worcestershire
countycouncil

AGENDA ITEM 4

CABINET
8 FEBRUARY 2018

2018-19 BUDGET AND COUNCIL TAX

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 agree the following recommendations to Full Council:**

   a) **the conclusions set out in the report concerning revenue budget monitoring up to 30 November 2017 be endorsed;**

   b) **the virement and transfers to Earmarked Reserves in paragraph 28 to 30 be endorsed;**

   c) **the budget requirement for 2018/19 be approved at £324.192 million;**

   d) **the Council Tax band D equivalent for 2018/19 be set at £1,212.38 which includes £78.71 relating to the ring-fenced Adult Social Care precept, and the Council Tax Requirement be set at £251.537 million;**

   e) **consistent with the provisional Local Government Finance Settlement that revenue cash limits be set for each Directorate:**

	£m
Adult Services	**125.396**
Public Health*	**-0.831**
Children, Families and Communities	**96.361**
Economy and Infrastructure	**63.544**
Commercial and Change / Finance	**39.722**
	324.192

   ***Public Health services budget £0.100 million less £0.931 specific grant income which supports qualifying expenditure across the County Council. The total Public Health ring fenced grant is £29.1 million.**

   f) **the Council's Pay Policy Statement is recommended for approval as set out in Appendix 6;**

   g) **the conclusions set out in the report concerning capital budget monitoring up to 30 November 2017 be endorsed;**

   h) **the capital programme as set out in Appendix 7 be approved;**

i) the Medium Term Financial Plan as set out in Appendix 8 be approved;

j) the Treasury Management Strategy set out in Appendix 9 be approved; and

k) the Statement of Prudential Indicators and Minimum Revenue Statement as set out in Appendix 10 be approved.

l) the Minimum Revenue Provision Policy revision be approved.

2. The Cabinet Member with Responsibility for Finance (also the Leader of the Council) recommends that Cabinet:

m) gives delegated authority to the Leader of the Council to recommend to Full Council, in consultation with the Interim Chief Financial Officer, any further adjustments to the revenue cash limits in (c) and (e) above as a result of Central Government confirming the final Local Government Finance Settlement, Council Tax and Business Rates Income, and associated Specific Grants for 2018/19, together with any updates following publication of the revised Prudential and Treasury Management codes of practice and amended Ministry of Housing, Communities and Local Government (MHCLG) guidance on Local Authority Investments and Minimum Revenue Provision;

n) authorises the Director of Adult Services and the Director of Children, Families and Communities to finalise the details in respect of their Directorates and formally execute the Section 75 agreement for Commissioning arrangements with Health for 2018/19;

Introduction

3. This report represents the penultimate stage in the formal process to determine the County Council's budget and precept levels for 2018/19. If approved, the report will form the basis for proposals to Full Council for approval on 15 February 2018. The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and reflects the County Council's Corporate Plan, 'Shaping Worcestershire's Future' and Medium Term Financial Plan (MTFP).

4. The current 2017/18 financial year has faced significant financial challenges, both with the need to support increased service provision for Children's Services Placements and Safeguarding, and the impact of increased demographic and other cost pressures across Adult Services.

5. This underlying cost pressure and extensive use of specific grants and other reserves has significantly increased since previous financial years and this has necessitated a refresh of our strategic financial planning to ensure the vital services that the service users, partners and residents of the County tell us they want delivered are provided in the most efficient and effective manner.

6. With this in mind, the Cabinet received the draft budget for 2018/19 at its meeting on 14 December 2017 and:

a) approved for consultation the draft budget which included proposed Transformation and Reforms programme;

b) endorsed that plan to address a forecast remaining savings requirement of £1 million as a result of updating the MTFP;

c) endorsed an investment of £10.5 million for Children's Social Care

d) delegated to the Director of Economy and Infrastructure, in consultation with the Leader of the Council and the Interim Chief Financial Officer, authority to manage individual allocations of the Highways Infrastructure Investment Fund within the overall investment sum of £37.5 million;

e) agreed that it was minded to recommend to Full 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.

7. The County Council continues to listen to the needs and priorities of residents and local business through the annual Viewpoint Surveys, Roadshows, Budget Consultations, and through ad-hoc tailored consultations and surveys. This extensive interaction has made it clear that the three priorities identified by the public are and remain to be:

- 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 adults, particularly those older people with physical, learning and mental health difficulties; and
- Maintenance of the Highway.

8. This report provides recommendations that would enable the County Council to remain ambitious, continue to deliver what is important to local people and the four priorities contained in 'Shaping Worcestershire's Future', and to have robust plans for continuing to live within our means.

9. This report brings together:

- a budget summary setting out key aspects of this report;
- the results of the budget consultation and engagement process;
- confirmation of the areas of investment for residents and the Council;
- the latest revenue forecast outturn and reserves movement for 2017/18;
- summary of changes made in relation to the County Council's funding for 2018/19;
- developments in expenditure budgets for 2018/19 from the plan presented to the December 2017 Cabinet; and
- the effect of those changes on the budget and the forecast financial planning gap of £1.0 million for 2018/19 included in the December 2017 Cabinet report.

10. At the time of writing there are three income forecasts that have yet to be confirmed:

- Central Government have yet to issue the final figures for the Local Government Finance Settlement;
- All District Councils have yet to confirm their forecasts for 2018/19 Business Rate income and some for 2018/19 Council Tax income; and
- there remain a small number of Specific Grants that are yet to be confirmed by the MHCLG and other Government Departments.

11. A verbal update will be provided at Cabinet with regard to any confirmations that have been received. Within this report forecasts relevant to these items have been reviewed and refined based on the latest information that is available.

12. Delegated authority is requested in this report to be given to the Leader of the Council, who is also the Cabinet Member with Responsibility for Finance, in consultation with the Interim Chief Financial Officer, to make any final adjustments to the proposed cash limits being recommended to Full Council once these three remaining items are resolved.

13. This report also summarises the work undertaken in the following areas since the draft budget in other areas of financial planning:

- Joint Commissioning arrangements with the NHS, known as Section 75 agreements;
- the proposed settlement in relation to funding of Worcestershire schools, including Dedicated Schools Grant passed directly to schools and the Education Services Grant that supports the County Council's services to schools;
- the proposed pay policy for the County Council in 2018/19;
- the County Council's proposed 2018/19 and medium term Capital Programme; and
- the base assumptions supporting the County Council's MTFP and associated areas of risk that will continue to be kept under review.

14. Finally the report covers reporting responsibilities that are required to be included in the budget. These include:

- the proposed Treasury Management Strategy;
- the proposed Prudential Code parameters for the County Council to operate within;
- consideration of the County Council's Equalities Duty in relation to this budget;
- commentary from the Overview and Scrutiny Performance Board;
- arrangements around the consideration of alternative budget proposals and amendments; and
- statutory duties in relation to calculating the Budget.

Budget 2018/19 Consultation and Engagement

15. This report confirms the initiatives that were set out in the draft budget report to the December 2017 Cabinet and supports the delivery of the four Corporate Plan focus areas.

16. A number of consultation and engagement sessions have been held and continue to be run including:-

- Public and staff roadshows involving the Leader of the Council and the Chief Executive
- The 2017 Worcestershire Viewpoint survey
- Worcestershire Businesses through the Worcestershire Local Enterprise Partnership (WLEP)
- Voluntary and Community sector events

17. Since the December 2017 Cabinet meeting, budget consultation and engagement has taken place with the following organisations:

- Parish and Town Councils;
- School governors and head teachers;
- The local Business Community through the WLEP Board
- Voluntary and Community organisations;
- Employee representatives including Unions;
- Partners including health service organisations; and
- Scrutiny panels

18. A verbal update will be provided at Cabinet of the consultation and engagement feedback as appropriate.

Priority Investments

19. Set out below is confirmation of areas of investment into residents' and the County Council's core priorities and across the MTFP:

- Open for Business

  The MTFP includes significant capital investment to deliver Worcester Southern Link Road Phase 4, Pershore Northern Link and Infrastructure, Bromsgrove Town Centre Network and Worcester City Centre Network Efficiency, and will continue to provide support to develop our economic game changer sites. These investments will continue to drive and facilitate others to increase the economic prosperity of businesses and residents in the county and deliver the Strategic Economic Plan

- 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 and Wellbeing

  The budget confirms an increase of £7.8 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

  - **£3 million** in response to the demographic growth and the increasing complexity of supporting vulnerable older people and adults with disabilities

- **£3.8 million** additional funds, including meeting the rising costs of inflation, for pay, pensions and prices
- **£1 million** to meet the requirements of the Deprivation of Liberty Safeguards (DOLs) legislation

- The Environment

  Capital Budget
  It is proposed to establish a capital Highways Infrastructure Investment Fund (HIIF) of £37.5 million, 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 Interim Chief Financial Officer, to amend these allocations as matters arise whilst still remaining within the overall investment sum of £37.5 million.

Revenue budget monitoring 2017/18

20. The County Council's outturn forecast at Month 8 indicates a cost pressure of £7.2 million against authorised cash limits, 2.2% of the overall budget. It is not anticipated that this variance will reduce by the end of the financial year. The County Council will put in place a number of measures to ensure this cost pressure is financed in 2017/18.

21. The underlying issues in the demand led services have been addressed as far as possible as part of the 2018/19 budget.

22. The most significant forecast cost pressures this financial year relate to Children's social care placements of £7.5 million. The County Council has 76 (11%) more children in placement than at the same point last year.

23. The County Council has spent £4.8 million more than the profiled budget to date and taking into account existing children in the care system and the increasing trend, a cost pressure of £7.5 million is forecast by the end of the year. However if the trend for high cost placements remains at the current level, this cost pressure could be higher.

24. The forecast assumes that all children remain in their current placement to the end of the financial year which may not be the case as a number of these will leave the care system or transfer to a different placement. However we are seeing more children step up into more expensive placements than those stepping down.

25. The Adult Social Care budget is facing significant cost pressures in 2017/18 and the latest forecast cost pressure is £0.5 million after taking into account the planned use of earmarked reserves. The underlying specific cost pressures are in older people recovery services, home care and residential and nursing care, and learning disabilities services arising from higher numbers of service users and higher cost of care packages.

26. The waste services budget is facing a cost pressure of £0.9 million and work is in hand to reduce the recurrent impact of this.

27. The above forecast cost pressures can be funded by a mixture of the following, with the final allocation being confirmed at the end of the current financial year:-

- Minimum Revenue Provision – Review of accounting policy as part of this 2018/19 budget process outlined in paragraphs 45 to 58 below, this can be applied to the current financial year.
- Identification of capital expenditure in 2017/18 that is planned to be financed by internal one off resources, appropriately finance this expenditure by borrowing (financing period to match the life of the asset), and use the one off resources instead to support 2017/18 financial outturn.
- Capitalisation – apply the highways capitalisation policy that is being proposed as part of the 2018/19 budget process to qualifying expenditure in 2017/18.

Transfers to Earmarked Reserves

28. The above financial strategy to fund the 2017/18 estimated cost pressures is sufficient to also enable a further one year extension to the Councillor's Divisional Funds Scheme.

29. It is recommended that Cabinet approve the virement and transfer to earmarked reserves of £0.6 million with regard to continuing the Councillors' Divisional Fund scheme by a further year to the end of 2019/20.

30. This proposal does not require alteration of the net cash limits approved by Full Council and can be made from within existing 2017/18 financial activity.

Closing the forecast financial planning gap

31. The December 2017 Cabinet report set out a budget requirement of £325.6 million against funding from Central Government and Council Tax of £324.6 million leaving a forecast financial planning gap of £1.0 million. This is summarised in the following table:

Table 1: Initial Funding Gap – December 2017

	£m
Revised estimate of 2018/19 Budget requirement	325.6
Less provisional Revenue Support Grant funding from Central Government	-9.5
Less estimated funding from Business Rates Retention Scheme: Top Up Grant Local Share	-61.2
Less provisional funding received from Council Tax	-253.9
Forecast financial planning gap for 2018/19	**1.0**

32. The Leader of the Council, who is also the Cabinet Member for Finance, responded to Central Government's Provisional Settlement in January 2018. A full copy of the response is provided at Appendix 2. Whilst the response looked forward to working with Government on business rates reforms and strongly supported continued efforts to move towards greater local retention of business rates and fair funding improvements, a number of issues were raised including:-

- concern that the Adult Social Care Support Grant does not continue in 2018/19. Investment by Central Government is needed to safeguard some of the most vulnerable people in the community on an ongoing and permanent basis.
- disappointment that the transition grant is not continuing and the response urges Government to reconsider particularly given the delay in fair funding reforms and business rates changes.
- disappointment that Worcestershire was unsuccessful regarding the Business Rates Pilot especially considering the work involved to develop a proposal that was agreed by all seven Worcestershire councils.

33. It is expected that Central Government will confirm the outcome of the consultation on the Provisional Local Government Finance Settlement during the first week of February 2018. This report has therefore been drafted on the basis of the Provisional Local Government Finance Settlement.

34. Any potential changes are therefore expected to be minimal. A verbal update will be provided at Cabinet confirming whether more information has been released and if there are any resulting changes to the content of this budget report.

35. The work to close the £1.0 million initial funding gap identified in the December 2017 Cabinet report is outlined in the following table and confirms the proposal to finalise a balanced budget.

Table 2: Closing the Forecast Financial Planning Gap

	£m	£m
Initial financial planning gap – December 2017 Cabinet report		1.0
Changes in income:		
Reduction in Council Tax buoyancy assumption	0.9	
Increase in Council Tax Surplus	-0.6	
Sub total		0.3
Changes in expenditure:		
Pay inflation reviewed to take account of national pay offer	0.7	
Non pay inflation review	0.2	0.9
Minimum Revenue Policy Review - increase in accounting policy change to annuity basis following detailed review	-2.8	
Other budget adjustments	0.6	
Sub total		-2.2
Financial Planning Gap February 2018		**0.0**

Changes to CIPFA Codes and MHCLG Guidance

36. The Chartered Institute of Public Finance & Accountancy (CIPFA) has proposed changes to both the Prudential and Treasury Management Codes, with a greater focus on the treatment of local authority commercial investments.

37. Changes proposed to the Treasury Management Code include the potential for non-treasury investments such as property investments to be included in the definition of 'investments'. This definition may also include both loans made and shares in operations for service purposes. Other changes proposed in the new Code for the Treasury Management Strategy include the ability to delegate the approval of the strategy to a sub-committee instead of full council, and altering the current treasury management indicators.

38. The main change proposed to the Prudential Code is the production of a new high-level capital strategy report to full Council; this report will cover the basics of the capital programme and treasury management and would include different prudential indicators to the current set. Other proposed changes include applying the principles of the Prudential Code to local authority subsidiaries.

39. In November 2017, the Department for Communities and Local Government (now the Ministry for Housing, Communities and Local Government (MHCLG) issued a consultation on proposed changes to their Guidance on Local Government Investments and their Statutory Guidance on Minimum Revenue Provision (MRP). The consultation closed on 22 December 2017.

40. Like the CIPFA Code, the proposed MHCLG investment guidance looks to widen the definition of investments to include non-financial investments such as property. The proposed guidance identifies local authorities growing reliance on investment income, in

particular investments funded through borrowing, and how this should potentially be classed as ‘borrowing in advance of need’.

41. With the proposed changes to the MRP guidance, the four methods for calculating prudent MRP have not changed. However MHCLG have proposed to set the maximum life of assets. If the proposed maximum asset lives are taken forward, this will affect some local authority budgets where they are required to amend the calculation of their MRP provision.

42. CIPFA are aiming to publish the revised Treasury Management Code and revised Prudential Code in the first quarter of 2018. Although CIPFA intend the new Codes to be implemented from 2018/19, they have allowed transitional arrangements for reports requiring approval before the start of the 2018/19 financial year. At the time of writing, MHCLG had not issued a timetable for their final revised Guidance, although they stated the intention for these to come into force for the 2018/19 financial year.

43. The 2018/19 Treasury Management Strategy has been prepared based on the existing requirements, with possible amendments taking place in the half year report, once the new CIPFA Codes and MHCLG Guidance have been confirmed.

44. For the reasons above, Cabinet are asked to give delegated authority to the Leader of the Council, in consultation with the Interim Chief Financial Officer to make any final adjustments as a result of these amended codes of practice and guidance being issued.

Minimum Revenue Policy Review

45. Notwithstanding that MHCLG have yet to issue final guidance on MRP following a recent consultation that closed in December 2017, the County Council has undertaken a review of its MRP policy taking account of the potential changes.

46. The County Council is required, under the Local Authorities (Capital Finance and Accounting (England) (Amendment) Regulations 2008, to make an MRP charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements. This is the annual amount set aside from the budget each year to repay the principal element of long term borrowing and is based on a system of self-regulation informed by our professional judgement of 'prudent provision'.

47. The Guidance states that "the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits".

48. The Council last reviewed and amended its MRP policy in 2015/16 following advice taken from PricewaterhouseCoopers LLP and feedback from our external auditors Grant Thornton LLP.

49. As a result of the review undertaken in 2015/16 an adjustment was made to the policy on pre 2008 capital expenditure financed from borrowing and for the policy on post 2008 capital expenditure financed from unsupported borrowing to be kept under review. As MHCLG is in the process of consulting upon changes to the statutory guidance on MRP for 2018/19 it is appropriate for the council to undertake a further review of the policy.

50. In applying the new policy in 2015/16 the resulting reduction in charge was capped at £2 million by way of voluntary overpayments of MRP. In the light of the proposed revisions to the policy this cap is no longer considered relevant as it adjusts the costs from current periods to future taxpayers distorting the impact of the annuity calculation. The cap will therefore be removed from 2017/18 onwards. In addition the two years voluntary overpayments made will be used as a one off reduction in the 2017/18 MRP charge as permitted by statutory guidance.

51. The current policies for charging MRP on pre and post 2008 borrowing are both based on a straight line basis with equal payments spread over average grouped asset lives. This methodology, whilst producing a consistent charge over the years, does not take into account the time value of money (£100 today is worth more than £100 in 10 years' time) and does not truly match the benefits obtained from the assets over their lifetimes.

52. It is therefore proposed to change the basis of calculation for MRP to the annuity method which, in the opinion of the Interim Chief Financial Officer, more fairly reflects the benefits derived from assets and better match costs to benefits which is consistent both with previous advice the County Council has received, and the existing and proposed guidance from MHCLG.

53. It is important to note that both the straight line and the annuity method result in full repayment of debt over the same time frame.

54. The proposed accounting policy change to adopt the annuity method results in changes to the timing of MRP charges which are reduced in the medium term but increase in later years although the impact of future inflation will reduce the future charges accordingly.

55. Furthermore it is proposed to amend the basis for the calculation of MRP on PFI assets. Presently MRP is calculated on the basis of the capital element of debt repayment however in the light of the proposed changes to other MRP calculations it is considered that a calculation based upon the lives of the assets on an annuity basis more fairly matches costs to benefits for current and future taxpayers.

56. The financial estimate of this policy change needs to take account of the following factors:-

- Central Government is currently consulting on accounting arrangements for MRP. Whilst it is considered optimum to make this accounting policy change now, some of the technical accounting rules may change.
- The PFI calculations require a validation of asset lives by valuers and appropriate due diligence by accountants and External Audit.
- Commentary from External Audit.

57. Taking account of the above it is prudent to include the following savings at this stage:-

- £4 million – one off in 2017/18 to reverse the voluntary overpayments cap from the previous policy.
- £4.8 million - recurrent from 2017/18, £2 million of which was already included in the reforms plans that were part of the December 2017 Cabinet Report.

58. The County Council has been prudent in estimating these savings which has considered potential adverse variations that may arise when the final MHCLG guidance is issued. Should additional reductions in the MRP charge arise following publication of the final guidance these will be transferred to a financial risk reserve and future year's impact taken into account when the MTFP is reviewed.

Council Tax

59. Income from Council Tax will gradually fund a greater proportion of the County 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, and the annual percentage directed by Central Government that would trigger a local referendum to agree the increase.

60. Central Government has given local authorities flexibility to raise an Adult Social Care Precept from 2016/17 in addition to the general increase, and for the three financial years 2017/18 to 2019/20 the total maximum increase is 6% with no more than 3% in any one year.

61. The County Council raised a 2% Adult Social Care precept in 2017/18, and is planning to raise a 3% Adult Social Care precept for 2018/19. Under current Central Government flexibility, there remains a potential 1% increase for 2019/20 and the County Council will consider this as part of next financial year 2019/20 budget process which will ultimately be considered by Full Council in February 2019.

62. In addition to this, Central Government as part of the provisional local government finance settlement issued in December 2017 offered local authorities the flexibility to raise an additional 1% increase for the general precept. The existing arrangements are limited to 2% with rises above this needing to be approved through a local referendum. The maximum general precept for 2018/19 therefore is 3%.

63. The County Council has considered this additional 1% flexibility alongside the risks and mitigations contained within the MTFP and is not minded to increase further the burden on the local taxpayer.

64. Following careful consideration, balancing the needs of Adult Social Care with the ability for residents to support an increase in Council Tax for 2018/19 and consistent with the proposals outlined in the December 2017 budget report, Cabinet are recommending an increase of 4.94% in Council Tax Precept which represents:

- 1.94% to provide financial support for the delivery of outcomes in line with Corporate Plan, resident and business communities' priorities; and
- 3% Adult Social Care Precept ring-fenced for Adult Social Care services in order to contribute to existing cost pressures due to demographic changes and an increased demand for more complex services

65. District Councils have given estimates during January 2018 which increases the Council Tax base by £3.5 million (1.5%) for 2018/19. In addition District Councils have declared an overall surplus in their Collection Funds of £2.1 million. The following table sets out how these increases and surpluses have arisen:

Table 3: Council Tax Income

	Buoyancy £m	Surplus £m	TOTAL £m
Bromsgrove District Council	0.6	0.5	1.1
Malvern Hills District Council	0.5	0.0	0.5
Redditch Borough Council	0.6	0.9	1.5
Worcester City Council	0.5	0.4	0.9
Wychavon District Council	0.8	0.0	0.8
Wyre Forest District Council	0.5	0.3	0.8
Total	**3.5**	**2.1**	**5.6**

Business Rates Retention Scheme

66. Approximately £61 million of the County Council's funding for 2018/19 will be received through the Business Rates Retention system. Around £16 million relates to the 'local share' as defined in Central Government existing 50/50 scheme and District Councils are confirming their estimates of this local share amount towards the end of January 2018. The balance represents grant funding from Central Government.

67. The County Council retains a small risk reserve to cover adverse changes in grant funding or falls in the local share of income received. Cabinet are requested to delegate to the Leader of the Council in consultation with the Interim Chief Financial Officer any final adjustments following confirmation of forecast Business Rates funding from District Councils.

68. The County Council continues through the Hereford and Worcester Treasurers Association to refine forecasts for locally generated business rates. In the Provisional Local Government Settlement the Secretary of State confirmed that a reset of the business rates retention system will take place in 2020/21. This will see NNDR baselines adjusted to better reflect how much local authorities are actually collecting in business rates (the current ones are based on the amount collected in 2010/11 and 2011/12) It is not yet known how baselines will be adjusted and how much of the growth seen locally will be taken which could both have a significant impact on the Council's resources.

69. It was stated in the Provisional Local Government Settlement that local business rates retention would move from 50% to 75% in 2020/21. This will provide the opportunity for local authorities to benefit more from local growth in business rates.

70. Central Government continues to work on the proposed move to 100% local retention of business rates and the County Council put forward a proposal on behalf of all Worcestershire local authorities to participate in the 2018/19 pilot. There was a very high level of interest in participating in the pilots and the Worcestershire proposal was not successful. The County Council continues to actively participate in consultations and discussions on business rates and will consider participation in any future pilots based on the scheme design.

Specific Revenue Grants

71. The County Council receives a range of specific revenue grants from Central Government spending departments. National spending limits and policy dictate the level of specific grants that the County Council receives to fund Central Government initiatives. A verbal update will be provided at Cabinet to confirm the level of specific revenue grants that remain outstanding together with any associated risks as appropriate.

<u>Improved Better Care Fund (iBCF)</u>

72. In 2017/18 the Improved Better Care Fund was introduced. There are three aims of the iBCF, which need to be met by the spending plan, These are:

- Stabilising the Care Market
- Reducing Pressures on the local NHS
- Meeting Adult Social Care needs

73. 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. Allocations have been considered by the directorate when reviewing the management of budgets within the resource allocation limits. The grant has been used as flexibly as possible to meet demand and demographic pressures.

74. Adult Services continues to experience significant demand and demographic pressures and the County Council continues to actively lobby Central Government to develop a sustainable resolution to funding shortfalls for Adult Social Care rather than one off solutions or moving the funding burden away from raising additional funding from Council Tax. A consultation paper on the future funding of adult social care in the longer term is expected in summer 2018.

Section 75 Agreements

75. In order to provide the best and most efficient results for residents' wellbeing the County Council has a history of joint commissioning with the NHS across Adults' and Children's' Services. Section 75 of the NHS Act 2006 empowers the NHS and local government to enter into formal agreements. The overall purpose of the Section 75 agreement is to formalise partnership arrangements designed to jointly improve outcomes for patients and service users.

76. The County Council renews its Section 75 partnership arrangements with Health for the Commissioning of Services on an annual basis. In Worcestershire the Section 75 Agreement incorporates three types of budget management:

- Pooled, includes the Better Care Fund (BCF). Decision making is shared, budgets are managed by the County Council and there are agreed arrangements for risk sharing;
- Delegated, from the Clinical Commissioning Groups (CCG) to be managed by the County Council, with decision making, accountability and risk lying with the CCGs; and
- Aligned, County Council budgets are managed alongside the CCG budgets, with decision making, accountability and risk for County Council budgets remaining with the County Council.

77. A requirement of Central Government is that all plans for the use of the BCF are agreed by the Health and Wellbeing Board, which is responsible for the strategic

oversight of the Section 75 arrangements. Headline information on the BCF for future years was provided in the December 2017 Cabinet report. The total BCF revenue budget for 2018/19 is expected to be £35.1 million. The County Council is still awaiting confirmation of the Disabled Facilities Grant allocation for 2018/19.

78. A BCF two year plan up to the end of 2018/19 was formally agreed nationally in November 2017 and we are awaiting further guidance from Central Government as to future years planning requirements past 2018/19. The formal Section 75 agreement will be a detailed legal agreement, the detail is being currently being finalised.

79. Cabinet is requested to authorise the Director of Adult Services and the Director of Children, Families and Communities to agree the final details and formally execute the agreement in readiness for the 2018/19 financial year. County Council budgets falling within the proposed Section 75 agreement will only be those agreed as part of the 2018/19 budget approval process.

Dedicated Schools Grant and Schools grant funding

80. The 2018/19 provisional allocation is detailed in Appendix 14 under the notional Dedicated Schools Grant (DSG) blocks. This is Gross prior to the recoupment deduction for Academies and non-LA maintained specialist providers. It compares the provisional allocations to the 2017/18 DSG latest settlement.

81. The headline is that DSG has increased to reflect the DfE National Funding Formula (NFF) policy. For the Schools Block the NFF and additional pupils in mainstream schools between October 2016 and October 2017, has resulted in a higher Schools Block allocation, there is a new DSG Block for Central School Services and an increase in the High Needs DSG Block to reflect the impact of the NFF. The Early Years Block continues to reflect the new DSG arrangements for such providers introduced by the DfE in 2017/18 in particular the increase to the average national funding rates and the additional 15 hour entitlement for working parents implemented nationally from September 2017.

82. Additional information is provided in Appendix 14 with regard to each element of the DSG.

83. In overall terms the indicative Gross DSG allocation for Worcestershire in 2018/19 is £399.7 million. This allocation includes funding for academies and free schools across the County which are funded directly by the Education and Skills Funding Agency (ESFA) by the ESFA recouping the relevant proportion of DSG to reflect the up to date position of the number of academies and free schools.

84. Appendix 14 shows an overall increase in pupil numbers in mainstream schools between October 2016 and October 2017 and that the overall split of children across primary and secondary education remains broadly the same. Pupil numbers are no longer reduced to reflect those pupils in Special Units in Mainstream Schools and such pupils are now funded by a combination of pupil and place led funding from the Schools Block and High Needs block respectively.

85. For mainstream schools within the primary and secondary sectors although overall numbers have increased, there are also some variations with increases and decreases for individual schools when comparing the October 2016 and October 2017 pupil numbers, which will create some budgetary impact for those schools.

86. Also, Cabinet at its meeting on 14 December 2017 approved the local funding formula for mainstream schools in 2018/19 and 2019/20 to reflect as far as is practicable and affordable the DfE NFF parameters, so this will also impact on individual schools between 2017/18, 2018/19 and 2019/20.

87. The Pupil Premium Grant (PPG) continues to be allocated and details are in Appendix 14. The national rates reflect an increase in the Looked After Children (LAC) rate per pupil as notified by the DfE.

Education Services Grant (ESG)

88. The Central Schools Services Block DSG reflects that funding for the former ESG Retained Duties to support statutory functions on behalf of all maintained schools and ESFA funded academies been transferred into the DSG now allocated on a formulaic basis.

89. The former ESG General Duties was withdrawn completely from September 2017 resulting in a direct reduction in funding for Councils without a reduction in duties.

90. As reported in the December 2016, February 2017 and December 2017 Cabinet reports, an increase in base budget is needed to be funded locally to take account of a reduction in grant funding for general statutory duties relating to maintained schools. The 2017/18 budget included growth of £2.1 million to support this pressure and a further full year effect of £1.0 million is included in the budget for 2018/19.

Public Health Ring-fenced Grant

91. The specific grant for 2018/19 is £29.1 million, a reduction of £0.8 million compared to 2017/18. The indicative grant for 2019/20 is £28.3 million. These are in line with expectations and the current spending proposals have been shaped to ensure they are contained within the final grant allocation. The Public Health grant has already been and will continue to be used innovatively to improve outcomes across all areas of Council services within the terms of the grant conditions.

92. Reform targets of £1 million in 2017/18 and £0.5 million in 2018/19 had previously been agreed and an additional £0.5 million target for 2018/19 has been included in the 2018/19 budget. Work is continuing to identify areas of County Council base budget expenditure where public health impact could be maximised through the use of the Grant.

93. The Public Health ring fenced grant is expected to be in place for the financial year 2019/20. It is expected that from 2020/21 the grant will be replaced by the retained business rates. Public Health England is working with the Department of Health to confirm the assurance arrangements that need to be in place before the grant comes to an end. These arrangements are expected to be confirmed by Spring 2019.

Independent Living Fund

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

95. The County Council expects to receive £2.7 million in grant in 2018/19 compared to £2.9 million in 2017/18 as there is normally an attrition rate applied of approximately 5%. The reduction in funding will need to be managed within the overall 2018/19 Adult Services budget.

Capital Programme Financial Position 2017/18

96. The Capital Programme for 2017/18 onwards was updated in early December 2017. At that point, the expenditure forecast for the year 2017/18 totalled £123.4 million and reflected unspent expenditure brought forward, new capital additions and revised cash

flow forecasts. The latest monitoring position for 30 November 2017 is shown in the following table. As the capital programme has just been re cash-flowed, forecast expenditure is expected to match the revised budget.

Table 4: Capital Monitoring 2017/18

Directorate £m	Approved Budget	Spend to date	Forecast outturn
Adult Services	4.5	0.6	4.5
Children, Families and Communities	27.5	9.8	27.5
Economy and Infrastructure	85.4	29.0	85.4
Commercial and Change*	6.0	2.6	6.0
Total	123.4	42.0	123.4

*Including Financial Services and Chief Executive

Capital Programme: Funding Proposals

97. The Capital Programme has now been further updated to reflect proposals for future expenditure (as detailed below), additions from the December 2017 draft budget and further forecasts for existing approved schemes. The revised Capital Programme showing these changes is attached at Appendix 7. The major areas of capital expenditure relate to Schools, the Local Transport Plan and other Economy and Infrastructure Directorate activities.

98. Proposals for future capital expenditure that have been incorporated into the Capital programme include:

a) £6.25 million contingency to support additional new project starts over the years 2018/19 to 2020/21
b) £2.5 million to continue support minor works composite sum programmes for 2020/21
c) £8.2 million - A38 Bromsgrove Corridor. This major project will support the sustainable growth of Bromsgrove by enhancing the A38 Bromsgrove Eastern Bypass. The project will include a series of junction enhancements, addressing locations where delays and congestion is particularly prevalent.
d) £5.7 million – Kidderminster Churchfields. This project relates to the Churchfields residential development to the north of Kidderminster town centre and seeks to deliver improved access in order to facilitate the delivery of over 275 dwellings. This phase of the housing development plan cannot be progressed without the highway improvements that this project aims to deliver.

Confirmation of Schemes outlined in the December Draft budget

99. Cabinet recommends to Full Council the inclusion of the following scheme in the Capital Programme that was set out in the December Draft Budget Report. Delegation to the Director of Economy and Infrastructure is requested to allow allocation of funding to projects within the overall total amount in consultation with the Leader of the Council and the Interim Chief Financial Officer.

(a) £37.5 million Highways Infrastructure Investment Fund (HIIF)

This fund will enable and support the delivery of transport infrastructure priorities which aligns with the Council's commitment to investing in roads and pavements and improving journey times. The total of the fund will be split into the following indicative amounts

- £15 million over the next three years for road repairs previously funded from revenue
- £9 million over the next three years continuing to strive for top quartile performance in roads and pavements
- £4 million to support the Street Lighting Programme
- £2.2 million over the next three years to continue the programme of flood mitigation works
- Up to £5.1 million to support the Pershore Infrastructure Investment (reported to Cabinet in November 2017)
- £2.2 million to ensure continued progress of infrastructure projects not funded from other sources

100. The proposed MTFP has been adjusted to incorporate commensurate revenue funding to finance the borrowing required to incorporate these proposals.

Flexible Use of Capital Receipts Strategy

101. Central Government's Spending Review in 2015 announced that to support local authorities to deliver more efficient and sustainable services that Government will allow local authorities to spend up to 100% of its fixed asset capital receipts on the revenue costs of reform projects.

102. The criteria is that the expenditure incurred must be designed to generate ongoing revenue savings and/or transform service delivery in a way that reduces cost or demand for services in future years for any of the public sector delivery partners.

103. The County Council intends to take advantage of this flexibility to support the financing of the reforms programme which is detailed at Appendix 5, and change activity around the children's social care improvement plan and transformation change programmes.

104. It is anticipated that one off costs of up to £4 million may be incurred over this period that would qualify for being funded from capital receipts. The consequential impact on the County Council's Capital Programme as a result of using an additional £4 million borrowing to fund what would otherwise have be funded by these capital receipts would be around £0.4 million and this is therefore the impact on the Council's Prudential Indicators. It is important to note that the County Council's Treasury Management Strategy optimises the use of internal cash resources before having to take external borrowing, so this impact is unlikely to be realised in the short term.

105. Progress on the County Council's Reforms Programme is regularly included in Cabinet reports and use of this capital receipts flexibility will be closely monitored and reported for transparency.

The Medium Term Financial Plan (MTFP)

106. The MTFP has been updated to reflect the funding levels confirmed in the draft Local Government Financial Settlement and revisions to income and expenditure.

107. The County Council continues to plan for the financial challenges over the medium term. The MTFP is set out in the following table with more detail provided within Appendix 8.

Table 5: Indicative Medium Term Financial Plan

£m	2018/19	2019/20	2020/21
Total Funding Available	324.2	327.1	338.1
Less service costs based on provisional 2018/19 budget	355.8	346.7	352.1
Sub-Total	**31.6**	**19.6**	**14.0**
Reform plans developed	31.6	8.1	2.2
Funding Gap	**0.0**	**11.5**	**11.8**

108. The cumulative funding gap over the MTFP period is £23.3 million. Work will continue on confirming implementation of potential future reforms as part of the County Council's ongoing Corporate Strategic Planning process. This work will include critically reviewing income and all opportunities available through Central Government's plans for the full devolution of Business Rates funding to local government.

109. In addition to changes in Central Government funding streams, the MTFP contains the following:

- Council tax increase assumptions beyond 2018/19 include:

  2019/20 – 1% Adult Social Care and 1.94% non-Adult Social Care

  2020/21 – 0% Adult Social Care and 1.94% non-Adult Social Care

  This is an estimate and the final decision whether to increase council tax will be taken by Full Council at its February meeting prior to each financial year taking full account of consultation responses and the future needs of service users and residents of Worcestershire;

- increases in Council Tax yield of around 1% per year due to forecast growth in house-building have been updated based on the latest data available from District Councils;

- planning assumptions have been made on the extent to which the Improved Better Care Funding will be available for supporting existing services; and

- planning contingencies have been reviewed in light of the increased uncertainty of future funding and cost pressures as part of the normal review of the MTFP.

Risks and sensitivities over the Medium Term

110. The extent of risks and sensitivities that may have a significant impact on the MTFP have remained consistent since a year ago taking account of future significant changes proposed by Central Government for funding over the medium term. Set out below are those areas that remain under review but where the financial effect cannot be estimated in detail at this stage.

- Central Government Funding

The MTFP reflects a best estimate of the reductions in Central Government support, mindful that whilst Revenue Support Grant is set to reduce to zero the County Council nevertheless will be expected to contribute towards national deficit recovery.

- Demographic Growth and demand pressures

A number of the County Council budgets continue to be demand led, for example where they are dependent on changes in the service users who are eligible for County Council Adult Social Care services or where activity is driven by residents' behaviours such as the costs of waste disposal. A judgement has been made to cater for the current forecasts in demographic growth and growth in the volumes of waste disposed of and its impact on service provision. These will need to be reviewed in the new financial year and any consideration will need to be given to vary the MTFP for any change in the impact of demographic growth over and above that currently included in the MTFP.

- Adult Services future cost pressures

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

- Safeguarding Improvement Plan and Financial Recovery Plan – Children's Services

As identified within the December 2017 Cabinet report, 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 is a national issue affecting a significant number of councils and a recent survey with West Midlands Authorities has identified that 8 of the 9 responders have similar issues. Most, like Worcestershire, are citing increasing numbers of children looked after and an increase in complexity of need and placement breakdowns.
Although 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, there remains a risk associated with such a demand related service. This will be regularly monitored and reviewed and mitigation actions taken where required.

- Alternative Delivery Model for Childrens Services

As reported to Cabinet in December 2017, the County Council is looking at alternative ways of delivering Children's Social Care through an Alternative Delivery Model (ADM) which will be either via a strategic partnership with another local authority or through a wholly owned company. The business case for these options will be reported to the Cabinet meeting in March 2018. The important work of doing the right thing for children and young people remains essential and needs to be at the heart of the ADM work. The ADM will build on and add value to improvement and we need to use this as an opportunity to realise benefits, improve relationships and ways of working.

The transition to, and operation of, the new model of delivery may mean that there are additional costs associated with the new organisation. The County Council is making a bid to the Department for Education to support some or all of these costs. Ongoing costs of operational activity will need to be funded wholly by the County Council.

As such, the County Council will need to make provision for any additional costs which are required in order to fulfil the statutory obligations contained within the direction issued to Worcestershire County Council to implement an ADM. Transition costs will include programme management and optional appraisal work, stakeholder engagement, as well as commercial, legal, HR, finance and scrutiny support.

Ongoing costs of operation will vary dependent on the model chosen but could include costs of setting up and running a board, commissioning and commercial support, ICT costs for different systems as well as funding any potential pensions, VAT and tax implications. Once the impact of these is better known, they will be reflected in future revisions to the MTFP.

- Inflation

The MTFP includes a pay increase for staff as well as forecast rates of inflation for services where the additional cost is unavoidable. Views on inflation, including the impact of National Living Wage increases and other factors that affect the County Council's budgets will be kept under constant review and the MTFP will be updated accordingly.

- The current Business Rates Retention Scheme

A 50% share of risk of negative changes in existing business rates has now been transferred to local authorities. Central Government provides a financial safety net for reductions of more than 7.5% from a baseline calculation. Growth in business rates within Worcestershire, which is significantly influenced by the economic development policies of the County and District Councils, can now benefit local authorities directly. Under current arrangements local authorities can keep 50% of their business rates growth locally as long as this increase is not disproportionate to the size of their revenue budgets. The impact of future growth plans is kept under constant review and updated to the MTFP accordingly.

- Reform to the Business Rates Retention Scheme

Central Government is currently considering its plans for 75% devolution of Business Rates income to local Councils. Whilst good news for the sector, there is a potential for risk in the system as the County Council alongside its District Council partners will be taking more risks on the success of appeals and challenges. In addition, Central Government has indicated that it will be considering new services that will be devolved to Councils to support the 'new' funding that will be made available. A key risk is that these new services will not be adequately funded at the point of transfer under Central Government's New Burden's initiative. The County Council will continue with the Society of County Treasurers to ensure any new responsibilities are fully funded.

Alternative Budget Proposals and Amendments

111. The Budget and Policy Framework Rules allow alternative budget and council tax proposals and amendments to those presented by the Cabinet to be considered in the period immediately prior to the budget and Full Council meetings.

112. A member of the County Council, or group of members, may wish to put forward alternative budget and council tax proposals and amendments. The more significant or substantial the alternative proposals and amendments are then the more likely they are to come within the requirements of Section 25 (Budget Calculation Statutory Duties) of the Local Government Act 2003 falling on the Interim Chief Financial Officer.

113. In the circumstances alternative budget and council tax proposals and amendments should to be lodged with the Chief Executive by noon 5 working days prior to the Full Council meeting – in this instance this means noon 8 February 2018, to ensure the obligations of Section 25 are met.

Treasury Management Strategy

114. The County Council is required to review its treasury management strategy on an annual basis and the proposed strategy for 2018/19 is set out in Appendix 9.

115. The strategy for 2018/19 has been updated since last year to include to option to invest in Pooled Property Funds. Returns for these types of investments will need to be considered over a 5-10 year term and the County Council will take advice from its Treasury Management advisors before any such investments are made.

116. Although all other aspects of the strategy have not fundamentally changed since last year, it has been updated to include how the current forecast for interest rates will affect borrowing and lending transactions.

117. Investment priorities will continue to be firstly the security of capital (protecting sums from capital loss) and secondly the liquidity of investments (ensuring cash is available when required). Only when these two priorities are met will the third priority of achieving the optimum return on investments be taken into account.

118. The borrowing strategy will be to borrow to protect the County Council's cash flows, and to borrow to replenish some of the internal cash balances that have been temporarily used to fund recent years' capital expenditure. It is anticipated that the new borrowing may be required during the second half of the 2018/19 financial year, however this will have to take into account prevailing medium and long term borrowing rate forecasts and actual timing of any borrowing will be undertaken when it is financially prudent to do so.

119. It is important to remember that real value is being achieved through Treasury Management by utilising internal cash balances to temporarily support the capital programme. This avoids the need to borrow at the prevailing Public Works and Loans Board Rate, currently around 3%. The Treasury Management Strategy includes the borrowing needed to support the Energy from Waste Contract Variation approved by Full Council on 16 January 2014.

The Prudential Code for Capital Finance in Local Authorities

120. The County Council is required to set specific parameters each year to control the extent of its borrowing. The essential purpose of this requirement is to ensure that the County Council always has the means to make repayments and doesn't borrow beyond its ability to service associated debts. The statement for 2018/19 is set out in Appendix 10.

Budget calculation – statutory duties

121. Section 25 of the Local Government Act 2003 requires the Interim Chief Financial Officer as Section 151 officer to report to the County 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.

122. The budget currently provides for the financial implications of the County 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 County Council's control and for which it is not possible to be precise:

- The County Council's demand-led services
- Inflation and interest rate volatility, and
- Unforeseen emergencies, for example flooding.

123. In addition to this, there are issues regarding the recurrent expenditure needed to support a fully operational Alternative Delivery Model for Children's Social Care.

124. Whilst every effort has been undertaken to review the Directorate cash limits and the savings / reforms plans within them, the future management of change and the impact of demand led services on those areas will stress the achievability of delivering a balanced budget for each financial year. Where savings plans are deferred or unachieved, alternative budget reductions must be implemented and it will be incumbent on service Directors to achieve this, in conjunction with Cabinet portfolio holders.

125. It is for this reason that an adequate level of reserves must be maintained and Appendix 13 provides a statement from the Interim Chief Financial Officer considering an appropriate amount to retain in general balance considering risk.

126. Members will also 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.

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

128. The Interim Chief Financial Officer states that to the best of her knowledge and belief these budget calculations are robust and have full regard to:

- the County Council's Corporate Plan and budget policy;
- the need to protect the County Council's financial standing and manage risk;
- the estimated financial position at the end of 2017/18;
- the financial policies of the Government as they impact upon the County Council;

- the capital programme set out in Appendix 7;
- the County Council's MTFP set out in Appendix 8;
- treasury management policy set out in Appendix 9;
- the prudential indicators set out in Appendix 10; and
- the extent of the County Council's General Balances and earmarked reserves.

Scrutiny

129. Scrutiny of the 2018/19 budget proposals is being undertaken by individual scrutiny panels who have received additional finance briefings in preparation for the scrutiny of the budget.

130. The conclusion of this work together with the individual views of the scrutiny panels will inform the Overview and Scrutiny Performance Board which meets on 30 January 2018 to consider what comments it wishes to make to Cabinet as part of the budget consultation.

131. A copy of the commentary will be made available alongside Cabinet papers (as Appendix 1) in time for the Cabinet meeting on 8 February 2018.

Fulfilling the Public Sector Equality Duty requirements

132. The Public Sector Equality Duty is set out in the Equality Act, 2010. The Act lists 9 Protected Characteristics in respect of which the Duty applies. The duty requires public bodies to have Due Regard to (consciously consider) three aims in their decision-making and in policy-making and service delivery. The aims are:

- To eliminate unlawful discrimination;
- To advance equality of opportunity between people who share one or more of the Protected Characteristics (listed in the Equality Act) and those who do not; and
- To foster good relations between people who share one or more of the Protected Characteristics and those who do not.

133. An overarching strategic equality relevance assessment has been undertaken in respect of budget proposals for key transformational change programmes which are detailed at Appendix 11. The assessment quantifies the levels of Due Regard to the aims of the duty for each programme and provides a broad overview on the potential cumulative impact for the most relevant of the Protected Characteristics.

134. When proposals have been fully developed and are brought to a future Cabinet for decision, these reports will include a more detailed and specific equality impact assessment to ensure the findings are given due regard when any key decisions are made.

Health Impact Assessment

135. 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.

136. This report concerns a number of budget proposals for 2018/19 and associated updates to the Medium Term Financial Plan in advance of approval by Full Council in February 2018. Any specific public health considerations will be subject to separate and further detailed consultation as appropriate. 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	Key messages form Overview and Scrutiny Board (To follow)
Appendix 2	Local Government Finance Settlement 2018/19 consultation response
Appendix 3a	Council Tax calculation
Appendix 3b	Council Tax Precept
Appendix 4	Revenue Budget 2018/19 and Analysis of Variations
Appendix 5	Reforms Programme
Appendix 6	Pay policy statement
Appendix 7	Capital Programme
Appendix 8	Medium Term Financial Plan
Appendix 9	Treasury Management Strategy
Appendix 10	Statement of Prudential Indicators and Minimum Revenue Provision
Appendix 11	Assessment of the County Council's Equalities Duty
Appendix 12	Directorate Revenue Budgets 2018/19
Appendix 13	General Balances Risk Review
Appendix 14	Dedicated Schools Grant

Contact Points

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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.