

## MEDIUM TERM FINANCIAL STRATEGY – 2019/20 to 2021/22

<b>Cabinet Meeting</b>	30 January 2019
<b>Leader of the Council Finance and Change</b>	Cllr Mark Hawthorne Cllr Ray Theodoulou
<b>Key Decision</b>	Yes
<b>Other Documents</b>	Council Strategy and Medium Term Financial Strategy 2017/18 – 2019/20 Council report: 14 <sup>th</sup> February 2018 Cabinet report: 19 <sup>th</sup> December 2018 Council Efficiency Plan 2016/2020
<b>Main Consultees</b>	Public, Schools Forum, Partners, Business Representation, Members of the Council, Scrutiny Committees, Trade Unions, Staff.
<b>Planned Dates</b>	Consultation undertaken between December 2018 and January 2019
<b>Divisional Councillor</b>	All Councillors
<b>Officers</b>	Paul Blacker Tel: 01452 (32) 8999 Acting Director of Finance Jane Burns Tel: 01452 (32) 8472 Director Strategy & Challenge
<b>Purpose of Report</b>	To recommend the Council Strategy, MTFS and 2019/20 budget and Precept to Council.

<b>Recommendations</b>	<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> <li>1. To consider the outcome of the budget consultation as set out in Appendix 3 and the report from the Overview and Scrutiny Management Committee (OSMC) in Appendix 4.</li> <li>2. To approve the Draft Council Strategy for submission to County Council (Appendix 1).</li> <li>3. To approve changes to the draft budget and to approve the MTFS and final revenue and capital budget for 2019/20 for recommendation to County Council, including all of the proposals set out in the annexes of the detailed MTFS (Appendix 2).</li> <li>4. To approve the schools funding, the provisional local government finance settlement and forecast reserve movements as summarised in this report and set out in the MTFS to County Council.</li> <li>5. To recommend to Council a revenue budget of £429.661 million, a band D council tax of £1,293.70 and consequential precepts on District Councils.</li> <li>6. To approve for recommendation to Council the Capital Strategy, Treasury Management Strategy and Investment Strategy as set out in Annexes 7 &amp; 10 of the detailed MTFS.</li> <li>7. To note the Risk Management Policy Statement &amp; Strategy as set out in Annex 11 of the detailed MTFS.</li> </ol>
<b>Resource Implications</b>	The report is concerned with the Council's overall budget and the financial implications thereof.

## **1. Introduction**

This Medium Term Financial Strategy (MTFS) is presented to Cabinet for approval prior to final approval of County Council on 13th February 2019. It has been prepared using best estimates from available data and based on the provisional financial settlement received in December 2018, with the final settlement expected early February 2019. Any amendments required as a result of the final financial settlement will be in the final budget submitted to County Council.

The MTFS contains the proposed budget for 2019/20. The budget totals £429.661 million and is based on a 2.99% Council Tax increase. In addition there is the final year of the 'social care precept' which allows the Council to increase council tax levels by up to 2% specifically to fund Adult Social Care. This 2% social care precept raises an additional £5.6 million for Adult Social Care services. The proposed budget is £1.305 million more than the consultation budget due to funding changes as outlined in section 4 below.

This proposed budget will result in a Band D Council Tax of £1,293.70 in 2019/20 compared to £1,232.21 in 2018/19 – an increase of £61.49 per annum.

The detailed MTFS is attached to this report.

## **2. The Council Strategy 2019-22: Looking to the Future**

A new Council Strategy is presented alongside the MTFS for final approval and recommendation to County Council on 13 February 2019. The Council Strategy sets out the Council's long-term vision and ambition for Gloucestershire and informs the priorities reflected in the MTFS. This strategy supersedes the existing Council Strategy and its supporting policies and builds on the themes and ambitions that were developed as part of the Gloucestershire 2050 conversation that took place throughout 2018. This new strategy reflects an increasing focus on what sort of county we want for the future, and how we can work with communities and partners to make the most of the opportunities the county is facing as well as addressing our strategic challenges. It sets out the Council's commitment and contribution to delivering that vision.

The draft strategy was subject to engagement with the public and with Council staff throughout November and December. This included staff briefing sessions, engagement through social media and a roadshow programme that targeted high footfall events and locations. Overall the comments received supported the draft strategy and the priorities for Gloucestershire, particularly the strong focus on developing the County's transport, economy and infrastructure.

## **3. Summary Budget Proposal 2019/20**

The recommended budget for 2019/20 is £429.661 million this represents an increase in cash terms of £16.180 million, or 3.9%, from 2018/19.

The recommended budget for 2019/20 contains:

- £32.707 million of extra investment into services, particularly those for older people and vulnerable children and adults

- £4.388 million to cover for increased costs due to inflation and pay awards.
- £181.004 million of new capital investment in roads, schools and other services.
- £20.917 million of efficiency savings to be delivered.

The overall cash increases / decreases for service budgets are detailed in the table below.

Medium Term Financial Strategy – 2019/20 Budget – Overall Summary

Budget Area	2018/19 Agreed MTFS Budget £000	Transfer of 2018/19 One Off Budget Support to T&C for MTFS Presentation £000	Agreed 2018/19 Budget adjustments * £000	2018/19 Revised MTFS Base Budget £000	Pay Inflation Costs £'000	Cost Increases £'000	Cost Reductions £'000	Proposed 2019/20 Budget £'000	Cash Increase / Decrease £'000	Percentage Increase / Decrease %
<b>Programme Budget Areas</b>										
Adults	133,172	-	1,384	134,556	1,190	11,429	-10,498	136,677	2,121	1.6%
Vulnerable Children	73,696	-1,123	611	73,184	917	11,632	-1,700	84,033	10,849	14.8%
Other Children Services	29,278	-	-9,619	19,659	391	215	-550	19,715	56	0.3%
Communities and Infrastructure	80,426	-530	-506	79,390	1,098	3,943	-990	83,441	4,051	5.1%
Support Services	27,917	-	47	27,964	769	3,653	-1,467	30,919	2,955	10.6%
Technical and Cross Cutting	44,721	1,703	-1,599	44,825	3	1,735	-4,670	41,893	-2,932	-6.5%
Prevention & Wellbeing	24,271	-50	9,682	33,903	20	100	-1,040	32,983	-920	-2.7%
<b>Total Budget</b>	<b>413,481</b>	<b>-</b>	<b>-</b>	<b>413,481</b>	<b>4,388</b>	<b>32,707</b>	<b>-20,915</b>	<b>429,661</b>	<b>16,180</b>	<b>3.9%</b>

\* Includes the budget transfer of £9.485 million for Supporting People and Prevention Hub Services from Other Children Services to Prevention & Wellbeing

Full details of the budget proposals are set out in annexes 2 and 3 within the detailed MTFS of Appendix 2 which accompanies this paper.

#### 4. Changes between the 2019/20 budget issued for consultation and the final budget

The following table shows the revenue budget changes since the Cabinet report in December 2018:

Detail	£m
<b>Budget per Cabinet 19 December 2018</b>	<b>428.356</b>
Reduction in grant (provisional finance settlement 13/12/18)	-0.272
Additional Taxbase linked to Council Tax	1.834
Additional Taxbase linked to ASC Council Tax	0.143
Reduction in declared Council Tax Surplus Declared (one off funding)	-0.400
<b>Provisional Revised Budget</b>	<b>429.661</b>

**Increase in Revenue Funding 1.305**

As a result of the additional funding outlined above the following changes have been made to the budget proposal for 2019/20:

- Looking to the Future implementation costs (£0.085 million).

- Increase to the provision for demographic growth in adult services to reflect additional social care levy funding (£0.142 million).
- Additional pay inflation provisions to Adults, Children & Families and Support Services (£0.040 million).
- Additional investment bid for GDPR compliance (£0.035 million)
- Contingency provision to provide funding to mitigate against slippage in the delivery of the £20.915 million MtC3 savings built into the 2019/20 budget (£1.003 million)

The capital budget has increased by £1.991 million since the consultation budget was approved by Cabinet on 19<sup>th</sup> December 2018. The changes are summarised in the table below.

<b>Funding for New Capital Investment</b>	<b>£m</b>
<b>Budget per Cabinet 19 December 2018</b>	<b>179.013</b>
Developer s106 contributions	
- St. David's Primary School	1.200
- Winchcombe Secondary School	0.119
Revenue contributions - Schools Capital Maintenance Programme (estimate)	0.575
Grant - Schools Condition Allocation increase	0.097
<b>Revised Budget</b>	<b>181.004</b>

**Increase in Capital Funding** **1.991**

## 5. Forward Draft Plans for the Revenue Budget in 2020/21 and 2021/22

The Council's revenue expenditure plans are set for the three years covering 2019/20 to 2021/22. The proposed detailed budget for 2019/20 is set out within the MTFs, whilst the current draft forecast budgets for 2020/21 and 2021/22 are:

	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>
Budget	436.5	452.2

These are forecast financial positions for 2020/21 and 2021/22 and will be updated as further information becomes available.

## 5 Capital Programme

The capital programme provides investment in the county totaling £605.33 million. The main investment relates to Communities and Infrastructure (£316.43 million), Schools and facilities for children (£170.20 million) Business Support (£93.66 million) and Adults (£25.04 million).

Consistent with the Council's priority to reduce the level of long term debt and the impact

of interest and capital repayments on the revenue budget, the capital programme for 2019/20 is largely “capped” at the level of developer contributions, capital grants received and revenue contributions from capital financing budgets with internal borrowing only being used for key administration priorities.

The capital programme for 2019/20 onwards contains £181.00 million of new investment on capital schemes, financed from grants, revenue contributions and capital financing budgets, as set out in the table below.

<b>New Capital Funding</b>	<b>£000</b>
Adults – Disabled Facilities Grant 2019/20 (indicative)	5,589
Children and Families – Basic Need Grant 2019/20 (balance remaining)	7,565
Children and Families – Basic Need Grant 2020/21 (balance remaining)	30,807
Children and Families – Schools Condition Allocation 2019/20	4,897
Infrastructure – Highways Block Maintenance Grant 2019/20	14,350
Infrastructure – Highways Block Maintenance Grant - Incentive Element 2019/20 (estimate)	3,012
Infrastructure – Integrated Transport Block Grant 2019/20	2,861
Infrastructure – Highways Block Maintenance Grant 2020/21 (indicative)	14,350
Infrastructure – Highways Block Maintenance Grant - Incentive Element 2020/21 (estimate)	3,012
Infrastructure – Integrated Transport Block Grant 2020/21 (indicative)	2,861
Infrastructure – Highways Block Maintenance Grant 2021/22 (estimate)	14,350
Infrastructure – Highways Block Maintenance Grant - Incentive Element 2021/22 (estimate)	3,012
Infrastructure – Integrated Transport Block Grant 2021/22 (estimate)	2,861
<b>Total Grant</b>	<b>109,527</b>
Internal Borrowing - Highways	29,000
Capital Receipts - MTFS Bids	32,533
Internal Borrowing - MTFS Bids	7,550
<b>Total Capital Financing Budgets</b>	<b>69,083</b>
<b>Developer s106 Contributions</b>	<b>1,319</b>
Revenue contributions – Highways (estimate)	500
Revenue contributions – Children & Families (estimate)	575
<b>Total Revenue Contributions</b>	<b>1,075</b>
<b>Total New Capital Funding 2019/20 onwards</b>	<b>181,004</b>

Priority schemes not supported by grants or contributions, which are detailed in Annex 8b of the MTFS, have been included within the new programme on the basis that they can be funded from capital receipts and internal borrowing, thereby avoiding the need for new external borrowing. These new schemes recommended for approval amount to £40.08 million. The £29.00 million of internal borrowing, listed separately in the table above, is the future years element of the £39.00 million approved last year to invest in Highways structural maintenance.

## **6 Consultation**

A formal budget consultation took place between 20th December 2018 and 21st January 2019, with the following groups:

- All Gloucestershire residents,
- Key partners including Health, the Independent and Voluntary sectors and town and parish councils,
- Trade Unions and professional associations,
- Staff, via the usual communication channels,
- Gloucestershire businesses
- Schools, via the schools forum, open meetings and Head Teacher groups

Full details of the results of the consultation are in Appendix 3.

The Overview and Scrutiny Management Committee have also undertaken their own budget scrutiny process on 10<sup>th</sup> January 2019. Their report will be attached as Appendix 4 to this report. The Chair of the Committee has been invited to present the report.

## **7 Risks**

In preparing the budget the following factors mitigate the risks in the budget:

- Account has been taken of current spending trends and, where known and affordable within the core finance available to the Council, additional costs have been built into the proposed 2019/20 budget.
- Budget risks have been explicitly considered in preparing the budget and taken into account, particularly the funding constraints going forward.
- The level of reserves has been examined and will continue to be closely monitored during the period of this MTFS, in the context of protecting the Council from existing and future liabilities.
- Balancing the Council's budget over this period of financial constraint requires a series of major challenges. Whilst robust programme management plans have been put into place to deliver these savings, as evidenced by performance over the last three years, there is inevitably some residual risk.
- The highest risk areas continue to be demand led services, especially care for older and vulnerable people including Children in Care where demand is rising. Therefore additional resources are being invested in these areas under the proposed 2019/20 budget options.
- Provision has been made for pay awards, pension and national insurance increases,

contractual inflationary pressures and the forecast impact of the new National Living Wage.

- The reserves held are invested and the interest received supports the Council's budget.
- Proposals to address the funding pressures within DSG High Needs Block are being devised by the Council and the Schools Forum.

## **8 Risk Management Policy Statement & Strategy**

It has always been important for organisations to identify and manage their risks. Identifying risks enables the Council to effectively manage strategic decision making, service planning and delivery to safeguard the wellbeing of its stakeholders and increases the likelihood of achieving its outcomes.

Annex 11 of the detailed MTFS (Appendix 2) provides the Risk Management Policy Statement and Strategy for 2018/21, which aligns with the MTFS. The aims of this Strategy are to support the challenges that the Council may face, allowing it to react dynamically to changing external circumstances by enabling the Council to handle risk effectively and deliver successful outcomes.

## **9 Public Sector Equality Duty**

Cabinet Members are reminded that we have a legal duty to give due regard to the implications for people with protected characteristics. The Due Regard Statement before us today includes the relevant details.

## **10 Conclusion**

The Acting Finance Director (the Chief Financial Officer) considers that the budget proposals set out by the Cabinet are robust and sustainable, and that the level of reserves are sufficient to meet the known risks within the budget, taking account of the Council's robust financial management framework.

## **11 Summary of Appendices**

- Appendix 1 Council Strategy
- Appendix 2 Medium Term Financial Strategy (MTFS)
- Appendix 3 Budget Consultation Report
- Appendix 4 OSMC Budget Scrutiny Report
- Appendix 5 Due Regard Statement