

CABINET

13 OCTOBER 2016

RESOURCES REPORT

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendation

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses his conclusions concerning revenue budget monitoring up to 31 August 2016;**
 - (b) **notes the current progress regarding the FutureFit programme;**
 - (c) **recommends that Council approves the addition to the Capital Programme of the Eastham Bridge scheme and that the capital cash limits are updated accordingly;**
 - (d) **delegates to the Director of Economy and Infrastructure in consultation with the Cabinet Member with Responsibility for Highways and the Chief Financial Officer, the authority to agree the funding for the Eastham Bridge capital scheme and put it into effect;**
 - (e) **endorses his conclusions concerning capital budget monitoring up to 31 August 2016; and**
 - (f) **notes the responses to the 100% Business Rates Retention consultation and the Fair Funding Review discussion paper.**

Introduction

2. This report outlines the 2016/17 outturn forecast for the Council's Revenue and Capital budgets, and the FutureFit savings and efficiencies programme.
3. A recommendation is being made for Council to approve a £2 million addition to the Capital Programme for Eastham Bridge, Tenbury Wells bridge replacement.
4. The report also covers the Council's response to two important central Government consultations relating to Business Rates Retention and Fair Funding Review.

Revenue Budget Monitoring 2016/17 - Outturn Forecast as at 31 August 2016

5. The County Council's authorised cash limited budget for 2016/17 is £322 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.
6. After the first five months of 2016/17 and forecasting for the remaining seven months of

the financial year an overall financial pressure of £0.7 million is anticipated. This forecast has remained unchanged since last month and represents 0.2% when compared with the Council's revenue budget. Further work will continue to be undertaken to keep expenditure within approved cash limits and there is likely to be additional use made of Earmarked Reserves.

7. The most significant forecast pressure relates to older people residential and nursing placements of around £1.5 million. The Adult Social Care service continues to manage these pressures from within its own financial resources.

8. There are a number of other smaller areas of cost pressure across the Council's budgets which are being closely managed and it is anticipated that forecast costs will be kept within the budget by the end of the financial year.

FutureFit Programme Update

9. The FutureFit programme has the clear intention of delivering the changes needed to support the four key areas of focus set out in the Corporate Plan – FutureFit: Open for Business, Children and Families, Health and Well-being and the Environment. It remains a key delivery vehicle for identifying, managing and delivering the transformation required of the organisation to realise the FutureFit vision.

10. The FutureFit savings programme target for 2016/17, which includes £3 million carried forward for delivery from last financial year, totals £27.2 million and is forecast to be achieved.

11. Whilst 60% of the programme for this financial year has been delivered or is on track, risks to the delivery of the remainder of the programme continue to be monitored. Work to mitigate this risk is being managed by the Corporate Business Board. Where savings are not being achieved during the current financial year, Directorates are mitigating this by restraining costs in other areas or drawing support from their own earmarked reserves.

Capital Programme Addition – Eastham Bridge

12. The Council is now at a stage to move forward with the replacement of Eastham Bridge, Tenbury Wells which collapsed earlier in the year.

13. The previous Resource Report anticipated costs of at least £1 million for this financial year and since that time further due diligence has been undertaken which has included the need to move to a permanent solution for the bridge sooner than first anticipated. Consequently, the costs of the permanent replacement and associated recovery and investigation fees will be up to £2 million, and be supported by an appropriate business case.

14. Works will begin in October this year and it is anticipated the new bridge will be open for use in Spring 2017.

15. The Council plans to fund these works by the withdrawal of £1 million from its £13 million General balances reserve, with the remainder being found by a reallocation of Earmarked Reserves.

16. Cabinet is also asked to approve that delegated authority is given to the Director of Economy and Infrastructure in consultation with the Cabinet Member with Responsibility for Highways and the Chief Financial Officer to establish the funding of this scheme in total.

Capital Programme Budget Monitoring - 2016/17 Forecast

17. The timing of capital expenditure over the current and future years has been reviewed and an updated profile is provided at Appendix 1.

18. The revised profile has taken account of the roll forward of capital schemes from last financial year and the impact that has on the current years profiles expenditure and

estimate for future years.

19. The revised Capital Budget for 2016/17 totals £153 million. The actual capital expenditure at Month 5 (31 August 2016) is £42 million or 27% of the budget which is as expected with no significant issues arising.

100% Business Rates Retention - Consultation

20. Since April 2013 the Business Rates Retention System enables Local Government to retain a 50% 'local share' of business rates income. The other 50% 'central share' is retained by central Government and then redistributed to Councils as Revenue Support Grant and other grants.

21. For Worcestershire County Council, the 50% local share is worth around £60 million per year – this represents around 18% of the Council's total funding in the current financial year.

22. In October 2015, central Government announced that, by the end of the current Parliament, Local Government will keep 100% of the income raised through business rates, and will take on new responsibilities to be funded from this additional income as central Government grants are phased out.

23. These proposals will enhance the Council's ambition to be self-sufficient and will mean that it relies less on central Government as a source of funding.

24. This consultation seeks to identify some of the issues that should be kept in mind when designing the 100% business rates retention system and associated reforms. It is the first of many opportunities to engage with central Government to help shape the process.

25. The consultation document outlines the following timetable for the implementation of 100% business rates retention system:

Summer 2016	Consultation on the approach to 100% business rates retention. We are inviting responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.
Autumn 2016	It is expected that central Government will undertake a more technical consultation on specific workings of the reformed system
Early 2017	As announced in the Queen's Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. It is expected the legislation to be introduced later in the Parliamentary session.
April 2017	Piloting of the approach to 100% business rates retention to begin.
By end of the Parliament	Implementation of 100% business rates retention across local government.

26. The proposal to localise 100% of business rates income and with it the transfer of new responsibilities to local government is to be seen as an opportunity for the Council to shape a greater number of services that contribute to economic development both across Worcestershire and nationally.

27. The key principles that the Council is responding to central Government are:

- **Fairness.** All local authorities should be given the same powers and their funding should take account of need as a first call against growth in business rates income
- **The Right Responsibilities.** Local Government should have the ability to manage services that contribute to economic growth. This should include new responsibilities around adult education, skills and infrastructure investment
- **Ability to shape eligibility criteria to support local need.** All new responsibilities devolved to local government should come with the ability to shape the criteria which will form part of existing robust local accountability through annual approval of budgets.

28. The Council's consultation response is included at Appendix 2.

Fair Funding Review: Call for Evidence on Needs and Redistribution – Discussion Paper

29. Alongside the business rates consultation document, central Government has also issued a discussion paper which begins the process to review relative needs, which is a fundamental part of the design of the new Business Rates Retention System.

30. Central Government aims to consult on the Fair Funding Review in the Autumn 2016, and a final consultation on the detailed formulae in the Summer 2018. This will dovetail with the Business Rates Reform consultation and enable full implementation by the end of the current Parliament.

31. The Council is responding to the discussion paper strongly emphasising the principle of fairness where funding is allocated according to local needs based on the factors that drive current and future services costs.

32. Another key concern is to ensure that transitional arrangements are in place to ensure stability and to allow local authorities adequate time to reshape services in consultation with local residents.

33. The Council's response to the discussion paper is included at Appendix 3.

Health Impact Assessment

34. 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.

35. This report confirms a forecast financial position for 2016/17 and contains one new request to increase capital spending on a highways bridge.

36. The report also contains the Council's responses to central Government consultations.

37. Taking these things 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 Capital Programme 2016/17 and Onwards
- Appendix 2 100% Business Rates Retention Consultation Response
- Appendix 3 Fair Funding Review – Discussion Paper Response

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this Report

Sean Pearce, Chief Financial Officer, 01905 84**6268**, spearce@worcestershire.gov.uk

Sue Alexander, Head of Financial Management (Adults, Childrens Families and Communities), 01905 84**6942**, salexander@worcestershire.gov.uk

Stephanie Simcox, Head of Strategic Infrastructure Finance and Financial Recovery, 01905 84**6342** ssimcox@worcestershire.gov.uk

Mark Sanders, Senior Finance Manager, 01905 84**6519**, mssanders@worcestershire.gov.uk

Background Papers

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

- Previous Cabinet Resources Reports
- Public Health Impact Assessment