

Cabinet

10 April 2025

Service Estimates 2025/26

Recommendations

It is recommended that Cabinet:

- 1) Approve the detailed revenue budget, savings plan, and capital programme for each of the Authority's services set out in Appendices A to N;
- 2) Approve the adjustments to service revenue budgets following the realignment of budgets within and between directorates since the budget was set on 6 February 2025, as outlined in Section 3 and Appendix O;
- 3) Note that the Public Health savings have been amended since Council on 6 February by £0.289m (per Para 3.6) as a result of Public Health Grant being greater than anticipated; and
- 4) Note that the libraries savings have been amended since Council on 6 February by £0.150m (per Para 3.5) as a result of additional Business Rates funding.

1. Purpose of the Report

- 1.1. The County Council is responsible for providing a wide range of services which involve spending significant amounts of both revenue and capital funds. To help ensure these funds are used effectively, financial responsibilities are delegated to the most appropriate level.
- 1.2. The Council budget setting meeting on the 6 February 2025 agreed the financial plan for the authority for 2025/26, as well as approving the five-year Medium Term Financial Strategy. The purpose of this report is to seek agreement, at a more granular level, as to how each Service plans to use the resources allocated in 2025/26 to meet the ambitions of the Council Plan.
- 1.3. It is important that Members retain an overview of the Council's financial plans and ensure that resources are used as intended when the Council's overall budget was approved on 6 February 2025. It is also important, to provide effective financial governance, that Members understand and support any changes made to the budget during the year. Therefore, this report also asks Members to approve the changes to allocations for services since the budget was agreed, as a result of organisational changes within the Authority and additional resources confirmed following approval of the Council's 2025/26 budget.

- 1.4. The figures in the subsequent sections of this report will form the basis for financial monitoring throughout the forthcoming financial year. Should any further adjustments be necessary, they will be reported as part of the quarterly financial monitoring reports to Cabinet.
- 1.5. It is important to note the significant financial pressures experienced during 2024/25, primarily affecting Special Educational Needs and Disabilities, Home to School Transport, Children and Families, and Social Care and Support. These have impacted all upper tier councils and are likely to impact the Council's financial position during 2025/26 and increase the need for agility in financial management during the year.
- 1.6. Dedicated Schools Grant High Needs Block funding is a growing and extremely significant risk to the financial sustainability of Warwickshire County Council as the DSG High Needs Deficit continues to rise and in the absence of a national resolution to the statutory override which is currently due to cease in March 2026. Government has committed to set out plans for reforming the SEND system in further detail later this year, including how the government will support local authorities to deal with their historic and accruing deficits and any transition period.
- 1.7. The 2024/25 in-year deficit is now forecast at £48.245m which is an increase of £3.028m since Q3, giving a forecast cumulative High Needs DSG deficit of £87.733m at the end of this financial year. Financial projections per the 2025-30 MTFS anticipate further rapid increases to the in-year deficit in 2025/26, growing to £64.0m (73.6% higher than the 2025/26 High Needs Block DSG Grant allocation) giving a forecast cumulative deficit by 31 March 2026 (the currently scheduled end of the DSG Statutory Override) of £151.733m. In the absence of a national resolution to DSG deficits, with such a rapid growth in the deficit, like most other upper tier councils, removal of the statutory override without mitigation would likely result in a S114 notice in 2026/27. This is a national situation beyond the control of the council and is the result of underfunding of national policy decisions.
- 1.8. This is a failure of successive governments to deal with known risks which have continued to escalate each year. A recent report from the County Councils Network found that if the override ends in March next year, 18 county and unitary councils would be insolvent overnight with a further six following in 2027.

2. Service Budgets

- 2.1. Table 1 provides a summary of the available resources to each Service and the budget reduction each Service is required to deliver in 2025/26. The planned net revenue budget of the Council in 2025/26 is £420.658m. This is net of the £79.166m budget reductions (savings plans) required for the overall budget to remain balanced.

Table 1: Summary of 2025/26 Spending Power and Savings Plans by Service

Appendix	Service	Net Revenue Budget	Savings Plan (part of Net Revenue Budget)	Capital Budget
		2025-26 £m	All Years £m	All Years £m
	Children & Young People	127.703	-10.285	73.047
A	Children & Families	115.601	-9.951	0.960
B1	Education Services – Non-DSG	12.102	-0.334	72.087
	Communities	133.189	-9.867	304.397
C	Economy & Transport	61.385	-5.993	21.129
D	Highways	19.622	-1.184	248.684
E	Fire & Rescue Service	27.362	-0.509	1.003
F	Infrastructure, Planning & Climate Change	24.819	-2.181	33.581
	Social Care & Health	285.360	-51.055	0.091
G	Health & Care Commissioning	7.965	-1.948	0.091
H	Social Care & Support	250.705	-47.849	-
I	Public Health	26.690	-1.258	-
	Resources	57.305	-4.742	64.199
J	Enabling Services	29.605	-3.103	64.199
K	Finance	9.504	-0.856	-
L	Strategy, Planning & Governance	6.511	-0.401	-
M	Workforce & Local Services	11.685	-0.382	-
	Corporate	- 182.899	-3.217	238.839
B2 & N	Corporate Services and Resourcing	- 182.899	-3.217	238.839
	Total	420.658	-79.166	680.573

- 2.2. The planned capital spend for the 2025/26 year is £272.064m. This includes £9.141m of Capital Investment Fund resource available for allocation to specific schemes in 2025/26, in line with the priorities as set out in the Capital budget resolution. The capital budget also includes £40.366m in the Capital Maintenance programme. In addition, there is £34.992m for capital lending relating to the Warwickshire Property and Development Group (WPDG) and the Warwickshire Investment Fund (WIF).
- 2.3. A more detailed breakdown of the net revenue spend (direct cost less income), capital programme and savings plan for each Service is shown in **Appendices A to N**.

3. Adjustments between Council and Service Estimates

3.1. This section sets out the changes to the Authority's revenue and capital spending plans for 2025/26 since the budget was approved on 6 February 2025 and are recommended by Corporate Board.

Revenue

3.2. The Council's planned 2025/26 net revenue budget has increased compared to the budget approved by Council on the 6 February 2025.

3.3. When the budget was set in February, final Public Health grant and Business Rates income figures were unknown and reflected estimates. Having now received confirmation of more favourable actuals, the Council has reconsidered some savings plans in the Medium-Term Financial Strategy approved at Council earlier this month in light of public concerns.

3.4. The Council announced on 19 February 2025 that, because of updated estimates for its Public Health grants and Business Rates income, it intended to remove the library and certain public health savings from its budget and invest more in preventative activity. The main changes proposed include:

- Removal from the MTFS of the £50k saving from reviewing Sunday opening hours, due to take effect from 2026/27. There will be no changes to Sunday opening hours.
- Removal from the MTFS of the £100k saving from a targeted expansion of the Community Managed Library network due to take effect from 2027/28.
- Additional budget allocations and savings plans removal from the Public Health service (see paragraph 3.6).

3.5. The Public Health Grant for 2025/26 was announced at an additional £1.374m above the corporate estimate at the time the Council agreed the budget for 2025/26. This arose as a result of general increases in PH grants. Approval is sought to use the funding in the following ways:

- Reduce or remove Public Health MTFS savings - £0.200m Wellbeing for Warwickshire in 2026/27 and £0.089m Domestic Abuse of which £0.050m is for provision of independent sexual violence advice in 2027/28 and £0.039m for outreach work in 2028/29.
- Fund Agenda for Change costs for 2025/26 – using 2024/25 formula this is estimated to be £0.374m.
- Increase the budget available for NHS Health Checks by £0.093m to enable delivery to be at the level of the national average.
- Inflate Public Health contracts, applying standardised criteria, fully aligned to prescribed functions and service prioritisation work - £0.618m.

- 3.6. Of the additional £4.655m of business rates income confirmed following the budget, £1.760m of this is non-recurring and it is considered prudent to add this to the NNDR volatility reserve ahead of the Government's anticipated Business Rates Reset in 2026/27 which is likely to have a negative impact on this Council. The remaining additional business rates income of £2.895m, less libraries savings adjustments, will be held corporately in the 2025/26 budget as a provision to mitigate any emerging unknown pressures over and above the £2.5m provision agreed by Full Council in February.
- 3.7. An additional £0.371m has been allocated the Communities Directorate for the Recycling Credits element of the new Extended Producer Responsibility grant, which is required to be passed to the District and Borough Councils. This additional pressure in the 2025/26 Revenue Budget will be funded from increased business rates income confirmed following Full Council setting the budget.
- 3.8. The other adjustments to Service budgets since February 2025 are to reflect the realignment of responsibilities as a result of the organisational changes, the most significant being the Business Support restructure in addition to a restructure within the Communities Directorate. Other minor adjustments were made for the funded element of National Insurance and for the Apprenticeship levy; these amendments allocated funding and savings respectively to services. All of these adjustments are between Services and do not impact on the overall net revenue budget. The changes are listed in **Appendix O**, by Service.

Capital

- 3.9. A review of the capital programme budget phasing for 2025/26 will start following finalisation of the 2024/25 capital outturn position. Any rephasing will not create an increase in the overall capital programme. In terms of financing, any rephasing of spend into later years will also defer when the Authority needs to take out additional borrowing.
- 3.10. Any schemes with no forecast spend in 2025-26 onwards at Quarter 3 2024-25 were not shown in the future capital programme, because based on forecast data it was believed they would be complete. These typically pertain to minor residual expenses associated with nearly finished projects.
- 3.11. **Appendix O** shows the impact of the ongoing organisational redesign on the allocation of capital budget across Services. These adjustments are between Services and do not impact on the net bottom line of the capital programme.

4. Type of Spend

- 4.1. Our spending on services funded from council tax (including the Adult Social Care precept), business rates, and reserves in 2025/26 is planned to be £515.4m. However, this is a net figure that reflects £342.9m of income. Of this, £169.8m is from government grants, with the remaining £173.1m mainly from other grants and contributions, fees and charges, and interest. The table

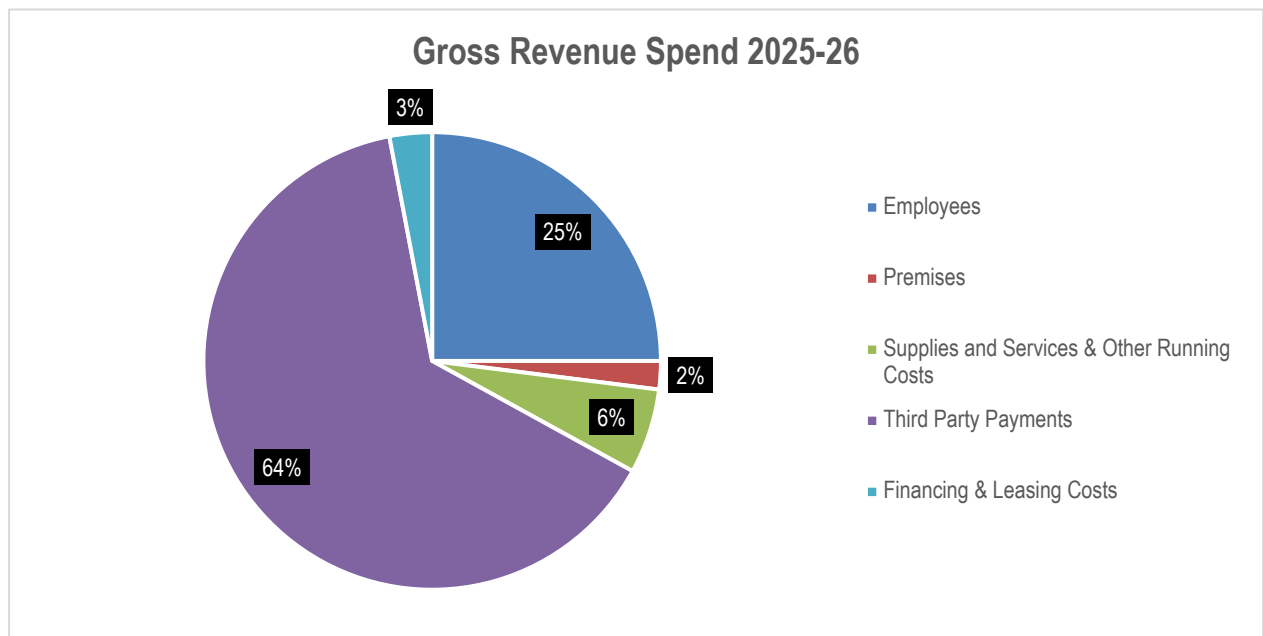
below shows how the Net Revenue Budget in Table 1 relates to the planned spending on services:

Table 2: Reconciliation of Net Revenue Budget to Spending on Services

	£m
Council Tax income	413.3
Deficit on the Collection Fund	1.6
Use of Reserves	5.8
Adjustments to Reserves as recommended by this report	0.0
Net Revenue Budget as per Table 1	420.7
Business Rates income	94.7
Spending on Services funded from corporate resources	515.4

- 4.2. The planned gross revenue expenditure of the Authority on services in 2025/26 is therefore £858.4m. This compares to a gross spend figure of £794.4m in 2024/25. The main reasons for the increase of £64.0m is the inflation and additional spending pressures allocated to services in the February budget and reflects the increased demand for our services. Some of the increase in expenditure is offset by specific grants, contributions and fees accounted for within the individual service budgets.
- 4.3. Chart 1 shows a breakdown of the gross revenue budget by type of expenditure (excluding schools and internal income and charging). It shows that 64% of the Authority's planned spend on services is commissioned from third parties, which is 3% higher than last year and shows the continued increase in spend on externally commissioned services, specifically in the cost of adults and children's social care and support, Home to School Transport and Special Education Needs and Disabilities where provision is commissioned externally. At the same time the proportion of spend on employee costs, supplies and services, have reduced.

Chart 1: Subjective Analysis of Gross Revenue Spend



4.4. Table 2 shows the change in the type of expenditure budgeted between 2024/25 and 2025/26.

Table 2: How spending has changed by % of gross budget

Expenditure type	2024/25 %	2025/26 %
Employees	28	25
Premises	2	2
Supplies and Services and Other Running Costs	8	6
Third Party Payments	61	64
Financing and Leasing Costs	1	3
Total	100	100

5. Financial Implications

5.1. There are no direct financial implications for the Authority arising from the report. It provides the baseline from which financial performance in 2025/26 will be monitored and assessed.

6. Environmental Implications

6.1. None arising directly from this report.

7. Background Papers

7.1. None.

8. Appendices

Appendix A	Children & Families
Appendix B1	Education Services – DSG
Appendix B2	Education Services – Non- DSG
Appendix C	Economy & Transport
Appendix D	Highways
Appendix E	Fire & Rescue Service
Appendix F	Infrastructure, Planning & Environment
Appendix G	Health & Care Commissioning
Appendix H	Social Care & Support
Appendix I	Public Health
Appendix J	Enabling Services
Appendix K	Finance
Appendix L	Strategy, Planning & Governance
Appendix M	Workforce & Local Services
Appendix N	Corporate Services and Resourcing
Appendix O	Adjustments between Council and Service Estimates

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No Elected Members have been consulted in the preparation of this report.