

COUNCIL
13 FEBRUARY 2020**REPORT OF CABINET – MATTERS WHICH REQUIRE A
DECISION BY COUNCIL**

**2020/21 Draft Budget and Medium-Term Financial Plan Update
2020-22****Recommendation**

- 1. The Leader and Cabinet recommend that:**
 - (a) the budget requirement for 2020/21 be approved at £346.246 million as set out at Appendix 1B, having regard to the proposed Transformation and Reforms programme set out in Appendix 1C;**
 - (b) the Council Tax Band D equivalent for 2020/21 be set at £1,311.05 which includes £116.04 relating to the ring-fenced Adult Social Care precept, and the Council Tax Requirement be set at £279.130 million, which will increase the Council Tax Precept by 3.99% in relation to two parts:**
 - 1.99% 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**
 - 2.00% 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;**
 - (c) the Capital Strategy 2020-23 and Capital Programme of £338.594 million be approved as set out at Appendix 1D and 1E and section 9 of the report;**
 - (d) the earmarked reserves schedule as set out at Appendix 2 be approved;**
 - (e) the Treasury Management Strategy and Prudential Indicators set out at Appendix 4 be approved; and**
 - (f) the Council’s Pay Policy Statement set out at Appendix 5 be approved.**

[NB Report and Appendices referred to are those presented to 30 January 2020 Cabinet]

2. All Councillors will have had access to the full report and Appendices considered by the Cabinet on 30 January 2020 via email/internal link and in their Group rooms and the Members’ Lounge, and are referred to the website or those hard copies for the full detail. A very limited number of hard copies will be available at the meeting.

Cabinet Report – 30 January 2020

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

- the main updates to the budget proposals since the Cabinet meeting on 20 December 2019
- the current financial position of the Council for 2019/20. The latest position at Period 8 (November 2019) forecasts a year-end overspend without further action of £3.6 million, assuming the use of £3 million of reserves as planned to cover the delay in delivery of the redesign efficiencies. Whilst management action continues to be taken and the aim is to see a balanced budget by 31 March 2020, there may be an additional one-off call on reserves in-year. The School's budget is reported to be balanced at 31 March 2020, but the Dedicated Schools Grant (DSG) continues to face significant in-year pressures from high needs. Monitoring of capital budgets shows schemes are broadly on target to be within the re-programmed spend profile at year end, with some planned expenditure being carried forward to the next financial year
- funding of the Council's Corporate Plan priorities. The current Medium-Term Financial Plan (MTFP) takes account of the Corporate Plan set alongside the uncertainty of Government funding. The MTFP confirms the commitment to continue to resource the Council's priorities of: Open for Business; Health and Wellbeing; Children and Families and the Environment
- the Council's updated MTFP. The impact of the provisional Local Government Finance Settlement has been included in the MTFP. However, the Fair Funding Review of local government funding and settlement allocations has been delayed by 12 months meaning there is still a high degree of uncertainty going into the final year of the Corporate Plan in 2021/22. The assumption at present for 2020/21 to 2022/23 is that there will be a need for efficiencies, reforms and income generation as follows:

Funding Gap Forecast 2020-23 assuming all grant income is retained

	2020/21	2021/22	2022/23
Medium Term Financial Plan	£000	£000	£000
Funding	346,246	355,782	367,281
Transfer (to) Reserves	-1,107	0	0
Total	345,139	355,782	367,281
Projected Budget Requirement	345,139	364,029	383,079
Funding Gap (Retaining current quantum of grants)	0	8,247	15,798

The Council will continue to challenge the way it works, from business processes to the way it uses technology to ensure the organisation is managed effectively within the resources available

- funding. The provisional settlement was delayed due to the General Election and finally published on 20 December 2019. This has therefore necessitated an update to the previous Social Care Grant assumption in the December Draft Budget Report to Cabinet from £12.574 million to £13.503 million. 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 2020/21 for 81% of all funding income, with 19% coming from the Council's share of the Business Rates. The MTFP forecast is that the Council will experience a positive cash flow for the next two years, subject to the outcome of the Fair Funding Review. However, the scale of cost pressures facing the Council is more than the projected increase in income. The focus of the spending challenges faced in 2020/21 are coming from a continued rise in demand for adult and children's social care, underlying pressures from rescheduled efficiencies from redesign and adult and social care cost pressures, contract and other inflation and pay and National Living Wage inflation. This results in a gross funding requirement in 2020/21 to meet all these challenges of £32.0 million. It is anticipated that the growth and pressures on spend will continue at similar levels however a number of reform programmes are expected to address pressures and as such the planned investment for 2021/22 is £19.8 million. Transformation and change programmes in Adult Social Care and Children's Services and the Commercial Strategy and redesign of services proposals are focused on addressing the projected budget gap. The MTFP is aligned to corporate programmes to deliver efficiencies. A robust MTFP is therefore in place to allocate resources to set and deliver balanced budgets for the remaining years of the Corporate Plan, starting with 2020/21, that supports the delivery of the Council's priorities
- the level of funding available for 2020/21. The Council's latest allocation of the provisional settlement was received on 20 December 2019. Whilst the final settlement is likely to be confirmed around 7 February 2020, a number of grants e.g. Public Health, Better Care Fund and DSG are still to be confirmed. The proposals for the Council Tax are an increase of 1.99% together with a 2% Adult Social Care Precept. Overall it is therefore projected that in 2020/21 these increases will mean £14.7 million more raised in Council Tax. The Council's level of Council Tax remains low when compared to comparative councils. 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 £346.2 million of funds available which represents a net increase from 2019/20 of £15.8 million (4.8%). The level of demand however exceeds this amount and therefore efficiencies are also required
- the level of investment required for delivering the Corporate Plan in 2020/21. Changes in assumptions on both income and spend have occurred since the MTFP was reported to Council in February 2019 including the gross level of pressures which has changed from the forecast financial plan of £29.2 million to £32.0 million. The first call on the increase in Council Tax and Adult Social Care Precept is to directly fund these pressures. Areas where investment is required include: Adult Social Care; Children's Services/Worcestershire Children First; Strategic Initiatives; Highways, Footways and Cutting Congestion; Public Transport, Flood Mitigation and Street Lighting; Woodland Planting Scheme; Waste Disposal, and pay and related costs

- Capital Investment. The Capital Programme for 2020/21 proposes a total value of £139.9 million of works which maintains a long-term Programme in the region of £338.6 million. The Programme is largely built up from Government and other grants received or due to be received. This amount is forecast to be £64.9 million in 2020/21. 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 £3.7 million in 2020/21 together with a borrowing assumption of £62.9 million which is felt to be affordable within the current provision for financing. One of the major drivers of borrowing increases is to invest in the economy and infrastructure through the Growth Deal support and schemes designed to boost the local economy. The Programme is continually being challenged and treasury management reviews are being carried out 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. As a result of all this work it is anticipated that the Capital Programme can be funded within the current budget for the Council's cost of borrowing
- School funding (DSG). The total provisional Schools' Funding Settlement is £441.791 million. Cabinet in December 2019 approved the Local Schools Funding Formula for Worcestershire mainstream schools for 2020-21 to continue as in 2018-19 and 2019-20, to be based as far as is practicable and affordable on the DfE National Funding Formula parameters. The DfE's parameters include a Minimum Funding Guarantee of +1.84% per pupil, no gains cap and mandatory national Minimum Funding Levels for the primary and secondary sectors
- the level of efficiencies, reform and income proposals required. The Council's proposed budget for 2020/21 includes the need for £9.6 million of proposals to balance the budget. There are two corporate targets totalling £2.1 million to be allocated to services for contract and procurement and a continuation of the redesign around executive support and centralising financial transactions. The efficiencies proposals have been classified to align to the Corporate Plan and MTF Strategy. Efficiencies by type for 2020-22 are efficiencies including digital and working differently; reforms and redesign including prevention to avoid costs, and income including commercial and trading opportunities. These efficiencies are considered realisable though an element of provision for non-delivery has been provided for in the General Fund Reserves
- the resultant Council Tax precept calculation. The Cabinet has recommended that the Council Tax Band D equivalent for 2020/21 be set at £1,311.05 which includes £116.04 relating to the ring-fenced Adult Social Care Precept, and the Council Tax Requirement be set at £279.130 million, which will increase the Council Tax Precept by 3.99% in relation to two parts:

 - 1.99% 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
 - 2.00% 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

- an assessment of reserves. The Council's General Fund estimated reserve at 31 March 2020 based on the forecast outturn is circa £12.2 million. This means the General Fund Reserve is in line with the revised recommended level. Future use of these funds is a matter of last recourse given the levels
- engagement on the proposals. The proposals have been subject to review and scrutiny by a range of stakeholders. They have also been presented to individual Scrutiny panels who received additional finance briefings in preparation for the scrutiny of the budget. The key messages from Scrutiny have been reported through the Overview and Scrutiny Performance Board
- the Treasury Management Strategy for 2020/21 including Prudential Indicators. The Treasury Management Strategy has been updated to include how the current forecast for interest rates will affect borrowing and lending transactions
- a Pay Policy Statement for 2020/21 which clarifies the strategic stance on pay to provide direction for members and officers making detailed decisions on pay and to provide the citizens of Worcestershire with a clear statement of the principles underpinning decisions on the use of public funds
- consideration of other factors including professional legal and HR advice, an equalities assessment, risk, privacy and public health assessments and the Council's statutory duties when setting the budget and precept.

Mr S E Geraghty
Chairman

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

The Constitution requires alternative budget or proposed amendments to be lodged with the Chief Executive by noon on Thursday 6 February 2020

Supporting Information – Available with the report to Cabinet 30 January 2020 at <https://worcestershire.moderngov.co.uk/ieListDocuments.aspx?CId=131&MId=3165&Ver=4>

Appendix 1A	Financial Plan Update 2020/21 to 2022/23
Appendix 1B	Service Budget summary
Appendix 1C	Summary of efficiencies, reforms and income proposals
Appendix 1D	Capital Strategy
Appendix 1E	Capital Programme
Appendix 2	Earmarked Reserves
Appendix 3	General Fund Reserve's assessment
Appendix 4	Treasury Management Strategy including Prudence Indicators
Appendix 5	Pay Policy Statement

Appendix 6	Equalities Duty Assessment
Appendix 7	Public Health Ring Fenced Grant proposed spending
Appendix 8	Commentary from Overview and Scrutiny Performance Board and other groups
Appendix 9	Glossary of terms

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Nichola Garner, Committee & Appellate Officer

Tel: 01905 846626

Email: ngarner2@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Assistant Director for Legal and Governance) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meeting of the Cabinet held on 30 January 2020.