

CABINET
24 SEPTEMBER 2015**RESOURCES REPORT**

Relevant Cabinet Member

Mr A I Hardman

Relevant Officer

Chief Financial Officer

Recommendation

- 1. The Cabinet Member with Responsibility for Finance recommends to Cabinet that:**
 - (a) Council be recommended to approve the £4.3 million Kidderminster Railway Station addition to the capital programme, and the capital budget cash limits be updated accordingly;**
 - (b) the current progress regarding the FutureFit programme be endorsed;**
 - (c) his conclusions concerning revenue budget monitoring up to 31 July be endorsed;**
 - (d) his conclusions concerning capital budget monitoring up to 31 July 2015 be endorsed; and**
 - (e) the current position of the annual statutory financial accounts process is noted.**

Introduction and Summary

2. The County Council spends over £300 million per year on services and has delivered savings and efficiencies of around £100 million since it commenced its transformation and change programme. With a greater focus on supporting the Corporate Plan and better outcomes for residents, it is pleasing to note that, at the end of July 2015, £19.7 million of the £27.5 million FutureFit savings target for 2015/16 has been either delivered or confirmed as on target. The majority of the remaining target been rated as Amber in terms of risk to delivery. The County Council remains focused on delivering the remainder of the savings and efficiencies plan to take overall savings over the £125 million mark since 2010/11.
3. Forecasting the year end outturn at the end of July includes understanding the impact of four months of actual expenditure and forecasting ahead for the remaining eight months. The overall financial pressure forecasted at this point for 2015/16 is circa £5.3 million or 1.6% of the authorised cash limited budget. All avenues to reduce this forecast financial pressure are being explored to support delivery of

services in 2015/16 within the authorised cash limited budget of £326 million. Updates will be provided on this within forthcoming Resources Reports.

4. The County Council Local Transport Plan supports the Open for Business agenda. Investment in Kidderminster Railway Station enhancement scheme forms part of this plan and funding of £4.3 million has been secured and is detailed further in paragraphs 23 to 26.

5. Responsibility for making Independent Living Fund (ILF) payments transferred from the Department of Work and Pensions to the County Council from 1 July 2015. The grant for 2015/16 is £2.46 million.

6. The External Auditor has formally closed the 2013/14 Financial Statements for the County Council following an ongoing elector's objection.

7. The External Auditor has reported to the Audit and Governance Committee that they plan to issue an unqualified external audit opinion on the Financial Statements for the County Council and the Worcestershire Pension Fund subject to the completion of a small amount of outstanding work.

Capital Programme Addition – Kidderminster Railway Station

8. The Kidderminster Railway Station enhancement scheme has been supported by the County Council for a number of years. The scheme forms part of the Business, Environment and Community Directorate's infrastructure investment portfolio as identified in the Local Transport Plan and supporting the Council's Open for Business agenda.

9. In July 2014 the Growth Deal for Worcestershire allocated £2.5 million to the project for 2015/16 and in January 2015 the Growth Deal for Greater Birmingham and Solihull allocated £1.8 million to the project for 2016/17. A total of £4.3 million is now allocated for this scheme subject to final approval of the business case by the Worcestershire Local Transport Body and Local Economic Partnership.

10. There is now sufficient capital funding available to allow the project to proceed and detailed design work is now taking place in partnership with London Midland, Network Rail, Rotala (t/a Diamond), Severn Valley Railway and Wyre Forest District Council.

11. It is requested that Council be recommended to approve the £4.3 million Kidderminster Railway Station addition to the capital programme and the capital budget cash limits be updated accordingly

Future Fit Programme Update

12. The Future Fit savings programme target for 2015/16 is £27.5 million. This consists of £23.8 million of savings and efficiencies planned for implementation in 2015/16 and £3.7 million of prior year savings programmes carried forward from 2014/15.

13. As at the end of July 2015, £19.7 million of the £27.5 million target for 2015/16 has been either delivered or confirmed as on target. The majority of the remaining target has been rated as Amber in terms of risk to delivery.

14. The main risks to the programme that are being managed this year include demographic and other cost pressures emerging in the social care market, continued pressure on Children's placements and in year risks to the delivery of the Transport Operations and Fleet Programme.

15. Notable outcomes within the programme are outlined below:

- Sanctuary Extra Care Scheme

The Sanctuary Extra Care Scheme for Worcester City opened on 27 July 2015, providing a 60 bed care home, 60 unit extra care scheme and 40 close care apartments and bungalows.

- Superfast Broadband

The Superfast Worcestershire Broadband programme switched on the 200th roadside high-fibre cabinet as part of the roll-out. Over 33,000 premises are now able to benefit from the fibre rollout.

- In-house Supported Living for Young People

The first Supported Living property at Cheltenham Road opened on target at the end of July with the aim of supporting young people in care closer to their own communities.

Revenue Budget Monitoring 2015/16 - Outturn Forecast as at 31 July 2015

16. The County Council's authorised cash limited budget for 2015/16 is £326 million. When taken together with the amount of money spent by the County Council that is received through specific grants and miscellaneous income the County Council spends over £1 million per day on providing services to residents and service users.

17. The overall financial pressure forecasted at this point in the 2015/16 financial year is circa £5.3 million or 1.6% of the authorised cash limited budget. This includes a range of financial pressures, but also forecast underspends against budget at this early stage.

18. The County Council's borrowing costs are influenced by UK Government Gilt rates or the cost for Government of borrowing money on the capital markets. Over the last few years, the County Council has undertaken a policy of borrowing from its own reserves as interest gained on its investments is circa 0.5% per annum, whilst its cost of borrowing has typically been between 2.5% and 4%. As Government Gilt Rates increase, the County Council needs to replace its internal borrowing with borrowing from the Public Works and Loans Board or the newly formed Municipal Bonds Agency.

19. UK Government Gilt rates remain low and savings have been generated in the first two months of £0.5 million from continuing to borrow internally rather than

externally. Taken together with increased dividends forecast from organisations that the County Council has a financial interest in, a £0.7 million surplus is forecast. There remains some risk of significant fluctuations in this area, particularly as the UK Government cost of borrowing is significantly influenced by global factors and volatility such as US Federal Reserve Interest Rate movements and the Eurozone. Volatility in these areas will continue to be kept under review.

20. The most significant area of financial pressure continues to be the Looked after Children's placement budget. Nationally, demand pressures within services for Looked after Children remains high with a significant number of local authorities experiencing increasing demand and financial pressure in this area.

21. As part of developing the medium term plan, investment is required to put the service in the best position to achieve the best outcomes for Worcestershire's most vulnerable children and young people. A detailed review has been undertaken following the LGA Peer Review and as a result the service is forecasting a financial pressure of £5.8 million in 2015/16.

22. The council is continuing to develop its internal services and maximising the use of best value external providers to provide the right placement at the right time and at the right cost for each of its looked after children. Significant positive activity is already taking place to develop the council's in house fostering service. Having more children placed with Worcestershire carers is not only more cost effective but, more importantly, provides a better opportunity for children to remain within their own communities and benefit from continuity of education and healthcare. This campaign is progressing well and recruitment targets are on track. Following the successful opening of Cheltenham Road in July, further development of the in-house supported living service will continue alongside the provision of in-house short breaks units.

23. There is also shift of focus on early intervention and preventative action to ensure family problems are resolved before there is a need for specialist services such as social care. The Back to Basics Improvement Board continues to challenge and support both practice and financial management issues.

24. Work continues within the County Council to explore ways in which this financial pressure can be reduced in 2015/16 and managed across the medium term financial plan and further updates will be provided in future Resources Reports. The effectiveness of the plans in place continue to be monitored on a regular basis and operational managers have a clear focus on delivering the best outcomes for Worcestershire's Looked After Children and young people within the resources that are available to them.

25. All parts of the County Council are currently considering ways in which the financial pressure within Children's Services can be minimised either through their work directly with the Children's Services teams or how their own services can be delivered in light of this financial pressure.

26. In addition to the financial pressure being experienced within the Looked after Children's Service, a forecast financial pressure of £0.7 million exists in relation to savings projects that are currently 'red rated'. Further progress on the work being undertaken to deliver these savings in year will again be reported in future Resources Reports.

27. The Department for Work and Pensions have transferred the responsibility for making Independent Living Fund payments from 1 July 2015 onwards to the County Council. The fund provides cash payments to top-up local authority social care support for approximately 170 disabled people so they can live more independently and will be managed by the Adult Services and Health Directorate. The grant payment due to be received in 2015/16 is £2.46 million.

28. The overall financial position will continue to be closely managed and work is underway to confirm a package of measures to address the forecast overspends.

Capital Programme Budget Monitoring - 2015/16 Forecast

29. The Council's currently approved capital budget for 2015/16 totals £175.6 million, including £29.0 million brought forward from last financial year. Actual spend of £27.9 million was incurred by 31 July 2015. Capital projects are forecast to spend £180.6 million by the end of the financial year, giving a forecast over-programming of £5.0 million. This is within the BEC Directorate, and is due to timing and profiling of spend on a small number of major schemes. The overall programme will be re-cash flowed to reflect the delivery estimates for the year at the end of Quarter 2.

Annual Statutory Financial Statements 2013/14

30. The Annual Statutory Financial Statements 2013/14 are now formally closed following the provision of a completion certificate by the External Auditors. This follows consideration by the auditor of an objection to the Accounts by an elector.

Annual Statutory Financial Statements 2014/15

31. The work regarding the external audit of the 2014/15 Statement of Accounts for 2014/15 has been completed with no significant adjustments to the amounts required to be charged to the Council's budget or the amounts held in Earmarked Reserves or General Balances. This work was approved by the Audit & Governance Committee on 26 June 2015.

32. The Council's external auditors, Grant Thornton, have indicated they will give an unqualified audit opinion subject to some additional work being completed.

33. This is excellent news and enables the Council to move forward quickly in full confidence on the financial position for 2014/15 and this will support financial planning for future years.

34. The final stage is for the external auditor to formally close the 2014/15 audit. This is expected to happen over the late summer months following successful completion and audit of Council's Whole of Government Accounts process.

Contact Points

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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