

# Agenda

## Adult Care and Well Being Overview and Scrutiny Panel

**Wednesday, 10 January 2018, 10.00 am  
County Hall, Worcester**

All County Councillors are invited to attend and participate

This document can be provided in alternative formats such as Large Print, an audio recording or Braille; it can also be emailed as a Microsoft Word attachment. Please contact Democratic Services on telephone number 01905 844964 or by emailing [democraticservices@worcestershire.gov.uk](mailto:democraticservices@worcestershire.gov.uk)

## DISCLOSING INTERESTS

There are now 2 types of interests:  
**'Disclosable pecuniary interests'** and **'other disclosable interests'**

### WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3<sup>rd</sup> party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

**NB Your DPIs include the interests of your spouse/partner as well as you**

### WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
  - you must **not participate** and you **must withdraw**.

**NB It is a criminal offence to participate in matters in which you have a DPI**

### WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:  
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

### WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

### DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

### DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
  - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

## **Adult Care and Well Being Overview and Scrutiny Panel**

### **Wednesday, 10 January 2018, 10.00 am, County Hall, Worcester**

#### **Membership**

##### **Councillors:**

Mrs J A Brunner (Chairman), Mr R C Adams, Mr T Baker-Price, Mr A Fry, Mr P Grove, Mr P B Harrison, Ms P A Hill, Mrs E B Tucker (Vice Chairman), Ms S A Webb and Mr P Middlebrough

#### **Agenda**

<b>Item No</b>	<b>Subject</b>	<b>Page No</b>
1	<b>Apologies and Welcome</b>	
2	<b>Declarations of Interest</b>	
3	<b>Public Participation</b> Members of the public wishing to take part should notify the Head of Legal and Democratic Services, in writing or by email indicating the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case 9 January 2018). Enquiries can be made through the telephone number/email address below.	
4	<b>Confirmation of the Minutes of the Previous Meeting</b> Previously circulated	
5	<b>Budget Scrutiny: Draft 2018/19 Budget for Adult Services and Public Health</b>	1 - 50

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Agenda produced and published by the Head of Legal and Democratic Services, County Hall, Spetchley Road, Worcester WR5 2NP To obtain further information or hard copies of this agenda, please contact Emma James/Jo Weston telephone: 01905 844964 email: [scrutiny@worcestershire.gov.uk](mailto:scrutiny@worcestershire.gov.uk)

All the above reports and supporting information can be accessed via the Council's [website](http://www.worcestershire.gov.uk/info/20013/councillors_and_committees)[http://www.worcestershire.gov.uk/info/20013/councillors\\_and\\_committees](http://www.worcestershire.gov.uk/info/20013/councillors_and_committees)

Date of Issue: Friday, 29 December 2017

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## **ADULT CARE AND WELL BEING OVERVIEW AND SCRUTINY PANEL 10 JANUARY 2018**

### **BUDGET SCRUTINY: DRAFT 2018/19 BUDGET FOR ADULT SERVICES AND PUBLIC HEALTH**

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#### **Summary**

1. As part of the Council's development of the 2018/19 budget, the Overview and Scrutiny Panels and the Health Overview and Scrutiny Committee are reviewing the 2018/19 draft budget at their meetings in January, following earlier discussion of the budget position and challenges for the current budget year (2017/18).
2. The findings of the Panel's discussion will contribute to Overview and Scrutiny's overall response to the budget, which is being co-ordinated by the Overview and Scrutiny Performance Board and will form part of the Board's meeting on 30 January 2018.
3. This will be a combined discussion of the 2018/19 draft budget for both adult services and public health, because of the joint working involved. Therefore Members of the Health Overview and Scrutiny Committee (HOSC) have also been invited to this meeting, along with the Lead Scrutiny Member for Crime and Disorder.
4. The Cabinet Members with Responsibility for Adult Social Care and Health and Well-being, and the Directors of Adult Services and of Public Health have been invited to this meeting.

#### **Background**

5. The Council's draft budget for 2018/19 was presented to Cabinet on 14 December 2017 and is attached at Appendix 1. In advance of this meeting, it was agreed at the Overview and Scrutiny Performance Board on 4 October 2017 that in November the Overview and Scrutiny Panels and HOSC would review the 2017/18 budget position in advance of the December Cabinet.
6. The Minutes from the Panel's November discussion are attached at Appendix 2.
7. The Cabinet Members with Responsibility for Adult Social Care and for Health and Well-being, and the Directors of Adult Services and of Public Health have been invited to the meeting to present the 2018/19 draft budget and how any challenges are being addressed.

#### **Purpose of the Meeting**

8. Panel Members, in liaison with other Members present, are asked to:
  - review the 2018/19 draft budget as presented to Cabinet on 14 December 2017

- agree any comments which the Panel and HOSC Chair will contribute to the Overview and Scrutiny Performance Board's response to consultation on the 2018/19 budget.

## **Supporting Information**

Appendix 1: 2018-19 Draft Budget and Council Tax (report to Cabinet on 14 December 2017) – the Minutes will be available on the Council's website [here](#)

Appendix 2: Extract of the Adult Care and Well Being Overview and Scrutiny Panel Minutes on 14 November 2017

## **Contact Points**

### County Council Contact Points

Worcestershire County Council: 01905 763763

Worcestershire Hub: 01905 765765

### Specific Contact Points for this report

Emma James / Jo Weston, Overview and Scrutiny Officers, Tel: 01905 844964 / 844965

Email: [scrutiny@worcestershire.gov.uk](mailto:scrutiny@worcestershire.gov.uk)

## **Background Papers**

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

- Budget Book 2017-18 – available on the Council's website; [http://www.worcestershire.gov.uk/downloads/download/620/budget\\_books](http://www.worcestershire.gov.uk/downloads/download/620/budget_books)
- Agenda and Minutes of the Adult Care and Well Being Overview and Scrutiny Panel on 14 November 2017 – available [here](#)
- Agenda and Minutes of Cabinet on 28 September and 2 November 2017 – available on the Council website [here](#)
- Agenda and Minutes of the Overview and Scrutiny Performance Board on 4 October and 6 December 2017 – available on the Council website [here](#)

**CABINET**  
**14 DECEMBER 2017****2018-19 DRAFT BUDGET AND COUNCIL TAX**

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**Relevant Cabinet Member**

Mr S E Geraghty

**Relevant Officer**

Interim Chief Financial Officer

**Recommendation**

- 1. The Leader of the Council (and Cabinet Member with Responsibility for Finance) recommends that Cabinet:**
  - (a) approves for consultation the draft budget set out at Appendix 2 which includes proposed Transformation and Reforms programme set out in Appendix 3;**
  - (b) endorses the plan to address a forecast remaining savings requirement of £1 million as a result of updating the Medium Term Financial Plan (MTFP);**
  - (c) endorses an investment of £10.5 million for Children's Social Care;**
  - (d) delegates to the Director of Economy and Infrastructure, in consultation with the Leader of the Council and the Chief Financial Officer, authority to manage individual allocations of the Highways Infrastructure Investment Fund within the overall investment sum of £37.5 million; and**
  - (e) agrees that it is minded to recommend to Council in February 2018 an increase in Council Tax Precept by 4.94% in relation to two parts:**
    - 1.94% to provide financial support for the delivery of outcomes in line with the Corporate Plan 'Shaping Worcestershire's Future' and the priorities identified by the public and business community**
    - 3% Adult Social Care Precept ring-fenced for Adult Social Care services in order to contribute to existing cost pressures due to Worcestershire's ageing population.**

**Introduction**

2. This report seeks Cabinet approval to consult on the draft budget for next financial year 2018/19. It brings together a number of related financial matters; the results of the County Council's strategic financial planning, the detailed budget preparation work taking account of the latest inflation and demographic pressures, the estimated overall funding position from Central Government and finally, the overall impact of the Medium Term Financial Plan (MTFP).

3. It is the first stage in the formal process to determine the Council's budget and precept level for 2018/19. If approved, this report will form the basis of consultation and scrutiny which will take place during the next few weeks, returning to Cabinet on 8 February 2018 and leading to Full Council decision on 15 February 2018.

4. In planning for next year's budget we have taken a revised approach with Directors and Cabinet Members working to develop solutions to live within an agreed "resource allocation" based on an appropriate level of the budget for their services and Corporate Plan priorities.

5. The resource allocations for each service were established taking account of the following:

- Reviewing existing planned investment in services
- Current and forecast service activity levels
- Review of existing assumptions and reform plans.

6. The result of this work concluded that there was a forecast financial planning gap of £32 million.

7. Headline assumptions around Council Tax income and reviewing accounting methodologies were then refined together with a protection against funding reductions for Children's Social Care services which needed to be in place. Following this a resource allocation was then provided for all Directorates who then were tasked with establishing plans to manage within their budget.

8. Directors and Cabinet Members have put forward proposals as to how they will manage within their resource allocations, and this has included exploring all options including financing options. Whilst not all Directors and Cabinet Members were able to meet their resource allocation targets, overall the financial planning gap has been reduced to £1 million.

9. However, whilst we are very near to setting a balanced budget for 2018/19, overall there are financial planning risks highlighted in paragraphs 135 to 141 to be considered. It is important given the reducing level of useable reserves that actions required to deliver financial balance in year and in future years are ongoing to ensure the financial sustainability for the Council over the medium term. There is a risk that the financial resilience the County Council has previously had the benefit of, through active management of grant and other earmarked reserves, will diminish and the flexibility to develop and deliver a balanced budget in the medium term will be put under greater pressure.

10. These estimates will continue to be kept under review pending the preparation of the final budget report to Cabinet in February 2018. This may include taking into account further Central Government announcements as well as service flexibilities and pressures, with any changes being reported within the February 2018 final budget report.

11. The Council has worked hard over this year to take account of the additional investment needed to support Children's Social Care and how that has been supported in the MTFP. Members will recall that the February 2017 Cabinet budget report acknowledged that whilst all efforts were made to make a prudent budget allocation into Children's Social Care for 2017/18, there remained a risk that in order to make improvements at the required pace following the Ofsted judgement, this might impact on the financial recovery plan. Since setting the 2017/18 Budget it has become clear that further demand pressures exist, the scale of which is considerable. The current forecast is predicting a £7.5m cost pressure for Children's Placements alone by the end of the financial year. This position has needed to be taken into account when preparing the 2018/19 budget.



12. In addition, there has been an increased level of financial pressure within Adult Services due to an increased level of demand for services both in terms of new service users and the complexity of services that need to be provided to existing service users. The Directorate will be using earmarked reserves in 2017/18 to assist in balancing the budget and as we move into 2018/19 additional funding will be built into the budget and be subject to continual monitoring.

13. Additionally, we are committed to improving our roads and pavements, recognising that they are a high priority for our residents and businesses. We will strive for top quartile performance in the quality of these assets, understanding their importance in supporting our corporate plan objectives. This will build on the good work done to date and further demonstrate our commitment to being a responsive Council.

14. The Council welcomes all comments on these proposals.

### **Engagement and Communication**

15. The Council undertakes an annual strategic financial planning process which has supported the production of this budget report.

16. Information will be sent to elected members and partners such as the District Councils, Voluntary Sector, Police, Fire and Healthcare providers between now and January 2018 and this will provide for an opportunity to review in detail the proposals and ask questions about specific proposals and the impact of them. Information is also provided through the members' portal and ongoing delivery picked up through individual Cabinet Member with Responsibility briefings.

17. The normal budget consultation period takes place during December and January to coincide with the provisional Local Government Finance Settlement announcements by Central Government. Briefings have been held with employees, members, media, and this year's public roadshows took place during the summer of 2017. Engagement levels at the roadshows this year were the highest they have ever been. Nearly 1,800 people engaged with the 9 events which were held this year across Worcestershire. The topics that were most commonly talked about by members of the public were: roads and congestion, the quality of schools and their children's futures, health and social care particularly for older people and the most vulnerable.

18. In the last two years, six new online channels have been launched enabling the Council to establish a regular dialogue with residents. The Council's social media communities have more than doubled in size since 2015. Instagram and YouTube provide the Council with access to younger audiences. The Council's presence on LinkedIn has helped the growth of its business networks. Activity on Facebook reaches more than 30,000 people every month. Nearly 20,000 people follow the Council's feeds on Twitter.

19. The Worcestershire Viewpoint Survey, which was last undertaken earlier this year during June and July, received over 3,000 responses. The survey is commissioned by the Council, together with public sector partners from across the county, and is one of our biggest surveys of public opinion.

20. More than 8 out of 10 people who live in Worcestershire say that the County is a good place to live. Results from the survey show that people's satisfaction in the place where they live remains very high. More than 80% of those people who filled in the survey say they are satisfied with their local area as a place to live. The survey

also highlighted a feeling of local pride among communities, with more than 70% of people saying they feel a sense of belonging to the area in which they live.

21. Half of those residents who responded to the survey in Worcestershire say that they are satisfied with the County Council. Satisfaction levels are seven percentage points higher than they were when the survey was first launched in 2009. More people believe that the Council is providing value for money in 2017 (37%) than did in 2009 when the figure was 31%.

22. The Council is also listening to its staff through interactive briefing sessions, including live webcasts. There are summary webcasts produced after every Strategic Leadership Team, Cabinet and Council meeting. In addition, corporate briefings take place approximately every three months in addition to Directorate briefings and give employees the opportunity to learn about key developments taking place across the Council as well as having the opportunity to ask questions of the Interim Chief Executive and the Leader of the Council.

### **Budget Consultation**

23. To build on the wider engagement there will be the opportunity for consultation in December 2017 and January 2018 for parish and town councils, voluntary and community organisations, businesses, school governors, head teachers, partners and staff associations. We are also talking to businesses across Worcestershire through the Local Enterprise Partnership and responses to this and all other consultation activity will be incorporated into the February 2018 Cabinet budget report.

24. This work is in the context of the three priorities identified by the public:

- Safeguarding vulnerable young people, particularly those in or leaving care to ensure they are safe and can make the most of the opportunities they have
- Protecting vulnerable older people, particularly those with physical, learning and mental health difficulties
- Maintenance of the highway.

### **Corporate Plan Progress – Shaping Worcestershire's Future**

25. At its November 2016 meeting Full Council approved a refreshed Corporate Plan 'Shaping Worcestershire's Future 2017-2022' to be adopted from 1 January 2017 and progress continues to be made on the ambitions for the county area. To complement this report, strategic performance information for the Council is being included separately in this agenda as part of the Balanced Scorecard report which should be considered alongside this budget report.

26. The Council's ambition to become more self-sufficient and rely less on the receipt of grant funding from Central Government continues to be reflected in the MTFP and through these budget proposals. Looking forward the Council will have an opportunity to have much more influence and control over its funding as the ability to keep within Worcestershire a greater share of the income from business rates to support services for local residents, service users and businesses becomes a reality through the implementation of the Central Government's Business Rates Retention reforms. A strong and successful economy producing the income, through Council Tax and Business Rates, will enable the Council to sustain the services and investments that Worcestershire residents and businesses want to see.

27. Through consultation responses, working with Central Government and in its business rates pilot application, the Council is seeking new responsibilities to drive

and support economic prosperity across Worcestershire. This is reflected in the plan for the County – 'Shaping Worcestershire's Future (2017-2022)' which sets out a direction of travel for the Council that builds on the successes achieved.

28. The Council has four key priorities of *Open for Business*, *Children and Families*, *Health and Well-Being* and *The Environment* that put residents' priorities at the heart of the decisions that it makes. The aim is to help people achieve their full potential and live happy, healthy, prosperous and independent lives for as long as possible. This is in the context of creating the conditions for strong economic growth, higher skilled and better paid employment whilst enhancing connectivity by road, rail and digitally.

29. The Council invests in those people who need it most. Two thirds of the Council's budget is spent on supporting vulnerable adults and on improving outcomes for children, young people and families in the County.

30. Worcestershire Local Enterprise Partnership submitted its ten year Strategic Economic Plan in 2015, with the target of creating 25,000 new jobs, increasing the economy activity, as measured by Gross Value Added (GVA), by a third and build an additional 21,500 new homes by 2025 and progress so far is on track with latest figures showing we have created: 7,667 new jobs, an additional £874 million GVA and 8,210 new homes. Economic performance is strong across the county with the most recent statistics telling us:

- That between 2010 and 2015, the county's productivity grew by an average of 3% each year, according to the ONS
- Worcestershire has one of the fastest growing economies out of all Local Enterprise Partnership (LEP) areas in the country
- Nearly 20,000 apprenticeships have been delivered in Worcestershire
- Unemployment in Worcestershire stands at 1.3% of the 16-64 population, which remains significantly below the regional and national levels
- 9 out of 10 homes and businesses in the county have access to Superfast Broadband as a result of the Council's Connecting Worcestershire initiative.

31. Progress continues to be made in each of the Council's key priorities:

### **Open for Business**

- Working closely with the Worcestershire LEP we have secured significant external resources for key projects. Our three Growth Deals have attracted £71.7 million and the European Structural Investment Fund programme oversees some 68.1 million euros of European monies. The Council has secured £8 million European Regional Development Funds funding up to 2019 towards a range of support programmes to help businesses start up, grow, innovate and invest in Worcestershire. Key outputs will include support for over 700 businesses, 400 start-ups, 900 new jobs and generating an extra £43 million GVA per annum
- We have also just secured our biggest single transport investment for decades - £54.5 million – to complete the final phase of work to the Southern Link Road to complete the dualling between Ketch and Powick. Once completed in 2021, this will create a dual carriageway from the M5 J7 to the West of Worcester - cutting congestion and increasing capacity on a route

carrying over 30,000 vehicles per day. This helps ensure the infrastructure is in place for growth

- Our digital infrastructure is also being transformed with Superfast Broadband reaching 94% of residents and business and residential take up of faster broadband now at 47%

### **Children and Families**

- Nine out of ten schools in the county are currently judged by Ofsted to be good or outstanding
- This year 93% of parents obtained their first preference school place for their child
- The number of young people not in education, employment or training (NEETs) currently stands at just 3.1%
- 66% of students attain a standard pass or above in both GCSE English and Maths

### **The Environment**

- Our new Energy from Waste plant, EnviRecover, is now fully operational and diverting up to 200,000 tonnes of waste from landfill each year as well as producing enough electricity to power 32,000 homes
- Since 2013, over 300 flood alleviation schemes have been completed, reducing the flood risk for over 1,500 homes and businesses
- A programme of countywide public realm works is helping to ensure our town centres are vibrant and attract social spaces. Work is well underway on schemes in Alcester Street in Redditch, Droitwich High Street and has recently begun on the final phase of improvements to Teme Street in Tenbury Wells. Upper Broad Street in Worcester has been resurfaced together with the creation of the new Cathedral Square. Schemes in the pipeline include Worcester Street in Kidderminster, The Shambles in the City Centre and improvements to the centre of Great Malvern
- Our investment of £12 million on our “Driving Home” programme to improve local roads is well advanced and has so far seen over 110 additional miles of roads resurfaced. A further £6 million investment into footways is underway
- The County Council has also received a grant allocation of £6.6 million from the National Productivity Investment Fund for cutting congestion in Bromsgrove and Worcester and will be contributing a further £2.9 million from its existing capital budgets to make a total investment of £9.5 million

### **Health and Well-being**

- A pilot scheme for promoting independence 'Three Conversation Model' which has been running in the Redditch Central, Pershore and Upton areas this financial year has seen a much faster and more proportionate response from social care and early indications are that less people will go on to require a long-term support package
- Adult Services have continued to work closely with all Health Partners and is involved in the Alliance Boards delivering some of the more localised services

- We are working with partners to minimise the number of people in acute hospitals waiting to be discharged
- Our substance misuse service is improving successful outcomes for people with drug and alcohol problems entering specialist treatment. We work closely with the Acute Trust, housing, employment and criminal justice services to support access to interventions that help maintain abstinence, and this year we have significantly reduced numbers of those in long-term treatment
- HIV diagnosed prevalence rate and under 18s conception rate both remain significantly better than the England average. Our sexual health clinics have seen over 11,000 people this year and we continue to adapt the treatment model to focus on prevention
- We have a focus on the prevention of cardio vascular disease and this year have delivered over 18,000 health checks to the local population aged between 40 and 74 years.

### **Council Tax**

32. Central Government's Autumn Budget on 22 November 2017 broadly confirms the funding assumptions that were already included in the MTFP approved in February 2017.

33. One of the most significant financial challenges comes from the increasing cost of demand-led budgets. For many years this has mainly concerned an ageing population and now over recent years includes Children's Social Care.

34. This budget is proposing investment of £10.5 million to support Children's Social Care in order to prioritise resources on those with highest need.

35. It remains vitally important for the Council to work with communities; partners and suppliers to manage increasing demand and ensure services are provided in the most effective and cost efficient way. Around £3.5 billion is spent across the Worcestershire area on public services, with the Council managing around £0.9 billion of gross revenue and capital expenditure each year.

36. Consistently residents top priorities include safeguarding vulnerable adults and children and these services are facing significant demand and financial pressures over and above existing cash budgets and it is proposed that additional funding raised through an increase in Council Tax will be used to support these priorities.

37. The Council continues to take positive action to mitigate cost pressures and demand for services. Taking all services into account, setting demographic and other demand pressures for Council services against the ability to achieve reforms that reflect service users' and residents' needs, there remains a need to increase Council Tax by 4.94% for 2018/19, comprising 1.94% general Council Tax Precept and a 3% ring-fenced to support Adult Social Care.

38. Careful consideration has been given to Central Government's expectation that the Council will make use of Central Government's flexibility to allow increases in Council Tax to specifically support Adult Social Care. This flexibility forms the most significant part of Central Government's funding solution for Adult Social Care alongside allocations of Improved Better Care Fund. Even after allowing for all of this funding to directly support Adult Social Care, the Local Government Association still estimates a national annual and growing funding gap to be £1.1 billion in 2017/18

(which would be the equivalent of some £11 million for Worcestershire), £1.9 billion in 2018/19 and £2.3 billion for 2019/20.

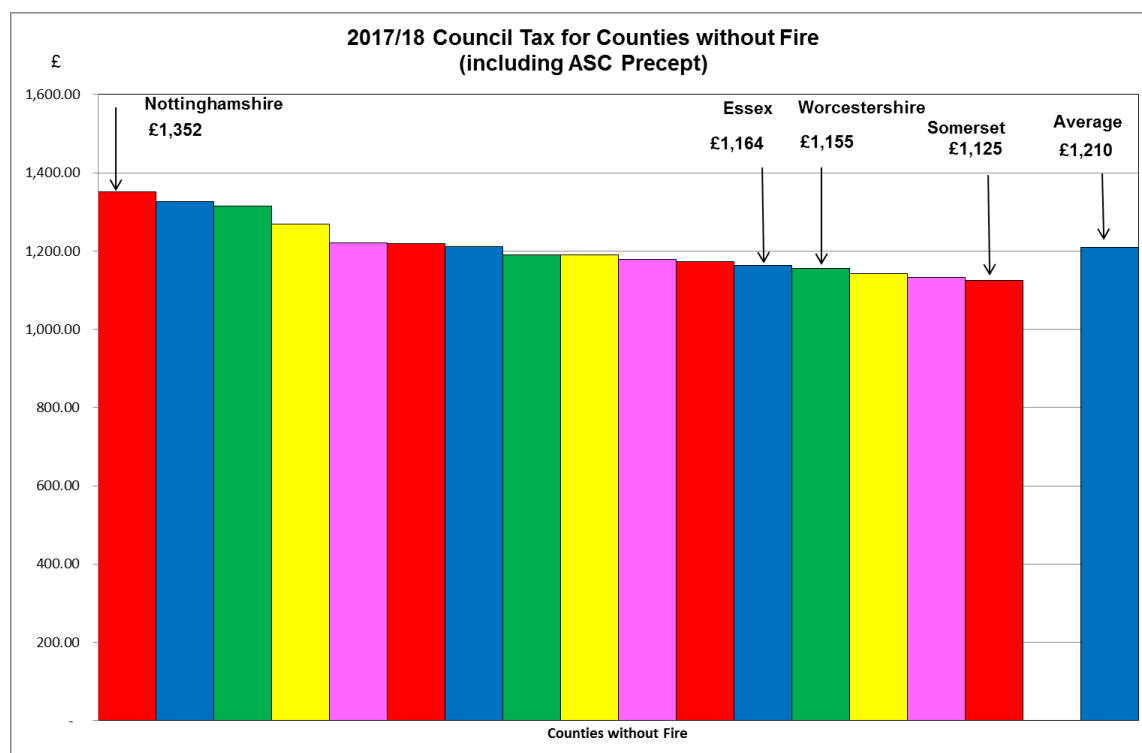
39. The Council continues to lobby Central Government on fully recognising and funding significant pressures in Adult Social Care as demand for services increase and is looking forward to Government's Green Paper. It is proposed that a 3% increase will be applied for 2018/19 and be specifically ring-fenced to support existing and anticipated increases in the numbers of people receiving services, and the additional costs arising as people are living longer with more complex needs. Last year the Council raised a 2% Adult Social Care Precept, and overall for the years 2017/18 to 2019/20 Central Government has indicated a total of 6% increase can be implemented.

40. The proposed 3% Adult Social Care Precept is estimated to result in £7.2 million of increased income for the Council in 2018/19 which will be ring-fenced to support £7.2 million of new recurrent expenditure for Adult Social Care services comprising:

- £3 million to support demographic growth and increasing complexity of supporting vulnerable older people and adults with disabilities
- £1 million to support care assessments in consideration of the Deprivation of Liberty Safeguards requirements
- £3.2 million provision for pay and price increases.

41. In considering the overall increase in Council Tax, it is important to recognise that the Council anticipates that it will continue to have one of the lowest tax bills for comparable local authorities. The 2017/18 position is shown in Figure 1 below:

**Figure 1: 2017/18 Band D Council Tax – Shire Counties without Fire Authority responsibilities**



42. Looking forward the Council will be more self-sufficient as reliance on Central Government for funding will reduce. This will provide a greater opportunity to control and influence funding and therefore support the ability to pay for vital services, but there will be significant challenges along the way.

43. The Council intends to develop plans and address potential budget gaps over the medium term during 2018 and will consider the reforms required thereafter.

**A budget that supports the delivery of the new Corporate Plan, Shaping Worcestershire's Future**

44. The draft budget for 2018/19 provides for a number of initiatives that support the delivery of the Council's Corporate Plan priorities which set out the aspirations for the Worcestershire area within the context of the funding available. Set out below is a clear commitment to support investment in key areas of service whilst maintaining a focus on the transformation of the Council to deliver and improve the services that residents have said they value and support.

- **Open for Business**

The MTFP includes significant capital investment to support Worcester Southern Link Road Carrington Bridge, Pershore Infrastructure, Bromsgrove Town Centre Network and Worcester City Centre Network Efficiency, and will continue to provide support to enable the on-site development of the Worcester Six Business Park development. These investments will continue to drive and facilitate others to increase the economic prosperity of businesses and residents in Worcestershire

- **Children and Families**

A further £10.5 million has been allocated to support the growing number of looked after children and the increased complexity of need within the care

system. This investment includes the additional cost of placements alongside investment into additional social work capacity and management oversight. This increased forecast requirement for investment is consistent with that facing a number of other local authorities nationally following the Council's Ofsted review and judgement. This is reflective of the protective safeguarding work being undertaken in the service with children subject to child protection and pre-proceedings work and work is underway to ensure improvements in the service enable both better outcomes for Children and where possible for those outcomes to be provided through the best value for money solution

- **Health & Well-being**

An increase of £7.2 million has been added to the Adult Social Care budget in response to the demographic growth and increasing complexity of supporting vulnerable older people and adults with disabilities, support for social care assessments in response to Deprivation of Liberty Standards, and the likely impact of inflation

- **The Environment**

Capital Budget

It is proposed to establish a capital Highways Infrastructure Investment Fund (HIIF) of £37.5m, recognising the economic advantage of many infrastructure works and the longevity of the assets developed. This capital fund would provide suitable flexibility across a three year period to enable and support delivery of transport infrastructure priorities supporting the Council's commitment to investment in roads and pavements and improving journey times. This would include the following indicative amounts:

- a) £15 million over the next three years for road repairs previously funded from revenue. This would protect the expenditure on highways as the activity is transferred from the revenue budget to the capital budget, and would bring Worcestershire County Council more in line with many other authorities
- b) £9 million over the next three years continuing to strive for top quartile performance in roads and pavements
- c) £4 million to support the Street Lighting programme
- d) £2.2 million over the next three years to continue with a programme of flood mitigation works and highways drainage schemes
- e) Up to £5.1 million to support the Pershore Infrastructure Investment reported to Cabinet in November 2017
- f) £2.2 million to ensure continued progress of infrastructure projects not funded from other sources

The nature of this investment fund means that expenditure forecasts on any one element of the fund is subject to change as final contracts are let, and consequently this budget report is requesting a delegation is made to the Director of Economy and Infrastructure, in consultation with the Leader of the Council and the Chief Financial Officer, to amend these allocations as matters arise whilst still remaining within the overall investment sum of £37.5 million



## Funding

45. The Council's net revenue budget is funded primarily by Council Tax, Business Rates and Revenue Support Grant (RSG) for 2018/19. For future years the Council will not receive any RSG.

46. The following table below illustrates how the proportion of funding is likely to change looking forward taking account of the Council's four year financial settlement deal agreed with Central Government.

Table 1: County Council funding of the Net Revenue Budget

	2018/19 Estimate		2020/21 Estimate	
Council Tax and Council Tax Surplus	£253.9m	78%	£275.2m	81%
Business Rates	£61.2m	19%	£63.8m	19%
RSG	£9.5m	3%	£0.0m	0%
Total	£324.6m	100%	£339.0m	100%

47. There is a reasonable level of surety with regard to overall funding, taking account of likely future income from Council Tax and increases in the council taxbase forecast by District Councils.

48. The County Council forecasts to receive over £60 million from the Business Rates Retention System. This includes the County Council's share of the growth in business rates income, with District Councils also receiving a share and 50% being returned to Central Government for redistribution.

49. The County Council continues through the Hereford and Worcester Treasurers Association to refine forecasts for locally generated business rates. Under the current system it is anticipated that future growth in income will be reset in the year 2020 as Central Government will review levels of income relative to other local authorities at this time and adjust baselines. This is likely to be repeated every three years thereafter.

50. There are a number of important points that need much further consideration for the medium term:

- We are still awaiting precise details of how the extension from 50% to 100% local retention of business rates will affect the Council and how needs are identified and funded
- There is an opportunity to have greater control over the issues that affect Worcestershire as a number of new responsibilities will transfer to local government. The financial and other consequences still need to be established and new burden funding made adequately available
- Clarification on Central Government's assumptions for Council Tax and business rate income increases over this period.
- The local impact for Worcestershire, when compared with other parts of local government.

51. Business Rates are expected to rise in accordance with the increase in the Small Business Non-Domestic Rating Multiplier each year and whilst there is growth in business rates income expected across the county area this can be partially offset by successful appeals of valuations set by Central Government's Valuation Office Agency.

52. The Council, together with District Council partners, continue to lobby Central Government with regard to the impact of successful business rates appeals, especially where Central Government received the reward of business rate income.

53. Income from Council Tax will gradually fund a greater proportion of the Council's budget in the future excluding any further transfers in business rates income. The increase is influenced by growth in domestic property, local decision making concerning any percentage increase in Council Tax from year to year, and the annually decided percentage by which Central Government state would trigger a local referendum to agree the increase.

### **Business Rates Retention Scheme – Pilot Scheme application**

54. As reported in the 2 November 2017 Cabinet Resources Report subsequently endorsed by Council on 9 November 2017, the County Council, with the six District Councils across Worcestershire have submitted an application to take part in a one year pilot scheme to increase the local share of business rates income that is retained in the county area.

55. The Council is still awaiting feedback through the Local Government Finance Settlement process and we will report to a future Cabinet meeting as matters develop. Should this be successful, the County Council could receive an additional £3.5 million out of a total amount of £5.7 million across the Worcestershire area.

### **District Council's Council Tax Support Schemes**

56. The Council continues to offer support for all District Council's Hardship Funds and is working to support target improvements in the collection rate and anti-fraud initiatives.

### **Central Government Autumn Budget Announcement 22 November 2017**

57. At this stage the MTFP reflects the headline assumptions arising out of the Autumn Budget announcement. Members will recall that the Council has already agreed a four year settlement deal with Central Government which already gave certainty excluding specific grants which are subject to annual funding allocations from individual Central Government spending departments.

58. The Autumn Budget announcement identified increases in national funding allocations for teacher training and a Maths Premium of £600 for every extra pupil who decide to take Maths or Further Maths A-Levels or Core Maths, and increases in the 2017/18 Disabled Facilities Grant and Pothole Fund.

59. There was also welcome news with Central Government's offer of a local infrastructure rate over the next three years to support the Council's borrowing costs to invest in infrastructure projects subject to a bidding process.

60. Other measures to support economic development and to encourage housebuilding and bringing empty properties back into use will also have indirect benefits for the Council.

61. We await more specific details regarding any increases that will be allocated locally, and will reflect any updates in the February 2018 Cabinet budget report.

## **The County Council's starting position: reserves and balances**

62. A summary of the Council's reserves at the beginning of the 2017/18 financial year is attached at Appendix 1.

63. The total is £110 million and this includes £12 million held as General Balances and monies specifically set aside to cover known expenditure commitments such as £22 million for schools/Dedicated Schools Grant balances, £12.6 million PFI and Waste reserves, £7.1 million insurance reserves, £6.9 million grant income where we have carried forward funding in advance of planned cash expenditure which we will have to return to Central Government if it is not spent, and £49.4 million held for other specific future commitments.

64. It is anticipated that earmarked reserves will be reduced over the 2017/18 financial year as the Council utilises some of these resources to support the financial pressures this year. A review is currently being undertaken regarding risk for future financial commitments and this will be updated as part of the February 2018 Cabinet budget report.

65. The strength of the Council's financial health is often expressed as the amount of retained General Balances in proportion to the budget. The Council's risk assessed minimum level for financial planning purposes is a benchmark minimum of £10 million.

66. The Council's General Balances total £12 million with no plans to alter this at this stage.

67. It is important to note that, in accordance with the Council's strategy for treasury management, cash from all the reserves is currently used to pay for capital investment since borrowing costs are in the region of 3.3% and surplus cash which is invested earn only around 0.3%. Any use of the balances will mean that the cash spent will subsequently need to be replaced by borrowing from the money market as and when required.

## **The County Council's starting position: considering the national context**

68. Since agreeing the MTFP in February 2017, inflationary pressures have increased slightly and with CPI currently at 3% (October 2017) this remains higher than the Bank of England's 2% target. Nationally it is anticipated that CPI inflation is around its peak with small reductions anticipated over the next calendar year. The interest on the Council's debt remains fairly constant due to the long-term nature of our borrowings at fixed rates. The average rate for interest on debt is just 3.3%.

69. Income receipts from the Council's short-term investments are significantly influenced by the interest rates set by the Bank of England. This base interest rate has recently been increased from 0.25% to 0.5%, with two more 0.25% increases expected over the next two years to total 1% by 2020.

## **The County Council's starting position: financial performance in 2017/18**

70. The Council's authorised cash limited budget for 2017/18 is £324 million. When taken together with the amount of money spent by the Council that is received through specific grants and miscellaneous income, the Council spends over £1 million per day on providing services to residents and service users.

71. After the first six months of 2017/18 and forecasting for the remaining six months of the financial year an overall financial pressure of £8.2 million compared with the authorised cash limited budget of £324 million is anticipated after the use of one off

measures and mitigation. This is an increase of £1.4 million since last reported to Cabinet.

72. The forecast financial pressure represents 2.5% of the Council's revenue budget for which mitigating action is needed to ensure net expenditure is contained within cash limits.

73. The financial pressures have been mitigated to an extent by emerging savings delivered of around £2.3 million through Treasury and Debt Management as well as £1 million of savings delivered through the pre-payment of the Council's employer Pension costs following the most recent actuarial review.

74. Members will recall that the financial pressures have been reported in detail in previous Cabinet Resources reports.

75. The most significant financial pressure relates to children's placements where the forecast overspend has increased by £1.5 million since last reported to Cabinet and is forecast to total £7.5 million by the end of the current financial year. The additional amount is based on the significant number of children whose needs have escalated meaning that their placement costs have increased. As reported in the September Resources Report to Cabinet, the service had fully utilised their full year £1.2 million risk contingency for placements demand by Month 4. Demand for high cost placements during months 5 and 6 has continued to increase and this has not been mitigated by the impact of children leaving care or stepping down from less expensive placements. The service now has 92 (14%) more children in placement than at the same point last year.

76. The Adult Social Care budget is also experiencing additional demographic and cost pressures. The total budget represents the single largest budget managed by the Council; much of the expenditure in this area is led by demand for services. The service is currently using grant and one off funding to support the budget in 2017/18. This includes the use of the Better Care Fund allocation. However, balancing the budget each year is becoming more challenging due to a number of significant pressures that have been taken into consideration alongside delivering major transformation programmes.

77. Across the whole of the country, councils are facing pressures to meet the challenges of an ageing population and Worcestershire is no different. This Council's focus for Adult Social Care is to ensure Worcestershire residents are healthier, live longer, have a better quality of life and remain independent for as long as possible. Since April, Older People Residential and Nursing numbers have increased by 66 from 1,309 (April) to 1,375 and the number of older people receiving home care has increased by 83, from 1,763 (April) to 1,846. At the same time the level of complexity of need has increased, with the resultant increase in costs.

78. In 2017/18 the Directorate will use one off elements of financial support through a mixture of grants and other one off funding which will need to be replaced by recurrent funding or service efficiencies in the future. This places pressure on the 2018/19 budget and the service continues to monitor the risk of further financial pressure being exerted on this budget by NHS Targets around Delayed Transfers of Care that are yet to be agreed. Although Government's one-off iBCF funding allocation (as part of a national £2 billion funding allocation) has assisted with the 17/18 budget, it does not resolve the ongoing pressures that are currently being experienced.

79. Whilst additional allocations are proposed to support this service area, there is a risk that it will still be a challenge to manage the budget in 2018/19.

80. There are a number of other net cost pressures around increased waste disposal costs and challenges with achieving reforms under the Council's transformation programme.

81. The recurrent nature of all these cost pressures has been considered as part of the 2018/19 budget allocation to services.

82. Notwithstanding this, the Council continues to focus on identifying ways in which further efficiencies can be achieved in 2017/18 to ensure, where possible, this financial pressure can be supported and offset by compensating reductions in expenditure elsewhere.

83. To complement this activity, work is underway to consider updates to the Treasury Management and Minimum Revenue Provision accounting policies, and to optimise how we are funding capital expenditure in order to establish scope for contributions from these areas to support the current year's cost pressures.

84. Should any of these reductions in expenditure not be achieved in 2017/18 this could present a risk to the delivery of a balanced budget in the future.

### **Introduction to the draft budget for consultation**

85. The process to review and amend the MTFP for 2018/19 is largely complete and for future years will be refined for the February 2018 budget report taking account of the Autumn Statement 2017 announcement, the provisional Local Government Finance Settlement together with any emerging feedback from consultation and scrutiny.

86. The draft budget presented is dependent upon the publication of the provisional Local Government Financial Settlement which is expected in late December 2017.

87. The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and reflects the Council's Corporate Plan 'Shaping Worcestershire's Future' and the MTFP.

### **Income: specific grants**

88. The Council receives income from a range of specific grants from a number of different spending departments of Central Government. For 2017/18 this was estimated at £69.8 million. National spending limits and policy dictate the level of specific grants that the Council receives to fund Central Government initiatives. The most significant grants are Public Health and Better Care Fund and the Council continues to lobby Central Government to confirm these and all specific grant amounts as soon as possible.

89. Details of how this specific grant funding continues will be confirmed in time for their inclusion in the February 2018 Budget Report. In the future it is anticipated that a number of specific grants will be rolled into the system for business rates retention.

### **Revenue expenditure: the net expenditure budget for 2018/19**

90. The net expenditure budget for 2018/19 has been prepared on the basis of reviewing all existing policies prevailing in 2017/18 and making additional provision for demographic, income and price changes.

91. The net expenditure budgets are set out at Appendix 2 and summarised in the following table. This sets out a provisional budget requirement of £325.6 million for

2018/19 against which the Council estimated income through RSG, Business Rates Retention Scheme and Council Tax is to be £324.6 million.

Table 2: Summarised budget setting exercise

Area	£m	Total £m
<u>Initial Gross Budget Requirement</u>		
2017/18 Budget*	393.4	
- 2017/18 Specific Grants	-69.8	323.6
<u>Add Proposed Inflation</u>		
Pay and pensions	3.2	
Other Non-Pay inflation Increases	5.3	8.5
<u>Add Proposed Growth:</u>		
Children's Social Care	9.3	
Children's Safeguarding	<u>1.2</u>	
	10.5	
Children's SEND Transport	0.4	
Adult Social Care	3.0	
Deprivation of Liberty Safeguards – Social Care Assessments	1.0	
Capital Financing	1.8	
Education Services Grant	1.0	
Risk Review – Transformation and Reforms Programme	6.1	
Other base budget revisions / contingency	1.4	
		25.2
New Homes Bonus Grant		-2.6
<u>Less Proposed Transformation and Reforms Programme:</u>		
Existing programme	-10.0	
New Reforms being proposed in this budget	-19.1	
		-29.1
<b>2018/19 provisional budget requirement</b>		<b>325.6</b>
Revenue Support Grant		9.5
Business Rates Retention Scheme		61.2
Council Tax		253.9
<b>2018/19 Provisional Funding</b>		<b>324.6</b>
<b>Remaining Financial Planning Gap</b>		<b>1.0</b>

\* The 2017/18 budget includes specific grants and Better Care Fund but excludes Dedicated Schools Grant

92. The above table shows that the indicative remaining financial planning gap for 2018/19 is £1 million.

93. Included in this budget are a series of proposals to strengthen the base budget. The most significant areas are explained below:

- **£9.3 million – Children's Social Care**

Further investment has been required across the remainder of the 2017/18 financial year to ensure the outcomes set out in the Council's 'Working Together' Plan are delivered. This investment is expected to continue to be needed in 2018/19 as the number of children in placement is not expected to reduce in the short-term. A significant number of our looked after children are likely to remain in our care until they are 18 and often require support as care leavers until they are 25. We currently have 158 young people aged 16 and over where it is likely that a significant number of them will stay in care until they are 18 or over in some cases

The additional allocation over and above the amount invested for 2017/18 is due to the full year implications of children placed during this year and the risk of additional placements being required in the coming months. Plans are in place to increase the internal provision to partially mitigate the costs of expensive external placements but these are not expected to be fully operational until mid-2018

- **£1.2 million – Children's Safeguarding**

The increasing number of looked after children means that there is a need for additional safeguarding staff capacity both in social work time and management capacity as well as for staff to support contact arrangements for children with their family network. A revised operating model for the service is being developed in order for the Council to better deliver a child centred experience and a co-ordinated strategic approach. This has been partially achieved in 2017/18 by the use of temporary funding. Permanent resources are requested to ensure we have sufficient funding to increase the existing social work capacity in order to reduce caseloads, our target being 16 which is a recognised appropriate level. The funding will ensure there is good quality care planning for children to step down from the service and achieve sustainable outcomes. Additional management capacity is also required to enable smaller teams to be created so there is the necessary oversight of case management

Combined, the above two increases to the Children's Social Care and Safeguarding budgets total £10.5 million for 2018/19

- **£0.4 million Children's Special Education Needs and Disability (SEND) Transport**

A strengthening of the base budget to support demand increases for those young people with SEND who can now stay in education until they are 25 years old alongside the need to increase capacity for the increasing demand for places outside County

- **£3.0 million – Adult Social Care**

This represents an increase in the Adult Social Care budget to support inflationary costs and demographic growth and the increasing complexity of supporting vulnerable older people and adults with disabilities. There is a risk that this will not be sufficient and this will be reviewed over the coming months as we move towards the final budget proposals

- **£1 million – Deprivation of Liberty Safeguards – Social Care Assessments**

The Deprivation of Liberty Safeguards (DoLS) is an amendment to the Mental Capacity Act 2005. The safeguards aim to make sure that people in care homes and hospitals are looked after in a way that does not inappropriately restrict their freedom. A 2014 Supreme Court ruling triggered a ten-fold increase in applications to Local Authorities, placing pressure on budgets. There is a legal duty on homes and hospitals to notify the Council if they are carrying out practices which restrict liberty [eg locked doors]. The DoLS process requires a Mental Capacity Assessment by a psychiatrist and a Best Interests Assessment by a specially trained social work assessor, with authorisation by a senior manager or equivalent in the Council. The purpose of the assessment is to be assured that the restrictions are proportionate and in the best interests of the person. The base budget for this service is £83,000 but over the last two financial years the annual cost of these assessments is over £0.9 million. The Adult Services Directorate has used nearly £2 million of earmarked reserves to meet these costs but these reserves are now exhausted and there is a need to cover the spend on a recurrent basis. The number of high priority cases is 155 per month and it is therefore proposed that the base budget for Adult Services is increased by £1 million per annum to accommodate spend on the high priority cases. The Law Commission has completed a review on DoLS and has recommended changes which are now awaiting parliamentary consideration

- **£1.8 million – Capital Financing**

An increase to support the borrowing costs to finance the proposed Highways Infrastructure Investment Fund and the approved Capital Programme including improving roads, pavements and cutting congestion

- **£6.1 million – Risk Review – Transformation and Reforms Programme**

A risk review has been undertaken on the existing planned Transformation Programme, taking account of emerging economic and demand activity issues together with feedback from partners and service users as appropriate. The conclusion of this work is that £6.1 million of transformation activity will not be carried forward as originally anticipated and the Council's budget will be increased accordingly. There has been a further adjustment of £1.5 million relating to Children's Social Care placements which is reported within the £9.3 million increase mentioned above

- **£1 million – Education Services Grant**

An increase in base budget that is needed to be funded locally to take account of the reduction in grant funding for general statutory duties relating to maintained schools. As most of these services involve fixed costs, expenditure cannot be reduced in the majority of these areas



- **£1.4 million Other base budget revisions/contingency**

It is prudent at this stage that a planning contingency is maintained

- **-£2.6 million New Homes Bonus Grant Income**

A recognition of this recurrent grant income that is to be directed specifically towards support strategic infrastructure investment.

### **Transformation Reforms over the MTFP period**

94. As mentioned above, following a detailed risk review of the existing transformation reforms programme, a number of projects are no longer being progressed with the most significant being:

- £3 million - Children's Social Care Placements
- £0.9 million - Children's Transport
- £1 million – External Contract expenditure
- £0.8 million – Digital/IT Strategy
- £0.4 million – Customer Access.

95. As a consequence of this work, and in consideration of the overall affordability of the MTFP to meet the priorities being addressed by citizens, service users and partners, the following new transformation reforms and accounting adjustments are being proposed in this budget:

- Capitalisation of expenditure formerly funded from the revenue budget which can now be funded from capital resources. It is proposed that the same amount of money will be spent each year with no reduction in quality or performance
- A review of how capital investment is financed and repaid
- Financing and contractual efficiencies
- Cost management and income generation activity
- Optimising use of specific grant income received from Central Government.

96. Appendix 3 provides further details of the proposed new reforms, together with the existing reforms previously approved by Cabinet that are still being progressed.

### **Addressing the indicative financial planning gap**

97. Following the December 2017 Cabinet meeting, the impact of the provisional Local Government Finance Settlement will be worked into the draft budget and presented at the February 2018 Cabinet meeting.

98. Any significant updates will be included in that report but in the meantime work will be undertaken and consideration given alongside the outcomes of consultation to close the remaining indicative financial planning gap through the following means:

- An assessment of growth in Band D Equivalent properties leading to buoyancy in the Council Tax Base and the use of any surplus or deficit arising on District Councils' collection funds in excess of planning assumptions
- An assessment of any updates regarding business rates income in excess of planning assumptions

- A review of any inflation awards that remain at the discretion of the Council
- As assessment on whether further reforms can be found
- Consideration of whether funding from the release of Earmarked Reserves no longer required (one year only) or General Balances (one year only) can be provided.

99. The intention is that the forecast financial planning gap will be closed in time for the February 2018 budget approval by Cabinet and Full Council taking full account of consultation responses and any updates regarding the above.

### **Dedicated Schools Grant and Schools grant funding**

100. Cabinet in September 2017 received an update on the Dedicated Schools Grant (DSG) and the Government's proposed National Funding Formula (NFF) for Schools and High Needs. This included an illustration of the potential overall financial impact.

101. Within the NFF policy from the Department for Education (DfE) local authorities are still able to continue to set a Local Schools Funding Formula for individual schools' budgets in 2018/19 and 2019/20, in consultation with schools in their area. As a consequence there has been a local consultation process on this and other statutory school funding matters for 2018/19 and 2019/20. The outcomes and recommendations arising from this are being considered as a separate report on this agenda.

102. The Council awaits further grant based announcements for 2018/19 on the DSG and other funding streams including the Pupil Premium Grant. The Council has again raised concerns on the impact of the withdrawal of the general duties Education Services Grant, which provides a significant risk to Council services provided on behalf of maintained schools. There will be a full update on all funding aspects for schools as part of the February 2018 budget report to Cabinet and Full Council.

### **Better Care Fund**

103. The Better Care Fund (BCF) updated 2 year plan (2017/18 and 2018/19) was submitted in early November and is awaiting final approval. The total revenue contribution for 2017/18 was £34.5 million for Worcestershire (£11.8 million for the County Council and £22.7 million for the Worcestershire Clinical Commissioning Groups). In addition, capital monies of £4.6 million for Worcestershire Disabled Facilities Grant (DFG) in 2017/18 were received and passported to the district councils. The forecast increase in BCF is estimated to be approximately 1.9% (£0.7 million) on the 2017/18 revenue allocation (£0.2 million for the County Council). The increase in DFG is unknown at this stage but indications are that it will be in line with previous year increases of around 9% which would be approximately £0.4 million.

### **Improved Better Care Fund (iBCF)**

104. In 2017/18, the Improved Better Care Fund was introduced. Despite the separate nature of the iBCF, the spending plan for the iBCF was incorporated into the submitted BCF plan, as per BCF plan requirements. Viewing iBCF schemes alongside BCF schemes enables a more holistic view of spending. There are three aims of the iBCF, which need to be met by the spending plan. These are:

- a) Stabilising the Care Market
- b) Reducing Pressures on the Local NHS
- c) Meeting Adult Social Care needs.

105. The iBCF is not considered to be recurrent funding. Funding allocations are confirmed until 2019/20, however at present there is no indication that this funding stream will continue beyond this point. The table below shows the allocations over the medium term and these have been considered by the Directorate when reviewing the management of budgets within the resource allocation limits.

Table 3: IBCF Allocations

<b>£m</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Initial iBCF	0.1	6.6	12.7
Additional iBCF (one off)	10.0	6.8	3.4
<b>Total iBCF</b>	<b>10.1</b>	<b>13.4</b>	<b>16.1</b>

### **Public Health**

106. The Public Health grant is required to fund mandated functions: sexual health services, Health Checks, the National Childhood Measurement Programme, Healthy Child Programme, health protection and the NHS "Core Offer" of population healthcare support, and to deliver the statutory duty of population health improvement with regard to narrowing health inequalities. It also funds a range of non-mandated services including drugs and alcohol services, school nursing and falls prevention.

107. The grant for 2017/18 is £29.9 million. The grant for 2018/19 is estimated to be £29.1 million (2.5% reduction) and is likely to be reduced further in future years. The current spending proposals will need to be shaped to ensure they are contained within the final grant allocation. The Public Health grant has already been used innovatively to improve outcomes across all areas of Council services within the terms of the grant conditions.

108. Reform targets have been implemented for 2017/18 equating to £1.19 million and a further £1 million is proposed in 2018/19. Work is continuing to be undertaken to identify areas of Council base budget expenditure which meet the Public Health grant conditions.

### **Independent Living Fund**

109. The funding and administration of the Independent Living Fund (ILF) was transferred from the Department of Work and Pensions (DWP) to the Council in 2015/16. The ILF makes cash payments to disabled people enabling them to purchase care and support services.

110. The Council received £3.0 million in grant in 2017/18 but there is expected to be an attrition rate applied in 2018/19 with an estimated grant settlement of £2.9 million. The reduction in funding will need to be managed within the overall 2018/19 Adult Services budget.

### **Worcestershire Councillors' Divisional Fund Scheme**

111. The Councillors' Divisional Fund Scheme is currently funded for the 2018/19 financial year. It is proposed that the scheme is extended for a further year to

2019/20 with £0.57 million funding to be confirmed as part of the February 2018 Cabinet report.

### **Capital Programme: Key achievements and approvals in 2017/18**

112. In recent years the Council has spent on average around £100 million on capital investment annually excluding the Energy from Waste financing scheme. The majority of this programme has been funded by grants from Central Government with borrowing, capital receipts and revenue contributions to capital making up the difference.

113. The major areas of capital expenditure relate to Schools, the Local Transport Plan and other Economy and Infrastructure Directorate activities.

114. There have been updates approved by Full Council during the 2017/18 financial year, and these are included in the latest Capital Programme shown in Appendix 4 Significant schemes approvals included:

- £62 million - Worcester Southern Link Road Phase 4 Carrington Bridge to Powick
- £11.6 million - Pershore Infrastructure Improvements
- £4.1 million - Post 16 Supported Living Accommodation.

115. The further investments being proposed earlier in this budget report will, subject to consultation responses, be incorporated into the Capital Programme to be presented to the February 2018 Cabinet meeting.

### **Capital Programme: Future funding overview**

116. The financing of the Capital Programme has been reviewed at a strategic level including the forecast receipt of Central Government grants, capital receipts and directorate contributions from revenue budgets.

117. As part of rolling forward the MTFP, additional capital expenditure headroom has been provided for the medium term and a process is underway to consider any allocations of part of the headroom for 2018/19. An update will be presented to Cabinet in the form of a revised Capital Programme in the February 2018 Cabinet Report.

118. It is proposed to provide £6 million to the Capital Programme to provide additional cash flow financing for the overall A4440 Worcester Southern Link improvements over the life of the Medium Term Financial Plan.

### **Capital Programme: Additions**

119. The Council has received the following grant allocations from the Department for Transport from the National Productivity Investment Fund and it is proposed to add these projects to the Capital Programme:

- £3.4 million - Bromsgrove Town Centre Network: Unlocking Growth in Bromsgrove
- £3.2 million - Worcester City Centre Network Efficiency: Sidbury to St John's.

120. This new grant funding will be supplemented by setting aside existing capital budgets to make the total estimated investment to be £4.9 million for the Bromsgrove scheme and £4.6 million for the Worcester scheme.

### **Capital: Investing our New Homes Bonus**

121. The Council uses this resource to support the impact of growth on infrastructure and to support economic development.

122. To date, the Council has used this funding to support investments in:

- strategic flood alleviation schemes
- strategic planning and improvements in the public realm
- infrastructure improvements including contributions to the Driving Home Programme.

123. After taking account of the forecast income, it is anticipated that there is capacity to fund new strategic infrastructure investment which is being proposed in this budget report.

### **The Impact on the MTFP**

124. The MTFP approved at the February 2017 Full Council meeting has been updated taking account of how circumstances have changed since then and the proposals in this budget report. The main increases in cost pressure relate to social care demographic and cost increase and waste disposal with refinements to inflation forecasts.

125. The funding environment for the Council has led to the need to make preparations for a continuation of the financial challenge over the medium term.

126. The Council has undertaken a risk review on its Transformation and Reforms programme which has resulted in a refreshed set of savings proposals.

127. The MTFP is set out in the following table with more detail provided within Appendix 5.

Table 4: Indicative MTFP

£m	2018/19	2019/20	2020/21
Service costs based on provisional 2018/19 budget	354.7	347.4	353.0
Total Funding Available	-324.6	-328.0	-339.0
<b>Sub-Total</b>	<b>30.1</b>	<b>19.4</b>	<b>14.0</b>
Transformation and Reform Plans:			
Existing approved reforms	-10.0	-1.6	-1.1
<b>New proposed reforms</b>	<b>-19.1</b>	<b>-6.9</b>	<b>-1.1</b>
Sub Total	-29.1	-8.5	-2.2
<b>Remaining Financial Planning Gap</b>	<b>1.0</b>	<b>10.9</b>	<b>11.8</b>

128. It is important to consider that total funding available is still forecast to rise despite Central Government funding reductions although this needs to be treated with caution as the process for extending local business rates retention from 50% to 100% is still to be determined. The current indications suggest a continued need for spending reductions or increases in income. Particular known areas of uncertainty include:

- The future of Adult Social Care funding including Better Care Fund/improved Better Care Fund
- How the move for increased local retention of business rates income compares with any transfers of new responsibilities and changes to specific grant funding.

129. Areas of uncertainty and risk will be kept under review as more detail becomes available.

130. As would be expected, the remaining forecast financial planning gap of £1 million for 2018/19 forms a relatively small part of this overall gap and represents less than 1% of the provisional budget for next financial year.

### Treasury Management Strategy – Investments

131. On 7 November 2017 DCLG published a consultation on proposed changes to the prudential framework of capital finance which includes proposed revisions to the Guidance on Local Government Investments. The consultation closes on 22 December 2017 and the proposed revised guidance, to be issued under the Local Government Finance Act 2003, will be effective for financial years beginning on or after 1 April 2018.

132. The revised draft guidance is being reviewed by the Council. A response to the consultation is being prepared and potential changes to the Council's Treasury Management Strategy are being considered. It is proposed that following publication of the final revised guidance the Council's Treasury Management Strategy is updated. It is anticipated that this will be brought to Cabinet for recommendation to Full Council as part of the final budget report in February 2018.

### **Minimum Revenue Provision Policy**

133. The consultation on proposed changes to the prudential framework of capital finance referred to above also includes proposed revisions to the Statutory Guidance on Minimum Revenue Provision.

134. The revised draft guidance is being reviewed by the Council and a response to the consultation is being prepared. Potential changes to the Council's Minimum Revenue Provision Policy are being considered. It is proposed that following publication of the final revised guidance the Council's Minimum Revenue Provision Policy is updated. It is anticipated that this will be brought to Cabinet for recommendation to Full Council as part of the final budget report in February 2018.

### **Budget calculation – statutory duties of the Chief Financial Officer**

135. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer as Section 151 officer to report to the Council when it is setting the budget and the precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.

136. The budget currently provides for the financial implications of the Council's policies to the extent that these are known or can be reasonably assessed. However, there are a number of risks which are beyond the Council's control and for which it is not possible to be precise:

- The Council's demand-led services e.g. social care in adults and childrens
- Inflation and interest rate volatility
- Unforeseen emergencies, for example flooding.

137. It is for this reason that an adequate level of reserves must be maintained.

138. As part of this consideration, there are a number of high level financial risks that are influenced by future decision making, external factors and the ability to establish effective mitigating action:

- **Useable Reserves are declining**

There is increasing pressure on services to use at a faster rate than previously the amounts of locally retained Directorate reserves or unspent specific grant balances in light of in-year demand pressures or to support the delivery of savings plans

- **Savings are progressively getting harder to achieve**

The requirements of the Council to support Central Government's budget deficit reductions, in particular since 2010/11, has meant many years of successfully managing this change, however as time goes on the options to balance the budget become less numerous and the job to maintain service delivery and to support the expectation of our service users, customers and partners is challenging

- **Planning over the longer term for savings is difficult**

Notwithstanding an element of uncertainty over future Local Government Financing and the ability for Central Government to effectively establish capping limits for Council Tax increases and to direct funding to different parts of the local government and health sectors, it takes a considerable amount of time to establish plans that both reshape service delivery for improvements yet at the same time at a lower cost to the council taxpayer

- **A need to manage critical path deliverables through the change process**

A number of savings plans contain within them dependencies on activity such as a design of new ways of working and detailed consultation with service users and partners. These can be highly complex programmes of change with many inter-dependencies

- **Cost pressures – Children's Social Care**

Members will have read in this report that the 2017/18 financial year in particular is difficult with considerable cost pressures above the budgeted cash limit for Children's Social Care and other cost pressures arising in year. This places added risk to the overall financial sustainability of the Council which is being addressed through allocation of resources in the MTFP to complement detailed management and delivery of the Children's Social Care Improvement Plan

- **Cost pressures – Adults Social Care**

Adult Services plan to manage with the 2018/19 budget by maximising the use of the additional Improved Better Care Fund allocations. However the balancing of the Adult Services budget continues to be challenging each year due to a number of pressures that have been taken into consideration alongside delivering major transformational savings targets. The key challenges being faced are:

- a. Demand and demographics are increasing in terms of numbers requiring social care and the complexity of care required with people living longer
- b. Workforce - particularly nursing and social care seeing recruitment challenges particularly for nursing care within care home providers
- c. Risk of cost pressures on contracts; the National Living Wage, Sleep in payments etc.
- d. Continued discussions with the NHS over responsibility for funding expenditure around Continuing Health Care and Section 117 placements, etc.
- e. An increase in the number of "Self-funder pick-ups" due to individuals living longer and their income being insufficient to pay for their own care needs

- **Demand for SEND Transport and Services – Children's Services**

Whilst additional allocations have been made in the budget, the demand for SEND and the impact on transport arrangements will be kept under continual review during the financial year.

139. Despite the above risks, there are also a number of opportunities to consider to ensure optimum financial stability and security:



- **Balance Sheet Strength**

The Council retains considerable balance sheet strength following the prudent and safe decision making over many years historically. Leveraging this position to support key infrastructure investment thereby promoting economic development activity helps to drive improvements in the local economy, and in turn Council income through Council Tax and business rates

- **Capital Financing**

Making best use of capital financing, including optimum use of capital receipts to both support the approved Capital Programme and deliver reductions to debt financing costs as they are charged to the revenue budget

- **Treasury Management Activity**

Maximising the current market opportunities for the Council's Investments, and reviewing the borrowing strategy

- **Pension Fund**

Through targeted investment activity, the Worcestershire County Council Pension Fund's investments continues to perform strongly with a current valuation of around £2.7 billion which is currently around 100% of its liabilities. This performance is better than expected and if sustained may result in lower pension charges to the budget following the next Actuarial Valuation.

140. Members will recall our obligations as a Best Value authority to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness, including consultation with tax payers and users as appropriate.

141. These obligations are addressed in our medium term financial planning and brought together as part of the annual budget process in this report and the February 2018 Cabinet budget report. This is supplemented by additional Cabinet reports throughout the year with regard to the approval of significant investments and reforms.

### **Scrutiny**

142. Scrutiny of the 2018/19 budget proposals is being undertaken through Scrutiny Panels who plan to meet with key senior officers to support their work. The conclusion of this will inform the Overview and Scrutiny Performance Board which will be meeting on 30 January 2018 to consider what comments it wishes to make to Cabinet as part of the budget consultation.

### **Fulfilling the Public Sector Equality Duty requirements**

143. The Council will continue to have due regard to proactively addressing the three elements of the Public Sector Equality Duty in all relevant areas – in particular the planning and delivery of our services. The Council will continue to assess the equality impact of all relevant transformational change programmes and will ensure that Full Council has sufficient equalities assessment information to enable it to have due regard to the three elements of the Equality Duty when considering the budget for 2018/19. The Council will continue to ensure best practice is followed with regard to these requirements.

## Guidance on excessive Council Tax increases and Localism Act

144. The Localism Act gives local communities the power to approve or veto excessive rises in Council Tax. The Secretary of State will determine a limit for Council Tax increase as part of the annual Local Government Finance Settlement that has to be approved by the House of Commons. If an authority wishes to set a Council Tax above this level then a binding referendum must be held. For 2017/18 this limit was 2%, and the Council is anticipating this be rolled forward for 2018/19.

145. In addition to this, Central Government announced as part of the Spending Review 2015 the ability for local authorities with adult social care responsibilities to raise an Adult Social Care precept, ring fenced to support adult social care costs to help address longer term financial pressures for these services. This precept is to be no more than 6% in total over the three years 2017/18 to 2019/20, with a maximum of 3% in any one year.

## Health Impact Assessment

146. A Health Impact Assessment screening 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.

147. This report concerns consulting on the provisional budget for 2018/19 and associated updates to the MTFP in advance of approval by Full Council in February 2018. Any specific public health considerations will be included in that report and where appropriate be subject to separate and further detailed consultation.

148. 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 – Review of Earmarked Reserves and General Balances
- Appendix 2 – Revenue Budget Summary and Analysis of Variations 2018/19
- Appendix 3 – Transformation and Reforms Programme
- Appendix 4 – Capital Programme 2017/18 to 2020/21 onwards
- Appendix 5 – Provisional Medium Term Financial Plan

## Contact Points

### County Council Contact Points

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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 Interim Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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## Review of Earmarked Reserves and General Balances

### Introduction

1. There are two types of reserves included on the Council's balance sheet:

	<b>Value at 31/03/17 £m</b>
General Balances	12.0
Earmarked Reserves – Directorate c/fwd's	91.5
Revenue Grants unapplied	6.9
	<hr/> <b>110.4</b> <hr/>

2. Reserves can be considered to be cash in the bank. They are not annual budgets; they represent a sum of money that can only be spent once.
3. Members will be aware that there is a statutory obligation on the Chief Financial Officer to report on the adequacy of reserves when the County Council approves the budget and level of council tax.

### General Balances

4. The Council's General Balances are a contingency sum available to pay for unforeseen or exceptional circumstances. External auditors often refer to the level of general balances when considering an organisation's financial health.
5. General Balances were £12.0m at 31 March 2017 and a year ago was £13.0m at 31 March 2016.

### Earmarked Reserves

6. All earmarked reserves are retained either under the delegated authority given to Chief Officers in the Financial Regulations or by Cabinet or Cabinet Member approval and at 31 March 2017 were as follows:

	<b>Value at 31/03/17 £m</b>
Schools delegated reserves	13.2
Dedicated Schools Grant carried forward	8.8
Future Capital Investment reserve	4.4
Waste Services reserve	10.1
Other PFI reserves	2.5
Insurance reserves	7.1
Growing Places	3.6
Directorate Revenue Reserves	9.6
Public Health	4.9
Councillors' Divisional Fund	1.2
Other Reserves	26.1
	<hr/> <b>91.5</b> <hr/>

7. Schools balances are controlled by the schools and their Governing Bodies and any surplus or deficit may be carried forward in accordance with the Council's scheme for financing schools.
8. Reserves for future capital investment and PFI schemes have been earmarked for use over the medium term.
9. The insurance reserve will be used to meet liabilities not covered by insurance policies. The level of the reserve is kept under constant review and to inform this judgement the Council seeks independent advice periodically.
10. The Council's Financial Regulations gives authority for each Chief Officer to jointly approve with the Chief Financial Officer the carry forward of up to 2% of their budget to the following financial year. There is also an additional flexibility limited to £100,000 for particular value for money initiatives.
11. Revenue grants with no attached conditions unused at year end are held in the revenue grants unapplied earmarked reserve and totalled £6.9 million at 31 March 2017.
12. The Earmarked Reserves are committed to be spent over the short to medium term.
13. The Chief Financial Officer considers the value of reserves to be adequate to support strategic financial planning.

**Budget Summary and Analysis of Variations  
2017/18 to 2018/19  
- Before Recharges**

**Appendix 2**

	ASC £m	PH	CFC £m	E&I £m	COaCH / FINANCE £m	Total £m
<b>Original Estimate 2017/18</b>	<b>124.1</b>	<b>0.1</b>	<b>62.9</b>	<b>79.2</b>	<b>57.3</b>	<b>323.6</b>
Variations			0.2		-0.2	0.0
<b>Inflation</b>						
Pay award, incl contingency	1.0		1.1	0.5	0.4	3.0
Employers pensions contributions			0.1		0.1	0.2
Contractual and General inflation	2.2		0.1	3.0	0.0	5.3
<b>Growth</b>						
Children's Social Care			9.3			9.3
Children's Safeguarding			1.2			1.2
Children's Transport				0.4		0.4
Adult Social Care	3.0					3.0
DOLs Assessments	1.0					1.0
Capital Financing					1.8	1.8
Education Services Grant			1.0			1.0
Risk Review - Transformation and Reforms Programme			0.6	2.3	3.2	6.1
New Homes Bonus					-2.6	-2.6
Other base budget revisions/contingency				0.2	1.2	1.4
<b>Total Inflation and Growth</b>	<b>7.2</b>		<b>13.4</b>	<b>6.4</b>	<b>4.1</b>	<b>31.1</b>
Existing Transformation and Reforms Programme	-8.2	-0.5	0.0	0.0	-1.3	-10.0
New Proposed Reforms	-5.4	-0.5	-0.9	-8.6	-3.7	-19.1
<b>Original Estimate 2018/19</b>	<b>117.7</b>	<b>-0.9</b>	<b>75.6</b>	<b>77.0</b>	<b>56.2</b>	<b>325.6</b>
<b>Funding sources</b>						
Council tax						252.4
Council tax collection fund surplus						1.5
Revenue support grant						9.5
Business rates retention scheme						61.2
						<b>324.6</b>
<b>Financial Planning Gap</b>						<b>-1.0</b>

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Transformation Reforms - New Proposed Reforms / Existing Reforms and Accounting Adjustments/Alternative Sources of Funding	DIR	18/19 £'000s	19/20 £'000s	20/21 £'000s	Total 2018/19 to 20/21 £'000s
<b>Accounting Adjustments/Alternative Sources of Funding</b>					
Conversion of Highways Revenue Maintenance costs from the revenue to capital budget, no reduction in actual spend.	E&I	5,000			5,000
Capitalisation of Maintenance Revenue Costs - A full analysis of existing revenue property maintenance budgets will take place during 2017/18 to identify spend which can be capitalised. The work will also identify a programme of condition surveys and the associated costs. The information collected as part of this exercise will support the development of an updated maintenance programme which will cover a three to five year period.	COaCH	100	100		200
Capitalisation – Along with other areas within the Council, use of capital funding is being investigated in order to release revenue budgets with the expectation that reductions of £300,000 could be made.	CFC	300			300
Reprioritisation following confirmation of Public Health Ring Fenced Grant (PHRFG) - Existing plans are based on cautious estimates of assumed grant levels from 2018. Further reprioritisation of spend will follow confirmation of the grant at the end of 2017	PH	500			500
Optimising the use of specific grant income eg Better Care Fund	DAS	4,200	3,600		7,800
Review of the Minimum Revenue Provision Policy, to align the period over which long term borrowing is repaid with the asset lives that are being financed.	FIN	2,000			2,000
Pension Fund - Prepayment of the Employer Contributions	FIN	400	250		650
Revolving Investment Fund (RIF) - Investing in projects which will yield income	FIN	125	125		250
<b>SUB-TOTAL</b>		<b>12,625</b>	<b>4,075</b>	<b>0</b>	<b>16,700</b>
<b>New Reforms</b>					
Review of expenditure and income budgets across Environmental and Infrastructure services, to include waste services and street lighting.	E&I	3,600			3,600
Libraries - Through a combination of property remodelling, looking at innovative ways to deliver the service, reduction in costs as well as generating income, efficiencies are expected to be made over the 3 years totalling £1m. In future years, in consultation with the public, a new model for library services will be investigated.	CFC	200	500	300	1,000
Income Generation - Review of income generation opportunities across the directorate. Feasibility studies will be necessary - the target is therefore set for future years.	CFC		100	40	140
Education Services – A review of the internal and contracted services relating to provision of education and skills will be undertaken to reduce expenditure in the region of £280,000 over the 3 year period.	CFC	210	70		280
Staffing savings- Through a mix of reorganisation to ensure we have the most effective staffing structure in place to integrate work flow and contract efficiencies a budget reduction of approximately £155,000 is forecast over the medium term.	CFC	105	50		155
Adoption - Adoption Services are currently moving towards a new model of delivery by transferring to the Adoption Central England (ACE) Regional Adoption Agency in February 2018. This, together with a reorganisation of the services and associated staff that are out of scope for the transfer could generate a saving of £346,000 over the 3 year period	CFC	70	26	250	346
Workforce Spend Review - The Council spends circa £90m per year on it's workforce. This spend aligns with three key overarching areas which are governance, management best practice and terms and conditions.  It is therefore proposed that a review is carried out of all associated workforce spend around these three key areas, as identified above. The first step is to understand the workforce spend in each of these areas, followed by the identification of next steps which will then need to be negotiated with the relevant Unions. This will be completed early in 2018/19.	COaCH	600			600

<b>Transformation Reforms - New Proposed Reforms / Existing Reforms and Accounting Adjustments/Alternative Sources of Funding</b>	<b>DIR</b>	<b>18/19 £'000s</b>	<b>19/20 £'000s</b>	<b>20/21 £'000s</b>	<b>Total 2018/19 to 20/21 £'000s</b>
<p>IT Technical Support to Worcestershire County Council - ICT Managed Service contract was let in December 2014 with an operational start date of February 2015. The contract covered computers, mobile phones, telephony, servers, storage, Wireless access points and audio visual equipment and equipment support (e.g. council chamber webcast). As the contract has progressed it is becoming increasingly clear that the IT landscape around which the contract was awarded has changed and it is expected that this will continue to evolve.</p> <p>The proposal is for the support to the items outlined above is delivered through a WCC based team. This would enable the Council to have greater control and increased responsiveness to emerging IT demand, whilst being able to access specialist IT expertise when required. This work stream would be delivered during 2018.</p>	COaCH	250			<b>250</b>
Review of Learning Disability (LD) Day Services / 12 week Connect Service - Review of In House Day Services, including reduction/ceasing non-statutory 12 week preventative service. The re-configuration, development and maximising use of the remaining In House Day Opportunities Provision (Resource Centres) and the exploration of the feasibility of externally commissioning the In House Day Opportunities Provision (Connect Centres)	DAS	261	261		<b>522</b>
Maximising Benefits to Secure Additional Income - Working in partnership with DWP/Voluntary sector partners to support people to maximise their entitlement to benefits; to help promote health and wellbeing whilst aiding independent living. This will also increase the amount that people can contribute to their care.	DAS	250	250		<b>500</b>
Review of Replacement Care (LD) - Review the current replacement care service ensuring we reduce placements that currently remain empty. This will include reviewing externally commissioned capacity.	DAS	115	115		<b>230</b>
Advocacy Joint Commissioning - Work with neighbouring Councils to aim for a joint service and/or contract which delivers efficiencies for all partners	DAS	50	50		<b>100</b>
Transport Provision - Ensure service users are appropriately using their higher rate mobility allowance to cover the cost of transport needs relating to Adult Social Care. Additional transport funding should only be considered if needs are over and above funding available via higher rate mobility allowance.	DAS	180	180		<b>360</b>
External Provider Training - Full Cost Recovery - Ensuring external Adult Social Care providers fully fund their own training provided by Worcestershire County Council as historically this has been subsidised by Adult Services.	DAS	90	90		<b>180</b>
Housing Support (Mental Health) - Implementation of previously agreed changes to housing related support, in line with Cabinet Decision in 2015.	DAS	288	288		<b>576</b>
Operational Budget Review - Efficiency savings through staffing, non-pay reviews and debt structuring.	FIN	125	125	125	<b>375</b>
Treasury Management - Further iterations on the Treasury Management Strategy will be considered – the incorporation of property funds and other investment vehicles	FIN	50	25		<b>75</b>
Contract Reviews - There are a number of contracts where strictly the statutory duties sit with housing, police, and NHS, and the County Council has a duty to cooperate. We would be looking to have strategic discussions with relevant partners and authorities with a view to developing proposals for redesign and potential joint commissioning by October 2018.	PH		150	417	<b>567</b>
Housing Extra Care - The current service consists of lower level health and well-being support, but this is not a strongly evidence based service. Savings should be made by practice change and developing effective partnerships with VCS and local communities, with limited risk to residents. Working with extra care settings, to support the development of health promoting environments could be more productive and at a reduced cost to WCC	PH		120		<b>120</b>

Transformation Reforms - New Proposed Reforms / Existing Reforms and Accounting Adjustments/Alternative Sources of Funding	DIR	18/19 £'000s	19/20 £'000s	20/21 £'000s	Total 2018/19 to 20/21 £'000s
Supporting Independence at Home (Aids and Adaptations) - The Health and Wellbeing Board have established a workstream to identify improvements in systems operating between Housing, Health and Adult Social Care and to review services that assist people live independently at home and reduce pressures on hospital services and social care. This will include considering opportunities to improve joint commissioning of relevant services between the key agencies and where service contracts could be more joined up. In that context this would include a review of the Home Improvement Agency contract, which is jointly commissioned by the six District Councils and WCC and delivers a range of services to maintain people's independence at home, including the provision of Disabled Facilities Grants. The current contract will operate until March 2019.	PH		230		230
Lifestyle Services - We shall review the provision and design of available lifestyles services to complement and support and improve the Health Check programme and the National Diabetes Prevention programme. It is anticipated this will release £100k in 19/20 through greater integration of provision and targeting of services.	PH		100		100
Review of Mandated Areas - All our mandated services have been reshaped to include a renewed focus on prevention. It is anticipated that by 19/20 this may result in reduction in activity releasing £150K (1%) and enabling further service redesign to recommission at that level.	PH		150		150
<b>SUB-TOTAL</b>		<b>6,443</b>	<b>2,879</b>	<b>1,132</b>	<b>10,454</b>
<b>Total - New proposed Reforms</b>		<b>19,068</b>	<b>6,954</b>	<b>1,132</b>	<b>27,154</b>

#### Existing Reforms

Innovation through Systems and Technology	DAS	950			950
Learning Disability Review of Care: workstream to review all Learning Disability Services, exploring options for re-design and re-commissioning to ensure best use of resources coupled with best outcomes for people using services.	DAS	1,930			1,930
Market Transformation: workstream to look at Commissioning activity, reviewing and maximising the best use of contracts and care packages.	DAS	2,500			2,500
Outcomes based Commissioning	DAS	2,865			2,865
Other Adult Services savings	DAS		245	319	564
Public Health: Use of Public Health Ring Fenced Grant	PH	500			500
Commercial and Performance: Develop a corporate approach to commissioning that delivers best outcomes for the Council and service areas including negotiation of best deals with current and new suppliers	PH/ COaCH	40	40	52	132
Better Use of Property: Potential acquisition of sites and associated Property Savings	COaCH	150	50		200
Commercial and Performance services: Review and rationalise the Council's service model	COaCH	0	750	750	1,500
COaCH Operating Model	COaCH		150		150
Self-Sufficient Council: Income Generation	FIN	300			300
Self-Sufficient Council: This programme will increase the Council's ability to be self-sufficient, moving further away from reliance on Central Government funding. This will include a range of outcomes: Optimising Council Tax and Business Rate Income, Optimising Sales, Fees and Charges, Introducing a Revolving Door Capital Investment Fund and Maximising Value from Investment of the Council's Asset Base	FIN	750	400		1,150
<b>Total - Existing Reforms</b>		<b>9,985</b>	<b>1,635</b>	<b>1,121</b>	<b>12,741</b>

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## Capital Programme 2017/18 to 2020/21 Onwards

TOTAL EXPENDITURE	LATEST FORECAST 2017/18	LATEST FORECAST 2018/19	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21 and Beyond £000	TOTAL FORECAST £000
	£000	£000	£000	£000	£000
CHILDREN, FAMILIES & COMMUNITIES DIRECTORATE	27,476	18,916	9,753	3,000	59,145
ECONOMY & INFRASTRUCTURE DIRECTORATE	85,390	46,679	26,765	82,701	241,534
ADULT SERVICES DIRECTORATE	4,497	2,511	1,080		8,088
COMMERCIAL & CHANGE/ FINANCE DIRECTORATE	6,076	5,100	3,920		15,096
<b>GRAND TOTAL</b>	<b>123,439</b>	<b>73,206</b>	<b>41,518</b>	<b>85,701</b>	<b>323,863</b>

TOTAL FUNDING					
TEMPORARY AND LONG TERM BORROWING	36,551	31,206	9,621	1,502	78,880
CAPITAL RECEIPTS	4,573	588			5,161
GOVERNMENT GRANTS	62,883	39,929	31,897	75,781	210,489
CAPITAL RESERVE	2,248				2,248
THIRD PARTY CONTRIBUTIONS	11,276	183		8,418	19,877
REVENUE BUDGETS	5,908	1,300			7,208
<b>GRAND TOTAL</b>	<b>123,439</b>	<b>73,206</b>	<b>41,518</b>	<b>85,701</b>	<b>323,863</b>

**CHILDREN, FAMILIES & COMMUNITIES DIRECTORATE**

	LATEST FORECAST 2017/18	LATEST FORECAST 2018/19	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21 and Beyond	TOTAL FORECAST
	£000	£000	£000	£000	£000
<b>Major Schemes:</b>					
- Somers Park Primary School Expansion	3,027	60			3,087
- The Chantry High School Expansion	2,250				2,250
- Nunnery Wood High School Expansion	2,450				2,450
- Christopher Whitehead High School Expansion	985				985
- Tudor Grange School Expansion	2,230				2,230
- Rushwick Primary School Expansion	915				915
- Redhill Primary School Expansion	1,457	1,164			2,621
- Bengeworth 1st	195				195
- Social Care Projects	830	500			1,330
- Social Care Projects 17/18	1,200	2,400	500		4,100
- Redditch S.77 Projects	682	50			732
- Evesham St Andrews	165				165
- Leigh and Bransford	146				146
- Holyoaks Field 1st School	237	2,500	3,179		5,916
- Worcester Library and History Centre (Non - PFI capital costs)	280	119			399
- Redditch Library	698				698
- Kidderminster Library	372				372
- Major Schemes - Residual	338				338
<b>Composite Sums:</b>					
- Capital Maintenance	2,791	4,801	307		7,899
- Basic Need	1,488	6,285	5,667	3,000	16,440
- School Managed Schemes (Inc. Universal Infant School meals and Devolved Formula Capital)	3,363	937			4,300
- EFA Extension of Provision (Early Years)	861				861
- Libraries Minor Works	140	100	100		340
- Composite Sums - Residual	376				376
	<b>27,476</b>	<b>18,916</b>	<b>9,753</b>	<b>3,000</b>	<b>58,284</b>

**ECONOMY & INFRASTRUCTURE DIRECTORATE**

	LATEST FORECAST 2017/18	LATEST FORECAST 2018/19	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21 and Beyond	TOTAL FORECAST
	£000	£000	£000	£000	£000
<b>Local Transport Plan:</b>					
- Structural Carriageway/Bridgeworks	18,700	12,076	12,076	12,076	54,928
- Integrated Transport	1,078	2,315	2,405	2,405	8,203
<b>Major Schemes:</b>					
- Worcestershire Intelligent Transport Systems	300				300
- A4440 WSLR Phase 4				62,000	62,000
- Pershore Northern Infrastructure	463	1,457	3,503	6,220	11,643
- Capital Skills Programme		2,000	2,000		4,000
- Southern Link Dualling Phase 3	11,813	5,294			17,107
- Worcester Parkway Regional Interchange	11,882	10,144			22,026
- Driving Home Programme	2,812				2,812
- Kidderminster Rail Station Enhancement	592	3,435			4,027
- Green Deal Communities	435				435
- Eastham Bridge	596				596
- Worcestershire Growth Fund	1,381				1,381
- Herefordshire Training Group	426				426
- Boiler on Prescription	204				204
- Agritech	382				382
- Skills Based Centre	71				71
- Skills Capital Fund - Engineering Facility	600				600
- META Project	313				313
- QinetiQ Land Purchase	1,177				1,177
- Pavement Improvement Programme	2,500	3,500			6,000
- Cutting Congestion Programme	959	4,678	6,001		11,637
- Town Centre Improvement Programme	1,000	1,000			2,000
- Kidderminster Public Realm Works	153				153
- Kidderminster Town Centre Phase 2	485				485
- Droitwich High Street	435				435
- Redditch Town Centre	539				539
- Worcester City Centre	336				336
- Members Highways Schemes	253				253
- Highway Flood Mitigation Measures	4,610				4,610
- Abbey Bridge	1,038				1,038
- Worcester Transport Strategy	1,538				1,538
- Hoobrook Link Road - Pinch Points	634				634
- Worcester Technology Park	369				369
- Cathedral Square	924				924
- Malvern Hills Science Park Scheme	3,180				3,180
- Street Lighting Energy Saving Project	121				121
- Public Rights of Way	175				175
- Local Broadband Plan Phase 1	3,920				3,920
- Local Broadband Plan Phase 2	3,850				3,850
- Local Broadband Plan Re-investment	3,250				3,250
- Completion of Residual Schemes	137				137
<b>Composite Sums:</b>					
- Vehicle Replacement Programme	586	480	480		1,546
- Street Column Replacement Programme	322	100	100		522
- Highways Minor Works	200	200	200		600
- Investment Initiatives to Support Business and /or Green Technology	651				651
	<b>85,390</b>	<b>46,679</b>	<b>26,765</b>	<b>82,701</b>	<b>241,534</b>



**ADULT SERVICES DIRECTORATE**

	LATEST FORECAST 2017/18 £000	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 and Beyond £000	TOTAL FORECAST £000
<b>Major Schemes:</b>					
- Capital Investment in Community Capacity/ Specialised Housing	2,506	1,000	980		4,486
- Investment in New Technologies in Care	700	1,300			2,000
- Timberdine Nursing and Rehabilitation Unit	140				140
- Care Act Capital	326	111			437
- Social Care Reform	128				128
- Completion of Residual Schemes	165				165
<b>Composite Sums:</b>					
- A&CS Minor Works	532	100	100		732
	<b>4,497</b>	<b>2,511</b>	<b>1,080</b>		<b>8,088</b>

**COMMERCIAL & CHANGE/ FINANCE DIRECTORATE**

	LATEST FORECAST 2017/18 £000	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 and Beyond £000	TOTAL FORECAST £000
<b>Major Schemes:</b>					
- Digital Strategy and Customer Access	2,701	888	678		4,267
- Repair and Maintenance of a Longer Term Benefit (And BUoP)	1,387	1,380	900		3,667
- Energy Efficiency - Spend to Save	1,078				1,078
- Social Care Performance IT Enhancement	300	700			1,000
- County Hall Fire Safety Compliance Project	300	50	50		400
- Capacity for New Starts	200	2,082	2,292		4,574
- Completion of Residual Schemes	110				110
	<b>6,076</b>	<b>5,100</b>	<b>3,920</b>		<b>15,096</b>



**Medium Term Financial Plan**

Appendix 5

	2018/19	2019/20	2020/21
	£m	£m	£m
<b>Forecast of Funding Available</b>			
Revenue Support Grant	9.5	0.0	0.0
Business Rates Retention Scheme	61.2	62.6	63.8
Council Tax Income	252.4	263.9	273.7
Collection Fund Surplus / Deficit (-)	1.5	1.5	1.5
<b>Total Funding Available</b>	<b>324.6</b>	<b>328.0</b>	<b>339.0</b>
<b>Forecast Expenditure</b>			
Base Budget	<b>323.6</b>	<b>324.6</b>	<b>328.0</b>
<b>Inflation</b>			
Pension increases	0.2	1.3	0.0
General Inflation	5.3	3.2	3.4
Pay Inflation	3.0	1.9	4.2
<b>Growth</b>			
Adult Social Care	3.0	3.0	3.0
Children's Social Care	9.3	5.0	4.5
Children's Safeguarding	1.2	0.5	0.5
Children's Transport	0.4	0.4	0.4
Capital Financing	1.8	0.9	2.0
DOLS assessments	1.0	0.0	0.0
Risk Review - Transformation and Reforms Progra	6.1	4.7	1.1
New Homes Bonus Grant	-2.6	0.0	0.0
Strategic initiatives	0.0	2.0	2.0
Waste Disposal Costs	0.0	0.4	0.4
Education Services Grant	1.0	0.0	0.0
Other base budget revisions / contingency	1.4	-0.5	3.5
	<b>354.7</b>	<b>347.4</b>	<b>353.0</b>
Less - Transformation Reforms existing	10.0	1.6	1.1
- Transformation Reforms new	19.1	6.9	1.1
- Recurrent reforms to be identified	1.0	10.9	11.8
	<b>324.6</b>	<b>328.0</b>	<b>339.0</b>
Contribution to(-) / from Earmarked Reserves	0.0	0.0	0.0
<b>Gross funding requirement</b>	<b>324.6</b>	<b>328.0</b>	<b>339.0</b>
<b>General Reserve</b>			
<b>Opening balance on General Reserve</b>	12.0	12.0	12.0
Planned addition (+) or used (-)	0.0	0.0	0.0
<b>Closing balance on General Reserve</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>

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### Extract of Minutes from Adult Care and Well Being Overview and Scrutiny Panel Meeting 14 November 2017

**258 Budget Scrutiny: Reviewing the 2017/18 Budget Position for Adult Services and Public Health**

Attending for this Item were:

Adrian Hardman, Cabinet Member with Responsibility for Adult Social Care  
 Sander Kristel, Director of Adult Services  
 Frances Howie, Director of Public Health  
 Rob Wilson, Senior Finance Manager  
 Pauline Harris, Senior Project Officer

A presentation was given which gave Members some context, highlighting in particular the need to work with partners in the NHS, private and voluntary sector to support activity for all residents. In summary:

- Worcestershire had a higher than average number of residents aged 65+
- The numbers were predicted to grow by 34% by 2020
- 4,859 residents were on the Dementia register and by 2030 there was a predicted increase of two thirds
- Life expectancy by 2021 was likely to be higher than national figures (81.8 for men and 85 for women)
- 2,413 people were recorded as having a learning disability.

In Adult Services:

- 1,900 people received Nursing or Residential Care
- 2,600 people received Domiciliary Care
- 1,200 people received Direct Payments
- 2,342 Safeguarding Alerts were received in 16/17, with 65 assessed as High Risk
- Prevalence of depression was significantly higher in the County than England, at 9%
- 30 Young People with Disabilities transferred into Adult Services each year.

The Adult Social Care and Public Health Net Budget for 2017 -2018 was stated as £131.1m, with services for Older People and for Learning Disabilities taking up £124.2m in total and covering 4,856 service users.

The budget was a particular challenge, in line with the national picture, as the adult social care budget was totally demand-led. A shortfall in savings delivery targets

of £3.3m was due mainly to timing issues and this year had seen an increase in demand and cost for services for Older People. Directorate Reserves would have to be used but there was a risk of further overspending if growth continued.

The Public Health Ring Fenced Grant was national funding which had clear grant conditions on mandated duties. Services included sexual health, drug and alcohol services, health visitors and oral health. The future of the Grant was uncertain, however it was suggested that an extension to 2020/21 was hopeful but with a continued downward trajectory in the amount of grant funding.

In the ensuing discussion, the following main points were made:

- The Better Care Fund (BCF) was a national funding stream worth £34.5m to Worcestershire in 2017/18 with the intention of integrating local health and care services. £11.8m was transferred to the Council in 2017-18 and £4.6m was passported to District Councils to deliver Disabled Facilities Grants. The remainder was kept by Clinical Commissioning Groups. Funding was available for a further three years until 2019/20, however, the amount by then was lower. Projects delivered under this funding stream were signed off by the Health and Well-being Board
- The overall financial picture for the Directorate was challenging. With increasing demand and duty to provide services for those residents who were Care Act eligible, it was also difficult to predict when a person would require services or the level of need
- An increase in provider services (for example Older People Home Care or Residential and Nursing) had an immediate effect on the budget
- It was vital to appreciate that although the budget was important, outcomes for individuals was the core business and behind the numbers was a person in need
- The Gross Budget was £186m and the difference between that and the Net Budget of £131m was due to Self Funding residents, which provided both risks and opportunities
- It was reported that nearly all of the BCF was spent on transfers of care. Considerable effort was put into managing the discharge of patients from hospital, where there were three pathways for patients leaving Hospital:

- Pathway 1 – back Home with little support
  - Pathway 2 – transfer to a Community Hospital
  - Pathway 3 – transfer to a Short Term Nursing Home
- Pressures in the system had resulted in around 300 nursing vacancies in Nursing Homes being reported and it was felt that stabilising the Care Market was vital
- Members were concerned about the level of Directorate Reserves highlighted for use this financial year, resulting in little left to cushion future challenges
- In response to a query whether administration costs can be applied, it was stated that legally, the Council cannot make a profit from charges set by providers
- The use of Assistive Technology was explored with Members welcoming the approach of potentially reducing costs in the future. Examples varied in complexity, from alert call buttons to robots to tackle loneliness
- There was a progressive workstream on Dementia, with an emphasis on living well with Dementia and early help to ensure residents were able to stay at home longer, however, the Director reported that numbers would only continue to rise despite this early intervention
- In response to a query about the higher incidence of depression than elsewhere, it was noted that Worcestershire residents had poor mental health outcomes compared to residents in other parts of the country. Some of this could be explained by a higher proportion of older residents in the County's population than elsewhere. With an ageing population there was concern that loneliness would become more prevalent potentially leading to increased poor mental health. The Panel was reminded of the Social Impact Bond and the proactive work being undertaken to tackle loneliness through Age UK and the Reconnections service
- Members who were also District Councillors commented that the Disability Facilities Grant was not always distributed in a timely manner and they would welcome a review. The Director of Public Health reported that there was a Housing Task and Finish Group under the Health and Well-being Board which was considering a number of issues relating to living independently and had also

highlighted this. It was due to report by the end of the calendar year and would include patient flow and waiting lists as part of this

- Members agreed with the Director of Adult Services when he voiced his deep concern about the budget pressures his service was under, especially given the demographic profile of the County in the coming years where further demand was expected. He suggested that outcome based commissioning and the 3 Conversation Model of Social Work were key in helping to manage the demand for services
- The Cabinet Member for Adult Social Care agreed that the financial pressure was extremely difficult to manage, especially as there was no scope to plan for the future and the financial picture beyond 2019 was a particular concern. There was a reliance of one off Government grants which was obviously not sustainable. He advocated a 3% increase on the precept as the funding would then be known and in the system
- It was clarified that the demand for services for people with Learning Disabilities had changed over time. The numbers of those with Learning Disabilities were generally more predictable since they were known from demand for Children's Services. However, service users were generally seeking more independent lives and employment opportunities. People were living longer which meant support was required for longer than previously
- The focus on independence and fulfilling a meaningful life was considered to be a positive step forward and Members supported this approach.

In answer to a query about the level of partnership working with the Office of the Police and Crime Commissioner, the Director of Public Health highlighted that a number of initiatives were cross organisation. The Office did contribute to the County wide drug and alcohol service.