

**MEDIUM TERM FINANCIAL STRATEGY**  
**(2020/21 to 2022/23)**

<b>Cabinet Date</b>	9th October 2019
<b>Leader of Council</b>	Cllr Mark Hawthorne
<b>Finance and Change</b>	Cllr Lynden Stowe
<b>Key Decision</b>	Yes
<b>Background Documents</b>	Current Medium Term Financial Strategy (MTFS), the detailed budget for 2019/20 and the Council Strategy 2019/22.
<b>Main Consultees</b>	Consultees included in MTFS / budget setting process will include the public, partners, scrutiny, schools and staff
<b>Planned Dates</b>	September 2019 to February 2020
<b>Divisional Councillor</b>	Countywide
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<b>Purpose of Report</b>	To set out the overall context and outline the process / timetable for producing the Medium Term Financial Strategy for the period 2020/21 to 2022/23.
<b>Key Recommendation</b>	That Cabinet agree the proposed process for developing the Council's three-year Medium Term Financial Strategy (MTFS) covering the period 2020/21 to 2022/23.
<b>Reasons for Recommendation</b>	To ensure that the Council has a robust process for formulating the MTFS covering the period 2020/21 to 2022/23.
<b>Resource Implications</b>	This report deals with the financial budget from 2020/21 onwards.

## Background

1. The Council Strategy 2019/22 and Medium Term Financial Strategy (MTFS), including the detailed budget for 2019/20, were agreed by Council in February 2019. The Council Strategy sets out the Council's vision, ambition and priorities, and provides the main framework against which we monitor our future progress and performance.
2. The revised MTFS and the detailed budget for 2020/21 will be developed in the context of the Council Strategy and the 2019 Spending Review announced by the government on 4<sup>th</sup> September 2019.

### A. Council Strategy 2019/22

3. The Council Strategy for 2019/22 - 'Gloucestershire: Looking to the Future' - was approved by Council in February 2019 and is designed to address future challenges and make the most of new opportunities. The Council Strategy reflects the Council's ambitions for enhanced place-based leadership and the organisational by five values that will inform and underpin the way we work.
  - **Accountability:** We do what we say we will
  - **Integrity:** We are honest, fair and speak up
  - **Empowerment:** We enable communities and colleagues to be the best they can
  - **Respect:** We value and listen to each other
  - **Excellence:** We continually improve through listening, learning and innovation

### B. Funding Forecasts – 2020/21 to 2022/23

4. The Spending Review 2019 (SR19) took place on Wednesday 4<sup>th</sup> September 2019. It was a one year settlement. It was confirmed that the additional grants from 2019/20 (Winter Pressures Grant and Social Care Grant) would roll into the baseline and the additional Improved Better Care Fund monies would continue at a cash flat level. In addition a new £1 billion Social Care Grant was announced – how this money will be distributed has yet to be agreed but it is anticipated that this Council's share will be in the region of £10 million.
5. The Adult Social Care Precept that was due to finish in 2019/20 has been extended for an additional year at a maximum of 2% - this would generate in excess of £6 million if implemented fully in Gloucestershire. In addition the general Council Tax cap was confirmed at 2% meaning that the maximum Council Tax increase in 2020/21 would be 3.99%.
6. Uncertainty still remains for the longer term because this is only a one year settlement and it has been confirmed that the Fair Funding Review, Business Rates Reset and move to the new Business Rates System are all delayed for a further year.
7. Table 1 below uses this updated Spending Review information to forecast 2020/21 funding - for comparative purposes the revised 2019/20 position and the pre Spending Review position are included. Given the funding uncertainty beyond 2020/21 no attempt has been made at this stage to forecast funding beyond next financial year.

**Table 1:**

<b>2020/21 Forecast Net Budget: Gloucestershire CC</b>			
	Revised <b>2019-20</b>	Pre SR19 <b>2020-21</b>	Post SR19 <b>2020-21</b>
	<b>£ millions</b>	<b>Adjusted £ millions</b>	<b>£ millions</b>
Settlement Funding Assessment of which;	83.522	84.066	84.513
<i>RSG</i>	8.045	8.045	8.205
<i>Top Up / Tariff (-) Grant</i>	53.367	54.500	54.434
<i>Baseline Funding</i>	22.110	22.200	22.552
<i>Surplus / deficit</i>	0.000	-0.679	-0.679
Council Tax of which;	301.534	315.257	318.280
<i>Council Tax Requirement</i>	276.415	289.597	286.575
<i>Adult social care</i>	21.340	21.660	27.705
<i>Council Tax Surplus</i>	3.779	4.000	4.000
Improved Better Care Fund	16.906	16.906	16.906
New Homes Bonus and Top Slice Grant	3.043	2.895	3.043
Social Care Grant	4.322	4.322	4.322
SR 19 social care	0.000	0.000	10.541
Winter Pressures	2.530	2.530	2.530
<b>Core Spending Power</b>	<b>411.857</b>	<b>425.976</b>	<b>440.135</b>
Autumn Statement s31 Grant	2.243	4.700	4.700
LSSG/Inshore Fisheries	0.122	0.122	0.122
Reserve Transfer	2.230	0.000	0.000
<b>Total Excl PH</b>	<b>416.452</b>	<b>430.799</b>	<b>444.957</b>
Public Health	23.630	23.630	24.103
<b>Net Budget Approved at Council</b>	<b>440.082</b>	<b>454.429</b>	<b>469.060</b>

8. SR 2019 confirmed that Revenue Support Grant and the Public Health Grant will increase in line with inflation.
9. Table 1 shows that the Council is expecting to generate 68% of its funding from Council Tax payers. If the Council does not make use of the additional Adult Social Care Precept of 2% and the general Council Tax limit of 2% for 2020/21 then additional savings of approximately £3.18 million for every 1% reduction in Council Tax level would need to be identified.
10. Taking all these funding assumptions into account it is currently forecast that the total funding available in 2020/21 will facilitate an estimated budget of £469.06 million. This is an improved position of nearly £29 million on the 2019/20 position - this is a 6.6% increase which is in line with the Spending Review announcement. The draft Finance Settlement detailing allocations for individual Councils is expected in October 2019.

11. As well as the impact on the core funding of the Council, a number of other announcements were made at SR 2019 that will impact on the financing of the Council. These include,
- Continued funding for the Troubled Families programme was confirmed.
  - Fire and Rescue budgets to be protected in real terms and the Fire Pensions grant to continue.
  - Funding will be made available to transform bus services - it is unclear if this will impact on upper or lower tier councils at this stage.
  - Money to be made available for bio diversity and clean air initiatives, again it is unclear whether this will be an upper or lower tier funding stream.
  - Announcements have yet to be made for capital funding streams; however a commitment to improved transport and infrastructure was made during the announcement, which suggests that further funding will be received in this area.

### **Dedicated Schools Grant (DSG) and National Funding Formulas (NFF)**

12. For 2018/19 and 2019/20 the schools NFF was not used to allocate funding direct to schools, but was used to allocate funding to local authorities who then continued to determine individual schools' budgets in consultation with the Schools Forum. The DfE have confirmed that this process will be the same in 2020/21.
13. Gloucestershire's DSG was overspent at the end of 2018/19 and is forecast to be overspent at the end of 2019/20 due to pressures on the high needs block of the DSG.
14. On the 30th August 2019 the DfE announced that they will invest over £14 billion in primary and secondary education between now and 2022/23. The funding package for 5-16 schools includes £2.6 billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23 compared to 2019/20.
15. The announcement also outlined a number of commitments:
- To increase the minimum funding level for primary school pupils £3,750 per pupil in 2020/21, to rise to £4,000 per pupil by 2021/22
  - To increase the minimum funding levels for secondary school pupils to £5,000 per pupil in 2020/21
  - In addition to this package, schools will receive £4.4 billion over three years to cover rising pension costs and ensure they can focus their resources on the front line
  - The investment of an extra £700 million nationally for children with SEND in 2020/21
  - Salaries for new teachers to rise to £30,000 by 2022-23
  - An additional £400 million of funding for 16-19 education providers such as further education and sixth form colleges
  - £66m for early years, targeted at increasing the hourly rate paid in nurseries.
16. Provisional NFF allocations will be published in October 2019. Final NFF and DSG allocations will be published in December 2019.

### C. Spending Pressures

17. There are number of significant funding pressures and unavoidable that needed to be addressed in 2020/21. These include:
- Service improvements and demand pressures in Adults and Children Social Care
  - Special Educational Needs demand
  - Contractual inflation
  - Pay inflation and National Living Wage
  - Demographic changes
18. Currently these pressures are estimated at £36 million. The financial impact of these pressures is currently being worked on with detailed proposals due to be presented to Cabinet on 17<sup>th</sup> December 2019.

### D. Savings Proposals

19. In order to fund existing services as well as the unavoidable pressures listed above it will be necessary to identify in the region of £11 million worth of efficiencies. These proposals are currently being worked on and the detail will be presented to Cabinet on 17<sup>th</sup> December 2019.

### E. Overall 2020/21 Budget Position

20. In summary the current budget position for 2020/21 is expected to be balanced.
21. The Spending Review was better than initially expected however there are significant unavoidable pressures associated with demand pressures in Adults and Children Social Care, demographic trends and inflationary pressures. In order to achieve the balanced position it will be necessary to identify £11 million worth of savings.

### F. Timeline

31. The proposed timetable for developing the 2020/21 budget is as follows:

**Stage 1** – May to September 2019 – Review of funding, spending pressures and savings proposals.

Process to include:

- technical review/challenge to be undertaken by finance and performance;
- review of progress in delivering existing Council Strategy commitments;
- review of the delivery of the Meeting the Challenge 3 Savings Programme ;
- formulation of detailed proposals across the council for consideration as part of a priorities/policy and performance review;
- review of possible capital investment priorities
- review of use of Dedicated Schools Grant and all other major revenue grants.

**Stage 2** – October 2019 – Preparation of detailed budget proposals for 2020/21 and overview proposals for future years.

**Stage 3** – November 2019 – Confirmation of draft financial settlement and finalisation of detailed 2020/21 budget proposal for submission to Cabinet on 17<sup>th</sup> December 2019.

**Stage 4** –December 2019 – January 2020 - Formal consultation with the public and stakeholders on the detailed 2020/21 budget proposal.

**Stage 5** – January 2020 - Group Leaders, Spokespersons and Scrutiny discussions on detailed budget proposals.

**Stage 6** – 12th February 2020 – MTFS and 2020/21 budget approved by Council.

## **Risk Assessment**

33. There are a number of key risks relating to the MTFS. These include:

- Increased demand in Adult and Children’s Social Care
- The cost of improvement particularly in Children & Families post Ofsted.
- Uncertainty over the longer term funding - Fair Funding Review, Business Rates Reset, and move to the new Business Rates System are all delayed for a further year.
- On-going impact of the National Living Wage.
- Higher than forecast inflationary pressures
- Deliverability of the saving proposals.
- Spending against High Needs Block in Education

## **Equalities considerations**

34. A detailed Due Regard Statement will accompany the final MFTS in February 2020.

## **Performance Management / Follow-up**

35. Monitoring of adherence to the Council Strategy and MTFS will be undertaken under normal performance and finance monitoring procedures during 2020/21.