

Cabinet**Thursday, 29 June 2017, 10.00 am, County Hall, Worcester****Agenda**

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CABINET**29 JUNE 2017****RESOURCES REPORT**

Relevant Cabinet Member

Mr S Geraghty

Relevant Officer

Chief Financial Officer

Recommendation

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses his conclusions concerning financial performance for the year ending 31 March 2017 as detailed in paragraphs 7 to 13 and the statutory accounts be finalised on this basis;**
 - (b) **updates earmarked reserves and general balances as detailed in paragraphs 43 to 47;**
 - (c) **endorses the work and success of the Open for Business Board;**
 - (d) **notes the current progress and successes regarding the service reforms programme;**
 - (e) **endorses the approach to allocate additional of one-off Adult Social Care funding of £10.1 million in 2017/18, £6.8 million in 2018/19, and £3.4 million in 2019/20 received through a Section 31 Specific Grant;**
 - (f) **recommends that Council approves an increase to the capital programme cash limits to include additional schools, highways and skills funding as detailed in paragraphs 34 and 35;**
 - (g) **endorses the approach to support the cash flow position of the Hartlebury Castle Project in advance of receiving approved grant funding, subject to appropriate financial due diligence being in place; and**
 - (h) **notes the report on borrowing and lending transactions during 2016/17 detailed in paragraphs 54 and 55 and Appendix 4.**

Introduction

2. This report outlines the provisional financial results for the year ending 31 March 2017 subject to external audit. It concludes that the provisional financial outturn is to break even compared with the County Council's budget of £322 million.
3. General Balances at the end of the 2016/17 financial year will be reduced by £1 million as planned to £12 million in order to support the costs of rebuilding Eastham Bridge, Tenbury Wells. This is consistent with the Medium Term Financial Plan (MTFP) approved by Full Council in February 2017.

4. Financial performance for the County Council's Capital Budget, Treasury Management activities and the Worcestershire County Council Pension Fund is also reported.
5. Following notifications of further capital grants, new capital investments are being recommended for Full Council approval.
6. Cabinet are asked to approve the financial results for 2016/17 in order that the annual statutory accounts can be prepared.

Provisional Financial Results for the year ending 31 March 2017

7. The work to finalise the management accounts has been completed and a summary of the position is set out in Appendix 1. Appendix 2 gives details of specific variations by Directorate.
8. The County Council has successfully managed a financial challenge for 2016/17 by delivering £27.4 million of savings and reforms whilst at the same time managing additional cost pressures with the most significant being £3.2 million across Adult Social Care Older People and Learning Disability Services which has been supported by the flexibly use of grants, and £1.2 million Children's Special Education Needs and Disability (SEND) Transport due to additional demand and changes to eligibility criteria set by Central Government.
9. Around £6.5 million of the savings and reform plans for 2016/17 will be carried forward to 2017/18 to reflect activities that are forecast to be delivered at a later stage.
10. Additional Children's safeguarding costs of around £0.2 million have been managed during the year, and Cabinet will note the significant additional funding for 2017/18 of £2.5 million to support an action plan to address the recommendations and to strengthen social care recruitment and retention as part of the workforce strategy, provide additional support for care leavers and increase administration and management capacity and a further £1 million capital investment is also recommended into Social Care Systems and Information Technology which will support the Children's Services Social Work Improvement Plan approved as part of the budget in February 2017. This will be closely managed and updates will be provided to future cabinet meetings as appropriate.
11. The cost pressures in 2016/17 have largely been met from a favourable variance on money market activity following an active strategy to defer borrowing costs whilst cash balances remain strong.
12. Income from Business Rates totalled £58.1 million for the year, with around £0.4 million being withdrawn from the Business Rates Risk Reserve to cover change in collection forecasts.
13. The main features of the County Council's outturn financial performance for 2016/17, subject now to External Audit are set out below:
 - In overall terms revenue spending by Directorates was within the delegated cash limits coming in on budget whilst making identified savings. However, there have been significant areas of cost pressure which have been managed during the year, the most significant of which relates to a £3.2 million pressure in Adult Social Care and £1.2 million Children's Special Education Needs and Disability (SEND) Transport. Directorates use of reserves has increased during the year, resulting in approximately £6.5 million of reserves being utilised to support the delivery of services within Cash Limited Budget. This represents an increase over previous years and will need to be closely monitored to ensure that the County Council can continue to deliver services within underlying cash limited budgets.
 - The 2016/17 savings and reforms target of £27.4 million has been delivered. Where this has been achieved by using one-off alternative funding to support project savings, £6.5 million will be carried forward to 2017/18 for delivery. This is greater than the previous year's carry forward of £3.2 million and confirms the increasing

challenge to achieve savings year on year. It will be important that this slippage is recovered in 2017/18 alongside the delivery of the 2017/18 reform programme approved by Cabinet and Full Council in February 2017.

Open for Business Board Update

14. The Open for Business (OFB) Board was set up in 2013 to consider the potential allocation of a £3 million fund as delegated to the then Cabinet Member for Economy and Infrastructure to deliver the Open for Business objectives around Skills, Enterprise and Infrastructure in response to the economic picture at the time.
15. The fund is now fully allocated in line with the Cabinet Member delegation of 2013, with £2.1 million already spent or committed. The remaining funds are allocated to support the County Council's European Regional Development Fund (ERDF) programmes which is the umbrella name for our business start-up and growth programmes, these are scheduled to run until 2018/19 and have just started delivery.
16. The OFB Board has supported a large variety of projects ranging from Connecting Schools and Business, which has been held up nationally by the Education Minister as best practice, to the new Worcester Innovation (WINN) Programme which is working with QinetiQ to bring Innovation and Research into the heart of what our business community do. Other projects include founding the National Cyber Skills Centre, World Class Worcestershire, the Game Changer Programme including Worcester Six and Malvern Hills Science Park, Kidderminster Arts Festival and a Heat Network Seismic Study which is looking at the use of underground heat to power areas of Evesham and Worcester.
17. Twenty one strategic projects have been funded in total to deliver:
 - Over 1,121 new jobs created or forecast by 2018;
 - Over 1,814 business will be assisted with advice, support or grant funding by 2018;
 - 7,715 young people have been assisted with work placements or via our career fair;
 - 834,420 square meters of employment floor space in the Game Changer sites;
 - OFB Projects have directly increased Gross Value Added (GVA) in the County by £42 million and have indirectly the potential to increase GVA by a further £871 million via the Game Changer Site Developments; and
 - Significant private sector leverage in excess of the public sector investment.

Transformation Programme Update

18. The programme has the clear intention of delivering the changes needed to support the County Council's refreshed corporate plan Shaping Worcestershire's Future four key priorities: Open for Business, Children and Families, The Environment, and Health and Well-being. It remains a key delivery vehicle for identifying, managing and delivering the transformation required of the organisation to realise the corporate plan vision.
19. The County Council has an estimated ongoing savings requirement of £26.5 million for 2017/18, £31.9 million for 2018/19, £21.7 million for 2019/20 and £22.0 million for 2020/21 in order to deliver a balanced budget. This is reflected in the Medium Term Financial Plan approved by Council in February 2017.
20. The County Council has continued to meet the increased financial challenge whilst at the same time achieving service improvements.
21. Since 2011/12, the County Council has delivered significant savings and reforms. The majority of these reforms have been required to either meet the reducing level of Revenue Support Grant from Central Government or to absorb significant increases in cost as a result of inflation, rising demand for services and investment to deliver manifesto commitments.
22. There are existing plans (subject to detailed consultation where appropriate) to deliver

£37 million of savings, with £21.3 million savings in 2017/18, £12.7 million in 2018/19 and a further £3.2 million in later years. Around half of these planned savings are currently assessed to have some risk around their delivery and are subject to robust project management and support to ensure they remain on track and deliverable to time and financial target.

23. Based on the MTFP approved in February 2017, there still remains a need to establish further proposals to balance the budget of nearly £60 million over the period to 2020/21. The County Council will continue its successful approach of being proactive and planning for change, listening to ideas, concerns and opinions. The development and refinement of the plan to deliver services within the resources available across the medium term has commenced with the intention of developing clear plans for consideration for the 2018/19 budget
24. The County Council will be seeking the views of all our services users, residents and partners to help shape our future service delivery along with our public sector partners across Worcestershire as part of delivering proposals that will be incorporated into the draft Budget in December 2017 that are aligned to its Corporate Plan, Shaping Worcestershire's Future. This will include roadshows, surveys and other events.

Adult Social Care Funding

25. The County Council currently receives, in the form of the Improved Better Care Fund, specific funding to support Adult Social Care. The existing profile of funding is set out below:
 - 2017/18 - £0.1 million;
 - 2018/19 - £6.6 million; and
 - 2019/20 - £12.7 million.
26. As reported to April Cabinet, Councils will receive as part of the Improved Better Care Fund an additional and one-off £2 billion over the next three years for adult social care, with £1 billion of this to be provided in 2017/18. The County Council's allocation of the additional monies is as follows:
 - 2017/18 - £10.1 million;
 - 2018/19 - £6.8 million; and
 - 2019/20 - £3.4 million.
27. The additional funding is one off to be spent on adult social care and used for the purposes of meeting adult social care needs, supporting reducing pressures on the NHS and stabilising the social care provider market.
28. The new funding will be paid as a Department for Communities and Local Government specific grant and will be pooled into the Improved Better Care Fund. Taken together with the Better Care Fund, received by the NHS, and allocated across NHS and Council services, this represents a significant allocation to support some of the most vulnerable residents across Worcestershire. There are conditions to the grant to ensure that money is spent on adult social care services and supports improved performance across health and social care.
29. Whilst this additional grant is most welcome, it should be noted that it is not recurrent, so any plans for spending will need to address this and ensure that the impact of the funding is long term.
30. The Improved Better Care Fund will be formally approved by the Health and Well Being Board in July 2017. We are still waiting for the final guidance. However, it is proposed that the new monies received through a Specific Section 31 Grant, are allocated to the following areas:

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Meeting Adult Social Care Needs	3.3	3.6	1.1	8.0
Reducing Pressures on the NHS	3.6	1.8	0.8	6.2
Stabilising the Social Care Provider Market	3.2	1.4	1.5	6.1
Total	10.1	6.8	3.4	20.3

Capital Investment

31. The County Council spent £132.1 million on Capital Expenditure in 2016/17 which included £15.0 million spent on school projects, £65.1 million on local transport infrastructure, £47.4 million Energy from Waste Loan Facility and £4.6 million on other County Council services.
32. The major sources of capital financing were external borrowing £63.8 million, capital grants and contributions £60.7 million, capital receipts £2.4 million and direct revenue contributions £5.2 million.
33. Significant capital investments have been delivered on the following projects in 2016/17:-

Open for Business

- £4.3 million – Hoobrook Link Road, Kidderminster;
- £3.1 million – Worcestershire Parkway;
- £1.6 million – Bromsgrove Rail Station relocation; and
- £1.3 million – Worcester Six Technology Park.

Children and Families

- £1.3 million – Christopher Whitehead High School expansion, Worcester;
- £1.2 million – St Bede's Catholic Middle School sports hall – Redditch; and
- £1.1 million – Leigh and Bransford Primary School

Health and Wellbeing

- £0.2 million - Increasing capacity at Timberdine Nursing and Rehabilitation Unit, Worcester

The Environment

- £14.7 million – Highways Structural Maintenance;
- £11.2 million - Worcester Southern Link Road; and
- £8.3 million – Driving Home Highways Infrastructure Improvement Programme.

Additions to the Capital Programme

34. The County Council has received notification of capitals grants and Section 106 income, and Cabinet are asked to recommend that Full Council approves the following additions to the Capital Programme.
 - **£8.7 million School Basic Need Allocation 2019/20**
This allocation for 2019/20 has just been confirmed. Allocations for previous years are already in the approved capital programme
 - **£3.7 million School Condition Capital Maintenance 2017/18**
This Children, Families and Communities grant allocation has not been previously built into the approved Capital Programme. The Director of Children, Families and Communities, in conjunction with the Cabinet Member with Responsibility for

Education and Skills, will continue the normal process of allocation to specific schemes

- **£1.3 million Highways Maintenance Incentive Element 2017/18**

This is Department for Transport grant to supplement the general highways maintenance allocation previously approved within the Capital Programme. The grant allocated is based upon the quality of Worcestershire County Council's Asset Management Plan

- **£0.3 million Worcestershire Intelligent Transport Systems 2017/18**

This Department for Transport grant was received late in 2016/17 to be used during 2017/18. The purpose of the grant is to aid the support and delivery of demonstrator schemes that are based upon co-operative intelligent transport systems

- **Skills Capital Projects 2017/18**

The County Council has received a number of grant allocations from the Worcestershire Local Enterprise Partnership Growth Fund for skills capital projects including:

£0.6 million – Engineering Facility (Skills Capital Fund)

£0.4 million – Pershore College/ Agritech

£0.3 million - META project

£0.3 million – Inclusive Centre for Entrepreneurship and Business Growth (Skills Capital Fund)

£0.1 million – Centre of Vocational Excellence

£0.1 million – Inclusive Skills Based Centre (Skills Capital Fund)

Pension Fund Update

35. For 2016/17 the Worcestershire County Council Pension Fund had an operating surplus of £34.4 million compared to a surplus of £38.6 million for 2015/16.
36. The Worcestershire County Council Pension Fund's net assets have increased by £530 million to £2.481 billion at the end of 2016/17.
37. The Pension Fund's Actuary has calculated that the Council's liabilities exceed its share of the assets by £446 million at 31 March 2017.
38. Whilst this net liability will change each year due to the volatility in share prices and changes in the assumptions used regarding financial risk and uncertainties, it remains consistent with the prudent long-term funding strategy agreed at the recent valuation of the Pension Fund in 2016 to ensure assets and liabilities are balanced over an 18 year period.
39. The next stage is to prepare the annual statutory accounts for both the Council and the Pension Fund, which will be audited by the Council's external auditor Grant Thornton UK LLP and presented to the Audit and Governance Committee later in the year.

Insurance

40. The insurance reserve is held to meet the cost of claims within three specific areas of business:
 - Payments that have to be made for liability claims that fall below the insurance policy excess;
 - Payments that have to be made for fire damage claims which fall below the insurance policy excess; and

- The cost of claims that have to be met under the self-insured property damage scheme for schools.

41. The adequacy of each reserve is annually reviewed internally and is subject to independent review every five years. The balance is currently deemed to be adequate and stands at £7.1 million at 31 March 2017.

Proposed Earmarked Reserves, New Investments and General Balances

42. A schedule setting out the proposed earmarked reserves at 31 March 2017 is detailed in Appendix 3.

43. The majority of our reserves are earmarked for commitments that have already been made, held on behalf of Central Government until that specific grant is spent or held on behalf of schools or other third parties. The County Council will carry forward a much smaller level of reserves to cater for risk and uncertainty that remains prudent, but as can be seen is reducing based on the use of reserves in 2016/17.

44. The overall reduction in reserves in 2016/17 reflects planning assumptions to support increases and changes in demand for services ahead of revenue streams coming online in 2017/18 or in support of transformation projects to deliver better outcomes and value for money within the future resources that the County Council has available.

45. In consideration of the provisional financial outturn of breakeven Cabinet are recommended to approve the following addition to specific earmarked reserves in light of known future commitments and risks:-

- **£0.5 million Transformation Fund Spend to Save Initiatives.**

In light of the continued need to support service reforms and expenditure reductions taking on board Central Government funding reductions, it is prudent to set aside funding to support the potential costs of change and programmes of work that are currently in development

General Balances

46. The effect on general balances following the financial outturn for the 2016/17 financial year is as follows:

	£m
Balance at 31 March 2016	13.0
Transfers to / from (-) during 2016/17	-1.0
Balance at 31 March 2017	12.0

Hartlebury Castle Project

47. The County Council has been working in partnership with Hartlebury Castle Preservation Trust to secure the future of Hartlebury Castle. The principle behind the scheme is that the Trust and Worcestershire County Council will make the Castle, Hurd Library, collections of the Museum and Castle, as well as the Gardens, into an integrated visitor destination that will benefit the local area and serve as a major attraction for visitors from around the UK and beyond.

48. This partnership has secured £5 million in investment from the Heritage Lottery Fund as well as other external funding from a range of charitable trusts and foundations. The grant has already secured the acquisition of the Castle and estate, and work has commenced on the refurbishment project as well as a wide ranging programme of activities.

49. The Trust is the charity responsible for the management of the project which is currently in progress, and the receipt of grant aid from the Heritage Lottery Fund to meet the objectives of the scheme. The Joint Museums Committee, which includes the Cabinet Member for Communities, has received regular reports on the progression of the project. The County Council has entered into a management and funding agreement to confirm

the contribution of the Council and Museums Worcestershire, the shared service which operates the County Museum.

50. The retention policies of the Heritage Lottery Fund mean that the final grant payment will be made at the end of the project when the final grant claim and associated reports are signed off. The cash retention is part of the approved grant for which there is a contract in place. This results in a negative cash flow position for the Trust for approximately 18 months of the project until completion, currently forecast to be July 2020.
51. Following a request to the County Council for assistance to address this problem and the necessary financial due diligence, it is proposed that the County Council re-profile contributions to bridge the gap of up to £250,000, to operate from October 2018 until the conclusion of the project, with payments from the County Council to be made on a quarterly basis recovered through an appropriate interest bearing loan. Any payments will be designated as restricted funding. Finance officers will receive copies of claims on a monthly basis and put in place appropriate monitoring procedures during the period of the loan.
52. Cabinet are asked to endorse the approach in support of the project.

Borrowing and Lending Transactions 2016/17

53. In accordance with Financial Regulations and the County Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation. This report is set out at Appendix 4.
54. The key highlights of this report are:-
 - The Council's treasury activities were managed successfully within the approved Prudential Indicator limits;
 - Base Rate was cut to 0.25% in August 2016;
 - Investments prudently made to UK Debt Management Office, other local authorities and Money Market Funds are in line with the existing County Council Treasury Management Policy;
 - £7.4 million of existing loans have been repaid during the year;
 - New loans of £35.8 million have been taken out during 2016/17. This was planned activity and all of this was raised to support the approved Energy from Waste scheme; and
 - Total debt outstanding is within plan and stands at £363.2 million at 31 March 2017, at an average rate of 3.83% (3.95% for 2015/16).

Health Impact Assessment

55. A Health Impact Assessment has been undertaken with regard to this report and recommendations for new spending decisions to understand the potential impact they can have on Public Health outcomes across the County area.
56. This report is mainly about confirming the financial position from previous Cabinet decisions, and requests new capital spending for highways, school building improvements and support for skills and training.
57. Taking this into account, it has been concluded that there are no specific health impacts as a result of new decisions arising from this Cabinet report.

Supporting Information

- **Appendix 1** Summary Financial Results 2016/17
- **Appendix 2** Directorate Variations - Operating Activity 2016/17

- **Appendix 3** Proposed Earmarked Reserves
- **Appendix 4** Borrowing and Lending Transactions 2016/17

Contact Points

County Council Contact Pointes

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Specific Contact Points for this Report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- Previous Cabinet Resources Reports

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Appendix 1

Summary Financial Results 2016/17

	Revised Estimate 2016/17	Actual Net Exp.	Variation	Transfer to / from(-) Directorate reserves	Variation after Reserve movements
Directorate	£000	£000	£000	£000	£000
Net Expenditure					
Adult Services	132,372	139,078	6,706	-6,706	0
Public Health	367	296	-71	0	-71
Children, Families & Communities	83,467	88,709	5,242	-3,957	1,285
Economy & Infrastructure	64,539	66,171	1,632	-1,462	170
COaCH, Chief Exec. & Finance	41,723	36,917	-4,806	3,422	-1,384
Directorate Outturn	322,468	331,171	8,703	-8,703	0

Financing

Revenue Support Grant	36,347	36,347	0
Business Rates	58,100	58,100	0
Council Tax	228,021	228,021	0
	322,468	322,468	0

	Estimate £000	Actual £000	Variance £000
General Balances			
Opening balance as at 1st April 2016	13,029	13,029	0
Transfer from General Balances	0	-1,000	-1,000
Closing balance as at 31st March 2017	13,029	12,029	-1,000

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Appendix 2

Directorate Variations - Operating Activity 2016/17

	£000	£000
<u>Adult Services</u>		
Learning Disability (LD) Services Direct care costs overspend due to increased cost of packages, activity & timing issue on savings delivery	2,345	
LD - Savings on LD Day Services Transformation	-433	
Planned use of reserves to meet LD Supported Living timing issue in savings delivery	-1,300	
Older People (OP) Services Direct care costs overspend due to increased cost of packages, activity & timing issue on savings delivery	4,000	
OP Staffing savings/reduced activity	-370	
OP - Planned use of reserves to meet Extra care and Home Care Improvement Project timing in savings delivery	-1,946	
OP - Provider services savings	-207	
OP - Safeguarding and Deprivation Of Liberty Safeguards pressures	1,034	
OP Planned use of reserves to meet DoLS pressures	-1,034	
OP Integrated Equipment Store Technical Accounting adjustments relating to capitalisation and stock	-612	
Early Future Fit savings	-200	
Physical Disability Services increased Home Care & Day care activity	151	
Finance and Business Support staff and running cost savings	-155	
Agreed support for County Enterprises business plan (within Community Services) to break even over 3 years	118	
Integrated Commissioning Unit agreed staffing costs from DASH	156	
Reserves to allow time for the full restructure implementation		
Planned Transfer from DASH reserves to support ICU Restructure	-156	
Underspend on Better Care Fund (BCF) of £177k and Well connected specific joint budgets ring fenced in reserves	-232	
Transfer of BCF & Well Connected underspend 2015.16 to specific reserve	232	
Strategic Initiatives spend by CCG's	200	
Use of Pooled Budget Risk reserve by CCG	-200	
Other areas	-188	
	<hr/>	1,203
<i>Transfer to DASH general reserve</i>		
Transfer from Adult Services general reserves to balance budget		-1,203
Contribution to (-) / from general balances		<hr/> 0 <hr/>

Appendix 2

Directorate Variations - Operating Activity 2016/17

	£000	£000
<u>Public Health</u>		
Savings on staffing and running costs and restructure	-270	
Savings on contracts / recommissioning and efficiencies early than expected	-761	
Contribution to Corporate reserves for invest to save	300	
Savings on a number of PH initiatives such as obesity, living well, smoking cessation being lower than anticipated	-456	
Transfer to PHFRG reserve	1,116	
Contribution to (-) / from general balances		-71

	£000	£000
<u>Children, Families & Communities</u>		

LA (non-DSG) Budget Variations

Children's Social Care (CSC)	662	
Delayed achievement of Savings in Home To School Transport (HTST)	1,220	
PFI funded services (ICT and Bromsgrove)	332	
Education Services Grant - delayed/fewer academy conversions	-240	
Skills and Investment activities funded from reserve	173	
Youth Offending Service - early achievement of FF and transfer of reserves to OPCC	956	
Early Help Cost of Change	367	
Libraries and Learning	318	
Music Service	-174	
Other	128	
		3,742

DSG Variations

School Formula Allocation including allocations	1,874	
Funding allocations for 2, 3 & 4 year old places	-507	
High Needs school "top-up" funding for SEN	1,676	
Independent special school FE and AP places	228	
High Needs transitions carried forward	-2,224	
Portage Service	126	
Statutory & Historic Duties	-231	
Other	89	
		1,031
Balance of over spend transferred to DSG reserve	-1,031	
Transfer from Future Capital Investments Reserve	-367	
Transfer from other reserves	-1,829	
Music Service Reserve	174	
Directorate 2% Reserve		
Contribution from E&I Reserves	-435	
Contribution to (-) / from general balances		1,285

Appendix 2

Directorate Variations - Operating Activity 2016/17

Economy and Infrastructure

Waste Disposal	-3,830		
Eastham Bridge - Recovery Costs and RCCO to Capital Programme	1,270		
Scientific Services	580		
Network Control - Development Control and Streetworks	-540		
Transport Planning	370		
Routine Highway Maintenance	335		
Other	185		
		-1,630	0
Transfers to / from Reserves and Provisions			
Central Redundancy Reserve		-105	
Other		-95	
Directorate 2% Reserve		2,000	
Contribution to (-) / from general balances		170	0

£000 £000

Coach Directorate

Systems & Customer Access	1,295		
Commercial Team	-95		
Registration Service	-125		
Other	-115		
		960	

Financial Services & Whole Council

MRP	-345		
Favourable Variance on Capital Financing & Money Market Activity	-3,415		
Other	-60		
		-3,820	
Budget Variance - Transfers to / from Reserves			
Central Redundancy Reserve	-235		
County Council Elections top up for 2017 Elections	40		
Whole Council Reserve movement	601		
Councillor's Divisional Fund reserve	570		
Future Fit Transformation Reserve	490		
Other	10		
		1,476	
Contribution to (-) / from general balances		-1,384	0

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Appendix 3

Proposed Earmarked Reserves available to the County Council

As at 31st March 2017

	Value at 31/03/2017	Value at 31/03/2016	Change
	£m	£m	£m
Non-School Reserves	0.1	0.0	0.1
School Balances Reserves	13.2	18.1	-4.9
LA Loan Scheme	0.0	0.0	0.0
ICT-PFI Reserve	0.7	0.9	-0.2
Bromsgrove PFI	1.8	2.3	-0.5
DSG carried forward Reserve	8.8	9.9	-1.1
Specific Reserve	0.0	0.0	0.0
ChS Placements Reserve	0.0	0.0	0.0
Youth Offending Reserve	0.1	1.1	-1.0
Apprenticeship Reserve	0.2	0.4	-0.2
Coroners Major Inquests	0.1	0.1	0.0
The Hive	0.2	0.2	0.0
Music Service Reserve	0.4	0.3	0.1
Library & HUB Joint Work	0.0	0.0	0.0
SLS Reserve	0.0	0.0	0.0
Joint Museum Service Reserve	0.0	0.0	-0.0
Community Services Termination	0.0	0.1	-0.1
TOTAL CF & C	25.7	33.1	-7.8
LABGI Reserve	0.6	0.7	-0.1
Loans Fund Legacy	0.1	0.0	0.1
SubReg Infrastructure Reserve	0.3	0.3	0.0
Open for Business Reserve	1.0	1.8	-0.8
MRRT Reserve	0.0	0.0	0.0
Growing Places Reserve	3.6	3.2	0.4
Wildmoor Landfill Deposit Reserve	0.0	0.0	0.0
Waste Contract – PFI grant Reserve	10.1	12.5	-2.4
BEC General Reserve	1.6	1.7	-0.1
Fleet Surplus Reserve	0.4	0.4	0.0
Waste Pollution Reserve	0.0	0.0	0.0
Concessionary Fares Reserve	0.1	0.3	-0.2
LEP Reserve	0.2	0.2	0.0
Winter Maintenance Reserve	0.1	0.1	0.0
Strategic Initiatives Reserve	0.4	0.4	0.0
E&I Termination Reserve	0.0	0.2	-0.2
Trading Standards Reserve	0.2	0.3	-0.1
TOTAL E & I	18.8	22.2	-3.3
VCS Changing Futures	0.0	0.0	0.0
Public Health Reserve	0.0	2.4	-2.4
A&C Services Directorate Reserve	2.0	2.4	-0.4
Personal Budget Risk Reserve	0.4	0.6	-0.2
PH Grant Reserve	4.9	3.7	1.2
Well Connected Reserve	0.3	0.3	0.0
Social Impact Bond	0.4	0.4	0.0

Appendix 3

Proposed Earmarked Reserves available to the County Council

As at 31st March 2017

	Value at 31/03/2017	Value at 31/03/2016	Change
	£m	£m	£m
TOTAL Adult Services & Public Health	8.0	9.8	-1.8
Finance Earmarked Funds	0.0	0.1	-0.1
COaCH Earmarked Funds	0.3	0.3	0.0
Digital Trading Account Reserve	1.0	1.4	-0.4
Race Equality Reserve	0.0	0.0	0.0
Council Elections	0.8	0.6	0.2
E-Government Reserve	0.2	0.2	0.0
Replacement Safecom	0.1	0.1	0.0
Wildwood Sinking Fund	0.4	0.4	0.0
Programme Office	0.6	1.5	-0.9
New Homes Bonus Reserve	2.4	1.6	0.8
IBS Schools Pension Liability	0.3	0.3	0.0
Future Fit Transformation	6.1	2.8	3.3
Revolving Door	5.7	1.4	4.3
Future Capital Investments Reserve	4.4	5.1	-0.7
Fire Insurance Reserve	1.6	1.7	-0.1
Liability Insurance	4.0	4.4	-0.4
Financial Services Reserve	5.6	2.4	3.2
Schools Self Insurance	1.5	1.3	0.2
Financial Systems development	0.3	0.6	-0.3
Cllrs Divisional Fund	1.2	1.2	0.0
Business rate pool risk reserve	1.9	1.5	0.4
WCC redundancies	0.7	0.0	0.7
TOTAL COaCH, Ch.Exec & Finance	39.1	28.9	10.2
TOTAL WCC	91.5	94.0	-2.5

BORROWING AND LENDING TRANSACTIONS 2016/2017

1. In accordance with Financial Regulations and the Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation.

2. This report details the borrowing and lending transactions undertaken by the Council for the 2016/17 financial year. Long term borrowing is used to fund Capital Projects and to replace principal sums repaid during the year. Lending transactions comprise instant access deposits, short-term investments on the London Money Markets and with the Debt Management Office's deposit facility, held at the Bank of England.

Background

3. The bank rate was further cut from a historically low 0.50% to 0.25% in August 2016. In line with the Treasury Management strategy approved by Council investments have been made with the UK Debt Management Office, other Local Authorities, selected banks and Money Market funds.

Borrowing

4. The borrowing transactions and debt outstanding for the Council in 2016/17 are summarised as follows:

Statement of Borrowing Transactions for the year ended 31 March 2017

	Short Term		Longer Term			Total Debt £'000
	Local Deposit Loans	Short Term Temporary Loans	PWLB Loans	Money Market Loans	Total Longer Term	
	£'000	£'000	£'000	£'000	£'000	
Debt Outstanding at 1 April 2016	253	0	284,492	50,000	334,492	334,745
Loans Raised	26	0	35,782	0	35,782	35,808
Loans Repaid	(1)	0	(7,369)	0	(7,369)	(7,370)
Net Borrowing	25	0	28,413	0	28,413	28,438
Debt Outstanding at 31 March 2017	278	0	312,905	50,000	362,905	363,183

5. Total debt outstanding increased from £334.7 million to £363.2 million during the year. This increase comprises of £35.8 million of new debt, a repayment of a £5 million loan which matured in February 2017 and repayment of £2.4 million annuity loans. All of the new debt relates to the Energy from Waste project. This level of debt is within the Capital Financing Requirement for 2016/17 (£544.6m) and also meets the Prudential Indicators for the authorised limit for external debt (£543.0m)

and the operational boundary (£520.0m). All debt is fixed rate and meets the Council's limits on the type of debt it holds (fixed and variable).

6. The Public Works Loans Board (PWLB) is the main source of longer-term borrowing for the Council and the following loans taken were annuity loans relating to the Energy from Waste Project.

Amount (£m)	Date Taken	Maturity Date	Rate (fixed to maturity)
10.940	25/04/2015	30/04/2042	2.86
8.730	01/06/2016	30/04/2042	2.70
9.116	22/06/2016	30/04/2042	2.51
6.897	03/02/2017	30/04/2042	2.63
0.099	21/03/2017	30/04/2042	2.40
35.782			2.62%

7. The total debt consists of longer and short-term debt. The longer-term debt of £363.2 million falls due for repayment as follows:

Within	£m	% of Total Debt
1 year	37.884	11.3
1 – 2 years	32.972	9.1
2 – 5 years	23.392	6.4
5 – 10 years	56.448	15.4
10 years and over	212.209	57.8
	362.905	100.0

8. Total debt outstanding is within plan and stands at £363.2 million at 31 March 2017, at an average rate of 3.83% (3.95% for 2015/16).

9. The short-term debt consists of local deposit loans repayable at seven days' notice which total £0.278 million on 31st March 2017. This was increased by £0.025m compared with March 2016.

Lending

10. The temporary lending transactions for 2016/17 of the Council's cash balances are summarised as follows:

	£m	£m
Balance at 01/04/2016		69
Investments made during the year (344)	920	
Less		
Investments recalled during the year (375)	(950)	
		(30)
Balance at 31/03/2017		39

11. All investments are made in accordance with the Council's Treasury Management Policy and to institutions that satisfy the criteria in the Council's Treasury Management Practices.

12. The average rate earned on investments during 2016/17 was 0.34%. The net interest earned on investments totalled £0.305 million.

13. The Chief Financial Officer concludes that the management of debt and short-term investments continues to be cost effective.

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