – and rightly - been used to fund these rather than them falling to council taxpayers. These additional school places will need to be funded by increasing the Council's debt and/or prioritising this investment relative to the Authority's plans to invest to grow Warwickshire's economy.

The plans set out in the accompanying 2024/25 capital budget resolution seeking proposals to bring forward programmes of work to ensure the sufficiency of school places and resource provision to meet need across Warwickshire will help in ensuring the risk is met in a planned way. Nevertheless, the need to deliver the required school places in the absence of sufficient external funding will adversely impact on investment plans to meet the Council's ambitions in other services and require additional borrowing, with the consequent additional capital financing costs, to be included in future MTFS refreshes.

Risk 5 - 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 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, the Warwickshire Property and Development Group and the Warwickshire 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 £8.9m.

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. Further detail on how we do this is set out in Appendix B to the 2024/25 capital budget resolution.

Risk 6 – Uncertainty about the national policy direction

There are significant uncertainties around Government policy in terms of the delayed Fair Funding review for local government, funding reforms for both business rates and Council Tax, the future of the major reforms to the funding of adult social care, the long-term sustainability of SEND and support for children and families in light of the continued growth in demand and the broken market, the Government's Net Zero strategy and planning reform.

The uncertainty about the delayed adult social care reforms, and associated funding, is especially material; initial work on the reforms suggested a potentially material and unaffordable financial risk to councils arising from the Fair Cost of Care exercise and changes to the care cap and means test, reflecting the findings of numerous national studies.

With a General Election due to take place within the next 12 months the level of uncertainty is unlikely to reduce in the short term, making it ever more important that the Council's financial plans are such that it can respond flexibly as any future direction of travel becomes clearer.

Risk 7 – Uncertainty of the National Funding Position

There is uncertainty around the national funding position for local government, with another one-year Settlement for 2024/25 as we move towards a General Election. The 2023 Autumn Statement included no additional funding for Local Government. Overall public spending will increase by 1.0% in real terms over the medium term, which implies real-terms cuts for unprotected pubic services, such as local government. The OBR forecasts that for unprotected service areas, spending will fall by between 2.3% and 4.1% in real terms each year from 2025/26.

This lack of long-term certainty and risk of reduced funding from Government means we need to maintain a higher level of general reserves and may face more significant revenue and service pressures until a multi-year spending review is received.

Risk 8 – Funding Reform

The 2024/25 provisional Local Government Finance Settlement again 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 2024/25 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 2024/25 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 – Council Tax

The Office of Budget Responsibility's forecast, published alongside the Autumn Statement 2023, is for the 2.99% core council tax uplift plus a 2% adult social care levy for each year of the MTFS period. The Government's position is that any referendum limits beyond 2024/25 will be a matter for the new Government after the General Election which will take place no later than January 2025. It is therefore a risk-based choice for any local authority to use some/all of the potential headroom from a higher council tax increase in 2025/26 and beyond.

Officers have set out for Members to what extent Members could choose to use some of the potential (but unconfirmed) future council tax flexibility and still approve a budget and MTFS that is both balanced and sustainable but does not increase financial risk to beyond what is prudent.

This resolution is within the framework for taking advantage of the potential future council tax flexibility set out. It does not rely on any of this potential future flexibility in setting a balanced budget for 2024/25. It also recognises that if the council tax flexibility in future years does not emerge there will be a need to identify additional budget reductions. Therefore whilst the future council tax assumptions in this resolution are sustainable, the risk that the potential flexibility will not emerge cannot be fully mitigated.

Risk 10 – Council Tax Taxbase
The impact of inflation, high interest rates and cost of living pressures continues to create downward pressure on both the affordability of housing and the pace of construction of new homes. For the last two years the council tax taxbase, at 1.65%, has been lower than the historic long-term trend of an annual increase nearer 2%.

This resolution recognises the uncertainty about how quickly the pace of housing growth will recover. The MTFS is built on the rate of housing growth remaining at 1.65% for the next three years before increasing to 1.75% for the last two years of the MTFS. These assumptions are subject to review as part of the annual MTFS refresh but provide for a robust, prudent and sustainable basis for financial planning at this time.

Risk 11 – Demand Growth Risk
The Council continues to face growth in demand for services, particularly care services, at a faster rate than the general pace of demographic change. Whilst the assumptions unpinning the demand-led allocations in this resolution for 2024/25 and the level of provision for demand growth over the remaining four years of the MTFS are based on the latest available information, whether they are sufficient remains a risk. This risk is compounded by 36% of the savings plan being linked to demand management, primarily in adult social care. Arrangements will need to be put in place to monitor the rate of growth in demand relative to the assumptions made and whether any upwards variation can be accommodated within the £34m set aside in the MTFS for future unknown and unquantified spending pressures. If demand growth in excess of this provision does occur, and in the absence of long-term reform of the funding of adult social care, there will be a need to consider further budget reductions and/or future increases in council tax above the 2.99% planning assumption in future years, if permitted.

Risk 12 – Workforce Risk
The Council is faced with a growing workforce risk, similar to the position being experienced by other local authorities. There is a shortage of supply, particularly in some key service areas including social care, planning and finance. This is compounded by evidence that pay

levels are becoming a growing issue with working for the Council no longer seen as a long-term career, the movement of staff to work through agencies and short-term potentially unsustainable incentives offered by other authorities to attract staff. There is a risk that the Council will not have the capacity to deliver the plans set out in this resolution or will not be able to afford the changes that will improve its position in the recruitment market.

Risk 13 – Impact on the Medium Term Financial Strategy
The 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 2.99% increase in council tax plus 2% adult social care levy in 2024/25 and a 2.99% annual increase in the council tax in future years. 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 2024/25 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.

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 2024/25, in addition to the £169.7m held to manage specific risks and support the delivery of the Council Plan. 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 2024 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Children and Families	82,432,685	8,251,000	(3,342,000)	87,341,685
Education	153,127,258	576,000	(20,000)	153,683,258
Economy and Place	22,777,924	792,000	(174,000)	23,395,924
Environment, Planning and Transport	61,411,133	12,127,000	(1,133,000)	72,405,133
Fire and Rescue	25,097,885	128,000	(71,000)	25,154,885
Strategic Infrastructure and Climate Change	1,451,000	55,000	0	1,506,000
Strategic Commissioning for People	36,286,454	534,000	(381,000)	36,439,454
Social Care and Support	205,151,318	26,047,000	(6,216,000)	224,982,318
Enabling Services	26,404,458	2,308,000	(775,000)	27,937,458
Finance	15,760,801	441,000	(348,000)	15,853,801
Strategy, Planning and Governance	5,736,924	447,000	(106,000)	6,077,924
Workforce and Local Services	10,544,482	321,000	(32,000)	10,833,482
Corporate Services – spending	38,452,058	30,916,000	(3,579,000)	65,789,058
Corporate Services - schools and funding	(144,277,029)	0	(209,199,000)	(353,476,029)
	540,357,351	**82,943,000**	**(225,376,000)**	**397,924,351**
Contributions to/(from) reserves:				
- Earmarked Reserves	4,439,305	0	0	4,439,305
- General Reserves	0	0	(15,699,464)	(15,699,464)
Budget Requirement	**544,796,656**	**82,943,000**	**(241,075,464)**	**386,664,192**

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 2025 as follows:

	£
Budget Requirement	386,664,191.95
Less Council Tax Deficit on Collection	359,765.15
Council Tax Requirement for the year ended 31 March 2025	**387,023,957.10**
Divided by aggregate Council Tax Base for the County Area	222,915.67
Basic Amount of Council Tax (Band D)	**1,736.19**

10. Council Tax

10.1. The council tax for 2024/25 is increasing by 4.99%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,157.4600
Band B	1,350.3700
Band C	1,543.2800
Band D	1,736.1900
Band E	2,122.0100
Band F	2,507.8300
Band G	2,893.6500
Band H	3,472.3800

11. Precepts

11.1. The Chief Executive is authorised to issue the 2024/25 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	37,968,843.28
Nuneaton and Bedworth Borough Council	69,596,565.10
Rugby Borough Council	71,141,965.18
Stratford-on-Avon District Council	107,130,093.47
Warwick District Council	101,186,490.07

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 Executive 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 Executive 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 Executive 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 Executive Director for Resources are authorised to make the necessary budget adjustments to fund 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 Executive Directors, the Chief Fire Officer and 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, Executive Directors, Chief Fire Officer and 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, Executive Directors, Chief Fire Officer and 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 2024/25 and authorises the Chief Executive to amend the Pay Policy 2024/25 to reflect any outstanding pay awards, when agreed.