

CABINET
14 MARCH 2018**RESOURCES REPORT – REVENUE AND CAPITAL BUDGET
MONITORING TO PERIOD 10 (MONTH ENDING 31 JANUARY
2019)**

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendations

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses his conclusions concerning revenue budget monitoring up to 31 January 2019;**
 - (b) **notes the current progress regarding savings plans and additional management actions to reduce expenditure;**
 - (c) **notes that the Council is forecasting an overspend of £2.9 million after management action, but risks within this forecast remain;**
 - (d) **endorses his conclusions concerning capital budget monitoring up to 31 January 2019;**
 - (e) **endorses his conclusions regarding the treasury management update report;**
 - (f) **notes that the Council has responded to the Government's consultations on the Fair Funding Review and Business Rates Retention Reform with details at paragraphs 81 to 85;**
 - (g) **notes that funding approval was announced in January 2019 to support works to reduce congestion on the A38 at Bromsgrove from Highways England which totals £2.68 million; and**
 - (h) **recommends Council approves an increase to the Financial Services revenue budget cash limits to reflect the use of £0.175 million grant funding over 2018/19 and 2019/20 from MHCLG to support additional costs that may arise because of Brexit, noting that Central Government have indicated this is not the only funding it may allocate to Local Government for this purpose.**

Introduction

2. This report details the 2018/19 outturn forecast for the Council's £324 million net revenue budget as at Period 10 31 January 2019 and progress to date on the savings and reforms programme.

3. The report identifies that the Council is forecasting an overspend of £2.9 million after management action, but there remains a risk that this could rise to £6.2 million at the end of the financial year due to the underlying cost pressures around Children's Social Care Placements and Dedicated Schools Grant High Needs Block.

4. Cabinet is asked in this report to endorse the conclusions on the treasury management activity during the year, specifically concerning long-term borrowing and investments.

5. A recommendation is also being made for Council to approve use of a new grant from Central Government.

Summary Revenue Budget Monitoring 2018/19 Forecast at Period 10 (31 January 2019)

6. The County Council has a net budget of £324 million that was set by Full Council in February 2018.

7. This report covers the forecast financial position for the budget at the end of Period 10 (31 January 2019).

8. The overall outturn forecast, as set out in Table 1 below, is for a net overspend of £6.2 million at the end of 2018/19. This includes a net £10.9 million forecast overspend on services. The majority of the services forecast overspend arises on Adult Services which totals £13 million, with a £1.7 million overspend reported on Children, Families and Communities services.

9. Whilst the net overspend forecast has fallen by £0.2 million since last month, there have been significant underlying changes in the forecast. These include a £0.4 million increase in the overspend forecast for Children's placements offset partly by a number of actions, and an underlying £1.4 million increase in the overspend for Dedicated Schools Grand High Needs Block offset by receipt of a £1.2 million grant income.

10. The causes of forecast variations are summarised in the following section at paragraphs 20 to 41, and variances by individual service area greater than £0.25 million are set out in more detail in Appendix 2.

11. Part of the projected overspend relates to non-delivery of some of the 2018/19 saving targets set by Council in February 2018, and the January 2019 Cabinet Budget Report included revisions to the programme and consequential updates to the Medium Term Financial Plan.

12. At the same time as facing in-year pressures the Council has also sought to deliver its original savings plan and it is forecast that £25.9 million will be achieved this year, with a further £1.9 million classed as amber and £1.7 million as red. More detail is set out in the following sections and in detail at paragraphs 42 to 46, with details also set out of the RAG status for each proposal at Appendices 6 and 7.

13. The service overspend forecast (£10.9 million) can be partly offset by a £4.7 million underspend for finance/corporate items, this is projected based on:

- A one off saving of £3.6 million on Financing Transactions from deferring the need to take planned external borrowing

- A one off saving of £0.5 million following a risk review of fire insurance liabilities and reducing carrying balance in the insurance earmarked reserve
- A one off saving of £0.625 million by withholding expenditure from the £0.750 million corporate contingency.

Table 1: Summary Outturn Forecast as at Period 10 2018/19

P10 - 2018/19 SLT Revenue Budget Monitoring Forecast by Service												
Service	2018/19 Net Budget	Gross Forecast	Less Budgeted Grants	Less Budgeted Reserve Mvts	Variance Before One-Offs	Less - Capitalisation	Less - Use of Grants	Transfer to / (from) Reserves	Variance After Adjustments	Variance After Adjs	Variance Last Period	Change Since Last Period
	£000	£000	£000	£000	£000	£000	£000	£000	£000	%	£000	£000
Dedicated Schools Grant (DSG)	0	9,015	0	0	9,015	0	(1,232)	(7,783)	0	-	0	0
Children, Families and Communities (Excl DSG)	96,361	115,656	(15,071)	(1,623)	2,601	(449)	(400)	(62)	1,690	1.8%	1,615	75
Economy & Infrastructure	63,544	73,298	(6,102)	(5,476)	(1,824)	(1,560)	0	(52)	(3,436)	-5.4%	(3,469)	33
Commercial and Commissioning	8,049	8,304	(189)	(188)	(122)	0	0	(228)	(350)	-4.3%	0	(350)
Chief Executive	531	531	0	0	0	0	0	0	0	0.0%	0	0
Adult Services	125,396	174,001	(30,420)	0	18,185	(1,290)	(3,875)	0	13,020	10.4%	13,020	0
Public Health	(831)	27,606	(28,437)	0	0	0	0	0	0	0.0%	0	0
Total : Services (Excl DSG)	293,050	399,396	(80,219)	(7,287)	18,840	(3,299)	(4,275)	(342)	10,924	3.7%	11,166	(242)
Finance / Corporate Items	31,142	22,827	(2,636)	0	(10,951)	(155)	0	6,381	(4,725)	-15.2%	(4,725)	0
Funding - Transfer From Reserves	0	0	0	0	0	0	0	0	0	-	0	0
Total (Excl DSG)	324,192	422,223	(82,855)	(7,287)	7,889	(3,454)	(4,275)	6,039	6,199	1.9%	6,441	(242)
Total - Funding	(324,192)	(324,192)	0	0	0	0	0	0	0	0.0%	0	0
Grand Total - Services and Funding (Excl DSG)	(0)	98,031	(82,855)	(7,287)	7,889	(3,454)	(4,275)	6,039	6,199		6,441	(242)
Dedicated Schools Grant (DSG)	0	9,015	0	0	9,015	0	(1,232)	(7,783)	0		0	0
Total	(0)	107,046	(82,855)	(7,287)	16,904	(3,454)	(5,507)	(1,744)	6,199	1.9%	6,441	(242)

14. To mitigate the forecast overspend, a range of alternative actions and savings have been implemented during the year, and these continue to be progressed:

- Review specific grant income to maximise where this money can be used to fund existing base budget expenditure whilst remaining within the grant conditions
- Review Better Care Fund and Improved Better Care Fund agreements and allocations between the County Council and Health
- Stop, or defer for a period, discretionary expenditure/projects; including tightening controls over spending such as removal of procurement cards and reducing the number of staff who are approved to commit monies
- Increase Fees and Charges mid-year where we can
- Implement a vacancy management process to delay recruitment whilst we review non-critical or change dependent areas or other staffing measures. This will seek where appropriate to remove vacant posts permanently to give rise to recurring savings.

15. In September 2018, senior leadership identified £12.7 million of additional reform proposals that are being worked through and progressively included in the forecast when appropriate due diligence has been completed.

16. If fully implemented these could, as shown in Table 2, reduce the services overspend forecast to £2.6 million. This is a best-case scenario and assumes there are no further spending pressures arising over the remainder of the financial year.

Table 2: Period 10 Forecast Overspend before and after management savings

	£m
Services Overspend Forecast Period 10 before actions	15.8
Less New Savings Included at Period 10	(4.9)
Sub Total	10.9
Less New 18/19 Savings not in Period 10	(3.6)
Sub Total Services Overspend	7.3
Less Corporate Savings	(4.7)
Net Overspend Forecast	2.6

17. It must be recognised that despite extensive and continued focus on driving down expenditure, this remains a difficult task for the Council to achieve in the timeframe needed and it is more probable that the forecast overspend will be around £2.9 million by the end of the financial year.

18. Any remaining overspend for 2018/19 could be funded by drawing down resources from Earmarked Reserves. As our external auditors (Grant Thornton) identified in their value for money opinion the Council must look closely at its use of reserves to secure financial sustainability. A factor that is being raised on a national level. As such the focus is to identify savings that will reduce any need to draw further from these reserves, and on recurring proposals as opposed to one-off savings.

19. There are a number of significant cost pressures arising across services at Period 10. Whilst these have been provided to Cabinet previously this year, their updated position is outlined below in more detail.

Children, Families and Communities – Forecast £1.7 million overspend

20. The Directorate is forecast to overspend its £96.4 million budget by £1.7 million at the end of the financial year. This is a net increase of £0.4 million since last month.

21. The forecast overspend includes £2.4 million relating to children's social care placements, a £0.4 million increase since last month. The current forecast is based on an estimated new demand and the assumption that savings can be achieved. A number of actions are being taken forward to bring the projected overspend down, including a panel review of top up payments and the development of the edge of care service. However, it should be noted that there is a risk that the overspend could increase.

22. The overspend for Home to School Transport is forecast to be £0.4 million, a £0.1 million reduction since last month.

23. The pressure on the Dedicated Schools Grant (DSG) continues and is currently projected to overspend by £9.1 million, an increase of £1.4 million since last month. A significant risk remains that the overspend position will increase further due to further claims for funding from special schools and mainstream schools. Special schools are completing data returns which are currently being reviewed by the commissioning and SEND teams but there is a risk that this will result in further funding being needed.

24. At the start of the year there was £5.1 million held in DSG reserves, although this was not all earmarked for high needs activity.

25. On 17 December 2018 the Department for Education (DfE) issued an update to Local Authorities (LAs) for their DSG allocations for 2018/19. This included confirmation of the County Council's share of a national £250 million one-off allocation from the DfE over 2018/19 and 2019/20 into the High Needs DSG in order to support all local authorities in managing their High Needs budget pressures. For Worcestershire this will be £1.232 million in 2018/19 and will support the projected overspend, with a similar amount in 2019/20.

26. The Worcestershire Schools Forum is establishing a DSG High Needs Recovery Task and Finish Group to consider how the expenditure on High Needs provision can be contained within the High Needs DSG allocation.

Adult Services – Forecast £13 million overspend

27. The Adult Social Care budget is forecast to overspend its £125.4 million net budget by £13.0 million with no change in this forecast for the last three months. This overspend has arisen due to a combination of:

- Accumulated transformation targets which are no longer felt to be achievable in 2018/19. The base budget for the service included total savings to be achieved in 2018/19 of £14.9 million, including savings carried forward from 2017/18, and an additional adjustment of £4.2 million to reflect opportunities to maximise the benefit of specific grant income (e.g. Better Care Fund). Following a detailed review, £3.2 million of this programme has been identified as undeliverable with a further £5.1 million re-profiled to later years. The current forecast now reflects anticipated delivery of £6.1 million savings in 2018/19, thus placing a significant pressure on 2018/19.
- The Directorate used reserves and one-off grants in previous years to mitigate overspends and demand pressures, however all of these were fully utilised in 2017/18.

28. The causes of variations by specific services arising from changes in saving profiles and demand pressures are as follows:

- Key pressure in Learning Disabilities Residential and Nursing which equates to a forecast £4.8 million overspend. This is mainly due to a delay in achieving savings targets during 2018/19, staffing pressures and changes in client numbers
- Learning Disabilities Supported Living is forecast to overspend by £2.0 million, which is due to client pressures
- Older People Residential and Nursing overspend of £1.2 million due to increased client number.
- Older People Home Care overspend of £0.6 million, this is due to non-achievement of savings
- Mental Health Residential, Nursing and Supported Living are forecast to overspend by £1 million due to an increase in client numbers.

29. The above pressures have partly been mitigated in part by:

- Support Services and the Integrated Commissioning Unit are forecasting a combined underspend of £2.5 million due to a number of vacancies that are currently being held within the teams and the application of grants.

Public Health – *Forecast to break even*

30. The Public Health Service manages a c.£30 million specific grant and a core County Council budget of £0.1 million and is forecast to break even at this stage.

31. During 2018/19 the service has continued to review existing contracts in order to maximise effective use of the Public Health Ring Fenced Grant with savings of £1.04 million forecast to be achieved in line with the budget. This has allowed the service to increase investment in grant eligible services within other Council functions including Trading Standards and Family Support (Children's). In total around £5.6 million of the Public Health specific grant is being invested directly in eligible functions that sit in other services of the Council, in addition to the wider benefit to the Council through the ongoing commissioning of preventative public health services.

32. The Council currently holds earmarked reserves for Public Health totalling £5.76 million for which there are plans for a significant reduction over the next 3 years to manage the overall reduction in the grant payment smoothly.

Economy and Infrastructure – *Forecast £3.4 million underspend as a result of management action*

33. It is forecast that at the end of the financial year 2018/19 the Economy and Infrastructure Directorate will underspend its £63.5 million budget by £3.4 million.

34. This reduction in forecast spend follows a review of the costs within Waste Services which is now forecast to underspend this year by c.£1 million. As at the end of December there were around £2.7 million outstanding financial contractual accruals. Draft reconciliation work forecasts that £0.8 million of these accruals can be released and £1.9 million needs to be retained for forecasted potential contractual commitments. The balance of savings of £0.2 million is related to net reduced tonnage throughput especially in relation to the Energy from Waste plant.

35. There has been significant management action undertaken to reduce the Period 4 forecast overspend of £0.5 million. This is mainly as a result of further capitalisation of highways works and associated staff time.

Commercial and Commissioning – *Forecast £0.4 million underspend*

36. It is forecast that at the end of the financial year 2018/19 the Commercial and Change (COaCH) Directorate will underspend by £0.4 million. The forecast for the previous month was a break-even position compared with its £8 million budget.

37. The budget for Property Services is forecast to overspend by £0.4 million, with £0.15 million relating to savings targets not forecast to be achieved, and £0.35 million on property maintenance costs, which has been offset by a £0.1 million reduction relating to project feasibility costs.

38. The budget for Systems and Customer Access was reduced by £0.25 million following the decision to commence the insourcing of the DxC contract. This activity was delayed to take account of more realistic and achievable timescales, thereby putting the achievement of this budget reduction at risk of non-delivery this financial year. The service has now been insourced and the savings will be realised in full next year.

39. A review of Human Resources financial commitments has resulted in a £0.1 million underspend forecast for the Apprenticeship Levy. This and several other management actions including reviewing cost for the Research & Communications team and commercial services teams has contributed to the overall service forecast underspend.

Finance/Corporate Items – Forecast £4.7 million underspend

40. The Financial Services budget includes corporate items such as Debt Interest.

The £31.5 million budget for Finance/Corporate Items is forecast to underspend in total by £4.7 million as follows:-

- £3.6 million underspend - Financing Transactions Borrowing Costs. An initial forecast for the deferment of borrowing on the assumption that cash balances are maintained across the County Council and that there is no forecast for rises in borrowing interest rates
- £0.5 million underspend – Insurance. Following a financial risk review, the Fire Insurance Earmarked Reserve can be reduced by £0.5 million to around £1 million. The Council's maximum financial exposure in any one year under existing insurance policies is £0.5 million
- £0.625 million underspend - Corporate Contingency. A £750k corporate contingency is maintained for 2018/19, against which spending allocations of £125k have been approved. The balance is uncommitted and therefore it is proposed that this contingency will not be used for new spending but will be reported as an underspend to address the current forecast overspend elsewhere across the Council's services.

41. Details of variations for each Directorate are included in Appendices 1 to 4.

Savings Update

42. The transformation savings target for 2018/19 is £37.4 million. This comprises £31.6 million that was originally planned for 2018/19 and £5.8 million of projects carried forward from previous financial years.

43. The November 2018 Cabinet Report DAS 'Forward Look at Adult Services' ([Link](#)) refreshed the savings that are achievable for this and future years.

44. Compared with the revised target, Table 3 below shows that £18.2 million has been achieved, £7.7 million more is forecast to be achieved before the end of the financial year, and around £3.6 million is categorised as being at Amber or Red risk. Any remaining unachievable savings targets have been addressed as part of the Medium Term Financial Plan update and the December 2018 Cabinet budget report.

45. Given the Council's limited usable and unspent Earmarked Reserves, discussed later in this report, this forecast position with regard to savings being supplemented by use of reserves is unsustainable. This has been addressed going forward as part of the agreed 2019/20 Budget.

The following table shows the current savings programme summary.

Table 3: Summary RAG Assessment at Period 10 of the 2018/19 Savings

	18/19	18/19	18/19	18/19	18/19
Directorate	Total £000	Delivered £000	On Target £000	Amber £000	Red £000
DAS	6,995	5,405	910	485	195
PH	1,040	0	0	1,040	0
CFC	1,222	910	58	4	250
E&I	8,600	600	6,700	300	1,000
COACH	1,100	700	50	75	275
Finance	1,575	1,575	0	0	0
Accounting Adj	9,000	9,000	0	0	0
Total	29,532	18,190	7,718	1,904	1,720
% of Revised Target	100.0%	61.6%	26.1%	6.4%	5.8%

2,047 Savings not achievable in year

31,579 Budgeted Savings

5,853 Savings not achieved from previous years

46. The full programme with RAG status for each project is included at Appendices 6 and 7. In addition, Appendix 8 sets out the delivery of the additional savings targets approved by Cabinet in September 2018 to address the forecast overspend at Period 4. At this stage £9.1 million (72%) of the £12.7 million target has been delivered.

Corporate Income – Council Tax, Business Rates, Revenue Support Grant

47. The Council's overall budget is funded by a number of corporate income streams, the forecast being shown in Table 4. Corporate income is forecast to achieve the budget and it not expected to change during the year.

Table 4: Summary of outturn forecast for Corporate Income 2018/19

P10 - 2018/19 SLT Revenue Budget Monitoring Forecast by Service				
Service	2018/19 Net Budget	Gross Forecast	Variance After Adjustments	Variance After Adjs
	£000	£000	£000	%
Revenue Support Grant	(9,436)	(9,436)	0	0.0%
Business Rates Retention Scheme	(61,136)	(61,136)	0	0.0%
Council Tax Income	(251,536)	(251,536)	0	0.0%
Collection Fund (Surplus) / Deficit	(2,084)	(2,084)	0	0.0%
Total - Funding	(324,192)	(324,192)	0	0.0%

General Balances

48. The County Council's General Balances are a contingency sum available to pay for unforeseen or exceptional circumstances. External auditors often refer to the level of general balances when considering an organisation's financial health.

49. Worcestershire's General Fund Balance stand at £12.2 million, or 3.8% of net expenditure. There is no defined minimum balance. It is the responsibility of the Section 151 Officer to advise the Council of that level based on an assessment of risk. This was reported in February 2019 as part of the Cabinet 2019/20 Budget and Medium Term Financial Plan Update 2019-22 report ([Link](#)).

50. Given the County Council's drawdown of Earmarked Reserves in recent financial years it is important to ensure that General Fund Balances are maintained at least at the current level to support the County Council's financial resilience as it continues to balance the need to deliver services within a challenging medium-term cash limit. This was identified by our external auditors in the 2017/18 statutory accounts opinion, and is an issue the Council is keen to address.

Earmarked Reserves

51. All earmarked reserves are retained either under the delegated authority given to Chief Officers in the Financial Regulations or by Cabinet/Cabinet Member approval, this is subject to recommendations jointly by a Chief Officer in agreement with the Chief Financial Officer for carry forward each year.

52. Given that the County Council is forecasting an overspend, this must be a first call on Earmarked Reserves once all options to reduce expenditure during 2018/19 have been exhausted.

53. The February 2019 Cabinet 2019/20 Budget and Medium Term Financial Plan Update 2019-22 report included a forecast of Earmarked Reserves which was based on the best knowledge available at Period 8.

54. The latest forecast at Period 10 indicates that there will need to be a withdrawal from Earmarked Reserves to fund the spending pressures.

55. It is important to recognise that some of the Earmarked Reserves are already committed as a result of the forecast overspend, as such the money has already been spent.

Summary Capital Budget Monitoring 2018/19 Forecast at Period 10 (31 January 2019)

56. The County Council approved a capital programme of £398 million in February 2019, with a £140 million budget for 2018/19.

57. Capital expenditure outturn forecast for 2018/19 at Period 10 is set out in Table 5 below.

Table 5: Capital Summary Outturn Forecast as at Period 10 2018/19

		P10 Year-end			
	Budget 2018/19	Forecast 2018/19	Variance 2018/19	Variance 2018/19	
	£000	£000	£000	%	
Corporate Plan Area					
CHILDREN AND FAMILIES	31,160	19,333	-11,827	-38%	
OPEN FOR BUSINESS	46,684	48,220	1,536	3%	
THE ENVIRONMENT	48,939	47,844	-1,095	-2%	
HEALTH & WELL-BEING	8,306	4,211	-4,095	-49%	
EFFICIENCY & TRANSFORMATION	5,043	2,814	-2,229	-44%	
TOTAL	140,132	122,422	-17,710	-13%	

58. The forecast expenditure outturn as at Period 10 includes actual expenditure to 31 January 2019 plus an estimate of what is remaining to be spent before the end of the year.

59. Within the Children, Families and Communities Directorate there have been some movements and updates in forecast expenditure on projects including:

- Nunnery Wood High School Expansion – this project is not progressing as quickly as expected so the majority of the expenditure originally forecast in 2018/19 budgeted is likely to be carried forward to 2019/20
- Holyoaks Field First School – delays including the release of land by the developer has meant that this project has not progressed as originally expected so it is likely that £2.7 million project expenditure will be carried forward to 2019/20.

60. Projects within the Open for Business and The Environment areas that are showing higher variances against approved budget include:

- Southern Link Dualing Phase 3 and Phase 4 – Both phases of this capital scheme are progressing ahead of the financial estimate for 2018/19 whilst remaining within the overall budget.

61. The Health and Wellbeing category of the Capital Programme has three projects that are showing a higher variance:

- Capital Investment in Community Capacity/Specialised Housing – This project has contributed to building supported living accommodation but during 2018/19 has encountered a number of issues including lack of available land. As a result it is expected that the project's budget will be carried forward to 2019/20
- Investment in New Technologies in Care – This project was originally anticipated to start during 2018/19 but will now begin during 2019/20
- Social Care Case Management System Replacement – This project has progressed at a quicker pace than was originally forecast so the expected expenditure during 2018/19 is now greater than budget for the year, whilst still forecast to remain within the overall budget allocation.

62. The Repair and Maintenance project within the Efficiency and Transformation section of the Capital Programme has also slipped a large proportion of its expenditure into 2019/20 owing to unanticipated delays in compliance surveys and other areas.

63. Overall, it is concluded that the forecast expenditure for the Capital Programme is within the budget limit.

64. Appendix 9 details the Capital Programme forecast for 2018/19 and estimates for future years.

Treasury Management Update Progress Report

65. The County Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice which recommends that a half yearly treasury management report is produced. The following paragraphs therefore detail the borrowing and lending transactions undertaken by the Council for the first half of the 2018/19 financial year.

66. Long-term borrowing is used to fund capital projects and to replace principal sums repaid during the year. Lending transactions are now made up of short-term investments with the Debt Management Office held at the Bank of England; other local authorities; Svenska Handelsbanken; the two-part Government owned banks (Lloyds and RBS); in AAA-rated instant access Money Market Funds; and AAA-rated ultra-short duration bond funds.

Background

67. The bank rate was increased from 0.50% to 0.75% in August 2018. All investments have been made in line with the treasury management strategy approved by Council.

Borrowing

68. Total Council debt outstanding stood at £447.7 million at 30 September 2018, of which £104.6 million was to finance the Energy from Waste project; this is well within the Capital Financing Requirement estimated for 2018/19 of £589.6 million. The balance is temporarily funded by cash backed reserves and working capital. This level of debt also meets the Prudential Indicators for the authorised limit for external debt of £623 million and the

operational boundary of £600 million. All debt is fixed rate and meets the Council's limits on the type of debt it holds (fixed or variable).

69. The Council may take further short-term or long-term borrowing imminently, as the amount of working capital is forecast to reduce. This is in-line with budgeting assumptions made before the start of the year.

70. Total debt consists of longer and short-term debt.

71. The level of long-term debt during the half year increased by £3.9 million, due to £36.1 million of debt maturing in April and £40 million of borrowing to support the capital programme.

72. New Loans were taken on the 26 and 27 July 2018 to fund the Capital Programme as listed in Table 6 below:

Table 6: New Loans

Loan type	£m	Rate (%)	Maturity date:
Maturity	5	2.54	2 August 2046
Maturity	5	2.50	2 August 2049
Maturity	10	2.53	2 August 2047
Maturity	10	2.51	2 August 2048
Maturity	10	2.48	2 August 2050

73. Existing long-term debt plus the above new loans resulted in the following maturity structure as at 30 September 2018 for debt totalling £447.7 million. This repayment profile meets the Council's Prudential Indicator for maturity structures.

Table 7: Maturity Structure

Within	£m	% of Total Debt
1 year	62.995	14.1
1 – 2 years	22.254	5.0
2 – 5 years	27.880	6.2
5 – 10 years	60.647	13.5
10 years and over	273.894	61.2
Total	447.670	100.0

74. The average rate of longer-term debt at 30 September 2018 stood at 3.49%.

75. The short-term debt consists of local deposit loans repayable at seven days' notice, which totalled £0.379 million at 30 September 2018. This is unchanged compared with 31 March 2018.

Lending

76. The Council has placed funds with the Bank of England's Debt Management Office, other local authorities, selected banks, Money Market and short bond funds. The temporary lending transactions for the first-half of 2018/19 of the Council's cash balances are summarised as follows.

Table 8: Lending Transactions Summary

	£m	£m
Balance at 01/04/2018		43
Investments made during the half-year (148)	367	
Less		
Investments recalled during the half-year (169)	(363)	4
Balance at 30/09/2018		47

77. The balance as at 30 September 2018 includes £3.0 million as part of its role in the West Midlands Regional Improvement and Efficiency Programme and £12.4 million invested on behalf of Hereford and Worcester Fire Authority.

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

79. The average rate earned on investments during the first-half of 2017/18 was 0.51%, the gross interest earned on investments totalled £0.110 million.

80. The Chief Financial Officer and the Cabinet Member with Responsibility for Finance confirm that the management of debt and short-term investments continues to be cost effective.

Government Funding - Consultations

81. In December 2018 the Government issued consultations on revisions to local government funding 'review of local authorities' relative needs and resources' and business rates retention reform.

82. The review of local authority's relative needs and resources consultation proposes to introduce a population-driven foundation formula to determine allocations for a number of service areas but there will also be several service-specific formulae. Included in this are issues around using a notional council tax figure and assumptions around tax base forecast to inform resource adjustments.

83. The business rates retention reform consultation covers how to get the right balance of risk and reward in the business rates retention system so that local authorities continue to receive the benefit of growth they achieve in their local areas, and how to mitigate volatility in income and address the impact of appeal losses and valuation change.

84. The potential impact of these consultations has been considered, and whilst there is still much technical detail for the Government still to confirm which gives rise to concern, there are a number of general points that can be made at this time including ensuring that rurality is sufficiently included in the funding formula and that relative funding can be more transparent and comparable between the different types of local government bodies (counties, districts, unitaries) and over geographical areas within and outside London.

85. The Council's responses to these consultations are available on-line.

Capital Grant - £2.68 million for two schemes around A38 / M5 / M42 - Cutting Congestion

86. In January 2019, the County Council was notified that it has been awarded a £2.68 million capital grant from Highways England for junction improvements around the A38. As set out in the September 2018 A38 Cabinet report, this is part of an overall scheme with other funding contributors being the Worcestershire Local Enterprise Partnership and the Greater Birmingham & Solihull Local Enterprise Partnership as well as income from s106 developer funding.

87. These improvements, which include widening the A38 at junction 1 of the M42 and at M5 junction 4 to Lydiate Ash Road, are expected to significantly reduce queuing at peak times.

88. They are part of the wider A38 Bromsgrove Corridor scheme which, when complete, is expected to unlock significant growth in new homes, and it will also allow new employment opportunities to be created in the local area.

89. Cabinet is asked to note the welcome funding receipt and that it was approved to be included in the Capital Programme by Full Council in September 2018.

New Grant - £0.175 million grant funding over 2018/19 and 2019/20 from MHCLG to support additional costs that may arise because of Brexit

90. Local authorities across England will receive a share of £56.5 million to help support their preparations for Brexit. For the County Council this is £0.175 million over two years.

91. This funding is intended to help local authorities with specific costs which may arise following Brexit.

92. This funding will not be the only resource Councils receive from central government to fund Brexit costs. The Government has been clear that it's departments will assess and, if appropriate, fund any potential new requirements of Councils as part of the Brexit work they are undertaking.

93. At this stage, the money will be ring-fenced in reserves whilst a review is undertaken to confirm how this funding will be utilised.

94. Cabinet is asked to recommend Council approves an increase to the Financial Services revenue budget cash limits to reflect use of this grant.

Legal Implications

95. Legal advice will be provided to support any changes in service delivery in accordance with the requirements of the Council's policies and procedures.

Financial Implications

96. Members are required under Section 25 of the Local Government Act 2003 to have regard to the Chief Financial Officer's report when making decisions about the budget calculations for each financial year. Specifically this is undertaken through the approval of the annual budget in February each year.

97. Section 25 of the Act also covers budget monitoring and this process monitors the robustness of budgets, adequacy of reserves and the management of financial risk throughout the year. This Cabinet report highlights forecast variances arising from current financial performance and the possible impact of existing pressures on future expenditure so that appropriate action may be taken.

98. In discharging governance and monitoring roles, Members are asked to consider the issues arising and the potential impact on the budget as well as the financial risks arising.

99. The Council's procedures for budget monitoring is reinforced through close financial support to managers and services on an ongoing basis to ensure processes and controls are in place to enable tight financial control.

HR Implications

100. A number of existing and new proposed savings may impact on staff roles and responsibilities and where appropriate senior officers take advice from the Council's Human Resources team.

101. This will include undertaking consultations with staff, trade unions and any other affected body as appropriate.

Environmental and Climate Change Implications

102. There are no significant environment and climate change implications arising from this

report. The Council will continue to monitor the impact of climate change as appropriate.

Equality Duty Considerations

103. The Council will continue to have due regard to proactively addressing the three elements of the Public Sector Equality Duty in all relevant areas – in particular the planning and delivery of our services. The Council will continue to assess the equality impact of all relevant transformational change programmes and will ensure that Full Council has sufficient equalities assessment information to enable it to have due regard to the three elements of the Equality Duty when considering any changes to the budget for 2018/19. The Council will continue to ensure best practice is followed with regard to these requirements.

Risk Implications

104. The Cabinet report includes recommendations regarding the Council's spending and management of the budget, including assessment and use of reserves.

105. If approved, there are normal risks regarding ensuring that appropriate qualifying expenditure is incurred, and that spending is within the cash limited for the project. These risks are mitigation through the regular budget monitoring process.

Privacy and Public Health Impact Assessment

106. A Health Impact Assessment has been undertaken with regard to this report and recommendations relating to new spending decisions to understand the potential impact they can have on Public Health outcomes across the county area.

107. This report is mainly about confirming the forecast outturn financial position for the end of the financial year reflecting existing Cabinet decisions and policies, and requesting approval for spending new specific grant monies with spending restrictions associate with these grants.

108. Taking this into account, it has been concluded that there are no other specific health impacts as a result of new decisions arising from this Cabinet report.

109. A similar assessment has been undertaken with regard to privacy/data protection and has confirmed that there is no impact anticipated as a result of this report.

Supporting Information

- **Appendix 1** – Revenue Budget Monitoring Outturn Forecast for Month 10 - 31 January 2019
- **Appendix 2** - Budget variances greater than £0.250 million
- **Appendix 3** - Capitalisation
- **Appendix 4** - Use of Grants
- **Appendix 5** - Provisional Transfers to/from Earmarked Reserves
- **Appendix 6** - Savings RAG Summary 2018/19
- **Appendix 7** - List of Savings – Agreed Budget Plan 2018/19
- **Appendix 8** - Monitoring of 2018/19 additional savings reported to Cabinet in September 2018
- **Appendix 9** – Capital Budget Monitoring Outturn Forecast for Month 10 – 31 January 2019

Contact Points

County Council Contact Points

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Specific Contact Points for this Report

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Background Papers

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

Previous Cabinet Resources Reports

Cabinet report relevant to A38 Capital Scheme – 27 September 2018