

**CABINET**  
**15 OCTOBER 2015****RESOURCES REPORT**

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**Relevant Cabinet Member**

Mr A I Hardman

**Relevant Officer**

Chief Financial Officer

**Recommendation**

- 1. The Cabinet Member with Responsibility for Finance recommends to Cabinet that:**
  - (a) his conclusions concerning revenue budget monitoring up to 31 August be endorsed;**
  - (b) the current progress regarding the FutureFit programme be endorsed;**
  - (c) Council be recommended to approve the Capital Programme as set out in the Appendix and the capital budget cash limits be updated accordingly;**
  - (d) Council be recommended to approve an increase of up to £1.2 million to the existing Bromsgrove Railway Station Relocation project and the Capital Programme cash limits be updated accordingly;**
  - (e) subject to recommendation (d) above, that the Director of Business, Environment and Community, in consultation with the Cabinet Member with Responsibility for Economy, Skills and Infrastructure and the Chief Financial Officer, be delegated to negotiate and conclude a commercial agreement with Centro, as set out in the report, designed to cover the Council's cost of additional borrowing over the life of the project;**
  - (f) his conclusions concerning capital budget monitoring up to 31 August 2015 be endorsed; and**
  - (g) the current position of the annual statutory financial accounts process for 2014/15 is noted.**

**Introduction and Summary**

- 2. The County Council spends over £300 million per year on services and has delivered savings and efficiencies of around £100 million since it commenced its transformation and change programme. With a greater focus on supporting the Corporate Plan and better outcomes for residents, it is pleasing to note that, at the end of August 2015, £20.3 million of the £27.5 million target for 2015/16 has been**

either delivered or confirmed as on target. The majority of the remaining target has been rated as Amber in terms of risk to delivery. The County Council remains focused on delivering the remainder of the savings and efficiencies plan to take overall savings over the £125 million mark since 2010/11.

3. Forecasting the year end outturn at the end of August includes understanding the impact of five months of actual expenditure and forecasting ahead for the remaining seven months. The overall financial pressure forecasted at this point for 2015/16 is £5.1 million or 1.6% of the authorised cash limited budget. All avenues to reduce this forecast financial pressure are being explored to support delivery of services in 2015/16 within the authorised cash limited budget of £326 million.

4. The Council's Capital Programme has been updated and is recommended to Full Council for approval, and an investment increase to the Bromsgrove Railway Station Relocation is proposed.

5. The Council's external auditors Grant Thornton have formally closed the 2014/15 Financial Statements for the County Council.

### **FutureFit Programme Update**

6. The FutureFit savings programme target for 2015/16 is £27.5 million and at the end of August 2015 £20.3 million has been either delivered or confirmed as on target. The majority of the remaining target has been rated as Amber in terms of risk to delivery. Notable outcomes within the Programme are outlined below:

- Direct Transport Payments

Since the roll out of Direct Transport Payments as the default option for new Special Educational Needs transport service users, take up of nearly 45% has been achieved following proactive discussion with parents.

- Place Partnership

Place Partnership Limited was successfully launched on 1 September 2015 and the project is on track to close the transition phase by the end of September.

### **Revenue Budget Monitoring 2015/16 - Outturn Forecast as at 31 August 2015**

7. The County Council's authorised cash limited budget for 2015/16 is £326 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.

8. The overall financial pressure forecasted at this point in the 2015/16 financial year is £5.1 million or 1.6% of the authorised cash limited budget. This is a small improvement since last month's forecast cost pressure of £5.3 million.

9. The County Council's borrowing costs are influenced by UK Government Gilt rates or the cost for Government of borrowing money on the capital markets. Over the last few years, the County Council has undertaken a policy of borrowing from its own reserves as interest gained on its investments is circa 0.5% per annum, whilst

its cost of borrowing has typically been between 2.5% and 4%. As Government Gilt Rates increase, the County Council needs to replace its internal borrowing with borrowing from the Public Works and Loans Board or the newly formed Municipal Bonds Agency.

10. UK Government Gilt rates remain low and savings have been generated in the first five months of £0.7 million from continuing to borrow internally rather than externally. Taken together with increased dividends forecast from organisations in which the County Council has a financial interest, a £1.1 million surplus is forecast. There remains some risk of significant fluctuations in this area, particularly as the UK Government cost of borrowing is significantly influenced by global factors and the position will continue to be kept under review.

11. The most significant area of financial pressure continues to be the Looked after Children's placement budget which is forecasting a financial pressure of £5.8 million for 2015/16 which assumes the successful delivery of £2 million from an action plan for the remainder of the financial year. This forecast has remained the same since last month following careful and intensive management action to contain costs. The local forecast demand pressure within services for Looked after Children is consistent with that facing a number of other local authorities nationally.

12. The Council is continuing to develop its internal services and maximising the use of best value external providers to provide the right placement at the right time and at the right cost for each of its looked after children. Significant positive activity is already taking place to develop the Council's in-house fostering service.

13. Additionally, there continues to be more focus on early intervention and preventative action to ensure family problems are resolved before there is a need for specialist services such as social care.

14. The Council is considering ways in which this financial pressure can be reduced in 2015/16 and managed across the medium term financial plan. The effectiveness of the plans in place continue to be monitored on a regular basis and operational managers have a clear focus on delivering the best outcomes for Worcestershire's Looked After Children and young people within the resources that are available to them.

15. All parts of the County Council are working to minimise the financial pressure within Children's Services either through their work directly with the Children's Services teams or through their own services.

16. In addition to the financial pressure being experienced within the Looked after Children's Service, a forecast financial pressure of £0.7 million exists in relation to savings projects that are currently 'red rated'.

17. The overall financial position will continue to be closely managed and work is underway to confirm a package of measures to address the forecast cost pressures.

## **Capital Programme Expenditure Profile Update**

18. A financial exercise has been completed to update the expenditure profile of the Capital Programme over the current and future years. The funding profile has also been updated.

19. The revised Capital Programme is attached as an Appendix to this report and Cabinet is asked to recommend Council that the programme is approved and the cash limits updated.

## **Bromsgrove Railway Station Relocation – Capital Programme Update**

20. In December 2013 Cabinet recommended that the Council should enter into an Implementation Agreement with Centro and Network Rail for the delivery of a new railway station and car park in Bromsgrove.

21. The scope of work was to deliver a new Disability Discrimination Act compliant station building 300 yards south of its current location including:

- Longer platforms capable of catering for 6 car trains
- A 350 space car park
- Improved pedestrian and cycle access, and
- New bus interchange facilities.

22. A parallel but separate project to electrify the line between Bromsgrove and Barnt Green is being undertaken by Network Rail and its completion is critical if the full benefits of the station project are to be realised.

23. The estimated cost of the project, including contingency which is included in the existing approved Capital Programme is £14.6 million and is funded by a £1.5 million contribution from the Council's Integrated Transport block and the remaining £13.1 million is to be funded £9.2 million (70%) from Centro and £3.9 million (30%) County Council borrowing.

24. The Council will benefit from a share of future income streams from the project which is forecast to cover the Council's cost of borrowing over time, so in this respect, in the longer term, is cost neutral to the Capital Programme.

25. Following the achievement of a number of construction milestones the Council alongside Centro are engaged in commercial dialogue to determine the extent to which expenditure remains within the approved budget on both the railway station project and separate electrification of the line.

26. Whilst no additional costs have been agreed at this stage, there are indications that some additional costs may need to be recognised. Therefore, it is important to ensure a nimble process exists to not delay the opening of the project and allow negotiations to progress through the Director of Business, Environment and Community. Whilst the outcome of these discussions is not known at this point, the

County Council needs to ensure sufficient flexibility exists through delegation to progress discussions alongside Centro to keep the project on track.

27. It is therefore recommended that Full Council approves an increase of up to £1.2 million to the existing Capital Programme scheme. This approval would be on the basis that any additional costs that were to be agreed can be demonstrated to be those associated with the construction of the railway station and the car park and that these costs would be recovered by additional income to ensure the project remains cost neutral to the County Council over its project life.

28. Cabinet approval is sought to agree that delegated authority is provided to the Director of Business, Environment and Community to reach the best outcome for the County Council in consultation with the relevant Cabinet Member and Chief Financial Officer within the principle that the County Council is not exposed to any increase in its costs over the project life once income is taken into account.

### **Capital Programme Budget Monitoring - 2015/16 Forecast**

29. The Council's capital expenditure to date for 2015/16 totals £47.2 million compared with the revised expenditure profile of £180.2 million.

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

- £19.8 million – Energy From Waste Scheme
- £2.7 million – Hoobrook Link Road
- £2.4 million – Digital Strategy and Customer Access
- £2.1 million – Stourport Burlish Park New School
- £1.7 million – Bromsgrove, Parkside redevelopment
- £1.4 million - Bewdley High School – Science Block.

31. Looking forward over the remainder of the financial year a further £40 million is planned to be spent on the Energy From Waste Scheme and the majority of the other future expenditure will be on highways schemes.

### **Annual Statutory Financial Statements 2014/15**

32. It is pleasing to note that the external auditor Grant Thornton has formally closed the 2014/15 financial statements and issued the Certificate of Completion for the External Audit. The Council continues to work with the External Auditor to enhance the quality of the financial statements and will as a matter of good practice continue this ambition in preparation for the 2015/16 statutory accounts.

### **Supporting Information**

Appendix – Capital Programme

### **Contact Points**

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

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

Specific Contact Points for this Report

Sean Pearce, Chief Financial Officer, 01905 766268, [spearce@worcestershire.gov.uk](mailto:spearce@worcestershire.gov.uk)

Sue Alexander, Head of Business Support (Adult & Community Services), 01905 766942, [salexander@worcestershire.gov.uk](mailto:salexander@worcestershire.gov.uk)

Stephanie Simcox, Head of Finance & Resources (Children's Services), 01905 766342, [ssimcox@worcestershire.gov.uk](mailto:ssimcox@worcestershire.gov.uk)

Mark Sanders, Senior Finance Manager, 01905 766519, [mssanders@worcestershire.gov.uk](mailto:mssanders@worcestershire.gov.uk)

**Background Papers**

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

Previous Cabinet Resources reports