worcestershire countycouncil

AGENDA ITEM 4

CABINET
13 DECEMBER 2018

2019/20 DRAFT BUDGET AND MEDIUM TERM FINANCIAL PLAN UPDATE 2019-22

Relevant Cabinet Member
Mr S E Geraghty

Relevant Officer
Chief Financial Officer

Recommendations

The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:

(a) approves for consultation the draft budget set out at Appendix 1b of £330.4 million which includes the proposed Transformation and Reforms programme set out in Appendix 1c;

(b) approves for consultation the capital programme 2019-22 of £229.0 million;

(c) approves for consultation an earmarked reserves schedule as set out at appendix 2; and

(d) agrees that it is minded to recommend to Council in February 2019 an increase in Council Tax Precept by 3.99% in relation to two parts:

- **2.99% to provide financial support for the delivery of outcomes in line with the Corporate Plan Shaping Worcestershire's Future and the priorities identified by the public and business community**

- **1% Adult Social Care Precept ring-fenced for Adult Social Care services in order to contribute to existing cost pressures due to Worcestershire's ageing population.**

1. Executive Summary

1.1. This draft Budget Report provides a first assessment of the 2019/20 precept need, an update on the Medium Term Financial Plan (MTFP) and the Council's budget for 2019/20 to be considered at Full Council on 14th February 2019. The assessment takes into account the impact on Council Tax, Social Care Precept, the capital investment programme, schools overall budgets, as well as council reserves. The report also sets out an indicative MTFP to highlight expenditure and income from 2019-22.

1.2. In recent years the County Council, working in partnership with the Worcestershire Local Enterprise Partnership, has significantly invested in the County to enable economic and housing growth by improving the digital and physical infrastructure, through our programme of economic “game changer” sites and other Open for Business investments. These developments support the Strategic Economic Plan for the County to grow the economy, deliver more homes and create higher skilled and better paid jobs. As a result the Council's funding is growing, in 2019/20 we expect that we will collect £13.3 million more from Council Tax and that this source of income will represent 81% of our funds, and a further £1.4 million through the business rates retention system. However, Government general funding will decrease again by £9.4 million meaning that overall our net income will increase by £6.2 million in 2019/20.

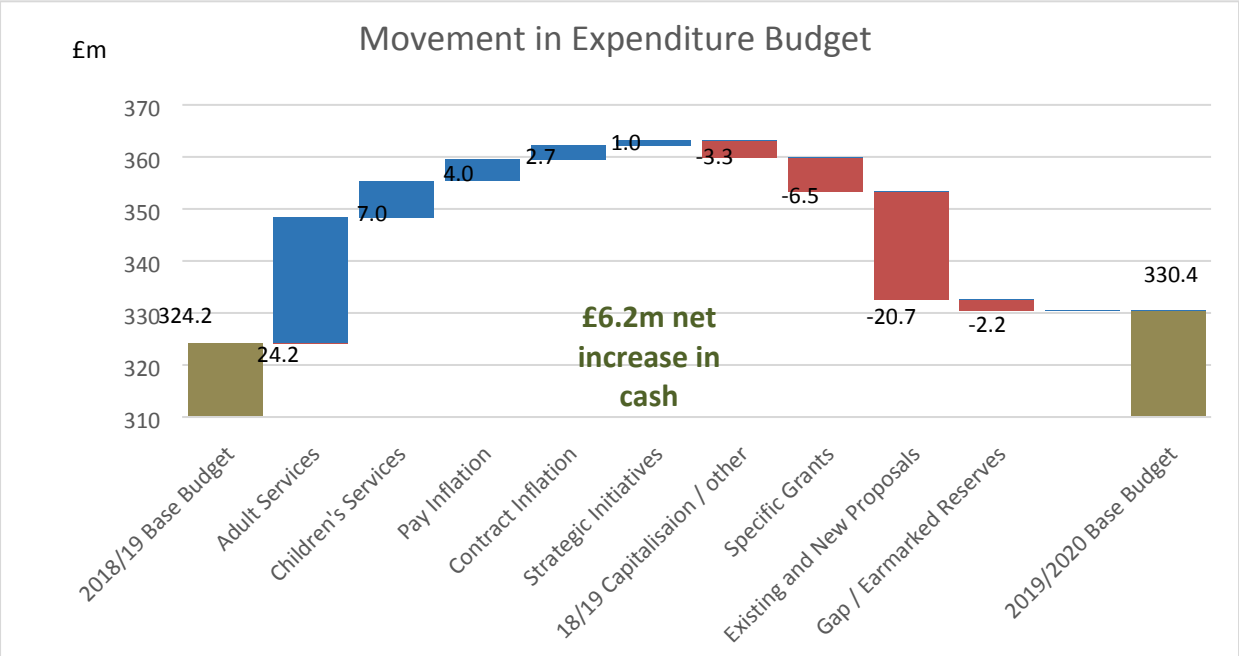
1.3. However, whilst income is growing, it is not increasing fast enough to keep pace with demand led social care services, inflation, and the National Living Wage. In 2019/20 we need to invest a further net £14.1 million in Adults Social Care and £7.7 million in Children's Social Care. That comes on top of £10.5 million reprioritised to Children's safeguarding and placements in 2018/19. This reflects a significant increase in the complexity and cost of care, in particular in Adult services. We await the Government's Green paper on Adult Social Care and a national solution to the current funding problems, however in the meantime we need to budget for the costs we are incurring now and projected demand in 2019/20 in Adult Social Care in particular, to ensure we can protect the most vulnerable in society. As a result the draft Budget proposes a series of measures to further increase income, reform the organisation and save money to bridge the financial gap and fund essential demand led social care services as well as investing in the economy and infrastructure projects.

1.4. Council agreed in February 2018 its latest update to a three year MTFP, in which Council at the time recognised a need to increase Council Tax by 1.94%, as well as a final 1% increase in the Social Care Precept in 2019/20. Given the scale of pressures we are now recommending a Council Tax rise of 2.99% and 1% Social Care precept.

1.5. Despite funding changes this still leaves a projected shortfall in the 2019/20 budget, before accounting for decisions already made, of £22.9 million. In line with its MTFP the Council has already taken steps to close the gap and £6.2 million of the savings and income for 2019/20 - nearly 27% (see paragraph 10.4 and Appendix 1C) flow from decisions already made to transform the way the Council works and delivers its services. This has left the need to find £14.5 million of further proposals plus £2.2 million of earmarked reserves to close the gap if no other actions or funding is forthcoming. This will be achieved by the Council continuing to transform how it works, delivering further efficiencies and adopting a more commercial approach. All reforms and savings proposals are set out in Appendix 1C.

1.6. This change in our funding and reprioritisation of resources is summarised in the chart below:

Chart 1: Movement in funding and reprioritisation of 2018/19 to 2019/20



1.7. The Council will continue to support measures to grow our local economy, and therefore our income base, through our Open for Business and Infrastructure Programmes for which we are setting aside £16.0 million in earmarked reserves to fund Open for Business (£6.6 million), regeneration and infrastructure (£2.8 million) and transformation (£6.6 million). We are also providing £50 million in the Capital Programme for investment in the economy, infrastructure (£26 million) and transformation (£24 million) of the County and the organisation.

1.8. Going forward, this report also highlights how we are planning to manage our finances in the medium term. We are seeking to align our financial resources to the current demand for services and the Corporate Plan priorities, alongside the forecast funding. This places significant emphasis on the Council to transform the adult and children's social care services, with a focus on prevention and demand management. The Council is also reforming the way it works with its residents and businesses through its digital, commercial and community programmes. This work to a large extent will ensure that the Council delivers an effective and affordable budget for the next three years of the Corporate Plan. We have therefore set aside £6.6 million in earmarked reserves and £13.1 million in the capital programme to transform how we work; and ensure the Council is an efficient and effective organisation.

1.9. The Council's reserves are adequate to facilitate this change, and a risk assessment identifies that the budget and reserves are robust. Improvements in budget monitoring and control continue to be made, and there will be regular monitoring of the delivery of the 2019/20 budget throughout the year.

2. Purpose of Report

2.1. This is a covering report that provides an assessment to Full Council to set a budget for 2019/20, that takes into account the impact on Council Tax, Social Care Precept, the capital investment programme, schools' overall budgets, as well as Council reserves. The report also sets out an indicative Medium Term Financial Plan (MTFP) to highlight expenditure and income from 2019/20 to 2021/22.

2.2. In approving the draft budget, Cabinet will commence the consideration of the proposals by Scrutiny and any feedback will be presented back to Cabinet for consideration. Cabinet and Council will also be asked to consider any comments alongside any other feedback received including those from the Schools Forum, Trade Unions and any other stakeholders.

2.3. Council will be asked to debate and approve the budget, capital programme, schools overall budget as well as the level of reserves.

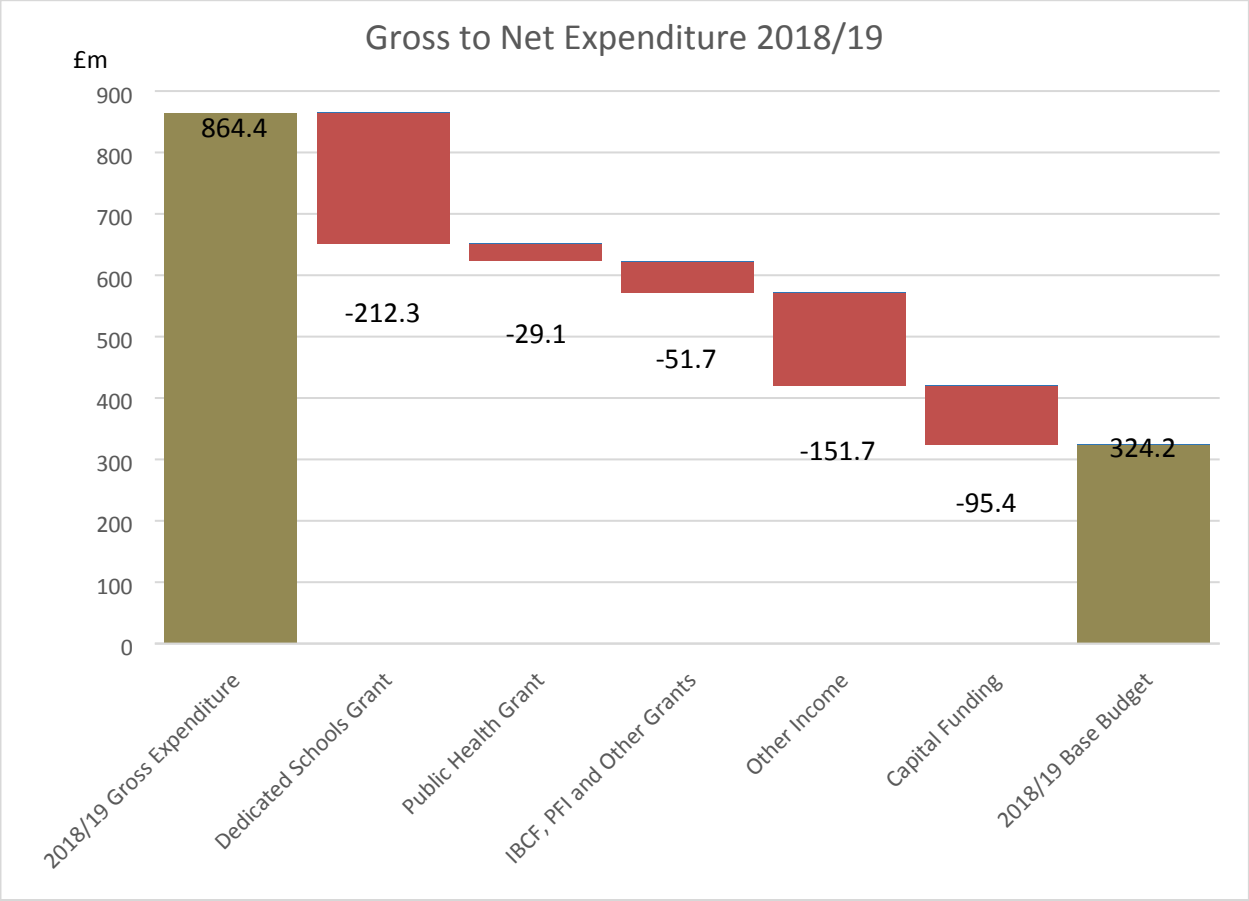
3. Background

3.1. In November 2016, Council approved its latest Corporate Plan (see attached Link - Shaping Worcestershire's Future. This report sets out a revised Medium Term Financial Plan and draft budget for 2019/20 to deliver the priorities set out in the Corporate Plan. The Council is obliged by legislation to set a balanced budget. As a result, Cabinet Members and the Strategic Leadership Team have been revising the MTFP to present to Council to set its element of the 2019/20 Council Tax precept.

3.2. The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and reflects the County Council's Corporate Plan, 'Shaping Worcestershire's Future' and the MTFP.

3.3. The current total gross expenditure budget for the Council is in excess of £850 million as shown below:

Chart 2: The Gross expenditure incurred annually by the County Council



3.4. Over the last year the Council faced a continued increase in the demand for some services; particularly to those who are most vulnerable, as well as inflationary pressures and changes in Government policy and funding. The Council has worked hard to deliver the 2018/19 overall performance, savings and investment plans. The 2018/19 Period 6 budget monitoring forecast highlighted the risk of a year-end overspend of £5 million without further action. If that were the case the level of reserves would be reduced and the balance for 2019/20 would need to account for this slippage with additional savings in that year. The latest projections will be reported to Cabinet on 31 January 2019.

3.5. National and local circumstances have been appraised against the Council's plans. The Council's 2017-22 Corporate Plan sets a clear vision and four distinct priorities for the organisation and wider partnership to focus on delivering. This is set out alongside a revised way of working, move towards financial self-sufficiency and encouraging those individuals, families and communities, who can, to do more for themselves to enable limited resources to be targeted on protecting the most vulnerable in society. This is backed up by public engagement which has also consistently highlighted the following important aspects to consider when allocating resources:-

- Safeguarding vulnerable young people, particularly those in or leaving care to ensure they are safe and can make the most of the opportunities they have
- Protecting vulnerable older people, particularly those with physical, learning and mental health difficulties
- Maintenance of the highway.

3.6. Under each of the Corporate Plan priorities, goals and actions are set out along with what will be different in the future. The Corporate Plan reflects a longer-term horizon to 2022 that is set alongside funding changes anticipated from Government reforms that are still in development. The MTFP is set out in more detail in Section 6 and at Appendix 1 of this report.

3.7. This report is an assessment to inform Council of the decision-making process and the adequacy and ability to deliver the proposals made by Cabinet, and the impact that this will have on the Council's financial standing.

3.8. This report therefore considers:

- The current financial position of the Council for 2018/19 – **Section 4**
- Funding the Council's Corporate Plan priorities– **Section 5**
- The Council's Medium Term Financial Strategy – **Section 6**
- The level of funding available for 2019/20 – **Section 7**
- The level of investment required for delivering the Corporate Plan in 2019/20 – **Section 8**
- The consequences of capital investment and school's proposals – **Section 9**
- The level of savings, reforms and income required – **Section 10**
- The resultant Council Tax precept calculation – **Section 11**
- An assessment of reserves – **Section 12 and Appendix 2**
- Engagement on the proposals – **Section 13**
- Consideration of other factors and professional advice – **Sections 14 to 19**

4. 2018/19 Forecast Outturn

4.1. The Council has received regular updates on its financial performance. Various management actions and elected member decisions throughout the year have been taken to deliver an improved financial position. The latest reported forecast at Period 6 (September 2018) as set out at Cabinet on 15th November 2018 Link reported, after appropriate action, a forecast year-end overspend without further action of £5 million. However, further management action and receipt of additional Adult Social Care funding now suggest a Period 7 position of around £3 million overspend. Management action continues to be taken and it is our aim to see a balanced budget by 31st March 2019. An update will be provided to January 2019 meeting of Cabinet.

4.2. As a result there could be a further need to draw on reserves to support the recurrent revenue budget up to the sum of £3 million, albeit a far lower scale than in previous years. This addresses concerns raised by the Council's external auditors in their 2017/18 Accounts value for money opinion. This movement on reserves is reflected in section 12 and appendix 2 within this report.

4.3. Monitoring of the capital budgets show schemes are broadly on target to be within the re-programmed spend profile at year end, with some planned expenditure being carried forward to next financial year. The School's budget is reported to be balanced at 31st March 2019, however the Dedicated School's Grant faces significant in year pressures, in particular from high needs. At this stage discussions are ongoing with schools to roll forward any overspend in 2018/19 and to begin a recovery plan. Further information on the School's budget is set out at section 9.

5. The Council's Medium Term Financial Plan and funding its priorities

5.1. The current Financial Plan takes account of the Corporate Plan and the acceptance of the Government's four-year funding settlement 2016-2020. As such this report sets out an updated MTFP that covers the remaining three years of the five year Corporate Plan. It also reflects the current Government funding announcements, including additional Adult and Children's Care Grant and is attached at Appendix 1A to this report. This shows the changes from those presented to Council in February 2018.

5.2. The key changes reflect the revised forecast for the increasing demand for care for the vulnerable, including adults and children with complex care needs and special educational needs.

5.3. In relation to the Council's priorities in the Corporate Plan, the financial plan confirms the commitment to continue to resource these:

Open for Business

5.4. There is a further commitment over the next three years to invest over £20.9 million (£8 million from Capital and £12.9 million from reserves), to grow the local economy and improve our connectivity. In 2019/20, plans to invest in the local economy include:

- Reserves
  - Adding an extra £3 million to the Open for Business Reserve (making it £3.9 million over the next three years), and a £2.7 million Revolving Investment Fund Reserve. On top of the £6.3 million of grants already earmarked.
- Capital
  - Investing a further £3 million (£1 million per annum for the next three years) in developing the pipeline of the future capital infrastructure and economic schemes to deliver growth, tackle congestion and improve the County.

Health and Wellbeing

5.5. The draft budget proposes a substantial increase in the resources available for Adult Social Care. There is a commitment to invest a net £14.1 million (£24.2 million gross to meet the demand led Adult Social Care pressures). The funding for the investment will come from a planned additional 1% Levy (£2.5 million) and £4.5 million of national grant as well as a net investment of £7.1 million after any. As such in 2019/20, there are plans set out to invest:

- £12.8 million to address the pressures faced in 2018/19.
- £11.4 million to reflect the rising demand and cost of Adult care. A forward looking strategy Link was presented to Cabinet in November 2018 which sets out how going forward the Council is continuing its focus on helping people live longer and in better health through prevention and support to live in their own homes. Section 6 of this report also sets out some of the future pressures and how the Council is looking to manage within that forward strategy.
- £28.4 million of Public Health grant will be focused on preventative actions to improve the health of County residents, including early years and reablement of adults. The grant will continue to spend within budget and in line with grant conditions. This supports a broad, population based programme of preventive work to improve health and well-being and narrow health inequalities, with a focus on evidence based prevention. This year as in previous years, an investment from the Grant is made in areas of the Council outside the Public Health Directorate, such as libraries and planning, so as to maximise their impact on health.
- £3.3 million in capital, as well as transformational funding to ensure technology can improve care

Children and Families

5.6. There is a continued commitment to invest a net £7.7 million general revenue, with a further £1.1 million in earmarked reserves, to deliver the Children's Social Care Improvement Plan and care placements. There is also funding to provide adequate school places to ensure children get the best start in life. In 2019/20, this includes plans covering:

- Continuing the Councils journey of improvement in children's safeguarding with investment of £4.2 million to reflect an increase in overall provision and costs. The Edge of Care report that was presented to Cabinet in October 2018 link sets out how we are also transforming and improving the provision of care, with initiatives such as the Front Door improvements being invested in.
- An investment of £0.6 million in a new wholly owned Council company to drive this further improvement. A further £0.4 million will be required in 2020/21 to meet full year running costs.
- We will also be investing a further £0.7 million in to Special Educational Needs and Disability transport.
- Providing £13.7 million in capital to build, extend and improve maintained schools across the County.

The Environment

5.7. There is a commitment to invest £23 million of new capital funding over the next 3 years, alongside £76.5 million of existing commitments for 2019/20, to regenerate the County and improve the local environment and highway network. In 2019/20, these plans include:

- A provisional £23 million Capital Programme headroom commitment to fund future regeneration priorities.
- Spending £76.5 million on highways capital to maintain the County's network and bridges that are vital to keeping our local economy and communities moving and connected. This includes:
  - £10.4 million spent on the Highways Infrastructure Investment Fund (HIIF) (£37.5 million over three years 2018-21) focused on delivering a top quartile performance in the condition of our roads and pavements. This is on top of an extra £6.6 million received in 2018/19 for Highways from Government.
  - £37.2 million on major structural carriageways
  - £16.7 million on Worcester Parkway Regional Interchange station
  - £5.3 million on cutting congestion.

Efficient and effective organisation

5.8. There is a commitment to invest £7.5 million, to ensure that the County Council is operating efficiently, prepared for the future including more digitally enabled operations and closer working with our key partners. In 2019/20, there are plans to invest:

- Reserves

  - £3 million in digital earmarked revenue reserves, with a further £6 million provisionally set aside in the following two years to both deliver savings and improve services

  - £3.6 million of earmarked revenue reserves for invest to save programmes that will change the shape and design of the Council, with a further £9 million provisionally set aside in the following two years to both deliver savings and improve services.

- Capital

  - We are investing £5 million per annum in transformation, to include funding for invest to save schemes, in total that will be £15 million over the next three years.

  - £1 million each year for three years from capital to invest in our operational infrastructure, including buildings and equipment in order that our staff can work in new / improved ways effectively and efficiently.

5.9. These investments and realignment of funds have been assessed and endorsed by finance and service areas as an appropriate level reflecting the need and ability to deliver the Corporate Plan priorities.

6. Medium Term Financial Plan

6.1. As part of our good financial management, the Council has an MTFP that is updated annually as part of the process of setting the Budget and Council Tax levels. The Plan sets out both the process and assumptions in aligning the Council's financial resources with its Corporate Plan which in 2019/20 will be in its third year of five and remains unchanged, however a number of factors locally and nationally have changed since the MTFP was last considered by Full Council in February 2018. Therefore the MTFP has been updated and included as part of this report at Appendix 1A. The following paragraphs summarise some of the key challenges and approaches.

6.2. The MTFP assesses both the funding Worcestershire County Council expects to receive and the cost of doing tomorrow, what it does today, to identify what if any, gap exists. The latest forecast is based on certain assumptions that could change (the longer the forecast the greater the risk of change). Factors on both sides of the equation mean that the gap shown below may change (for the Government's grant funding is still being reviewed and we do not have clear forecasts beyond 2020; and we are still unclear of other external factors).

6.3. The assumption at present for 2019-22 is that there will be a total of around £60 million of savings, reforms and income generation that will need to be found (£23 million in 2019/20):

Table 1: Funding Gap Forecast 2019-22

	2019/20	2020/21	2021/22	Total
Medium Term Financial Plan	**£000**	**£000**	**£000**	**£000**
Funding	330,390	339,748	352,556	1,022,694
Projected Budget Requirement	353,297	356,142	373,153	1,082,592
Funding Gap (Before Reforms)	22,907	16,394	20,597	59,898

Funding

6.4. The MTFP assumes that there will be only one real change to the current four-year financial settlement 2016-20, that being the additional Social Care Grant announced by the Chancellor of the Exchequer in his Budget Statement on 29th October 2018. However, it is also assumed that the current error flagged to Government that sees a negative adjustment to our Revenue Support Grant (RSG) in 2019/20 for the Council Tax base (£0.8 million) will be corrected as committed by MHCLG. This commitment was restated by the Secretary of State as recently as the Spring of 2018.

6.5. As such the main sources of the Council's income will be collected and spent locally. The local taxation (Council Tax and Adult Social Care Precept) will account in 2019/20 for 80% of all funding income, with 19% coming from our share of the Business Rates and the remaining 1% coming from collection fund surpluses.

6.6. As the RSG element of the Settlement Funding Allocation (SFA) funding is reduced to zero in 2019/20, the reduction in Government funding that has been experienced over the last decade will then offset against a local precept increase to deliver a small positive cash flow (assuming per annum Council Tax is increased in line with inflationary pressures, and the Business Rates element of the Council's Government Grant is increased by 2.3%.)

6.7. The MTFP forecasts that the Council will experience a positive cash flow for the next three years. 2019/20 will see a £7.6 million increase in Council Tax (2.99%) and £2.5 million Adult Social Care Levy (1% - 2019/20 being the final year). The increase also reflects a growth in new homes of just over 1% as well as no drop off (which had previously been assumed) in empty properties following the full implementation in some parts of the County of the 150% Council Tax for empty homes.

6.8. Future year increases in the number of new properties range between 1% and 1.2% at this stage due to prudence in the projection of future growth by district councils.

6.9. The funding increase expected in 2019-22 is £22.2 million, as follows:

Table 2: Funding increase forecast 2019/22

	2019/20	2020/21	2021/22	Change 2019-22
Funding	**£000**	**£000**	**£000**	**£000**
Council tax	264,840	275,498	287,095	
Collection fund surplus	1,500	500	500	
Business Rates Reserve Release	1,500	0	0	
Business rates retention scheme	62,550	63,750	64,961	
	330,390	**339,748**	**352,556**	**22,166**

Challenges to our spending

6.10. If all things were equal the Council would be able to use the additional funding income for new service provision and to fund growth. However, the scale of cost pressures facing the Council is more than the projected increase in income. The potential increase in the base budget is as follows:

- **Investment decisions** – this is policy decisions to invest monies from another service area, or from external funding into a new service or area that will deliver a change; and that supports the Corporate Plan delivery.

- **Growth in demand** – this is recognition that some demand cannot always be prevented, and as such we have to allocate funding – see next steps below regarding how we fund some of this.

- **Cost Pressure** – this is the recognition that inflation cannot always be avoided. It could also be recognition of a prior year base budget 'issue' that needs to be addressed, an example that could include an over statement of income target not achieved – see next steps regarding how we plan to fund some of this.

6.11. Examples of each of the above areas over the last 12 months and for 2019/20 are:

- **Investment –** funding borrowing for the delivery of Malvern Hills Science Park;

- **Growth –** £14.6 million net increase in care services required for older people and £7.7 million net for children in care; or an increase in the tonnage of waste disposed.

- **Pressures –** £4.1 million of pay awards; inflationary uplifts in contracts and utility costs; and addressing prior year non delivery of savings.

6.12. The reason we recognise investment, growth and pressures is so that we understand the scale of the task. If we simply gave a service the same cash budget as the previous year, that service would still have to make savings to standstill as pay costs or contract prices may have risen. The next step is to assess what is a 'priority' and needs to be funded and what is 'not a priority' and will not be funded and each service must make changes to stay within its current (prior year) base budget.

6.13. The focus of the spending challenges faced in year 1 (2019/20) are coming from:

- **Continued rise in demand** for adult and children's social care (net £14.1 million and £7.7 million respectively projected);
- **Underlying pressures** from non-recurring savings (for example £12.8 million of the gross additional growth in adult care is to reflect the overspend identified in early 2018) and £0.7 million under provision in SEND transport.
- **Contract and other inflation** in total we forecast over £5.3 million of pressures for example Highways - £0.8 million split between contract uplift and utility cost increases to street lighting; Strategic Property, Facilities Management and IT £0.5 million for increased costs and utility increases.
- **Pay and NLW inflation** - in total we estimate a c.2% pay uplift. The pay and related bill will increase by £4.1 million.

6.14. This results in a gross funding requirement in 2019/20 to meet all of these challenges of £35.6 million.

Table 3: Funding pressures faced 2019/20

Service	2018/19 Net Budget	Rebase / Virement	2019/20 Pay Inflation	2019/20 Contract Inflation	2019/20 Growth (Demand)	2019/20 Growth (Investment)	2019/20 Growth (Pressure)	Total Growth
Children's Services (Excl DSG)	96,361	635	1,417	102	4,429	1,795	0	8,378
E&I	63,544	(2,500)	604	780	0	0	0	(1,116)
COACH	8,047	189	565	466	131	200	0	1,551
Chief Executive	532	0	13	(4)	0	0	0	9
DAS	125,396	12,792	1,137	3,980	7,248	200	0	25,357
Public Health	(831)	931	0	0	0	0	0	931
Finance / Corporate Items	31,143	(125)	314	6	0	0	0	195
Non-Assigned Items	0	(700)	0	0	0	1,000	0	300
	324,192	11,222	4,050	5,330	11,808	3,195	0	35,605

6.15. Looking ahead the growth and pressures on spend will continue at similar levels; however, as set out below the adult and children's reform programmes are expected on an escalating scale to cover annual pressures, and prevent costs rising as fast. Other programmes around enabling communities, digital and commercial will also help address pressures. As such the planned investment for future years is £46.8 million.

Table 4: Funding Pressures / Change in Specific Grants 2019-22

	2019/20	2020/21	2021/22	Change 2019-22
	£000	£000	£000	£000
Change in Specific Grants	-6,500	3,500	0	-3,000
Rebase Budgets	11,222	0	0	11,222
Growth - Demand	11,808	12,416	8,295	32,519
Growth - Investment	3,195	0	3,000	6,195
Growth - Pressures				
• Pressures	0	0	2,500	2,500
• Pay inflation	4,050	3,000	3,000	10,050
• Contract inflation	5,330	4,646	6,429	16,405
Total 2019-2022	**29,105**	**23,562**	**23,224**	**75,891**
Total 2020-2022		**23,562**	**23,224**	**46,786**

Transformation programme

6.16. The Council has a number of transformation and change programmes focused on the priorities, and addressing the projected budget gap. The key programmes are:

- **Adult social care** – The Cabinet paper (November 2018) link sets out a future strategy for the services aimed at improving re-ablement, front door assessment, and health integration to manage the growth in demand. It focuses on implementing a more person centred and preventative approach, which encourages a community based and personal support model. It also looks at the assets available to individuals that can be used to support them for longer to stay in their local community and prevent further deterioration. As a result, the Service Plan reported to Cabinet assumes that costs can be avoided, resulting in a shallower increase in the investment trajectory applied to adult social care. This programme has already started with a series of business cases progressing to a full business case and a number of contracts are in the process of being reviewed.

- **Children's Services -** following Ofsted reviews work is ongoing in both setting up a wholly owned Council company – Worcestershire Children First, as well as responding to a letter of improvement around SEND. Whilst there has been an increase in costs arising from these changes, going forward the aim will be to avoid higher costs in safeguarding and young adults by investment in early help and prevention. This programme is already progressing with reports going to Cabinet in October and November 2018, and whilst it is not forecast that the programme will fully avoid all costs by 2022 as the increase in the young care population is projected to increase it is anticipated to be a far smaller / shallower increase by 2022 to reflect the initial investment.

- **Commercial, procurement and efficiency** – The Council is progressing a Commercial Strategy which will set out an overall approach to greater trading and 'commercial challenge' of costs including procurement. It is expected that over the next three years increases in income will continue to rise. The Transformation Board will also review the setting of fees and charges as well as debt management processes and performance. The strategy will also sets out the development of a culture and competence development programme aimed at upskilling managers and budget holders to identify and deliver service efficiencies to manage cost pressures. There is also a focus on improving contract management and procurement practices to help manage contract inflation and secure efficiencies in all service areas. There is a corporate target of £2.5 million in 2019/20, on top of the £0.5 million additional savings to be delivered in 2018/19, and a further £2 million 2020-22. The Transformation Board, which will include the Leader and the Cabinet Member for Transformation and Commissioning, will oversee the delivery of this target.

- **Reshaping and redesign of services in partnership and through digital technology –** the Council is continuing to explore ways in which it can work more efficiently, including with partners and our communities. This includes how we can work across all tiers of local government (County, District, Town and Parish), as well as the voluntary sector to save money and provide smarter service delivery. This work started a number of years ago with the implementation of Act Local, including community supported libraries. Severn Arts is now an independent charity running a wider range of arts services including school music and further community initiatives such as the Parish Lengthsmen Scheme are already in place.

  The next step is to reshape and redesign the County Council to secure more efficiencies and explore how digital technology can assist in that as well as improving services for our residents and businesses. Going forward we will be working with district, town and parish councils to help manage our costs and demand. The aim is to save £2.9 million 2020-22. We recognise that there will be cost incurred in changing the way we work with partners and our communities, so we have set aside £3 million in an earmarked invest to save reserve and £13 million in the capital programme to invest. These funds will be managed via the Transformation Board and all approved releases will need to demonstrate a return on investment as well as a recurring annual saving.

6.17. For 2019/20 there will be more focus on services working differently on future change programmes, such as reducing costs for libraries through working with partners and looking to develop more community offers. More detail on the 2019/20 proposed savings is set out at Section 10 of this report.

6.18. As a result, the MTFP is aligned to corporate programmes to deliver savings.

6.19. We will annually update the forecasts and assumptions to revise the goals and compare those against the corporate change programmes, as well as any changes in the Government's funding proposals.

Reserves

6.20. The Council's General Fund reserves are currently at £12.2 million (3.8% of net spend).This is in line with many other county councils. It has meant there is a need for a risk assessment of what the General Fund reserves can fund. This has resulted in a real focus on savings as the Council cannot continue to allow overspends or underachievement of income to occur on a recurring basis.

6.21. As part of setting the MTFP we have appraised the earmarked reserves (EMRs) and challenged the future need as well as fit with the Corporate Plan. These reserves include a number of items that are not available to the Council such as schools and PFI are fully committed. The overall affect is nil to the level of reserves held however, a number of the EMRs have been determined as no longer appropriate and a revised list is presented to Cabinet and Council that supports both the Corporate Plan and the change programme. Appendix 2.

6.22. More detail on the Council's reserves is set out at Section 12 of this report.

6.23. Overall therefore the Council has a robust MTFP to allocate resources to set and deliver balanced budgets for the remaining three years of the Corporate Plan, starting with 2019/20, that supports the delivery of the Council's priorities. The following sections of this report set out in more detail the position for 2019/20.

7. 2019/20 Level of Funding

7.1. The Council draws its funding from two main sources – Council Tax and Business Rates. The Council's Government funding allocated for 2019/20 comprises of three elements; the first two make up what is referred to as Worcestershire's Settlement Funding Allocation (SFA), which is the MHCLG (formerly DCLG) calculation of what the Council's spending should be compared with other councils across the country. SFA consists of:

- Revenue Support Grant (RSG);
- Baseline Funding - Business Rates Retention Scheme (BRRS).

7.2. The third element of Government funding is from additional ring fenced grants, such as Public Health.

7.3. This funding and the impact for Worcestershire are set out in more detail in the following paragraphs. Section 11 of this report sets out the calculation of the proposed Council Tax precept, and Section 9 assesses assumptions on the funding for capital programmes including schools.

Government Grant - Settlement Funding Allocation (SFA)

7.4. In 2010, the Government simplified the funding for local authorities to one main funding stream – the SFA, and nine separate core grants. At the same time, it announced a review of the funding formula and system with the aim of introducing a more transparent and simplified scheme that also supports the localism agenda. These changes took affect from 2013/14. In 2016 the Government offered, and the County Council accepted, a four-year funding offer and 2019/20 is the fourth year of that deal. The SFA is split into two parts: The Revenue Support Grant (RSG) and the Baseline Funding, or as it is sometimes known, the Business Rates Retention Scheme (BRRS). The BRRS is meant to reflect our needs based assessment.

7.5. Since this initial allocation was set out the Government has made minor adjustments to the allocation to reflect a number of factors, including Worcestershire's baseline NNDR. Government have promised to also address Worcestershire's negative allocation in 2020, which would have seen our grant reduce by £0.8 million.

7.6. The announcement of Worcestershire's latest allocation of the Provisional Settlement is due on 6 December 2018. We expect it will be in line with the final year of the four year deal and will identify that RSG will reduce from its current level of £9.436 million to zero, and in total an £8.081 million reduction (11%) in the SFA from 2018/19 (£70.507 million down to £62.426 million).

Table 5: SFA movement 2018/19 to 2019/20

	2018/19 £m	2019/20 £m	2018/19 to 2019/20 Change £m	2018/19 to 2019/20 Change %
Revenue Support Grant	9.436	0.000	-9.436	-100%
Baseline Funding	61.071	62.426	+1.355	+2.22%
Total	70.507	62.426	-8.081	-11.46%

7.7. Going forward there are plans to radically overhaul this grant funding, further details are set out later in this report at paragraph 7.21.

7.8. Whilst the final settlement is likely to be confirmed around 7th February 2019, it must be noted that at the time of writing this report further details on a number of grants are still to be confirmed.

Government Ring fenced grants

7.9. In addition to this the Government is issuing a smaller number of specific grants for Public Health, Dedicated Schools Grant and NHS Care Act.

7.10. Latest estimates for these are as follows:

- **Dedicated Schools Grant (DSG) – provisional £373.075 million**: This is set out in more detail in Section 9 of this report.
- **Public Health – provisional £28.361 million**: The prioritisation of spend is driven by local assessment of need.
- **Better Care Fund (BCF) and Improved Better Care Fund (iBCF)** – The allocations are due to be announced in December 2018 or January 2019. Locally Worcestershire County Council's BCF element has remained constant and we have assumed that the same allocation as in 2018/19 to be allocated to Worcestershire County Council in 2019/20 with an inflationary uplift yet to be announced. The iBCF which is a MHCLG grant to local authorities is also expected to be in line with 2018/20. It is intended that this money will support the Adult Social Care Transformation programme as well as targeting projects to manage national priorities, including reducing the Delayed Transfers of Care (DTOCs).

- **Adult Social Care Grant** – alongside the Social Care Precept announcements the Secretary of State provided a one-off grant in 2017/18 to further support the rising cost of care. Late in the Funding announcement in February 2018 a new one-off grant was announced for the same purpose, meaning the County received another £1.5 million. At Conservative Conference September 2018 the Secretary of State for Health and Social Care announced a further one off grant of £240 million to prevent winter pressures, of which Worcestershire received £2.4 million. Then in the Chancellor's statement to the House of Commons on 29th October 2018 he announced that this grant would be continued in 2019/20, with a further £410 million nationally for Adult and Children's care. Worcestershire's allocation of this additional one-off £410 million is £4.5 million in 2019/20.

Adult Social Care Precept / Levy

7.11. Given the continued demand pressures, the increasing cost of care for older people and the likely impact of the National Living Wage, the 2015 Autumn Statement (25th November 2015) set out a new local freedom for upper tier councils for four years 2016-2020 to raise a separate ring fenced Social Care Precept of up to 2% on every household to support social care services.

7.12. In the 2017/18 Provisional Settlement announcement the Secretary of State for the MHCLG set out a new flexibility that the remaining 6% across the remaining years (i.e. 2% each year 2017-2020) could instead be taken in the first two years. This was to reflect the significant pressures faced by Councils nationwide. The proposed approach in Worcestershire was set out in the MTFP presented to Cabinet in February 2018 of 2% / 3% / 1% and remains unchanged in 2019/20.

7.13. The total forecast pressures facing Adult Social Care (ASC) in 2019/20 is set out in more detail at section 8; the demand and inflation facing these services is set £11.4 million.

7.14. Even with the grant and levy, the pressures faced in Adult Social Care still exceed the demand forecast and the service is seeking to make savings in 2019/20 and beyond through transformation of the service in order to ensure the sustainability of the service is in line with a longer funding position. This is to ensure that where costs continue to be forecast that exceed funding, the service works on prevention and efficiencies so as to mitigate as far as possible the impact on the overall Council budget.

Council Tax

7.15. The Council has seen an increase in both the number of properties in the County subject to Council Tax and the levels of collection. The February 2018 Council meeting approved an MTFP with assumed Council Tax levels being increased in 2019/20 by an estimated 1.94%, which would yield on the total tax base as set by Districts at their Cabinets in December 2018 of around £4.9 million. It is expected that on or shortly after 6th December 2018 the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) will announce any changes to referendum principles. At this stage it is assumed as per the Autumn Statement that will be 3%. In addition the February 2018 MTFP included an expected final 1% for the Adult Social Care precept.

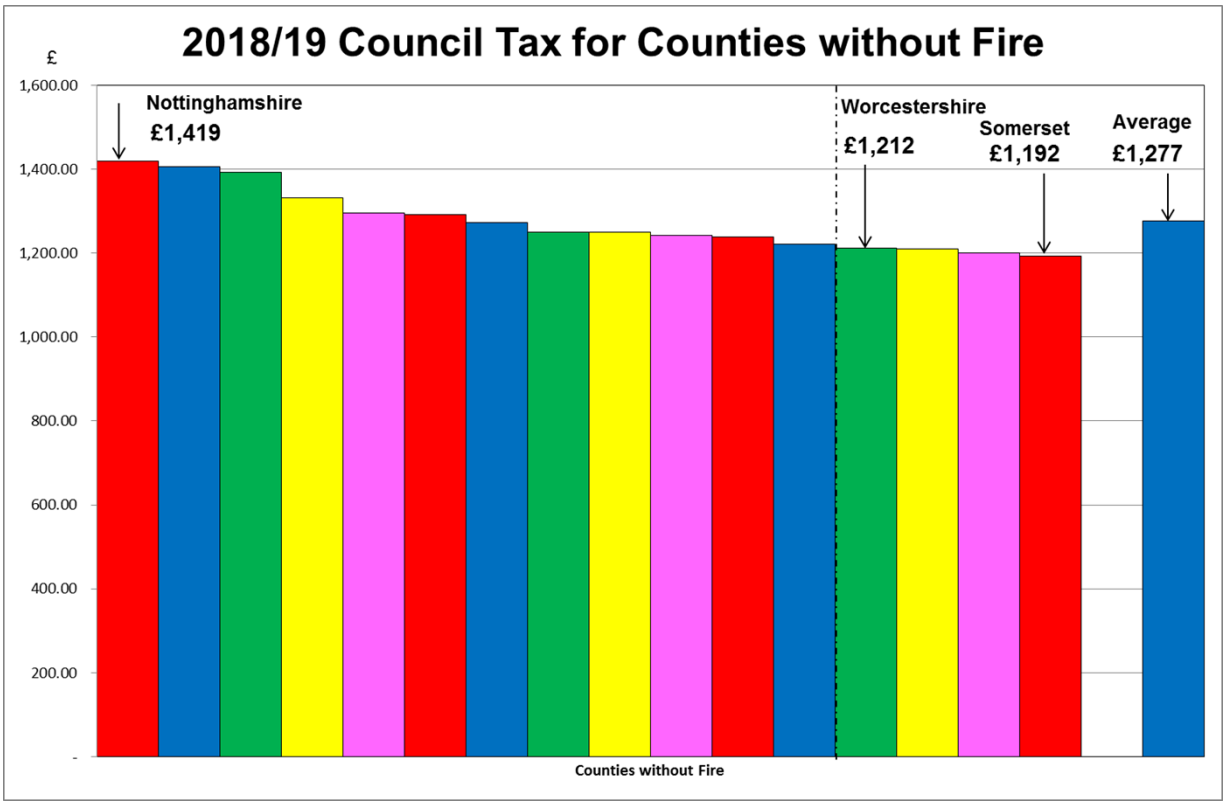
7.16. The level of Council Tax collected has remained high, and it is felt that there is some scope to increase assumptions around collection.

7.17. The overall tax base has seen another increase (net c.2,100 more properties) to be confirmed in the coming weeks in reports to District Councils. This 1.02% increase overall across the County in the tax base after adjustments, meaning an additional £2.6 million more Council Tax is expected to be collected in 2019/20.

7.18. Overall therefore it is projected that in 2019/20 £13.3 million more will be raised from Council Tax as shown in Section 11 of this report.

7.19. Overall, as Chart 3 shows, the County Council's level of Council Tax remains low when compared to comparative councils:

Chart 3: 2018/19 Council Tax Band D County Council comparator



7.20. In addition, a review of 2018/19 Council Tax and National Non-Domestic Rates (NNDR) collection rates has identified that there is £3 million of additional income above projection. As a result, this will be used in 2019/20 as part of the redistribution of the forecast collection fund surplus.

Government Funding – Fair Funding

7.21. The Government is due in 2019 to open consultation on revisions to local government funding and the localisation of NNDR (Business Rates). This review and consultation has been delayed; however Government have confirmed that it still intends to roll out a new formula distribution method for 2020 to replace the current four year deal.

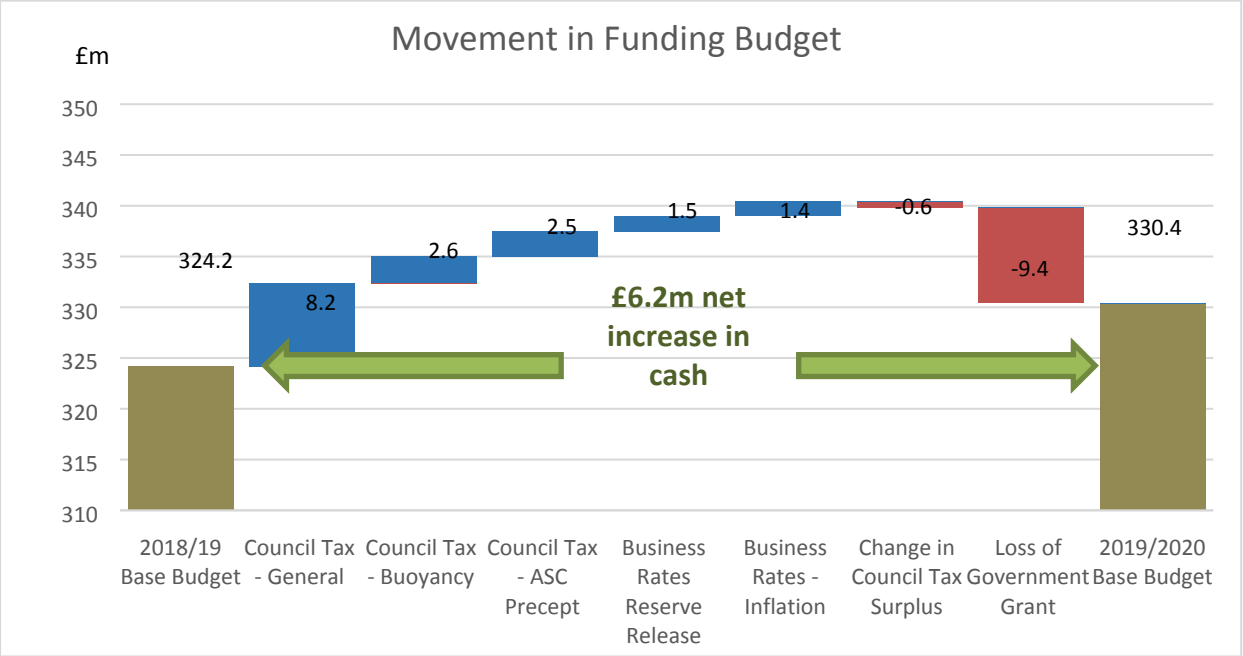
7.22. Whilst MHCLG indicate that ministers remain committed to local government taking greater control of their income the consideration of exactly how this will be achieved has yet to be laid out and could require legislative changes. However, there are strong indications that the Needs Based Allocation of Resources will give more weight to rurality and sparsity. It is not clear what will happen to other funding streams such as New Homes Bonus.

7.23. The refreshed MTFP therefore is based on assumptions that the current limited growth in our NNDR allocation will increase slightly (£1.2 million per annum) from 2020/21 onwards, but no further benefit has been included in the calculations.

Overall funding levels

7.24. After adjusting for movements in grant, the proposed levels of Council Tax and the new Adult Social Care Precept, the net impact is that the Council projects it will have £330.4 million of funds available (£324.2 million in 2018/19), that is a net increase from 2018/19 of £6.2 million (1.9%).

Chart 4: Change in WCC's Government & Council Tax funding 2018/19 to 2019/20



7.25. However, as the next section identifies the level of demand significantly exceeds this amount and thus savings as set out in section 10 are also required.

8. Level of investment and changes to the original plan

8.1. Changes to assumptions on both income and spend have occurred since the MTFP was reported to Council in February 2018. The gross level of pressures has also changed from the forecast financial plan reported to Council in February 2018 (£22.5 million to £35.6 million).

8.2. The first call on the increase in Council Tax and Adult Social Care Precept is to directly fund these pressures.

8.3. Overall the gross pressures and change in spend is £35.6 million as follows:

Table 6: Total pressures faced in 2019/20

Investment / Growth / Pressures	£000
Adult care	11,428
Children's Care	6,326
Pay inflation	4,050
Economy & Infrastructure	780
Commercial & Change	799
Corporate	1,000
2018/19 pressures	11,222
Total	**35.605**

8.4. After applying an additional £10.8 million raised by Council Tax; £2.5 million from the 1% Social Care Precept; £4.5 million of one off Social Care Grant and £2 million from other grants; £3.0 million from the Collection Fund Surplus and use of £2.2 million from reserves that leaves a net savings to find of £20.7 million. To address this funding will have to be re-allocated to meet demand led Social Care from other services and budgets. This is discussed in more detail in Section 10. Overall therefore the position is as follows, (investment in each area is discussed in the following paragraphs):

Adult Social Care - £11.4 million increase in net 2019/20 base budget

8.5. Overall the forecast of £11.4 million includes the increased cost pressures including care services for older people, allowing for increased caseload, more complex care needs, the National Living Wage for 2019/20, and those transferring from children to adult care, as follows:

Table 7: 2019/20 Adult Care cost pressures

Description of pressure	2019/20 £m	Comments
Additional demographic and complexity / acuity for over 65s	0.700	Additional cost to the Older People budget recognising an increased number of people receiving services and an additional complexity due to an ageing population.
Growth in the number and complexity of care packages for Adults with a Learning Disability and additional placements reflecting those transitioning from Children to Adults care	3.520	There is an ongoing increase in life expectancy and related care needs as children move into adult care that needs to be provided for. In 2018/19 this is expected to be in excess of 37 cases. In addition, as carers get older, the service is facing an increasing need to provide sustainable placements for those who have previously lived at home with relatively low levels of support.
Growth in the number and complexity of care packages for Adults with a Physical Disability and additional placements reflecting those transitioning from Children to Adults care	2.160	There is an ongoing increase in life expectancy and related care needs as children move into adult care that needs to be provided for. In 2018/19 this is expected to be in excess of 8 cases.
Greater cost of mental health packages of care and increased numbers	0.810	Worcestershire has a growing number of cases. On top of which reductions in joint funding mean the Council faces pressures in 2018/19.
Impact of the National Living Wage (NLW)	4.038	Increase in inflationary costs
Payment and charging processes	0.200	Improve systems and processes to deliver savings through more efficient payment and charging and improved debt recovery
Total	**11.428**	

8.6. As set out in the last table, the pressure on adults with disabilities continues to increase with pressures arising from increasing numbers that are cared for, as well as increases in the cost of both transport and care. The rise in numbers in adult care has in part come from more young people transitioning into adult care, as well as adults with disabilities living for longer. This often leads to more complexities of care and increased costs reflecting these complexities. Overall the increased cost pressure of these factors is projected at £3.5 million in 2019/20, on top of the £7 million pressures funded for 2018/19.

8.7. In addition to these pressures the service faces an ongoing issue of care increasing and will apply the final year 1% permitted uplift through the ASC Precept in 2019/20. The service faces a forecast overspend at Period 6 of £14.2 million, which will need to be addressed in 2019/20. As such the service is proposing savings to manage these pressures and focus on preventative actions.

8.8. After accounting for the ASC Precept and grant, the pressures and inflation (£24.2 million) costs means that there is still a need for £6.7 million of savings to maintain a sustainable service going forward.

Children's Services - £7.7 million increase in net base budget

Children's Safeguarding

8.9. In October 2016 Ofsted undertook a statutory inspection of Children Social Work services in Worcestershire County Council. The overall judgment of the service was "Inadequate" and the DfE appointed a Children's Commissioner to oversee improvement. A comprehensive service improvement plan has been in place since this time and independent positive progress in quality and pace has been reported by Ofsted and our improvement partner Essex County Council. Additional temporary staffing investment of £1.5m was made in the budget for 2018/19 and it is proposed as part of the budget that this investment is made permanent. In addition a further investment of £0.3 million is proposed as we continue to focus the service improvement work on current and future practice. It is proposed that additional investment be made on staffing areas of pressure and transforming the way services are delivered. This will need investment in:

Table 8: 2019/20 Investment spend proposed to improve children's services

	£000
Support to the Family Front Door	53
Recruitment team	97
Adoption Counselling	80
Life story work	65
TOTAL	**295**

Worcestershire Children First

8.10. In March 2018, Cabinet agreed to the development of a wholly owned Council company (Worcestershire Children First) as the chosen delivery model to deliver children's social care. This decision was in direct response to the statutory direction published on 19 September 2017. The programme entered the implementation phase from April 2018 and decisions of Cabinet included that the date of the formal launch is October 2019. The DfE have confirmed the financial support package to help with the development and running costs of the company. As part of the implementation phase, all aspects of the business case have been reviewed in order to finalise the scope and budget required for the successful delivery of Worcestershire Children First. This has resulted in a recommendation to widen the scope of the functions and services transferring to WCF to include broader Children's Services, including Education. There will be a further report to Cabinet in Spring 2019 on the financial decision around scope and transfer of services for the company. At this stage there is a need for some additional ongoing resource to support the direct running and overheads of the Company.

8.11. These additional costs, estimated at £0.6 million in 2019/20, with a further £0.4 million in 2020/21, (i.e. £1 million recurring from 2020/21 per annum) can be attributed to the three main areas outlined below:

- Resources and Business Support Functions within the Company
- Commissioning and Partnership Management Functions within the Council
- Additional non-staffing costs such as IT and Finance that are required for the Company to run effectively (e.g. auditing accounts)

Special Educational Needs and Disabilities (SEND)

8.12. The Local Area was inspected by Ofsted and the Care Quality Commission to review the effectiveness of the arrangements made for children and young people with SEND in May 2018. The Local Area was issued with a notice requiring a written statement of action to address significant weaknesses. The Written Statement of Action ,which is an extensive plan of action to improve outcomes for children and young people with SEND, has been approved and progress is being made on the five work streams identified. It is proposed that the delivery of the Action Plan requires additional staffing requirements and £0.675 million has been built into the MTFP in 2019/20. A successful SEND service will be instrumental in achieving a sustainable recovery plan to manage the pressures on the High Needs pressures being experienced by the Council at present.

Placement budget - Looked After Children Sufficiency/Edge of Care

8.13. Nationally, between 2010 and 2016 there was a 10% increase in looked after children. This national trend continued with further increases in the number of children in care, rising from 60 children per 10,000 in April 2016 to 62 in April 2017. For Worcestershire County Council (WCC), this figure has risen from 60 to 66 in the same period. Our 2018/19 data shows a continued rise, with 73 children in care per 10,000 as at 2 December 2018. This equates to 850 children in care. The financial growth pressure anticipated for 2019/20 is £3.5 million.

8.14. The previous approach to children in care and specifically placement services has been to focus on the highest cost placements i.e. residential care. Cabinet on 18 October 2018 approved a revised approach to take a wider perspective on how Children's Services can best meet our statutory duties and responsibilities to achieve effective long term outcomes for children. Cabinet agreed the development of an Edge of Care Outreach Service to support children to live at home with their families where it is safe to do so. It was also agreed in principle to a revised approach to in house children's homes. A Cabinet member decision is expected on 12 December 2018 to consider the outcome of the consultation process.

8.15. Given the transformation planned is designed to improve further the quality of the service and manage the number and cost of placements, the cost pressure has been split between £4.4 million investment into the base budget for the service; and £1.1 million into an earmarked reserve. Discussions will carry on in 2019 around the delivery and forecast base budget for WCF going forward, however it is assumed the changes will start to have an impact on the base provision required and as such, if required, the additional risk of pressure is seen as short term and will be thus funded from the reserve.

Economy and Infrastructure - £6.3 million decrease in net base budget, including switch to capital

Highways

8.16. The county highways network is a key asset of the Council and our aim is to maintain the condition of our roads and pavements to achieve national top quartile performance by 2022. The ability to attract inward investment for a thriving economy and to ensure residents benefit from well maintained transport networks is vital to the Council's Corporate Plan. Over the last few years the Council has used specific grants, capital and one-off funding such as s106 to support the provision of these services. The services continue to face demand and cost increases due to contract and sector inflation. However, given the overall pressures facing the Council and the injection of new one off Government funding, this has enabled the service to propose some modest savings to contribute to the overall budget challenge.

8.17. In 2018/19 Government awarded the County £6.6 million of one-off in year investment. In addition, in 2019/20 the County will invest £12.2 million of the next tranche of the £37.5 million HIIF. Also the Council has capitalised a large element of highways spend to enable condition of the network to be maintained in order to continue to aim to achieve top quartile performance.

Household waste disposal

8.18. As the number of households in the County increase it is estimated that there will be an increase in the cost of disposal of waste of £0.4 million. This increase relates to growth in households of approximately 1% equating to 4,000 tonnes and growth in demand from residents opting for garden waste collection services offered by District Councils which generates approximately 4,400 tonnes of extra waste for which we are not recompensed.

8.19. It is proposed that this will be funded from earmarked reserves going forward linked to savings realised two years ago from the change in financing of waste disposal. It is estimated this will fund growth pressures for the next five years. Discussions have also begun with District Councils on ways to help cover the extra waste disposal costs of Garden Waste collections in future years.

8.20. It is anticipated that there could be a reduction in the Council's revenue costs associated with the disposal of household waste. A separate paper is going to the same Cabinet as this report to enter into negotiations to explore options. Consideration may be given to ways to reduce the amount of waste disposed of and costs associated with this.

Pay and related costs at £4.1 million cost pressure on the 2019/20 base budget

8.21. It has been assumed that a number of factors will place significant pressures on the Council's pay and pension costs in 2019/20, as follows:

Table 9: Pay inflation 2018/19 and 2019/20

Description	2018/19 Pressure £m	2019/20 Pressure £m
Pay inflation at 2% - Any pay awards are determined nationally between employer representatives and Trade Unions. Current suggestions indicate, whilst not settled, a likely outcome could be an average increase of 2%, with more for lower paid staff. In addition, there are pressures from both the National Living Wage and incremental increases in pay. An allowance has been made for incremental awards.	3.570	4.050

8.22. The pay award as well as increment and pension increases will be funded in the main as part of the budget.

Other pressures

8.23. Increased demand has an impact on 'back office' services through increased costs, for example IT support for new services. In addition, we are starting to see increases in inflation projections. At this stage whilst these pressures have been recognised no provision has been made for the majority of these items to fund these, and as such these areas will have to meet these pressures as well as the overall savings target. Budget monitoring in 2019/20 will maintain a review of this position and any in-year action needed.

Looking forward

8.24. Looking forward the current economic climate makes the prediction of inflation and demand harder given the wider variation of professional views. Projections around adult and child care service demand have been strengthened to reflect better analysis of care data and trends, and higher levels of inflation have been assumed to be prudent. Thus, the investments are considered justified and reasonable.

9. Capital and Schools

9.1. The following paragraphs summarise the changes to the capital programme and the dedicated schools grant (DSG).

Capital

9.2. Cabinet's proposed capital programme for 2019/20 is attached at Appendix 1D, along with the indicative sources of funding available. The programme for 2019/20 proposes a total value of £113 million of works. This maintains a long-term capital programme in the region of £378 million. Although it is noted that a large number of externally funded grants have yet to be identified beyond 2020, in part due to Government funding reviews expected to be announced well after Council considers the 2019/20 budget. As such the figure is likely to significantly increase in later years. The programme is largely built up from Government and other grants received or due to be received. This amount is forecast to be £60 million in 2019/20 (including carried forward from 2018/19). In some cases, grant allocations for 2019/20 are also still to be announced or finalised, particularly for education, so estimates have been used which will need to be adjusted once grant levels are announced. Additionally, other sums may become available during the year from a variety of sources which can be added to the programme during the quarterly reporting of the capital programme in 2019/20.

9.3. In addition to Government grants, additional sums in the form of capital receipts from sales of assets and borrowing are able to be added to the programme. Capital receipts assume a total of £4.9 million in 2019/20 received to fund part of the planned expenditure. This has assumed that all known receipts are achieved and applied to the current capital programme.

9.4. The total programme for 2019/20 requires £113 million funding which includes £46 million from borrowing. Given the financial pressures on the revenue fund, this borrowing assumption in 2019/20 has been assessed as affordable within the current provision for financing.

9.5. The other major driver of borrowing increases is the investment in economy and infrastructure through the Growth Deal support and schemes designed to boost the local economy and communities such as Malvern Hills Science Park, Pershore Northern Link and Kidderminster Town Centre improvement.

9.6. By maintaining a prudent and low borrowing forecast for 2019/20 it has a positive knock on impact to the general fund expenditure as regards the cost of repaying borrowing. The reduction in capital financing budgets planned in 2019/20 will reduce the capital financing budget largely in 2019/20 and 2020/21.

9.7. At the same time as continually challenging the programme, Finance officers have been carrying out treasury management reviews to take opportunities to reprioritise, re-profile and better manage cash over borrowing to fund schemes. The focus is to ensure capital financing costs are squeezed downwards wherever possible. The effect of reprogramming of the capital programme has the impact of pushing the costs into later years, and an estimate of this has been made within the budgeting. This will prevent the Council from borrowing money too early and having to pay unnecessary interest repayments. Work was undertaken to assess the ability to apply more capital receipts from disposal of assets. In addition, officers continue to explore proposals to manage its minimum revenue provision. As a result of all of this work the Council anticipates that this will actually mean the capital programme can be funded within the current budget for our cost of borrowing.

Dedicated Schools Grant

9.8. The Department for Education will issue the Schools Funding Settlement 2019/20 in late December 2018. In July 2018 the DfE issued a provisional Dedicated Schools Grant (DSG) allocation for Worcestershire County Council for three of the DSG blocks - Schools, Central School Services and High Needs of £373.075 million. This is detailed below and includes the effect of Year 2 of the DfE National Funding Formula (NFF) arrangements but is still based upon the October 2017 school census.

9.9. The July 2018 provisional DSG allocation for Worcestershire in 2019/20 for the blocks excluding Early Years is £373.075 million broken down as follows:

Table 10: Gross DSG Blocks, excluding early years (prior to Academy Recoupment)

Blocks	**£m (Provisional allocations)**
Schools Block – currently based on October 2017 school census and to be updated for the October 2018 census	318.952
Central Schools Services Block	3.772
High Needs Block – provisional allocation based on the national funding formula for High Needs (some elements of data still to be updated for October 2018 census data)	50.351
Total	**373.075**

9.10. The current Early Years DSG Block 2018/19 based upon the January 2018 pupil census is £32.425 million is in addition to the above.

9.11. The provisional DSG for 2019/20 using the October 2018 data sets will be available later in December 2018 and will be reported to Cabinet and the Worcestershire Schools Forum (WSF) in January 2019.

9.12. Cabinet in December 2017 approved the Local Schools Funding Formula (LSFF) for Worcestershire mainstream schools (maintained and academies) for 2018/19 and 2019/20 to move as close to the National Funding Formula (NFF) parameters as is affordable. This includes in each year a Minimum Funding Guarantee (MFG) of +0.5% per pupil meaning that all schools will see at least a minimum increase in funding of 0.5% per pupil before any pupil premium is added; a cap of +3.0% per pupil to support the cost of the MFG by limiting the gains for those schools who would receive larger increases in funding through the formulaic changes due to the NFF parameters; and national Minimum Funding Levels (MFLs) for the primary and secondary sectors.

9.13. The Worcestershire Schools Forum (WSF) met on 21 November 2018 and approved as required for 2019/20, under their responsibilities in the School Forum (England) Regulations 2012, the service de-delegations for maintained mainstream schools and centrally retained services for all schools. The WSF is due to meet again on 16 January 2019 to consider the School Funding Settlement 2019/20, the LSFF for mainstream schools and the required submission of the LSFF to the Education and Skills Funding Agency (ESFA) by 21 January 2019.

10. Savings, reform and income proposals

10.1. The Council's proposed budget for 2019/20 includes the need for £20.7 million of proposals after allowing for £2.2 million being withdrawn from earmarked reserves to balance the budget.

10.2. As part of the process of setting the budget, managers have been assessing their expenditure and income forecasts. The savings have then been split between those where officers have authority to take actions within the existing Council Policy Framework and processes termed service decisions (this includes consultation where appropriate with the public and / or Trade Unions and staff); and those where decisions require a change in policy and approval by elected members. At this stage, the decisions for Cabinet or Council have been taken, as set out below.

10.3. All of the proposals are set out within Appendix 1C to this report. There are four corporate targets totalling £6.2 million to be allocated to services for reshaping the Council (£3.0 million); a review of contract spend (£2.5 million); reduced agency (£0.6 million); and £0.1 million from support services that were previously funded from the now ceased Education Support Grant. There is also a reduction in the Council's corporate provision for borrowing repayment (£1.5 million).

10.4. In summary, the savings are broken down as follows:

Table 11: Breakdown of Proposed savings 2019/20

Description	**£ million**
Decisions already taken by cabinet / council, including: closing the Grange (£1.2m); Libraries (£0.245m); and Three Conversation model (£1.8m).	6.225
Service / corporate decisions (per full list at Appendix 1C)	14.492
Total	**20.717**

10.5. The savings proposals have been classified to align to the Corporate Plan and Medium Term Financial Strategy:

Table 12: Split to savings by type 2019-22

MTFS 3 Year Financial Savings Plan	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Efficiencies, including digital and working differently	3,663	-	-	3,663
Reforms, redesign including prevention to avoid costs	8,650	2,845	-	11,495
Income, including commercial and trading opportunities	8,404	3,475	5,810	17,689
Total	20,717	6,320	5,810	32,847

10.6. These savings have been assessed and considered realisable, although there may be some further movement in some as work progresses which means a small element could need to be found from other areas or reserves.

10.7. The proposals are coming from two main sources; pay and non-pay.

10.8. Of the pay savings, every effort will be made to first remove vacant posts and assess the ability to redeploy staff. This both supports employment and reduces any costs of redundancies.

10.9. The Council remains prudent and an element of provision for non-delivery of savings has been provided for in the General Fund Reserves discussed in more detail at Section 12 of this report.

11. Council Tax calculation

11.1. The overall position for 2019/20 reflected in this report is therefore:

Table 13: 2019/20 Council tax provision required

	£m	£m
2018/19 Revised Base Budget ***Plus*** Net demand and inflation (Section 8)	35.605	**324.192**
Additional spending requirements		359.797
Less *Net efficiencies, reforms* & Income *(as set out at Section 10):*		(20.717)
Net movement in other grants - Social Care Grant		(6.500)
Gap / Transfer from Earmarked Reserves		**(2.190)**
Net budget requirement		**330.390**
Financed by		
- Settlement Funding Allocation (paragraphs 7.4 to 7.8) plus adjustments for local share of business rates		(62.550)
- Release from Business Rates Reserve		(1.500)
- Social Care Levy at 1% (paragraphs 7.11 to 7.14)		(2.540)
- Collection Fund Surplus (paragraph 7.20)		(1.500)
Amount to be found from the Collection fund through Council Tax		**(262.300)**

11.2. The Local Government Finance Act 1992 (as amended by the 2003 Act) sets out the powers and duties of the Council in setting the annual Council Tax. The key requirements under Part IV of the 1972 Act are that:

- Council Tax is set at Full Council – Section 33.
- Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year – Sections 32 and 33.
- The level of Council Tax is set before 11th March to enable circulation of Council Tax bills to enable people to pay on and after 1st April- Section 30(6).
- The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25.

11.3. The Government has yet to confirm what the level of Council Tax could be before it triggers a referendum. This is expected at 3% at this stage.

11.4. The original assumptions employed in setting the Medium Term Financial Plan in 2018 were that Council Tax for Worcestershire County Council would be set as follows:

- 2019/20 - 1.94%, plus Adult Social Care Precept at 1%
- 2020/21 - 1.94%
- 2021/22 - 1.94%

11.5. At this stage following the large rise in our costs due to demand and inflationary pressures the Financial Plan has been updated and reflects a further 1.05% increase in 2019/20, 2020/21 and 2021/22to 2.99% for the general council tax rise.

11.6. Overall this still means that Worcestershire is likely to remain in the lowest quartile for Council Tax for comparative county councils without fire responsibility.

11.7. The Council is required to set a Council Tax sufficient to balance the Collection Fund account. Based on the projections at December Worcestershire County Council's Collection Fund is forecast to be balanced. That results in a funding requirement in 2019/20 from Council Tax of £264.840 million.

11.8. The latest estimates from District Councils of the average Band D tax base are 209,589.63 for 2019/20. The County Council's Council Tax Requirement has been identified as £264.840 million (this is inclusive of the social care precept); The Band D Council Tax proposed for 2019/20 is estimated at £1,260.75.

11.9. Across the bandings that equates to the following:

Table 14: Banding analysis for 2019/20 County Council precept

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
840.50	980.58	1,120.67	1,260.75	1,540.92	1,821.08	2,101.25	2,521.50

12. Assessment of reserves

12.1. The Council has had for many years a Strategic Risk Register and developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2018/19, and has formed the platform in preparing the Section 151 Officer's assessment of risk. Appendix 3 of this report summarises the significant financial risks arising from this assessment.

12.2. The total potential reserves required from this assessment is as follows:

Table 15: General fund risk assessment summary

Year ended 31st March	2018 £ million	2019 £ million	2020 £ million	2021 £ million
General Fund Reserve risk assessment – Appendix 3	12.217	12.217	12.217	12.217
Current Projections (see Para 12.6)	12.217	12.217	12.217	12.217
Reserves sufficient	✓	✓	✓	✓

12.3. The Council's General Fund estimated reserve at 31 March 2019 based on the forecast outturn, at Section 3 of this report from the current forecast outturn is circa £12.2 million. This means the General Fund Reserve is in line with the revised recommended level, and future use of these funds is a matter of last recourse given the levels. The reserves are for use where other actions cannot deliver savings or urgent one of needs arise unexpectedly. The Council will seek to manage within resources by proposing alternative savings first rather than drawing on reserves which are only available as a one off and do not address recurring saving needs. The following key assumption have been made in considering the level of reserves:

- Service savings – the risk assessment continues to provide for non-delivery of savings. The risk remains around corporate target risks and this has in part been covered in this allocation against the General Fund as a last resort, but principally would be sought from other savings or earmarked reserves.

- The four-year settlement agreed with MHCLG has to some extent lessened the risk regarding the uncertainty over 2019/20 funding. However, there remains a lack of clarity regarding business rates retention and risk after 2020. As such an element of risk has been included to provide for a shortfall in NNDR funding in the coming and future years.
- Provision has also been made for unexpected demand due to unforeseen events around care or weather.

12.4. Based on the assessment at Appendix 3 there is no opportunity for a further call on general fund reserves in 2019/20, however £2.190 million could be released from ear marked reserves, see further comments at paragraph 12.8.

12.5. The key risk identified this time as noted above are related to transformation programmes, inflation, the uncertainties over future funding streams and the increasing volatility in both demand beyond 2019/20.

12.6. As such the reserves for the following years are estimated / proposed as: 31st March

Table 16: Forecast General fund reserves requirement 2019-22

	2019	2020	2021	2022
	£m	£m	£m	£m
Opening General Fund Reserve	12.217	12.217	12.217	12.217
Contribution to / (from) general fund reserves	0.000	0.000	0.000	0.000
Closing General Fund Reserve	12.217	12.217	12.217	12.217

12.7. Any movements in assumptions in the General Fund Reserve position in 2019/20 will be kept under continual review as part of the budget monitoring process.

12.8. As reported to Cabinet in September 2018 a review of the other existing earmarked reserves has been undertaken and proposed changes in the purpose to align to the Corporate Plan is set out below. This identifies a significant change in usage although not in the reserve total for 2019-22. This also has allowed £2.2 million to be released to help support the balancing of the 2019/20 budget setting process. A full reconciliation from the provision breakdown of earmarked reserves reported in the 2017/18 statement of Accounts, to the proposed new analysis in set out at Appendix 2.

12.9. Guidelines will be set out for the allocation of the £50 million of new Transformation, Digital, Regeneration, Infrastructure and Open for Business Reserves. This will include senior officer and member review of business cases and release upon evidence of factors such as payback through delivery of savings. Members will be kept informed of all movements through regular budget monitoring.

Table 17: Analysis of earmarked reserves 2019-22

	31/03/2019 £	2019/20 Movement £	31/03/2020 £	2020/21 Movement £	31/03/2021 £	2021/22 Movement £	31/03/2022 £
Open for Business							
Revolving Investment Fund	2,699,182	-1,000,000	1,699,182	-1,000,000	699,182	-1,000,000	-300,818
Open for Business	3,900,000		3,900,000		3,900,000		3,900,000
Local Authority Business Growth Initiative	568,422	-200,000	368,422	-200,000	168,422	-168,422	0
Sub Regional	71,790	-35,000	36,790	-36,790	0		0
LEP Reserve	185,501	-50,000	135,501	-50,000	85,501	-50,000	35,501
Growing Places Reserve	3,144,504	-2,679,504	465,000	-465,000	0		0
Regional Improvement and Efficiency Reserve	2,346,467		2,346,467		2,346,467		2,346,467
	12,915,866	**-3,964,504**	**8,951,362**	**-1,751,790**	**7,199,572**	**-1,218,422**	**5,981,150**
Children & Families							
New Worcester Library	36,612	-36,612	0		0		0
Safeguarding		1,100,000	1,100,000		1,100,000		1,100,000
	36,612	**1,063,388**	**1,100,000**	**0**	**1,100,000**	**0**	**1,100,000**
The Environment							
Regeneration and Infrastructure	2,816,996		2,816,996	-570,000	2,246,996		2,246,996
Wildmoor Landfill Deposit	35,356	-35,356	0		0		0
Env Serv Rev Grants	418,845	-418,845	0		0		0
Concessionary Fares	60,507	-20,169	40,338	-20,169	20,169	-20,169	0
Rev Grants Unapplied	46,198	-46198	0		0		0
	3,377,902	**-520,569**	**2,857,333**	**-590,169**	**2,267,164**	**-20,169**	**2,246,995**
Health & Well-Being							
Public Health	5,063,220	-2,000,000	3,063,220	-1,000,000	2,063,220	-1,000,000	1,063,220
	5,063,220	**-2,000,000**	**3,063,220**	**-1,000,000**	**2,063,220**	**-1,000,000**	**1,063,220**
Efficient Council							
Transformation/Change Reserve	3,611,580	-225,000	3,386,580		3,386,580		3,386,580
Digital	3,000,000	-140,000	2,860,000	-140,000	2,720,000		2,720,000
Elections	256,000	109,000	365,000	109,000	474,000	-474,000	0
Property Management	481,606	40,000	521,606	40,000	561,606	40,000	601,606
Insurance	8,074,301		8,074,301		8,074,301		8,074,301
Business Rates Pool	5,525,237	-1,500,000	4,025,237		4,025,237		4,025,237
Coroners Major Inquests	118,000		118,000		118,000		118,000
Councillors Divisional Fund	623,496	-570,000	53,496	570,000	623,496	-570,000	53,496
Fleet Surplus Reserve	309,495	-70,000	239,495		239,495		239,495
Capital Funding	2,036,357	-1,000,000	1,036,357	-1,036,357	0		0
Financial Services Reserve	810,561	-810,561	0		0		0
Financial Risk Reserve	3,503,000	-3,290,000	213,000		213,000		213,000
	28,349,633	**-7,456,561**	**20,893,072**	**-457,357**	**20,435,715**	**-1,004,000**	**19,431,715**
Total	**49,743,234**	**-12,878,246**	**36,864,987**	**-3,799,316**	**33,065,671**	**-3,242,591**	**29,823,080**
Totals Rounded							

12.10. There are also a number of reserves that are not able to be redistributed as below:

Table 18: Analysis of unusable reserves 2019-22

	31/03/2019 £
Other - Unusable	
Schools Balances	7,361,967
Schools ICT-PFI Reserve	568,206
Bromsgrove High Schoool PFI Adv	1,677,493
DSG c/fwd Balance Reserve	0
DSG High Needs Overspend	-2,200,000
Waste Contract PFI Grant	10,035,376
Total	**17,443,042**

12.11. The level of general and earmarked reserves overall are considered to be sufficient to meet potential risks and demonstrate a prudent level.

13. Engagement on proposals

13.1. The Council has clear policies to consult on issues such as specific changes of policy and restructures. At this stage, the Council is reviewing all areas and will ensure that appropriate processes are followed. All savings arising from decisions taken in 2018 relating to 2019/20 have followed these processes, for example changes in Libraries or closure of The Grange.

13.2. The proposals will also be subject to review and scrutiny by a range of stakeholders, including elected members through the scrutiny process, Trade Unions through meetings with them; and Schools Forum consideration of the Dedicated Schools Grant changes.

14. Legal advice

14.1. The Monitoring Officer considers that the proposals fulfil the statutory requirements set out below with regard to setting the amount of Council Tax for the forthcoming year and to set a balanced budget: -

- S30 (6) Local Government Finance Act 1992 (the 1992 Act). This section requires that Council Tax must be set before 11 March, in the financial year preceding that for which it is set.
- S32 the 1992 Act. This section sets out the calculations to be made in determining the budget requirements, including contingencies and financial reserves.
- S33 the 1992 Act. This section requires the Council to set a balanced budget.
- S25 (1) Local Governance Act 2003 (the 2003 Act). The Chief Finance Officer of the Authority must report to it on the following matters: - (a) the robustness of the estimates made for the purposes of the calculations; and (b) the adequacy of the proposed financial reserves.

- S25 (2) the 2003 Act. When the Council is considering calculations under S32, it must have regard to a report of the Chief Finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended)

14.2. These Regulations set out what are to be the respective functions of Council and of the Cabinet. With regard to the setting of the budget and Council Tax for the forthcoming year, Regulations provide that the Leader formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under S32 of the 1992 Act. However, the adoption of any such plan or strategy/calculations is the responsibility of (full) Council.

14.3. This report meets those requirements.

14.4. The legislation that governs local government is changing significantly and the business plan will be kept under review to see if changes are needed as the changes in legislation are made available and clarified.

15. HR advice

15.1. The Head of Human Resources & Organisational Development has been involved in the process surrounding savings in the service areas and with human resource implications arising from the proposals. This has included / will include consultations with the recognised trade unions and relevant employees in relation to the restructuring of services to deliver savings. Where restructuring of services proposes more than 20 redundancies at an establishment a HR1 form for each relevant review has been / will be completed and sent to both the recognised trade unions and the Department for Business, Energy and Industrial Strategy (BEIS) formerly the Department for Business, Innovation and Skills (BIS). In addition a section 188 is issued to the recognised Trade Unions. Savings from service reviews are realised once consultation on each review is completed. There are processes in place to carry out further consistent consultations arising from other service saving proposals over the next 12 months where there are human resource implications.

15.2. The Council has had good negotiation and consultation relationships with the trade unions and has continually negotiated revised terms and conditions, including in 2018. The pay increment was lifted as part of those negotiated terms and has been built into the base budget, and this as well as the pay inflation of c.2% and other associated costs have been included within the base budget assumptions, in line with the national pay negotiations and agreement.

16. Equalities assessment

16.1. The Corporate Plan sets out Worcestershire's approach to strengthening the county and how it will interact with its customers and improve access to services and information. It contains specific investment to support vulnerable adults and children in Worcestershire. The equalities implications of the long-term strategies already approved were considered as part of the development of those strategies.

16.2. In order for the Council to fulfil its legal requirements under the Public-Sector Equality Duty, individual Equality Impact Assessments will be done on the delivery plans for the respective budget decisions at the stage when plans for implementation are drawn up. These will be made available to all elected members during the decision-making process so that the full equality implications of proposals are understood, inform final decisions and due regard is paid to the Equality Duty.

17. Risk assessment

17.1. The financial risk assessment that supports the 2019/20 budget is discussed at Appendix 3. Services have considered risk in developing the proposals for investment and savings shown in the financial plan and these will be reflected in their usual risk management arrangements.

17.2. The changes that have been made by the Government since May 2010 are significant, and further changes to the public sector are expected over the next few years. During 2019/20, we will need to consider whether further changes are needed to our structures and arrangements once the full details of legislative changes have been disclosed by the Government.

17.3. There is a risk that budget proposals will impact on delivery of the Council's Corporate Plan, but this will be monitored and appropriate action taken.

18. Financial Implications

18.1. In accordance with Section 25 of the Local Government Act 2003 and CIPFA Code of Practice, this section of the report sets out the Section 151 Officer's assessment of the major areas of risk in the 2019/20 base budgets / Medium Term Financial Plan, and recommended budget options. It is presented in order to provide elected members with assurances about the robustness of assumptions made, and to assist them in discharging their governance and monitoring roles during the forthcoming year.

18.2. Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.

18.3. Section 25 of the Act also covers budget monitoring and this is a procedure which also helps to confirm the robustness of budgets. Current financial performance is taken into account in assessing the possible impact of existing pressures on the new year budgets. It also provides early indications of potential problems in managing the current year budget so that appropriate action may be taken. Members are asked to note therefore that the balanced budget forecast, has been included in our risk based assessment for balances. Budget monitoring is reinforced through close financial support to managers and services. These processes and controls will continue to be built upon for 2019/20, to maintain tight financial control.

18.4. In assessing the assumptions in the setting of the 2019/20 Council Tax, chief officers have provided details of their service responsibilities and aims, together with explanations of current pressures and other issues. These narratives were set alongside each Director and Head of Service's base budget calculations to put the figures in context and to help inform the formulation of this budget and the Council Corporate Plan. My assessment of all this information, following the risk assessment set out, is that the budget calculations are fair and robust, and reserves are adequate to reflect known circumstances.

Assumptions around the base budget

18.5. The financial assumptions are set out in detail in Section 8. These take account of key factors such as demographic and inflation rates of change.

19. Conclusions

19.1. The Council's Corporate Plan, supported by its Financial Plan 2018-22 and the budget for 2019/20 sets a clear direction for the coming years, and the budget proposals within that are robust. The council is assessed as financially viable with sound and strong financial standing.

Supporting Information

Appendices:-

Appendix 1A – Financial Plan Update 2019-22

Appendix 1B – Service Budget summary

Appendix 1C – Summary of savings, reforms and income proposals

Appendix 1D – Capital Programme

Appendix 2 - Earmarked Reserves Reconciliation

Appendix 3- General Fund Reserve's assessment

Appendix 4 - Glossary of terms

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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 1A

Financial Plan Update 2019/20 to 2021/22

MTFP - Subjective Summary

	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Funding				
Council Tax	264,840	275,498	287,095	827,434
Collection Fund Surplus	1,500	500	500	2,500
Business Rates Reserve Release	1,500	0	0	1,500
Business Rates Retention Scheme	62,550	63,750	64,961	191,261
	330,390	**339,748**	**352,556**	**1,022,695**
Expenditure				
Base budget	324,192	330,390	349,929	1,004,511
Change in Specific Grants	-6,500	3,500	0	-3,000
Rebase Budgets	11,222	2,190	0	13,412
Pay inflation	4,050	3,000	3,000	10,050
Contract inflation	5,330	4,646	6,429	16,405
Growth - Demand	11,808	12,416	8,295	32,519
Growth - Investment	3,195	0	3,000	6,195
Growth - Pressures	0	0	2,500	2,500
	353,297	356,142	373,153	1,082,592
Savings	-20,717	-6,213	-3,205	-30,135
Net Expenditure Budgets	**332,580**	**349,929**	**369,948**	**1,052,457**
Savings Gap	0	10,181	17,392	27,572
Financial Risk Reserve **1*	2,190			2,190
Funding requirement	**330,390**	**339,748**	**352,556**	**1,022,695**

****1 - To fund gap from the Financial Risk Reserve if no further proposals or funding is identified.***

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Appendix 1B

Dir.	Service	2018/19 Net Budget	Change In Specific Grants	Rebase / Virement	2019/20 Pay Inflation	2019/20 Contract Inflation	2019/20 Growth (Demand)	2019/20 Growth (Investment)	2019/20 Growth (Pressure)	2019/20 saving new	2019/20 saving existing	2019/20 Net Budget
CFC	**CHILDREN'S SERVICES BUDGETS**											
CFC	CSC Safeguarding Locality Teams	10,482						1,500				11,982
CFC	CSC Through Care Locality based Hubs	3,338										3,338
CFC	CSC Family Front Door	3,717						53				3,770
CFC	CSC Targeted Family Support	1,544										1,544
CFC	CSC Safeguarding and Quality Assurance	1,739										1,739
CFC	CSC Placements & Provision	43,616		500		102	2,457	145		(19)	(26)	46,775
CFC	Worcestershire Safeguarding Children Board	138										138
CFC	Education & Skills	4,336					675				(70)	4,941
CFC	Home to School & College Transport	13,692					745					14,437
CFC	Early Help & Partnerships	4,697		140						(75)		4,762
CFC	WCC Contribution to West Mercia Youth Offending Service	552										552
CFC	Finance & Resources	3,006						97			(50)	3,053
CFC	Alternative Delivery Model	0					552					552
CFC	Strategic Libraries and Learning(Including The Hive)	4,185									(245)	3,940
CFC	Support for the Arts	122		(110)								12
CFC	Joint Museum Service	372										372
CFC	WCC Museum	222										222
CFC	Countryside Greenspace and Gypsies	603									(100)	503
CFC	Non-Assigned Items	0		105	1,417					(59)		1,463
CFC	**Children's Services (Excl DSG)**	**96,361**	**0**	**635**	**1,417**	**102**	**4,429**	**1,795**	**0**	**(153)**	**(491)**	**104,095**
E&I	Strategic Infrastructure & Economy	6,046		(221)			0	0		(565)		5,260
E&I	Highways Contracts,Street Lighting, Winter Service and Projects	8,065		(142)								7,923
E&I	Waste Services	30,460					0			(3,000)		27,460
E&I	Operations, Highways and PROW	7,783		(1,777)						(500)		5,506
E&I	Transport Operations	11,080		(160)						0		10,920
E&I	Business, Administration & Systems	110										110
E&I	Non-Assigned Items	0		(200)	604	780				(1,126)		58
E&I	**E&I**	**63,544**	**0**	**(2,500)**	**604**	**780**	**0**	**0**	**0**	**(5,191)**	**0**	**57,237**

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Appendix 1B

Dir.	Service	2018/19 Net Budget	Change In Specific Grants	Rebase / Virement	2019/20 Pay Inflation	2019/20 Contract Inflation	2019/20 Growth (Demand)	2019/20 Growth (Investment)	2019/20 Growth (Pressure)	2019/20 saving new	2019/20 saving existing	2019/20 Net Budget
COACH	Legal and Democratic Services	4,149					131					4,280
COACH	Commercial Team	2,451		(143)								2,308
COACH	Property Services	4,383		480				200				5,063
COACH	HR	3,358		(125)								3,233
COACH	Service Transformation (Customer Servs,ICT)	5,853								(188)		5,665
COACH	Content and Communications	751		(23)								728
COACH	COACH - Management	299										299
COACH	Directorate Recharges	(13,197)										(13,197)
COACH	Non-Assigned Items	0			565	466				(23)		1,008
COACH	**COACH**	**8,047**	**0**	**189**	**565**	**466**	**131**	**200**	**0**	**(211)**	**0**	**9,387**
CEX	Chief Executive	532			13	(4)						541
CEX	**Chief Executive**	**532**	**0**	**0**	**13**	**(4)**	**0**	**0**	**0**	**0**	**0**	**541**
DAS	Older People	63,541		1,850	480	1,640	720			(280)	(1,251)	66,700
DAS	Physical Disabilities	11,524		535	5	540	2,160				0	14,764
DAS	Learning Disabilities	55,476		6,991	361	1,960	3,520				(781)	67,527
DAS	Mental Health	9,678		245	114	340	810				(4)	11,183
DAS	Support Services	(15)		(325)								(340)
DAS	Integrated Commissioning Unit	859		(507)	56		38				(53)	393
DAS	BCF (excluding Health)	451		1,066	121						(5)	1,633
DAS	IBCF	(11,124)		79								(11,045)
DAS	Non-Assigned Items	(4,994)	(4,500)	2,858		(500)		200		(700)	(3,640)	(11,276)
DAS	**DAS**	**125,396**	**(4,500)**	**12,792**	**1,137**	**3,980**	**7,248**	**200**	**0**	**(980)**	**(5,734)**	**139,539**
PH	Public Health	(831)		931						(3)		97
PH	**Public Health**	**(831)**	**0**	**931**	**0**	**0**	**0**	**0**	**0**	**(3)**	**0**	**97**

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Appendix 1B

Dir.	Service	2018/19 Net Budget	Change In Specific Grants	Rebase / Virement	2019/20 Pay Inflation	2019/20 Contract Inflation	2019/20 Growth (Demand)	2019/20 Growth (Investment)	2019/20 Growth (Pressure)	2019/20 saving new	2019/20 saving existing	2019/20 Net Budget
FIN	Financial Services	496		(125)	100					(254)		217
FIN	Financing Transactions (Borrowing and Investments)	15,393								(1,500)		13,893
FIN	MRP	10,782										10,782
FIN	Contributions and Precepts (Environment Agency Levy)	245				6						251
FIN	Pension Fund Backfunding Liabilities	5,767			214							5,981
FIN	Miscellaneous Whole Organisation Services (banking, ext audit, RIF income, hardship funds)	346										346
FIN	New Homes Bonus Grant Income	(2,636)										(2,636)
FIN	Public Health - Use of Grant	0	(2,000)									(2,000)
FIN	Whole Organisation - **Contingency**	750										750
FIN	**Finance / Corporate Items**	**31,143**	**(2,000)**	**(125)**	**314**	**6**	**0**	**0**	**0**	**(1,754)**	**0**	**27,584**
	Non-Assigned Items											
ALL	Strategic Initiatives							1,000				1,000
ALL	Whole Council Organisation Design (WCOD) and Total Reward Review									(3,000)		(3,000)
ALL	Tail Spend - non contract procurement savings			**(500)**								(500)
ALL	Contracting Savings									(2,500)		(2,500)
ALL	Review of former Education Services Grant									(100)		(100)
ALL	Agency Forced Absence, Staff Leave Purchase Scheme, Matrix Contract Review			**(200)**						(600)		(800)
ALL	**Non-Assigned Items**	**0**	**0**	**(700)**	**0**	**0**	**0**	**1,000**	**0**	**(6,200)**	**0**	**(5,900)**
TOTAL		**324,192**	**(6,500)**	**11,222**	**4,050**	**5,330**	**11,808**	**3,195**	**0**	**(14,492)**	**(6,225)**	**332,580**
											Use of Reserves	-2,190
											Net Budget	330,390
											Forecast Funding 2019/20	330,390
											Difference	0

Summary of new savings, reforms and Income proposals for consultation

Appendix 1C

Ref	Description	2019/20 £000	Type of proposal	Responsible Officer post
Corporate				
Corp1	**Organisation Redesign and reshaping for the future** Given the ongoing financial pressures facing local government there is a need to think about the long term shape, size and role of the Council; as well as how we work with our partners. The goal is to reshape the Council to avoid annual reductions in staff, and instead that we have a multi-year workforce strategy and plan that ensures we are an employer of choice with a strong workforce that fits within our financial envelope, can work effectively and efficiently with our partners and communities, and defined career development paths including apprenticeships. This will also include how we work alongside Worcestershire Children First, our wholly owned Council company, to secure the best outcomes for children and families. To this end we are embarking on a full review of all services, engaging partners and assessing our total reward. We anticipate that this will be completed by late Summer 2019. We will consult on proposals, including any redundancies and will start to implement this then in the Autumn 2019. As such there will only be part year savings and further savings are anticipated from this review in the following years. The programme will be closely monitored and supported as appropriate with external resources funded from transformation reserves. An element of provision for slippage has been provided for in the risk assessment of the reserves.	3,000	Reform	Chief Executive

Ref	Description	2019/20 £000	Type of proposal	Responsible Officer post
Corporate, continued				
Corp2	**Commercial Saving Opportunities** This is in addition to the £0.5 million expected to be delivered in 18/19. The Council currently spends over £200 million each year on buying goods and supplies from revenue funds. We are currently undertaking reviews of our contracts, and processes for buying and monitoring spend against contract. It is planned that the Council will adopt a more effective approach to Category Management in order to manage the Council-wide spend profile to maximise market opportunities and will work closely with Commissioners, ensuring the achievement of best value for services provided. The proposal is that we will move to a more focused Centralised Buying Team that will concentrate on non-contracted and tail spend control to deliver savings on high volume low value procurement. This is alongside the ongoing development of the commissioning approach and closer integration between commissioners and commercial team to underpin category management. As such a target has been set for 2019/20 to extract value from contracts and reduce base budgets due to renegotiated contracts, buying better and as appropriate less. This programme will be managed and monitored by the Transformation Board. Where appropriate saving realisation schedules will be set out ahead of each review and the relevant base budget reduced to measure and reflect the achievement so that delivery against the target can be reported to the Board and to councillors on a regular basis. A provision for slippage has been set aside in the reserves risk assessment.	2,500	Efficiency	Director of Commercial & Commissioning working with Strategic & Wider Leadership Team

Ref	Description	2019/20 £000	Type of proposal	Responsible Officer post
Corporate, continued				
Corp3	**Agency and Matrix Contract Review** A full review of agency spend and contract management is to be undertaken to reduce costs and secure savings from using grant monies for seconded staff or by reducing staffing budgets by vacancy management as appropriate. This will include managing down agency placements as appropriate. We will also review how we contract for agency staffing and how we check and challenge the scope and rates paid. Agency Staff will also be expected to take a set number of days leave in line with our own staff to reduce costs.	600	Efficiency	Head of HR & OD
Corp4	**Review of former Education Services Grant (ESG)** The ESG was withdrawn last year, and the Council took the decision to continue funding by reprioritising revenue for the services the ESG previously supported. A review is underway and where the expenditure relates to support services, such as property and IT this is being challenged and reduced.	100	Reform	Director Commercial & Commissioning

Commercial, Corporate and Finance				
C&C1	**ICT Managed Services - DXC Insourcing increase** ICT service desk and other ICT services were insourced on 1st October 2018. Following the insourcing of this service from DXC, a re-assessment of the potential savings has been undertaken. The original savings plan was for £250k to be delivered on an annual basis. However a review of this has identified the opportunity to deliver an additional recurring saving measures in 2019/20 and future years of £50,000, bringing the annual saving to a total of £300k without any adverse impact on service delivery.	50	Efficiency	IT and Digital Manager
C&C2	**Commercial and Change Service Restructure** A review of structures and job design to identify inefficiencies and potential duplication with other service areas. This will follow the Council's process of engagement and consultation with staff and Trade Unions and will thus be subject to further review. At this stage it is anticipated that the efficiencies will not impact on the Council's policy or a significant proportion of our communities services. If this were to be the case then a further report on proposals would be presented to Cabinet for consultation and further scrutiny	138	Reform	Director of Commercial & Commissioning
Commercial, Corporate and Finance, continued				
Fin1	**Finance Service Restructure**	250	Reform	Chief Financial

	A review of structures and job design to identify inefficiencies and potential duplication with other service areas. This will follow the Council's process of engagement and consultation with staff and Trade Unions and will thus be subject to further review. At this stage it is anticipated that the efficiencies will not impact on the Council's policy or a significant proportion of our communities services. If this were to be the case then a further report on proposals would be presented to Cabinet for consultation and further scrutiny			Officer
Fin2	**Insurance contracts** Review of tenders for provision of service, including levels of excess and risk.	115	Efficiency	Chief Financial Officer
Fin3	**Debt restructuring** We continue to review our internal cash management, need for borrowing and opportunities around this. Looking at the current commitments and facts we estimate that the budget is over provided and as such we can release £1.5m from this budget. We will need to review this on an annual basis	1,500	Income	Chief Financial Officer
Adult Social Care				
DAS1	**Minor adaptations funding** The County Council retains a statutory duty to provide minor adaptations for work under £1,000. This is currently carried out	280	Income	Director of Adult Social Care

	through a contract with the Home Improvement Agency, and that contract expires 30th September 2019. Therefore the service needs to be provided, but the level and choice of provider needs to be assessed in line with the contract timetable. The Council receives a Disabled Facilities Grant (DFG) from Government which is then passported to District Councils. Discussions with Districts suggest that there are economies of scale and efficiencies from improved joint working. Therefore this contract will be reviewed with a view to secure efficiencies in practice and funding allocations. Districts have agreed to fund minor adaptions in 19/20 with a review in September 2019.			
DAS2	**Health commissioning and contracts** A full review is being undertaken of the section 75 Partnership agreement with the Health and Care Trust to ensure greater efficiency in deliver and greater control over social care expenditure.	250	Income	Director of Adult Social Care
Adult Social Care, continued				
DAS3	**Review Current Charging Mechanisms, Policies and Procedures** The ASC 2018/19 budget is dependent upon the recovery of £23.9m of client contributions, £6.4m relates to "fairer charging".	450	Income	Chief Financial Officer

	This proposal will introduce a fundamental review of all areas of account receivable and payable in order to maximise income, manage debt better and re-enforce contractual billing and payment terms. Move to better electronic automated payment methods to reduce debt and manual processing time.			
Children, Families & Communities				
CFC1	**Commissioning Service Redesign** A review of structures and job design to identify opportunities for integration and organise the staffing to resource current and future commissioning responsibilities, avoiding potential duplication with other service areas. This will follow the Council's process of engagement and consultation with staff and Trade Unions and will thus be subject to further review. At this stage it is anticipated that the efficiencies will not impact on the Council's policy or a significant proportion of our communities services. If this were to be the case then a further report on proposals would be presented to Cabinet for consultation and further scrutiny.	75	Reform	Interim Assistant Director – Early Help and Commissioning
Children, Families & Communities, continued				
CFC2	**Housing Support Contracts Review** Review of the housing support contracts provided for young people (including those under 18 and care leavers) and young/vulnerable families. The Council contracts with 5 providers for housing support for young people (including those under 18 and care leavers) and	19	Income	Interim Assistant Director – Early Help and Commissioning

	young/vulnerable families. The contracts are scheduled to end in March 2020 – this proposal would mean the early re-commissioning of the support and some changes to the way in which the provision is targeted. Recommissioning the provision of housing support early provides the opportunity to release savings during 2019/20 and for future contract years, based on a detailed analysis of need to ensure the services are effectively targeted, and the co-design of a system that supports emergency and short term accommodation for young people/families and care leavers and independent living support (for care leavers with complex needs) in an integrated way.			
Economy & Infrastructure				
E&I1	**E&I Proposed Redesign** A review of structures and job design to identify inefficiencies and potential duplication with other service areas. This will follow the Council's process of engagement and consultation with staff and Trade Unions and will thus be subject to further review. At this stage it is anticipated that the efficiencies will not impact on the Council's policy or a significant proportion of our communities services. If this were to be the case then a further report on proposals would be presented to Cabinet for consultation and further scrutiny.	1,100	Reform	Director of Economy & Infrastructure

E&I2	**Waste Management** Reduction in the County Council's revenue costs associated with the disposal of household waste.	3,000 (net)	Efficiency	Strategic Commissioner – Major Projects
E&I3	**Highways Maintenance – Service Specification Changes** Review the Highways Maintenance Service Contract with a view to making savings within the areas of Road Markings (£200k) and reactive defect repairs, e.g. ironwork and kerbing (£300k), without compromising core safety or safety critical defects to the highway network	500	Efficiency	Highways Operations and Public Right of Way Manager
E&I4	**Archives** To review all aspects of the service to bring in efficiencies, this will include looking at new ways of working including identifying new partners. This will also include a full review of all fees and charges and a complete staffing and management review.	405	Reform	Head of Strategic Infrastructure and Economy
Economy & Infrastructure, continued				
E&I5	**County Enterprises** County Enterprises is currently working to a programme plan, which is being monitored by the Advisory Board, and is dedicated to supporting the service to be sustainable. Based on this plan County Enterprises will generate efficiencies of £70k in 2019/20 and a further £30k in 2020/21 when the service is expected to be completely self-sustaining. As a result the Council is planning to reduce its subsidy to match County Enterprises business expectations.	70	Efficiency	Head of Strategic Infrastructure and Economy
E&I6	**Development Control (Highways)**	90	Income	Head of

	Worcestershire County Council as highway authority has the power to adopt additions to and new highway if requested to do so by the third party developer or promotor. This process is subject to technical engineering approval, the inspection of the works during construction and the completion of an appropriate maintenance period. In return WCC have the power to charge an appropriate fee to cover the resource cost associated with the activity. The proposal is that the activity of the development management engineering function can be fully recovered from third party income from 2019/20 onwards. This action will save £90,000 per annum and ensure the service is fully cost neutral.			Strategic Infrastructure and Economy
	Sub Total – New Proposals to be included in the Councils 2019/20 budget consultation	**14,492**		

2019/20 Saving reforms already set out the Council's Budget Plans or Cabinet Papers

Savings / Reforms already in the Council's budget plans:		£000	Type of proposal	Responsible Officer post
Children's Families and Communities				
CFC3	**Income Generation** Review of income generation opportunities across the directorate.	100	Income	Assistant Director: Families, Communities and Partnerships
CFC4	**Libraries and Learning** Transformation of library service delivery models which puts emphasis on	245	Reform	Assistant Director:

	engaging local communities, implementing new technologies and service delivery models. There is currently a public consultation exercise on the future of the library service taking place which closes in early February 2019. Proposals will be considered by Cabinet in Spring 2019.			Families, Communities and Partnerships
CFC5	**Staffing savings** Ensuring there is the most effective staffing structure in place to integrate work flow and contract efficiencies	50	Efficiency	Interim Assistant Director for Early Help and Commissioning
CFC6	**Education and Skills** Review of internal and contracted services	70	Efficiency	Interim Assistant Director Education & Skills
Savings / Reforms already in the Council's budget plans:		**£000**	**Type of proposal**	**Responsible Officer post**
Children's Families and Communities, continued				
CFC7	**Adoption** Adoption Services moved to new model of delivery by transferring to the Adoption Central England (ACE) Regional Adoption Agency in Feb 2018. This, combined with the reorganisation of the services and associated staff that are out of scope for the transfer has delivered savings.	26	Efficiency	Assistant Director Social Work Safeguarding Services
Adult Social Care				
DAS4	**The Grange, Kidderminster** Close 'The Grange' Kidderminster - short-term recovery and rehabilitation, transferring services to other facilities	1,230	Efficiency	Assistant Director of Adult Services

DAS5	**Extra Care** Extra Care housing provides a cost efficient way of supporting people to remain independent	140	Efficiency	Assistant Director of Adult Services
DAS6	**Learning Disabilities Day Services** Review In House Day Services, including re-design of non-statutory 12 week preventative service and alignment with Area Social Work teams.	772	Reform	Assistant Director of Adult Services
DAS7	**Supported Living** Supported living services promote personal independence and well-being and avoid costly residential care home costs	300	Efficiency	Strategic Commissioner, Adults & Health
Savings / Reforms already in the Council's budget plans:		**£000**	**Type of proposal**	**Responsible Officer post**
Adult Social Care, continued				
DAS8	**Continuing Health Care** Continuing Health Care funding is available to some individuals who have a nursing rather than social care need – the project aims to ensure that individuals who are entitled to CHC receive services through health funding streams	500	Reform	Assistant Director of Adult Services
DAS9	**Three Conversation Model** Roll out of 3 conversation model, strengths based approach	1,830	Reform	Assistant Director of Adult Services

DAS10	**Technology Enabled Care** The service is now working with individuals who would benefit from assistive technology such as voice activated kit. This enables independent living and saves money through potential reduction on care visits required and enabling higher acuity service users to remain more independent in lower acuity residential care settings.	235	Reform	Assistant Director of Adult Services
DAS11	**Care Packages Review** Reviews of current care packages - increasing independence	380	Efficiency	Assistant Director of Adult Services
DAS12	**Advocacy** Work with neighbouring councils for a joint service and/or contract which delivers efficiencies for all partners	50	Income	Strategic Commissioner, Adults & Health
Savings / Reforms already in the Council's budget plans:		**£000**	**Type of proposal**	**Responsible Officer post**
Adult Social Care, continued				
DAS13	**External Provider Training – Full Cost Recovery** Apply full cost recovery in fees to Adult Social Care providers in relation to any training provided by Worcestershire CC.	90	Income	Assistant Director of Adult Services
DAS14	**Benefits Income** In partnership with DWP/Voluntary sector partners support people to maximise their entitlement to benefits; to help promote health and wellbeing whilst aiding independent living. This will increase the amount that people can contribute to their care.	165	Income	Assistant Director of Adult Services

DAS15	**Insurance** Contracting savings through optimising risk/excess cover.	42	Efficiency	Insurance Manager
	Sub Total	**6,225**		

Future years 2020/21 and 2021/22

Ref	Description	2020/21 £000	2021/22 £000
Corporate:			
Partnership			
Ptr1	Assess other areas of co-production which provide an opportunity to work differently and secure efficiency. Options include areas such as: collaborative strategies and policies (for example around Council Tax and debt); Waste management; Charging; Grant awards; Regulatory services; data analytics; digital solutions. This assessment should also cover co-production of service solutions for prevention particularly related to care costs. This work will be taken forward through Leaders and Chief Executives.	500	1,000
Reform			
R1	**Organisation Redesign and reshaping for the future** As noted in the 2019/20 corporate proposals (Corp1) the Council is embarking on a complete review of its shape and design. Whilst the work will be completed in 2019 and begin to be implemented in that year, there will be full year and future year timings of these proposals.	2,845	
Income / Commercial			
Com1	**Commercial Saving Opportunities** As noted in the 2019/20 corporate proposals (Corp2) the Council is undertaking a full review of all its non-pay spend. This will cover a four year period and thus further savings are expected in later years.	1,000	1,000
Com2	**Trading opportunities** The Council is seeking to review and update its Commercial Strategy and examine further ways to increase income and trading opportunities. At this stage a target allocation has been set and will be monitored and assessed for deliverability over the next 12 months.	750	1,500

Ref	Description	2020/21 £000	2021/22 £000
Income / Commercial, continued			
Com3	**Arts** The Council is looking to make the Arts Service self-sufficient within two years by working in partnership with Severn Arts to deliver arts across the County.		110
Com4	**Scientific Services** To review the Scientific Services function (phase two) and reduce the operation of this unit. The unit provides public analyst and scientific facilities to the County Council and the District Councils of Worcestershire, along with a number of other local authorities across England, housing associations and commercial customers. From a statutory perspective the County Council is only required to appoint a Public Analyst (who need not be directly employed). An indicative framework arrangement would be circa £50k p.a. and it is assumed that the Council would still charge out this service and generate the £50k income needed to offset this contract cost.	125	
Com5	**Transport Review** We have started a detailed review of the authorities overall spend on transport across the County, including bus subsidy, homes to school travel and concessionary travel. We plan to undertake this review during the next 12 months to bring forward proposals to ensure our overall spend achieves sustainable transport provision for those that need to use public transport for essential shopping, to travel to school or college, for work or to avoid social isolation. The review will be complete in time to bring forward any proposals for change in time for 2020/21. At this stage we have set a target for a saving overall to reflect the opportunity to achieve efficiencies from assessing our overall considerable transport spend. We will engage stakeholders in that review and bring forward a separate Cabinet paper on any proposals.	800	

Ref	Description	2020/21 £000	2021/22 £000
Income / Commercial, continued			
Com6	**On Street Parking and enforcement** Review parking across the County to explore and extend ways to generate income. This will include extending on street charging for the existing Limited Waiting bays in town centres to increase the time motorists can park, with an indicative minimum 30 minute free period and charges thereafter. The review will consider the needs of the local users and businesses, and work will be carried out with District Councils.	300	2,200
	Totals	**6,320**	**5,810**

Appendix 1D

Capital Programme

TOTAL EXPENDITURE	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
CHILDREN AND FAMILIES	31,160	10,283	3,416		44,859
OPEN FOR BUSINESS	9,090	5,807	1,396	750	17,043
THE ENVIRONMENT	94,879	83,977	81,209	10,000	270,065
HEALTH & WELL-BEING	8,306	2,733	508		11,547
EFFICIENCY & TRANSFORMATION	5,043	10,050	9,900	9,000	33,993
TOTAL	**148,478**	**112,850**	**96,429**	**19,750**	**377,507**

TOTAL FUNDING	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
TEMPORARY AND LONG TERM BORROWING	56,070	45,562	25,337	14,750	141,719
CAPITAL RECEIPTS	15,722	4,903	10,624	5,000	36,249
GOVERNMENT GRANTS	67,461	59,650	54,311		181,422
CAPITAL RESERVE	2,067				2,067
THIRD PARTY CONTRIBUTIONS	5,358	2,735	6,157		14,250
REVENUE BUDGETS	1,800				1,800
TOTAL	**148,478**	**112,850**	**96,429**	**19,750**	**377,507**

Children and Families	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
- Somers Park Primary School Expansion	712				712
- The Chantry High School Expansion	1,493				1,493
- Nunnery Wood High School Expansion	1,621				1,621
- Christopher Whitehead High School Expansion	120				120
- Tudor Grange School Expansion	485				485
- Rushwick Primary School Expansion	139				139
- Redhill Primary School Expansion	1,752				1,752
- Bengeworth 1st	157				157
- Social Care Projects	1,314				1,314
- Social Care Projects 17/18	2,961	500			3,461
- Redditch S.77 Projects	109				109
- Evesham St Andrews	162				162
- Leigh and Bransford	138				138
- Holyoaks Field 1st School	2,721	3,179			5,900
- Worcester Library and History Centre (Non - PFI capital costs)	307				307
- Redditch Library	440				440
- Kidderminster Library	196				196
- Capitalised Transformation Costs	494	530	216		1,240
- Capitalisation of Revenue Costs	300				300
- Flexible use of Capital Receipts	500				500
- Major Schemes - Residual	324				324
- Capital Maintenance	6,038	307			6,345
- Basic Need	6,416	5,667	3,100		15,183
- School Managed Schemes (Inc. Universal Infant School meals and Devolved Formula Capital)	1,694				1,694
- EFA Extension of Provision (Early Years)	259				259
- Libraries Minor Works	166	100	100		366
- Composite Sums - Residual	142				142
TOTAL	**31,160**	**10,283**	**3,416**		**44,859**

Open for Business	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
- Open For business		1,000	1,250	750	3,000
- New Starts	673				673
- Boiler on Prescription	53				53
- The Kiln	195				195
- QinetiQ Land Purchase	4,180				4,180
- Worcestershire Growth Fund	141				141
- Worcester Technology Park	9				9
- Malvern Hills Science Park Scheme	830				830
- Local Broadband Plan Phase 1	1,050	2,115	146		3,311
- Local Broadband Plan Phase 3	1,308	2,692			4,000
- Investment Initiatives to Support Business and /or Green Technology	651				651
TOTAL	**9,090**	**5,807**	**1,396**	**750**	**17,043**

The Environment	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
Local Transport Plan:					
- Structural Carriageway/Bridgeworks	24,059	19,036	20,336		63,431
- Integrated Transport	1,608	2,376	2,405		6,389
Major Schemes:					
- Regeneration		7,470	9,528	6,000	22,998
- Worcestershire Intelligent Transport Systems	220				220
- A4440 WSLR Phase 4	8,475	22,422	29,231		60,128
- A38 Bromsgrove	1,028	750	5,750		7,528
- Kidderminster Churchfields	232	2,500	2,611		5,343
- Pershore Northern Infrastructure (including up to £5.1m from HIIF)	1,582	3,503	6,220		11,305
- HIIF Projects	750	750	671		2,171
- Capital Skills Programme	1,805	1,982	222		4,009
- Southern Link Dualling Phase 3	9,600	5,189			14,789
- Southern Link Dualling Phase 3 - Broomhall Way Footbridge	500	3,000			3,500
- Worcester Parkway Regional Interchange	16,861				16,861
- Kidderminster Rail Station Enhancement	3,437	1,070			4,507
- Green Deal Communities	470				470
- Eastham Bridge	126				126
- Pavement Improvement Programme	4,510				4,510
- Cutting Congestion Programme	5,290	6,303			11,593
- Kidderminster Town Centre Phase 2	649	1,253			1,902
- Droitwich High Street	68				68
- Redditch Town Centre	85				85
- Worcester City Centre	1,233				1,233
- Tenbury Public Realm	30				30
- Malvern Public Realm	12				12
- Highway Flood Mitigation Measures	3,346	750	750		4,846
- Worcester Transport Strategy	1,201				1,201
- Hoobrook Link Road - Pinch Points	298				298
- Public Rights of Way	150				150
- A4440Toucan to W6	197				197
- ERDF Capital Projects	2,074	1,035	455		3,564
- Highways Capital Maintenance Costs	1,000	1,000	1,000	3,000	6,000
- Capitalisation of staff costs	500	500	500	500	2,000
- Highways Strategic Investment Fund		750	750	500	2,000
- Completion of Residual Schemes	183				183
- Vehicle Replacement Programme	908	480	480		1,868
- Street Column Replacement Programme	2,392	1,658	100		4,150
- Highways Minor Works		200	200		400
TOTAL	**94,879**	**83,977**	**81,209**	**10,000**	**270,065**

Health and Well-Being	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
Major Schemes:					
- Capital Investment in Community Capacity/ Specialised Housing	3,112	980			4,092
- Investment in New Technologies in Care	1,967				1,967
- Care Act Capital	165				165
- ICES equipment purchase	440				440
- Social Care Case Management System Replacement	1,000	1,000			2,000
- Capitalised Transformation Costs	397	403	408		1,208
- Capital funding utilisation	250	250			500
- A&CS Minor Works	186	100	100		386
- Social Care Performance IT Enhancement	789				789
TOTAL	**8,306**	**2,733**	**508**		**11,547**

Efficiency and Transformation	LATEST FORECAST 2018/19 £000	LATEST FORECAST 2019/20 £000	LATEST FORECAST 2020/21 £000	LATEST FORECAST 2021/22 and Beyond £000	LATEST FORECAST TOTAL £000
Major Schemes:					
- Digital Strategy	1,129	3,000	3,000	3,000	10,129
- Repair and Maintenance of a Longer Term Benefit (And BUoP)	2,005	900	900		3,805
- Energy Efficiency - Spend to Save	848				848
- Stourport Library/ Coroners Relocation to Civic Centre	18				18
- Capitalised Transformation Costs	483	5,000	5,000	5,000	15,483
- Revenue Maintenance Costs	100	100			200
- Property, IT and Facilities Management	350	1,050	1,000	1,000	3,400
- Completion of Residual Schemes	110				110
TOTAL	**5,043**	**10,050**	**9,900**	**9,000**	**33,993**

Appendix 2

Earmarked Reserves Reconciliation

A) The table below lists the forecast earmarked reserves for 31/3/2019. It indicates £49.743m of usable earmarked reserves and £17.443m that are ring-fenced.

	Opening Bal £	Closing Bal £
Commercial and Commissioning / Chief Ex / Finance		
Chief Executive Earmarked Reserve	49,348	49,348
Corporate Services	49,244	0
Council Elections	147,000	256,000
Wildwood Sinking Fund	441,606	481,606
Programme Management Corporate Reserve	39,435	0
LAA General	113,935	83,935
RIEP CSR07	2,346,467	2,346,467
New Homes Bonus Res	5,666,207	5,666,207
Future Fit Transform	4,078,380	1,633,271
Revolving Investment Fund	6,996,476	6,537,476
Future Capital Investment	2,036,357	2,036,357
WCC Fire Insurance Fund	1,786,705	1,386,705
Schools' Self Insurance	1,715,575	1,715,575
Financial Systems Development	389,690	289,690
Cllrs Divisional Fund	1,193,496	623,496
WCC Redundancies	493,433	362,767
HR Restructuring	568,637	343,637
Children's, Families and Communities		
Specific Reserve	25,062	0
Children's Change Management Reserve	941,840	0
Children's Revenue grants unapplied	1,991,029	0
Apprenticeship Res	132,050	0
Music Service Reserve	533,853	0
Community Services Termination	-246	0
Schools Library Service Reserve	3,377	0
Joint Museum Service Reserve	99,350	0
Rev Grants Unapplied	46,198	46,198

	Opening Bal	Closing Bal
	£	£
LABGI	568,422	568,422
Sub Regional	271,790	71,790
Open for Business	909,706	61,706
Loans Fund Legacy Fund Account	78,118	0
Growing Places Res	3,276,504	3,144,504
Wildmoor Landfill Deposit	35,356	35,356
Environmental Services Reserve	-7,894	0
Regulatory Services Revenue Grant	150,789	150,789
Environmental Services Revenue Grant	418,845	418,845
Fleet Surplus Reserve	361,495	309,495
Concessionary Fares	60,507	60,507
LEP Reserve	160,501	185,501
Adult Services and Health		
Public Health Grant Reserve	5,763,220	5,063,220
Well Connected Res	0	0
Social Impact Bond	569,301	569,301
Sub total	**56,799,827**	**49,743,234**
Other		
Schools Balances	9,361,967	7,361,967
Schools ICT-PFI Reserve	568,206	568,206
Bromsgrove High School PFI	1,677,493	1,677,493
DSG carry forward Balance Reserve	5,231,775	0
DSG High Needs Overspend	0	-2,200,000
Waste Contract PFI Grant	10,377,376	10,035,376
Sub total	27,216,817	**17,443,042**
Total	**84,016,644**	**67,186,276**

B) The following table redistributes the £49.743m for revised purposes, alighted to corporate priorities. It also provides an estimate as to their use for future years

	31/03/2019 £	2019/20 Movement £	31/03/2020 £	2020/21 Movement £	31/03/2021 £	2021/22 Movement £	31/03/2022 £
Open for Business							
Revolving Investment Fund	2,699,182	-1,000,000	1,699,182	-1,000,000	699,182	-1,000,000	-300,818
Open for Business	3,900,000		3,900,000		3,900,000		3,900,000
Local Authority Business Growth Initiative	568,422	-200,000	368,422	-200,000	168,422	-168,422	0
Sub Regional	71,790	-35,000	36,790	-36,790	0		0
LEP Reserve	185,501	-50,000	135,501	-50,000	85,501	-50,000	35,501
Growing Places Reserve	3,144,504	-2,679,504	465,000	-465,000	0		0
Regional Improvement and Efficiency Reserve	2,346,467		2,346,467		2,346,467		2,346,467
	12,915,866	**-3,964,504**	**8,951,362**	**-1,751,790**	**7,199,572**	**-1,218,422**	**5,981,150**
Children & Families							
New Worcester Library	36,612	-36,612	0		0		0
Safeguarding		1,100,000	1,100,000		1,100,000		1,100,000
	36,612	**1,063,388**	**1,100,000**	**0**	**1,100,000**	**0**	**1,100,000**
The Environment							
Regeneration and Infrastructure	2,816,996		2,816,996	-570,000	2,246,996		2,246,996
Wildmoor Landfill Deposit	35,356	-35,356	0		0		0
Environmental Services Revenue Grants	418,845	-418,845	0		0		0
Concessionary Fares	60,507	-20,169	40,338	-20,169	20,169	-20,169	0
Rev Grants Unapplied	46,198	-46198	0		0		0
	3,377,902	**-520,569**	**2,857,333**	**-590,169**	**2,267,164**	**-20,169**	**2,246,995**

	31/03/2019 £	2019/20 Movement £	31/03/2020 £	2020/21 Movement £	31/03/2021 £	2021/22 Movement £	31/03/2022 £
Health & Well-Being							
Public Health	5,063,220	-2,000,000	3,063,220	-1,000,000	2,063,220	-1,000,000	1,063,220
	5,063,220	**-2,000,000**	**3,063,220**	**-1,000,000**	**2,063,220**	**-1,000,000**	**1,063,220**
Efficient Council							
Transformation/Change Reserve	3,611,580	-225,000	3,386,580		3,386,580		3,386,580
Digital	3,000,000	-140,000	2,860,000	-140,000	2,720,000		2,720,000
Elections	256,000	109,000	365,000	109,000	474,000	-474,000	0
Property Management	481,606	40,000	521,606	40,000	561,606	40000	601,606
Insurance	8,074,301		8,074,301		8,074,301		8,074,301
Business Rates Pool	5,525,237	-1,500,000	4,025,237		4,025,237		4,025,237
Coroners Major Inquests	118,000		118,000		118,000		118,000
Councillors Divisional Fund	623,496	-570,000	53,496	570,000	623,496	-570,000	53,496
Fleet Surplus Reserve	309,495	-70,000	239,495		239,495		239,495
Capital Funding	2,036,357	-1,000,000	1,036,357	-1,036,357	0		0
Financial Services Reserve	810,561	-810,561	0		0		0
Financial Risk Reserve	3,503,000	-3,290,000	213,000		213,000		213,000
	28,349,633	**-7,456,561**	**20,893,072**	**-457,357**	**20,435,715**	**-1,004,000**	**19,431,715**
Total	**49,743,234**	**-12,878,246**	**36,864,987**	**-3,799,316**	**33,065,671**	**-3,242,591**	**29,823,080**

Totals Rounded

Appendix 3

General Fund Reserves Assessment

Chief Financial Officer's Statement on the Robustness of the Budget and the Adequacy of General Balances and Reserves

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
1. Future available funding less than assumed.	Possible	High	The Government has committed to review the method used to allocate local councils funding from 2020. Discussions have been ongoing for 5 years now and there is a likelihood that County Councils may gain. At this stage though there is too much uncertainty over both the main grant (SFA) and ring fenced grants such as New Homes Bonus and Better Care Fund. If the grants were removed that could make the Council's funding worse off by more than £30m, that is not expected. As such a change of +/- £3m is estimated at this stage. This can only be mitigated in part through lobbying so the residual risk remains high in 2020/21.	0	3,000	0

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
2. Volatility of Business Rates funding given uncertainty around impact of appeals	Possible	Low	The volatility of this funding stream is outside of Council control however the impact is mitigated by the establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning. As such the impact is mitigated to low in later years.	0	500	500
3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Low	The awards are negotiated nationally, and there is a potential risk of increases being greater than the current provision of c.2%. However, the last few years have shown that the agreed level is similar to the December position between the national employers and Trade Unions. Future year increases remain at similar levels which remain in line with inflation forecasts. As such the risk is viewed as low impact.	500	500	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
4. Anticipated savings/ efficiencies not achieved	Possible	High to Medium	Regular monitoring and reporting takes place but the size of the proposals increases the likelihood of this risk. Due diligence of proposals and scrutiny focuses on early assessment to mitigate this risk, but there can always be slippage in the timing of delivery. Therefore non-achievement of savings would require compensating reductions in planned spending within services. A provision has also been set aside in Earmarked reserves. As such any call on the general fund reserves will be last resort and previous years track record of scrutiny and delivery provides some assurance that this risk can be managed but remains a medium risk.	3,000	1,000	1,000

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
5. Revenue implications of capital programmes not fully anticipated	Unlikely	Low	Any overrun or additionality to the Capital Programme without grant or receipt funding will lead to pressure on the council's revenue borrowing costs in the following year. This risk is mitigated by a capital bid approval framework that identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning means this risk can be identified early and mitigated. The increasingly commercial nature of investment opportunities means that the Council engages the appropriate advisors to assist with undertaking the required due diligence to fully understand the potential financial implications and risks.	0	0	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
6. Income targets not achieved, including council tax	Possible	low	The current economic climate is likely to impact on resident and businesses income however the key sources and types of charging are council tax, business rates and adult charges. Regular monitoring and reporting takes place at district and county levels. A full review of adult fees and charges is undertaken on a regular basis and a bad debts provision is in place. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process.	500	500	500
7. Budget monitoring not effective	Unlikely	High	Regular monitoring and reporting is in line with the corporate timetable and framework. Action plans are developed to address areas of overspend with regular reports to Scrutiny and Cabinet. The council has had a recent track record of delivering budget with use of earmarked reserves. The use of earmarked reserves has been commented on by external audit and is reducing with greater confidence in budget delivery. As such this risk is being mitigated and any call on the general fund should be from unforeseen events identified in budget monitoring.	0	0	0

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
8. Loss of principal deposit	Unlikely	Low	The Council places significant sums on deposit to secure investment income. The risk of loss of investments due to market failures is managed by the controls in the Treasury Management Strategy which prioritise security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions.	0	0	0
9. Interest rates lower than expected	Unlikely	Low	The Council's income earnt from interest has been significantly reduced in later years and prudent projections based on continued lower levels of rates. The risk is thus low and is regularly reviewed, monitored and reported on interest rates. As such the risk of unforeseen impacts is considered managed at this stage.	0	0	0
10. Unforeseen demand in Children's care	Possible	Medium	The level of demand can never be accurately predicted due to the nature of the services provided. The Council through its budget setting has sought to redirect resources to meet trend and forecast data. In addition, the Council has set aside £1.1 million in earmarked reserves to fund any increase above projections. As such the use of general fund would be for urgent placements that cannot be foreseen.	750	750	750

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
11. Unforeseen demand in Adult care	Possible	Medium	The level of demand can never be accurately predicted due to the nature of the services provided. The Council through its budget setting has sought to redirect resources to meet trend and forecast data. However trend data is based on historic external factors such as weather. With changes in these external factors there is a need for urgent placements and care packages to be funded in in unforeseen / unusual periods.	1,500	1,500	1,500
12. Poor winter weather conditions leading to unforeseen costs in highways and other services that are not covered by the national Bellwin scheme	Possible	Medium	The Council has significantly invested in flooding and other emergency events. The Government also provides emergency funding through its Bellwin scheme; however, events could always happen and the Council needs a provision that it knows it can call upon in an emergency that will not constrain immediate response reaction due to financial constraints	800	800	800

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
13. Other costs rise by more than inflationary assumptions	Unlikely	Low to Medium	There is always a risk that inflation could vary. At this stage treasury management advice suggests a stable increase to be dropping off in the later end of the year and 2019. However, the impact of leaving the European Union gives to greater unpredictability after 2019 and hence there is a greater provision in 2020-22	0	1,000	2,000
14. Insufficient insurance liability cover	Unlikely	Low	The Council has insurance cover up to set levels, as well as elements of self-insurance. Risks of events are proactively managed through safety checks for example. This provision is a contingency if an unexpected event arises outside of weather related that does give rise to any higher provision than is already set aside. However, it is expected the Council will work to mitigate claims and liability and this amount is thus felt to be a lower level of risk and value.	500	500	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
15. Breaches of legislation around health and safety or data protection.	Possible	Low	Changes to legislation around Health & Safety and data protection have led to high value penalties set against organisations. Worcestershire County Council has dedicated teams and roles set to monitor and manage this risk, however there could always be cases and as such a provision has been made equally across all future years.	500	500	500
16. Commercial venture risk	Unlikely	Low	The Council has a number of commercial ventures such as Place Partnership Ltd, and is creating a new company Worcestershire Children First. As such there is a risk that in future years there could be risks of loss or additional costs, and whilst there will always be best endeavours be managed this risk within the company there is a need to make provision in future years for this to ensure the financial sustainability of any ventures.	500	500	500

Risk	Likelihood	Impact	Risk Mitigation	Residual Risk Provision		
				2019/20 £000	2020/21 £000	2021/22 £000
17. Contingency for other unforeseen events and any unplanned year end overspend	Possible	High to Medium	Whilst specific risks have been identified the list is not exhaustive and there may always be other factors giving rise to financial pressures. The Council will through budget monitoring and management look to manage these effectively as has been the case previous years, however if it cannot and the matter is unforeseen then the reserves will be used as a matter of last recourse. The sum provided for is greater in earlier years due to the fact that events could materialise in these years not foreseen, whereas the risks in later years are at this stage more specific. As more specific risks such as business rates are known they may reduce and this level increase for those years as delivery approaches.	3,000	1,000	500
			TOTAL	**11,550**	**12,050**	**10,050**

Appendix 4

Glossary of terms

SFA	**Settlement Funding Assessment**	The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant and is part of the Council's funding.
RSG	**Revenue Support Grant**	Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. For Worcestershire County Council this grant was reduced to zero from 2019/20.
DSG	**Dedicated Schools Grant**	The grant is paid in support of the local authority's schools budget. It is the main source of income for the schools budget. Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.
NNDR	**National Non Domestic Rates**	Also referred to as business rates. In Worcestershire, NNDR is collected by District Councils and 50% of this money is retained by the County Council, District Councils and the Hereford and Worcester Fire and Rescue Authority as part of their funding. The remaining 50% is returned to Central Government for redistribution elsewhere across local government.
MTFS	**Medium Term Financial Strategy**	The Strategy that sets out the future ways in which the Council will manage its finances, considering pressures, funding and available resources.
MTFP	**Medium Term Financial Plan**	The Financial Model covering the next three years based on assumptions within the MTFS

Glossary of terms, continued

GFR	**General Fund Reserve**	Reserves held for non-specific purposes, to manage risks as / if they arise during the year.
EMR	**Earmarked Reserve**	Reserves held for specific purposes.
CPI	**Consumer Price Index**	Measures changes in the price level of market basket of consumer goods and services purchased by households.
RPI	**Retail Price Index**	A measure of inflation published monthly by the Office for National Statistics. It measures the changes in the cost of a representative sample of retail goods and services.
SEND	**Special Educational Needs & Disabilities**	A focused service on helping a child or young person in learning where that individual has a disability or special educational needs, for example dyslexia or physical ability, that requires additional support.
DAS	**Directorate of Adult Services**	Directorate of the Council providing services such as care for the elderly, adults with disabilities, mental health and integration with health partners
CFC	**Children, Families and Communities Directorate**	Directorate of the Council providing services such as care placements, education, SEND, libraries and arts.
E&I	**Economy and Infrastructure Directorate**	Directorate of the Council providing services such as highways, waste and transport.
COACH	**Commercial and Change Directorate**	Directorate of the Council providing services such as human resources, legal and procurement.
LEP	**Local Enterprise Partnership**	Partnership between local authorities and businesses set up by the then Department for Business, Innovation and Skills in 2011 to help determine local economic priorities and lead economic growth and job creation in the County.
LGF	**Local Growth Fund**	Growth deals provide funds to LEPs for projects that benefit the local area and economy.
BCF and iBCF	**Better Care Fund and Improved Better Care Fund**	A programme spanning both the NHS and local government which seeks to join up health and care services, so that people can manage their own health and well-being, and live independently in their communities for as long as possible and avoid delayed transfers of care (DTOCs).
PFI	**Private Finance Initiative**	A way of creating 'public – private partnerships where private firms are contracted to fund, complete and manage public projects, predominantly building related.