

Agenda

Cabinet

Thursday, 21 May 2015, 10.00 am
County Hall, Worcester

This document can be made available in other formats (large print, audio tape, computer disk and Braille) on request from Democratic Services on telephone number 01905 728713 or by emailing democraticservices@worcestershire.gov.uk

If you can not understand the contents of this document and do not have access to anyone who can translate it for you, please contact 01905 765765 for help.

বাংলা। আপনি যদি এই দলিলের বিষয়বস্তু বুঝতে না পারেন এবং আপনার জন্য অনুবাদ করার মত পরিচিত কেউ না থাকলে, অনুগ্রহ করে সাহায্যের জন্য 01905 765765 নম্বরে যোগাযোগ করুন। (Bengali)

廣東話。如果您對本文檔內容有任何不解之處並且沒有人能夠對此問題做出解釋，請撥打 01905 765765 尋求幫助。 (Cantonese)

普通话。如果您对本文件内容有任何不解之处并且没有人能够对此问题做出解释，请拨打 01905 765765 寻求帮助。 (Mandarin)

Polski jeżeli nie rozumieją Państwo treści tego dokumentu i nie znają nikogo, kto mógłby go dla Państwa przetłumaczyć, proszę zadzwonić pod numer 01905 765765 w celu uzyskania pomocy. (Polish)

Português. Se não conseguir compreender o conteúdo deste documento e não conhecer ninguém que lho possa traduzir, contacte o 01905 765765 para obter assistência. (Portuguese)

Español. Si no comprende el contenido de este documento ni conoce a nadie que pueda traducírselo, puede solicitar ayuda llamando al teléfono 01905 765765. (Spanish)

Türkçe. Bu dokümanın içeriğini anlayamazsanız veya dokümanı sizin için tercüme edebilecek birisine ulaşamıyorsanız, lütfen yardım için 01905 765765 numaralı telefonu arayınız. (Turkish)

اردو۔ اگر آپ اس دستاویز کی مشمولات کو سمجھنے سے قاصر ہیں اور کسی ایسے شخص تک آپ کی رسائی نہیں ہے جو آپ کے لئے اس کا ترجمہ کر سکے تو، براہ کرم مدد کے لئے 01905 765765 پر رابطہ کریں۔ (Urdu)

کوردی سۆزانی، ننگیر ناتوانی تێبگدی له ناوهرۆکی نهم بێلگهیه و دهستت به هیچ کس ناگات که و هههنگهه تێتوه بۆت، تکلیه تملظون بکه بۆ ژماره‌ی 01905 765765 و داوای رینۆونی بکه. (Kurdish)

ਪੰਜਾਬੀ। ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਮਸ਼ਹੂਨ ਸਮਝ ਨਹੀਂ ਸਕਦੇ ਅਤੇ ਕਿਸੇ ਅਜਿਹੇ ਵਿਅਕਤੀ ਤੱਕ ਪਹੁੰਚ ਨਹੀਂ ਹੈ, ਜੋ ਇਸਦਾ ਤਰਜਮਾ ਲਈ ਅਨੁਭਵ ਕਰ ਸਕੇ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਮਦਦ ਲਈ 01905 765765 'ਤੇ ਫ਼ੋਨ ਕਰੋ। (Punjabi)

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Cabinet

Thursday, 21 May 2015, 10.00 am, County Hall, Worcester

Membership: Mr A I Hardman (Chairman), Mr A N Blagg, Mrs S L Blagg,
Mr J P Campion, Mrs E A Eyre, Mr S E Geraghty, Mr M J Hart,
Mrs L C Hodgson and Mr J H Smith

Agenda

Item No	Subject	Page No
1	Apologies and Declarations of Interest	
2	Public Participation Members of the public wishing to take part should notify the Head of Legal and Democratic Services in writing or by e-mail indicating both the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case Wednesday 20 May 2015). Further details are available on the Council's website. Enquiries can also be made through the telephone number/e-mail address listed below.	
3	Confirmation of the Minutes of the meeting held on 16 April 2015 The Minutes of the meeting held on 16 April 2015 have been previously circulated.	
4	Resources Report	1 - 20

NOTES

- **Webcasting**

Members of the Cabinet are reminded that meetings of the Cabinet are Webcast on the Internet and will be stored electronically and accessible through the Council's Website. Members of the public are informed that if they attend this meeting their images and speech may be captured by the recording equipment used for the Webcast and may also be stored electronically and accessible through the Council's Website.

Agenda produced and published by Simon Mallinson, Head of Legal and Democratic Services, County Hall, Spetchley Road, Worcester WR5 2NP

To obtain further information or a copy of this agenda contact Nichola Garner, Committee & Appellate Officer on Worcester (01905) 766626 or Kidderminster (01562) 822511 (Ext 6626) or minicom: Worcester (01905) 766399 email: ngarner2@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website.

Date of Issue: Tuesday, 12 May 2015

This page is intentionally left blank

Cabinet
21 May 2015**4. RESOURCES REPORT****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 be endorsed concerning financial performance for the year ending 31 March 2015 as detailed in paragraphs 5 to 18 and the statutory accounts be finalised on this basis;**
- (b) earmarked reserves and general balances should be updated as detailed in paragraphs 21 to 25;**
- (c) Cabinet approves an increase of £140,000 to the previously approved estimate of £620,000 for creating additional capacity at Timberdine Nursing and Rehabilitation Unit, and that this additional sum be redeployed (vired) from the Social Care Reform Capital pot within the Capital Programme;**
- (d) the current progress and successes regarding the FutureFit programme be endorsed; and**
- (e) the report on borrowing and lending transactions during 2014/15 detailed in paragraphs 39 to 40 and Appendix 4 be accepted.**

Introduction

- 2. This report outlines the provisional financial results for the year ending 31 March 2015 subject to external audit. It concludes that the provisional financial outturn is to break even compared with the Council's budget of £332 million.
- 3. General Balances at the end of the 2014/15 financial year will be £13 million, which is consistent with the Medium Term Financial Plan approved by Full Council in February 2015.
- 4. Financial performance for the Council's Capital Budget, Treasury Management activities and the Worcestershire County Council Pension Fund is also reported.

Provisional Financial Results for the year ending 31 March 2015

Cabinet is asked to approve the financial results for 2014/15 in order that the annual statutory accounts can be prepared.

5. The work to finalise the management accounts has been completed and a summary of the position is set out in Appendix 1. Appendix 2 gives details of specific variations by Directorate.
6. The Council has successfully managed a significant financial challenge for 2014/15 by delivering £30.5 million of savings whilst at the same time managing additional cost pressures with the most significant being £5.7 million Children's Social Care Placements. The demand for Children's Social Care Placements and the financial impact of them is subject to a medium term financial recovery plan and pressure on this service is likely to continue over the medium term. The effectiveness of all partners to work preventatively with children and families and to intervene earlier to manage demand is a key element of tackling the pressure on children's social care.
7. A risk assessment of the placement budgets to confirm the range of the risk within the delivery of the budget for 2015/16 is underway alongside a medium term financial assessment of all current children in care and a review of the future years' forecast and needs analysis for starters and leavers to assess the impact on future years budget requirements to produce a full medium term costed plan.
8. The cost pressures in 2014/15 have largely been met from a favourable variance on money market activity following an active strategy to defer borrowing costs whilst cash balances remain strong.
9. Income from Business Rates totalled £56.6 million for the year which is a surplus of £0.1 million compared with the budget. This surplus comprises a £0.2 million benefit as a result of the Council's Business Rates Pooling arrangements however this is reduced by receiving £0.1 million less income than expected. The net surplus will be transferred to the Business Rates Risk Reserve consistent with previous years.
10. The main features of financial performance in 2014/15, that will now be subject to External Audit, are as follows:
 - In overall terms revenue spending by Directorates was within the delegated cash limits coming in on budget whilst making identified savings. There have been significant areas of cost pressure which have been managed during the year including £5.7 million Children's Social Care Placements
 - The 2014/15 FutureFit savings target of £30.5 million

has been delivered. Of this amount, £3.7 million was achieved using one-off alternative funding and these project savings, which all have detailed plans to support them, will be carried forward to 2015/16 for delivery. Whilst this is an excellent achievement and a testament to the hard work of staff, it is recognised that savings are becoming more complex and difficult to deliver

- Consistent with the Medium Term Financial Plan (MTFP) approved by Council in February 2015, the level of general balances can be maintained at £13 million.

11. Whilst financial performance for 2014/15 has been good and is to be commended, looking forward to future years the Council still needs to achieve savings of around £25 million per year. Additionally, the general election and the publication of a national spending review over the autumn will have a significant bearing on our strategic financial plans.

12. Our ambition is clear for a World Class Worcestershire and our corporate strategic planning is well underway with the aim of establishing what services the Council will provide or commission others to undertake by 2020. The outcome of this work will drive the budget consultation for 2016/17 and will inform a revised Medium Term Financial Plan through to February 2016.

Capital Investment

13. The County Council spent £121.2 million on Capital Expenditure in 2014/15 which included £35.7 million spent on school projects, £40.1 million on local transport infrastructure, £22 million Energy from Waste Loan Facility and £23.4 million on other County Council services. The major sources of financing capital spending were from external borrowing £38.5 million, capital grants and contributions £63.2 million, capital receipts £11.5 million and direct revenue contributions £8.0 million.

14. The following significant capital investment projects have been progressed during 2014/15:

- £16.9 million – Highways Structural Maintenance, includes £2.9 million potholes repairs
- £14.0 million – Habberley Learning Campus
- £6.3 million – Worcester Southern Link Road
- £3.7 million – Superfast Broadband
- £3.5 million – Malvern Hills Science Park

- £3.1 million – Bromsgrove Rail Station relocation
- £2.6 million – Worcestershire Parkway
- £2.3 million – Stourport Burlish Park School
- £1.5 million – Hoobrook Link Road
- £0.3 million – Worcester Technology Park (works just beginning).

Pension Fund Update

15. For 2014/15 the Worcestershire County Council Pension Fund had an operating deficit of £11.2 million compared to a surplus of £41.0 million for 2013/14. The deficit in 2014/15 was due to a £52.3 million group transfer out of the probation service to the Greater Manchester Pension Fund. Despite this the Worcestershire County Council Pension Fund's net assets increased by £190 million to £1.987 billion at the end of 2014/15.

16. The Pension Fund's Actuary has calculated that the Council's liabilities exceed its share of the assets by £387 million at 31 March 2015.

17. Whilst this net liability will change each year due to the volatility in share prices and changes in the assumptions used regarding financial risk and uncertainties, it remains consistent with the prudent long-term funding strategy agreed at the recent valuation of the Pension Fund in 2013 to ensure assets and liabilities are balanced over a 21 year period.

18. The next stage is to prepare the annual statutory accounts for both the Council and the Pension Fund, which will be audited by the Council's external auditor Grant Thornton UK LLP and presented to the Audit and Governance Committee on 26 June 2015.

19. The insurance reserve is held to meet the cost of claims within three specific areas of business:

- Payments that have to be made for liability claims that fall below the insurance policy excess
- Payments that have to be made for fire damage claims which fall below the insurance policy excess
- The cost of claims that have to be met under the self-insured property damage scheme for schools.

20. The adequacy of each reserve is annually reviewed internally and is subject to independent review every five years. The balance is currently deemed to be adequate and

Insurance

Proposed Earmarked Reserves, New Investments and General Balances

stands at £6.7 million at 31 March 2015.

21. A schedule setting out the proposed earmarked reserves at 31 March 2015 is detailed in Appendix 3.

22. Most of the Council's earmarked reserves are held for an existing financial commitment, leaving a diminishing but reasonable amount to cover risk and uncertainty.

23. During 2014/15 Directorates have withdrawn from their reserves and used the money productively to support current demand for services. There is a risk that Directorates will only have limited ability to continue this support as their reserves are reduced over time and work is being undertaken to minimise cost pressures.

24. These reserves have been carefully reviewed as being prudent and in light of the provisional financial results one new change is proposed:

- The gross favourable variance on money market activity is £0.7 million greater at the end of the financial year than last reported. It is recommended that this money is transferred into the Council's Transformation Fund to be set aside to fund, subject to business case approval, staffing back fill and specialised work which is required to deliver the objectives of the Corporate Plan and Medium Term Financial Plan.

General Balances

25. The effect on general balances following the financial outturn for the 2014/15 financial year is as follows:

	£m
Balance at 31 March 2014	13.0
Transfers to / from during 2014/15	0.0
Balance at 31 March 2015	<u>13.0</u>

Redeployment within the Capital Programme - Timberdine Nursing and Rehabilitation Unit

26. On 20 November 2014 Cabinet approved the investment of £620,000 capital from the Better Care Fund for building works to increase capacity at Timberdine nursing and rehabilitation unit in Worcester, and full Council amended the Capital Programme accordingly.

27. The proposal agreed was to create capacity for additional beds and that any savings realised across the social care and health system would be reinvested in community health services. Plans have been revised with operational managers and commissioners to ensure that nursing management and patient dignity are optimised. The revised total cost is £760,000.

28. The additional £140,000 cost can be funded from existing capital funds within the Social Care Reform capital pot (with a view also to utilise money bequeathed to the Council for the benefit of Timberdine service users).

FutureFit Programme Update

Cabinet is therefore recommended to redeploy the additional sum through virement within the Capital Programme in line with the Financial Regulations.

29. The FutureFit programme has the clear intention of delivering the changes needed to support the four key areas of focus set out in the Corporate Plan – FutureFit: Open for Business, Children and Families, Health and Well-being and the Environment. It remains a key delivery vehicle for identifying, managing and delivering the transformation required of the organisation to realise the FutureFit vision.

30. Over recent years the Council's need to reduce expenditure whilst avoiding further cost pressures has risen from £20 million per year to a latest estimate of around £25 million per year as central Government has increased funding reductions directed towards Local Government as part of their plan to tackle the national deficit.

31. Budgets for vulnerable service users have been increased every year in response to demographic increases, and all budgets take account of the impact of inflation.

32. The Council has continued to meet the increased financial challenge whilst at the same time achieving service improvements. Recent examples include:

- **Assets.** Raised £6.4m in capital receipts from sale of redundant properties and exceeded targets for release of buildings – releasing 130 since 2011
- **Property Management.** Agreement has been secured to create a unique joint property service to be shared across 3 councils, two police forces and the Fire and Rescue service to manage the public estate as a single entity, creating usage and financial efficiencies and opportunities for local economic regeneration. Estimated transfer in Autumn 2015
- The **Broadband** Programme remains ahead of schedule to enable 55,000 premises by 2016 - over 24,000 business and residential premises are already now able to connect to fibre broadband. We have also secured a deal for a 'Superfast Extension Programme' enabling more than 8,000 additional homes and businesses access to high-speed fibre broadband by 2018 taking the percentage of homes and businesses able to access this service to more than 95%
- **Your Life Your Choice** - The new Adult Social Care website launched on schedule on 1 April 2015. In the first week over 2000 users accessed the system to get information and advice. The system

allows for online safeguarding, user and carer referrals from the public and professionals that link directly to the Social Care system reducing errors and speeding up response times

- **Public Transport** - A revised bus network was implemented in Worcestershire on 1 September 2014. This followed a major public consultation exercise with a record 8,500 responses which supported the Cabinet decision to continue to fund public transport in order to maintain access to schools, for essential shopping and for health purposes.

33. Since 2011/12, the Council has delivered savings of £96.8 million.

34. There are existing plans (subject to detailed consultation where appropriate) to deliver £27.5 million savings in 2015/16, £19.9 million in 2016/17 and a further £15.2 million over 2017/18 and 2018/19. Around two thirds of these planned savings are at risk of delivery and all plans are subject to robust project management.

35. However, based on the Medium Term Financial Plan approved in February 2015, there still remains a need to establish further savings to balance the budget of £7 million in 2016/17, £11.7 million in 2017/18 and £22.5 million in 2018/19.

36. The Council will continue its successful approach of being proactive and planning for change, listening to ideas, concerns and opinions.

37. This planning is being progressed with the intention of developing clear plans for consideration during Autumn 2015.

38. Clear and consistent messages are also being communicated around FutureFit to local people, for example, through the local media and also communications to staff through regular newsletters, intranet news items and email. In addition to this, FutureFit staff briefings are planned each month to communicate the key aspirations of the Corporate Plan – FutureFit and the future direction of travel for the organisation.

39. In accordance with Financial Regulations and the Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation. This report is set out at Appendix 4.

40. The key highlights of this report are:

- The Council's treasury activities were managed successfully within the approved Prudential Indicator

Borrowing and Lending Transactions 2014/15

limits

- Base Rate has remained stable at 0.5% during 2014/15
- Investments prudently made to UK Debt Management Office, other local authorities and Money Market Funds are in line with the existing County Council Treasury Management Policy
- £5.2 million of existing loans have been repaid during the year
- New loans of £22 million have been taken out to support the approved Energy from Waste scheme
- No other new loans have been taken out during the year, and
- Total debt outstanding is within plan and stands at £256.7 million at 31 March 2015, at an average rate of 3.94% (4.35% for 2013/14).

Supporting Information

- **Appendix 1** Operating Activity – Summary Financial Results 2014/15
- **Appendix 2** Directorate Variations - Operating Activity 2014/15
- **Appendix 3** Proposed Earmarked Reserves
- **Appendix 4** Borrowing and Lending Transactions 2014/15

Contact Points

County Council Contact Points

Worcester (01905) 763763, Kidderminster (01562) 822511
or Minicom: Worcester (01905) 766399

Specific Contact Points for this report

Sean Pearce, Chief Financial Officer, 01905 766268,
spearce@worcestershire.gov.uk

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

Stephanie Simcox, Head of Finance & Resources (Children's Services), 01905 766342,
ssimcox@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

Appendix 1

Operating Activity - Summary Financial Results 2014/15

	Revised Estimate 2014/15 £000	Actual Net Exp. £000	Variation £000	Transfer to / from(-) Directorate reserves £000	Variation after Reserve movements £000
Directorate					
Net Expenditure					
Adult Services and Health	141,201	140,665	-536	536	0
Children's Services	76,480	76,816	336	3,119	3,455
Business, Environment and Community	72,724	70,029	-2,695	2,695	0
COaCH, Chief Exec. & Finance	41,656	33,384	-8,272	4,910	-3,362
Directorate Outturn	332,061	320,894	-11,167	11,260	93
Transfer to Earmarked Reserves	2,332	2,332	0	0	0
Transfer from General Balances	0	0	0	0	0
	334,393	323,226	-11,167	11,260	93
Financing					
Revenue Support Grant	72,098	72,098	0		
Business Rates	56,543	56,636	93 *		
Council Tax	205,752	205,752	0		
	334,393	334,486	93		
	Estimate	Actual	Variance		
	£000	£000	£000		
General Balances					
Opening balance as at 1st April 2014	13,029	13,029	0		
Transfer from General Balances	0	0	0		
Closing balance as at 31st March 2015	13,029	13,029	0		
* Business Rates Variance:-	£000				
Benefit of Business Rates Pooling	190				
Income received beneath baseline estimate	-97				
	93				

This page is intentionally left blank

Appendix 2

Directorate Variations - Operating Activity 2014/15

	£000	£000
<u>Adult Services and Health</u>		
Domiciliary Care Services increase demand and cost of care packages	111	
Residential and Nursing Care Services increase demand and cost of care packages	2,348	
Older People Provider services savings	-1,198	
Staffing savings in social work	-256	
Mental Capacity Act and Deprivation Of Liberty Safeguards	158	
Transport savings not achieved	41	
Finance and Business Support staff and running cost savings	-338	
Early achievement of Future Fit savings	-72	
Integrated Commissioning Unit staffing savings	-25	
Future Lives and Transformation project costs	570	
Learning Disabilities Shared Lives	243	
Public Health	-35	
Other areas	-280	
	<hr/>	<hr/>
		1,266
One-off income - Service users	-1,282	
One-off income from NHS	-520	
	<hr/>	<hr/>
		-1,802
Transfer to DASH general reserve		
Transfer to Adult Services and Health general reserve		536
		<hr/>
Contribution to (-) / from general balances		0
		<hr/>

Directorate Variations - Operating Activity 2014/15

	£000	£000
<u>Children's Services</u>		
<u>LA (non-DSG) Budget Variations</u>		
Bromsgrove PFI credits to fund future years commitments	87	
Performance and Business Systems funded by PFI credits	251	
School redundancy and termination costs	-205	
Finance and Resources budgets	-248	
Under spending on Home To School Transport (HTST) due in part to the grant for extended entitlement	-695	
Children's Social Care (CSC), increased cost of placements	5,724	
CSC Transformation (funded from transformation reserve)	542	
CSC Staff - mainly as a result of employing agency staff to fill vacant posts	807	
Other CSC budget non-staff savings	-377	
L&A underspend mainly due to vacancies and early achievement of Future Fit savings	-460	
Education Services Grant - Academy conversions more than planned	265	
Youth Offending Service - early achievement of FF savings and return of prior year underspend	-309	
Other	-47	
	<hr/>	5,335
<u>DSG Variations</u>		
School Formula Allocation (rates refunds and exclusions)	-430	
School specific contingency	-153	
De-delegated services	-162	
Funding allocations for 2,3&4 year olds places	-2,533	
2 year old trajectory funding - to increase places	-183	
High Needs school "top-up" funding for SEN	-999	
High Need support services	-220	
Independent special school, FE & alternate provision places	-452	
Statutory & historic services	-167	
Prior Year Under-recovery of Academy DSG	300	
	<hr/>	-4,999
Balance of under spend transferred to DSG reserve		4,999
Transfer from Bromsgrove PFI credits		-87
Resources transferred to/from general reserves in accordance with Financial Regulations		-925
Transfer from Positive Activities reserves for spending in year		-76
Transfer from Transformation Reserve		-542
Transfer from ICTPFI Reserve		-251
Contribution to (-) / from general balances		<hr/> 3,455 <hr/>

Appendix 2

Directorate Variations - Operating Activity 2014/15

	£000	£000
<u>Business, Environment & Community</u>		
Waste Accruals	-5,177	
Revenue contribution for Energy From Waste Plant early works	1,915	
Concessionary Fares	523	
Provision for Future Fit Redundancies	492	
Under achievement of Future Fit savings for Libraries Re-Modelling	361	
Transport Planning - Additional Consultants for Transport Models	137	
Under achievement of Future Fit saving for CIMU	94	
Pollution Control - Savings on Minor Works Programme	-92	
Winter Maintenance	-108	
Street works - Additional NRSWA Income	-205	
Capitalisation of Preliminaries	-251	
Highways	-394	
Other	10	
		-2,695
Transfers to / from Reserves and Provisions		
Waste PFI Grant	3,007	
Lifelong Learning Grant	182	
Directorate 2% Reserve	-494	
		2,695
Contribution to (-) / from general balances		0

Appendix 2

Directorate Variations - Operating Activity 2014/15

	£000	£000
<u>Coach Directorate / Finance</u>		
Property Services (Property Division £ 0.2m, Repair & Maintenance £ 0.2m)	-429	
Human Resources Division (incl early achievement of FF savings)	-231	
S&CA - ICT Managed Services (redundancy + slippage in FF savings)	369	
One-off income generation	-1,450	
Customer Services (incl early achievement of FF savings)	-259	
Legal & Democratic Services - staff savings and additional income	-64	
COaCH Directorate / Finance Future Fit redundancy provision increase	257	
Favourable variance on capital financing and money market activity	-4,608	
Carbon Reduction Commitment	-61	
Business Rates Relief Grants	-1,392	
West Mercia Energy Dividend	-208	
DCLG New Homes Bonus - additional grant received	-180	
Other	-16	-8,272
<u>Budget variances funded by earmarked reserve movements:-</u>		
Future Fit Core team costs	576	
Future Fit Transformation Fund	554	
Councillor's Divisional Fund	567	
Insurance Fund claims paid	527	
Other	140	2,364
Variation before use of reserves		-5,908
<u>Transfers from reserves</u>		
Funding for COaCH / Finance expenditure reported above	-2,364	
Top up to Place Partnership transitional Reserve	256	
S&CA Digital Strategy / Pensions Liability specific reserve	1,450	
WCC Elections Reserve	90	
Community First pension liability	51	
FutureFit transformation fund	685	
Energy from Waste	64	
Transfer to Business Rates reserve - rate relief grants	1,392	
Transfer to Business Rates reserve - surplus on collection fund	93	
New Homes Bonus	196	
Members Divisional Fund - extending scheme by one year	570	
Other	63	2,546
Contribution to (-) / from general balances		<u>-3,362</u>

Appendix 3

Proposed Earmarked Reserves available to the County Council **As at 31st March 2015**

	31/03/2014	31/03/2015
	£000	£000
Schools - Delegated Reserves	18,535	16,849
Children's Services Other Revenue Reserves	2,392	1,970
Dedicated Schools Grant (DSG) c/fwd balance	7,583	12,582
Future Capital Investment Reserve	7,121	5,284
Insurance	6,067	6,744
Retained Waste Disposal PFI Grant	16,876	16,154
Bromsgrove Schools Reorganisation and other PFI Grants	4,200	3,863
Pooled Budget Risk Reserve - Adult Social Care	519	161
Other Directorate earmarked reserves	30,166	34,052
Proposed Earmarked Reserves at 31 March	<u>93,459</u>	<u>97,659</u>

This page is intentionally left blank

BORROWING AND LENDING TRANSACTIONS 2014/2015

1. In accordance with Financial Regulations and the Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation.

2. This report details the borrowing and lending transactions undertaken by the Council for the 2013/14 financial year. Long term borrowing is used to fund Capital Projects and to replace principal sums repaid during the year. Lending transactions comprise instant access deposits, short-term investments on the London Money Markets and with the Debt Management Office's deposit facility, held at the Bank of England.

Background

3. The bank rate has remained at a historically low 0.50% for the whole year. In line with the Treasury Management strategy approved by Council investments have been made with the UK Debt Management Office, other Local Authorities, part government-owned banks and Money Market funds.

Borrowing

4. The borrowing transactions and debt outstanding for the Council in 2014/15 are summarised as follows:

Statement of Borrowing Transactions for the year ended 31 March 2015

	Short Term		Longer Term			Total Debt £'000
	Local Deposit Loans	Short Term Temporary Loans	PWLB Loans	Money Market Loans	Total Longer Term	
	£'000	£'000	£'000	£'000	£'000	
Debt Outstanding at 1 April 2014	326	0	189,605	50,000	239,605	239,931
Loans Raised	1	0	21,990	0	21,990	21,991
Loans Repaid	(74)	0	(5,160)	0	(5,160)	(5,234)
Net Borrowing	(73)	0	16,830	0	16,830	16,757
Debt Outstanding at 31 March 2015	253	0	206,435	50,000	256,435	256,688

5. Total debt outstanding increased from £240 million to £257 million during the year. This increase comprised £22 million of new debt which entirely related to the planned Energy From Waste project financing, and the repayment of a £5 million loan which matured in August 2014. This level of debt is within the Capital Financing Requirement for 2014/15 (£449.7m) and also meets the Prudential Indicators for the authorised limit for external debt (£483.0m) and the operational boundary (£460.0m).

All debt is fixed rate and meets the Council's limits on the type of debt it holds (fixed and variable).

6. The Public Works Loans Board (PWLB) is the main source of longer-term borrowing for the Council. The following loans were taken during 2014/15, all of these were annuity loans related to the Energy from Waste project:

Amount (£m)	Date Taken	Maturity Date	Rate (fixed to maturity)
10.600	20/05/2014	30/04/2042	3.90
1.490	23/05/2014	30/04/2042	3.96
3.910	05/06/2014	30/04/2042	3.99
5.990	29/01/2015	30/04/2042	2.64
21.990			3.58%

7. The total debt consists of longer and short-term debt. The longer-term debt of £256.4 million falls due for repayment as follows:

Within	£m	% of Total Debt
1 year	36.125	14.1
1 – 2 years	25.496	9.9
2 – 5 years	16.596	6.5
5 – 10 years	40.770	15.9
10 years and over	137.448	53.6
	256.435	100.0

8. The average rate of longer-term debt for 2014/15 stood at 3.94%, down from 4.35% in 2013/14.

9. The short-term debt consists of local deposit loans repayable at seven days notice which totalled £0.253 million on 31 March 2015. This was a reduction of £0.073 million compared with March 2014.

Lending

10. The temporary lending transactions for 2014/15 of the Council's cash balances are summarised as follows:

	£m	£m
Balance at 01/04/2014		79
Investments made during the year (371)	1,137	
Less		
Investments recalled during the year (410)	(1,159)	
Balance at 31/03/2015		(22) 57

11. All investments are made in accordance with the Council's Treasury Management Policy and to institutions that satisfy the criteria in the Council's Treasury Management Practices.

12. The average rate earned on investments during 2014/15 was 0.38%. The net interest earned on

investments totalled £0.318 million.

13. The Chief Financial Officer concludes that the management of debt and short-term investments continues to be cost effective.

This page is intentionally left blank