

Thursday, 15 February 2018, 10.00 am, County Hall, Worcester

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COUNCIL
15 FEBRUARY 2018**REPORT OF CABINET – MATTERS WHICH REQUIRE A
DECISION BY COUNCIL**

2018-19 Budget and Council Tax**Recommendation****1. The Leader and Cabinet recommend that:**

- 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
	<hr/>
	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.**

[NB Report and Appendices referred to are those presented to 8 February 2018 Cabinet]

2. All Councillors will have had access to the full report and Appendices considered by the Cabinet on 8 February 2018 via email/internal link and in their Group rooms and the Members' Lounge, and are referred to there for the full detail.

Cabinet Report – 8 February 2018

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

- those decisions made by the Cabinet on the draft budget 2018/19 at its meeting on 14 December 2017
- details of the budget 2018/19 consultation and engagement. The Council had engaged with a wide range of individuals and organisations through various channels. The draft budget proposals were also considered by the Overview and Scrutiny Performance Board and its response had been before the Cabinet
- confirmation of areas of investment in the Corporate Plan priorities of Open for Business, Children and Families, Health & Well-being and The Environment in 2018/19 and across the Medium Term Financial Plan (MTFP)
- revenue budget monitoring for 2017/18. The outturn forecast at Month 8 indicated 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 2018/19. 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. 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. 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 waste services budget is facing a cost pressure of £0.9 million and work is in hand to reduce the recurrent impact of this.
- A Virement and transfer to earmarked reserves from the Financing Transactions budget of £0.6 million with regard to continuing the Councillors' Divisional Fund

scheme by a further year to the end of 2019/20 had been recommended by Cabinet. This proposal did not require alteration of the net cash limits approved by Full Council

- The work needed to close the forecast financial planning gap. 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. The report included details of the Leader's response to central Government's Provisional Settlement in January 2018. It was expected that Central Government would confirm the outcome of the consultation on the Provisional Local Government Finance Settlement during the first week of February 2018
- Changes to CIPFA and MHCLG Guidance. 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. 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'. 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. Cabinet granted 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. 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 Minimum Revenue Provision (MRP) policy taking account of the potential changes as set out in paras 45-58 of the report to Cabinet.
- Council Tax. 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 had recommended 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.
- 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
- Approximately £61 million of the County Council's funding for 2018/19 would be received through the Business Rates Retention system

- The County Council renews its Section 75 partnership arrangements with Health for the Commissioning of Services on an annual basis. The total Better Care Fund revenue budget for 2018/19 was expected to be £35.1 million. The County Council was still awaiting confirmation of the Disabled Facilities Grant
- In overall terms the indicative Dedicated School Grant (DSG) allocation for Worcestershire 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
- Education Services Grant (ESG). 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. 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. 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
- Independent Living Fund. 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
- 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. Proposals for future capital expenditure that have been incorporated into the Capital programme include: 6.25 million contingency to support additional new project starts over the years 2018/19 to 2020/21; £2.5 million to continue support minor works composite sum programmes for 2020/21; £8.2 million - A38 Bromsgrove Corridor; and £5.7 million – Kidderminster Churchfields
- Cabinet has recommended the inclusion of the £37.5 million Highways Infrastructure Investment Fund (HIIF) scheme in the Capital Programme that was set out in the December Draft Budget Report. Delegation was granted to the Director of Economy and Infrastructure 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
- Flexible Use of Capital Receipts Strategy. The County Council intends to take advantage of this flexibility to support the financing of the reforms programme and change activity around the children's social care improvement plan and

transformation change programmes. 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 been funded by these capital receipts would be around £0.4 million and this is therefore the impact on the Council's Prudential Indicators

- The Medium Term Financial Plan (MTFP)

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

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. In addition to changes in Central Government funding streams, the MTFP contains the following: Council tax increase assumptions beyond 2018/19 including: 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; 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 that might have a significant impact on the MTFP had remained consistent since a year ago taking account of future significant changes proposed by Central Government for funding over the medium term. The areas under review were Central Government Funding; Demographic Growth and demand pressures; Adult Services future cost pressures; Alternative Delivery Model for Children's Services; Inflation; The current Business Rates Retention Scheme; and Reform to the Business Rates Retention Scheme
- the Council's Treasury Management Strategy for 2018/19 and the Prudential Code for Capital Finance in Local Authorities Statement for 2018/19
- the Council's statutory duties when setting the budget and precept
- Scrutiny of the 2018/19 budget proposals was undertaken by individual scrutiny panels who have received additional finance briefings in preparation for the

scrutiny of the budget. The key messages from that scrutiny had been reported through the Overview and Scrutiny Performance Board

- the County Council's Public Sector Equality Duty in relation to setting the budget. An overarching strategic equality relevance assessment has been undertaken in respect of budget proposals for key transformational change programmes. 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.

4. Appendix 1 sets out the key messages from OSPB. Appendix 15 details specific feedback on the budget proposals that have arisen during the normal consultation engagement process since the agenda papers for Cabinet meeting on 8 February were despatched.

Mr S E Geraghty
Chairman

Note – members are reminded that all votes on the budget will be recorded in accordance with legislation

Supporting Information – Available with the report to Cabinet 8 February 2018

Appendix 1	Key messages from Overview and Scrutiny Performance Board
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
Appendix 15	Budget consultation feedback

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Simon Lewis, Committee Officer

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Email: slewis@worcestershire.gov.uk

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 report:

Agenda and background papers for the meetings of the Cabinet held on 8 February 2018.

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COUNCIL FEBRUARY 2017 - Proposed 2013 Group Budget Amendment:

2018/19 Budget amendment from the 2017 Group

Council recognises that the funding of Adult Social Care is in national crisis and this is reflected within our county of Worcestershire. The failure of central government to respond to the rising demographic pressures is a disgrace. It is left to us councillors to act to protect the more vulnerable members of our community. Accordingly we propose that the (unfair) mechanism of council tax be used this year to raise an additional £2.3m - to be dedicated entirely to the base budget of Adult Social Care with the exception of £200k to be shared between the six districts local council tax support schemes. This would be an increase of 1% on Council Tax (equivalent to an additional £11.55 pa at band D) over the Cabinet's recommended budget.

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The 2017 Group are proposing the following amendments that will not affect the Revenue Budget as set out in the February 2018 Cabinet Report.

- 1) An increase in the Base Budget for the Adult Social Care Directorate of £2.1 million and
- 2) An increase in the base budget of Commercial and Change/Finance of £200k to be distributed between the local council tax support schemes of Worcestershire's six district councils which help households experiencing difficulty in paying their council tax.
- 3) To be met by an increase in the proposed non-Adult Social Care Precept from 1.94% to 2.94%.

Summary of Changes in the Net Revenue Budget £000	2018/19
An increase to the Adult Social Care Base Budget	2,100
An allocation of £200k for district council tax support schemes	200
To be met by	
An increase to the proposed non-Adult Social Care Precept	(2,300)
Total	-

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2nd Budget amendment from the 2017 Group

This amendment does not change the allocation for Adult Social Care or the Administration's proposed Revenue Budget. It proposes to raise Council Tax by an extra 1% while reducing the Adult Social Care precept by the same amount. The advantage of this change is that it increases the potential for flexibility in the Adult Social Care precept from 1% to 2% of Council Tax in its third and final year.

We propose that Recommendation 1(d) be amended to reflect:

- 1) An increase in the proposed non-Adult Social Care Council Tax Precept from 1.94% to 2.94%.
- 2) A decrease in the Adult Social Care Council Tax Precept from 3% to 2%

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COUNCIL
15 FEBRUARY 2018**REPORT OF CABINET - SUMMARY OF DECISIONS TAKEN**

Future provision of replacement care services for adults with a learning disability

1. The "Update on Commissioning of Adult Social Care Services" report presented to Cabinet on 18 June 2015 identified issues around the complexity of replacement care need, including the need to analyse future demand and supply requirements, and identified the fact that the cost of replacement care varies significantly across different parts of the market, again requiring further analysis. Work has therefore been progressed over the last two years to engage with the market and analyse replacement care needs across the county, to inform the future design of the service. The work to date has identified that there is currently more replacement care provision available than is required, based on the current needs of individuals in Worcestershire for a replacement care service. Long-term forecasts of future demand also show that the need for replacement care is likely to decrease gradually over time.

2. In order to continue to deliver the Learning Disability Strategy commitment for "an equitable and integrated replacement care commissioned service across Worcestershire" and to address some of the issues in relation to capacity and demand, the Cabinet has approved a proposed pre-consultation engagement with individuals using replacement care services, family carers, professionals and wider stakeholders, on how learning disability replacement care services should be delivered in the future. The Cabinet has also requested that a further report be brought to Cabinet in June 2018, with proposals to start formal consultation on future service delivery of replacement care across the county

Special Educational Need and/or a Disability (SEND) Strategy

3. Improving outcomes for vulnerable children and young people, which includes those with a special educational need and/or a disability (SEND), is a key priority within the Children and Young People's Plan and is dependent on, and expected of, effective partnership collaboration between strategic health bodies and the Council. The purpose of the SEND Strategy is to set out the case for change and how we plan to respond through five key priorities.

4. The Cabinet has approved the Special Educational Need and/or a Disability (SEND) Strategy and supported the vision and priorities under the corporate vision of improving outcomes for all children and young people by helping them to achieve their full potential in education.

Switch in hosting of Joint Museums Service

5. A Joint Museums Service between Worcestershire County Council and Worcester City Council was formed in 2010. It is governed by a Joint Committee under Section 101 of the Local Government Act 1972 and Section 20 of the Local Government

Act 2000 and was established in 2010 after a detailed and independent examination of alternative forms of governance. The decision was made in 2009 that Worcestershire County Council would act as host authority for the service principally because of the respective capacity at the time of the two authorities' support services and to protect VAT cultural exemption benefits.

6. The drivers for the switch were that the City Council has more assets in the shared service, and has heritage as a key corporate priority. There is no proposal to change the Joint Committee governance model for the Joint Museums Service, with equal representation from both authorities. In September 2017, the County Council engaged a project consultant to oversee, on behalf of the Joint Museums Service, the compiling of business case into the one-off and ongoing costs and implications of a switch in hosting. Worcester City Council funded the costs of external pensions and VAT expertise to feed into this business case. The Joint Museums Committee reviewed the business case at its meeting on 24 January 2018 and resolved to recommend to both authorities that a switch in hosting of the Joint Museums Service be implemented.

7. The Cabinet has agreed the switch the hosting of the Joint Museums Service (Museums Worcestershire) from Worcestershire County Council to Worcester City Council, including the TUPE transfer of staff as laid out in the implementation timetable set out in the Cabinet report. The Cabinet authorised the recommended revisions to the legal agreement between Worcester City Council and Worcestershire County Council governing the Joint Museums Service. The Cabinet authorised in principle agreement to the dissolving of the Local Government Pensions Scheme ghost body for the Joint Museums Service (insofar as it is an executive function) and the consequences as set out in the Cabinet report, subject to further investigation detailing the costs and risk, with authority to make a final decision on behalf of the executive delegated to the Assistant Director for Families, Communities and Partnerships in consultation with the Chair and Vice-Chair of the Joint Museums Committee.

Future use of the Grange, Kidderminster

8. The Grange is a 34 bedded residential care home in Kidderminster, although currently 20 beds are in use. People usually come to The Grange for up to four weeks of rehabilitation direct from hospital in order to regain skills, such as improvement in mobility, before returning to their own home or to alternative accommodation.

9. The Cabinet has endorsed the assessment made by the Director of Adult Services, based on market intelligence, that as the delivery of rehabilitation services will be primarily community-based there is no longer a need for retention of the Grange as a short-term recovery and rehabilitation unit, there is no material gain to the Council in closing The Grange as a care home and it should be retained as a strategic asset in the form of a long-term residential unit for people living with dementia, with five beds retained for short-term recovery and rehabilitation.

Mr S E Geraghty
Chairman

Contact Points

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COUNCIL
15 FEBRUARY 2018**NOTICES OF MOTION**

Notices of Motion Received

1. The Head of Legal and Democratic Services reports that he has received the following 3 Notices of Motion. The Constitution provides that any submitted motion must be moved and seconded at the meeting. Otherwise, unless postponed with the consent of the Council, it will be treated as withdrawn.
2. If a motion is in relation to the exercise of an executive function it will be referred to the Cabinet for decision (if applicable this will be indicated below). Otherwise the Council may decide itself to determine the Motion, or refer it to the Cabinet or another appropriate Committee for advice before determining it at the next available meeting.

Notice of Motion 1 – Discarded plastics and non-recyclable cups

3. This motion is not in relation to the exercise of an executive function and the Council may decide to determine the Motion.

4. Notice of Motion standing in the names of: Mrs E B Tucker, Prof J W Raine, Mr M E Jenkins and Mrs F M Oborski.

"This Council recognises that discarded plastics and non-recyclable cups are a major environmental pollutant.

Council therefore resolved to:

1. Cease the use of single plastic water cups and replace them with washable, reusable alternatives.
2. Request our caterers to replace all non-recyclable hot drink containers with suitable environmentally friendly alternatives."

Notice of Motion 2 – Single-use plastics

5. This motion is not in relation to the exercise of an executive function and the Council may decide to determine the Motion.

6. Notice of Motion standing in the names of: Mr P M McDonald, Mr R M Udall, Mr R C Lunn, Mr P Denham, Mr C J Bloore, and Mr L C R Mallett.

"That this Council asks Cabinet to join others in the battle against single-use plastics by vowing to stop providing plastic cups, bottles, cutlery and straws at all its buildings, cafes and public events by the end of the year."

Notice of Motion 3 – The Operating Model of the Council

7. This motion is not in relation to the exercise of an executive function and the Council may decide to determine the Motion.

8. Notice of Motion standing in the names of: Mr P M McDonald, Mr R M Udall, Mr R C Lunn, Mr P Denham, Mr C J Bloore, and Mr L C R Mallett.

"Council accepts the current operating model is not working and is concerned about the added costs of contracting out public services to the private sector and notes the recent failure of big businesses providing services to local government.

Council establishes a New Operating Model Committee, to enable members from all parties to investigate the failings of the current system and to design a new operating model based on Worcestershire being a Co-operative Council and to report back to Council with recommendations for implementation by no later than January 2019."

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) there are no background papers relating to the subject matter of this report.

COUNCIL
15 FEBRUARY 2018**QUESTION TIME - Continued**

Question 3 – Bromyard Road, St John's

3. Mr R M Udall will ask the Cabinet Member with Responsibility for Highways:

"Can the Cabinet Member with Responsibility for Highways confirm if he has recently visited the Bromyard Road in my St John Division in Worcester?"

Question 4 – Capita contracts

4. Mr R C Lunn will ask the Cabinet Member with Responsibility for Transformation and Commissioning:

"Can the Cabinet Member inform Council of WCC's involvement with Capita, and the threat posed to our services if the review instigated by Capita's new Chief Executive leads to them withdrawing from certain service areas they are currently involved in?"

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