

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

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**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
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	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
<b>Sub-Total</b>	<b>31.6</b>	<b>19.6</b>	<b>14.0</b>
Reform plans developed	31.6	8.1	2.2
<b>Funding Gap</b>	<b>0.0</b>	<b>11.5</b>	<b>11.8</b>

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

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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 report:

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