

**12 February 2015**

**5. REPORTS OF CABINET**

**(a) MATTERS WHICH REQUIRE A DECISION BY COUNCIL**

**Budget 2015/16**

**Recommendation**

1. The Leader and Cabinet recommend that:
- (a) the conclusions concerning revenue budget monitoring up 31 December 2014 be endorsed;
  - (b) cash limits for 2014/15 are updated to reflect use of an additional grant of £0.520 million to support earlier discharges from Acute Hospitals to social care services;
  - (c) the budget requirement for 2015/16 be approved at £327,559,266;
  - (d) the Council Tax band D equivalent for 2015/16 be set at £1,079.77 and the Council Tax Requirement (precept) be set at £212,083,547;
  - (e) consistent with the provisional Local Government Finance Settlement that revenue cash limits be set for each Directorate:
 

	£m
(i) Adult Services and Health	132.901
(ii) Children's Services	77.388
(iii) Business, Environment and Community Services	72.971
(iv) Commercial and Change / Finance	42.819
	326.079
- recognising that £1.481 million will be transferred to earmarked reserves;
- (f) the A440 Worcester Southern Link Dualling Phase 3 scheme is added to the Capital Programme and that cash limits are updated accordingly subject to agreement with developers on the amount of contributions that will be provided to support the financing of the scheme as well as the indemnity or surety to confirm the certainty of this income that results in the scheme not requiring any net prudential borrowing from the Council other than for the purpose of financing cash flow

requirements, and on condition that there is no increased cost to the Council beyond that identified in the Cabinet report;

- (g) the County Council continues to engage with residents and businesses in shaping the Corporate Plan and spending profile in line with their priorities;
- (h) Members' Allowances are frozen for the seventh year in a row for 2015/16;
- (i) the Council's Pay Policy Statement as set out in the attached Appendix 8 be approved;
- (j) the conclusions concerning capital budget monitoring up to 31 December 2014 be endorsed;
- (k) the Capital Programme as set out in Appendix 9 be approved;
- (l) the Medium Term Financial Plan as set out in Appendix 10 be approved;
- (m) the Treasury Management Strategy set out in Appendix 11 be adopted; and
- (n) the Statement of Prudential Indicators and Minimum Revenue Statement as set out in Appendix 12 be approved.

*[NB Appendices referred to are those presented to 5 February Cabinet, other than updated Appendix 4(a), and Appendix 8 and part of Appendix 14 relating to Commercial and Change/Chief Executive/Finance budget cash limits which are all attached to this report.]*

2. All Councillors will have a copy of the full report and Appendices considered by the Cabinet on 5 February 2015 and are requested to bring that report to Council to inform Council's decision and allow full consideration of all the issues.

### **2015/16 Local Government Finance Settlement**

3. The final figures for the 2015/16 Local Government Finance Settlement were unknown at the time the 5 February 2015 Budget report to Cabinet was drafted. Central Government have since confirmed the final Local Government Finance Settlement and this was able to be reported at the Cabinet meeting. There is one change to the information contained in the provisional settlement that was included in 5 February 2015 Cabinet report.

4. The final settlement is subject to debate and approval in the House of Commons on Tuesday 10 February 2015.
5. An additional £0.502 million has been added to the Council's un-ringfenced Revenue Support Grant and Central Government have indicated this recognises that councils have asked for additional support, including to help them respond to welfare needs and to improve social care provision.
6. The 5 February 2015 Cabinet Budget Report already includes a proposal to allocate up to £0.4 million to support the continuation of funding for one year (2015/16) to District Councils in respect of the valued Local Welfare Assistance schemes. This allocation will only be made on the basis that the funding is matched by each District Council and can be combined with any underspends in 2013/14 and 2014/15.
7. It is proposed that the new additional funding of £0.502 million is also allocated to support Local Welfare Assistance Schemes for one year only, 2015/16. District Councils will be able to use this funding across more than one financial year and will be able to consider this as a non-recurrent fund.
8. This is consistent with the approved recommendation from the October 2014 Cabinet Resources Report which was to delegate to the Chief Financial Officer, in consultation with the Cabinet Member with Responsibility for Finance, to agree arrangements with District Councils should Government provide grant funding, and including transitional arrangements in relation to grant money unspent at 31 March 2015. This delegation continues.
9. The additional funding therefore updates the cash limits that were reported in the 5 February 2015 Cabinet Budget Report as follows:-
  - An **increase** of £501,723 to the total funding received from Revenue Support Grant for 2015/16
  - An **increase** of £502,000 in the cash limit for Commercial and Change / Finance budget in respect of Welfare Assistance Schemes for one year only, 2015/16
  - A **decrease** of £277 in the amount to transfer to Earmarked Reserves
10. The changes above mean the Council's Budget Requirement rises by £501,723 to £327,559,266 as set out in the updated Appendices 4a and 14 attached.
11. There are no changes to the cash limited budgets to be allocated to other Directorates for 2015/16 and there is

no change to the Council Tax Requirement (precept).

12. The draft Pay Policy Statement has been updated following the outcome of negotiations in respect of Chief Officers pay, and the updated Statement is attached as Appendix 8.

### **Cabinet Report - 5 February 2015**

13. The Cabinet considered the report of the Cabinet Member with Responsibility for Finance which included details of:

- those decisions made by the Cabinet on the draft budget 2015/16 at its meeting on 18 December 2014
- how the 2015/16 budget supported the County Council's refreshed Corporate Plan – FutureFit which looked forward to 2017. The budget would provide for a number of initiatives that supported the delivery of the four Corporate Plan focus areas: Open for Business; Children and Families; Health & Well-being, and The Environment, within the context of a significant reduction in funding from central Government
- the work needed to close the provisional financial gap. In the medium term the Council would continue to target the achievement of around £25m per year whilst focusing on what was important to local people and delivering the Corporate Plan – FutureFit's four areas of focus. The Council had managed its finances prudently in the past and plans had already been presented that potentially delivered £23.8m of savings and efficiencies in 2015/16
- the work undertaken in January 2015 to close in full the initial funding gap of £2.4m identified in the December 2014 Cabinet report. District Councils had confirmed increases in the tax base forecast for 2015/16 as well as the surplus from their Collection Fund in 2014/15. Provisional forecasts for income from Business Rates and Business Rate Buoyancy had been refined as well as a review of initiatives funded through the New Homes Bonus. For one year only it was proposed that £0.6m of the one-off Collection Fund surpluses was used to balance the Revenue Budget with the intention this was replaced by savings in 2016/17 that would be delivered year on year. It was recommended to allocate the remaining £1.5m surplus from the Collection Funds into the Change and Transformation Fund (£1m) and Self Financing Capital Investment Fund (£0.5m)
- the Council Tax referendum limit which had been set for

Council Tax increases for 2015/16 of 2%. The budget therefore confirmed the intention contained within the December 2014 Cabinet report to increase Council Tax by 1.94% to fund increased costs for Looked after Children

- revenue budget monitoring. The outturn forecast to 31 December 2014 indicated that the budget would break even by the end of the financial year representing a reduction from a forecast of a £0.5m deficit reported within the December 2014 Cabinet report. There still however remained a significant adverse variance with regard to Children's Social Care Placements. The BOLD transformational savings programme continued to make good progress and the 2014/15 target of £30.5m was forecast to be achieved in the main. General balances were likely to remain at £13m at the end of the 2014/15 financial year
- the virement of £0.6m from the Financing Transactions budget for 2014/15 to earmarked reserves to fund an additional one year's extension to the Councillor's Divisional Funds scheme for 2016/17 was recommended. This did not require alteration of the net cash limits approved by Full Council
- details of the budget 2015/16 consultation. The Council engaged with a wide range of individuals and organisations through a number of channels. The draft budget proposals and feedback from the consultation events were considered by the Overview and Scrutiny Performance Board and its response was before the Cabinet
- the budget requirement of £330.7m against funding from central Government and Council Tax of £320.9m leaving an initial funding gap of £9.8m. BOLD schemes to the value of £7.4m had been developed that left an initial financial planning gap of £2.4m at the time of the December 2014 Cabinet report
- developments since the December 2014 Cabinet report. This included details of the Leader's response to central Government's Local Government Finance Settlement. Central Government had, since the 5 February 2015 Cabinet report was drafted, confirmed the final figures for the 2015/16 Settlement. (Details of the resulting adjustments made to the budget are set out in paragraphs 3 – 11 above). The provisional settlement published on 18 December 2014 indicated a £0.2m reduction in Council funding compared with that forecast in the December 2014 Cabinet report. This shortfall had been offset by increased levels of Council Tax Buoyancy. Since the last Cabinet report forecasts in the Business Rate Retention Scheme (District Councils were yet to confirm their Business Rate income),

Revenue Support Grant, Specific Revenue Grants, Council Tax Base and Collection Fund performance and Expenditure budgets had been refined based on new information. The above changes in Council Tax, Business Rates Income and Expenditure budgets had enabled the provisional funding gap of £2.4m to be fully recovered. General Balances could be retained at their planned level of £13m for 2015/16 and future years

Summary of changes since December 2014 Cabinet

£m	December	February	Change
Council Tax	209.2	212.1	2.9
Collection Fund Surplus	0.0	2.1	2.1
Revenue Support Grant	53.6	53.9	0.3
Business Rates Retention	58.1	59.0	0.9
Better Care Fund	33.5	33.5	0.0
Total Funding Available	354.4	360.6	6.2
Total Net Expenditure	380.6	382.9	2.3
Future Fit Programme	-23.8	-23.8	0.0
Earmarked Reserves Contribution	0.0	1.5	1.5
Funding Shortfall	2.4	0.0	-2.4

- the spending requirements which were proposed to become cash limits for each Directorate in 2015/16
- the Pay Policy Statement for approval which specified the Council's policies relating to pay of its workforce. The Statement had to be published on the Council's public website by 31 March each year
- details of the allocations of the Council's New Homes Bonus and match funding identified to support the bid for £6m allocation from central Government's Highways Challenge Fund. If successful, the latter would create £12m investment to improve Worcestershire's roads infrastructure
- the Council's Capital Programme 2014/15 to 2017/18. It was recommended that the A440 Worcester Southern Link Dualling Phase 3 scheme was added to the Capital Programme subject to certain conditions being met. The Council's Capital Budget for 2014/15 totalled

£153.7m. Capital expenditure as at 31 December 2014 was £85.4m (56% of budget). In terms of the Local Transport Plan Settlement, the Council expected to receive funding of around £100m over the future years to 2020/21. This included notional allocations of £12m per year from 2018/19 totalling £36m. With regard to the Capital Programme for schools, to date, the Council had only been notified of the confirmed amount for the basic need grant for 2015/16 and 2016/17 which would be £8.3m and £8.7m respectively. Allocations for capital maintenance and devolved formula capital were awaited. Work had also been undertaken on the financial provision within the Medium Term Financial Plan (MTFP) for additional prudential borrowing of £5m per year. There had been two significant allocations from unallocated capital funding: a contribution of £0.150m towards refurbishment and development of Hartlebury Castle and £0.305m to Wythall Library Services. As a result of the updates, forecast capital investment over the period 2014/15 to 2017/18 was £491m.

- the latest assessment of the Council's MTFP prospects. The total savings requirement over the period 2015/16 to 2018/19 was £100.1m of which £58.9m FutureFit savings had been identified. There was a risk that the current projections in relation to central Government funding into the future could reduce further following the General Election. There were a number of risks and sensitivities that may have a significant impact on the MTFP such as Looked after Children's Placements, demographic growth, the medium term implications of the Care Act, inflation, funding from central Government, business rates, pensions and the New Homes Bonus
- the Council's Treasury Management Strategy for 2015/16 and the Prudential Code for Capital Finance in Local Authorities Statement for 2015/16
- the County Council's Public Sector Equality Duty in relation to setting the budget. An overarching strategic equality relevance assessment had been undertaken in respect of budget proposals for key transformational change programmes. As many programmes were at an early stage of development it was not yet possible to carry out more detailed equality impact analysis. Where necessary equality analysis would be undertaken and funding reported to Cabinet where key decisions were required
- a personal assurance statement from the Chief Financial Officer as Section 151 officer on the robustness of the budget calculations.

## Supporting Information

- Appendix 1 Key Messages from Overview and

Scrutiny (see Cabinet papers)

- Appendix 2 Local Government Finance Settlement 2015/16 Consultation Response (see Cabinet papers)
- Appendix 3 Specific Revenue Grants 2014/15 (see Cabinet papers)
- Appendix 4 (a) Council Tax Calculation (attached) and (b) Precept (see Cabinet papers)
- Appendix 5 Budget summary (see Cabinet papers)
- Appendix 6 Budget Variation Analysis (see Cabinet papers)
- Appendix 7 BOLD Savings Projects (see Cabinet papers)
- Appendix 8 Pay Policy Statement (attached)
- Appendix 9 Capital Programme (see Cabinet papers)
- Appendix 10 Medium Term Financial Plan (see Cabinet papers)
- Appendix 11 Treasury Management Strategy (see Cabinet papers)
- Appendix 12 Statement of Prudential Indicators and Minimum Revenue Provision Statement (see Cabinet papers)
- Appendix 13 Assessment of the County Council's Equalities Duty in relation to the setting of the Budget (see Cabinet papers)
- Appendix 14 Directorate Budgets 2015/16 (see Cabinet papers and the attached relating to the Commercial and Change/Chief Executive/Finance budget cash limits)

[\[Cabinet papers refer to the Budget report to Cabinet on 5 February 2015\]](#)

## 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 Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this item:



Agenda papers and background papers relating to the meeting of the Cabinet held on 5 February 2015.