

Cabinet
5 February 2015

4. BUDGET 2015/16

Relevant Cabinet Member

Mr A I Hardman

Relevant Officer

Chief Financial Officer

Recommendation

1. **The Cabinet Member with Responsibility for Finance (and the Leader of the Council) recommends that Cabinet agrees the following recommendations to Full Council:**
- (a) **the conclusions concerning revenue budget monitoring, as set out in paragraphs 18 to 22, up to 31 December 2014 be endorsed;**
 - (b) **the virement and transfers to Earmarked Reserves as detailed in paragraph 23 are approved;**
 - (c) **cash limits for 2014/15 are updated to reflect use of an additional grant of £0.520 million to support earlier discharges from Acute Hospitals to social care services;**
 - (d) **the budget requirement for 2015/16 be approved at £327,057,543;**
 - (e) **the Council Tax band D equivalent for 2015/16 be set at £1,079.77 and the Council Tax Requirement (precept) be set at £212,083,547;**
 - (f) **consistent with the provisional Local Government Finance Settlement that revenue cash limits be set for each**

Directorate	£m
(i) Adult Services and Health	132.901
(ii) Children's Services	77.388
(iii) Business, Environment and Community Services	72.971
(iv) Commercial and Change / Finance	42.317
	<u>325.577</u>
- recognising that £1.481 million will be transferred to earmarked reserves;**
- (g) **delegated authority is given to the Leader of the Council to recommend to Full Council, in consultation with the Chief Financial Officer, any further adjustments to the revenue cash limits in (f) as a result of Central Government confirming the final Local Government Finance Settlement for 2015/16 as set out in paragraph 7;**
 - (h) **the A440 Worcester Southern Link Dualling Phase 3 scheme is added to the Capital Programme and that cash limits are updated accordingly as set out in paragraphs 95 to 98 subject to agreement with developers on the amount of contributions that will be provided to support the financing of the scheme as well as the indemnity or surety to confirm the certainty of this income that results in the scheme not requiring any net prudential borrowing from**

Introduction

- the Council other than for the purpose of financing cash flow requirements, and on condition that there is no increased cost to the Council beyond that set out in paragraphs 95 to 98;
- (i) the County Council continues to engage with residents and businesses in shaping the Corporate Plan and spending profile in line with their priorities;
 - (j) Members' Allowances are frozen for the seventh year in a row for 2015/16 as set out in paragraph 79;
 - (k) the Council's Pay Policy Statement is recommended for Approval as set out in Appendix 8;
 - (l) the conclusions concerning capital budget monitoring, as set out in paragraphs 99 and 100 , up to 31 December 2014 be endorsed;
 - (m) the Capital Programme as set out in Appendix 9 be approved;
 - (n) the Medium Term Financial Plan as set out in Appendix 10 be approved;
 - (o) the Treasury Management Strategy set out in Appendix 11 be adopted; and
 - (p) the Statement of Prudential Indicators and Minimum Revenue Statement as set out in Appendix 12 be approved.

2. This report represents the penultimate stage in the formal process to determine the County Council's budget and precept levels for 2015/16. If approved, the report will form the basis for proposals to Full Council approval on 12 February 2015. The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and reflects the County Council's Corporate Plan and Medium Term Financial Plan (MTFP).

3. The Cabinet received the draft budget for 2015/16 at its meeting on 18 December 2014 and:

- a) approved for consultation the draft budget set out at Appendix 2, which includes budget reductions that are currently being consulted upon arising from the FutureFit programme set out in Appendix 4, a number of which have already been subject to detailed Cabinet and Scrutiny reports;
- b) endorsed the plan to address a further savings requirement of £9.8 million as a result of updating the Medium Term Financial Plan to take account of the anticipated provisional Local Government Finance Settlement to be progressed and presented for approval within the February 2015 Cabinet and Full Council Cabinet Report;
- c) endorsed the view that the County Council will need to plan for annual savings on average over the life of the Medium Term Financial Plan of around £25 million per annum, and £26.2 million for 2015/16 as set out in paragraph 127; and
- d) endorsed the recommendation that Cabinet are minded to consider recommending to Full Council in February 2015 an increase in Council Tax Precept by 1.94% to provide financial support for the increased costs for services for Looked After Children, forecast to be £4 million in 2015/16 as set out in

Budget Summary:
A budget that supports the delivery of the County Council's Corporate Plan – FutureFit

paragraph 75.

4. This report provides recommendations to allow the determination by Full Council of the budget and precept level for 2015/16. This will enable the County Council to remain ambitious around what is important to local people and the four priorities contained in the County Council's Corporate Plan – FutureFit. It brings together:

- A budget summary setting out the significant highlights of this budget
- the latest revenue forecast outturn for 2014/15
- the results of the budget consultation process
- the latest position on funding for 2015/16
- developments in income and expenditure budgets for 2015/16 from the plan presented to the December 2014 Cabinet, and
- the Council Tax tax-base changes and Collection Fund surplus.

5. This report then considers the effect of those changes on the budget and the provisional financial planning gap of £2.4 million for 2015/16 included in the December 2014 Cabinet report.

6. At the time of writing there are two income forecasts that have yet to be confirmed. Central Government have yet to issue the final figures for the Local Government Finance Settlement, and District Councils have yet to confirm their Business Rate income. A verbal update will be provided at the Cabinet meeting. Within this report forecasts relevant to these two items have been reviewed and refined based on the latest information that is available.

7. Delegated authority is requested in this report to be given to the Leader of the Council, in consultation with the Chief Financial Officer, to make any final adjustments to cash limits once these two remaining items are resolved.

8. The County Council remains ambitious and the budget for 2015/16 supports the County Council's refreshed Corporate Plan – FutureFit which looks forward to 2017. This budget confirms the initiatives that were set out in the Draft Budget report to the December 2014 Cabinet and supports the delivery of the four Corporate Plan focus areas and were developed within the context of a significant reduction in funding from Central Government.

9. The Corporate Plan focus areas are informed by extensive engagement over the last three years with residents and businesses.

Confirmed areas of key investment around the four Corporate focus areas

- Open for Business

The MTFP confirms the continuation of allocations to support the costs of prudential borrowing to fund new capital expenditure to drive the Council's Open for Business priority. This will continue to drive and facilitate others to increase the economic prosperity of business and residents in Worcestershire. This includes providing the appropriate match funding to Central Government's Local Growth Plan funding, to deliver major

schemes that include the development of Phase 4 at the Malvern Hills Science Park, the Worcestershire Parkway Regional Interchange railway station, key development site opportunities at the Worcester Technology Park as well as continuing investment at Bromsgrove Railway Station and the new Hoobrook Link Road in Kidderminster.

- Children and Families

The budget confirms the strengthening of the Children's Social Care budget through the allocation of £4.0 million to support the increasing number and costs of looked after children placements that result from the increased demand from services. Within this, it recognises that previously planned savings initiatives are now unlikely to be delivered due to service pressures in this area.

- Health & Wellbeing

The budget confirms the strengthening of the Adult Social Care budget through the allocation of £2 million in response to the demographic growth and increasing complexity of supporting vulnerable older people and adults with disabilities. The Better Care Fund has been agreed to facilitate integration of adult social care and health services. The Council will also be investing a £3.4 million grant from Central Government into delivering the Care Act.

- The Environment

The budget confirms the strengthening of the waste disposal budget through the allocation of £0.6 million to deal with a significant increase in the amount of waste disposed of by households as the economy recovers. This is alongside work to reduce waste through the 'Love Food, Hate Waste Campaign' and continued work with District Councils to minimise waste arising.

The budget confirms £3.6 million is being committed over the life of the MTFP from the New Homes Bonus on strategic flood alleviation schemes across Worcestershire.

In addition, the County Council will be making available £2.0 million from the New Homes Bonus to match a potential successful bid to the Department of Transport for Highways Challenge Funding. This supports residents' clear priority to invest in the county's roads. The intention is to combine this with increased revenue and capital allocations for highways and footways to create a total matched contribution of £4.0 million capital and £0.9 million revenue with the intention of attracting an additional £6.0 million through the Highways Challenge Fund.

10. The budget also allocates monies set aside in the draft budget for Strategic Initiatives in relation to highways, footways and a scheme designed to continue the local welfare assistance scheme for 2015/16 only.

Summarising our work on closing the provisional financial gap

11. The financial context in the medium term is that the County Council will continue to target the achievement of around £25 million per year whilst focusing on what is important to local people and delivering the Corporate Plan - FutureFit's four areas of focus.

12. The County Council has planned for continuing austerity and has managed its finances prudently in the past to ensure that sufficient reserves have been retained to support the organisation at this time of significant financial challenge. Plans have already been presented that potentially deliver £23.8 million of savings and efficiencies in 2015/16.

13. A residual financial planning gap of £2.4 million was presented within the December 2014 Cabinet Report. During January 2015, District Councils have confirmed to the County Council increases in the tax base forecast for 2015/16 as well as the surplus from their Collection Fund in 2014/15. Provisional forecasts for income from Business Rates and Business Rate Buoyancy have been refined as well as a review of initiatives funded through the New Homes Bonus.

14. Overall, the effect of the work undertaken in January 2015 has been to close the initial financial planning gap of £2.4 million in full. For one year only, it is proposed that £0.6 million of the one off Collection Fund surpluses from District Councils is used to balance the Revenue Budget with the intention that this is replaced by savings in 2016/17 that will be delivered year on year.

15. In addition to presenting a balanced budget for approval, it is recommended to allocate the remaining £1.5 million surplus from District Council Collection Funds into two earmarked reserves, summarised as follows:

- £1.0 million Change and Transformation Fund

The proposal is to add to the existing change and transformation fund for future allocation to support BOLD savings and transformation programmes.

- £0.5 million Self Financing Capital Investment Fund

The proposal is to create a fund to develop a framework for making capital investment into projects that both support the Corporate Plan – FutureFit priorities as well as creating an income stream for the purpose of reinvesting into further capital projects. This is particularly important as the County Council starts to look at transport and infrastructure priorities beyond 2018.

Council Tax Referendum Limit

16. Central Government has set a limit for Council Tax increases for 2015/16 of 2%. Any increase above this must be subject to a binding local referendum.

17. Contained within the December 2014 Cabinet Report was a proposal to increase Council Tax by 1.94%, within the 2% limit. This budget confirms that intention. The intention is to apply the income generated from a proposed uplift in Council Tax income to the increased costs for Looked after Children of a similar amount.

Outturn forecast as at the end of December 2014

18. The County Council's outturn forecast at Month 9 to 31 December 2014 indicates that the budget will break even by the end of the financial year. This represents a reduction from a forecast of a £0.5 million deficit reported within the December Cabinet Report.

Revenue Budget Monitoring for 2014/15

19. The improvement is due to the re-profiling of increases that were planned in the County Council's draw down of debt from the Public Works and Loans Board to replace internal borrowing. This activity can now be delayed into the 2015/16 financial year due to continued low UK Gilt Yields which influence the interest rates charged by the Public Works and Loans Board together with forecasts that those rates will remain low for longer than previously anticipated.

20. There still remains however a significant adverse variance with regard to Children's Social Care Placements. In common with a number of other local authorities there are significant increases in demand and costs with regard to Children's Social Care. The County Council's Children's Services placement budget is currently forecast to overspend by around £5.1 million. The overspend position is subject to the implementation of the remaining £0.6 million in-year operational action plan which targets specific children's plans including the reduction in placement costs and moving children through the system quicker.

21. The BOLD transformational savings programme continues to make good progress and the 2014/15 target of £30.5 million is forecast to be achieved in the main. There are a small number of schemes where slippage in implementation has meant that savings on a recurring basis will not be delivered until April 2016. Any shortfall in 2014/15 is due to be covered by one off means and all plans remain on track for implementation. This includes reductions in the use of agency staff, better use of technology and improvements to the process for obtaining legal assurance.

22. The 2014/15 budget that was set by the County Council in February 2014 forecast to maintain General Balances at £13 million. Based on the outturn forecast at December 2014 it is likely that this will not change. General Balances are therefore likely to remain at £13 million at the end of the 2014/15 financial year.

Transfers to Reserves

23. The Cabinet Member with Responsibility for Finance recommends that Cabinet approves the following virement and transfer to earmarked reserves as part of the December 2014 forecast reporting. This does not require alteration of the net cash limits approved by Full Council. Virement can be made within the breakeven forecast described within paragraph 22.

- £0.6 million Councillor's Divisional Funds Scheme

As included in the December 2014 Cabinet budget report this confirms the proposal to transfer £0.6 million from the Financing Transactions budget for 14/15 to earmarked reserves to fund an additional one year's extension of the scheme for 2016/17.

Budget 2015/16

Budget 2015/16 consultation

24. Approximately 49,000 responses have been received as part of the County Council's approach to communications and engagement since 2010. This continues to rise as there is an active roll out of viewpoint surveys, focus groups and public road shows. Residents have consistently and clearly indicated their top

three priorities are:

- Maintenance of the Highway
- Protecting vulnerable young people, and
- Protecting vulnerable older people.

25. The FutureFit Corporate Plan and resultant transformation programmes reflect these priorities.

26. Residents' satisfaction with the local area is still high (84%), with areas in most need of improvement remaining similar to previous years:

- Road and Pavement Repairs
- Traffic Congestion
- Activities for Teenagers
- Public Transport, and
- Job Prospects.

27. From this top five, Road and Pavement Repairs has increased with Traffic Congestion remaining constant and the others decreasing.

28. Residents' satisfaction with the County Council decreased to 53% from the highest point in 2012 of 59%. To find out what is driving the satisfaction focus groups were held in the summer of 2014. These concluded the main factor behind satisfaction was how the County Council responds to issues and explains its actions.

29. Residents felt extremely positive about certain services, for example, the Hive and Registrar services but less so about areas such as Highway repairs even in light of the County Council's continued investment into its roads infrastructure as well as Worcestershire's roads being recognised as one of the best conditioned when compared with other counties across England.

30. In response to this feedback the County Council will continue and amplify communications to residents about services through further public roadshows, local media briefings and for example use of social media.

31. Importantly, the percentage of residents who feel Job Prospects need improving has dropped from 36% (November 2013) to 25% (June 2014). The number of jobseekers is now at the same level as the 2007 pre-recession average. This aligns with the Open for Business corporate priority to maximise opportunities for Worcestershire residents.

32. Over the Autumn the County Council engaged with both residents, staff and the Voluntary Sector through a number of channels including:

- Public and staff road shows involving the Leader of the Council and the Chief Executive
- Voluntary and community sector event
- Press Briefing, and
- Social Media.

33. Since the December Cabinet meeting, consultation has taken place with the following organisations:

- Parish and Town Councils
- Staff associations, School governors and head teachers
- Business Community
- National Non Domestic Ratepayers
- Voluntary and Community organisations
- Employee representatives including Unions, and
- Partners including health service organisations.

34. The draft budget proposals and feedback from the consultation events have been considered by the Overview and Scrutiny Performance Board on 29 January 2015 following the work of the Budget Scrutiny Task Group. The Board's response is set out in Appendix 1 (to follow).

The budget requirement and the funding position

35. The December 2014 Cabinet report set out a budget requirement of £330.7 million against funding from Central Government and Council Tax of £320.9 million leaving an initial funding gap of £9.8 million. The County Council has developed BOLD schemes to the value of £7.4 million that left an initial financial planning gap of £2.4 million at the time of the December 2014 Cabinet Report. This is summarised in the following table:

Table 1: Initial Funding Gap – December 2014

	£m
Revised estimate of 2015/16 budget requirement	330.7
Less provisional Revenue Support Grant funding from Central Government	-53.6
Less estimated funding from Business Rates Retention Scheme	-58.1
Less provisional funding received from Council Tax	-209.2
Initial funding gap	9.8
BOLD Savings and transformational programmes	-7.4
Initial Financial Planning Gap	2.4

Developments since the last Cabinet report

36. The Cabinet Member with Responsibility for Finance responded to Central Government's Local Government Finance Settlement on 15 January 2015. The response raised concerns in the following areas:

- Whilst the County Council continues to be supportive of Central Government's plans to help businesses through reduced

business rates, it is important that Central Government fully funds the County Council for the forgone income on a recurrent basis

- The way Central Government refers to a "spending power" increase of 0.9% of £3.6 million for the County Council significantly misrepresents the most significant reduction made by Central Government to Worcestershire's Revenue Support Grant since 2010/11 of £19.4 million or 26%
- The way Central Government has made a hypothetical calculation implying that the County Council has funding to continue the Local Welfare Provision Grant from within its financial settlement for 2015/16 is unhelpful when in fact this funding has been removed, and
- The permanent locking in of the County Council's funding level from the 4-block model which does not include Area Cost adjustment.

37. A copy of the full response is provided in Appendix 2.

38. Central Government are yet to confirm the outcome of the consultation on the Local Government Finance Settlement. Central Government's intention, at the time of drafting this report, is to debate the proposed response to the Consultation in Parliament during the first week of February 2015. Therefore, a verbal update will be provided at the February Cabinet to provide an update on whether the final response from Central Government changes any of the content of this budget report.

39. The provisional settlement published on 18 December 2014 indicated a £0.2 million reduction in the County Council's funding compared with what was forecast in the December 2014 Cabinet report. This comprises an increase of £0.3 million in Revenue Support Grant and a decrease of £0.5 million in business rates. This shortfall has been offset by increased levels of Council Tax Buoyancy notified by District Councils in January 2015.

40. This next section summarises this and other developments in the funding of the revenue budget since the proposals reported to Cabinet in December 2014. Since the last Cabinet report forecasts in the following areas have been refined based on new information:

- Business Rate Retention Scheme
- Revenue Support Grant
- Specific Revenue Grants
- Council Tax Base and Collection Fund performance, and
- Expenditure budgets.

Local Business Rate Retention Scheme

41. The income that the County Council forecast to receive in 2015/16 within the December 2014 Cabinet report through the Business Rates Retention Scheme is based on a prudent assessment undertaken by the District Councils. This takes into account forecast collection rates, changes to the number of businesses paying rates and the likely impact of successful appeals.

42. Central Government have indicated continued support for businesses by way of various business rate reliefs, and offers compensation to the County Council for loss of income through the allocation of business rate support grants. The grants provide valued and significant support to Worcestershire businesses as the economic recovery starts to take hold. The grants reimburse the County Council for income forgone in relation to the following initiatives:

- Ensuring that inflation in Business Rates (the multiplier) is capped at 2%
- Doubling of the Business Rate relief for Small Businesses, and
- Providing a £1,500 reduction for all retail businesses.

43. The grants are required to be set aside in an earmarked reserve to offset deficits that will then occur on District Council Collection Funds as a result. The indicative level of these deficits have been provided by District Councils and it can be confirmed that the County Council has sufficient earmarked reserves set aside in 2014/15 to offset in full these deficits. The grants receivable from Central Government for 2015/16 will again be set aside for this purpose.

44. District Councils are not required to formally confirm their forecasts for business rates collectable in 2015/16 until the end of January 2015. Therefore, at the time of drafting this report the indicative forecasts for growth in Business Rates for the County Council in 2015/16 is around £1.3 million. An adjustment to the budget has therefore been made to reflect this growth forecast by District Councils which in itself is a good indicator of recovering economic prosperity.

45. When the County Council approved the 2013/14 budget in February 2013 an allocation of New Homes Bonus was made to support revenue budgets aligned to economic development, including for example the well-received Worcestershire Business Central service. The intent at the time was to phase this allocation out of the revenue budget over a period of time recognising that the New Homes Bonus was not a recurring funding stream for the County Council. The forecast business rates growth of £1.3 million provides the County Council with this opportunity and this budget reflects that phasing out effective from 1 April 2015. This will provide an opportunity to consider the reallocation of this New Homes Bonus to other investment opportunities and further detail is provided later in this report.

Central Government's Funding Assessment

46. Central Government's Funding assessment includes funding received by the County Council by way of a block allocation for Business Rates as well as the Revenue Support Grant.

47. The draft Local Government Finance Settlement indicated a small change from the forecast included in the December Cabinet Report of £0.2 million. This comprised of a £0.5 million reduction in the Business Rates element and an increase of £0.3 million in the Revenue Support Grant element. The shortfall of £0.2 million will be

offset by an increase in Council Tax buoyancy over the forecast included in the December 2014 Cabinet Report.

48. Whilst the level of Revenue Support Grant has confirmed the accuracy of forecasts, the reduction of £19.4 million or 26% from the level received in 2013/14 still represents the most significant reduction in the Revenue Support Grant since the 2010/11 financial year.

49. The Local Government Finance Settlement did include a clear indication that the County Council is required to continue expenditure in relation to the Local Welfare Scheme, transferred with funding from the Department of Works and Pensions at the start of the 2013/14 financial year. However, whilst Central Government has indicated an amount that it expects the County Council to allocate to this scheme, Central Government has removed the funding of £1.1 million per year previously provided to the County Council as a specific grant.

50. Central Government has not provided any new Revenue Support Grant to replace the specific grant. Such a move by Central Government is deeply unhelpful and potentially misrepresents the fact that Central Government has actually cut the County Council's funding for this scheme in full. The potential to continue this scheme in 2015/16 is considered later in this report, despite the funding for it being removed by Central Government.

Specific Revenue Grants

51. Central Government are in the process of confirming specific grants for 2015/16. In order to provide a sense of the potential scale of specific grants Appendix 3 details the 2014/15 grants. A full listing of confirmed specific grants for 2015/16 will be published in the annual budget book in March 2015.

Dedicated Schools Grant

52. The 2015-16 provisional Dedicated Schools Grant (DSG) allocation prior to the recoupment deduction for Academies is set out in the following table:

Table 2: Provisional Dedicated Schools Grant Settlement

DSG Allocations (£m)	Pupil Numbers	2015/16
Schools Block	69,121	298.7
+ Holy Trinity Free School		1.6
Total Schools Block		300.3
Early Years Block	5,100	16.5
+ Early Years Pupil Premium		0.4
Total Early Years Block		16.9
High Needs Block (Provisional)		44.0
Other Adjustments:		
Early Years 2 Year Olds (Est)		5.5
Newly Qualified Teachers		0.1
Total Other Adjustments		5.6
Total Dedicated Schools Grant		366.8

53. The preceding table illustrates that in overall terms the indicative DSG allocation for Worcestershire is £366.8 million. This allocation will reduce as the funding for academies and free schools will be provided direct to each academy from the Education Funding Agency. The estimated amount that the Council will receive following recoupment of academy funding is £214 million.

54. The Early Years 2 year old funding has not yet been announced. The 2015-16 allocations are forecast to be based on actual pupil numbers. Initial calculations indicate that the amount receivable will be £5.5 million, £0.3 million less than the 2014/15 allocation.

55. In terms of pupil numbers there is an overall net increase in pupil numbers between October 2013 and October 2014, which is shown in Table 3. Within this overall increase, there is an increase in primary and a reduction in secondary school pupils. The overall split of children across primary and secondary education remains consistent at 60:40.

56. Within the sectors there were also some significant variations, with increases and decreases for individual schools when comparing October 2013 and October 2014. This will create some budgetary impact for some schools.

57. The pupil numbers are reduced for the purpose of the Special Educational Needs adjustment to reflect those pupils in Special Units in Mainstream Schools where place funding of £10,000 is allocated.

Table 3: Pupil Numbers according to Census data

Phase	2014/15	2015/16	Change
Primary	41,301	41,951	+650
Secondary	27,829	27,418	-411
SEN Units Reduction	-241	-248	-7
Total	68,889	69,121	+232

58. The DSG Guaranteed Unit of Funding (GUF) for the *Schools Block* has increased from £4,231.27 in 2014-15 to £4,320.84 in 2015/16 as a consequence of the County Council share of the additional Schools Block DSG of £390 million for 2015/16. This is net of Carbon Reduction Commitment (CRC) top slice for all local authorities of £7.51 per pupil in 2015-16 providing an increase of 2.1%.

59. Worcestershire now has a Mainstream Free School (The Holy Trinity Academy Trust Free School). The funding for this school has to be included in the DSG from September 2015. As a consequence, the DSG has increased by £1.6 million to account for the change.

60. The *Early Years Block* for 3 and 4 year olds DSG Guaranteed Unit of Funding (GUF) of £3,229.56 for 2015-16 is the same as 2014/15 i.e. cash flat per pupil and is based upon the January 2014 census Early Years pupil numbers. These numbers will be updated during 2015/16 for the January 2015 and January 2016 census returns. There is also an allocation of £0.4 million to support the Early Years Pupil Premium. The Early Years 2 year old funding will be allocated on participation and will be confirmed in June 2015 initially based on the January 2015 census and updated from the January 2016 census. The hourly rate for Worcestershire set by the Department for Education (DfE) has been confirmed at £4.85.

61. The provisional *High Needs Block* allocation is cash flat for high needs in schools. This includes each local authority's share of the national grant paid direct to Non-Maintained Special Schools (NMSS) before 2013/14. It also includes post school funding for High Needs. This amount will be adjusted for growth in 2014/15 places and additional top up funding for 2015/16 as a consequence of the exceptional case process managed by the DfE. The High Needs block is further split between schools and post 16 and will not be confirmed until the DfE have assessed the impact of the academic year place review they have undertaken for 2015/16.

62. The DSG Additions and Deductions include the addition for early education places for 2 year olds from lower income households (estimated £5.5 million) and an addition for the costs of monitoring and quality assuring Newly Qualified Teachers induction (+£0.1 million). The deduction from DSG as result of schools no longer being part of the CRC Energy Efficiency Scheme has been consolidated into the Mainstream GUF at -£7.51 per pupil. There will also be an adjustment for each local authority's share of the cost of national copyright licenses (this is yet to be notified).

63. As previously reported to Cabinet, the national Pupil Premium Grant rates are set out in the following table:

Table 4: Pupil Premium Grant Funding Rates

Phase/Type (£)	2014/15	2015/16
Primary	1,300	1,320
Secondary	935	935
Looked After Children	1,900	1,900
Service Children	300	300

64. The Pupil Premium will be extended in 2015/16 from April 2015 into the Early Years phase. There is a national Early Years Pupil Premium allocation of £50 million. This equates to a rate of £0.53 per hour, equating to £300 in a full year based on 15 hours for 38 weeks for eligible children.

Education Service Grant

65. The Education Services Grant (ESG) General Funding Rate for Local Authorities in 2015/16 is £87 per pupil in mainstream schools and £326.25 and £369.75 per place in Pupil Referral Units (PRUs) and special schools respectively. This represents a reduction of 30% from the funding rates in 2014/15.

66. Central Government has removed the ESG top up from academies (£27 for a mainstream academy in 2014/15) but has put a system of protections in place to restrict the total loss of funding to academies to between 1% and 3%. This does not affect the amount transferred from local authorities or the amount paid back to local authorities through the ESG.

67. The ESG Retained Duties Funding Rate for local authorities is a flat rate of £15 per pupil. The provisional allocation to Worcestershire in 2015/16 is £4.7 million, but will change in year depending on further academy conversions, or any delays in the current proposed conversion dates.

Better Care Fund

68. Details of the Better Care Fund for 2015/16 were provided in the Cabinet report on the 18 December 2014. The total of the Better Care Fund plan for 2015/16 is £37.2 million. This comprises £33.5 million revenue expenditure and £3.7 million capital expenditure. A capital allocation of £0.6 million was approved by Cabinet at its November 2014 meeting towards extension works at the Timberdine facility.

69. Final plans, which require collective agreement between Health and Social Care via the Health and Well-being Board, were submitted to NHS England in September 2014 and were subject to a national approval process. Worcestershire was only one of six local authorities in the country whose plan was approved with no conditions or support.

Public Health Grant

70. The grant for 2015/16 is £26.5 million which is the same amount as last year 2014/15. Included within the budget are proposals for further use of the grant from 2015/16 to fund £2.5 million of services previously funded from the base budget in 2015/16.

71. This is possible as the proposed use of funding for prevention and early help is consistent with the terms attached to the grant. Although there is some flexibility in the use of the grant, Public Health England is auditing local authorities to ensure that the grant is being spent appropriately.

72. Central Government has also announced that there will be a "Health Premium Incentive" pilot scheme, where an additional £5 million has been allocated nationally for local authorities that demonstrate improvements on two public health indicators. It aims to reward local authorities by offering additional financial incentive for improving the health of local populations and tackling health inequalities. Payments will be made in 2015/16 for improvements achieved in 2014/15.

Adult Social Care Funding to Support Earlier Discharges from Hospitals

73. The County Council was notified on the 19 January 2015 that it will receive a new grant of £0.520 million in the current financial year from the Department for Health to provide funding for social care to support earlier discharges from Acute Hospitals to aid the Health economy through this extremely challenging winter period. Discussions are being held with Health partners as to the best use of these monies and it is proposed that details of the expenditure be included in future budget monitoring reports to Cabinet. It is recommended that cash limits are updated accordingly.

Council Tax

74. District Councils have confirmed increases to the Council Tax Base of £4.1 million (2%) for 2015/16. In addition to this there is an overall surplus in the District Council's Collection Funds of £2.1 million. The total additional income is as follows:

Table 5: Council Tax Income

	£m
Bromsgrove District Council	0.8
Malvern Hills District Council	0.8
Redditch Borough Council	0.2
Worcester City Council	0.4
Wychavon District Council	1.0
Wyre Forest District Council	0.9
Total additional income from an increase in Council Tax recurrent income as a result of buoyancy and District Council's support schemes changes	4.1
One off 2014/15 Collection Fund Surpluses	2.1

75. The table above demonstrates that income for 2015/16 to the value of £4.1 million has been identified from information submitted by the District Councils. £2.8 million of the increase confirmed by District Councils is in addition to what was included in the December 2014 Cabinet report.

76. The additional Council Tax Buoyancy is sufficient to fund the £2.4 million funding gap as detailed in the December 2014 Cabinet report, and will provide funding to support the net reduction of £0.2 million in funding as a result of the provisional Local Government Finance Settlement.

77. The gap between the original shortfall in Council Tax Income created by Central Government's localisation of Council Tax Support and the schemes implemented by District Councils for 2015/16 is now closed. The only District Council to not have implemented reforms to Council Tax support prior to 1 April 2014, Bromsgrove District Council, have now approved changes to their scheme that fully close the initial financial gap in funding created by Central Government when the responsibilities for Council Tax support were localised in April 2013.

78. A detailed calculation of the Council Tax together with precept requirements for each District Council and the precept payment dates are set out in Appendix 4(a) and 4(b).

Expenditure budgets

79. The County Council's expenditure budgets have been increased by 0.7% or £2.3 million since the December 2014 Cabinet report. Whilst minor when compared with the County Council's overall budget, these include:

- **£1.3 million** to remove the reliance on New Homes Bonus income to support wider economic development activities in the existing revenue budget. This adjustment to expenditure is fully

offset by the growth in business rate income described earlier in this report and has no net impact on the indicative funding gap

- **£0.6 million** to support the increase in the levels of reimbursement to bus operators for the increased use of concessionary travel passes
- **£0.3 million** to refine income and expenditure budgets following further appraisal of forecast costs by budget holders with support from Finance Managers;
- **£0.1 million** to uplift Landfill Tax inflation in response to Central Government locking in an RPI increase to £82.60 per tonne earlier in the year before the recent fall in inflation rates
- Small changes due to rounding, and
- Removal of an inflationary increase for Members Allowances.

It is recommended that for the seventh year in a row that Members' Allowances are frozen at 1 April 2008 levels and no inflationary uplift taken. This measure will reduce the need for the County Council to find recurrent savings as an increase was previously included in the MTFP. The County Council has previously agreed that Members' travel and subsistence allowances will mirror officers 'eco' rates which currently are not expected to increase from the 2012/13 rates.

80. As referenced above, District Councils indicated during January 2015 that the County Council will receive a £2.1 million surplus on 2014/15 Council Tax Collection Funds. The County Council requires approximately £0.6 million of this surplus to be used to balance the proposed revenue budget for 2015/16. This one off funding will need to be replaced by recurrent cost reductions or increases in income from 2016/17. The remainder of the 2014/15 Collect Fund surplus is recommended to be allocated in the following ways:

- £1.0 million Change and Transformation Fund

The proposal is to add to the existing change and transformation fund for future allocation to support BOLD savings and transformation programmes

- £0.5 million Self Financing Capital Investment Fund

The proposal is to create a fund to develop a framework for making capital investment into projects that both support the Corporate Plan – FutureFit priorities as well as creating an income stream for the purpose of reinvesting into further capital projects.

81. The Cabinet Member for Finance recommends that the £2 million set aside within the draft budget presented to Cabinet in December 2014 for Strategic Initiatives is allocated as follows:

- **£0.5 million** - Continued investment in improving Highways

A £0.5 million allocation to support a continuation of the County Council's investment into the county's roads. This will be continuing the County Council's recent investment year on year into the budget made available to support improvements in the county's roads infrastructure that has resulted in an uplift of £1.5 million in the Council's annual revenue budget for roads since

2013/14.

- **£0.4 million** – Investment into improving Footways

Cabinet will recall a discussion at the Full Council January 2015 meeting concerning whether the revenue budget for footways improvements could be increased. Following an intensive exercise to determine the benefits of an increase in the annual revenue budget for Footways an increase of £0.4 million to this budget from £0.8 million to £1.2 million is proposed with the intention of maintaining or improving an additional 3.5 to 5 kilometres of Footways across Worcestershire each year.

- **£0.2 million** – Local highways improvements

The capital financing budget is increased by £0.2 million to support the revenue impact of a £2 million capital allocation to local highways improvements. The highways improvements will be allocated to each ward on an equitable basis for development in consultation with each local member in alignment with the potential Highways Challenge Fund.

- **£0.4 million** – Local Welfare Assistance

The County Council has been working with District Councils to agree a funding package that supports the continuation of schemes into 2015/16.

An allocation for 2015/16 is recommended to support the continuation of funding for one year to District Councils in respect of the valued Local Welfare Assistance schemes. This allocation will only be made on the basis that the funding is matched by each District Council and can be combined with any underspends in 2013/14 and 2014/15. This allocation follows the cessation by Central Government of the Section 31 Grant received by the County Council in 2013/14 and 2014/15. The Cabinet Member for Finance recommends that delegation is provided to the Chief Financial Officer, consistent with the approved recommendation from the October 2014 Cabinet Resources Report, to agree the provision of this funding to each District Council together with the use of any underspends and will be reviewed on the basis of the finalisation of the Local Government Finance Settlement.

- **£0.1 million** – to fund the development of Public Realm improvements in Redditch

An allocation for 2015/16 to support the District Council to develop a scheme to improve the public realm in Redditch. Similar contributions to improve the Public Realm in the other town centres within Worcestershire have been well received in the last few years and it is hoped a scheme can be developed to benefit residents who visit Redditch Town Centre already and promote greater visits in the future.

- **£0.4 million** – to fund key strategic capital scheme developments

An allocation for 2015/16 to support the development of key infrastructure schemes such as improvements to the A38 and the potential for the widening of the Carrington Bridge. The County Council was successful in 2014/15 in obtaining £47

million of investment across the county from Central Government as part of the Local Growth Deal. This allocation will ensure that the County Council is best placed to take advantage of any further allocations that Central Government may make in the near future as the County Council competes with other areas to attract investment from Central Government.

82. A summary and detail of budget variations is provided in Appendices 5, 6 and 14. The list of BOLD savings is provided at Appendix 7.

Closing the Provisional Funding Gap 2015/16

83. The above changes in Council Tax, Business Rates Income, and expenditure budgets have enabled the provisional funding gap of £2.4 million referred to in the December 2014 Cabinet Report to be fully recovered. The following table summarises progress made since the December 2014 Cabinet Report to close the financial gap for 2015/16.

Table 6: Summary of changes since December 2014 Cabinet

£m	December	February	Change
Council Tax	209.2	212.1	2.9
Collection Fund Surplus	0.0	2.1	2.1
Revenue Support Grant	53.6	53.9	0.3
Business Rates Retention	58.1	59.0	0.9
Better Care Fund	33.5	33.5	0.0
Total Funding Available	354.4	360.6	6.2
Total Net Expenditure	380.6	382.9	2.3
Future Fit Programme	-23.8	-23.8	0.0
Earmarked Reserves Contribution	0.0	1.5	1.5
Funding Shortfall	2.4	0.0	-2.4

84. General Balances can be retained at their planned level of £13.0 million for 2015/16 and future years. This represents around 3.6% of net revenue expenditure and is above the minimum level of General Balances typically referred to by external audit of £10 million for an organisation of this size.

85. The spending requirements set out in Appendix 4 are proposed to become cash limits for each Directorate in 2015/16. These are set out in summary within the following table.

2014/15 Cash Limits

Pay Policy Statement

New Homes Bonus and the Highways Challenge Fund bidding process

Table 7: 2015/16 Directorate Cash Limits

	£m
Adult Services and Health	132.901
Children's Services	77.388
Business, Environment and Community Services	72.971
Commercial and Change / Finance	42.317
Total	325.577

86. The Localism Act 2011 requires the Council to approve a pay policy statement for each financial year. The Statement specifies its policies relating to pay of its workforce including 'chief officer related' positions and its lowest paid employees. The Statement must be published on the Council's public website by 31 March each year. The Council's (revised and proposed) Pay Policy Statement is at Appendix 8.

87. In developing its Pay Policy Statement the Council has had regard to the recommendations of the guidance on Openness and Accountability in Local Pay.

88. Cabinet is asked to recommend the Pay Policy Statement included in full in Appendix 8 for approval by County Council or consider any amendments to be recommended to County Council.

89. The December 2014 Cabinet Budget Report confirmed the following allocations of the County Council's New Homes Bonus:

- **£3.6 million** - to supporting the development of additional flood prevention measures within Worcestershire to safeguard homes and create an environment where businesses can relocate with more confidence
- **£0.4 million** – in support of strategic transport planning across the County, and
- **£0.4 million** – public realm improvements in Worcester in support of generating future business growth

90. As referenced earlier in this report, the County Council is now able to replace the £1.3 million New Homes Bonus that was planned to support revenue and capital economic development initiatives over the medium term with forecast growth from Business Rates. As this support was included across the MTFP, this now releases New Homes Bonus to the value of £2.0 million.

91. Earlier in the 2014/15 financial year, the County Council successfully achieved the highest award per kilometre of road from the Pot Hole Challenge Fund, a Central Government fund to improve the condition of local roads. The award was due to the quality of the bid submitted from Worcestershire. Central Government has indicated that a similar Highways Challenge Fund will be launched in 2015/16 and has invited local authorities to bid against the £100 million available nationally. Central Government require any successful award to be match funded by local

**Capital
Programme,
2014/15 to 2017/18**

government.

92. The County Council ensures that any allocation of New Homes Bonus supports key strategic initiatives across the County Council and has previously indicated the high value it places on maintaining and improving the County Council's roads infrastructure.

93. For this reason, the Cabinet Member with Responsibility for Finance recommends that the £2.0 million referenced in paragraph 90 is earmarked as a contribution towards the match fund offered by the County Council to support the bid for a £6 million allocation from Central Government's Highways Challenge Fund.

94. The intent is to combine this allocation with the £2 million Local Member Highways Capital Allocation and the £0.5 million increase in the Highways Revenue Budget over the four year MTFP period to demonstrate to Central Government that the County Council can provide a match of the £6.0 million bid from within its own resources. If successful, this would create a £12 million investment into improving the Worcestershire's roads infrastructure in addition to the significant investment already underway.

A440 Worcester Southern Link Dualling Phase 3

95. The County Council remains fully committed to support the A440 Worcester Southern Link Dualling Phase 3 scheme as detailed in the September 2014 Cabinet report. Included within the December 2014 Cabinet Report was a summary of progress made on the scheme. The total estimated scheme cost is £33.2 million. Of this, just over £12 million has been secured through the Local Growth Fund, £4.4 million through Local Transport Board Funding and £0.5 million from within the County Council's Capital Programme funded through existing S.106 contributions, local transport plan and approved revenue budget contribution.

96. The balance of £16.3 million is intended to be received through developer contributions arising from the potential adjacent housing development as part of the South Worcester Urban Extension.

97. It is recommended that, subject to the County Council's financing of the scheme being no greater than what is indicated in this report, that Full Council is recommended to formally add this scheme to the Capital Programme subject to the outstanding planning and financing issues being resolved and to update the cash limits accordingly alongside any surety from developers to guarantee contributions, and on condition that there is no increased cost to the Council beyond that set out above.

98. For clarification, should there be a potential increase in costs to the County Council, this will be subject to a further Cabinet report before financial commitments are made.

Delivery in 2014/15 and confirmation of the existing plan

99. The County Council's Capital Budget for 2014/15 totals £153.7 million. Capital expenditure as at Month 9 (31 December 2013) is £85.4 million or 56% of budget.

100. Expenditure to date for this period last year represented 52%

of the budget. The Medium Term Capital Programme has been revised to recognise the movement of remaining unspent budget for 2014/15 into future financial years. All schemes approved by the Cabinet and Full Council in February 2014 remain within the programme.

Major areas of Capital Grant funding

101. The County Council expects to receive Local Transport Plan (LTP) funding of around £100 million over the future years to 2020/21, this includes notional allocations of £12m per year from 2018/19 totalling £36 million.

102. With regard to the Capital Programme for schools, to date, the County Council has only been notified of the confirmed amount for the basic need grant for 2015/16 and 2016/17 which will be £8.3 million and £8.7 million respectively. Councils are awaiting notification of any allocations for capital maintenance and devolved formula capital and will confirm to Cabinet when these figures are known.

103. The Director of Children's Services, in conjunction with the Cabinet Member with Responsibility for Children and Families, will continue the normal process of allocation to specific schemes. Should additional grant be awarded an update will be given to a future Cabinet meeting.

Universal infant free school meals: capital funding allocations

104. One of Worcestershire's voluntary aided schools, Wolverley Sebright VA Primary School in Wyre Forest, has been successful in securing additional capital funding, following the local authority universal infant free school meals capital bidding round, which was launched on 16 October 2014.

105. Funding will be allocated within Central Government's February 2015 payments. The process was competitive and funding has been allocated to the projects which demonstrated a clear need for capital to achieve the policy aims, particularly to those in schools which are currently unable to provide hot meals. This funding is a demonstration of Central Government's continued commitment to universal infant free school meals and will help to provide children with the best possible start in life, making sure every infant pupil can have a healthy meal on each school day.

106. In order that recipient schools are not compromised in their ability to achieve value for money in negotiations with suppliers, the EFA will not be publishing the funding amounts per school until July 2015. The County Council will be providing appropriate support in the school in their procurement if requested.

The Medium Term Capital Plan

107. The emphasis for determining Capital Investment is based on how proposed schemes support the Corporate Plan – FutureFit with a particular focus on the Open for Business priority.

108. Work has also been undertaken on the financial provision within the MTFP for additional prudential borrowing of £5 million per year.

109. There has been two significant allocations from the

Medium Term Financial Plan

unallocated capital funding headroom as follows:-

- **£0.150 million** – A contribution towards refurbishment and development of Hartlebury Castle as match funding towards a Heritage Lottery Fund allocation
- **£0.305 million** – Wythall Library Services. As part of the libraries service re-modelling programme, Wythall library will relocate to a newly built community hub based at Woodrush school. This scheme will be financial by a capital receipt from the sale of the existing building at open market value. Should the capital receipt fall below this value, a maximum of £0.055 million will be met through prudential borrowing.

110. There is currently £9.5 million unallocated capital funding over the period to 2018/19 and work is in hand to review potential new capital expenditure schemes that would meet the corporate plan objectives and in particular the Open of Business priority.

111. The Capital Programme includes the Energy from Waste plant at a total cost of £121.4 million in line with the Cabinet approval in December 2013.

112. As recommended by Cabinet in December 2014, £22 million has been added to the Capital Programme for Worcestershire Parkway Regional Interchange railway station on the basis of:

- receipt of £7.5 million grant from the Local Growth Fund; and
- the repayment of any prudential borrowing by Fare Box and Car Parking Revenues through the life of the project.

113. As a result of the updates above, forecast capital investment over the period 2014/15 to 2017/18 is £491 million. This makes the County Council one of the largest investors in capital within Worcestershire.

114. Around £80 million will be invested in improving schools and £250 million in business, environmental and cultural schemes. The Cabinet Member with Responsibility for Finance recommends the changes outlined within the Medium Term Capital Programme 2014/15 to 2017/18, provided in detail in Appendix 9 are approved.

115. The MTFP remains largely unchanged from that presented at the December 2014 Cabinet after allowing for the outcome of closing the financial planning gap. The MTFP for approval is provided in the following table with further detail provided in Appendix 10:

Table 9: The Medium Term Financial Plan

£m	2015/16	2016/17	2017/18	2018/19
Total funding available	360.6	357.6	359.6	362.3
Less service costs based on budget 2013/14	382.9	384.5	384.0	387.3
Sub-Total	-22.3	-26.9	-24.4	-25.0
Less savings expected from the continuation of the BOLD programme	23.8	19.9	12.7	2.5
Add transfer to Earmarked Reserves	1.5	0.0	0.0	0.0
Shortfall in funding still to be addressed	0.0	7.0	11.7	22.5

116. The total savings requirement over the period 2015/16 to 2018/19 is £100.1 million, of which £58.9 million FutureFit savings have been identified.

117. There is risk that the current projections in relation to Central Government funding into the future could reduce further following the General Election. The next Corporate Strategy event is scheduled for September 2015 where the remaining shortfall over the Medium Term and updates to this position will be considered. Work is already underway in preparation for this.

118. In this analysis and consistent with the information presented in the December 2014 Cabinet report a further year has been added to the MTFP and the reductions required over the extended planning period 2014/15 to 2018/19 are estimated to be an average of £25 million each year, with a requirement for £23.8 million in 2015/16. Central Government have yet to publish any funding allocations to the County Council for 2016/17 and later years.

119. There are a number of risks and sensitivities that may have a significant impact on the MTFP but cannot be reasonably estimated at this stage. These are explained in brief below. Officers will continue to monitor developments in these areas and update members appropriately in the 2015/16 financial year to confirm any impact on the MTFP.

- Looked after Children's Placements

The County Council has experienced significant growth in both the numbers of Looked After Children and the associated expenditure of these placements in the last two financial years. Whilst the budget in this area has been strengthened this will remain an area needing close attention.

- Demographic Growth

Risks and Sensitivities over the Medium Term

A number of the County Council budgets continue to be demand-led, for example dependent on changes in the service users who are eligible for County Council Adult Social Care services. A judgement has been made to cater for the current forecasts in demographic growth and its impact on service provision. These will need to be reviewed in the new financial year and any consideration will need to be given to vary the MTFP for any change in the impact demographic growth over and above that currently included in the MTFP.

- Medium Term implications of the Care Act

Taking account of the implications of the Care Act of future services and medium term financing.

- Inflation

The MTFP includes a pay increases for staff as well as forecast rates of inflation for services where the additional cost is unavoidable. Views on inflation and other factors that affect the County Council's budgets will be kept under constant review and the MTFP will be updated accordingly.

- Funding from Central Government

The MTFP reflects reductions in Central Government support in accordance with the last spending round covering the period to 2015/16. Thereafter a 10% reduction in Revenue Support Grant has been assumed. Although spending reductions are widely expected to continue for a number of years, Central Government have yet to issue detailed funding levels from 2016/17 and beyond.

- Business Rates

The risk of negative changes in business rates has now been transferred to local authorities away from Central Government from 2013/14 onwards as a result of the implementation of the Business Rates Retention Scheme, Central Government does provide a financial safety net for reductions of more than 7.5% from a baseline calculation. Growth in business rates within Worcestershire, which is significantly influenced by the economic development policies of the County and District Councils, can now benefit local authorities directly. Under current arrangements local authorities can keep 50% of their business rates growth locally as long as this increase is not disproportionate to the size of their revenue budgets. The impact of future growth plans is kept under constant review and once reliable financial trends are apparent these will be included in the MTFP.

- Pensions

The current MTFP includes a provision for increases in the employer contributions towards the Local Government Pension Scheme as a result of the recent actuarial valuation. The next valuation will take place in 2016 and may result in further increases in the required employer contribution rates that may place more pressure on the MTFP.

- New Homes Bonus

The County Council will continue to receive a specific New

Alternative Budget proposals

Homes Bonus grant which will be directed towards activities that support economic growth and the development of Worcestershire's infrastructure. Whilst the pace of new homes building in Worcestershire is equal or greater than the national average, the County Council will continue to gain from increases in the New Homes Bonus grant.

120. The Budget and Policy Framework Rules allow alternative budget and council tax proposals to those presented by the Cabinet be considered in the period immediately prior to the budget and Full Council meetings.

121. A member of the County Council, or group of members, may wish to put forward alternative budget and council tax proposals. The more significant or substantial the alternative proposals are then the more likely they are to come within the requirements of Section 25 (Budget Calculation Statutory Duties) of the Local Government Act 2003 falling on the Chief Financial Officer.

122. In the circumstances alternative budget and council tax proposals should be lodged with the Chief Financial Officer by 10.00 am on Monday 2 February 2015 to ensure the obligations of Section 25 are met. Members retain the right to put forward amendments to the budget resolutions placed before the County Council but where these amendments are proposed on the day of the Full Council meeting the Chief Financial Officer is still bound by the requirements of Section 25.

Treasury Management Strategy

123. The County Council is required to review its treasury management strategy on an annual basis and the proposed strategy for 2015/16 is set out in Appendix 11.

124. The strategy for 2015/16 is not fundamentally changed since last year, although it has been updated to include how the current forecast for interest rates will affect borrowing and lending transactions.

125. Investment priorities will continue to be firstly the security of capital (protecting sums from capital loss) and secondly the liquidity of investments (ensuring cash is available when required). Only when these two priorities are met will the third priority of achieving the optimum return on investments be taken into account.

126. The borrowing strategy will be to borrow to protect the County Council's cash flows, and to borrow to replenish some of the internal cash balances that have been temporarily used to fund recent years' capital expenditure. It is anticipated that the new borrowing could occur in two stages, at the beginning and towards the end of the next financial year, however this will have to take into account prevailing medium and long-term borrowing rate forecasts and actual timing of any borrowing will be undertaken when it is financially prudent to do so.

127. The Treasury Management Strategy includes the borrowing needed to support the Energy from Waste Contract Variation approved by Full Council on 16 January 2014.

128. It is important to remember that real value is being achieved through Treasury Management by utilising internal cash balances to temporarily support the Capital Programme. This avoids the

The Prudential Code for Capital Finance in Local Authorities

The County Council's Public Sector Equality Duty in relation to setting the budget

OSPB Views

Budget Calculation Statutory Duties

need to borrow at the prevailing Public Works and Loans Board Rate, currently around 3% to 3.5%.

129. The County Council is required to set specific parameters each year to control the extent of its borrowing. The essential purpose of this requirement is to ensure that the County Council always has the means to repay and does not borrow beyond its ability to service associated debts.

130. The statement for 2015/16 is set out in Appendix 12.

131. The Public Sector Equality Duty is set out in the Equality Act, 2010. The Act lists 9 Protected Characteristics in respect of which the Duty applies. The duty requires public bodies to have Due Regard to (consciously consider) three aims in their decision-making and in policy-making and service delivery. The aims are:

- To eliminate unlawful discrimination
- To advance equality of opportunity between people who share one or more of the Protected Characteristics (listed in the Equality Act) and those who do not, and
- To foster good relations between people who share one or more of the Protected Characteristics and those who do not.

132. An overarching strategic equality relevance assessment has been undertaken in respect of budget proposals for key transformational change programmes which is detailed at Appendix 13. The assessment quantifies the levels of Due Regard to the aims of the duty for each programme and provides a broad overview on the potential cumulative impact for the most relevant of the Protected Characteristics.

133. As many programmes are as yet at an early stage of development it is not yet possible to carry out more detailed equality impact analysis. Where necessary equality analysis will be undertaken and findings reported to Cabinet where key decisions are required.

134. The Overview and Scrutiny Performance Board (OSPB) met on 29 January 2015 and its comments will be available after the publication of this report. A summary and OSPB view and the feedback from Consultation Events will follow in a separate attachment.

135. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer as Section 151 officer to report to the County Council when it is setting the budget and the precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves and must be taken into account by the County Council in setting the budget and the precept.

136. The budget currently provides for the financial implications of the County Council's policies to the extent that these are known or can be reasonably assessed. However, there are a number of risks which are beyond the County Council's control and for which it is not possible to be precise:

- some of the County Council's services are essentially demand-

led

- inflation
- interest rate volatility, and
- unforeseen emergencies e.g. flooding.

137. It is for this reason that an adequate level of resources must be maintained.

138. The Chief Financial Officer states that to the best of his knowledge and belief these budget calculations are robust and have full regard to:

- the County Council's Corporate Plan and budget policy
- the need to protect the County Council's financial standing and manage risk
- the estimated financial position at the end of 2014/15
- the financial policies of the Government as they impact upon the County Council
- the capital programme set out in Appendix 9
- the County Council's MTFP set out in Appendix 10
- treasury management policy set out in Appendix 11
- the prudential indicators set out in Appendix 12
- the strength of the County Council's financial control procedures including audit considerations, and
- the extent of the County Council's General Balance and earmarked reserve.

139. The total budget requirement will be reflected in Directorate revenue budgets to be presented to Full Council on 12 February 2015 and the Annual Budget book for 2015/16 will be published by 31 March 2015.

Supporting Information

- **Appendix 1 Key Messages from Overview and Scrutiny (to follow)**
- **Appendix 2 Local Government Finance Settlement 2015/16 Consultation Response**
- **Appendix 3 Specific Revenue Grants 2014/15**
- **Appendix 4 (a) Council Tax Calculation and (b) Precept**
- **Appendix 5 Budget summary**
- **Appendix 6 Budget Variation Analysis**
- **Appendix 7 BOLD Savings Projects**
- **Appendix 8 Pay Policy Statement**
- **Appendix 9 Capital Programme**
- **Appendix 10 Medium Term Financial Plan**
- **Appendix 11 Treasury Management Strategy**

Contact Points

- **Appendix 12 Statement of Prudential Indicators and Minimum Revenue Provision Statement**
- **Appendix 13 Assessment of the County Council's Equalities Duty in relation to the setting of the Budget**
- **Appendix 14 Directorate Budgets 2015/16**

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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:

1. DCLG, Proposed Financial Settlement for Local Government 15/16
2. Annual Financial Statements for 2013/14
3. Budget Book 2014/15
4. Cabinet reports during 2014/15
5. Agenda papers and minutes of the meeting of the Overview and Scrutiny Performance Board held on 29 January 2015
6. Section 25 of the Local Government Act 2003.