

**CABINET****6 APRIL 2017****RESOURCES REPORT**

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**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 January 2017;**
  - (b) **notes the current progress regarding the savings and efficiency programme;**
  - (c) **endorses his conclusions concerning capital budget monitoring up to 31 January 2017;**
  - (d) **recommends Council to approve the changes being made to the 2017 County Council Budget as a result of Central Government's Budget 2017 and that the cash limits are updated accordingly; and**
  - (e) **notes the impact of the Actual Takeover by Mercia Waste Management Limited of the Energy from Waste Plant from its Engineering, Procurement and Construction contractor.**

**Introduction**

2. This report outlines the 2016/17 outturn forecast for the County Council's Revenue and Capital budgets together with the savings and efficiencies programme as at the end of January 2017, ten months into the financial year.
3. The report covers the major announcements made by Central Government in Budget 2017 and their impact on the County Council as well as the Actual Takeover of the Energy from Waste Plan by the County Council's waste disposal contractor, Mercia Waste Management Limited.

**Revenue Budget Monitoring 2016/17 - Outturn Forecast as at 31 January 2017**

4. 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 County Council that is received through specific grants and miscellaneous income, the County Council spends over £1 million per day on providing services to residents and service users.
5. After the first ten months of 2016/17 and forecasting for the remaining two months of the financial year an overall financial pressure of £0.5 million is anticipated. This forecast has reduced from last month's forecast pressure of £0.8 million and represents 0.2% when compared with the County 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.

6. The most significant forecast pressures relate to older people residential and nursing placements of around £2.2 million, and £1.3 million in relation to Home to School Transport. The Adult Social Care service continues to manage these pressures from within its own financial resources whilst further variances are broadly offset by a favourable variance of £2.0 million from the County Council's financing transactions budget due to low current and forecast interest rates and the active strategy to defer the need to take external borrowing.

7. There are a number of other smaller areas of cost pressure across the County 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.

### **Savings and Efficiency Programme update**

8. The County Council's savings and efficiency programme has the clear intention of delivering the changes needed to support the four key areas of focus set out in the Corporate Plan – Shaping Worcestershire's Future: 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 this vision.

9. The savings and efficiency programme target for 2016/17, which includes £3 million carried forward for delivery from last financial year, totals £27 million and is forecast to be achieved on a cash basis.

10. Whilst 73% 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 Officers. 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.

11. £7.4 million is rated as amber or red risk, of which £6.1m is anticipated to be carried forward into the next financial year, having been met by other means including reserves in 2016/17. The majority of these savings are forecast to be achieved in 2017/18, but need to be carried forward due to revisions in implementation timescales on projects.

### **Capital Programme Budget Monitoring - 2016/17 Forecast**

12. The County Council's Capital Budget for 2016/17 totals £147 million. The actual capital expenditure at Month 10 (31 January 2017) is £85 million or 58% of the budget which is as anticipated. The spending profile is expected to increase over the remainder of the current financial year.

13. Good progress is being made in particular on the following significant projects:-

- £27 million – Energy From Waste Scheme financing;
- £12 million – Structural Carriageways / Bridgeworks;
- £7 million – Southern Link Dualling Phase 3;
- £6 million – Driving Home Programme;
- £5 million – W6 (Worcester Technology Park);and
- £4 million – completing the Hoobrook Link Road, Kidderminster.

## **Central Government's Budget 2017**

14. The Chancellor of the Exchequer presented his Budget 2017 on 8 March 2017 and overall it provided some positive news for Local Government and Worcestershire in particular. Key elements relevant to the County Council are set out below.

### Adult Social Care: Increased Funding

15. Councils will receive an additional and one-off £2 billion over the next three years for social care, with £1 billion of this to be provided in 2017/18. The County Council's allocation of the additional monies is as follows:

- 2017/18 £10.1m
- 2018/19 £6.8m
- 2019/20 £3.4m

16. The additional funding is one off to be spent on adult social care and used for the purposes of meeting adult social care needs, supporting reducing pressures on the NHS and stabilising the social care provider market.

17. The new funding will be paid as a Department for Communities and Local Government specific grant and will be pooled into the Better Care Fund. There are conditions to the grant to ensure that money is spent on adult social care services and supports improved performance across health and social care.

18. Whilst this additional grant is most welcome, it should be noted that it is not recurrent, so any plans for spending will need to address this and ensure that the impact of the funding is long term.

19. The Chancellor also announced in the Budget statement that Central Government is committed to establishing a fair and more sustainable basis for funding adult social care, in the face of the future demographic challenges. It is anticipated that proposals would be brought forward to put the state-funded system for meeting the care and support needs of older people on a more secure and sustainable long-term footing in a Green Paper later this year.

### Schools Maintenance

20. An additional £216 million investment in school maintenance is to be provided nationally to improve the condition of the school estate. At present the specific allocation to the County Council is not known and a verbal update, if available, will be provided to Cabinet.

### Extended rights to free travel

21. Central Government announced an increase in the entitlement to the rights for free travel to some schools. Further detail on how this scheme will operate and the grant that will be made available to the County Council to support this additional expenditure has not been provided yet. Confirmation has also not been provided at the point of writing this report of the existing grant award. A verbal update will be provided at Cabinet should further information become available.

### Infrastructure and Transport Investment

22. Central Government provided more details on the £23 billion National Productivity Improvement Fund (NPIF) announced in the Autumn Statement in 2016. The Budget papers included further details of how the fund will be invested including:

- The launch of a £690m fund to tackle urban congestion. The Budget papers state that this funding will be “competitively allocated to local authorities”. The County

Council will be providing an application to Central Government for a share of this funding.

- Confirmation that the County Council will receive £2.7 million from the Regional allocations within the previously announced £220 million NPIF investment for pinch points on the strategic road network within Worcestershire that was set out in the February 2017 Cabinet Report.

### Local Business Rates Reliefs

23. Central Government will provide £300 million over four years to support those businesses most affected by the revaluation of business rates, due to take effect from April 2017. District Councils within Worcestershire have been allocated £1.8 million. Central Government has issued a consultation on how the scheme should be implemented.

24. Whilst the operation of such a scheme is a District Council function, the County Council, under the existing 50% business rates retention system, will suffer a reduction in business rates receipts resulting from the increased award of discretionary relief equivalent to 9% of the value of the relief given. Central Government expects billing authorities to discuss options with their major precepting authorities at an early stage and to consult them before adopting any scheme. Central Government has signalled its intention to pay compensation for lost business rates to billing and major precepting authorities in the form of a Specific Grant up to the maximum of the allocation set out in Paragraph 23.

25. The County Council will work alongside District Councils on responding to the Consultation by 7 April 2017 as well as the design of a Locally Administered Business Rate Relief for Revaluation scheme to ensure there is no net loss to the County Council of Business Rates as a result of this local implementation.

### Local Growth Deal 3

26. Following the announcement of the Midlands Engine Strategy on 9th March 2017, each LEP within the Midlands Engine received formal notification of its allocation for 2017/2018 – 2020/2021. For Worcestershire's LEP this equated to the allocation of an additional grant totalling £17.5 million for the following projects:

- A38, Bromsgrove - £7.5 million
- Pershore Northern Link Road - £5 million
- Engineering Faculty at Heart of Worcestershire College - £4 million
- Churchfields, Kidderminster - £1 million

27. This brings the total funding for Worcestershire's LEP from the 3 growth deal schemes to £71.7 million.

28. Central Government has confirmed that each LEP will continue to receive £0.5 million of core funding. This provides a base level of funding for all LEPs to cover overheads and running costs. This core funding for 2017-2018 is supported by matched funding from local partners including District Councils and the County Council.

29. The Secretary of State for Business, Energy and Industrial Strategy ("BEIS") has confirmed the allocation of £0.2 million to the County Council, as Accountable Body for Worcestershire's LEP for the "Growth Hub". This funding will allow the partnership to continue to give advice to businesses by supporting the further development of growth hubs, aligned to Government's objective to simplify access to support for businesses.

### **Early Years Capital Fund**

30. The County Council has recently been advised that they were successful in bids to the Early Years Capital Fund. The Capital Grant is being distributed to local authorities to fund particular capital expenditure projects, in order to support the delivery of 30 hours free

childcare for working parents of 3 and 4-year-olds, building on the existing 15 hour universal entitlement. Worcestershire has been awarded a grant of £0.86 million for six capital projects.

### **Actual Takeover achieved on the Energy from Waste Plant**

31. Cabinet approved the Business Case in November 2013 to proceed with the development of an Energy from Waste facility through its contract with Mercia Waste Management Limited. Through a report to the Full Council in January 2014, the provision of a Senior Term Loan Facility was approved to provide the financial support to Mercia Waste Management Limited for the costs of the variation required to the Waste Management Services Contract.

32. The handover of the facility to Mercia Waste Management Limited follows a 33-month construction programme, which has seen the facility built on time and to specification.

33. The Energy from Waste facility is the largest single piece of capital infrastructure in Worcestershire and Herefordshire and marks the virtual elimination of landfill in the two counties. It will turn 200,000 tonnes per year of waste into electricity, exporting 15.5MW of electricity to the grid which is sufficient to power all the homes in Kidderminster. The facility has an on-site visitor and education centre which becomes an integral part of Severn Waste Services engagement support for Worcestershire and Herefordshire, and complements the education programme provided at EnviroSort, Severn Waste Services' Material Reclamation Facility at Norton

### **Prepayment of Pension Contributions**

34. The County Council has, through application of its Treasury Management Policy prepaid the majority of its 2017/18 to 2019/20 Pension Contributions to the Worcestershire County Council Pension Fund. The prepayment of around £74 million secured a net reduction in costs of around £3.3 million, with £0.8 million arising in 2017/18. Initially, this will be utilised across services in 2017/18 as part of the County Council's Transformation Programme, and any further allocations will be presented to a future Cabinet meeting for approval.

### **Health and Privacy Impact Assessment**

35. 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.

36. This report is mainly about confirming a forecast financial position for 2016/17 and contains updates with regard to strategic financial planning and the impact of key financial transactions over the reporting period. There are no requests to change policy or spending in any particular area.

37. 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. There are no privacy impacts.

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