The Chartered Institute of
Public Finance & Accountancy

Worcestershire County Council

External Assurance Review

May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Any questions arising from this submission should be directed to:

John O’Halloran

CIPFA
77 Mansell Street
London
E1 8AN

Tel: +44 (0)20 7543 5600
Email: john.o’halloran@cipfa.org

Contents

1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

Worcestershire County Council faces severe and escalating financial pressure driven primarily by demand in adult and children's social care, and Home to School Transport (HTST). Despite savings, one-off mitigations and an 8.98% Council Tax increase, the council entered 2026-27 with a budget gap of nearly £60 million. The council received in-principle Exceptional Financial Support of £59.933 million for 2026-27 from the Ministry of Housing, Communities and Local Government without which the council could not have set a balanced budget.

The council faces increasing demand and cost pressures in both children's social care and adult social care placements. These pressures are not temporary and are consistent with national trends across upper tier authorities. The council has repeatedly been unable to deliver planned savings at the scale required to set a balanced budget in both 2025/26 and 2026/27, resulting in a widening structural deficit and increasing reliance on reserves to maintain financial stability.

A major transformation programme is essential to deliver the scale of savings required and secure long-term financial stability ahead of Local Government Reorganisation (LGR). The Transformation Plan approved by Cabinet in May 2026 is a three-year programme aligned to the Local Government Reorganisation timetable. As the majority of cashable benefits are not delivered until 2027-28, the plan does not close the structural deficit, and the Council does not anticipate being able to exit Exceptional Financial Support before 2028 at the earliest. The strength of the council's financial management function presents a mixed picture. While its reporting arrangements are transparent, timely and well explained, the authority continues to struggle with the fundamentals of financial sustainability. The council has strengthened its monitoring processes and provides clear narrative explanations of pressures and mitigations, yet these improvements have not translated into effective control of demand-led budgets or the consistent delivery of planned savings.

At a corporate level, senior officers recognise the seriousness of the financial challenge and the need for a more disciplined, corporate approach. The introduction of the new TechnologyOne finance system is seen as a critical enabler of stronger controls and improved decision making, although its benefits will only materialise if accompanied by strengthened financial discipline across services. Governance structures are in place to oversee and assure the delivery of the council's transformation programme, including a Corporate Transformation Board and regular reporting to Audit & Governance Committee, but these structures are not yet matched by consistently strong practice. Internal audit continues to rate the council's governance, risk management and internal control environment as "needs improvement", albeit with signs of gradual progress towards the lower end of "satisfactory".

Financial sustainability is the most significant area of concern. The Medium-Term Financial Plan shows a rapidly widening budget gap, rising to over £100 million by 2028-29, with continued reliance on Exceptional Financial Support. The Dedicated Schools Grant (DSG) deficit is forecast to reach £437 million by 2027-28, while the council assumes that 90% of this deficit can be met by the anticipated High Needs Stability Grant, the remaining £43.7 million will fall directly to the council once the statutory override ends.

Reserves are now at critically low levels, leaving the authority exposed to even modest in-year shocks. The General Reserve is held at £22.8 million and represents around 4.6% of the net budget. While the minimum prudent level of reserves is a matter of local judgement for the CFO, in line with CIPFA's LAAP guidance, reserves at this very low level leave the council with minimal resilience to absorb financial shocks, manage in-year pressures, or respond to emerging risks without immediate corrective action.

Borrowing requirements and the Capital Financing Requirement (CFR) are rising sharply, driven by both the capital programme and the need to cashflow the DSG deficit, creating a challenging affordability environment.

Children's Services and Adult Social Care continue to face significant and structural financial pressures, driven by sustained high demand and rising placement and care costs. Although Children's Services is operating with elevated numbers of Children Looked After, the rate of 88 per 10,000 population remains below the national average and significantly below the regional average. This sits alongside increasing front-door activity, with referral volumes now averaging around 5,000 contacts per quarter. Placement costs continue to escalate, contributing to a £10 million overspend, and the growing DSG deficit represents a significant long-term financial risk for the authority. Adult social care has seen overspends more than double in-year to a projected £12.4 million in 2025-26, driven largely by supported living and bed-based care, despite strong operational practice.

Across both services, the council lacks a fully costed, medium-term transformation plan linking demand, service redesign, and financial sustainability.

The initial contact and referral pathways has been recently redesigned in line with new legislation, with the council implementing the Families First Partnership Model. Worcestershire is one of only two local authorities in the region to adopt this model universally, and the Department for Education has formally commended the council's approach. Several recommendations within this report relating to the expansion of preventative practice and the reduction of Children Looked After numbers align directly with this model. In addition, wider service redesign is progressing through the development of Multi-Agency Protection Teams, with a clear remit to prevent escalation and avoid entry into care wherever possible.

Immediate priorities include: reducing CLA numbers, strengthening placement and sufficiency strategy, improving SEND data and forecasting, tightening oversight of high-cost packages, and accelerating a cross-council transformation programme.

The council's Transformation Plan (approved by Cabinet in May 2026) is intended to stabilise the financial position and prepare for Local Government Reorganisation, but the scale of savings identified, £20–25 million over two years, is small relative to the structural pressures facing the authority. Delivery confidence is weakened by limited organisational capacity, competing demands from LGR, and the risks associated with organisational change. Without significant acceleration in savings delivery and strengthened demand management, the council is unlikely to exit EFS within current planning assumptions.

Procurement and commissioning arrangements show pockets of good practice, including compliant tendering and market engagement, but weaknesses persist in the enforcement of procurement thresholds, tail spend, and spot purchasing. Procurement capacity and analytical capability are underdeveloped, limiting the council's ability to drive value from contracts.

Political tensions in Worcestershire have created a fragile environment for financial recovery, with past disagreements over council tax, savings, and service redesign contributing to a lack of unified political direction. Although there is now broader cross-party recognition of the seriousness of the financial position, this consensus is thin and could easily weaken as more difficult transformation decisions come forward. The risk is that political instability slows or dilutes essential reforms, undermines the credibility of the recovery plan, and ultimately increases the likelihood of prolonged reliance on Exceptional Financial Support.

The review found that the council has strong reporting but inconsistent delivery, sound structures but inconsistent practice, and clear strategic intent but insufficient capacity and discipline to deliver the scale of change required. Without strengthened governance, accelerated transformation, and decisive political leadership, the council faces a material and escalating risk to long-term financial sustainability.

Addendum – July 2026

Since completion of this Assurance Review, MHCLG has formally announced the Local Government Reorganisation (LGR) model for Worcestershire, confirming the creation of two new unitary councils across the county and the abolition of the County Council from April 2028. This represents a significant change to the future operating and financial landscape, with implications for governance, service configuration, transformation capacity, and risk exposure. While the analysis and recommendations within this report remain valid, the LGR announcement introduces additional uncertainties that may influence the scale, timing, and prioritisation of the risks identified.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key Risks	Risk Rating	Recommendations (Including Timeline)
On the quality of financial management and processes		
1. If risk management and performance management are not strengthened, the council faces material exposure across financial control, transformation delivery, governance, culture and assurance. This poses a significant threat to financial sustainability. Without strong performance management under-performance goes unchallenged and non-compliance with controls becomes normalised.	9	**1.** Strengthen accountability for risk and performance ownership, so that there are clear lines of responsibility and accountability, under performance triggers intervention, non-compliance with controls and reporting has consequences and ensure that directorates cannot bypass corporate processes. **By October 2026**
2. A lack of time-bound milestones on the External Audit tracker weakens assurance and slows delivery.	4	**2.** Strengthen the Action Tracker for the External Audit recommendations, showing planned steps, RAG status, dependencies and next-quarter priorities. This will improve visibility, strengthen accountability, and ensure that actions linked to auditor recommendations are delivered at pace. **By October 2026**
3. Organisational capacity is limited, and deliverability is dependent upon external support. The largest areas of savings require significant organisational redesign, workforce movement, and cultural alignment.	9	**3.** Ensure that the Transformation Programme includes an assessment of the capacity and capability across the key departments including Finance, HR and ICT, to manage change without negatively affecting key service delivery. **By October 2026**
4. Further transformation is required in the finance function, but unless the changes in the function are managed effectively it could undermine financial management and reporting at a critical time for the council	6	4. The changes in the finance function should include: i) Moving to a more strategic, proactive Senior Finance Business Partner operating model to ensure that Finance is embedded across the organisation to shape operational decisions, aligning finance with demand, commissioning and transformation. ii) Ensuring that the Finance Training Charter is used effectively to strengthen capacity in key finance roles as part of the transformation of the finance function. iii) Protecting the core finance functions that provide business as usual activities to prevent any deterioration in reporting and forecasting during periods of system and structural change.

		By December 2026
5. The introduction of a new finance system increases short-term operational and financial risk until it is fully embedded across the organisation.	**6**	**5.** Sequence the implementation of the new finance system to avoid peak periods of demand (Budgeting / Year End), whilst protecting BAU activities (forecasting, budget management, savings assurance). **By As soon as possible**
6. Weaknesses in the financial management framework could allow critical failures in governance, risk management, and financial discipline to go undetected until they materialise as significant overspends or trigger the need for further Exceptional Financial Support.	**6**	**6**. Undertake a Financial Management self-assessment to help strengthen the links between financial reporting and performance data and enable better informed decisions and create an action plan to identify improvements required. **By December 2026**
7. The council's risk-scanning approach is still developing and relies heavily on internal audit and service-led activity. There is a significant risk that emerging issues will not be detected early enough to inform timely mitigation.	**6**	**7.** Introduce a more systematic and forward-looking approach to risk scanning including thematic scans, trend analysis, and early-warning indicators drawn from finance, performance, workforce and external horizon scanning to strengthen the council's ability to spot emerging risks earlier and act before issues escalate. **By December 2026**
8. The Section 25 Report does not provide a consolidated, quantified assessment of the council's financial risks.	**6**	**8.** With continued reliance on EFS, the 2027-28 Section 25 Report should include a more explicit risk analysis that provides clearer assurance on the effectiveness of the risk management arrangements and an assessment of the impact of continued overspends. **By December 2026**
On financial sustainability and risk		
9. Without early and pro-active intervention, the risk of service overspends in adults and children services is likely to continue in 2026-27, particularly where growth and inflation increase beyond forecast levels.	**9**	**9.** Strengthen monthly forecasting discipline, with earlier escalation of emerging pressures for high-volatility budgets (particularly adults & children's services, SEND and, home to school transport, which overspent in 2024-25 and underspent in 205-26). **By October 2026**
10. The council will continue to incur additional cash flow and borrowing implications due to the historic DSG deficit. Even with the government's commitment to cover 90% of historic deficits, risks remain in relation to the transition until April 2028. The 90% write-off will still leave the council with a debt of £43.7 million. There is currently no plan as to how this additional debt will be funded.	**9**	**10.** The council should set out a plan to show how it intends to cover the costs of the historic and future DSG deficits showing any impact on reserves or future borrowing requirements. **By December 2026**
11. The Transformation Plan is ambitious but still lacks detailed, costed delivery plans, creating a significant risk that the scale and timing of savings, particularly	**9**	**11.** There is an urgent need to accelerate the development of fully costed, timebound savings plans with clear ownership, delivery milestones and

across adults, children's and SEND, will not be achieved, prolonging reliance on Exceptional Financial Support and weakening long-term financial sustainability. Until detailed, costed and deliverable proposals are finalised, there is a significant risk that the required level of savings will not be achieved at pace or scale, creating a continued reliance on EFS and increased Council Tax above capped levels (5%).		risk-rated trajectories, supported by strengthened programme management and monthly reporting to ensure grip, pace and early intervention. The Plan should include sensitivity analysis showing the impact of 10%, 25% and 50% under delivery of savings, providing a clear contingency plan if savings slip beyond FY27-28. **By October 2026**
12. External risks could disrupt plans to exit the need for EFS in future unless suitable contingencies are in place	**6**	**12.** A clear and credible EFS Exit Plan should be produced that demonstrates: i) how the council will achieve a sustainable financial position and eliminate the need for EFS within an agreed timeframe, including a contingency plan if the timetable for LGR is delayed. ii) the use of Earmarked Reserves is limited to genuine one-off pressures and that there are clear exit strategies for any business cases requiring the use of reserves. ii) the longer-term need to strengthen the General Reserve and rebuild earmarked reserves is an integral part of the Exit Plan. **By December 2026**
13. If the level of capital receipts reduces, or slips, additional borrowing will be required, adding further costs to the revenue budget, thereby reducing budget flexibility and deepening structural deficits.	**6**	**13A.** Produce a high-value asset disposal programme, prioritising assets with the greatest receipt potential and lowest operational impact, to minimise the amount of borrowing required to fund current and any future capitalisation. **By December 2026** **13B.** Undertake a self-assessment of the Treasury Management team to identify any training gaps. **By March 2027**
14. The capital receipts tracker provides operational visibility and tracks workflow stages but could be improved through greater 'probability weighting' of asset disposals to help strengthen MTFS assumptions.	**4**	**14.** Transform the capital receipts tracker into a strategic financial reporting tool so that it is integrated into the MTFS. **By December 2026**
15. Planned capital schemes will continue to add significant additional borrowing costs to the council's budget, reducing flexibility in the revenue budget as debt servicing grows. Any deviations from the planned capital programme could raise the risk of future revenue implications due to deferred maintenance and asset deterioration.	**6**	**15.** The council should ensure that operational and financial risks from removing or deferring schemes from the capital programme are explicit and fully analysed within any reports or decisions. **By December 2026**

16. There are areas of risk linked to the current MRP policy, such as the utilisation of a weighted average asset life of up to 50 years for MRP on some assets and the decision not to apply MRP over a 20 year period to some equity acquisitions, that warrant further detailed assessment.	**4**	**16.** A review of the MRP policy should be undertaken to ensure full compliance and that a prudent approach is being taken. **By March 2027**
On service reform, delivery and transformation		
17. Children's services and adult social care both face significant and structural financial issues. Despite substantial budget increases, these have tended to be reactive—covering overspends and inflation—rather than based on a fully modelled, sustainable medium-term plan, creating an ongoing risk of financial instability across both service areas.	**9**	**17A.** Strengthen placement strategy and market management - The council should implement a clear sufficiency and placement strategy aimed at: i) Reducing reliance on high-cost external residential provision ii) Increasing in-house fostering capacity iii) Improving purchasing approaches, including consideration of regional collaboration. **By November 2026** **17B.** Ensuring fewer children need to enter care, through earlier and more effective support, should be established as the primary priority **By December 2026**
18. Children's services has strong governance and finance engagement, and a clear strategic focus on prevention (Families First) to reduce demand. However, the impact of this approach is uncertain and will take time to materialise, meaning it does not address immediate financial pressures.	**6**	**18A.** Embed robust evaluation of prevention (Families First) - The Families First model should be supported by a clear performance framework that: i) Tracks impact on demand reduction. ii) Evidences outcomes for children and families. iii) Quantifies financial benefits and cost avoidance. **18B.** Strengthen SEND financial planning and delivery **-** The council should strengthen its approach to SEND by: i) Improving data quality, reliability and system use (including ContrOCC) ii) Developing robust demand and cost forecasting iii) Align transformation delivery with financial outcomes, with defined savings targets and formal accountability for implementation iv) Ensuring regular reporting to a formal governance body overseeing DSG recovery **18C.** Strengthen partnership working **-** The council should prioritise improving strategic relationships, particularly with the Integrated Care Board, to ensure more effective joint working on demand management and SEND delivery. **Currently in Progress**
19. Overall, while there is clear strategic intent and improving grip, children's	**6**	**19.** Develop a sustainable, fully costed transformation plan for children's

services does not yet have a fully integrated, financially robust plan linking transformation, demand reduction, and budget sustainability.		services**.** The council should develop a comprehensive medium-term transformation plan that integrates demand modelling, service redesign and financial forecasting. This plan should move beyond reactive budget-setting and clearly articulate how financial sustainability will be achieved over time. **By As soon as possible**
20. Overall, while adult social care in Worcestershire demonstrates alignment with many areas of good practice, the scale and trajectory of cost pressures, particularly within supported living and bed-based care, require a more urgent and coordinated response.	**6**	**20A.** Rebalance care for older people towards community-based provision - The council should actively rebalance service provision away from residential and nursing care toward domiciliary and community-based alternatives, in order to: i) Improve outcomes for individuals ii) Reduce overall system costs **20B.** Strengthen management of supported living provision - The council should review and refine its supported living strategy to ensure: i) Appropriate targeting of provision for those with greatest need ii) Tighter cost control and benchmarking iii) Improved value for money across placements **By March 2027 and then ongoing.**
21. There are plans to develop a transformation programme spanning both adult social care and children's services commissioning; however, there is a clear need to accelerate the design and delivery of this programme. This should include strong corporate oversight, robust governance arrangements, and clear performance and financial tracking.	**9**	**21A.** Accelerate the development and delivery of a comprehensive transformation programme. The council should urgently accelerate the design and implementation of a comprehensive transformation programme across adult social care, ensuring: i) Strong corporate oversight ii) Clear programme governance c) Alignment to financial recovery objectives **21B.** Improve transition planning for young people. A more robust approach to transition planning should be implemented to ensure: i) Appropriate and sustainable packages of care ii) Early intervention to prevent high-cost placements iii) Closer alignment between children's and adult services **21C.** Introduce enhanced oversight of high-cost care packages **-** The council should implement systematic oversight of high-cost care packages, including: i) Regular review and challenge processes ii) Identification of opportunities for alternative provision iii) Strengthened financial scrutiny

		21D. Reassess day service demand and delivery model **-** The increase in demand for day services should be reviewed to: i) Understand underlying drivers (including changes in Direct Payments) ii) Ensure services are delivered in the most cost-effective way iii) Consider alternative models where appropriate **Ongoing through to March 2027**
22. Delivery of efficiencies must be actively managed, with services held to account for implementation.	6	**22.** Strengthen financial grip and in-year cost control - The council should implement tighter in-year financial controls, including: i) Enhanced budget monitoring ii) Earlier intervention on emerging overspends iii) Clear accountability for budget holders. **By November 2026**
23. Mandatory corporate sign-off for all significant spend is not consistent, limiting strategic oversight and increasing financial risk.	6	**23.** Strengthen the procurement framework to set out clear mandatory corporate sign-off and compliance rules for all significant spend with escalation routes for breaches. **By December 2026**
24. Tail-spend remains high, reducing commercial leverage.	6	**24.** Deliver a targeted programme to introduce spend analytics to identify contract consolidation, improved commissioning to reduce the reliance on spot purchasing and to reduce the number of low-value, non-compliant transactions. **By March 2027**
25. Capacity within the procurement team is a risk to the extent and pace of procurement savings.	6	**25.** Produce a Procurement Improvement Plan to strengthen the team's ability to support the transformation plan and LGR to deliver further cashable and efficiency savings, through contract consolidation, commercial negotiation and commissioning services. **By December 2026**
On governance, culture and leadership		
26. There is a risk that the organisation cannot deliver the required savings due to cultural resistance, siloed working, and a belief that most savings have already been exhausted. Perceptions that statutory services are “untouchable” and that LGR will deliver the real savings further weaken delivery momentum.	9	**26.** Implement a corporate transformation mandate that sets clear expectations, enforces delivery discipline, and creates a unified organisational approach to transformational change and savings, ensuring that: i) All services contribute to savings ii) Cultural resistance is addressed head-on iii) Statutory services are no longer seen as off limits iv) LGR does not become an excuse for inaction

		v) Corporate governance drives pace, consistency and accountability. **By December 2026**
27. Failure to update the Corporate Plan would leave the council without a coherent, enforceable framework to drive the scale of transformation required.	**6**	**27.** Update the Corporate Plan to place financial sustainability at its core. The plan must integrate transformational change, financial recovery, workforce, and service redesign into one corporate programme, setting out the council's readiness for LGR. **By October 2026**
28. The council may lack the capacity, capability and governance strength to deliver transformation and LGR concurrently, leading to delays, weakened assurance, and failure to achieve required financial outcomes.	**6**	**28**. Produce an updated workforce strategy that identifies critical roles, skills gaps and capacity requirements, with the right people, structures and oversight to deliver transformation savings while preparing effectively for LGR. **By October 2026**
29. With no party with overall control and signs of political tensions, a change in the Leader of the Council and new Cabinet members could affect the deliverability of the transformation plan.	**9**	**29.** Formalise a cross-party engagement mechanism, establishing a standing Cross-Party Leaders' Forum, focused specifically on budget setting, savings delivery, financial recovery planning, local government reorganisation and devolution issues. This forum should heighten transparency and improve shared ownership of major decisions. **By October 2026**
30. Due to changes in the Cabinet composition, there is a risk that elected members will lack a clear and current understanding of the council's financial position and external economic pressures.	**6**	**30.** Organise updated member training to raise and increase awareness of the current financial position and the impact of wider financial and economic conditions affecting the council's plans. **By December 2026**

2. Introduction

2.1 Background

Worcestershire County Council (WCC) is the upper tier local authority responsible for delivering county-wide services across Worcestershire, including adult and children's social care, education and special educational needs and disabilities (SEND), highways and transport, public health, and strategic economic and environmental functions.

The councils operating context is shaped by two interrelated factors: a significant and ongoing financial challenge, particularly within demand led services, and a fragmented political landscape.

The political composition of the council is diverse, with representation from Reform UK, the Conservative Party, the Green Party, the Liberal Democrats, the Labour Party, and Independent councillors. Reform UK is the largest political group but fell short of an outright majority, leading to the formation of a Reform UK minority administration. The minority nature of the administration means that governance relies heavily on negotiation, committee scrutiny, and political balance requiring the administration to secure cross-party support to pass key policy and budgetary decisions.

This fragmentation has led to several consequences:

- Reduced decision making certainty, particularly on contentious financial or service reconfiguration proposals.
- Increased procedural challenge, including amendments, call-ins, and scrutiny referrals.
- Heightened political tension, as electoral volatility has brought together members with sharply divergent political styles, priorities, and levels of local government experience.

The political tensions were highlighted during the period of the review when the Reform UK group ousted their Group Leader and Leader of the Council. Following a Full Council meeting in May, the Reform group lost overall control of the council and was replaced by and independent alliance formed between the Conservatives, Green Party, Independents and Liberal Democrats. This was followed by the news that the national Conservative party had suspended the Tory group leader saying the alliance should not go ahead. This political instability risks delaying transformational change and raises further concerns as to the leaderships ability to deliver the necessary structural reform.

The council received £33.64 million of EFS for 2025–26 and secured central government agreement to exceed the usual referendum principles in setting its Council Tax for 2026-27. This approval, combined with the council's 8.9% Council Tax increase, reduced the level of capitalisation support required for 2026–27 to £59.933 million, down from the original £71.9 million application. The Medium-Term Financial Plan shows a widening budget gap of £84.495 million in 2027-28, rising to £109.070 million by 2028-29. Even with the savings identified so far, the council will still require further EFS support to set a balanced budget and avoid issuing a Section 114 notice.

2.2 Requirement

As a result of receiving Exceptional Financial Support (EFS), MHCLG will be seeking some deeper assurance around the plans included in the business case for the 2026-7 financial year. In line with that expectation, CIPFA adopted the approach of looking to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

The details of the requirement, the four key themes of the investigation and the approach that was followed are described in Annex 1.

3 Areas Reviewed

3.1 Review Area 1: Quality of financial management and financial processes

Worcestershire has made clear progress in financial transparency, monitoring and governance, with timely reporting, improved narrative explanations, stronger senior leadership grip and an emerging transformation framework. But significant weaknesses remain in delivering savings, controlling demand-led budgets and securing long-term financial sustainability. Persistent overspends in adults' and children's services, an increasing DSG deficit and reliance on Exceptional Financial Support highlight a continuing structural imbalance between demand, resources and savings capacity. While governance, audit and risk arrangements are improving and a new finance system (TechnologyOne) is expected to strengthen controls and efficiency, financial discipline, risk management and performance oversight are not yet consistently embedded across the organisation. Savings delivery has not kept pace with the scale of the budget gap, transformation plans lack fully costed, deliverable milestones, and finance capacity is stretched by system change, transformation and business-as-usual pressures, meaning that despite visible improvement momentum, the council still faces a challenging journey to achieve sustainable financial recovery.

The following sections outline the basis of this assessment in more depth.

a) The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

Key findings and analysis

Worcestershire's financial management and reporting show strengths in monitoring and transparency, but there are clear weaknesses in delivering savings, controlling demand-led budgets and maintaining long-term sustainability. There is evidence of transparent and timely financial reporting, and the council identifies pressures early and reports them clearly through its monitoring cycle. Narrative reporting is strong, with clear explanations of overspends, risks, and mitigations. The council has introduced several reactive controls and some early-intervention-style actions, but these appear to be having insufficient impact and are not yet at the scale needed to prevent recurrent overspends in adults and children's services.

At a corporate level, the Chief Officer Group acknowledges the scale of the financial challenge and the Transformation Plan explicitly recognises past failures and the need for a corporate approach to deliver financial sustainability. The finance leadership recognises the structural deficit, demand pressures, and the need for corporate discipline and finance officers are engaged in the Transformation Plan and understand the need for benefits realisation and risk management.

The review found that the council has improved its financial management and reporting and is in the process of implementing a new financial system to help improve and tighten spending controls measures. The 'Technology One' system is due to go Live in July, with the original implementation date put back to avoid any delays in closing the accounts. The introduction of this new system is seen as an enabler towards improved financial reporting, stronger financial controls and automated processes that will deliver significant efficiencies and strengthen decision making. The success of this system is seen as a critical factor in supporting the transformation of financial services and supporting the wider transformation changes required across the organisation.

Governance structures are in place with the Audit & Governance Committee receiving regular updates. A Corporate Transformation Board has been established and will provide a single point of accountability for savings delivery. A cabinet lead member has been appointed with responsibility for Transformation. Financial controls relating to procurement, budget monitoring and virement rules are well documented and appear to be understood. However, there are examples where the procurement process is being bypassed with high levels of tail spend and more work is required to enforce financial regulations.

The Chief Internal Auditor has previously assessed the organisational need for improvement within the frameworks of its Governance, Risk Management and Internal Control. Progress is visible, with the introduction of a new risk assessment system and risk registers being updated and reported to the Assurance and Governance Committee. Senior officers have highlighted the improvements within the governance framework including greater openness and transparency and strong financial leadership, with the CFO taking a 'no nonsense' approach in tackling the financial challenges. There appears to be a greater corporate awareness of risk, with senior leaders and elected members now recognising the seriousness of the financial deficit and the importance of the transformation plan.

The Chief Internal Auditor's annual assessment indicates that the organisation has now progressed into the lower end of 'satisfactory', and this improvement will be reflected in his annual report. The audit reports are reported to the Audit and Governance committee by exception and for the year it was deemed that there were no reports that had a level of risk that required to be reported.

Whilst there have been some improvements identified, the internal control environment and risk management framework are not yet consistently strong or embedded across the organisation and therefore requires improvement to help support financial recovery and transformation. It was not evident that KPI's are being used consistently to drive decision making and under performance does not effectively trigger intervention. Despite the improvements made there needs to be a strong corporate approach so that risk and performance ownership is strongly enforced and explicitly linked to delivery expectations.

The internal audit reports reviewed set out significant challenges regarding governance, albeit the picture has been one of the assurance rating heading in the right direction more recently. The Internal Auditor reported to the December 2025 Audit and Governance Committee that 'the overall opinion is that of an improving corporate governance picture.' The rating was still as 'needs improvement' but it was looking as if it was moving towards the bottom of 'satisfactory'. The Internal Auditor anticipates that the organisation will be at the lower end of satisfactory assurance in the final year end internal audit report. However, the council still has a substantial journey ahead—embedding consistent governance practice, strengthening controls, and ensuring improvements are sustained—to move the overall opinion firmly into the satisfactory range.
Audit Committee challenge and engagement could be better. We were advised that action was under way to appoint 2 independent members by May's 2026 committee to strengthen this governance further.

A statutory recommendation was issued in respect of the council's financial sustainability, requiring urgent action to address the increasing Dedicated Schools Grant (DSG) deficit and to develop, with partners, a deficit management plan to reduce the deficit over time. The recommendation emphasised the need for regular reporting of progress against key actions to a clearly designated forum capable of holding officers to account for delivery.

External audit raised some significant issues including issuing one statutory recommendation for the council to urgently address its increasing DSG deficit and to agree a deficit management plan. The responses to the recommendations are being monitored in a statutory and key improvement recommendations action tracker which is reported to the Audit and Governance committee.

The external auditor also issued key recommendations to urgently implement the savings and transformation plan to address the significant budget gap and to reduce reliance on EFS, making it clear that the scale of savings being proposed has not been in line with the need to deliver a balanced financial position and is very explicit about the urgency of this situation.

The below table provides an example of the tracking of the key recommendations and the level of reporting to the Audit and Governance Committee.

KR1: The Council needs to work at pace to address its significant budget pressures and reduce reliance on EFS and its very limited reserves and agree a reserves replenishment plan.					
Status	**Action**	**Progress**	**Due Date**	**Assigned To**	**Managed By**
In Progress	Following approve of the budget for 2026/27 and Medium-Term Financial Plan on the 26 February 2026 which included an 8.98% council tax rise which is critical to the council's financial sustainability. Given the low level of savings achieved and agreed by Elected Members, the Senior Leadership Team have been working with PWC to ensure the council have a Transformation Plan. This business case sets out the rationale, approach, and anticipated benefits for the proposed Corporate Transformation and Local Government Reorganisation (LGR) Implementation Programme for Worcestershire County Council. The plan integrates urgent measures to restore financial sustainability with strategic transformation, leveraging LGR as a once in a lifetime opportunity to reset the council's operating model.		Ongoing	Strategic Leadership Team	Chief Executive / Chief Financial Officer

The main recommendations in the tracker do not have a due date listed, with most due dates are listed as "ongoing" and it is not clear what the planned steps were and whether they are on track. Stronger monitoring of actions would set out the risks and key actions for the next reporting quarter, that would strengthen accountability. Greater clarity is required relating to the Action Update and progress being made. The actions should be tied to SMART milestones to ensure these important recommendations are delivered.

Interviews have evidenced that the council has struggled to deliver savings at pace and scale. That combined with documentary evidence in this section suggests that although steps of needed action are underway, delivering the required results to meet the auditor recommendations at pace and scale remains challenging as the moment.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
1. If risk management and performance management are not strengthened, the council faces material exposure across	9	**1.** Strengthen accountability for risk and performance ownership, so that there are clear lines of responsibility and

financial control, transformation delivery, governance, culture and assurance. This poses a significant threat to financial sustainability. Without strong performance management under-performance goes unchallenged and non-compliance with controls becomes normalised.		accountability, under performance triggers intervention, non-compliance with controls and reporting has consequences and ensure that directorates cannot bypass corporate processes. **By October 2026**
2. A lack of time-bound milestones on the External Audit tracker weakens assurance and slows delivery.	**4**	**2.** Strengthen the Action Tracker for the External Audit recommendations, showing planned steps, RAG status, dependencies and next-quarter priorities. This will improve visibility, strengthen accountability, and ensure that actions linked to auditor recommendations are delivered at pace. **By October 2026**

b) *The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.*

Key findings and analysis

The finance function operates a Finance Business Partner approach, with finance leads working with directorates to help shape budgets, gain a better understanding of demand, cost pressures and saving opportunities. Finance is represented and provides input to numerous boards, including the Recruitment Control Board, Commercial Board, Capital Board and Scrutiny Panels. However, the Business Partner approach does not yet appear to be fully embedded across all services and is not yet delivering the level of strategic grip that is required. A strengthened Business Partner approach would help to improve demand management, reduce the risk of overspends, strengthen financial forecasting and help to accelerate the delivery of savings.

Although there is financial representation at the Control Boards, they appear to be working in silos with no corporate mechanism linking demand, commissioning, workforce planning, savings delivery and financial forecasting.

A Finance Training Charter has recently been introduced with a commitment to train and develop staff to further strengthen the quality of financial services. The proposed changes affecting the finance function within the Transformation Plan creates additional risks around capacity and delivery assurance. Introducing these structural and process changes during transformation increases the risk of reduced oversight and delayed reporting which could lead to unreported overspends and/or saving failures.

Capacity within the Finance Team is a concern with resources being required to support both BAU activities as well as transformation, including:

- budget monitoring
- forecasting
- savings tracking
- transition to a new finance system
- transformation support
- LGR readiness
- audit and assurance
- capital programme pressures

Demand modelling, scenario planning, sensitivity analysis and benefits realisation needs to be strengthened within business cases and transformation plans, placing a further burden on existing resources.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
3. Organisational capacity is limited, and deliverability is dependent upon external support. The largest areas of savings require significant organisational redesign, workforce movement, and cultural alignment.	9	**3.** Ensure that the Transformation Programme includes an assessment of the capacity and capability across the key departments including Finance, HR and ICT, to manage change without negatively affecting key service delivery. **By October 2026**
4. Further transformation is required in the finance function, but unless the changes in the function are managed effectively it could undermine financial management and reporting at a critical time for the council	6	**4.** The changes in the finance function should include: i) Moving to a more strategic, proactive Senior Finance Business Partner operating model to ensure that Finance is embedded across the organisation to shape operational decisions, aligning finance with demand, commissioning and transformation. ii) Ensuring that the Finance Training Charter is used effectively to strengthen capacity in key finance roles as part of the transformation of the finance function. iii) Protecting the core finance functions that provide business as usual activities to prevent any deterioration in reporting and forecasting during periods of system and structural change. **By December 2026**
5. The introduction of a new finance system increases short-term operational and financial risk until it is fully embedded across the organisation.	6	**5.** Sequence the implementation of the new finance system to avoid peak periods of demand (Budgeting / Year End), whilst protecting BAU activities (forecasting, budget management, savings assurance). **By As soon as possible**
6. Weaknesses in the financial management framework could allow critical failures in governance, risk management, and financial discipline to go undetected until they materialise as significant overspends or trigger the need for further Exceptional Financial Support.	6	**6.** Undertake a Financial Management self-assessment to help strengthen the links between financial reporting and performance data and enable better informed decisions and create an action plan to identify improvements required. **By December 2026**

c) The local authority's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

Financial risks are routinely identified through established monitoring and reporting processes, but the council's approach to risk scanning and assurance remains underdeveloped, with limited early-warning capability and insufficient assessment of the likelihood of continued overspends, meaning current arrangements do not yet provide the level of robustness required given the scale of the financial challenge.

Financial risks are identified through monthly monitoring, quarterly reporting, financial forecasting and corporate risk registers. The Corporate Risk Register is reviewed on regular basis and reported to the Audit and Governance committee.

Risk scanning was a combination of internal audit and service led and is at a fairly early stage of development. There may be scope for developing a more sophisticated approach to risk scanning to provide early warning of emerging risks.

The Section 25 Report includes a statement on the robustness of estimates, assurance of the adequacy of reserves and the dependency on EFS. The report references key demand and financial pressures and the dependency on EFS. However, given the scale of the financial challenges, assurance on the effectiveness and adequacy of the risk management arrangements could be more robust and there is no assessment of the probability of continued overspends.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
7. The council's risk-scanning approach is still developing and relies heavily on internal audit and service-led activity. There is a significant risk that emerging issues will not be detected early enough to inform timely mitigation.	6	**7.** Introduce a more systematic and forward-looking approach to risk scanning including thematic scans, trend analysis, and early-warning indicators drawn from finance, performance, workforce and external horizon scanning to strengthen the council's ability to spot emerging risks earlier and act before issues escalate. **By December 2026**
8. The Section 25 Report does not provide a consolidated, quantified assessment of the council's financial risks.	6	**8.** With continued reliance on EFS, the 2027-28 Section 25 Report should include a more explicit risk analysis that provides clearer assurance on the effectiveness of the risk management arrangements and an assessment of the impact of continued overspends. **By December 2026**

3.2 Review Area 2: Financial Sustainability And Risk

The council's financial position is highly fragile, with a forecast budget gap of £84.5 million in 2027-28 and £109.1 million in 2028-29. The gap reflects historic policy choices to constrain council tax and rely on reserves, combined with escalating demand led pressures in adults', children's and SEND services, which have created a large and growing structural deficit and ongoing reliance on Exceptional Financial Support. Medium-term funding gaps are widening sharply, savings identified to date are insufficient in scale and certainty, and while a Transformation Plan and strengthened controls are in place, they are not yet mature or deliverable enough to provide confidence in a credible exit from EFS. Severe pressures persist in adult and children's services, a rapidly escalating DSG deficit presents a major unresolved risk, reserves are materially depleted, and capital financing and borrowing costs are rising steeply. Although governance, monitoring, contingency arrangements and transformation architecture have improved, delivery capacity is stretched, savings remain uncertain, and fundamental service reform—particularly in high cost demand led areas—will be required to restore long-term financial sustainability and resilience.

The following sections outline the basis of this assessment in more depth.

a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

Key findings and analysis

Under the previous administration, there was a general approach to keep Council Tax increases low and to have an increased reliance of the use of reserves to fund budget gaps and general financial pressures. This approach has undoubtedly contributed to the council's current financial position by limiting recurring income and reducing resilience, as any council tax rise forgone in one year becomes a recurring gap in every subsequent year. During this time, the council has not matched any loss of Council Tax income with equivalent spending cuts or savings, meaning that the financial gap has compounded over time, contributing to the current fragility.

However, loss of Council Tax income is not the only cause of financial fragility. Further significant financial pressures have arisen from demand led services including adults social care and children's services, where there is rising complexity, high-cost placements and a fragile provider market.

The MTFP shows an increasing funding gap and continued reliance on EFS, with a budget gap of £84.5 million in 2027/28 and £109.1 million in 2028/29. The level of savings identified to date is minimal in comparison to the level of savings required to bridge the gap, and while there is a Transformation Plan to drive out further savings it is not mature enough to provide a level of assurance that it will deliver an exit from EFS.

Proposed Budget	2026/27 £m	2027/28 £m	2028/29 £m
Net Recurrent Pressures from previous years	23.965		
Pressures and Investments	37.255	46.832	48.828
Previous years Gap funded by EFS	33.640	59.933	84.495
Previous years Gap funded by Reserves	15.000		
Total Service pressures and investments	**109.860**	**106.765**	**133.323**
Pressures Caused by Changes to funding	**3.871**		
Whole Council Pressures to be Funded	**113.731**	**106.765**	**133.323**
Funded From:			
Council Tax assumed at 8.98% in 2026/27 and 4.99% thereafter	-32.321	-19.670	-20.756
Increase in Council Tax due to growth in Council Tax Base	-2.767	-1.961	-2.069
Additional Government grant for Children's Prevention	-2.875		
Change in Government Funding - Revenue Support Grant (RSG)	-6.861	-0.639	-1.427
Savings and Efficiencies Identified	-8.975		
Total Increase in Funding	**-53.799**	**-22.270**	**-24.252**
Gap	**59.933**	**84.495**	**109.071**
Cumulative Gap		**144.428**	**253.498**

The final outturn position for 2025-26 is expected to show an £11.8 million overspend on services, offset by corporate underspends and additional funding, resulting in a broadly balanced overall outturn, with the planned use of Reserves increasing from £15 million to £15.4 million.

Adults and children's services continue to drive the financial pressure, with adults overspending by £17.6 million and children's services overspending by £9.9 million. Without underspends across other directorates, the net overspend would have been significantly more. Positively, all of the £12 million savings target was met, with alternatives identified where original plans slipped.

The demand and financial pressures across adults and children's service remain structurally unsustainable and require strengthened demand management, income recovery, and commissioning controls. Although there have been some positive outcomes in managing costs there remains financial and operational risks relating to Continuing Healthcare costs (CHC), where the tightening of CHC eligibility is placing more costs on the council.

Dedicated Schools Grant (DSG)

There is a significant accumulated overspend in the council's DSG, driven by the rising costs of supporting children with Special Educational Needs and Disabilities (SEND). With costs growing faster than the high needs funding the cumulative deficit is now forecast to be £194.1 million at the end of March 2026 and projected to increase to £437 million by the end of 2027-28. Cashflowing the DSG High Needs deficit has already cost the Council some £7.5 million due to lost treasury management income.

Cumulative DSG Deficit Position if no further action is taken:

DSG Forecasted Cumulative Deficit by Year	2024/25 Actual	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Cumulative Deficit/(Surplus) at Year End	£98.2m	£194.1m	£320.9m	£437.0m

The council is currently assuming that deficits accumulated between April 2026, and March 2028 will continue to be covered by the 90% write off. With the introduction of the High Needs Stability Grant and the statutory override ending by March 2028, the government has announced that councils will be expected to fund the final 10% from their own resources. This is estimated to cost the council £43.7 million by April 2028. This is currently treated as being 'off Balance Sheet' and has not been factored into any saving plans or any plans to repay this debt when it crystalises. The council should therefore set out a clear plan as to how it will fund this remaining deficit.

National SEND reforms require submission of a SEND maturity assessment and SEND Reform Plan to the DfE by 19 June 2026, with approval being a pre-condition for access to the High Needs Stability Grant. The Director of Children's Services is the designated Senior Responsible Officer, supported by a partnership task-and-finish group meeting weekly, noting that no grant funding will be received unless the plan is approved.

The High Needs Deficit plan was presented to the Children's Overview and Scrutiny Panel in March 2026, alongside approval to recruit additional staff, migrate payment and commissioning systems and introduce dedicated quality assurance capacity to better target areas of high spend. Implementing 'Controcc' a new system for dealing with SEND payments was underway. This is expected to increase oversight, strengthen cost control, forecasting and provision mapping. We heard that this was expected to take about 3 months to resolve, as such there have been data limitations that are being addressed.

Interviews gave mixed messages on the achievability of the DSG plan, and some felt they had limited sight on progress of this and were of the view there was quite a lot more to be done.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
9. Without early and pro-active intervention, the risk of service overspends in adults and children services is likely to continue in 2026-27, particularly where growth and inflation increase beyond forecast levels.	9	**9.** Strengthen monthly forecasting discipline, with earlier escalation of emerging pressures for high-volatility budgets (particularly adults & children's services, SEND and home to school transport, which overspent in 2024-25 and underspent in 2025-26). **By October 2026**
10. The council will continue to incur additional cash flow and borrowing implications due to the historic DSG deficit. Even with the government's commitment to cover 90% of historic deficits, risks remain in relation to the transition until April 2028. The 90% write-off will still leave the council with a debt of £43.7 million. There is currently no plan as to how this additional debt will be funded.	9	**10.** The council should set out a plan to show how it intends to cover the costs of the historic and future DSG deficits showing any impact on reserves or future borrowing requirements. **By December 2026**

b) *An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.*

Key findings and analysis

The council's financial position remains highly fragile, with a £12 million contingency acting as a critical short-term safeguard while underlying demand-led pressures in adults and children's services continue to escalate; although the Transformation Plan and LGR programme set out a credible case for change, the scale, timing and certainty of planned savings are insufficient to guarantee long-term sustainability, leaving the authority exposed to significant delivery risk, continued reliance on Exceptional Financial Support, and the need for a fundamental shift in service models to close the structural budget gap.

To help manage unforeseen or unpredictable demand costs a £12 million contingency fund has been included within the 2026-27 budget. This fund exists to provide a corporate buffer for in year financial risks, covering unavoidable pressures, contract inflation, system changes, and volatility in adults and children's services.

Given the council's fragile financial position, the Contingency Fund is a critical safeguard to ensure the authority can respond to emerging pressures without breaching its statutory duty to balance the budget. Use of the Contingency Fund will be signed off the Section 151 Officer, or their Deputy. With net recurring costs continuing into 202627, the budgets for adults and children's services have been increased by over £50 million, compared to 2025/26, to cover the financial impact of growth in demand and inflation.

Transformation Plan

The case for change is centred on the Corporate Transformation Plan and the LGR Implementation Programme, both of which set out the fundamental redesign required to restore financial sustainability and prepare Worcestershire for structural reform. The Transformation Plan was formally approved by Cabinet at its meeting in May 2026 and is designed to close the structural budget gap and to stabilise the council's financial position. The council has commissioned PWC to support both the Corporate Transformation Plan and the implementation plan towards Local Government Reorganisation (LGR). PWC are not responsible for delivering service specific transformation but instead providing corporate level design, assurance and programme architecture.

The plan focuses on demand management, recognising that escalating demand in adult social care, children's services and SEND is the primary driver of financial instability. It identifies major savings from adults, children's services, SEND/HTST, and the introduction of a new Corporate Directorate model that consolidates key corporate functions into a single, strengthened corporate centre, supported by enhanced commissioning and procurement.
The plan identifies £20 – £25 million in cumulative cashable savings by 2027-28, with approximately £10 million planned for 2026-27 and the remainder expected to be delivered in the following year. While this is a major contribution towards stabilisation, it does not eliminate the underlying structural pressures.

The Corporate Transformation Board has been established with responsibility for prioritisation, benefit tracking and alignment with LGR and an appointed Cabinet member with direct responsibility to oversee the Transformation Plan. Although the Transformation Plan concentrates on savings within the key service areas it does not adequately address further structural risks to the revenue budget relating to:

- Rising Capital Financing Requirement (CFR)
- High costs of borrowing
- Increased Minimum Revenue Provision (MRP)

It is acknowledged that the transformation programme is ambitious, high risk, and essential towards the delivery of financial sustainability. Delivery confidence will therefore depend on:

- Strong corporate governance,
- Clear accountability,
- Realistic phasing,
- Early visibility of benefits.

Any slippage in the LGR timetable is likely to significantly reduce the achievable savings window with contingency plans based upon service cuts or curtailments should the timetable shift or delays to the realisation of savings. This could leave the council reliant on Exceptional Financial Support for a longer period than currently planned.

The Transformation Plan addresses the external auditors concerns regarding the lack of a single deliverable plan and sets out the need for change, but the scale, timing, and certainty of savings are not sufficient to provide certainty over the council's long-term financial sustainability.

The Plan is expected to:

- Reduce the scale of future deficits
- Strengthen the operating model
- Improve productivity and spend control
- Support the One Worcestershire case

But it will not:

- Fully offset demand led pressures
- Resolve DSG uncertainty
- Eliminate capital financing risks
- Rebuild reserves
- Guarantee resilience without further support

There is therefore a strong likelihood that future EFS may still be required beyond existing timelines unless:

- Additional Savings are identified and delivered in full and on time
- Demand pressures stabilise
- Capital financing pressures reduce
- LGR delivers additional efficiencies beyond the £25 million savings in the Plan.

The Transformation Plan was discussed in detail with the Leadership Team, Cabinet Members and Internal and External Audit. It was acknowledged that transformation is essential towards delivering financial stability and the longer-term outlook supporting the

'One Worcestershire' LGR case, but failure to deliver will materially impact the financial sustainability of the council and potentially any successor councils and increase reliance on Exceptional Financial Support.

Several discussions were held with the CFO in relation to the increasing funding gap and the need to escalate both the scale and timings of the saving plans. It was acknowledged that further work is required to reduce the level of EFS currently forecast for 2027-28 and plans are being drawn up to increase savings across adults and children's services and to review the level of growth approved within the 2026-27 budget for these areas.

These plans are still in their early stages, however provisional figures that are currently being prepared indicate that the 2027-28 budget gap of £85 million could be reduced to £34 million, through a combination of increased savings, lower budget growth and a request for an above cap council tax increases. Without the detailed plans, the likelihood of delivering the scale of savings required is uncertain and therefore remains a significant risk. The high-cost demand pressures across adults and children's services are expected to continue and the scale of savings required cannot be achieved through traditional efficiency savings alone. A fundamental shift in service delivery will be necessary to deliver the level of savings required over the MTFP.

A budget / savings report is being drafted for presentation to the informal Cabinet meeting in June, which is expected to provide a more detailed analysis of the options being considered to reduce the budget gap.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
11. The Transformation Plan is ambitious but still lacks detailed, costed delivery plans, creating a significant risk that the scale and timing of savings, particularly across adults, children's and SEND, will not be achieved, prolonging reliance on Exceptional Financial Support and weakening long-term financial sustainability. Until detailed, costed and deliverable proposals are finalised, there is a significant risk that the required level of savings will not be achieved at pace or scale, creating a continued reliance on EFS and increased Council Tax above capped levels (5%).	**9**	**11.** There is an urgent need to accelerate the development of fully costed, timebound savings plans with clear ownership, delivery milestones and risk-rated trajectories, supported by strengthened programme management and monthly reporting to ensure grip, pace and early intervention. The Plan should include sensitivity analysis showing the impact of 10%, 25% and 50% under delivery of savings, providing a clear contingency plan if savings slip beyond FY27-28. **By October 2026**
12. External risks could disrupt plans to exit the need for EFS in future unless suitable contingencies are in place		**12.** A clear and credible EFS Exit Plan should be produced that demonstrates: **i)** how the council will achieve a sustainable financial position and eliminate the need for EFS within an agreed timeframe, including a contingency plan if the timetable for LGR is delayed **ii)** the use of Earmarked Reserves is limited to genuine one-off pressures and that there are clear exit strategies for any business cases requiring the use of reserves.

		iii) the longer-term need to strengthen the General Reserve and rebuild earmarked reserves is an integral part of the Exit Plan. **By December 2026**

c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

Key findings and analysis

The council has relied heavily on reserves for several years to offset structural overspends and is now in a position where reserves are materially depleted and continue to fall across the MTFP. The General Reserve is held at £19.2 million and represents around 3% of the net budget, which is below the level typically associated with robust financial resilience when assessed against the council's risk profile and CIPFA's guidance on determining adequate reserves.

Earmarked reserves are reducing sharply across the MTFP period, signalling heavy reliance on one-off resource to stabilise the revenue position. A specific 'Risk Reserve' acts as the final level of defence to help manage volatility that cannot be covered from the Contingency Fund. It is also to be used to support one off costs of transformation and transition towards LGR. The Risk Reserve is projected to reduce to £18.6 million by 2028-29, which given the scale of demand-led volatility, a single year overspend could completely wipe it out.

With the council's usable reserves already low, planned transformation savings will not rebuild reserves quickly enough to avoid future EFS requests or provide resilience against future financial pressures.

Forecast Earmarked Reserves Position:

	Balance as at 31/03/2025	Balance as at 31/03/2026	Balance as at 31/03/2027	Balance as at 31/03/2028	Balance as at 31/03/2029
Earmarked for Specific Purposes	**27.717**	**21.435**	**15.217**	**10.520**	**9.565**
Councillors Divisional Fund & Elections	1.213	0.217	0.000	0.000	0.000
Earmarked for E&I ringfenced purposes	7.382	6.498	5.419	4.664	3.708
Insurance	6.475	5.857	5.857	5.857	5.857
Open For Business	10.392	6.784	3.487	0.000	0.000
WLEP Specific	2.255	2.080	0.455	0.000	0.000
Grants	**30.775**	**27.809**	**8.730**	**6.042**	**3.196**
Grant Reserves	23.555	20.464	5.722	3.035	0.189
Public Health	7.220	7.344	3.007	3.007	3.007
Risk Reserves	**28.717**	**22.788**	**18.644**	**18.644**	**18.644**
Risk Reserve	28.717	22.788	18.644	18.644	18.644
Schools Balances	**6.494**	**6.494**	**6.494**	**6.494**	**6.494**
Schools / Education Specific	6.494	6.494	6.494	6.494	6.494
Grand Total	**93.703**	**78.526**	**49.084**	**41.700**	**37.899**

Risks & Recommendations - None identified

d) An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach.

Key findings and analysis

The council's stated intention is to finance as much of the capitalisation direction as possible through capital receipts as opposed to borrowing. However, the scale of capital receipts identified to date is insufficient to cover the cost of EFS and therefore further borrowing will be required.

Capital receipts of £10.325 million are being used in 2025-26 to reduce the level of borrowing that is required to support the 2025-26 EFS of £33.60 million. A further £10m of capital receipts is assumed for 2026-27 towards reducing the borrowing requirement for the 2026-27 EFS of £59.9 million.

Although there is a budget gap of over £80 million currently forecast for 2027-28 and therefore a continued reliance on EFS, forecasts for future capital receipts are said to be at a preliminary stage and as yet not quantified within future forecasts beyond 2027-28. The Corporate Landlord Board is actively reviewing the asset register to identify future disposal opportunities.

The Treasury Management Strategy shows a significant and sustained increase in the council's borrowing requirement and Capital Financing Requirement (CFR) over the medium term. The CFR rises sharply in 2026-27 and 2027-28, driven by both the scale of the capital programme and the impact of Exceptional Financial Support (EFS). This represents one of the steepest upward movements in the council's recent financial history. At the same time, the council is required to undertake substantial short-term borrowing to cashflow the Dedicated Schools Grant (DSG) High Needs deficit.

With EFS borrowing, the council will be above its CFR for three consecutive years, which is permissible only in the short term and signals heightened affordability pressure. The combination of rising CFR, increased reliance on borrowing, and the risk of elevated PWLB rates creates a challenging affordability environment.

Overall, the trajectory of borrowing and CFR presents material risks to financial sustainability. Without intervention through capital programme management, strengthened reserves strategy, and resolution of the DSG deficit the council faces increasing pressure on its revenue budget, reduced resilience, and greater exposure to external financial shocks.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
13. If the level of capital receipts reduces, or slips, additional borrowing will be required, adding further costs to the	6	**13A.** Produce a high-value asset disposal programme, prioritising assets with the greatest receipt potential and lowest operational impact, to minimise the

revenue budget, thereby reducing budget flexibility and deepening structural deficits.		amount of borrowing required to fund current and any future capitalisation. **By December 2026** **13B.** Undertake a self-assessment of the Treasury Management team to identify any training gaps. **By March 2027**

e) An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

Key findings and analysis

The asset disposal programme remains a vital but high-risk element of the council's capital strategy, as its complexity, forecasting limitations, exposure to timing and unknown LGR outcomes create material uncertainty around the deliverability of planned capital receipts.

The council's disposal programme continues to be a critical funding source for the capital strategy and repayment of EFS. The latest update confirms 42 sites on the disposal pipeline, with several newly declared surplus properties and an acceleration plan to bring smaller assets to market from April 2026. The capital receipts tracker is reported to the Corporate Landlord Board which identifies the assets for sale and the assumed income. The disposal programme is complex with a mix of rural and corporate assets, and although the disposals are RAG rated, based upon achievability and timings, the tracker is more of a programme management tool as opposed to a financial forecasting tool.

The disposal programme is being refreshed to improve forecasting accuracy, particularly for complex and rural sites. However, the disposal programme carries material risks in relation to:

- The timing and deliverability of receipts
- The outcome of any Local Government Reorganisation
- The potential diversion of assets into Community Asset Transfer (CAT) if freehold transfer is agreed instead of sale.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
14. The capital receipts tracker provides operational visibility and tracks workflow stages but could be improved through greater 'probability weighting' of asset disposals to help strengthen MTFS assumptions.	**4**	**14.** Transform the capital receipts tracker into a strategic financial reporting tool so that it is integrated into the MTFS. **By December 2026**

f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

Key findings and analysis

The council's capital financing position remains highly exposed, with additional borrowing creating significant long-term revenue pressures compounded by capital slippage into future years. While steps have been taken to reduce borrowing through programme reductions and external funding, weaknesses in forecasting, delays to major schemes, and unresolved MRP issues collectively heighten the risk of escalating costs, reduced financial resilience, and future pressure on the revenue budget.

The council's capital programme contains £175 million of borrowing, which if fully financed through external loans, would cost £101m in interest over 20 years (based on 5.5%), creating a £13.8 million annual revenue pressure. The council has acknowledged this additional pressure and Full Council has agreed to reductions in the capital programme of £27.749 million. High Needs Capital funding of £8.5 million is expected to further reduce the amount of borrowing leading to a reduction in the MRP of approximately £60 million, saving £3 million pa in revenue charges.

Maximising external grant funding, securing third-party contributions, and reducing the cost of planned schemes is explicitly part of the council's Capital Strategy. Although it has been reported that several of the affected schemes can continue as planned within a lower budget allocation or externally funded, several operational and financial risks remain where planned upgrades and investments have either been scaled back or removed completely. There is therefore a risk of capital deferrals creating a future revenue cost over the longer term.

It is expected that over £81 million of capital spend has already been slipped from 2025-26 into future years, including major schemes (A38 – DfT Funded, Hampton Bridge- mainly grant funded, SEND expansions). These delays increase the risk of additional costs through inflation and contractor pricing and while it is reported that there is no impact on capital receipts achievable, they do impact on the timing of required borrowing and MRP adjustments. Continued effective monitoring of the capital programme will be critical for the early identification of any slippage and to quantify the impact on borrowing costs and any risks on the ability to generate future capital receipts from enabling schemes.

The council does not currently operate any commercial investment projects or trading activities.

Minimum Revenue Provision

The council's Minimum Revenue Provision (MRP) Policy was approved by Council in February 2026. CIPFA has identified that there are areas, that would benefit from further work to ensure the policy is aligned with a prudent approach and best practice.

- The current MRP policy applies an Asset Life (Option 3) approach using an annuity method for supported borrowing, unsupported borrowing, and PFI schemes. The profile of the asset life annuity method means that costs increase over the life of the assets. Although many councils have applied this approach widely, it may not represent the most prudent approach to minimum revenue provision. The rationale for applying the asset life annuity method across such a wide range of borrowing should be clearly set out.

- The council calculates MRP using a weighted average approach for unsupported borrowing. A key point of challenge is that where an average is applied to calculations covering a wide range of asset lives, this can lead to periods of over- and under-provision for specific classes of assets.

- The policy lacks detail in relation to asset lives. There is a need to demonstrate the link and rationale behind the asset lives used and to evidence how these lives align with proper accounting practice. This is particularly important where weighted average lives are used in MRP calculations.

- The explicit treatment of expected credit losses on loans in the policy needs to go into greater detail to demonstrate adherence to Version 5 of the MRP Guidance.

The Council has made use of external advice, with the most recent review of its MRP policy undertaken in February 2024, which set out a range of advice and options. Several detailed points of interest were identified, and key examples are set out below

- The Authority was not providing MRP on a £4.5 million equity investment.
- This review highlighted a £11.2 million voluntary revenue provision provided for in 2017-18 had not been documented in the current MRP policy or in the working papers provided.
- Also, an overprovision of £5.8 million was identified in the MRP charged relating to an historical error, prior to the current Chief Financial Officer being in post.

As such although advice has been sought CIPFA see the approach to minimum revenue provision warranting further scrutiny to ensure a prudent approach is being delivered.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
15. Planned capital schemes will continue to add significant additional borrowing costs to the council's budget, reducing flexibility in the revenue budget as debt servicing grows. Any deviations from the planned capital programme could raise the risk of future revenue implications due to deferred maintenance and asset deterioration.	**6**	**15.** The council should ensure that operational and financial risks from removing or deferring schemes from the capital programme are explicit and fully analysed within any reports or decisions. **By December 2026**
16. There are areas of risk linked to the current MRP policy, such as the utilisation of a weighted average asset life of up to 50 years for MRP on some assets and the decision not to apply MRP over a 20 year period to some equity acquisitions, that warrant further detailed assessment.	**4**	**16.** A review of the MRP policy should be undertaken to ensure full compliance and that a prudent approach is being taken. **By March 2027**

3.3 Review Area 3: Service Reform, Delivery and Transformation

Worcestershire faces elevated financial risk, with the CIPFA Financial Resilience Index showing low and declining reserves, high interest costs and gross debt levels well above statistical neighbours, leaving limited flexibility to absorb shocks or take on further borrowing. The council's most acute pressures sit in adult social care, children's services, SEND and home-to-school transport, where demand and costs are rising faster than mitigation, despite generally sound service models and areas of strong operational practice, including a recent "Good" CQC rating for adult social care. Children's services and SEND remain structurally fragile, driven by high numbers of children looked after, escalating placement costs and a very large DSG deficit, with confidence in long-term sustainability dependent on successful delivery of ambitious reform plans and improved data quality. While governance, transparency and transformation arrangements are improving and strategic intent is clear, delivery capacity, commissioning maturity, demand management and financial discipline are not yet consistently strong or embedded enough to translate plans into sustainable outcomes, meaning the council must urgently shift from reactive management to proactive, transformation-led control to restore financial resilience.

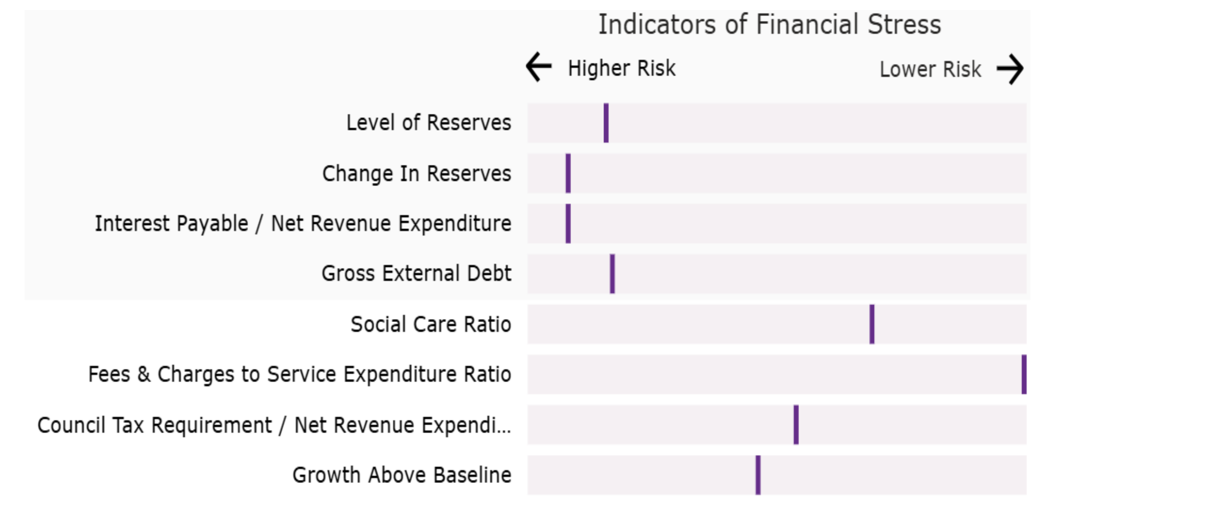
The following sections outline the basis of this assessment in more depth.

a) The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

Key findings and analysis

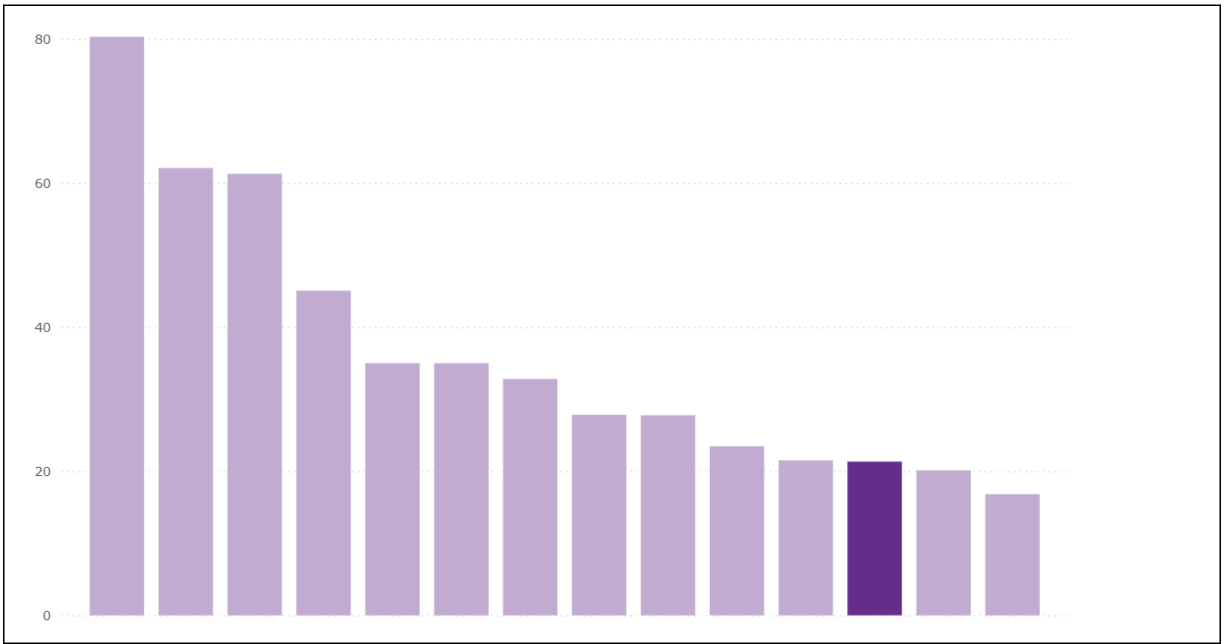
Benchmarking drawn from CIPFA nearest neighbour data, DfE section 251 returns, NHS Digital adult social care datasets, and LGA LG Inform indicators shows that Worcestershire operates at a higher cost base than comparable authorities across key demand-led services. These datasets highlight above average expenditure in adult social care, children's services and SEND/Home to School Transport, alongside unit costs that exceed comparator medians and outcomes that do not consistently demonstrate higher efficiency or effectiveness. Furthermore, the CIPFA Financial Resilience Index highlights a concerning profile for Worcestershire, with reserves sitting close to minimum benchmarks, high interest costs consuming a growing share of the revenue budget and gross debt levels significantly above those of statistical neighbours. Taken together, these findings indicate that the Council has limited headroom for further borrowing, reduced financial flexibility, and heightened exposure to external shocks. The combined financial and operational benchmarking places Worcestershire in a higher-risk position relative to its statistical neighbours, reinforcing the need for more sustainable service models and strengthened demand management.

The following extracts from the CIPFA financial resilience index 2024-25 set out areas of risk for Worcestershire County Council. It is clear that reserves, levels of interest payment and gross debt are key areas of risk. The lines closest to the left of the bar represent Higher level of financial risk for each measure.

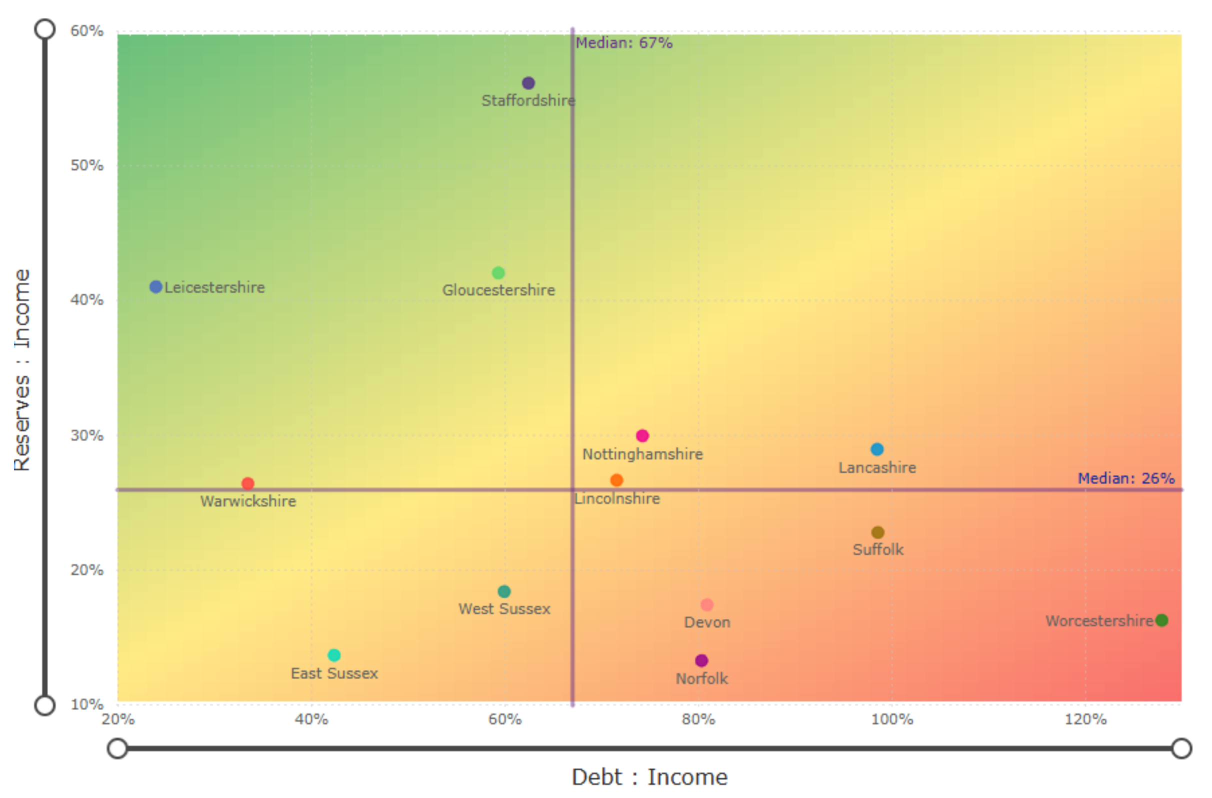


It is apparent that levels of reserves have been low and decreasing, in lines with the organisation's historical use of reserves to balance the financial position. The reserve indicators are close to the minimum benchmark. On the other end of the measures the interest payment per net revenue expenditure is at the higher end of the scale which means that interest cost is taking a higher proportion of the revenue budget.

The following chart represents where Worcestershire is positioned in the financial resilience index compared to its nearest statistical neighbours.



The chart below shows Worcestershire has high debt to income and low reserves compared to income – compared to its nearest neighbours, as shown in the red high-risk area of the chart. This supports the finding that the council has limited room for additional borrowing and is in a precarious position on the level of reserves.



Risks & Recommendations

No additional risks or recommendations identified.

b)	***Assessment of the extent to which the council's service delivery model particularly in areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.***
c)	***Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.***

Key findings and analysis

As reported, the council's highest areas of spend and demand are adults social care, children's services, SEND and Home to School Transport. Addressing them is central to the Transformation Plan and essential to restoring financial sustainability.

Children's services is operating within a context of sustained demand and rising costs, with high Children Looked After (CLA) numbers, escalating placement prices, significant SEND related financial pressures and longstanding data and forecasting weaknesses, all contributing to a structurally fragile position. The service lacks a fully modelled, sustainable financial plan and faces major dependencies on the successful delivery of the DSG Management Plan leaving overall confidence in long-term financial sustainability limited without accelerated, system-wide change.

Adult social care is experiencing demand well above that of its statistical neighbours, and although operational practice is strong, rising costs in learning disabilities, older people's residential and nursing care, high cost supported living, and growing day service usage have driven overspends to more than double through 2025-26. Combined with a shift away from domiciliary care towards more expensive bed-based provision and projected growth in complex transitions, these pressures are creating an unsustainable cost trajectory that will require stronger demand management, market shaping and rebalancing of care models to restore financial stability.

More positive was the recent announcement of the outcome from the CQC inspection of adults services. The council received a ‘Good’ rating which recognised the strength, compassion and professionalism of adult social care staff, the consistently positive experiences reported by people using services, and the clear evidence of person centred, strength based practice that is driving meaningful and sustained improvements—including for those with SEND.

As part of this assurance review, Peopletoo were commissioned to undertake a deeper dive across these areas to gain a better understanding as to drivers of demand and costs and to review the opportunities for savings and transformational change.

Children’s Services: Managing Demand and Cost Pressures

Overall Service Context

Children’s services has shown a trajectory of service improvement in recent years, moving from an Ofsted rating of Inadequate in 2016, to Requires Improvement in 2019, and achieving a Good rating in 2023.

Following statutory intervention, services were transferred in October 2019 to Worcestershire Children First, a wholly council-owned company established to drive improvement. At the conclusion of the initial five-year contract, all staff and services were brought back under the control of Worcestershire County Council in September 2024, with formal reintegration completed in October 2024.

The service is anticipating a full inspection by Ofsted under the ILACS framework within the year. This presents a potential risk to plans to transform services and secure financial sustainability, as preparation for inspection may divert focus and capacity away from other priority areas.

Financial Position and Forecast Pressures

The service had a budget variance of approximately £10 million in 2025-26. This pressure is understood to be driven primarily by increases in placement costs rather than volume, the number of Children Looked After (CLA) has remained consistently high for some time. CLA rates are higher than all comparators.

Budget growth allocated for 2026-27 reflects a combination of funding to address the prior years overspend alongside anticipated further increases in placement costs and wider inflationary pressures across the system.

Children’s Services Investment	**£million**
Growth/demand	4.000
Pay inflation	1.488
Contract inflation	6.571
Investment in Children’s Prevention Funded by Grant	2.866
Investment into Holiday Activities and Food funded by Grant	0.051

Rebase of Public Health Grant to applicable Children's Services	-0.439
Investment into SEND Practice Manager	0.076
New Investment into Children's Services	**14.613**
Net Recurrent Pressure from 2025-26	10.463
Total Additional Budget Increase for Children's Services	25.076

Additionally, there are two specific anomalies that contribute to the service's financial pressure.

- Firstly, there remains an ongoing £800,000 legacy pressure arising from a previous decision to close a children's home which was not ultimately implemented. This was built into the council's base budget as an assumed cost reduction, yet the closure will not now be progressing, so the ongoing cost of the service remains and, therefore, features as a budget pressure
- Secondly, there is an additional £1 million pressure associated with the use of agency Educational Psychologists (EPs) to meet statutory SEND assessment demand. While there is a clear approach to develop internal capacity through a "grow your own" approach, Additional Trainee Educational Psychologists have been recruited over the past six months, increasing overall trainee capacity. However, the benefits of this investment will take time to materialise and, given the continued growth in SEND demand, it will not provide an immediate financial mitigation.

Although the 2026-27 budget increase is significant, it may only act as a short-term fix, as it only addresses the overspend at the end of last year as well as inflationary costs and placement market pressures assumed for the year ahead. As such, there is a risk of continued overspend and limited confidence in it being a sustainable financial plan the council and service can confidently operate within.

Governance and Financial Oversight

Financial governance arrangements are reported to be well embedded within the service. A Finance Business Partner attends the weekly Children's Directorate Leadership Team (DLT) meetings and is actively involved in decision-making where there are financial implications. In addition, one DLT meeting per month is dedicated specifically to financial performance and planning.

Finance support is viewed positively by the service, and there is a strong and collaborative working relationship between the Director of Children's Services (DCS) and the Section 151 Officer. This partnership is particularly important in shaping financial strategy and responding to emerging pressures.

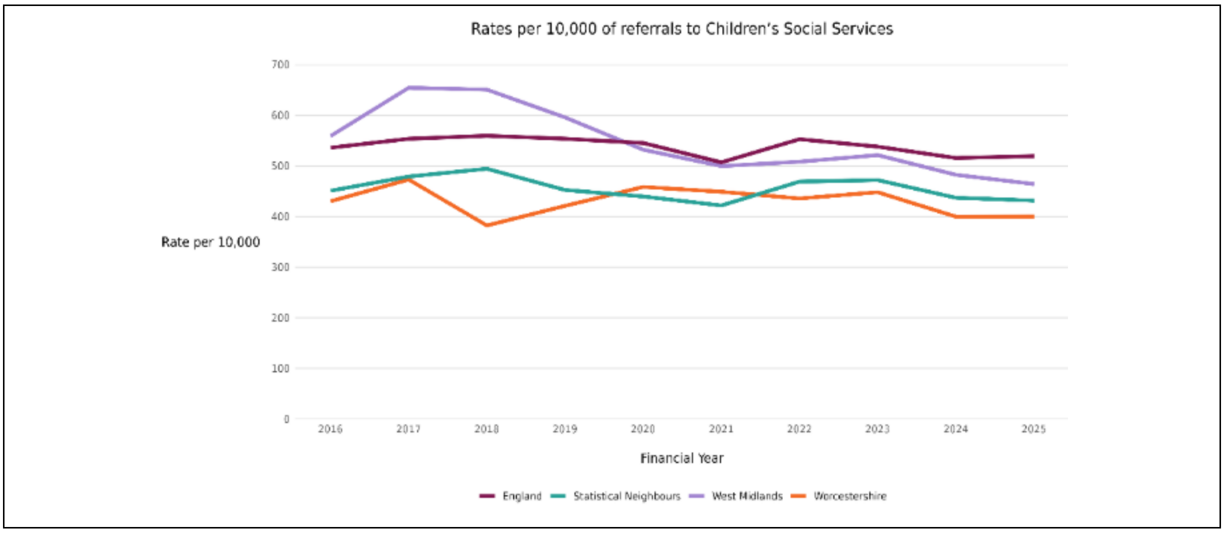
Prevention and Early Intervention

The Families First model was launched in April and represents a key component of the service's prevention strategy, which is aligned to the rollout of the national children's social care reforms.

There is a clear recognition by the service that reducing the number of children entering care will have the most significant financial and operational impact. Historically, prevention was perceived as an area of weakness or development; however, there is now increased confidence that the Families First approach will address this gap and contribute to demand management over time.

It is clearly too early to assess the impact – or likely impact – of this model; however, it will be key that the council has effective monitoring and evaluation processes in place to determine the impact of the model, both in terms of children and families' outcomes and council demand and cost avoidance.

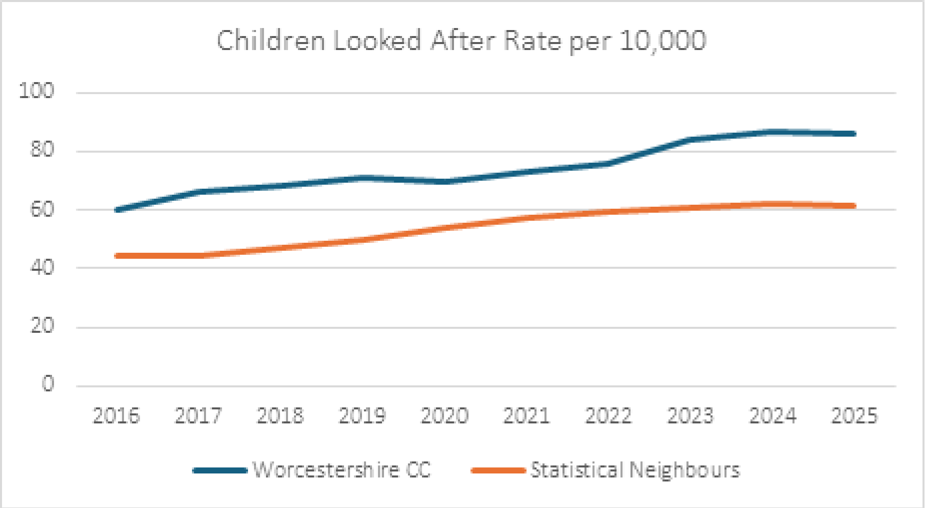
Children Looked After (CLA)
Initial referrals into social care are in line and slightly below statistical neighbours but this is not enough to deal with high number of Children Looked After.



Source LAIT 2025

The persistently high number of Children Looked After is believed to reflect a legacy of previously inadequate service delivery and a result of the response to the Inadequate Ofsted judgement.

CLA numbers have remained broadly stable over the past three years, fluctuating between 1,000 and 1,050, with the rate per 10,000 substantially higher than the statistical neighbour average for the past decade.

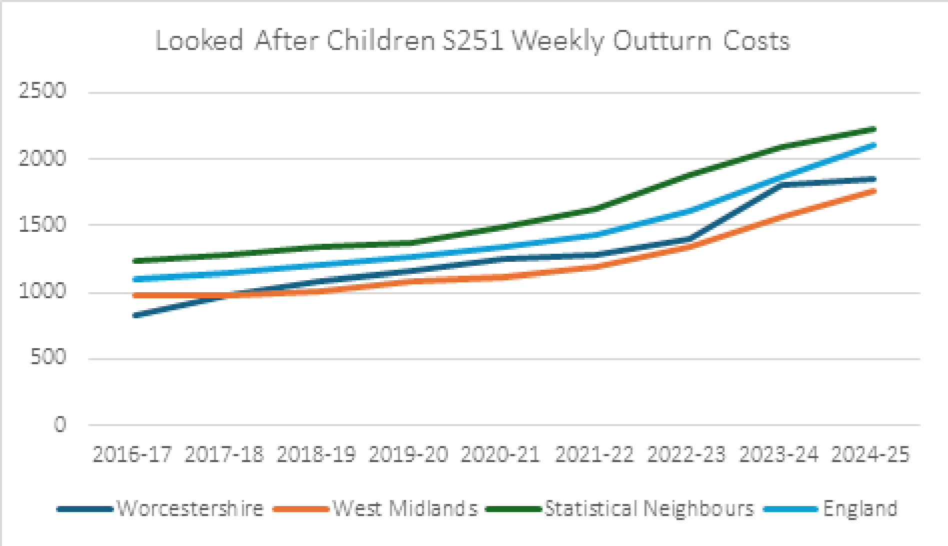


Source LAIT 2025

Although current practice around reunification and permanence performs well in comparison to statistical neighbours, this is largely maintaining the number of CLA rather than contributing to a net reduction. It is important to ensure this practice is sustained, with opportunities to safely accelerate and enhance its impact considered.

Reducing the overall number of CLA provides the most effective and sustainable route to financial resilience for the service. However, short-term and immediate financial pressures continue to be driven by rising placement costs, particularly in the external residential market.

While overall CLA unit costs are lower than those of statistical neighbours, they are higher than the regional average. Average residential placement costs have increased from approximately £6,500 per week to £7,300 per week. This is attributed in part to relatively weaker purchasing power compared to larger local authorities, such as Birmingham. Additionally, a small number of particularly high-cost placements are disproportionately impacting budget variance.



Source: Lait 2025: Looked After Children weekly unit costs

There has been some improvement in in-house fostering capacity, with 24 new carers approved in the last year compared to five in the previous year. Despite this progress, fostering remains a challenge. The service is also working more closely with Independent Fostering Agencies (IFAs) to support step-down arrangements from residential care into family-based settings.

Special Educational Needs and Disabilities (SEND)

In November 2025, the external auditor for the council recommended that urgent action was taken to develop and agree a DSG Management Plan, reduce the deficit over time, and frequently report progress to a forum capable of holding officers to account for key deliverables.

The service now has an established Dedicated Schools Grant Management Plan (DSGMP), and there is confidence that the forthcoming SEND Reform Plan will be delivered within the DfE's required timescales. This confidence is supported by existing planning frameworks and ongoing engagement with advisors from the Department for Education.

A report to the Children and Families Overview and Scrutiny Panel on 20th March 2026 sets out a comprehensive suite of projects and actions contained within the council's DSG Management Plan. It demonstrates a focused approach to addressing the DSG deficit and a good understanding of the overall scenarios for the DSG deficit in the event of the High Needs Stability Grant being received, the impact of the DSGMP actions, and both or neither of those things occurring.

However, there are reported to be significant challenges relating to the accessibility, reliability, and accuracy of data, which are limiting the ability to forecast demand and expenditure with precision. To address this, the service is in the process of migrating data to the ContrOCC system, with completion expected within three months. While this will hopefully provide increased confidence regarding the validity and accuracy of current activity, it will be important that updated and robust modelling and projections of future demand and spend is undertaken and effectively aligned to service strategies and transformation plans.

The current DSG deficit stands at £194 million. Under a worst-case scenario assuming no additional support such as a High Needs Stability Grant and limited impact from planned interventions, the deficit could rise to £440 million. Conversely, if planned mitigations are successfully implemented, the deficit is projected to reduce significantly to £27.9 million over time.

The council will need to be assured that it has sufficient and suitably expert capacity to deliver such a comprehensive programme of change, alongside effective governance and monitoring of impact. The Scrutiny Panel report sets out areas where it is viewed that additional capacity or council policy decisions will be required in order to deliver the change and impact. The council should quickly assess and determine which of these areas they are able to progress and the impact of not doing so.

Home to School Transport (HTST) costs are funded from the Council's General Fund rather than the Dedicated Schools Grant (DSG), as although a statutory duty, HTST expenditure sits outside the schools budget. However, there is a significant interdependency between the effective management of SEND demand and the cost of home to school transport. Ensuring that children's SEND needs are identified and met at the earliest opportunity is critical to managing transport demand sustainably and mitigating future cost pressures. Significant budget growth, of £8.3million was applied in 2026-27 (£38.4m over the four years up to and including 2026-27), with a £4.5million savings target also for the year.

Projected outturn against this budget as at Period 9 was a £6million underspend, with the "*review of the demand within the system, changes in types of vehicles being used to transport children (for example minibuses used to transport children who would have been in individual taxis) and retendering of contracts*", cited as the main reason for this in the Cabinet Report 5th February 2026.

Given the projected outturn position at Period 9 and the further growth applied to the 2026-27 budget, we would have confidence that a balanced budget position will be achieved at least in the short term, if work continues as outlined in the cabinet report. However, this balanced position is unlikely to be sustainable in the medium to long term if demand as a result of increased usage of special schools and associated home to school transport requests continue. This creates a direct dependency on the actions identified in the DSGMP being successfully delivered.

Transformation and Organisational Capacity

A monthly, council-wide transformation board is in place, with a primary focus on corporate operating model work led by PwC. While there is acceptance of the need for organisational transformation in response to financial pressures, there is a keenness within the service to understand the practical and operational implications of this work. Greater clarity on how these changes will impact service delivery is required.

Despite this, the service reports confidence that it has sufficient internal capacity to deliver the required changes from the corporate programme, but this is also in parallel to the breadth and scale of complex change required, particularly in the context of national social care and SEND reforms.

In addition, there is no current plan that we were made aware of as to how the service will develop and deliver transformational change required to secure a more sustainable budget moving forward, with only minimal savings requirement given to the service for 2026-27.

Partnerships

Partnership working presents a mixed picture. The relationship with the Integrated Care Board (ICB) is currently poor and is having a negative impact across both children's social care and SEND services. The relationship with the police is also described as challenging, although not to the extent that it represents a critical risk. Adult social care operates within a typical Integrated Care System (ICS) local authority integration environment, characterised by operational challenges rather than conflict. The Council has experienced the same tightening of continuing healthcare eligibility seen nationally, and the 2024-25 ASCFR return shows Worcestershire to be broadly in line with its NHS nearest neighbours, with joint arrangements and NHS income representing around 15% of Gross Total Expenditure.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
17. Children's services and adult social care both face significant and structural financial issues. Despite substantial budget increases, these have tended to be reactive—covering overspends and inflation—rather than based on a fully modelled, sustainable medium-term plan, creating an ongoing risk of financial instability across both service areas	9	**17A.** Strengthen placement strategy and market management - The council should implement a clear sufficiency and placement strategy aimed at: i) A) Reducing reliance on high-cost external residential provision ii) B) Increasing in-house fostering capacity iii) C) Improving purchasing approaches, including consideration of regional collaboration. **By November 2026** **17B.** Ensuring fewer children need to enter care, through earlier and more effective support, should be established as the primary priority **By December 2026**
18. Children's services has strong governance and finance engagement, and a clear strategic focus on prevention (Families First) to reduce demand. However, the impact of this approach is uncertain and will take time to materialise, meaning it does not address immediate financial pressures.	6	**18A**. Embed robust evaluation of prevention (Families First) **-** The Families First model should be supported by a clear performance framework that: i) Tracks impact on demand reduction. ii) Evidences outcomes for children and families. iii) Quantifies financial benefits and cost avoidance. **18B. S**trengthen SEND financial planning and delivery - The council should strengthen its approach to SEND by: i) Improving data quality, reliability and system use (including ContrOCC) ii) Developing robust demand and cost forecasting iii) Align transformation delivery with financial outcomes, with defined savings targets and formal accountability for implementation iv) Ensuring regular reporting to a formal governance body overseeing DSG recovery

		18C. Strengthen partnership working **-** The council should prioritise improving strategic relationships, particularly with the Integrated Care Board, to ensure more effective joint working on demand management and SEND delivery. **Currently in Progress**
19. Overall, while there is clear strategic intent and improving grip, children's services does not yet have a fully integrated, financially robust plan linking transformation, demand reduction, and budget sustainability.	**6**	**19.** Develop a sustainable, fully costed transformation plan **-** The council should develop a comprehensive medium-term transformation plan that integrates demand modelling, service redesign and financial forecasting. This plan should move beyond reactive budget-setting and clearly articulate how financial sustainability will be achieved over time. **By As soon as possible**

Adult Social Care: Managing Demand and Cost Pressures

Overall Service Context

Adult social care at Worcestershire County Council is experiencing significantly higher levels of demand than its statistical neighbours, particularly at the point of initial contact.

Despite this, the service demonstrates comparatively strong operational performance, including effective demand management, prevention, and reablement, alongside lower-than-average long-term care costs per person.

However, these strengths are being offset by escalating cost pressures, particularly in bed-based care across learning disabilities and older people's residential and nursing provision. These cost increases, largely driven by local market conditions, are now outpacing the service's ability to mitigate financially.

Financial Summary

The financial position deteriorated markedly over the course of 2025-26. An initial projected overspend of £7.3 million at Period 4 (July 2025) increased to £16.1 million by Period 11 (February 2026), representing an 8.8% variance against a total budget of £182.3 million.

Service	2025–26 Budget (£000s)	Forecast Outturn P11 (£000s)	Variance (£000s)	Movement (£000s)
Adult Services (Total)	182,345	198,439	16,095	3,020
Adults Commissioning Unit	4,952	3,825	(1,127)	(53)
Learning Disabilities	92,321	100,847	8,525	1,019

Mental Health	24,693	26,527	1,834	831
Older People	85,331	90,849	5,518	695
Physical Disability	23,723	25,609	1,887	493
Support Services	1,152	1,102	(50)	(6)
ASC Grants	(61,033)	(61,033)	0	0
Provider Services	10,234	9,624	(610)	41
Adult Front Door	971	1,089	118	0

This escalation has been observed across all primary client groups, with particularly notable increases in older people's services, learning disabilities, mental health, and physical disabilities.

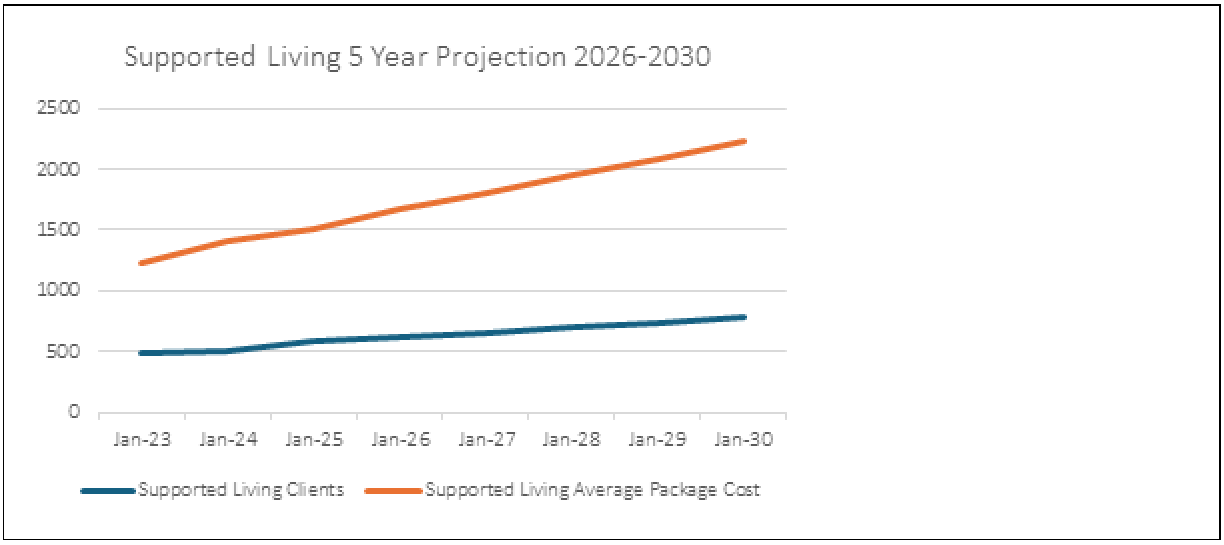
Overspend	July 2025 Period 4	Feb 2026 Period 11	% Increase
Older People	£2.65 million	£6.1 million	130%
Learning Disabilities	£4.1 million	£8.8 million	114%
Mental Health	£0.79 million	£2.4 million	204%
Physical Disabilities	£0.77 million	£1.9 million	147%
Total*	£7.306 million	£16.095 million	120%

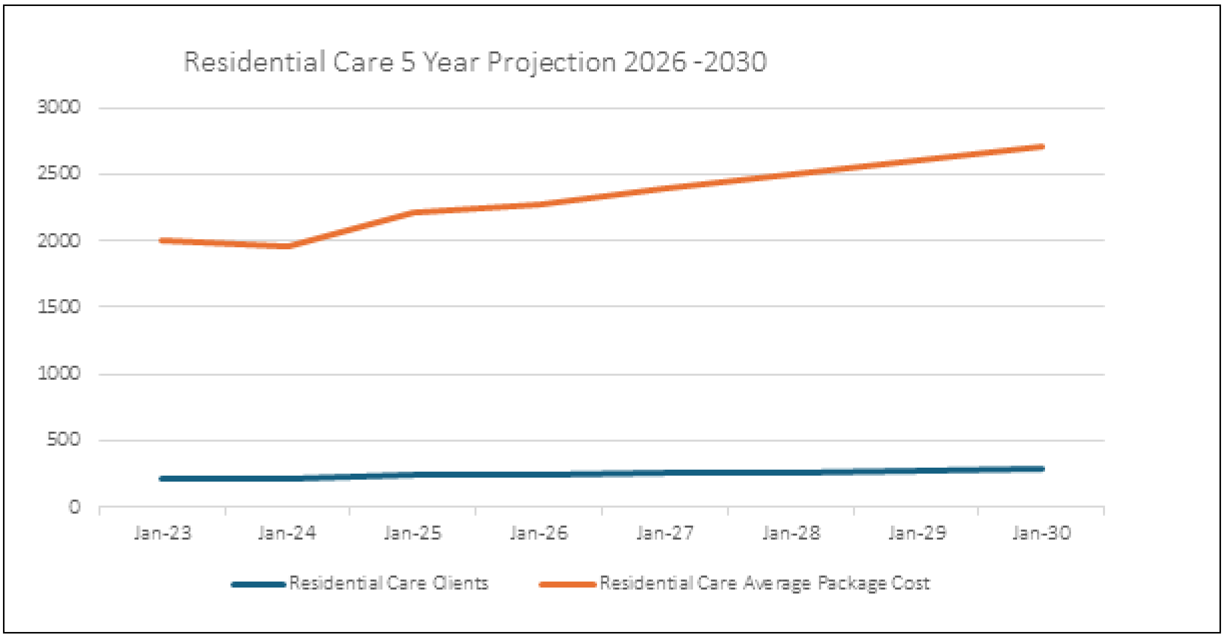
This position has arisen despite substantial budget growth of £25.7 million in 2025-26 alongside relatively low savings requirements of £0.67million. With £23.5 million awarded in 2026-27, alongside a £0.57million savings requirement.

Transitions
A key driver of ongoing financial pressure relates to the council's long-standing strategic approach to promote supported living as the default model of care for working-age adults requiring accommodation and support. While this model is often more cost-effective than residential care, the scale and cost of provision in Worcestershire has grown significantly. As of September 2025, 749 individuals were in supported living arrangements, over 60% more than those in residential care, at a total annual cost of £55.4 million.

Although average costs remain below those of statistical neighbours, a subset of high-cost placements is driving disproportionate pressure. Notably, the most expensive supported living placements now exceed the cost of equivalent residential provision, with a growing number of cases surpassing average residential care costs.

Forecasts indicate that, if current trends continue, the number of people with learning disabilities in supported living could rise to 784 by 2030, at an estimated annual cost of £91 million, nearly three times the £31.5 million recorded in 2023 for this cohort. Residential care numbers are also projected to increase, albeit at a slower rate, reaching an estimated annual cost of £40 million by 2030. These projections underline the critical importance of effective transition planning, ensuring that young people with the most complex needs are placed in appropriate and sustainable provision.





Forecast using service level data and trend analysis

18-64 – Day Services
For working-age adults, demand for day services has also increased, with the number of individuals accessing provision rising by 16% over two years. While unit costs have remained relatively stable, this growth in volume has resulted in an additional £1.5 million annual cost pressure. This may, in part, reflect a reduction in the use of Direct Payments, although further analysis would be required to confirm this relationship.

Older People – Rebalancing the use of services
In services for older people, there has been a notable shift in the balance of care.

Between 2023-24 and 2025-26, the proportion of individuals receiving domiciliary care has declined, while reliance on residential and nursing care has increased, despite overall demand remaining broadly stable.

In 2023-24 the percentage split for domiciliary care was 47.4% versus 25.6% for residential care and 15.1% as percentage of total services provided*. By 2025-26 this had changed with a reduction of 8% of people receiving domiciliary care versus an increase of 10.7% for residential and 5.2% for nursing care. However, overall demand had reduced by 0.48%.

Modelling suggests that rebalancing service provision to previous levels could reduce reliance on residential and nursing placements by approximately 156 cases. Even accounting for additional community support costs, this would generate a significant saving estimated to be in the region of £3.7 million.

** Day care services removed to reduce risk of double counting people, some double counting with Direct Payments may still remain.*

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
20. Overall, while adult social care in Worcestershire demonstrates alignment with many areas of good practice, the scale and trajectory of cost pressures, particularly within supported living and bed-based care, require a more urgent and coordinated response.	**6**	**20A.** Rebalance care for older people towards community-based provision - The council should actively rebalance service provision away from residential and nursing care toward domiciliary and community-based alternatives, in order to: i) Improve outcomes for individuals ii) Reduce overall system costs **20B.** Strengthen management of supported living provision - The council should review and refine its supported living strategy to ensure: i) Appropriate targeting of provision for those with greatest need ii) Tighter cost control and benchmarking iii) Improved value for money across placements **By March 2027 and then ongoing.**
21. There are plans to develop a transformation programme spanning both adult social care and children's services commissioning; however, there is a clear need to accelerate the design and delivery of this programme. This should include strong corporate oversight, robust governance arrangements, and clear performance and financial tracking.	**9**	**21A.** Accelerate the development and delivery of a comprehensive transformation programme. The council should urgently accelerate the design and implementation of a comprehensive transformation programme across adult social care, ensuring: i) Strong corporate oversight ii) Clear programme governance iii) Alignment to financial recovery objectives **21B.** Improve transition planning for young people. A more robust approach to transition planning should be implemented to ensure: i) Appropriate and sustainable packages of care ii) Early intervention to prevent high-cost placements

		iii) Closer alignment between children's and adult services **21C.** Introduce enhanced oversight of high-cost care packages **-** The council should implement systematic oversight of high-cost care packages, including: i) Regular review and challenge processes ii) Identification of opportunities for alternative provision iii) Strengthened financial scrutiny **21D.** Reassess day service demand and delivery model **-** The increase in demand for day services should be reviewed to: i) Understand underlying drivers (including changes in Direct Payments) ii) Ensure services are delivered in the most cost-effective way iii) Consider alternative models where appropriate **Ongoing through to March 2027**
22. Delivery of efficiencies must be actively managed, with services held to account for implementation.	**6**	**22.** Strengthen financial grip and in-year cost control - The council should implement tighter in-year financial controls, including: i) Enhanced budget monitoring ii) Earlier intervention on emerging overspends iii) Clear accountability for budget holders. **By November 2026**

Across both children's services and adult social care, there is a clear and urgent need to move from a reactive financial position to a proactive, transformation-led model that delivers both improved outcomes and long-term financial sustainability.

Given the scale of financial challenge within the council, it will not be sufficient to defer action pending wider system changes such as local government reorganisation.

d)	***A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.***

Key findings and analysis

The council's service plans show clear intent to align with the authority's strategic priorities, but the evidence from the assurance review demonstrates that this alignment is not yet translating into a financially sustainable operating model.

While reporting is transparent and governance structures exist, the council continues to struggle with the fundamentals of financial sustainability and has repeatedly failed to deliver savings at scale, in 2025-26 and planned savings for 2026-27. Plans often respond to pressures after they materialise rather than shaping demand or reducing long-term costs, with adults and children's services overspending in ways that reflects structural rather than temporary pressures.

Financial management is improving, supported by transparent reporting, strengthened governance and the forthcoming TechnologyOne system, but financial controls, risk management and a consistent use of KPIs require improvement. While strategic alignment exists in principle, the council must significantly strengthen financial discipline, demand-led planning and cross-council transformation if service plans are to meaningfully support financial sustainability and reduce reliance on Exceptional Financial Support.

Risks & Recommendations

No additional risks or recommendations identified.

e) A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Key findings and analysis

The council has acknowledged *"very limited remaining capacity in strategy, policy, performance and transformation"* and the council has paused or deprioritised other lower priority projects to free up capacity. The council must therefore plan to simultaneously deliver:

- Corporate transformation
- LGR readiness
- Business-as-usual statutory services

Delivering wider scale of transformation is likely to cause significant pressures related to HR and project management as examples of areas that may need some additional resourcing for an appropriate period of time to deliver major change.

The Transformation Plan requires significant organisational redesign and therefore savings and benefits realisation is considered to be high risk, and contingent upon the council's ability to deliver at pace and absorb change.

Procurement

The role of Procurement in supporting the financial recovery of the council was reviewed. A Commercial Board is established, and we found good examples of compliant procurement processes and transparent tendering and early market engagement. Procurement strategies and frameworks were reviewed with evidence of PESTLE and SWOT analysis being undertaken and the inclusion of Risk Impact Assessments. However, tighter controls are required to ensure that procurement thresholds are being adhered to. The finance system should be used more as an enabler in identifying non-compliance and early intervention for referrals to the Commercial Board, where there is tighter corporate control.

There were examples of small value tail spending taking place outside of contracts and official processes and a reliance on spot purchasing across adults social care. Although a more disciplined approach is unlikely to deliver substantial savings it will provide a clearer focus on commissioning costs and services.

Better use of analytical tools to track spend and compliance would increase the opportunities to deliver more procurement related savings and contract consolidation. However, ongoing recruitment and retention challenges mean the service is increasingly dependent on agency staff, resulting in higher staffing costs and reduced financial efficiency. Procurement is a critical enable of the transformation plan, but only if its capacity and capability is strengthened.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
23. Mandatory corporate sign-off for all significant spend is not consistent, limiting strategic oversight and increasing financial risk.	**6**	**23.** Strengthen the procurement framework to set out clear mandatory corporate sign-off and compliance rules for all significant spend with escalation routes for breaches. **By December 2026**
24. Tail-spend remains high, reducing commercial leverage.	**6**	**24**. Deliver a targeted programme to introduce spend analytics to identify contract consolidation, improved commissioning to reduce the reliance on spot purchasing and to reduce the number of low-value, non-compliant transactions. **By March 2027**

25. Capacity within the procurement team is a risk to the extent and pace of procurement savings.	**6**	**25.** Produce a Procurement Improvement Plan to strengthen the team's ability to support the transformation plan and LGR to deliver further cashable and efficiency savings, through contract consolidation, commercial negotiation and commissioning services. **By December 2026**

3.4 Review Area 4: Governance, Culture And Leadership

The council has a sound governance and decision-making framework, with clear delegation arrangements, established scrutiny and audit structures, and evidence of transparent reporting and strategic awareness of the financial challenge. But its effectiveness is undermined in practice by cultural resistance, siloed working, capacity constraints and political reluctance to take difficult decisions. While senior leaders recognise the seriousness of the situation and articulate a strong narrative for change, strategic intent is not yet matched by a coherent, integrated and enforceable plan capable of delivering the required pace and scale of transformation. The absence of an up-to-date Corporate Plan weakens strategic alignment across the organisation, and transformation efforts are slowed by inconsistent delivery discipline, unclear accountability, limited project management capacity and a lack of a workforce strategy aligned to financial and structural reform. Political instability within a hung council further constrains momentum, creating uncertainty and risk to delivery, meaning that despite improving openness and engagement, the council now needs stronger corporate discipline, clearer priorities and decisive leadership to translate governance structures and intent into sustained operational improvement.

The following sections outline the basis of this assessment in more depth.

a) The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

The council operates within a structured governance and decision-making framework that provides a formal basis for transparent and auditable decision making and there was evidence of regular structured reporting cycles across multiple committees.

The Annual Governance Statement (AGS) highlights that governance arrangements are reviewed annually and informed by:

- Senior officer assessments
- Internal Audit's annual opinion
- Compliance with CIPFA/SOLACE guidance
- Ethical and behavioural standards across the workforce

Although there are governance structures in place, the review found that there are several practical weaknesses that sit outside the formal governance framework:

- **Cultural resistance and siloed working** (Directorate-led rather than corporate-led approaches to savings development, with several savings proposals originating from individual services rather than a corporate transformation pipeline)
- **Variable understanding of the financial challenge** (inconsistent articulation of the scale and immediacy of the financial risk, particularly around the structural deficit and the implications of high-risk savings)

- **Capacity constraints** (Critical enabling functions are operating below the capacity required to support transformation and LGR simultaneously)
- **Political reluctance to take difficult decisions** (political reluctance to take difficult decisions has contributed to delays in progressing several high-impact savings proposals, particularly in adult social care, children's services and SEND)
- **Lack of a workforce strategy** (No corporate workforce strategy setting out future skills, capacity requirements or recruitment/retention priorities)

As such, the governance system is structurally sound, but its ability to drive the right outcomes depends on strengthening organisational culture, capacity, and delivery discipline.

A Corporate Transformation Board has been established with a designated Cabinet Lead responsible for the delivery of the plan. From discussions held there appears to be a good and proactive level of engagement across the council, with acknowledgement from all political parties of the need to change and transform.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
26. There is a risk that the organisation cannot deliver the required savings due to cultural resistance, siloed working, and a belief that most savings have already been exhausted. Perceptions that statutory services are "untouchable" and that LGR will deliver the real savings further weaken delivery momentum.	9	**26.** Implement a corporate transformation mandate that sets clear expectations, enforces delivery discipline, and creates a unified organisational approach to transformational change and savings, ensuring that: i) All services contribute to savings ii) Cultural resistance is addressed head-on iii) Statutory services are no longer seen as off limits iv) LGR does not become an excuse for inaction v) Corporate governance drives pace, consistency and accountability. **By December 2026**

b) The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

There are areas where the Chief Officer Group (COG) shows positive leadership behaviours and there appears to be a strategic awareness and understanding of the seriousness of the financial position and the need for transformation, stronger governance, and corporate discipline. The leadership team has been open about the financial and operational risks, the capacity gaps, and the need for transformational change. However, while there is a clear intent to exit exceptional financial support and restore financial sustainability, there is currently no clear coherent plan that sets out how this will be achieved.

The Transformation Plan provides a framework for change, but it does not provide a single integrated programme that can deliver the scale and pace of change required. There are areas where change programmes and services are being prioritised to either deliver savings or support transition towards LGR, but greater focus and scrutiny is required to stop low value activities and to cease some services.

The lack of an up to-date Corporate Plan means that a key component of the golden thread is absent. There may be scope to use the re-working of the council plan to build on areas of political agreement, which with a minority administration will require an appropriate level of cross-party support to set a direction of travel that supports faster action in managing the financial challenges the organisation faces.

Other strategies are usually informed by the Corporate Plan and without this clear picture there is a risk of a lack of cohesion and joined up planning. For example, there is a need for a demonstrable link from the corporate plan to the MTFS, that will also inform the capital strategy.

Strong corporate discipline will be required to transform the council and while the leadership articulates a clear narrative on the need for change it will require a shift from strategic awareness to strategic enforcement to deliver the scale of change required. A new Corporate Plan is required that strengthens corporate governance, prioritises demand management, integrates transformation and puts financial sustainability as the primary objective.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
27. Failure to update the Corporate Plan would leave the council without a coherent, enforceable framework to drive the scale of transformation required.	6	**27.** Update the Corporate Plan to place financial sustainability at its core. The plan must integrate transformational change, financial recovery, workforce, and service redesign into one corporate programme, setting out the council's readiness for LGR. **By October 2026**

c)	***A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.***

Key findings and analysis

Transformation efforts are being slowed by cultural resistance, siloed working, and a belief in some services that savings have already been exhausted, alongside political reluctance to pursue difficult decisions. LGR is seen by many as the “real” opportunity for savings. While leaders understand the causes of the financial crisis, there is less clarity on the solutions and each service’s role in delivering them. To succeed, the council will need a clear strategic direction, stronger project management, effective communication, and a workforce strategy aligned to the MTFP and LGR.

Discussions focused on the risk to the timing and delivery of savings and assurances were sought across key areas, including:

- Delivery realism, given the compressed timescales
- Capacity and dependency risks
- Governance strength and enforceability
- Financial sensitivity and fallback planning
- Cross-council alignment for LGR

There are some barriers to transformation in some areas that will need to be challenged, together with some cultural barriers that will need to be addressed to facilitate successful transformation.

During the review, we have heard about areas where there is an impression that some services feel they have predominantly made all the savings that they can make and are already doing everything they can, there were also examples of silo areas of practise. This emphasises the need to foster a corporate approach towards transformation.

We heard views that some statutory services are seen as untouchable, which could be a barrier to attempting to make reductions in some areas of the organisation. Looking at scenarios of various levels of statutory provision is something that will need to be more broadly considered.

There is a commonly held view that the major savings will arise through LGR, which is a logical argument but has contributed to reduced momentum on transformation in the short term. While this perspective is not universal, and we heard positive examples of senior officers actively exploring opportunities around AI, digital innovation and wider transformation, it remains the case that parts of the organisation are deferring difficult decisions in anticipation of reorganisation. Strengthening Worcestershire’s position now is essential, as a more stable and efficient council will provide a far stronger platform for any future new authority or authorities to deliver the benefits of LGR. We were made aware of previous political barriers and reluctance to make a number of unpopular types of savings, like cutting the number of libraries, charging for parking in tourist spots and other service reductions. Re-visiting these types of savings may help mitigate the financial position further and is one suggested option to consider. The recent political decision to increase council tax demonstrates unpopular decisions can be made by the council, but the current financial circumstances will really be a test of the whole council's appetite to make tough and unpopular decisions.

We heard repeatedly in interviews about what has caused the financial problems, and it is positive that the leadership and members are clear about that. What is less clear, is a greater understanding of the solution and how the organisation will address that scale of problem and their part in that. We noted positive views around intent to get to grips with the financial situation but there will need to be a strong plan to manage areas that could slow progress and to incentivise engagement with the transformation programme.

Setting out a clear strategic direction that is well understood with strong project management and an effective communication plan will be imperative to the success of the organisation's transformation.

The interim auditor's annual report for the year ended 31 March 2025 explicitly identified the absence of a corporate workforce strategy as a significant weakness and recommended that the council address this during 2025-26. Despite this, a workforce strategy is still not in place. This represents a material gap in the council's strategic planning and undermines its ability to ensure it has the right number of people, with the right skills and capabilities, in the right roles at the right time. The absence of a workforce strategy also means there is no clear alignment between future workforce requirements, the Corporate Plan and the MTFP, limiting the council's ability to support transformation and prepare effectively for LGR.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
28. The council may lack the capacity, capability and governance strength to deliver transformation and LGR concurrently, leading to delays, weakened assurance, and failure to achieve required financial outcomes.	6	**28.** Produce an updated workforce strategy that identifies critical roles, skills gaps and capacity requirements, with the right people, structures and oversight to deliver transformation savings while preparing effectively for LGR. **By October 2026**

d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Key findings and analysis

The relationship between political and officer leadership is strained by a volatile political environment, frequent changes in administration and divergent political priorities, all of which reduce decision-making certainty and risk slowing essential reforms. At officer level, senior leaders demonstrate honesty about the causes of the financial crisis and a willingness to engage with external challenge.

Worcestershire moved into no overall control following the local elections in May 2025, and this position was reaffirmed at the subsequent elections in May 2026. As a result, no single party currently holds a majority on the Council. This creates a complex environment for strategic leadership and transformational change; it also introduces structural risks that directly affect the council's ability to enforce corporate discipline and deliver the scale of change required.

Recent reporting shows signs of internal conflict within the Reform Group, culminating in the former Council Leader being removed as Group Leader and suspended from her party. Councillor Matt Jenkins (Green and Independent Alliance Group) has since been elected as the new Leader of the Council, but this period of political instability has created uncertainty at a critical point for the organisation. Such instability risks delaying transformational change and raises concerns about the leadership's collective ability to drive the structural reform required. With a change of Leader and the potential for changes within the Cabinet, there is an increased risk of shifting political priorities, adjustments in Cabinet portfolios, and a period of transition for senior officers, all of which may slow or dilute the pace of necessary transformation.

Risks & Recommendations

Key Risks	Risk Rating	Recommendations (Including Timeline)
29. With no party with overall control and signs of political tensions, a change in the Leader of the Council and new Cabinet members could affect the deliverability of the transformation plan.	9	**29.** Formalise a cross-party engagement mechanism, establishing a standing Cross-Party Leaders' Forum, focused specifically on budget setting, savings delivery, financial recovery planning, local government reorganisation and devolution issues. This forum should heighten transparency and improve shared ownership of major decisions. **By October 2026**

30. Due to changes in the Cabinet composition, there is a risk that elected members will lack a clear and current understanding of the council's financial position and external economic pressures.	**6**	**30.** Organise updated member training to raise and increase awareness of the current financial position and the impact of wider financial and economic conditions affecting the council's plans. **By December 2026**

Annex

A1 Required Analysis and Method

Areas for Investigation

1. **Quality of financial management and financial processes**

   An assessment of the local authority's financial management and management of risk.**,** covering:

   a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

   b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

   c. The local authority's approach to financial risk management including identification, management and treatment of risk.

2. **Financial sustainability and risk**

   An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

   a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

   b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

   c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

   d. An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

   e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

   f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

3. Service delivery, reform, and transformation

An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

b. Assessment of the extent to which the council's service delivery model particularly in [NAMED] areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

e. A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

4. Governance, culture, and leadership

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

b. The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in ‘name only’.

c. A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority’s capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority’s ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Methodology

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed a significant number of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Annex 3. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including the council’s own surveys of residents and staff, and work undertaken by LG Futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Annex 4.

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

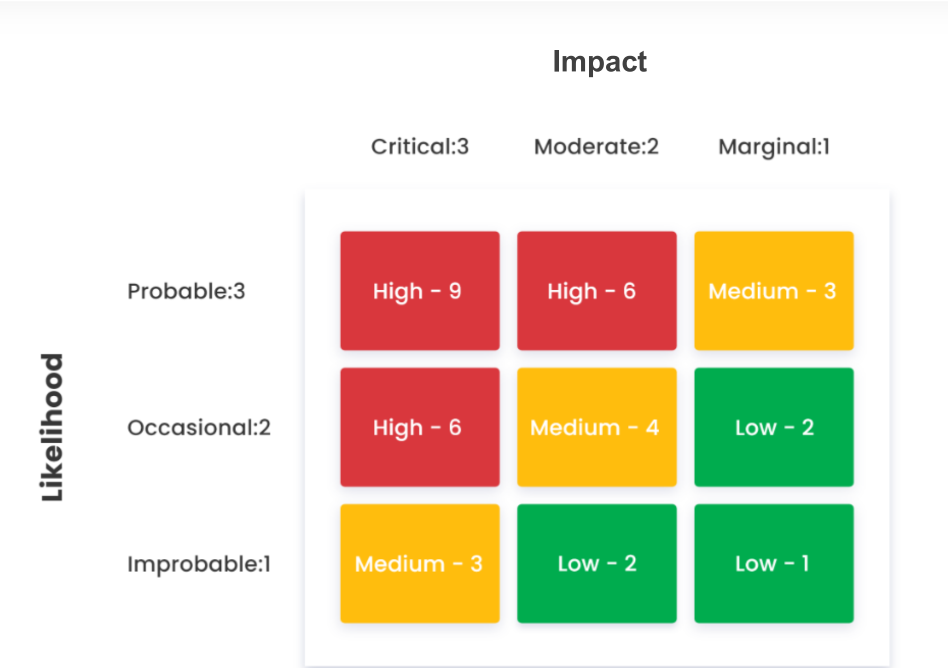
CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in May 2026, and unless otherwise stated reflect the position at that time.

A2 Risk Assessment – Method



Likelihood:

- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50.
- Probable – most likely will happen.

Impact:

- Marginal – some minor, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – notable financial and operational impact/ losses / costs operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major operating impact/ financial losses / costs requiring subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

A3 Documents Reviewed

Latest Revenue and Capital monitoring Reports / Outturn Report

Corporate Landlord Board Reports 2025-26

Asset Disposal List (Corporate Landlord Board)

Transformation Board Reports

External Audit Annual Report 24-25

External Audit 24-25 Full Action Tracker

External Audit Plan 2026-27

3 Year Savings Report (Including 2025-26)

Board Papers such as Property / Investments

Staff Update on Pulse Results

Your Voice – Update to Scrutiny Board

Treasury Management Strategy 2026-27

Corporate Transformation Governance – Terms of Reference

Finance Training Charter – January 2026

Transitions Review – Output Report

Link MRP Review

MRP Report – February 2024

Budget Monitoring Reports

Commercial Board Reports

Cabinet Budget Report 2026-27

Section 25 Report 2026-27

Reserves Strategy

Capital Strategy

Capital Programme Report to Cabinet – Feb 26

MTFP – Report to Cabinet – Feb 26

Savings Report to Cabinet – Feb 26

Efficiency savings breakdown over next 3 to 5 years

Efficiency savings breakdown past results of savings initiatives

Analysis of growth and savings over last 4 years

Peopletoo Socal Care Report – May 26

Audit Plan – Pension Fund 2025-26

Corporate Performance Risk Management Policy Statement and Strategy 2026

Value for Money Profiles - 2026

Affordability assessment of future projected borrowing (including future EFS)

Details of contracts for advice such as Treasury Management, Software, Property

Procurement Reports

Treasury Management Monitoring

Asset Management Plan

Forecast Capital Receipts - Investment

Record of Financial training for members and portfolio holders

Transformation Plan / Change Programme (PWC Reports on LGR)

Service Improvement Plans / Target Operating Models

Annual Governance Statement 24-25

AGS Progress Report - December 2025

Audit and Governance Committee Reports

Scrutiny Budget Monitoring for Quarter 3

Internal Audit Report - latest update to A&G

Internal Audit Plan

Internal Audit Annual Report for 2024-25

Internal Audit Charter 2026-27

Corporate Risk Register - latest risk register / reports

A4 Interviews Conducted

Chief Executive **Paul Robinson**

Corporate Leadership Team Members

Chief Financial Officer and Section 151 Officer

Strategic Director for Adults and Communities

Strategic Director for Children's Services

Strategic Director for Economy & Infrastructure

Monitoring Officer

Directors / Heads of Service

Head of Finance and Deputy Section 151 Officer

Director of Public Health

Assistant Director for HR/OD/Communities

Head of Application Services

Head of Learning and Organisational Development

Assistant Director for Education, Early Years & Pupil Placing

Head of Home First

Strategic Programme Manager - Public Health

Head of Procurement

Head of Transformation / Business Change

Treasury Management lead / Chief Accountant

Head of Internal Audit

External Audit

Director of Public Sector Assurance - Grant Thornton

External Audit Director – Grant Thornton

Members

Leader of the Council Jo Monk (May 2026)

Portfolio holder for Resources/Finance - Deputy Leader

Chair of Audit / Risk Committee

Chair of Scrutiny Committee

Cabinet Lead for Transformation

77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600
CIPFA.org