

Council Strategy and Medium Term Financial Strategy 2019/20 – 2021/22

Budget and Precept 2019/20

Report and Recommendations

1. Introduction

This report refers to the detailed Medium Term Financial Strategy (MTFS) attached, and should be read in conjunction with the Council Strategy, the Due Regard Statement and the Consultation reports which accompany it.

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 this 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. 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:

- £32.547 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.
- £20.755 million of efficiency savings to be delivered.
- £181.534 million of new capital investment in roads, schools and other services

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

Budget Area	2018/19 Agreed MTFS Budget	Transfer of 2018/19 One Off Budget Support to T&C for MTFS Presentation	Agreed 2018/19 Budget adjustments *	2018/19 Revised MTFS Base Budget	Pay Inflation Costs	Cost Increases	Cost Reductions	Proposed 2019/20 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£000	£000	£000	£000	£'000	£'000	£'000	£'000	£'000	%
Programme Budget Areas										
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	3,968	-830	83,626	4,236	5.3%
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	1,550	-4,670	41,708	-3,117	-7.0%
Prevention & Wellbeing	24,271	-50	9,682	33,903	20	100	-1,040	32,983	-920	-2.7%
Total Budget	413,481	-	-	413,481	4,388	32,547	-20,755	429,661	16,180	3.9%

* 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
Budget per Cabinet 19 December 2018	428.356
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
Provisional Revised Budget	429.661

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 (£0.143 million).
- Additional pay inflation provisions to Adults, Children & Families and Support Services (£0.040 million).
- Additional investment bid for GDPR compliance (£0.035 million)
- Permanent allocation to eliminate the GFRS Efficiency Saving in the draft budget (£0.160 million)
- Additional one off investment to fund a 5G Readiness Study in 2019/20 (£0.025 million)
- One off contribution to the Vulnerable Peoples' Reserve to mitigate the demand risks associated with services to vulnerable adults and children (£0.818 million)

The capital budget has increased by £2.521 million since the consultation budget was approved by Cabinet on 19th December 2018. The changes are summarised in the table below.

Funding for New Capital Investment	£m
Budget per Cabinet 19 December 2018	179.013
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
Capital Receipts – Highways Locals	0.530
Revised Budget	181.534

Increase in Capital Funding

2.521

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:

	2020/21	2021/22
	£m	£m
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 £605.86 million. The main investment relates to Communities and Infrastructure (£316.96 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 £181.53 million of new investment on capital schemes, financed from grants, revenue contributions and capital financing budgets, as set out in the table below.

New Capital Funding	£000
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
Total Grant	109,527
Internal Borrowing - Highways	29,000
Capital Receipts - Highways Locals	530
Capital Receipts - MTFS Bids	32,533
Internal Borrowing - MTFS Bids	7,550
Total Capital Financing Budgets	69,613
Developer s106 Contributions	1,319
Revenue contributions – Highways (estimate)	500
Revenue contributions – Children & Families (estimate)	575
Total Revenue Contributions	1,075
Total New Capital Funding 2019/20 onwards	181,534

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 £40.61 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 (OSMC) have also undertaken their own budget scrutiny process on 10th January 2019. The Chair of the OSMC presented the findings of the scrutiny process to Cabinet 30th January 2019, and a copy of this report can be found in Appendix 4.

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

RECOMMENDATIONS TO COUNCIL

- 1 That the Council Strategy 2019-2022 is approved by Council.
- 2 That, having considered the additional consultation responses and the Public Sector Equality Duty Due Regard Statement , approval is given to the MTFs and the revenue and capital budgets for 2019/20, council tax for each valuation band, and to issue precepts on each district collection fund as set out below:

a) Gloucestershire County Council 2019/20 Budget:

	£000
Original 2018/19 Budget	413,481
Inflation	4,388
Cost and spending increases	32,547
Cost Reductions	<u>-20,755</u>
Total	429,661
Less:	
Settlement Funding	83,522
Public Health Grant	23,630
Improved Better Care Fund	13,337
New Homes Bonus	3,043
Other Non Ring Fenced Grants	2,365
Collection Fund Surplus	3,779
Reserves	<u>2,230</u>
Total to be precepted (Council Tax Requirement)	297,755

	Taxbase Total	Total Precept £
Cheltenham	42,648.20	55,173,976
Cotswold	41,683.06	53,925,375
Forest of Dean	29,027.62	37,553,032
Gloucester City	37,932.30	49,073,016
Stroud	44,281.65	57,287,171
Tewkesbury	34,585.03	44,742,653
Total	230,157.86	297,755,223

- b That approval is given to the Capital programme set out in Annex 8a of the detailed MTFs, and delegated authority is given to the Section 151 Officer to vary allocations between individual schemes in consultation with the Deputy Leader and Cabinet Member for Finance and Change.

- 3 That the Council approves the Capital Strategy, set out in Annex 7 of the detailed MTFS, the Treasury Management Strategy and the non treasury Investment Strategy for 2019/20, set out in Annex 10 of the detailed MTFS.
- 5 That approval is given to the Operational Boundary and Authorised Limits of borrowing, as set out in the Capital Strategy, at Annex 7 in the detailed MTFS as follows:

Authorised limit and operational boundary	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m	2021/22 Limit £m
Total Authorised Limit for External Debt and Other Liabilities	363.000	380.000	910.000	900.000	890.000
Split: External Debt	343.000	360.000	305.000	346.000	352.000
Other Liabilities	20.000	20.000	605.000	554.000	538.000
Total Operational Boundary for External Debt	360.000	360.000	890.000	880.000	870.000
Split: External Debt	340.000	340.000	285.000	326.000	332.000
Other Liabilities	20.000	20.000	605.000	554.000	538.000

- a) Noting that the authorised limit for 2019/20 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003
- b) That the approval is given to the Prudential Indicators for Treasury Management set out in Annex 10 of the detailed MTFS for
- (i) the maturity structure of borrowings, and
 - (ii) the upper limit for principal sums invested for more than 364 days of £200 million.

- 6 That the Council approves the Schools Funding set out in section G and Annex 9 in the detailed MTFS.