

COUNCIL
11 FEBRUARY 2016**REPORTS OF CABINET - MATTERS WHICH REQUIRE A
DECISION BY COUNCIL**

(a) 2016-17 Budget and Council Tax**Recommendation****1. The Leader and Cabinet recommend that:**

- (a) the conclusions concerning revenue budget monitoring up to 31 December 2015 be endorsed;**
- (b) the virement and transfers to Earmarked Reserves as detailed in paragraph 4 of this report are approved;**
- (c) the budget requirement for 2016/17 be approved at £322.468 million;**
- (d) the Council Tax band D equivalent for 2016/17 be set at £1,122.31 and the Council Tax Requirement (precept) be set at £224.968 million;**
- (e) consistent with the provisional Local Government Finance Settlement that revenue cash limits be set for each Directorate:**

	£m
(i) Adult Services and Health	132.746
(ii) Children, Families and Communities	84.797
(iii) Economy and Infrastructure	64.484
(iv) Commercial and Change / Finance	40.441
	<u>322.468</u>

- (f) that the County Council continues to engage with residents and businesses in shaping the Corporate Plan and spending profile in line with their priorities;**
- (g) the Council's Pay Policy Statement as set out in Appendix 8 be approved;**
- (h) the conclusions concerning capital budget monitoring up to 31 December 2015 be endorsed;**
- (i) the Capital Programme as set out in Appendix 9 be approved;**
- (j) the Medium Term Financial Plan as set out in Appendix 10 be approved;**
- (k) delegated authority is provided to the Chief Financial Officer in consultation with the Leader of the Council to respond to Central**

- Government and accept the offer of a four year settlement;**
- (l) the Treasury Management Strategy set out in Appendix 11 be adopted;**
and
- (m) the Statement of Prudential Indicators and Minimum Revenue Statement as set out in Appendix 12 be approved.**

[NB Appendices referred to are those presented to 4 February 2016 Cabinet]

2. All Councillors will have a copy of the full report and Appendices considered by the Cabinet on 4 February 2016 and are referred to that report and requested to bring it to Council to inform Council's decision and allow full consideration of all the issues.

2016/17 Local Government Finance Settlement

3. The final figures for the 2016/17 Local Government Finance Settlement were unknown at the time the 4 February 2016 Budget report to Cabinet was drafted and therefore the report to Cabinet was on the basis of the provisional settlement. Council will be informed should more information be released and if this means there are resulting changes to the content of this budget report or recommendations.

Cabinet Report – 4 February 2016

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

- those decisions made by the Cabinet on the draft budget 2016/17 at its meeting on 17 December 2015
- details of the budget 2016/17 consultation and engagement. The Council had engaged with a wide range of individuals and organisations through various channels. The draft budget proposals were also considered by the Overview and Scrutiny Performance Board and its response had been before the Cabinet
- confirmation of areas of investment in the Corporate Plan priorities of Open for Business, Children and Families, Health & Well-being and The Environment in 2016/17 and across the Medium Term Financial Plan (MTFP)
- revenue budget monitoring for 2015/16. The outturn forecast to 30 November 2015 indicated a cost pressure of £2.3m against authorised cash limits or 0.7% of the overall budget. It was anticipated that this variance would be reduced to ensure services were delivered within the Council's cash limited budget for 2016/17. With this breakeven forecast there still remained, in common with a number of other local authorities, a significant adverse variance and financial pressure with regard to Children's Social Care Placements. The FutureFit transformational programme continued to make good progress and the 2015/16 target of £27.5m was forecast to be achieved. General balances were likely to remain at £13m at the end of the 2015/16 financial year
- the proposal for the virement and transfer of £0.6m to earmarked reserves with regard to the Councillor's Divisional Funds Scheme as part of the December

2015 forecast reporting. This did not require alteration of the net cash limits approved by Full Council

- the work needed to close the provisional financial gap. The requirement to achieve an average annual level of budget reductions, efficiencies and income generation opportunities of £25m remained. However, due to the profile of central Government's proposals for reductions in Revenue Support Grant (RSG) there would be an increased level of budget reductions, efficiencies and income generation required in the 2017/18 financial year
- the budget requirement of £327.8m against funding from central Government and Council Tax of £325.8m leaving an initial funding gap of £2m
- developments since the December 2015 Cabinet report. This included details of the Leader's response to central Government's Local Government Finance Settlement. Central Government had still to confirm the final figures for the 2016/17 settlement. The provisional settlement published on 17 December 2015 indicated a £11.4m reduction in Council funding compared with that forecast in the December 2015 Cabinet report and the Spending Review
- the proposed Council Tax increase and central Government's Council Tax Referendum Limit. Central Government announced within the Spending Review that for the rest of the current Parliament, local authorities responsible for adult social care would be given an additional 2% flexibility on their current Council Tax referendum threshold to be used entirely for adult social care. In anticipation of the core referendum limit being 2% in 2016/17 (as it was in 2015/16), the draft budget considered by Cabinet in December 2015 included a proposal to increase Council Tax by 3.94% (1.94% within the anticipated core 2% referendum limit and 2% ring-fenced for Adult Social Care)
- the changes to Council Tax, Business Rates income and expenditure budgets which had enabled the provisional funding gap 2016/17 of £2m to be fully recovered

Summary of changes since December 2015 Cabinet

£m	December 2015	February 2016	Change
Council Tax	223.4	225.0	1.6
Collection Fund Surplus	0.0	3.1	3.1
Revenue Support Grant	43.5	36.3	-7.2
Business Rates Retention	58.9	58.1	-0.8
Better Care Fund	33.5	33.9	0.4
Total Funding Available	359.3	356.4	-2.9
Total Net Expenditure	383.9	381.2	-2.7

£m	December 2015	February 2016	Change
Future Fit Programme	-22.6	-24.8	-2.2
Earmarked Reserves Contribution	0.0	0.0	0.0
Funding Shortfall	2.0	0.0	2.0

- the spending requirements which were proposed to become cash limits for each Directorate in 2016/17
- the arrangements for the renewal of the County Council's Section 75 partnership arrangements with Health for the commissioning of services. The Cabinet has authorised the Director of Adult Services and Health and the Director of Children, Families and Communities to finalise the details in respect of their Directorates and formally execute the Section 75 agreement for commissioning arrangements with Health for 2016/17
- the Dedicated Schools Grant allocation for Worcestershire which totalled £368.9m and the Education Service Grant. The provisional allocation of the latter to Worcestershire for 2016/17 was £4.2m
- the Pay Policy Statement for approval which specified the Council's policies relating to the pay of its workforce. The Statement had to be published on the Council's public website by 31 March each year
- details of the allocations made under the New Homes Bonus (NHB). The County Council received a 20% NHB share, currently for a period of 6 years, on the basis of New Homes built in Worcestershire (the remaining 80% was received by District Councils). £2.0m would be allocated to the County Council's Driving Home initiative. A contribution of £0.4m was also proposed to support investment in Bromsgrove Parkside as well as £1.4m for the Worcester Carrington Bridge and £0.3m for the A38 in Bromsgrove
- the Council's Capital Programme 2015/16 to 2018/19. The Capital Budget for 2015/16 totalled £183.7m. Capital expenditure as at 30 November 2015 was forecast to be £177.4m. In terms of the Local Transport Plan, the Council expected to receive funding of around £93m covering 2015/16 and 2020/21. This included indicative allocations of £14m per year from 2018/19 totalling £42m. With regard to the capital programme for schools the Council was still awaiting details of the funding allocation. Council would be updated when these figures are known. Work has been undertaken on the financial provision within the MTFP for additional prudential borrowing of £5m per year. Further investment was recommended for footways, and Public Realm works. As a result of updates to capital investment allocations, the forecast capital investment over the period 2015/16 to 2018/19 was £430m
- the latest assessment of the Council's MTFP prospects. Over the medium term, an average annual level of budget reductions, efficiencies and income generation opportunities of £25m remained. However, due to the profile of central

Government's proposals for RSG this requirement would need to be increased for 2017/18. Further work would be needed to consider the impact of this and for future years. There were also a number of risks and sensitivities that may have a significant impact on the MTFP such as central Government funding, Looked After Children placements, demographic growth and demand pressures, the medium term implications of the Care Act, inflation, the current Business Rates Retention Scheme and reform of the Scheme, the NHB and pensions

- the Council's Treasury Management Strategy for 2016/17 and the Prudential Code for Capital Finance in Local Authorities Statement for 2016/17
- the County Council's Public Sector Equality Duty in relation to setting the budget. An overarching strategic equality relevance assessment had been undertaken in respect of budget proposals for key transformational change programmes. As many programmes were as yet at an early stage of development it was not yet possible to carry out more detailed equality impact analysis. Where necessary equality analysis would be undertaken and findings reported to Cabinet where key decisions were required
- a personal assurance statement from the Chief Financial Officer as Section 151 officer on the robustness of the budget calculations.

(b) 2017-18 School Place Planning

Recommendation

5. To the extent that proposed expansions at Red Hill CE and Rushwick CE Primary Schools and Wychbold First School are agreed, pursuant to the authorisations given by Cabinet on 4 February 2016, the Cabinet recommends approval of the addition of the necessary building works associated with these expansions to the 2016/17 Children's Services Capital Investment Programme within the Capital Programme.

6. The County Council has a statutory duty to provide sufficient school places for all children resident in the county who wish to attend a state funded school. As part of the annual school place planning and monitoring exercise, officers identified a need to provide additional permanent places in three areas of the county from September 2017.

7. The need for additional places is driven by a combination of underlying demographic changes and additional children arising from housing growth. Three schools: Red Hill CE Primary, Worcester; Rushwick CE Primary, Malvern and Wychbold First, Droitwich were identified as candidates for expansion based on their location in relation to the areas of growth and their status as popular and successful schools.

8. The Director of Children's Services approved public consultation on the draft proposals in July 2015 and consultation took place between 2 November and 11 December 2015 and included publication of written consultation documents and a consultation event for stakeholders at each school.

9. After taking into account the responses to the consultations for all three schools, the majority of which were in favour of expansion, the Cabinet has approved publication of

statutory notices to expand the schools as follows with associated increases in Published Admission Numbers to be implemented by September 2017:

- Red Hill CE Primary School, Worcester from 30 to 60 pupils per year
- Rushwick CE Primary School, Malvern from 20 to 30 pupils per year
- Wychbold First School, Droitwich from 20 to 30 pupils per year.

10. The Cabinet has also authorised the Director of Children, Families & Communities to approve those proposals in respect of which no objections to the Public Notices are received and the Cabinet Member with Responsibility for Children and Families to decide those proposals in respect of which objections to the Public Notices are received.

11. The capital costs of the proposed expansions would be met from Worcestershire's Basic Need capital grant for 2016/17. Contributions from housing development will also be used where available and in line with regulations governing the use of such funds. All schools which expand at the request of the Council are entitled to additional revenue support through the mechanism agreed with the Schools' Forum. This support will apply from the date of implementation until all year groups at the school are operating at the new capacity.

12. Subject to the extent that the proposed expansions are agreed in accordance with paragraph 10 above, Council is asked to approve the addition of the necessary building works associated with these expansions to the 2016/17 Children's Services Capital Investment Programme within the Capital Programme.

Supporting Information

[See the Budget report to Cabinet on 4 February 2016 for the Appendices below]

- Appendix 1 Key Messages from Overview and Scrutiny
- Appendix 2 Local Government Finance Settlement 2016/17 Consultation Response
- Appendix 3 Specific Revenue Grants 2015/16
- Appendix 4 (a) Council Tax Calculation and (b) Precept
- Appendix 5 Budget summary
- Appendix 6 Budget Variation Analysis
- Appendix 7 FutureFit Budget Reductions, Efficiencies and Income Generation Opportunities
- Appendix 8 Pay Policy Statement
- Appendix 9 Capital Programme
- Appendix 10 Medium Term Financial Plan
- Appendix 11 Treasury Management Strategy
- 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 2016/17

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers and background papers relating to the meeting of the Cabinet held on 4 February 2016.