Gloucestershire
COUNTY COUNCIL

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Gloucestershire County Council

Medium Term Financial Strategy

2014/15 to 2016/17

Budget 2014 /15

A Introduction

1 This final Medium Term Financial Strategy (MTFS), and detailed budget for 2014/15, is submitted to Cabinet for approval and recommendation to Council on 26th February 2014.

2 This MTFS covers the period 2014/15 to 2016/17. 2014/15 is based on year four of the "Meeting the Challenge" (MtC) initiative which commenced in 2011/12. Progress to date and plans for the future are set out in this strategy.

3 The 2011/12 budget was the first budget formulated under the MtC initiative. The MtC programme was implemented to deliver £114 million of savings over the period 2011/12 to 2014/15. During 2011/12 and 2012/13 over £60 million of MtC savings were delivered. These savings, together with those anticipated in 2013/14 (£35 million), and those planned for 2014/15 (£22 million), mean that the original savings target has been exceeded. This is a major achievement which has enabled the Council to address the significant funding reductions and new cost pressures over the four year period of the MtC initiative.

4 Progress achieved since the implementation of the current strategy and commissioning intentions for each commissioning area moving forward are provided at Annex 1. The Annex highlights current achievements and future plans in relation to the redesign of services within Gloucestershire, which aim to maximise effectiveness whilst delivering on the significant financial challenges facing the Council. These detailed narratives cover Children and Families (Annex 1.1), Adults (Annex 1.2), Public Health (Annex 1.3) and Communities and Infrastructure (annex 1.4).

The Children and Families annex also includes;

- a report (at annex 1.1.1) on the proposed Children and Young People's Activity Grant Scheme, for which £265,000 is included within the proposed budget,
- a report (at annex 1.1.2) setting out proposed additional investment in a two year pilot relating to a new service delivery model for Children's Social Care within Gloucester City, and
- a report (at annex 1.1.3) on the funding of school uniform grants.

The Public Health annex also includes;

- a report (at annex 1.3.1) on the proposed Sport and Physical Activity scheme, costing £2.65 million over two years.

Detail is also provided at annex 1.5 in relation to the proposed Customer Programme. This annex provides a summary of this programme, and the proposed funding requirements to deliver forecast on-going revenue savings, which begin in 2015/16 and are forecast to increase to £3.46 million by 2017/18.

Finally, the Living Wage paper at annex 4 reflects discussions at both Overview and Scrutiny Management Committee and Cabinet. It highlights the financial and consultation implications of any potential policy change.

5 The revenue budget strategy for 2014/15 onwards continues to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, has implemented a vacancy freeze, has increased debt repayment and is continuing to streamline back office services, all of which contribute to protecting front line services.

6 The capital budget strategy reflects the Council's priority of reducing long term debt utilising capital financing budgets, capital receipts, and revenue contributions to fund the capital programme for 2014/15, thereby avoiding the need for new borrowing.

B Summary Budget Proposal 2014/15

7 The 2014/15 final budget proposal is based on a budget of £428.11 million which represents a decrease in cash terms of £2.80 million or 0.65%.

8 This budget proposal for 2014/15 is based on the funding announced in the financial settlement on 18th December 2013.

9 In June 2013 the Chancellor announced that a further two year government grant would be made available to all local authorities that freeze Council Tax increases for 2014/15. The budget proposes taking up this grant and freezing Council Tax for the fourth year running. The council tax income foregone (equivalent to £4.4 million) will be replaced by a Government grant of £2.5 million and additional savings of £1.9 million are now built into the budget.

10 The detailed budget for 2014/15, which is explained in Annexes 2 and 3, contains adequate provision to fund the increased costs of demand led services, particularly the care of older and vulnerable adults and vulnerable children. It also provides funding to extend the effective "Highways Local" initiative which commenced in 2013/14 and covers other cost pressures including contractually committed inflation costs. It also provides sufficient provision to fund all of the new 2014/15 capital investment, totalling £48.6 million, without the need to take on additional long term borrowing. It is proposed that grant funding reductions and service budget commitments are funded by the additional Council Tax freeze grant of £2.5 million and savings of £22.2 million, many of which are a continuation of MtC proposals that started in 2011.

11 The following table outlines overall movements in the budget for the key service areas;

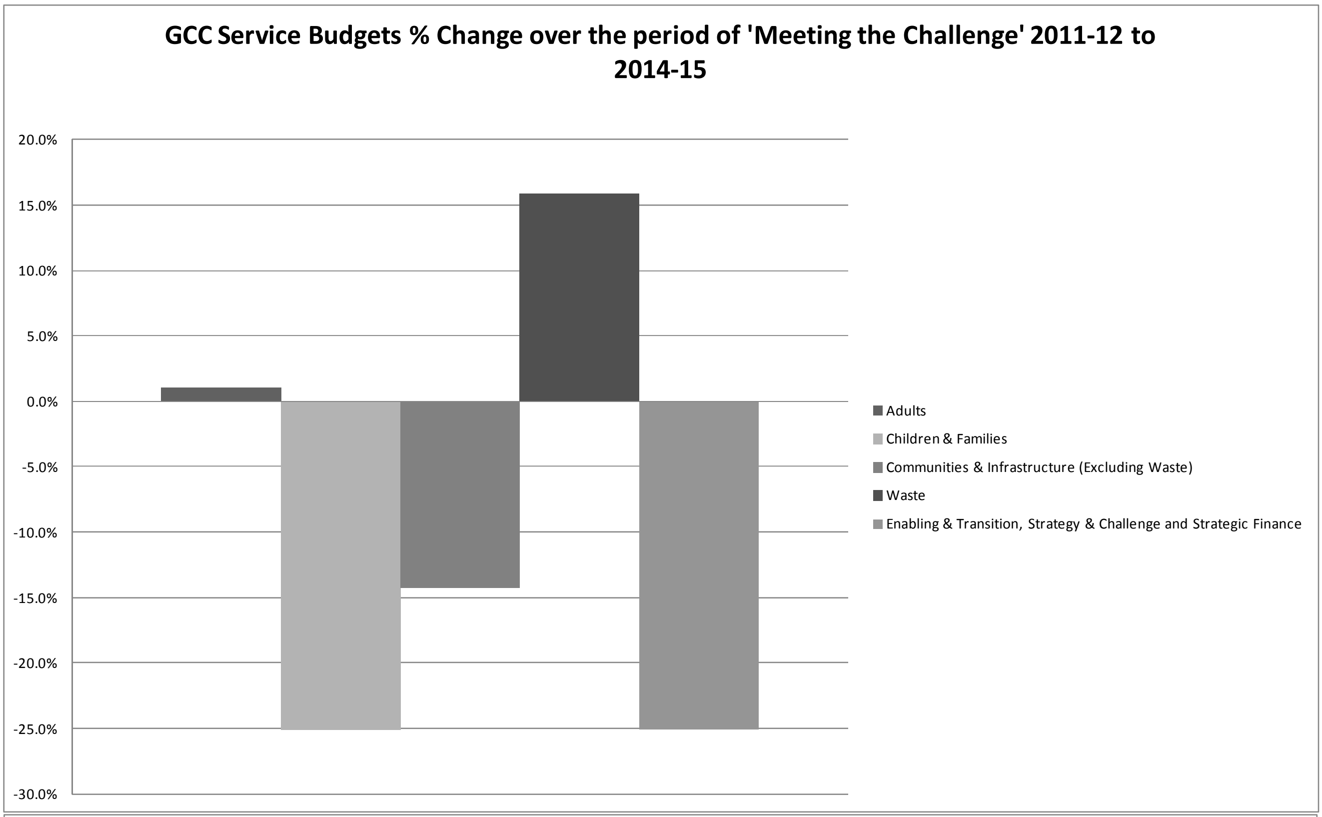
Overall Budget

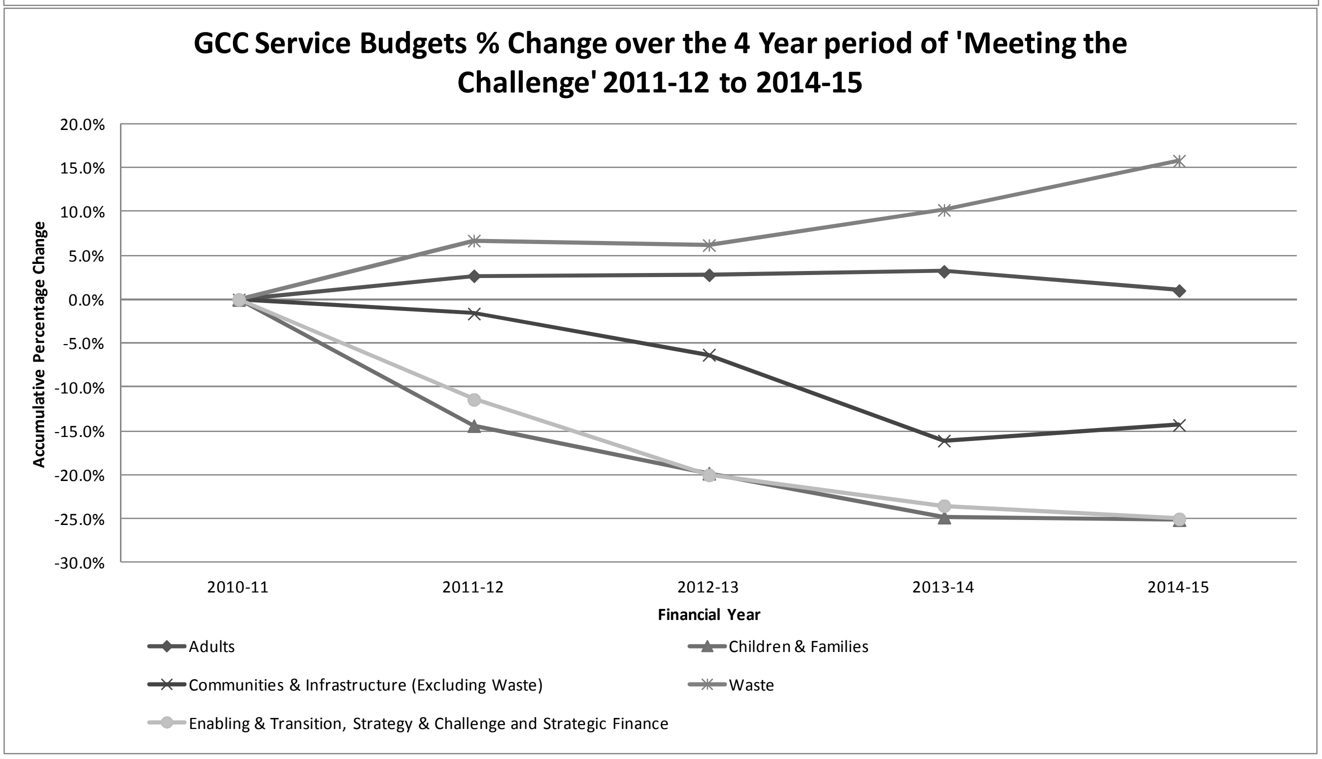
Medium Term Financial Strategy -2014/15 Budget - Overall Summary

Budget Area	2013/14 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2014/15 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Programme Budget Areas						
Adults	**151,007**	-10,380	7,021	147,648	-3,359	-2.22%
Public Health	**21,126**	0	667	21,793	667	3.16%
Children and Families	**95,101**	-4,335	4,016	94,782	-319	-0.34%
Communities and Infrastructure (Excluding Waste)	**58,684**	-2,002	3,060	59,742	1,058	1.80%
Waste	**25,030**	-150	1,555	26,435	1,405	5.61%
Other Budget Areas						
Support Services	**19,557**	-497	200	19,260	-297	-1.52%
Technical and Cross Cutting	**60,405**	-4,810	2,852	58,447	-1,958	-3.24%
Total GCC	**430,910**	**-22,174**	**19,371**	**428,107**	**-2,803**	**-0.65%**

12 As previously stated, this budget is the final year of the four year "Meeting the Challenge" programme covering the financial years 2011/12 to 2014/15. Over this period savings in excess of the £114 million target will have been delivered to address year on year funding reductions and fund unavoidable cost increases.

Clearly, to deliver against a target of this magnitude has required budget savings across the whole business. However, despite this, as illustrated in the charts below, in accordance with the priority of the Council to protect the most vulnerable people, the Adults budget has been protected over the four year period of “Meeting the Challenge”.





13 If the proposed budget is approved by Council in February 2014 there will be a number of policy implications, most of which are set out in more detailed papers within annex 1. Specifically these relate to:

- A member led children and young people's activity scheme as outlined in annex 1.1.1 in the MTFS, which would require the Commissioning Director: Children and Families to develop a detailed member led children and young people's activity scheme, in consultation with the Cabinet Member for Children and Young People and Strategic Commissioning.

- The implementation of a pilot scheme relating to new service delivery arrangements in the Gloucester City Children's Social Work Teams, as set out in annex 1.1.2 of the MTFS, under which the Commissioning Director: Children and Families would be required to put an evaluation framework in place to test the impact of the pilot and develop long term sustainable plans. As this is a pilot the proposed investment of £1.48 million would be funded from grants and the adoption reserve.

- The Better Care Fund that will be implemented from 2015/16 as set out in annex 1.2.1.

- Proposals relating to uniform grants as set out in annex 1.1.3.

- The creation of an 'Active Together' scheme, as outlined in annex 1.3.1 in the MTFS, which would require the Interim Director of Public Health to develop a detailed scheme, in consultation with the Cabinet Member for Public Health and Communities. The proposal is for an investment of £2.65 million over a two year period funded from the Public Health grant.

- A Customer Programme, as set out in annex 1.5 in the MTFS, which requires a net investment of £1.035 million in 2014/15.

14 In addition, if Council was minded to agree the payment of a living wage, the policy, financial and consultation implications set out in annex 4, would need to be considered.

15 A detailed Due Regard Statement has been produced which summarises the impact of the budget proposals on people with protected characteristics and how the impact will be mitigated. It also includes the evidence base used and the impact on the workforce. The document is a final draft. The final version will be produced for consideration by County Council on 26th February as they are the decision-makers for the Council's budget.

C Changes between the 2014/15 budget issued for consultation and the final budget

Revenue : Funding Changes

16 The Cabinet approved a draft 2014/15 budget for consultation at its meeting on 11th December 2013. The consultation budget was £423.14 million with council tax levels again being frozen.

This consultation budget was based on the provisional financial settlement for 2014/15 which indicated total grant levels of £197.6 million (£11.5 million lower than in 2013/14), as set out in detail in section E in the MTFS.

It was also based on a forecast tax base increase of 0.5% and collection fund surplus of £1 million which, due to the introduction of the Business Rates Retention Scheme and the localisation of Council Tax benefits in 2013/14, were more difficult to forecast than in past years.

Following the release of the draft financial settlement for 2014/15, and following the notification of the tax base figures from the District Councils, the final budget proposal for 2014/15 is £428.11 million, £4.967 million higher than the consultation budget.

£0.85 million of this increase relates to grant received in the settlement in excess of forecast amounts; £0.6 million further NHS funding above the additional £2 million forecast now giving £11.6 million in 2014/15, and £0.2 million additional Education Single grant received in excess of forecast levels, with the remainder being in relation to other minor grant changes.

The remainder of the increase relates to tax base increases and the collection fund surplus being higher than originally forecast.

The tax base increases, which account for £2.58 million of the budget increase, have been set by the District Councils and show an average increase of 1.67%, with a range of 0.81% to 2.03%. These increases are significantly higher than the 0.5% estimate used for the draft budget, which was based on actual overall tax base increases experienced in 2011/12 of 0.39% (range of -0.19% to +1.67%), and 2012/13 of 0.66% (range of 0.45% to 0.84%). In 2013/14 an overall 9% decrease in the tax base was set by the District Councils (range -4.83% to -12.78%) which took account of their forecasts of the financial implications of the localisation of Council Tax benefits, the introduction of the Council Tax support grant and changes to the Council Tax exemptions system.

The higher tax base figures now set for 2014/15 are largely due to, less council tax support grant payments than forecast due to claimant numbers reducing and a more positive impact of changes to the Council Tax exemption scheme than initially forecast. In addition a significant number of new properties have come on line and a number of Districts have reduced the losses on collection figures included within the calculation.

The overall Council Tax Collection Fund surplus figure set by the District Councils is £2.54 million (range of -£157,000 to +£881,000), which again is significantly higher than the £1.0 million forecast in the draft budget, and levels received in past years.

Research undertaken reveals that the majority of County Councils have experienced similar movements between forecast figures, based on previous years "actuals", and the final tax base and surplus figures set for 2014/15.

17 The December financial settlement also provided draft funding information in relation to 2015/16. It confirmed a major grant reduction in the order of £19 million for 2015/16, much higher than has been experienced in recent years.

The key change for 2015/16 compared with the estimates included within the MTFS issued for consultation, is the continuation of New Homes Bonus. The government have confirmed that they are now limiting the proposed top slice of New Homes Bonus funding to London Authorities. This means that GCC will now receive approximately £3.366 million in 2015/16 which was not included within the forecast figures for consultation.

Revenue : Spending Changes

18 In terms of new spending proposals in the final budget compared to the consultation budget, it is now proposed that the additional £4.967 million is utilised as follows:

£0.6 million additional NHS transfer funds to be added to the investment in the Adult Care budget to fund increased demand.

£0.2 million Education Single grant, to be transferred back to the Education funding reserve, to fund further in year reductions in this grant in the future based on Academy transfers. The context for this is a transfer out of £0.25 million in 2013/14 and notification received as part of the finance settlement in December 2013 that larger reductions in this grant can be expected in future.

In terms of increased council tax base and council tax surplus it is recommended that one off investment is made to help local people in their communities:

Adult Care

Brokerage £0.15 million
Use of a specialist brokerage function in Learning disabilities, Mental Health and Physical Disabilities has demonstrated its' use in lowering the unit cost of placements and increasing the grip on cost control. This funding would extend the model to support Older People's services to maximise value for money when making residential care placements and not only become self sustaining but also contribute to future efficiency savings.

Health and Social Care Capacity Management £0.21 million
Current joint working with the health community in Gloucestershire has identified that improvements can be made in the care pathways open to people. This one off investment will deliver a variety of improvements to ensure capacity is in the right place within the overall health and social care system at the right time in a sustainable manner. In particular interventions will focus on demand management, early intervention and the delivery of a brokerage system within Adults to maximise value for money when making residential care placements.

Improvements to Quality & Performance £0.09 million
Further funds are required to support the extension of the GCC quality team. The objective of the additional funding is to enhance GGC's capacity to carry out Performance Improvement Planning and to extend the quality-checking regime to other forms of service provision beyond the existing focus on residential homes and supported living, becoming a self sustaining service model. It will also fund the one off data quality checks needed to ensure that data migration to the new Adult Care system will be accurate and robust.

Improving Employment outcomes for People with Disabilities £0.235 million
A one off investment in working with partners e.g. DWP, Forward Jobs Clubs etc. would get people into employment and support them using job coaching services. This would extend the programme of support offered to people with disabilities, improving outcomes with more people in paid employment whilst reducing the level of demand for GCC services. In future year's investment will be dependent on this project producing a demonstrable benefit when compared to long terms care.

Children's and Families

Children in care – Reuniting families project £0.650 million
£550k of this investment would develop a short life team, over 2 years, to enable a quick return home for children and young people in care where this is possible. Outcomes for teenagers coming into care are poor, thus the aim of the project would be to ensure these outcomes are improved. The project would test and develop a successful unification practise and evaluate future need. A further £100k would develop a shared care fostering scheme for troubled young people and avoid the need to take them into care. Both projects would reshape the service model and following this one off initial investment should become self-sustaining with reduced numbers of teenagers in care.

Review family support provision across social care and contracted services £0.05 million
This one off investment would establish the cost effectiveness of the different forms of family support, establish practice standards and make proposals for delivery across children's services. The project would aim to develop costed proposals for the delivery of family support, informed by local need, evidence of best practice and effectiveness.

Safeguarding £0.250 million
This one off investment will build capacity within the safeguarding system and ensure the successful implementation of the Multi Agency Safeguarding Hub (MASH). The project would include additional quality assurance and training to improve safeguarding practise and support ICT and staffing transition costs in relation to the MASH.

Growing Great Futures £0.05 million
Building on Growing Great Futures a one off £50k investment will be used to explore possibilities to expand parent led/ community led activity e.g. parent champions with the aim of increasing the availability of parent to parent advice to manage demand for advice from professionals

Education £0.05 million
Work with the secondary sector, to build a more sustainable school improvement system and prepare for inspection. This project would include training for secondary schools and academies, events on exclusions, school improvement materials, external advice on trading opportunities

Infrastructure and Economic

A417 Missing Link £0.5 million
The top transport priority for Gloucestershire, identified by the LEP in the Strategic Economic Plan (SEP), is the 'missing link'. The Council is lobbying Government hard to secure the £255m needed to deliver the "Brown Route". Government (DfT) has signalled that it will expect to make a contribution to the pre-development works that will be needed to secure programme entry. To this end £500k investment would allow a match funding opportunity.

Partnership Flood Alleviation £0.5 million
Flood alleviation remains a priority for the council. As the Lead Local Flood authority it has successfully worked in partnership with other statutory bodies and local partners to fund a wide range of flood alleviation works. Incidents of property flooding, during comparable rainfall events, have reduced significantly as a result of this investment since 2007. A £500k investment by the council would provide match funding opportunities to help enable future flood works, particularly where vulnerable communities need help and value for money can be

assured.

Debt Redemption £1.432 million

In line with the policy of debt redemption, the balance of £1.432 million to be used to redeem external debt thereby saving the council revenue costs of borrowing from 2015/16 onwards.

All of the above are now included within the analysis of budget movements by service area at annex 2 and are built into the detailed budgets at annex 3.

Capital

19 In addition to the above, the 2014/15 budget issued for consultation contained £46.3 million for new investment in capital schemes financed by grants and internal resources, which was incorporated within a five-year capital programme from 2012/13 to 2016/17 of £315.2 million.

Since then further funding announcements relating to Free Schools Meals grant (£1.0 million), Fire Capital Grant (increased from £0.6 million to £0.8 million), and Schools Basic Need Grant (additional grant of £2.3 million covering 2015/16 and 2016/17) have been received. These announcements, plus an additional Children's revenue contribution of £1.1 million, have increased the value of the capital programme over the five-year period from 2012/13 to 2016/17 from £315.2 million to £319.8 million.

The amount now included in the 2014/15 budget for new capital schemes has increased to £48.6 million, as set out overleaf.

Grant	**£000**
Adults – PSS Grant	1,388
Children and Families (Indicative only and profiled over two years)	11,306
Infrastructure – Highways Block Maintenance Grant	13,952
Infrastructure – Integrated Transport Block Grant	5,121
Infrastructure – Pinchpoint Funding Grant	992
Infrastructure – Local Sustainable Transport Fund Grant	489
Infrastructure – Additional Structural Maintenance Funding (as previously reported)	1,434
Infrastructure – Fire	822
Total Grant	**35,504**
Capital Contributions section 106 (Schools (indicative only))	**6,075**
Revenue Contributions Children's (indicative only)	**1,490**
Infrastructure – Highways Drainage	**500**
Capital Receipts – Infrastructure	**3,200**
Reserves – Infrastructure	**1,805**
Total new Capital 2014/15	**48,574**

Currently forecast capital spend for 2014/15 is £77.9 million, £48.6 million new capital spend plus £29.3 million on existing approved capital schemes, with the majority of spend planned for Schools and Facilities for Children (£23.6 million) and Highways and Infrastructure (£51.6 million).

D Consultation

20 The County Council undertook a major consultation exercise in Autumn 2010 which shaped the 4-year Council Strategy and the Medium Term Financial Strategy. The feedback from the consultation continues to inform and influence the priorities and difficult choices going forward.

Further consultation to support the updating of those Strategies has also been undertaken in relation to the current MTFS.

In summary we have conducted a telephone public consultation to re-affirm public support for the council priorities. The survey ran from 12th December 2013 to 16th January 2014 to provide 1000 responses (statistically representative of the resident population). In addition a paper and online survey was distributed across the County producing 130 responses. The results indicate a high level of public support for the council's priorities with a high level of consistency with last year's figures. The full consultation report will be circulated with the County Council papers. In summary the key feed back was:

- There is strong endorsement of the Council's strategy and four key priorities. Over 85% of all respondents to the public consultation said that the priorities are either more or of equal importance, compared with last year.
- 96% rated 'protecting vulnerable communities' as of more or of equal importance to last year
- 94% rated 'building a sustainable county' as of more or of equal importance to last year
- 94% rated 'getting your house in order' as of more or of equal importance to last year
- 85% rated 'supporting active communities' as of more or of equal importance to last year
- 'Supporting local schemes' was rated as either very important or important by 87% of people, of which 42% rated it as very important
- 'Investing in targeted intervention' was rated as either very important or important by 86% of people, of which 38% rated it as very important.
- 47% answered 'yes' to the proposal to freeze council tax again this year, lower than the 64% that answered 'yes' last year. 35% did not think that the Council should freeze council tax.

Further consultation has also taken place with the following groups:

- 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
- Schools, via the schools forum, open meetings and Head Teacher groups

The draft budget will also be considered by Scrutiny Committees who will consider the draft budget proposals on the following dates, with their views being fed back into the Cabinet prior to the final budget being developed.

In addition, the Overview and Scrutiny Management Committee is hosting a number of budget awareness raising sessions for members and the draft budget will be considered by OSMC and other Scrutiny Committees in January 2014, as follows:

Overview and Scrutiny Management	29th January 2014
Health and Care Overview and Scrutiny Committee	14th January 2014
Environment and Communities Scrutiny Committee	15th January 2014
Children & Families Overview & Scrutiny Committee	16th January 2014

Following consultation, and consideration by Cabinet on 5th February 2014, the recommended budget will then be considered by the County Council on 26th February 2014.

E Finance Settlement and Funding Assumptions.

21 2013/14 brought a fundamental change to the way Local Government is funded. This included not only changes to Formula Grant under the Local Government Resource Review, but also changes to Council Tax Benefits and the Council Tax Exemption Scheme. For 2013/14 Gloucestershire also became part of a Business Rate Pooling agreement with the District Councils in the county.

2014/15 will be the second year of the new settlement arrangements; however, following the spending review in June 2013, it was apparent that additional cuts had been made to the provisional settlement for 2014/15 that was announced with the 2013/14 settlement on 4th February 2013. This has now been confirmed with the release of the provisional 2014/15 settlement figures on the 18th December 2013. The original settlement grant (February 2013) for the Council of £152.646 million has been reduced to £150.981 million, following confirmation of further cuts to central government department spending levels and additional top slices and changes as detailed in paragraph 22 below. These changes have been incorporated into revised figures used for Formula Grant within the MTFS.

22 There are expected to be few changes in respect of the final settlement in February 2014, over and above that already announced by the Spending review in June 2013, and the additional information provided as part of the provisional settlement in December 2013. The reasons for the reduction in the Council's funding is in line with previous assumptions around national changes from the February 2013 announcement which include:

- An additional "safety net" topslice of £95 million nationally, which will reduce the Council's Revenue Support Grant.
- An additional 1% cut was announced in the 2013 Budget to central government departments spending totals. This cut has been passed on to local government, reducing the 2014/15 settlement by £218 million nationally.
- Extra RPI has been added in to the settlement to reflect updated economic figures, this will increase the Council's allocation from the Business Rate Top Up Grant, and the expected Rates Retention local share allocation, however this has been capped at 2%. To offset this loss specific grant should be received by the Council, forecast to be £0.716m, however this grant has yet to be confirmed, and hence is not built into the MTFS.
- Money continues to be top sliced from the system to pay for the New Homes Bonus

Scheme. In 2013/14 the Council received a one off payment of £0.561 million as a result of this top slice. It is predicted that £0.234m will be received in 2014/15. However, the Council cannot budget for this payment due to the uncertainty associated with it.

- Rolled into the settlement is £174 million nationally of 2013/14 Council Tax Freeze Grant funding, increasing the Council's Formula grant settlement from £150.981m quoted above to £153.443m. This had already been taken into account in the funding assumptions for the 2014/15 budget.

All of the changes as a result of the 18th December 2013 announcement have been taken into account for the budget proposal. It is unlikely that further changes will result when the final settlement for 2014/15 is announced in February 2014.

23 Hence, although the current budget proposals for 2014/15 are based on the best available information to date, i.e. the December draft financial settlement, additional funding may be available as a result of confirmation of held back funding and extra funding to offset the Business Rate cap.

In 2013/14 Gloucestershire entered into a Business Rate Pooling Agreement with the six District Councils within Gloucestershire. This was done in order to maximise income streams from the new Rates Retention System introduced in that year.

Under this agreement more money could be kept in the county, due to the ability to reduce the levy paid on business rates collected where pooling occurs. Income is now received directly from the collection authorities (District Councils) based on submitted NNDR1 forms, which are a forecast of business rates. This represents approximately 50% of the formula grant settlement. As the income received from the Districts is based on these forecasts, the actual amount received may be different to that budgeted. In particular, the risk of outstanding appeals being settled could impact, reducing the expected business rates collected. To offset this risk a Rates Retention Reserve of £1.9 million was established in 2013/14.

Gloucestershire remains part of this Business Rate Pooling Agreement in 2014/15. Using the NNDR 1 business rates estimates, business rates income appears to exceed the funding target set by government, which is a good indication that the Gloucestershire pool remains viable. However we are awaiting guidance from DCLG on how the compensation for the announcements made by the Chancellor in the Autumn Statement will affect business rates pools. One of the key announcements relates to a business rate cap of 2% for small businesses, which will impact on the business rates collected across the county. The loss is to be met by a specific grant, which could be in excess of £1 million for the council, based on recent analysis, however DCLG have not issued any detailed confirmation of the grant and indeed any grant may be subject to claw back in 2015/16, therefore no provision for this is made in the current MTFS. The situation will be monitored closely and reported to cabinet as soon as any DCLG clarification is received.

24 In the 2010 Spending Review, the Government provided £7.2 billion additional funding to local authorities to protect social care services. Local authorities and the NHS were to agree between them how the money would be used to benefit both parties and promote integration. For 2014/15 an additional £200 million has been rolled into the scheme, thus the Council is expected to receive an extra £2 million during 2014/15, which has been included in our budget figures and used to offset demand commitments within Adult Care.
This additional funding has now been confirmed at £2.6 million with the 18th December 2013

provisional settlement.

In the 2013 Spending Round, the Government announced a £3.8 billion pooled budget for health and social care services from 2015/16, building on the current NHS transfer to social care services of £1 billion.

The Spending Round document further stated that: “The Government will introduce a £3.8 billion pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people”. It is now confirmed that this funding stream will start from 2015/16, and further details are provided in section L.

25 The other big announcement related to New Homes Bonus. The New Homes Bonus Scheme currently pays a non ring fenced grant equivalent to the national average for the Council Tax band of each new home built plus any empty property brought back into use, in the local authority area. At the outset of the scheme it was determined that this would be paid for six years. In two-tier areas the scheme splits the bonus 80:20 between the lower and upper-tier authorities, so the Council receives 20% of each District Council allocation. Figures have now been confirmed for Year 4 of the scheme (2014/15), and the Council will be awarded a grant of £2.546 million.

26 The announcement introduced a consultation on the New Homes Bonus Scheme (NHB), as central government wish to change the way that the scheme works and redirect the funding to the Local Enterprise Partnership (LEP). There were two proposals, both detrimental to the Council, the first would remove around a third of the funding from 2015/16 to the Council, whereas the second would remove our entire allocation and pay it directly to the LEP. The settlement announcement in December 2013 has now confirmed that Central Government will only implement the new scheme in London. This means that additional New Homes Bonus money will be available to the Council from 2015/16, resulting in an extra £3.3m available in that year, as set out in section L.

27 The council receives an Education Support Services Grant, which reflects services provided to maintained schools and a number of statutory services provided to all schools.

As schools convert to academies the grant against maintained schools is reduced, so announced allocations need to be treated with caution as they will reduce in year. For 2014/15 it is estimated from figures provided alongside the December 2013 settlement that £6.5 million will be received from this grant, and modelling has taken place to confirm that this is consistent with our assumptions around schools converting. The spending review indicates that from 2015/16 the pot of money available for this grant is likely to reduce nationally, which may mean reducing our funding from 2015/16 by around £1.5 million, regardless of the number of schools converting.

28 The council also receives a Public Health Grant, intended to provide the Council with the funding needed to meet our public health functions. This grant is ring-fenced and is monitored through statutory returns, with a year-end declaration that the funding has been spent for the purposes intended. The conditions of the grant allow any unspent funding to be carried-forward in an earmarked reserve and used the following year for the purposes intended.

29 The taxbase and collection fund surplus figures have now been received from the District Councils. These confirm a taxbase of 208,284, an increase of 3,391 (or 1.67%) on the 2013/14 figures. The collection fund surplus has been confirmed at £2,542,681.

F New Council Strategy 2012 – 2015

30 The Council Strategy was adopted by County Council in February 2011 and has been refreshed annually since. It sets out the Council's vision, values, priorities and strategic direction for the Council's 4-year Meeting the Challenge programme.
As part of this year's budget setting process, we are reviewing our achievements through the Meeting the Challenge programme so far.

As we embark on the final year of the Meeting the Challenge programme, we are beginning to look to the future to develop the next iteration of our strategy.
Our recent peer challenge endorsed the direction we have taken as an authority and encouraged us to develop our approach to demand management as a means of meeting the further financial challenges ahead.

31 The Council's Vision and Values, as set out in our Council Strategy are as follows:

Vision

Our vision is to use the resources available to us to improve the quality of life for Gloucestershire people

Values

- Living within our means – We believe that it is wrong to spend more than we can afford or to pass financial problems on to the next generation. This means we have to make difficult decisions now and focus on our priorities, manage our budgets and reduce our borrowing.
- Providing the basics – The amount of money we have to spend continues to reduce in real terms, so we have to make sure we spend it where the need is greatest. Our role is to make sure local people get good outcomes for their services and we understand that it is the quality of the service that matters to local people, not who provides it.
- Helping communities help themselves – The Council is at its most effective when it is helping people to live successful lives as independently as possible and helping communities to help themselves. We believe that if you give power to local people you get better results and achieve better value.

G Financial Performance in 2013/14

32 In ensuring that the budget is robust it is important to take account of current spending patterns and the Council's overall financial position. In overall terms the Council is currently forecasting an over spend of £2.34 million, equivalent to 0.5% of the budget, although the expectation is that this over spend will reduce.

33 In summary the current forecast for 2013/14 is shown below:

Adults	Overspend of £5.55 million
Public Health	Balanced position
Children and Families	Underspend of 0.20 million
Communities and Infrastructure	Overspend of £0.86 million
Support Services	Underspend of £0.42 million
Technical and Corporate	Underspend of £3.45 million

Total:	Overspend of £2.34 million

H 2014/15 Detailed Budget Proposal

Overview

34 A budget of £428.11 million is proposed, representing a decrease on the 2013/14 original budget in cash terms of £2.80 million or 0.65%.

The proposed budget for 2014/15 is summarised below:

2014/15 Proposed Revenue Budget

	£000
Original 2013/14 Budget	**430,910**
Inflation (1)	4,566
Cost and spending increases	14,805
Cost Reductions	-22,174
Total	**428,107**
Less:	
Formula Grant	153,443
Council Tax Freeze Grant 2014/15	2,488
Public Health Grant	21,793
NHS Funding	11,596
New Homes Bonus	2,546
Education Single Grant	5,309
Education Statutory Responsibility Grant	1,255
Budget to be met by Council Tax Payers	229,677
Council Tax at band D = £1,090.50	

(1) The budget provides for contractual prices inflation, forecast pay increases and the increase in the Local Government Pension Scheme employer's superannuation contributions following actuarial valuation of the fund. Fees and charges levied by the authority will be reviewed during the year, and amended as necessary, as a minimum in line with inflation forecasts.

35 An analysis of the budget movements by service area is provided in Annex 2, and a summary of the overall budget, again by service area, is provided at Annex 3.

The budget proposals for 2014/15 have been formulated in the context of the Medium Term Financial Planning framework which is provided in Annex 5.

Dedicated Schools Grant (DSG)

36 The DSG for 2014/15 was announced on 18th December 2013 at £391.1 million and is split between three funding blocks shown below:

Block	2014/15 £m
Schools	315.6
High Needs	50.6
Early Years	24.9
	391.1

The early years block has been increased by £5.6 million from 2013/14 to fund the additional places for 2 year olds. The high needs block now includes the full year cost of the 'top ups' for post 16 placements in Further Education and Specialist colleges.

The schools' dataset for use in 2014/15 has now been updated by the Department for Education (DfE) to reflect the October 2013 school census count along with other unit count changes for deprivation, Special Education Needs (SEN) and English as an Additional Language (EAL). The Schools Block Unit of Funding, as expected, is unchanged at £4,202.88.

Although the Schools Block figure is final, the High Needs Block will not be finalised and confirmed until March 2014 following DfE decisions on the allocation of high needs places. The final Early Years Block will not be confirmed until April 2015 after it has been updated for the January 2015 census count.

School Funding

Changes to the school funding framework for 2014/15 include the ability to reintroduce separate lump sums for primary and secondary schools and to permit local authorities to introduce a sparsity factor as a means of targeting funding for small schools.

Following a consultation with schools in the summer, the Schools Forum's view was that changes should be kept to a minimum, addressing obvious anomalies only and avoiding further changes until the shape of the planned national funding formula becomes clearer. Forum and Cabinet therefore agreed to:

- Reintroduce separate lump sums for primary and secondary schools
- Set the secondary lump sum at the maximum allowable level, £175,000
- Leave the primary lump sum unchanged at £67,000
- Make no other changes to the formula (and specifically not to introduce a new formula factor for sparsity).

There is a requirement to submit the final 2014/15 schools formula to the DfE for approval by 21st January 2014 and then issue budgets to schools by the end of February 2014.

A school funding report providing further details relating to the December 2013 DSG settlement and new dataset was considered at the 8th January 2014 Schools Forum. A full report will then be presented to the 5th February 2014 Cabinet.

High Needs Block Funding

The high needs block of the DSG is currently being supported by £2.4 million of DSG balances from 2012/13. These balances will be able to fund the position for 2013/14 and 2014/15, but proposals will need to be put in place before 2015/16 to fund the shortfall. Work is currently going on to draw up these proposals and further information will be available on this during 2014/15.

Early Years Block Funding

The overall position on the Early Years Block for 2014/15 will not be clear until the pupil count information is available in April. A new Early Years Single Funding Formula will be in place for 2014/15 following extensive consultation with the sector and consideration by the Schools Forum.

I Council Tax

37 The Council's current 2013/14 Band D Council Tax is £1,090.50, which is below the average for comparable County Councils.

In accordance with the terms of the two year Council Tax grant for 2014/15, Council Tax will, for the fourth year running, be frozen in 2014/15. The Council Tax income foregone will be replaced by Government grant in 2014/15 and 2015/16, whilst the remainder has been funded from additional savings which are now built into the budget.

2014/15 Council Tax levels for each band are shown below, all being the same as in 2013/14.

Band	**2014/15 £**	**Increase on 2013/14 £**
A	727.00	0
B	848.17	0
C	969.33	0
D	1,090.50	0
E	1,332.83	0
F	1,575.17	0
G	1,817.50	0
H	2,181.00	0

Nearly two-thirds of households are in Bands A, B or C.

J The Robustness of the Budget Proposals

38 **Medium Term Financial Planning Framework**

The MTFS and detailed budget for 2014/15 have been formulated in accordance with the medium term financial planning framework detailed in Annex 5.

The framework sets out the financial strategy, financial assumptions and financial risks taken into account when preparing the MTFS and budget for 2014/15.

39 **Council's financial standing and risks.**

Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate and in doing so should take advice from the Chief Financial Officer.

The Council's reserves as at 31st March 2013 were as follows:

	£000
Earmarked Reserves	91,344
Schools Related Reserves	23,278
County Fund Reserves	19,721
Capital Grants Unapplied Reserve	2,973
Total Reserves at 31st March 2013	137,316

Overall, as detailed in Annex 6, the Council's reserves as at 31st March 2014 are forecast to be:

	£000
Earmarked Reserves	82,163
Schools Related Reserves	23,278
General Reserves	19,721
Capital Grant Unapplied Reserve	2,973
Total Reserves at 31st March 2014	128,135

40 During 2013/14 all reserves have been examined in detail, and scrutinised by the Lead Cabinet Member and Shadow Spokespersons.

General balances are anticipated to remain unchanged at a level of £19.721 million, assuming a balanced revenue outturn position for 2013/14. These equate to 4.8% of the 2013/14 net budget. If an overspend occurs in 2013/14 general fund balances are likely to reduce.

This is considered to be a satisfactory level of general reserves, being within the target range of 4% to 6%. It is not planned to increase general reserves further in 2014/15, with the base budget provision again being used for additional debt redemption.

41 Earmarked Reserves are forecast to fall from £91.3 million (£94.3 million including the capital grant reserve) as at 31st March 2013, to £82.2 million (£85.1 million including the capital grant reserve) as at 31st March 2014, a reduction of £9.1 million. Annex 6 provides a summary of the Earmarked Reserves, including all of the proposed and forecast reserve movements during the year.

42 It has been assumed that school related reserves will remain at the level of balances held at 31st March 2013.

43 The reserve forecast above assumes there will be no reserve transfer for the 2013/14 Public Health grant. However, any underspend in the Public Health grant in 2013/14 will be carried forward in a new earmarked reserve and spent in 2014/15, per the Public Health Grant guidance.

K Strategic Finance Director (Section 151 Officer) Review of the Budget

44 The level of General Reserves needs to reflect the risks the Council is facing. These risks will depend upon the robustness of the budgets, the adequacy of budgetary control and external factors such as inflation and interest rates.

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

- Account has been taken of current spending trends and where known, costs have been built into the 2014/15 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 will continue to be closely monitored during the period of this MTFS, in the context of protecting the Council from existing and future liabilities.

  This is extremely important given the announcements by the Chancellor of the Exchequer regarding ongoing austerity measures and further funding reductions of 5% per annum until 2017/18. However, reserves will continue to be maintained at prudent, but not excessive levels, and may be reduced as circumstances change.
- The highest risk areas continue to be demand led services, especially care for elderly and vulnerable people where demand is continually rising, looked after children, and waste management, where significant investment is required to deliver the new waste facility.
- Although additional resources are being invested in some of these areas under the proposed budget, robust and regular budget monitoring will, again, be essential, particularly in the context of the current forecast overspend in relation to adult care.
- Balancing the Council's budget over this period of financial constraint requires a series of major changes. 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.
- Provision has been made for pay awards, pension increases and contractual inflationary pressures.
- The reserves held are invested and the interest received supports the Council's budget.

46 On the basis of the above, the Strategic Finance Director's advice is that the level of reserves, following the movements detailed earlier, are adequate, the financial standing of the Council is sound in the context of the key risks, and that the proposed budget is robust and achievable.

L Forward Draft Plans for the revenue budget in 2015/16 and 2016/17

47 The Council's plans are set for the three years covering 2014/15 to 2016/17. The detailed draft budget for 2014/15 is set out within the MTFS, whilst the current draft forecast budgets for 2015/16 and 2016/17, are:

	2015/16 £m	2016/17 £m
Budget	409.1	401.1

48 The 2015/16 forecast is based on information included within the draft financial settlement issued in December 2013. It confirmed a major gross grant reduction in the order of £21 million from 2014/15, although this will reduce by a minimum of £2 million for Council Tax Freeze Grant, taking the net reduction to £19 million.

The two key changes relating to the 2015/16 budget forecast included within the MTFS issued for consultation relate to New Homes Bonus and Council Tax Freeze Grant.

It has been confirmed that the Council Tax Grant for freezing Council Tax in 2014/15 will be a two year grant, and a Council Tax Freeze Grant will be payable in 2015/16 for councils that freeze in that year as well.

With regard to New Homes Bonus, in the provisional settlement the government confirmed that they are limiting the top slice of New Homes Bonus funding to London Authorities. This means that the Council will receive approximately £3.366 million in 2015/16 which was not included within the forecast figures for consultation.

Hence it is now forecast that the budget level in 2015/16 will be in the order of £409.1 million, some £19 million lower than the proposed 2014/15 budget. This reduction equates to 4.4% which is significantly higher than the 0.65% (£2.8 million) for 2014/15, and hence is likely to require a significantly higher level of savings to be delivered for 2015/16.

49 2015/16 will also see the implementation of significant funding changes in relation to Adult Care Services. The Department of Health (DH), the Department of Communities and Local Government (DCLG) and partners are working collaboratively to set out the requirement and support for the integration of NHS and social care services at national level. As part of the support for greater integration, DH and DCLG have agreed £3.8 billion worth of pooled budgets nationally commencing in April 2015. The Government has also agreed to increase the NHS funding transfer to Local Government from April 2014 by an additional £241million to take it to a total of £1,100 million. The required pooled budget is called the "Better Care Fund".

The guidance about the Better Care Fund requires local areas to formulate a joint plan for integrated health and social care and to set out how their single pooled Better Care Fund budget will be implemented to facilitate closer working between health and social care services. Joint local plans are currently being developed by GCC and the Gloucestershire Clinical Commissioning Group. The plan must be approved by the Health and Well Being Board, due to meet on 5 February 2014 prior to the national submission deadline of 14th February. Further details in relation to the Better Care Fund are set out in annex 1.2.1.

M Capital Expenditure

50 The proposed capital programme is set out in Annex 8, with details of the financing of this programme being provided at the start of this Annex.

The capital programme provides investment in the county totaling £319.8 million over a five-year period from 2012/13 to 2016/17.

The main investment is on Highways and Infrastructure (£202.6 million) and Schools and facilities for children (£110.2 million), with the remainder being in Adults (£7.0 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 new capital programme from 2014/15 is largely "capped" at the level of developer contributions and capital grants.

Priority schemes not supported by grants or contributions, which are detailed below, have been included within the new programme on the basis that they will be funded from capital receipts, thereby avoiding the need for new borrowing. Priority schemes in 2014/15 not supported by grants or contributions amount to £5.0 million. These schemes are being financed from Invest to Save reserves (£1.8 million) and the use of capital receipts (£3.2 million).

Included within the programme is an already approved scheme for investment in composting facilities, with a balance of £0.7 million remaining. In order to enhance the new Hempsted Household Recycling Centre £0.25 million of this balance is being used to finance an additional "tipping" area on the Hempsted site and construct a building to house a reuse operation, providing an opportunity to increase reuse and possibly work with the "not for profit" sector.

51 ***Additions to the Capital Programme***

The budget for 2014/15 contains £48.6 million for new investment capital schemes financed from grants, revenue contribution to capital and capital receipts as set out in the following table.

Grant	**£000**
Adults – PSS Grant	1,388
Children and Families (Indicative only and profiled over two years)	11,306
Infrastructure – Highways Block Maintenance Grant	13,952
Infrastructure – Integrated Transport Block Grant	5,121
Infrastructure – Pinchpoint Funding Grant	992
Infrastructure – Local Sustainable Transport Fund Grant	489
Infrastructure – Additional Structural Maintenance Funding (as previously reported)	1,434
Infrastructure – Fire	822
Total Grant	**35,504**
Capital Contributions section 106 (Schools (indicative only))	**6,075**
Revenue Contributions Children's (indicative only)	**1,490**
Infrastructure – Highways Drainage	**500**
Capital Receipts – Infrastructure	**3,200**
Reserves – Infrastructure	**1,805**
Total new Capital 2014/15	**48,574**

52 ***Children and Families***

The Council receives 2 main capital grants for schools from the Department for Education: Basic Need and Maintenance. In March 2013 the Council received a 2 year settlement for the Schools Basic Need allocation but only a single year settlement for Maintenance.

The 2014/15 programme is based on the actual Basic Need allocation plus an estimate for Maintenance (based on last year's allocation) and estimated revenue contributions from schools. In December 2013 the Council received notification of the Basic Need allocations for 2015/16 and 2016/17, these have been reflected in the capital programme.

Children & Families 2014/15 new capital investment assumes £6.075 million will be financed from section 106 agreements (developer contributions). If the actual level of contribution is lower, the programme will be adjusted accordingly.

53 ***Communities and Infrastructure***

Pinchpoint Grant Funding:
This is for the scheme at C&G/Walls Roundabout which is currently out to tender with a view to commencing construction in Spring 2014. The funds available, including pre 2014/15 funding, will be £3.151 million with new funding in 2014/15 consisting of £0.992 million Pinchpoint grant, £0.45 million from the Integrated Transport Block Grant and £25,500 developer contributions.

Elmbridge Major Transport Scheme - £16.5 million (total scheme cost £17.4 million):
In December 2011, the Department for Transport (DfT) informed GCC that 'Programme Entry' approval had been given, with DfT funding £14.1 million of the total cost of the Elmbridge Major Transport Scheme. This funding is subject to GCC gaining planning permission, purchasing the required land, and achieving 'Full Approval' status from DfT.

There is no additional funding in 2014/15 for this scheme so the ongoing design will temporarily need to use other funding in the programme to cover scheme development which will be reimbursed by the DfT once a contract for the work has been let. 2014/15 is expected to see the planning application, detailed design, compulsory purchase order and procurement undertaken.

The Local Sustainable Transport Fund (LSTF) grant will primarily be utilized on the Cheltenham Transport Plan scheme subject to the necessary approvals being granted for the "Boots Corner" scheme.

The £0.5 million revenue contribution for Highways Drainage Infrastructure will be used to carry out improvement work to alleviate flooding caused by highway water.

The Council receives capital grants for Highways Block Maintenance, Integrated Transport, and the Fire & Rescue service.

54 ***Priority schemes not supported by grants or contributions***

The 2014/15 Capital Programme includes a number of schemes that are considered Council priorities but are not supported by grants or contributions. Details of the individual schemes are provided in the following sections. These schemes are being financed from Invest to Save reserves (£1.8 million) and the use of capital receipts (£3.2 million).

Investment in ICT - £1.8 million 2014/15

In order to support the rationalisation of accommodation and to ensure compliance with Government codes of connection standards there are three significant areas where investment in ICT is required:

- to support the Next Generation Desktop services to fund hardware and software maintenance and ongoing support;
- to support the new Unified Communications Telephony solution because the existing system is now becoming unreliable and cost of maintenance is significant;
- and for hardware and software maintenance to comply with new Public Services Network (PSN) security standards and the costs of maintaining the connection to PSN.

These areas of investment are considered as business critical if the Council is to drive the efficiencies and rationalisation programme outlined in the ICT Strategic Roadmap and Strategy.

WorkSmart Programme, Optimisation of office accommodation - £3 million

The WorkSmart programme will lead to significant benefits in terms of capital receipts, revenue savings and working environments more conducive to efficient ways of working. Optimisation of office accommodation investments are closely linked to the asset disposals, capital financing and building related revenue savings under the £45 million disposals plan included within the MTFs covering the financial years 2011/12 to 2014/15.

During 2014 to 2016 the investment programme will be delivering the following:

- Photovoltaic panels for Block 5 of Shire Hall, these panels (£0.9 million) will generate an income for the Council of approximately £2m over a 20 year period, paying for their initial capital expenditure over approximately 9 years whilst maximizing the potential benefits of the future development of the Quayside House disposal and the joint opportunities with Gloucester City Council and the Ministry of Justice;
- Refitting of Shire Hall on the competitive less than industry standard cost to enable increased occupancy, £2.9 million
- Re-cladding of areas of Shire Hall, with resulting revenue savings, at a cost of £4.1 million
- Capital Maintenance investment to maintain a fit-for-purpose Shire Hall, £0.1 million

Revenue Budget implications are currently being confirmed but the expectation is that any additional revenue implications will be more than balanced with savings achieved whilst the financing of the capital investment will be funded from the forecasted capital receipts.

LED Street Lighting Project - No funding 2014/15

The authority has 60,000 street lights using £2 million of electricity each year (20.5 GWh); 53% of the council's CO2 footprint (excluding schools). Electricity costs are predicted to continue rising sharply, requiring unsustainable significant growth bids to fund this (e.g., £1.1 million above the 13/14 budget for the MTFS period).

A number of energy efficiency projects (dimming on all main roads, rural part-night in 70% of parishes, small-scale LED) have been funded using the authority's Salix Fund. Further energy reduction requires significant investment. GCC's carbon reduction target, 60% by 2020/21 cannot be reached without significant reductions from street lighting.

Light Emitting Diode (LED) street lighting is now a mainstream technology, being used by other local authorities (e.g., Salford, Sheffield) giving up to 50% energy/ cost saving.

These savings can be increased by dimming (pre-programmed or remotely through Central Management System – CMS), giving:

- 70% reduction in maintenance cost, from an estimated life of 25 years with fewer faults;
- A whiter light, improving colour definition/ visual acuity, with reduced road/ community safety impacts and fear of crime;
- Reduced light pollution, as better focused;
- Reduced liability under the government's CRC Energy Efficiency Scheme from reduced emissions.

Investment required for the MTFS period (residential street lighting for all urban centres and 70% market towns):

- 2015/16, £2.6 million GCC, £1.7 million government Salix funding (£4.3 million total)
- 2016/17, £2.5 million GCC, £1.7 million government Salix funding (£4.2 million total)

To complete Gloucestershire-wide investment (remaining 30% market towns, all rural areas and traffic routes) will take a further 2 years. All areas will be dimmed by 50% (already do on traffic routes); additional dimming in urban residential areas is being trialled. Remaining investment required beyond the MTFS period:

- 2017/18, £2.3 million GCC, £1.5 million government Salix funding (£3.8 million total)
- 2018/19, £5.4 million GCC, £3.6 million government Salix funding (£9 million total)
- Each LED street lamp includes a control driver, which has an estimated life of 12 years – £3.2 million over 2 years from 2027/28

The overall investment has a simple payback of 11 years, with an additional Net Present Value of £17 million (i.e. what the total savings would be worth today) – the NPV will be higher if additional dimming in urban residential areas is feasible.

This financial modelling includes: cheaper energy provided from the planned Energy from Waste facility; cost of finance and procurement; 10% cost for risk. Salix Finance Ltd has earmarked c. 40% government funding from the national Salix Energy Efficiency Loan Scheme (SEELS).

Archives – Alvin Street Extension - £0.2 million 2014/15

There is a known growing demand for the archives element of the Alvin Street building, which reflects the increasing rationalisation of office accommodation and open plan working. This extension is a key enabler for the WorkSMART programme, as it will enable key information and documents from buildings around the County to be accommodated in this extended facility, in order that the issue of storage does not impede the closure of buildings and the generation of both capital receipts and revenue savings.

The proposed capital scheme is £2.2m, with £0.2m being incurred in 2014/15 and the remainder in 2015/16.

Heritage Lottery Funding is anticipated, through a bid process, for £1.0 million of the build cost. The remaining balance will be funded from capital receipts of fund £1.1 million and £0.1 million raised by Archives. There are no revenue budget implications identified at present.

Borrowing

55 Total borrowing outstanding at the end of 2013/14 is forecast to be £351.2 million, a reduction of £45.4 million compared with the £396.6 million outstanding at the end of 2012/13.

56 External borrowing is obtained from the Public Works Loans Board (PWLB), usually at fixed rates of interest, over a set number of years.

However, in recent years, due to the significant differential between interest rates charged by the PWLB and interest earned on invested balances, the authority has internally funded borrowing from investment balances (mainly reserves). This strategy, currently followed by the majority of local authorities, essentially involves lending investment balances to ourselves to reduce overall interest costs.

As stated earlier, the Council's aim is to reduce the level of borrowing and where possible reduce the level of overall borrowing outstanding. The MtC target for capital receipts from the sale of assets is £45 million by the end of 2014/15, which will be used to repay debt and/or finance capital expenditure to avoid new borrowing. A Disposal Schedule will be considered by Cabinet in February in line with the Disposal Strategy.

Prudential Code

57 In accordance with the Local Government Act 2003 the Council needs to comply with the "Prudential Code for Capital Finance in Local Authorities" (The Code).

58 Under the 2003 Act, authorities have the freedom to determine the level of borrowing they wish to undertake to deliver their capital programmes.

59 The Code has been developed as a professional Code of Practice to support local authorities making these decisions. Regulations issued under the Act make compliance with the Code mandatory.

60 The objectives of the Code are:

- To ensure that capital investment plans are affordable, prudent and sustainable.
- To ensure treasury management decisions are taken in accordance with good professional practice.
- To be consistent with good local strategic planning, asset management planning and option appraisal.

61 To demonstrate that these objectives have been fulfilled the Code sets out indicators that must be used and the factors which must be taken into account.

The Council complies with the Prudential Code:

- By having medium term plans (Corporate Strategy, Revenue and Capital budgets).
- By having plans to achieve sound capital investment via the Capital Strategy, Project Appraisal and Asset Management Plans.
- By complying with the Treasury Management Code of Practice.
- By producing the indicators for affordability and prudence required by the Code.

N Treasury Management

62 The Treasury Management Strategy Statement and Annual Investment Strategy (AIS) are shown in Annex 9 to this report.

Annex 9 provides details of:

- Treasury Management Strategy for 2014/15, including borrowing, debt rescheduling and investments.
- Prudential Indicators.
- Minimum Revenue Provision (MRP) Statement.
- Policy on the use of Financial Derivatives.
- Specified and Non Specified Investment for use by the Council.

O Attached Annexes

Annex 1 Commissioning Intentions

Detailed narrative by Commissioning Service Area showing achievements in 2013/14, detailed 2014/15 Budget Proposals and forecasts for future years.

This annex includes the following additional papers:

- annex 1.1.1 on the Children and Young People's Activity Grant Scheme
- annex 1.1.2 on additional investment in Gloucester City Children's Social Care

- annex 1.2.1 on the Better Care Fund
- annex 1.3.1 on Sport and Physical Activity Grant Scheme – 'Active Together'
- annex 1.5. on the Customer Programme

Annex 2	Budget changes by Service Area
Annex 3	Budget Summary by Service Area
Annex 4	Living Wage Paper
Annex 5	Medium Term Financial Planning Framework
Annex 6	Reserves and Balances Analysis
Annex 7	Revenue Budget Forward Projections
Annex 8	Capital Programme
Annex 9	Treasury Management Strategy

ANNEX 1 COMMISSIONING INTENTIONS

ANNEX 1.1 COMMISSIONING INTENTIONS – CHILDREN AND FAMILIES

Context

The Council has wide ranging responsibilities for children's services; this includes leading and co-ordinating all local partners to ensure outcomes for children and young people improve. In 2013/14 the total budget for children's services excluding Dedicated Schools Grant was £103 million; this included other grants and funding from formula/Council Tax. This represented a 2.1% reduction in budgets available compared to 2012/13. The strategic direction for children's services is set by the local Children and Young People's Plan; this together with the current corporate strategy identifies a continuing need to improve outcomes for the most vulnerable. A focus on the performance and quality of Children's services has been retained, a committed workforce continues to respond well to a significant increase in demand for social care and drives to focus on evidence-based programmes. High educational standards for the majority of pupils have continued, with low levels of youth offending and a reduction in young people becoming NEET (not in education, employment or training); 4.6% young people were NEET at the end of September this year compared to 5.3% for the same period last year (81 fewer young people becoming NEET). Action is being taken to implement national government policy such as an extended offer for 2 year olds, improvements in adoption and new arrangements for meeting the needs of children with special educational needs and/or disabilities.

<u>Meeting the Challenge 2013/14</u>

Savings targets for this year have focused on the full implementation of projects commenced in 2011/12, to ensure the most vulnerable children and young people continue to receive the support they need. A new contract for youth support services has been in operation since April 2013; the service continues to be targeted on those young people most at risk, performance remains good in this area and positive activities for young people continue to be available through the district grant funding scheme (about 7,000 young people benefited in 2012/13) and the community youth 'offer'. New children's centre contracts have been put in place with performance being maintained despite extensive change. Savings are being achieved as the cost of home to school transport reduces as policy changes are rolled out, and the new education entitlement team is in place enabling the council to manage reductions in Dedicated Schools Grant as schools become academies. Although savings in expensive external placements have been achieved up until 2012/13, the increase in numbers of children coming into Care is now putting all placement budgets under considerable pressure. The council has also created a £2.2m reserve to support the improvements in adoption needed as dictated by national policy. Performance in this area has improved with 33 children placed already this year (i.e. by 31 October) and 24 prospective adopters approved (by 31st October). Comparison figures for the whole of 2012/13 are 21 and 20 respectively. Government transfers of budgets as schools become academies has reduced the council's education capacity considerably, nevertheless an effective school intervention team continues to work proactively with maintained schools and in collaboration with central government and academies. The primary sector, in particular, has seen improvements with 85% of children now able to attend schools deemed good or outstanding by Ofsted (end of the academic year 2012/13), above the national average (78%).

<u>Looking Forward</u>

The proposed budget for 2014/15 requires savings of £4.3 million to be achieved in council children's services.

The MtC savings include further reductions in home to school transport budgets resulting from new policies and efficient use of Government grant. A number of savings are proposed in education areas to reflect the changing role of the council in education and shift in funding to schools. These changes include a review of functions that support quality assurance for early years' providers following government guidance. Savings are also proposed in commissioned services to drive efficiencies. A number of cost pressures have been identified resulting from increased demand in children's social care; as a result investment is proposed in both the cost and level of fostering and guardianship allowances. Some significant issues have been identified in relation to retention of experienced social workers and managers in social care and the budget includes proposals to regrade these staff. In addition detailed analysis has been undertaken on the levels of demand in Gloucester City, including benchmarking with comparator areas. The particularly challenging context, high social work turnover rates and legacy from previous practice mean that there is a need for a step change. Plans have been developed to pilot a model of social work based on small teams with higher levels of support similar to that developed successfully in Hackney. This will require one off additional investment to test the new model safely and is outlined in more detail in annex 1.1.2.

Needs Analysis

Most children in Gloucestershire continue to have positive outcomes – in 2013 61.6% achieved 5 A*-C GCSEs including English and Maths, compared to 60.4% nationally. However a significant minority do not have the same positive life chances as their peers – the gaps in achieving 5 A* - C including English and Maths at GCSE, between children eligible for free school meals (this gap has narrowed from 32.6% points in 2012 to 31% points in 2013; it is still wider than the national gap of 26.6%), and those with SEN, and the rest, (the SEN gap has narrowed from 52.5% points in 2012 to 48.8% points in 2013), have marginally improved but are still a larger than statistical neighbours and England.

For the most vulnerable children there is a need to focus our efforts e.g. only 15.2% of LAC achieved 5 A* - C GCSEs including English and Maths for the academic year 2012/13; this however, compares well with the 2012 national average of 14.6% and our last year's performance of 8%.

LAC in education, employment and Training EET levels are fairly stable but at the low level of 80% (65 of 81) as at the end of September 2013; 483 children were subject to a CP plan on the 1st of November 2013, of which 37.5% (181) were under 5yrs and, for them; the most common issues are long-term neglect combined with parental substance/ alcohol misuse and domestic abuse. Secondary children report having seen, heard or been a victim of domestic abuse quite often or most days (6% OPS 2012). However a more positive picture emerges from an ongoing survey of Looked After Children with 94.4% of secondary LAC reporting that they feel safe at home (compared to 92.8% of all secondary pupils). Families First (our local Troubled Families programme) is now working with 443 families (as at 1st October 2013), meeting government targets and receiving good feedback from families themselves.

Strategic Direction

Given the financial context and identified needs there is a continuing need to reshape our response to some of our most troubled families whilst ensuring that universal services continue to be of high quality. This will increasingly involve partnerships with local communities and partners encouraging them to meet the needs of families.

Current trends are driving increased specialist intervention across the partnership and action needs to be taken to enhance the effectiveness of our early help offer and ensure all professionals are working effectively and efficiently together. Demand needs to be managed so that council resources and efforts are targeted effectively on identifying and working with vulnerable families at the earliest opportunity and strong, quality specialist interventions where necessary.

The Children and Young People's Plan (CYPP) is part of the developing local Health and Well Being Strategy, this is based on a full needs analysis and clearly targets the most vulnerable children and their families. The priority groups for partnership action will continue to be those who need safeguarding, LAC, children in poverty, disabled children and young people; work is underway to better understand our local system and develop a new CYPP from 2015 which will assist all partners in tackling the significant challenges they face. All of this will require workforce development across the sector to ensure that families receive a joined up service. The Gloucestershire Children's Safeguarding Board will play a key role in harnessing effort across agencies, holding all partners to account and ensuring a strong quality assurance process is in place.

Delivering Change

Our aims will continue to be to:

• Reduce and divert demand for high cost, high dependency (acute) services
• Ensure targeted services are available in local areas with effective 'front door' access
• Improve outcomes and consistency and avoid duplication wherever possible

Commissioning activity will focus on:

- Planning for the long term
- Improving the effectiveness of the local early help offer including an enhanced offer on young people's activities through elected members
- Monitoring the effectiveness of funded programmes
- Driving more integrated services to ensure a family focus
- Developing our relationship with schools in the changed context
- Implementing new government legislation in SEND
- Skills development and links to wider economic development

All activities will be subject to community impact assessments and specific consultation will be undertaken where appropriate with stakeholders.

ANNEX 1.1.1 CHILDREN AND YOUNG PEOPLE'S ACTIVITY GRANT SCHEME

Background

The council has a duty to ensure that young people have access to positive activities. It currently achieves this by investing in the youth support service run by Prospects Services which targets the most vulnerable young people, allocating funding to district councils to distribute to local providers, and continuing to support the wide range of community organisations that deliver services to young people.

Summary of the scheme

This new scheme would provide additional investment in local areas to ensure that community based activity providers are able to access small amounts of funding to support local children and young people. The scheme will complement the grant funding schemes run by district councils which, in 2012/13, supported over 7,000 young people. The scheme will be run by allocating £5,000 per annum to each electoral division with the local member being responsible for identifying appropriate activities to support. Voluntary and community groups and not for profit organisations will be eligible for the funding to deliver activity projects which encourage young people to engage and meet gaps in local areas. This will provide an opportunity for local elected members to work pro-actively with their local community and support applications for funding that will make a real difference.

Other options considered

1. For the County Council to commission a range of activity projects across the county to meet the aims of the proposed scheme.

This would not have the same level of involvement in the decision making process by elected members and local communities.

Risk assessment

- Lack of awareness of the scheme may result in some electoral divisions not utilising their full allocation
- Individual projects are not sustainable over the long term

These risks will be mitigated by developing a robust communications strategy to ensure that eligible organisations are made aware of the scheme. Information will be provided to local members about existing services and levels of need. Councillors will work with local communities in their division to promote the scheme. Funding will be allocated based on activities to be provided and the number of children and young people to benefit rather than base costs of an organisation.

Implementing the scheme

The aims are:-

- To increase the availability of positive activities for children and young people across the county
- To ensure that vulnerable children, young people and families can access positive activities that will improve outcomes and avoid the need for specialist interventions

Further guidance and briefing will be required once the detailed scheme has been developed by the Commissioning Director: Children and Families to ensure that funding is allocated, which meets the aims and objectives of the scheme and local priorities as agreed by the local elected member. It will be important to ensure transparency and financial probity throughout the process.

ANNEX 1.1.2 INVESTING IN GLOUCESTER CITY CHILDREN'S SOCIAL CARE

Introduction

Protecting Vulnerable People is a key council priority; maintaining our focus on good quality child protection services is vital. This annex describes the challenges faced by children's social care services, particularly concerning the recruitment and retention of social workers and proposals to pilot a new model of service delivery to meet the significant need identified in Gloucester City.

Background

Nationally and locally issues relating to the retention of qualified and experienced children's social worker are apparent. Whilst recruitment of social workers has improved, retention has become problematic in an intensely competitive regional and national market[1]. Greater use of agency social workers to cover vacancies has filled the gap for many councils[1], locally this is an increasing cost pressure for some social work teams. Budget proposals for 2014/15 include provision to meet the costs of regrading social work staff in order to reposition the council as the employer of choice with more competitive pay and benefits.

Children's social work services in Gloucester city have for some time experienced higher levels of demand when compared to other areas of the county. Families tend to have more complex and acute difficulties (often related to adult mental health and drug and alcohol use. Since May 2012 20 staff have left the teams, this equates to over 50% of the management and 50% of social workers. As a consequence the teams are operating with higher rates of newly qualified and agency social workers, resulting in higher levels of inexperience and a lack of capacity. In this context it is difficult to establish confident, stable teams who may be more able to respond and manage down the increasing demand that is occurring. There is also a view that partnership working within Gloucester could be more effective in supporting families with all agencies struggling to meet the demand for service.

There is a need to address this situation in multiple ways – a strategic group has been established bringing together various police driven initiatives, Families First and the issues identified above. However the council's priority must be to address the high pressure in children's social care and consequent high social worker turnover.

Nationally the policy context for children's social work is changing; the Munro Review of Child Protection (2011) for the DFE suggests a radical rethink of how social workers practice and are managed. In response councils have begun to redesign their social work teams (most notably Hackney) with greater emphasis on developing more autonomy for social workers and more considered and effective, reflective and challenged practice.

These developments have resulted in the creation of much smaller locally focussed teams (pods) of social workers which include a number of multi disciplinary professionals, for example, psychologists. Evaluation of this model by Munro concludes that there are positive improvements in outcomes for children and social work practice[2]. There are also lower sickness rates, better staff retention, with improved partnership working which in turn leads to reduced repeat demand.

Proposal

A plan has been developed to radically reshape social work practice along the lines of the 'Hackney' model with small social work teams, 'pods', sharing cases and working in smaller geographical areas within the city. This would be piloted in Gloucester over a 2 year period. This would be accompanied by co-locating adult mental health, drugs and alcohol, and domestic abuse workers to provide intensive, specialist advice and intervention with high need families. The aim is both to resource the levels of need more appropriately but also to address retention issues by making Gloucester City the place to develop social work skills is a supportive environment.

This would enable the council to take a cautious approach - addressing a pressing issue by testing a new social work model of practice and evaluating the impact. Supplementing teams with other professionals offers a dual benefit of increasing capacity within the teams (without having to recruit more scarce social workers) and offering additional skills knowledge and ways of working, relevant to the needs of families.

Robust evaluation of this pilot will be vital, expected outcomes include:

- Better outcomes for children and families resulting from sustained improvements in practice
- Lower turnover of social work staff – leading to decreased recruitment and agency staff costs
- Reduced demand and repeat work for these teams – leading to decreased numbers of looked after children and reduced time in care and thus reduced costs

Resource Implications

Staffing

The redesign of social work teams will require careful management as this will be a significant restructure of current teams. A strong staff engagement strategy (including contingency plans) will be required.

Financial Implications

The financial pressure due to staff costs within the Gloucester City children and families teams was recognised at the beginning of 2013/14 with a one-off investment being identified to meet this need.

To date £164,000 has been allocated to offset higher costs; however this does not include the costs of recruitment and training which inevitably result from teams with a higher turnover of staff. It is estimated that the cost of recruitment for a single post is between £2,000 and £5,000. With 20 staff leaving since May 2012 the total cost can be estimated as £70,000 based on an average. In addition a number of agency workers have been employed - the cost of agency workers (including fees) can be over 78% more than GCC staff. This means that a team of agency workers would cost an additional £700,000 above the existing budget. Therefore investment in a delivery model, which improves staff retention, would have significant financial benefits for the council.

The additional costs of implementing the new service delivery model in Gloucester city would be £744,000 for one year and £1,483,000 over two years. Funding for these additional costs can be identified in the first year by utilising a one-off specific grant of £0.7million held in children and families with the balance being found through unallocated balances in the un-ring fenced part of the adoption grant.

The second year of the pilot could be covered from any remaining uncommitted adoption funding, after identify the investment needed to maintain the required activity within the adoption service and the use of Adoption Reserve or service under-spends across the two years. In the long term, if the pilot is successful, funding will be considered as part of the MTFS process. This would only follow a thorough evaluation of the pilot. The Commissioning Director: Children and Families will be required to put an evaluation framework in place to test the impact of the pilot and develop long term sustainable plans.

Risks

Safeguarding: That, despite improvements in social work practice in these teams since the last OFSTED inspection, continued high staff turnover and disruption creates performance risks.

Implementing a new model of working has the potential to disrupt social work practice. Implementing at this time (i.e. not being an early implementer) allows lessons to be learnt from other councils. Evidence from early implementers indicates that robust, reflective management oversight and challenge decisions will be fundamental[2]. A thorough project management approach and good staff engagement mitigates this risk.

Financial: That spend cannot be contained within allocated budgets.

If the current situation within the Gloucester city teams continues the council will need to invest a significant amount into the Gloucester social work teams to support an even higher use of agency staff which would be unsustainable. More pressure within these teams could lead to more children coming into care with associate increased costs. The implementation of the project will need to ensure that budgets are carefully managed and the new teams are efficient and effective. The evaluation will need to take account of value for money and cost effectiveness.

Impact That the project and additional investment does not result in the desired improvements and achieve the required outcomes

Every effort must be made to implement the project carefully and to learn from implementation elsewhere. The evaluation should test impact in real time so that improvements can be made if necessary. Piloting this model in one geographical area allows us to learn lessons.

Other Options Considered

Do nothing
In terms of the children's social care service as a whole Gloucester city is the most risky area due to the combination of relatively high and complex demand and the inability to retain stable experienced teams. This has a significant cost impact as well as risks for for families. Increased agency costs and avoidable recruitment costs will not be addressed.

Recruit more social workers without remodelling teams
It has proved very difficult to recruit sufficient experienced social workers; any increase would probably be filled by agency or inexperienced workers. As such simply increasing numbers of social workers will not address the issues around retention of social workers and stop the cycle of high turnover. The increased knowledge and expertise offered by a multi professional team will not be realised. The aim of the pilot will be to make Gloucester city an attractive place to gain high quality social work experience and development.

Officer Advice

These issues have been considered by the Children's Social Care Improvement Monitoring Board chaired by the Chief Executive. The Board has noted the increased pressures faced within Gloucester City teams and concluded that action must be taken to reduce safeguarding risks and ensure the quality of practice and service offered to children and families remains at a satisfactory standard and has the capacity to improve. It is believed that strong engagement with the existing teams and the opportunity to participate in the pilot will be more attractive to the social work staff who we need to retain. Whilst the project does have risks attached to it, continuing with current staffing arrangements may realise identified risks associated with the limited capacity of the teams and continued overspend against allocated budgets.

[1] Community Care 2013, National Survey of social work vacancies
[2] Reclaiming Social Work, Munro and Cross (2010)

ANNEX 1.1.3 SCHOOL UNIFORM GRANTS

Introduction

This annex relates to proposals within the council's 2014/15 budget which necessitate a review of policy in relation to school uniform grants.

Background

The County Council currently offers a one-off grant of £80 to parents of children transferring to secondary schools where the family qualifies for free school meals.

The Council's current policy makes no distinction between academies and maintained schools. However pupil support (including uniform grants) falls within the scope of the Education Services Grant (ESG) that academies receive. This means that council funding for this grant has been transferred to schools as they convert to academies. 85% of secondary schools are now academies covering 86% of pupils; only 6 secondary schools remain within the maintained sector.

In addition all schools receive pupil premium funding based on pupil's entitlement to free school meals. Most schools and academies already run their own schemes for supporting families with uniform costs.

Proposal

The proposed 2014/15 budget addresses the anomaly whereby funding is available both through the Council and through individual academies and schools. From 2014/15 funding will only be available for children attending maintained schools. This reflects the national decision to transfer funding from local authorities to academies.

The council retains funding in respect of maintained schools. The proposal therefore is to continue to make a uniform grant available to qualifying families where the child is transferring to a maintained secondary school (or special school where there is a uniform requirement). A budget of £7k will be needed for this purpose. If agreed, consultation will take place with the schools concerned on devolving the funding; there will be an expectation that all maintained secondary schools receiving devolved funding publicise their arrangements for supporting families.

Risks

1. That low income families are not able to access support to meet the costs of school uniforms.

   This will be mitigated by a clear communications strategy and expectation that maintained schools publicise their arrangements.

2. That maintained schools are unwilling to offer support for families.

   Initial discussions with the Schools Forum indicate that schools are likely to be supportive of these proposals and that many schools already run schemes to support families with uniform costs.

Other Options considered

The main alternative option would be to maintain the current grant scheme. This would mean that the council was meeting the costs of the scheme although central funding has been transferred to academies. In addition it would mean that current duplication would continue creating confusion for families.

Equalities considerations

The ‘disability’ and ‘race’ protected characteristics are over-represented in families that claim free school meals: There is a potential adverse impact on these groups from the risks set out above. The mitigation identified should minimise the impact in practice. The council’s responsibility is to families with children attending mainstream schools; the impact in academies is the responsibility of the secretary of state for education.

ANNEX 1.2 COMMISSIONING INTENTIONS – ADULT SERVICES

Context

Adult social care has a current (2013/14) net budget of £158m, the single biggest area of expenditure of the County Council. We support approximately 25,000 people who have a disability, are vulnerable, or live with an age-related disorder, as well as commissioning services aimed at addressing social care and health inequalities, promoting health and well being. We work in partnership with our service users and carers, health, housing and the third sector to maximise people's potential for independence, meeting assessed need within a legal framework.

The overall performance of adult services is still mixed although we are improving in the key policy areas of supporting timely hospital discharge and self directed support, with an increased number of people with personal support plans and individual budgets. However we still need to improve on these numbers and ensure that our use of technology (telecare and telehealth) increases in part to ensure that we reduce our take up of residential and nursing care to match best practice elsewhere.

Strategic Direction

As indicated our strategic ambition is to support people to live independently. The national policy framework created by Think Local Act Personal, builds on the direction set by "Putting People First" with its focus on community support and involvement, early intervention, prevention and reablement services. As part of this, and for those people who have on-going needs, we want to ensure we put each individual service user in control of their care and support, offering choice, providing professional advice and enabling their voice to be heard, with the ultimate aim of improving outcomes for people. We want to reduce reliance on institutional care, create innovative alternatives and encourage the use of universal services, recognising that there will always be a place for specialists too.

Needs Analysis

The number of older people aged 65+ in the county has been growing by an average of 1,500 people per year over the last 10 years. Projections suggest that this will double to an increase of around 3,100 people annually on average between now and 2021. Long-range projections are not yet available but the increase is expected to accelerate in the longer term as rising life expectancy and demographic impacts of two generations of baby boomers take hold.

Significantly, the projected percentage increase of the older population is greater in Gloucestershire than in England over the period 2010-2021 (up 27% compared to 24%). The County's ageing demographic is further underlined by the small growth of its child and working-age population compared to England over the same period.

In particular, the number of people aged 75 and over, the ages at which GCC adult care and other service support are most likely to be required, is projected to increase by an annual average of 1,700 between 2011 and 2021. The number of 85+ will see the fastest rate of growth during this period.

The geographical distribution of older people is also expected to spread, with implications for locality strategy, community safety, community engagement and any future service change. The

Census 2011 suggested that a total of 40 council wards (i.e. 28% of all wards) had at least 1,000 residents aged 65+, accounting for between 10.4% and 30.7% of the ward population.
There were also 39 council wards (i.e. 27%) containing at least 500 elderly people aged 75+. By 2015, the number of such wards could grow to 58 (i.e. 4 in 10 wards), spreading across urban and rural areas of the county. An estimated 40% to 66% of the older population in these wards will be aged 75+.

The rising trend of older people aged 65+ living alone could also place extra pressure on care and infrastructure provision. Data from the Census suggests that there were 33,800 of older people aged 65+ living on their own in 2011. The number is projected to rise to 41,000 by 2021. It is projected that almost 7 in 10 single pensioners will be aged 75+ in 2021, and among these three quarters are women.

Dementia is also an increasingly common condition. In Gloucestershire, there are estimated to be 8,610 people living with dementia. That number is expected to almost double over the next 20 years.

As we do not anticipate new investment to meet the needs of our future residents, we have a duty to plan now in order to build communities who can respond to these changes. In addition to building capacity, we will need communities who adopt a positive and inclusive approach to people with disabilities and are not risk adverse. However, this will require a more responsive style of intervention from statutory services when such risks become unmanageable.

Gloucestershire also has considerable additional pressures in the area of learning disabilities. We are the third highest region in the country for claims of ‘ordinary residence’. This is fuelled by a considerable number of placements by other counties into our jurisdiction with resulting claims that these service users have now become the financial responsibility of Gloucestershire. In addition the life expectancy for people with learning disabilities continues to add to expected cost pressures as their care in most cases becomes more expensive based on such things as genetic dispositions to early onset dementia. Similarly at the young adult end of the spectrum the cases received from children’s services into adult services demonstrate ever higher levels of need as heroic medical efforts with premature births lead to people having more profound and multiple disabilities than seen before and requiring higher levels of costly specialist provision.

Meeting the Challenge 2013/14

In line with the strategic direction set out above, we have a series of projects targeted at living within our means and adjusting to meeting demand differently. Most of these are designed around the implementation of national policy and good practice – expanding on the model of reablement, working in multidisciplinary teams, avoiding crisis, commissioning differently, listening to our service users and improving the customer journey. We also continue to look at our processes.

In the area of learning disabilities shifting provision to lighter touch front door services such as Drop In centres has been supplemented with a new focus on employment for people with disabilities thus increasing independence and reducing costs. This has been accompanied by the use of Telecare (GPS) in place of paid support workers and an improved focus on employment opportunities.

Looking Forward

The proposed budget for 2014/15 requires us to reduce our costs by £10.88m in order to live within our means.

We intend to achieve financial balance in adult services by:

- reshaping our assessment and care management model through integration and the development of multidisciplinary teams
- supporting more people to live independently in the community
- further improvements in the effectiveness of services we commission
- reducing admissions to full time care
- working with the NHS to better support people in need of urgent support in the community, facilitate timelier discharges from hospital and reduce readmissions.
- decommissioning services that are no longer peoples' preferred choice as they opt to meet their needs in different ways
- stimulating the market and empowering communities who want to be involved
- working with partners to develop new opportunities for volunteering.
- exploring new ways to develop links with the employment market
- actively reviewing high unit cost contracts to seek efficiencies
- adopting innovative Telecare solutions which improve service and cost less than traditional care
- enabling people with a learning disability to live more inclusive and independent lives in the community improving quality of life
- entering into a new procurement framework which will offer more choice to people with a disability but which will lead to a reduction to costly alternatives such as residential care and supported living.
- Cabinet has recently approved an Electronic Call Monitoring system which will lead to significant savings for commissioned care for all people with a disability

Delivering Change

Such financial constraints should be considered in the context of substantial change. Statistically, there will be a rising demand for support from people with increasingly complex needs. This will involve a range of partnerships, many of which will be new relationships with communities. Whilst it will be challenging financially, it will result in investment in local communities.

The scale and pace of change is unprecedented and will create transitional issues as we all adjust to working in a different way. All activities will be subject to community impact assessments and specific consultation will be undertaken where appropriate with stakeholders. We will actively pursue opportunities to engage with service users and their carers to continue to build confidence in those partnerships.

Annex 1.2.1 : The Better Care Fund (Health and Adult Care)

1 Introduction

The Department of Health (DH), the department of Communities and Local Government (DCLG) and partners are working collaboratively to set out the requirement and support for the integration of NHS and social care services at national level. As part of the support for greater integration, DH and DCLG have agreed £3.8 billion worth of pooled budgets nationally commencing in April 2015. The Government has also agreed to increase the NHS funding transfer to Local Government from April 2014 by an additional £241million to take it to a total of £1,100 million. The required pooled budget is called the “Better Care Fund”.

The guidance about the Better Care Fund requires local areas to formulate a joint plan for integrated health and social care and to set out how their single pooled Better Care Fund budget will be implemented to facilitate closer working between health and social care services.

Joint plans are required to be approved through the relevant local Health and Wellbeing Board and to be agreed between all local Clinical Commissioning Groups and the Upper Tier Local Authority. Health and social care providers should be closely involved in plan development.

The plan should demonstrate clearly how it meets all of the national Better Care Fund conditions, including details of the expected outcomes and benefits of the schemes involved.

2 Current Position

Nationally, in 2014/15, £1,100 million will transfer to Local Authorities for social care to benefit health, using the same formula as 2013/14. This will be actioned through a central Section 256 transfer from NHS England to the Council. For Gloucestershire County Council, the 2013/14 allocation is £9.055 million, the additional funding agreed equates to £11.596 million in 2014/15 for GCC, as outlined in the budget.

In 2015/16, this funding will become part of the pooled Better Care Fund; the funding is liely to be distributed through CCG allocations. CCGs will be required to pass this funding to the Better Care Fund pooled budget along with the funding from core CCG allocations. The governance of this pooled fund will be through a section 75 agreement.

This means that the Better Care Fund will be formed from the existing 2014/15 Section 256 funding transfer (£1,100 million) and in addition to this a contribution from core CCG funding, the existing £300 million reablement funding and the existing £130 million carers’ breaks.

Core CCG funding going to the pooled Better Care Fund will be allocated based upon the CCG allocation formula.

Additional contributions to the Better Care Fund from local authorities will be in the form of social care capital grants and the disabled facilities grants, will continue to be allocated to them by Central Government on the same basis as for 2014/15.

The following table shows the national amounts of the component parts of the Better Care Fund, although at this point in time it is not possible to accurately forecast the proportion of the funds that will be received by GCC because this is dependent on national allocation mechanisms in the future and on the joint plans being approved through the Gloucestershire Health and Wellbeing Board and being agreed between the Gloucestershire Clinical Commissioning Group and Gloucestershire County Council.

Funding Source	**National Amount**
	£m
Revenue	
Current S256 Transfer 2013/14 and ongoing	889
Existing NHS Budgets (Carer's pooled fund and reablement funding)	430
Additional Funding 2014/15 and ongoing	241
Additional Funding 2015/16	
Performance Related element	1,000
Other Element	900
Total 2015/16 Revenue	3,460
Capital	
New Capital	134
Disabled Facilities Grant (current base allocation)	220
Total 2015/16 Capital	354
Total Better Care Fund 2015/16	**3,814**

The Spending Round indicated that £1 billion of the £3.8 billion would be linked to achieving outcomes. Ministers have agreed the basis on which this payment-for-performance element of the Fund will operate.

3 Joint Plans

A draft submission of Gloucestershire's joint plan needs to be approved by the Gloucestershire Health and Well Being Board when it meets on 5th February 2014, for submission to the Department of Health by 14th February, with the final version being due on 4th April 2014.

Discussions to date have centred on 4 key issues. The first issue being how can the Better Care Fund support us to achieve our vision and objectives for greater integration.

The second issue is that our plans need to meet the six national conditions of the Better Care Fund; these are:

- Plans should be jointly agreed
- Protection for social care services (not spending)
- 7 day services to support people being discharged and prevent unnecessary admissions at weekends
- Better data sharing between health and social care, based on the NHS number
- A joint approach to assessments and care planning and ensure that where funding is used for integrated packages of care, there will be an accountable professional
- Agreement on the consequential impact of changes in the acute sector

One of the key expectations is that the additional funding to be released from CCG budgets will come from reducing acute hospital activity; therefore, the last condition requires us to understand what this may mean.

The third issue is that it is necessary to agree targets for the element of the 2015/16 funding that will be released according to performance in 2014/15. Nationally, five indicators have been agreed to measure performance against; these are:

- Admissions to residential care homes
- Effectiveness of reablement
- Delayed transfers of care
- Avoidable emergency admissions
- Patient/service user experience

We are also required to establish one local performance indictor.

The fourth and final issue for discussion is understanding the financial challenges of the system. This is in terms of the savings requirements built into budgets for 2014/15 and forecast for future years, current year’s spending and underlying commitments, and forecast demand changes both in relation to the County Council and the CCG.

ANNEX 1.3 COMMISSIONING INTENTIONS – PUBLIC HEALTH

Context

Under the Health and Social Care Act, three domains of public health; health improvement; health protection and health care public health, have become part of Local Government's public health function. Gloucestershire County Council has a statutory duty to *promote* the health of the Gloucestershire population, and responsibility for commissioning specific public health services, supported by a ring fenced grant. The public health grant allocation for Gloucestershire in 2013/14 was £21.126 million and in 2014/15 is £21.793 million. The ring fenced grant has been extended to include 2015/16. At this stage we do not know what the 2015/16 allocation will be. The allocation is based on a national formula linked to health inequality and health need.

The grant is spent on activities whose main or primary purpose is to positively impact on the health and wellbeing of the local population, with the aim of reducing health inequalities in local communities. Those activities include:

- carrying out health protection functions delegated from the Secretary of State
- reducing health inequalities and improving health across the life course, including within hard to reach groups
- ensuring the provision of population healthcare advice to Clinical Commissioning Groups (CCGs)

Commissioning Principles

- The grant should be used to contribute to the achievement of the Joint Health and Wellbeing Strategy, and for commissioning services and interventions in ways that reflect the agreed principles and priorities of the strategy.
- It should be used to fund services/areas of work that no other funding is likely to cover – for example promoting positive lifestyles work and the core public health responsibilities that sit with the County Council.
- It should be applied to fund evidence-based interventions with proven effectiveness and health gain; where the evidence does not exist then it can be used to stimulate innovative ways of improving health and reducing health inequalities.

Where it can 'add value' to existing programmes that have a strong link to the Health and Wellbeing agenda – for example the *Families First* programme, it can be used to integrate and/or strengthen prevention within these programmes.

Much of this funding is already committed and spent on directly commissioned services such as drugs and alcohol treatment (£7.2million), sexual health services (£3.6 million), NHS Health Checks (£0.9 million), Children aged 5-19 (£2 million). Other funding is committed to fund a range of projects that promote and enable healthy living, e.g. Tobacco Control, including smoking cessation (£0.9 million) and public mental health (£0.4 million). The public health staffing structure is being reviewed to maximise the potential impact on health improvement.

Strategic Direction

Nationally, the strategy for Public health in England was laid out in the Government's White *Paper Healthy Lives, Healthy People (2010)*.[i] Locally, our strategic ambition is reflected in the vision presented in Gloucestershire's Health and Wellbeing Strategy, *Fit For the Future;* '*to improve the health of all Gloucestershire residents and protect the most vulnerable'* by '*working with our communities to co-produce health, wellbeing and resilience.'*

The Local Government Association has identified that investment in public health leads to reduced pressure on National and Local Government and the NHS, saving money that can be further invested in prevention and early intervention. This, in turn, through improved health and wellbeing and health equality, leads to further reductions in pressure on care services. This is known as the virtuous circle of public health.

Needs analysis

The Joint Strategic needs Assessment (JSNA) is a strategic planning tool that brings together the latest information on the health and wellbeing of people who live in Gloucestershire and people who use Gloucestershire public services and underpins the Health and Wellbeing Board's Strategy. It tells us that overall Gloucestershire is one of the healthiest counties in England. Health outcomes are above the national average and deaths from the major diseases like cancer, heart disease and strokes are below the national average and falling. We have made some progress, however the picture in Gloucestershire is not perfect. The health and wellbeing of people in some of our communities is not improving at the same rate as others. Every year, many people suffer avoidable ill health or die earlier than they should – this is known as health inequality.

In Gloucestershire, men in the fifth most deprived communities live, on average, 5.8 fewer years than those living in our fifth least deprived areas – the pattern is similar for women, with those living in the most deprived areas living on average 4.1 fewer years than those in the least deprived areas (source, ONS 2006-10).

While life expectancy in Gloucestershire is increasing, on average, a man can expect to live the last 14.6 years of his life and a woman the last 14.9 years in poorer health.
This, coupled with the fact we have an ageing population, presents our biggest challenge.

Life style factors such as smoking, poor nutrition, physical inactivity and alcohol misuse are important contributors to most preventable diseases. Unless we take early action to support individuals, families and communities to take steps to improve their own health and wellbeing now, we will not be able to resource the increases in people with on-going care needs in the future.

Public Health Vision

The vision is to make improving and protecting the public's health everybody's business and to embed public health into the operation of Gloucestershire County Council and the Clinical Commissioning Group (CCG) and to so that we can tackle the big health and wellbeing issues that arise from worklessness, deprivation and family poverty.

Health and Wellbeing priorities

The five Health and Wellbeing priorities identified in Gloucestershire's Health and Wellbeing Strategy are listed as follows:

1. Reducing obesity
2. Reducing harm caused by alcohol
3. Improving mental health
4. Improving health and wellbeing into older age
5. Tackling health inequalities

Meeting the challenge

The Public Health allocation is a ring fenced grant and the expectation is that it will be fully spent. Helping people to stay healthy and live independently for longer is a major contributor to reducing cost pressures in the medium and longer term.

Systematic primary prevention is critical to reduce the overall burden of disease in the population. It is estimated that 80% of cases of heart disease, stroke and type 2 diabetes, and 40% of cases of cancer could be avoided if common lifestyle risk factors were eliminated (WHO, 2005).

Secondary prevention, involving detecting the early stages of disease and intervening before full symptoms develop (for example through the Health Check programme) is often highly cost effective, and if implemented at scale, would rapidly have an impact on life expectancy. (Kings Fund, 2013).

While there will be no cash releasing savings from the Public Health ring fenced grant in 2014/15, public health funding for primary and secondary prevention can contribute to the early intervention aspects of proposals for people's services, particularly around '*Find, Seek and Divert'* and ensuring interventions are based on evidence of what works. Public health interventions aimed at building community capacity will help reduce need / demand for peoples' services. We are actively working with the Clinical Commissioning Group and GCC to ensure that up-stream health improvement services are routinely commissioned as part of a broader pathway approach.

Public Health will have an important role in developing the county's neighbourhood approach through Asset Based Community Development (ABCD) in which individuals and communities are empowered to take ownership of their health through interventions such as support with parenting and finding employment.

Commissioning Priorities

Commissioning priorities for 2014/2015 and 2015/2016 are informed by Gloucestershire's Joint Strategic Needs Assessment (JSNA) and driven by Gloucestershire's Health and Wellbeing Board with advice from the Director of Public Health. The public health grant will be used to support outcome delivery of the Health and Wellbeing Strategy and to integrate prevention to support GCC's existing priorities.

Performance will be measured against a subset of locally determined priority indicators from the Public Health Outcomes Framework, which includes 66 public health indicators. We will apply the principle of 'proportionate universalism' ensuring the right level of support and intervention is commissioned according to need to reduce the gap in health inequalities.

A key commissioning priority is the ‘Active Together’ scheme which aims to increase participation in sport and physical activity in our most deprived communities and those groups identified under the Equality Act 2010, particularly among people who are currently not active. £2.7 million from the Public Health grant in 2013/14 and 14/15 will be allocated over the financial years 2014/15 & 2015/16 to operate and support the provision of this scheme (during its term). An outline of the scheme is presented as an Annex 1.3.1 of this MTFS. £1.35 million of the 2013/14 grant will need to be Carried forward into 2014/15 to part fund the scheme.

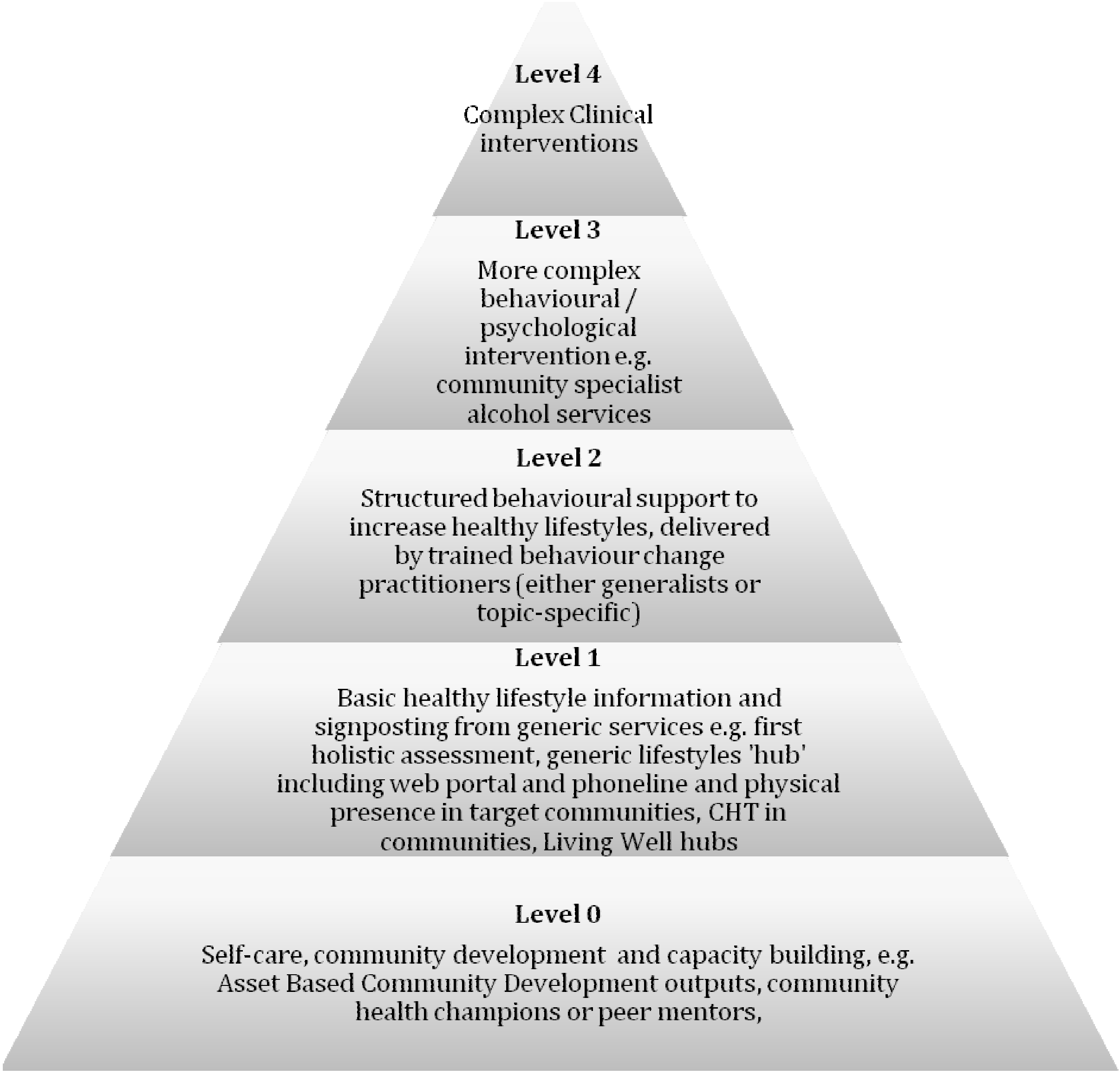
Looking Forward

We will continue to work closely with Council colleagues and the Health and Wellbeing Board to:

- support delivery of the **Health and Wellbeing Strategy** across the life course to **Promote health lifestyles** and **reduce health inequalities**
- provide support for **Clinical Commissioning Group** on the prevention agenda
- ensure health and wellbeing and **prevention is integral** to delivery of the Council’s priorities and develop **integrated models of commissioning**
- deliver of **core mandated public health services**
- take more **local action** in line with the principles of the Health and Wellbeing Strategy.

Figure 2 illustrates the pyramid of intervention to improve public health and wellbeing. In 2014/2015 we are focusing our efforts on developing Level 0, 1 and 2 public health interventions that will contribute to the early intervention aspects of people’s services and integrate them as part of health and social care pathways while providing evidence of what works to ensure Level 3 and 4 services are effective and provide value for money.

Figure 2: Public Health and Wellbeing System: Pyramid of Intervention



Delivering Change

In a climate of financial constraints it is more important than ever that we work together, to make public health everybody's business. We will work internally and externally, through the Health and Wellbeing Board, and other key partnerships, to inform and influence commissioning and delivery plans that contribute to improving health and wellbeing and reducing inequalities.

The Council is ideally placed to deliver on its duty to improve health. A broad range of issues impact on health and lots of organisations in Gloucestershire, through their daily work, already contribute to health and wellbeing. Everyone has a role to play in improving health and we expect everyone to play their part including individuals and communities as well as the public, private and voluntary sectors.

We will work collaboratively to support the Council’s priorities, including those that promote integration across health and social care to achieve efficiency and quality services for the community. The Health and Wellbeing Board is the key vehicle through which change will be delivered. We will continue the cycle of reviewing and recommissioning services that started under the NHS. We will focus action on areas where there is a strong evidence base for effectiveness and cost-effectiveness to ensure that we maximise the value that we can achieve with our resources. Where evidence is lacking, we will seek new and innovative ways of delivery.

ANNEX 1.3.1 SPORT AND PHYSICAL ACTIVITY SCHEME – 'ACTIVE TOGETHER'

Background

Physical inactivity and sedentary lifestyles are major risk factors for many long term conditions including coronary heart disease, stroke, and cancer. There are significant health inequalities relating to physical inactivity linked to income, gender, age, ethnicity and disability.

Summary of the scheme

The 'Active Together' scheme would support Gloucestershire County Councillors in the prioritisation and delivery of sport and physical activity in communities within Gloucestershire. This will be delivered through the creation of a grant funded scheme 'Active Together'. Localities will be based on County Council electoral divisions with each elected member being allocated £50,000 over the next 12-18 months. Voluntary and community groups and not for profit organisations will be eligible for the funding to deliver projects which encourage people to be more physically active. This will provide an opportunity for local elected members to work pro-actively with their local community and support applications for funding that will make a real difference. The Interim Director of Public Health will be required to develop the detailed scheme 'Active Together'.

Other options considered

For the County Council to commission a range of sport and physical activity projects across the county to meet the aims of the proposed scheme. This would not have the same level of involvement in the decision making process by elected members and local communities.

Risk assessment

- Lack of awareness of the scheme may result in some electoral divisions not receiving their full allocation, resulting in an inequitable allocation of the fund.
- The scheme could widen health inequalities if funding is not allocated to those living in areas with the greatest health need.

These risks will be mitigated by developing a robust communications strategy to ensure that eligible organisations are made aware of the scheme. Councillors will work with local communities in their division to promote the scheme and identify areas with the greatest health inequalities and prioritise funding accordingly.

Implementing the scheme

The aims are:-

- To increase participation in sport and physical activity in the most deprived communities and those groups identified under the Equality Act 2010
- To increase physical activity levels in people who are currently not active

Further guidance and briefing will be required once the detailed scheme has been developed by the Interim Director of Public Health to ensure that funding is allocated, which meets the aims and objectives of the scheme and local priorities as agreed by the local elected member. It will be important to ensure transparency and financial probity throughout the process.

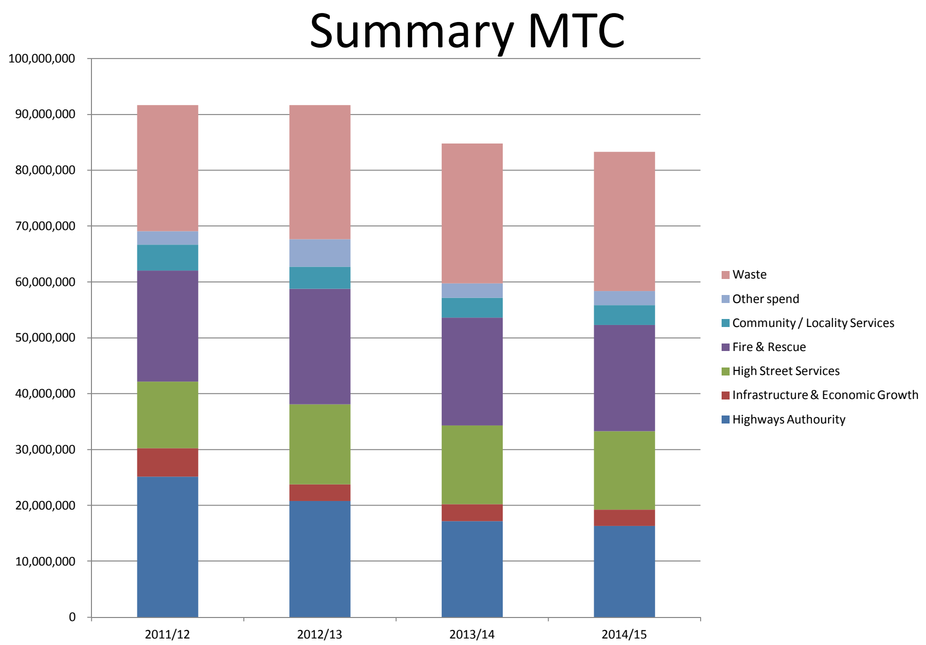
ANNEX 1.4: COMMISSIONING INTENTIONS – COMMUNITIES AND INFRASTRUCTURE

CONTEXT

1. Communities and Infrastructure covers a wide range of functions:

- **Highways Authority** (Gloucestershire Highways; Network & traffic Management; PROW; Parking)
- **Planning Authority & Economic Growth** (Economic Development; Flood Alleviation; Transport Planning; Strategic Planning; Minerals and Waste; Planning Development Management)
- **Fire & Rescue Authority**
- **Waste Disposal Authority**
- **High Street Services** (Registration Service; Libraries; Concessionary Fares; Subsidised public transport)
- **Community and Locality Services** (Road Safety Partnership; Coroners Service; Trading Standards; Equalities; Heritage; Community Safety Team; Countryside Parks; Traveller Sites)

2. MTC progress since 2011/12 is summarised in the table below



3. MTC is scheduled to deliver £7.972m during 2013/14. This is being done through 7 main projects and these are on target to deliver:

- Fire and rescue redesign (£1.2m) - savings set out in the Integrated Risk Management Plan, including changing the way specialist appliances are mobilised and crewed and staff restructuring;
- Termination of Police contract (£2.1m);
- Future proofing the registration service (£0.2m) through restructuring and rationalising offices and opening times;
- Highways (£3.1m) – adoption of a new service standard and restructuring to focus on front-line service delivery;

- Transport and Parking (£1m) – full year effect of redesigning the subsidised bus network and the introduction of new parking schemes; and,
- Economy and Environment (£60k) – full year effect of 2011/12 staff restructuring.

4. Actual spend between 2011/12 and 2014/15 has reduced by £9m although £18m of MTC savings have / will be made. Some of the costs savings have been offset by:
- Increase in waste disposal costs (£2.3m)
- New concessionary fares duty transferred from Government (£6.5m p.a.).

NEEDS ANALYSIS

5. The main areas of need within Communities & Infrastructure are set out below:

Highways Authority
- Maintain the standstill in the deterioration of the network by continuing to focus investment in structural maintenance (‘roads first’).
- Work with communities to identify local highway priorities and funding options.

Planning Authority and Economic Growth
- As the economy recovers match resources to development activity; Improve provision of Pre-Application advice; effectively fulfil statutory ‘duty to cooperate’ with local plan making.
- Develop capacity needed to meet new and emerging statutory flood responsibilities (e.g. SUDS / Lead Local Flood Authority [LLFA])
- Act as Accountable Body to the Local Enterprise Partnership; Support LEP to increase local funding through Strategic Economic Plan and ‘single pot’; Ensure major transport schemes and fibre broadband are drivers of economic growth.

Fire & Rescue Authority
- Establish a long-term delivery model that is resilient, affordable and has a strong Gloucestershire presence.

Waste Disposal Authority
- Drive material up the waste hierarchy and, where sustainable markets exist, into the circular economy.
- Avoid landfill, encourage participation in reuse, recycling and food waste collection schemes.
- Use efficient, sustainable and affordable solutions at every stage of the process.
- Encourage and facilitate joined up strategy, policy and operations across the county to support these needs.

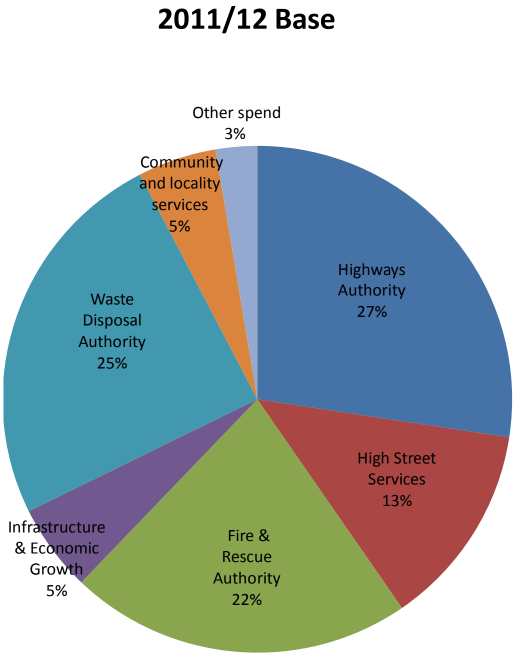
High Street Service
- Establish a strong High Street presence that allows GCC services to be integrated in existing buildings that are recognisable to and accessible by local residents;
- Maintain a public transport network and concessionary travel that is affordable and maintains access to employment, education, health services and essential shopping facilities.

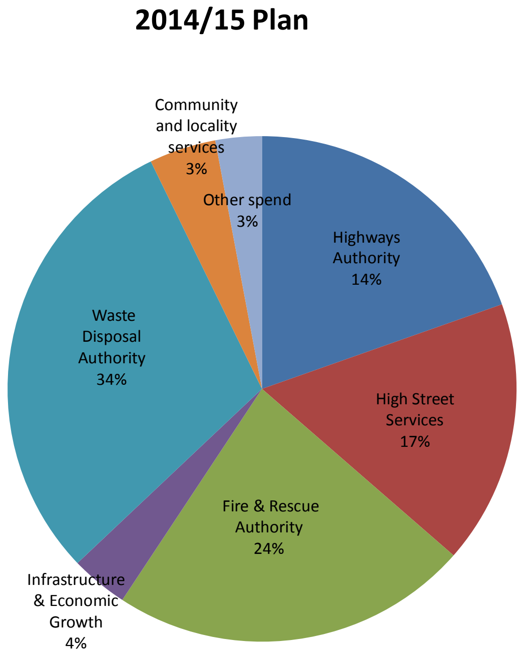
Community Locality Service

- Better link statutory services, for example trading standards, to the wider public health and social care outcomes to which they contribute.

STRATEGIC DIRECTION

6. The change in the relative proportions of Community and Infrastructure spend are set out below:





7. Proportionately, spend on Waste Disposal, Fire and Rescue and High Street Services has increased. It is however, worth noting that the increase in High Street Services is due to spend associated with the new Concessionary Fares duty. Reductions have occurred in the other spend areas, with the largest reduction being in Highway Authority functions.
8. The strategic direction for coming years is driven by demand and the need to manage this and the pattern of MTC reductions already achieved. The key elements will be:

Highway Authority

- Creation of a new integrated Highway Authority to act as the ‘intelligent client’ - better supporting communities, ensuring that as a minimum a ‘standstill’ in the deterioration of the highway network is achieved through he capital programme and maximising efficiencies through the new highway maintenance contract.

Planning Authority and Economic Growth

- Creation of a new integrated Planning Authority to maximise the resources available for meeting statutory responsibilities (e.g. minerals and waste, LLFA, development management) and effectively acting as accountable body to the Local Enterprise Partnership and supporting delivery of its Strategic Economic Plan.

Fire and Rescue Authority

- Undertake an options appraisal and consult on a new Integrated Risk Management Plan in order to define a long-term delivery model that is resilient, affordable and has a strong Gloucestershire presence.

Waste Disposal Authority

- Build on the new Joint Waste Committee supported by the Joint Waste Team to manage waste and resources across the whole system.
- Continue to move material up the waste hierarchy and, where sustainable (in the widest social, economic and environmental sense), into the circular resource economy.
- Working in partnership with all Districts to reduce and reuse waste, improve recycling rates and divert waste away from landfill in line with Joint Municipal Waste Management Strategy targets.
- Continually look for efficiencies and other opportunities to achieve objectives more cost effectively.

High Street Services

- Establish a corporate project designed to establish a strong High Street presence that allows GCC services to be integrated in existing buildings that are recognisable to and accessible by local residents. Align accommodation / locality, customer and high street projects.
- Continuing to drive down public transport subsidies and manage cost pressures associated with Concessionary Fares.

Locality Services

- Better link statutory services, for example trading standards, to the wider public health and social care outcomes to which they contribute.
- Work with partners to establish Road Safety Partnership functions which are self funding.
- Transfer land based services to alternative providers, if appropriate partners can be found that will protect and invest in Countryside and gypsy and traveller sites.

COMMISSIONING INTENTIONS

9. Based on a Council wide ‘fair shares’ apportionment of savings, Communities and Infrastructure would have to find a further £18/19 m up to 2017/18. This would mean proportionate budget savings in the region of:

- Highway Authority: £3.7m
- Planning Authority and Economic Growth: £0.7m
- Fire and Rescue Authority: £4.3m
- Waste Disposal Authority: £5.6m
- High Street Services: £3.2m
- Locality Services: £0.8

10. Unfortunately, a purely 'fair shares' approach to apportioning the savings within Communities & Infrastructure budgets is not possible given:

- Large 'fixed cost' elements, particularly waste disposal and concessionary fares; and,
- Relative 'protection' afforded some services by the slow pace that savings can be delivered, particularly the Fire and Rescue Service, where compulsory redundancy is not an available option.

11. As with MTC the result is that a disproportionate amount of the savings will have to fall on other areas. The 'Strategic Direction' set out above will therefore be continued by building on progress to date with:

- Demand management (e.g. Highways Local);
- Community offer (e.g. Highways Your Way, Community Libraries);
- Partnership working (e.g. Local Enterprise Partnership, Road Safety Partnership and private sector, including BT investment in Broadband, Sainsbury's investment in C&G Roundabout);
- Effective procurement (e.g. on street parking enforcement, virtual parking permits, highways contract, food and garden waste procurement);
- Income generation (e.g. top quartile fees and charges, proposed pre-application charging); and
- Shared / integrated service delivery (e.g. Joint Waste Committee, proposed Joint 'Economic Growth' Committee)

12. In terms of 2014/15 the level of savings to be delivered is £2.7m and the main projects are on target:

- New Highways Contract (£0.85m) – efficiency savings to be derived from retendering the contract;
- Fire and rescue redesign (£0.36m) - savings set out in the Integrated Risk Management Plan, including changing the way specialist appliances are mobilised and crewed and staff restructuring;
- High Street Services – Efficiency Programme (£.265m) – management restructuring and revisions to infrastructure support within libraries;
- Road Safety Partnership (£0.25m) – reducing pump-priming funding associated with Skillzone, charging the cost of safety audits to capital and increasing the range of courses on offer; and,
- Economy and Environment services efficiency (£0.12m) – changes to AONB partnership bodies and the introduction of charging for pre-application advice.
- Waste (£0.15m) – expected contract efficiencies from the food and garden waste procurement.

13. There is potentially scope for increased income and smart reinvestment and work is being undertaken in three main areas:

- Transport – the Council currently spends c£25m on transport and work is on-going to identify further efficiency savings;

- LED Street-lighting – a detailed business case has been developed that will be brought forward through the MTFS process; and,
- Energy efficiency / generation – work is being undertake to re-assess the potential for investment in energy efficiency and appropriately scaled generation projects using the Council's asset base.

Annex 1.5

Developing a Customer Access Model for Gloucestershire

Background

Over the last 18 months we have been working on understanding customer needs across services with regard to customer access. This work has led to us gathering a valuable body of user data, and an improved understanding of how our service units utilise a variety of mechanisms to serve our customers.

Due to this investigative work we have been able to make a number of improvements which include:

- Improvements in Contact Centre and Shire Hall Reception Services
- Centralisation of all complaints management processes and a new Corporate Complaints Policy
- The development of a customer insight process that allows us to understand customer needs better by utilising demographic information provided by Gloucestershire Acorn data
- A centralised Admin Hub approach that has allowed efficiencies across the Shire Hall and Quayside sites
- A Transactional Business review where we have consolidated approaches to financial transactions with customers
- A Passes and permits review

These strands of work have allowed us to make changes to customer access that have improved customer service and have been evidenced by complaints numbers decreasing.

Having made these improvements and following work with external consultants who have looked at Customer Access at other councils we now understand the needs of our customers much better.

Key issues

This review has drawn out a number of issues that need to be addressed if we are to widen and improve customer access offerings within Gloucestershire. Our services do not completely reflect customer preference and expectations at point of access.

Our services are currently supported by end of life technology and there is a need for a contemporary approach to the use of new contact modes such as mobile devices (e.g. smartphones, tablet pcs).

We have inconsistencies in approaches to service access and our offering does not fully reflect many customers' preferences for self-serve and digital access.

We have made considerable progress in improving the standard and consistency of our customer access offering however we recognise that we have reached a plateau.
To achieve the necessary transformation in customer service that our customers require we will need to make substantial changes that are built upon a platform of fit for purpose supporting technologies that also align with our council ICT strategy.

The Proposed Offer

We recognise that if we utilise technology to support a clearly defined Customer Access Model we will be able to improve customer service for all Gloucestershire residents; whether they receive services directly from us, or whether they wish to use us an information provider who can help them to access services elsewhere.

We will widen and improve customer choice, and utilise workflow technologies to remove problems associated with multiple hand offs and duplicate contact. We will also streamline contact so that we offer good quality digital access, and ensure a transparent and swift end to end service wherever possible.

We will also preserve and improve face to face and telephony solutions where they are the best solution to meet customer need, particularly in complex cases or where vulnerable customers are being served.

Benefits

The benefits of this approach are that alongside delivering substantial service improvements to Gloucestershire residents we will also be able to achieve substantial financial savings, largely through the rationalisation and automation of back office functions.

There is a high demand for self service through digital technology and streamlined processes which is currently unmet, leading to customers using more costly contact mechanisms. If this demand was met we could provide better and more consistent customer service, maintain high quality face to face contact where it is needed while also reducing our back office costs.

We will also be able to collect high quality performance data that can be used to inform commissioning plans, and to evidence service quality. It will also enable us to pin point bottlenecks in service provision or any emerging demands, and will mean that we will be able to be far more nimble in our approach to ongoing service improvements.

Proposed next steps

That as a first stage in improving Customer Access for all Gloucestershire residents we create a Customer Access Model that will be designed through a series of workshops.

The Model can then be used to inform a re-engineering of service offerings particularly at point of service access. Coupled with effective use of technology that is supported by efficient ICT infrastructure we will also be able to achieve significant financial savings that are indicated as building to a conservative estimate of almost £3.5m, which is an annual reoccurring saving, as illustrated below.

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
One-off investment	100	1,125	1,000	275	0
On-going revenue savings	0	-390	-2,050	-3,760	-3,760
Net Cost (+) / Saving (-)	100	735	-1,050	-3,485	-3,760

The above includes the £300,000 which is shown as a base budget reduction for 2014/15 in annex 2 in the MTFS. The savings from 2015/16 onwards will be built into future years base budgets.

Because £300,000 of the £390,000 cost saving in 2014/15 has been taken as a base budget saving, only £90,000 is available in year to offset the one-off in year investment.

The £1.035 million one-off investment in 2014/15 will be funded from the Transformation Reserve.

Annex 2 : 2014/15 Budget Movements by Service Area

2014/15 Adults Budget			
	Cost Increases	**Cost Reductions**	
	£000	**£000**	**£000**
Starting Budget (2013/14 Revised Budget)			**151,007**
Budget Changes:			
Cost Increases			
Pay and Pensions Inflation	290		
Prices Inflation	1,970		
Increased Demand:			
Increased demand : Older People, Adults with Physical Disabilities and Adults with Learning Difficulties	4,076		
To ensure that the needs of older people, vulnerable adults with a physical disability and/or learning difficulty continue to be met within the legal framework. The complexity of demand and demographic increases as well as the increasing needs of individuals require this additional funding. It is sub-divided between older people (£1.6 million), adults with physical disabilities (£1.5 million) and adults with learning difficulties (£0.976 million). £2 million funding of this budget pressure is assumed to come from the additional health transfer funding from the NHS, which is still subject to agreement.			
Brokerage	150		
Use of a specialist brokerage function in Learning disabilities, Mental Health and Physical Disabilities has demonstrated its' use in lowering the unit cost of placements and increasing the grip on cost control. This funding would extend the model to support Older People's services to maximise value for money when making residential care placements and not only become self sustaining but also contribute to future efficiency savings.			
Health and Social Care Capacity Management	210		
Current joint working with the health community in Gloucestershire has identified that improvements can be made in the care pathways open to people. This one off investment will deliver a variety of improvements to ensure capacity is in the right place within the overall health and social care system at the right time in a sustainable manner. In particular interventions will focus on demand management, early intervention and the delivery of a brokerage system within Adults to maximise value for money when making residential care placements.			
Improvements to Quality & Performance	90		
Further funds are required to support the extension of the GCC quality team. The objective of the additional funding is to enhance GGC's capacity to carry out Performance Improvement Planning and to extend the quality-checking regime to other forms of service provision beyond the existing focus on residential homes and supported living, becoming a self sustaining service model. It will also fund the one off data quality checks needed to ensure that data migration to the new Adult Care system will be accurate and robust.			
Improving Employment outcomes for People with Disabilities	235		
A one off investment in working with partners e.g. DWP, Forward Jobs Clubs etc. would get people into employment and support them using job coaching services. This would extend the programme of support offered to people with disabilities, improving outcomes with more people in paid employment whilst reducing the level of demand for GCC services. In future year's investment will be dependent on this project producing a demonstrable benefit when compared to long terms care.			

	Cost Increases	Cost Reductions	
	£000	£000	£000
<u>Cost Reductions</u>			
Improved commissioning of services (Commenced during 2011/12)		-3,880	
The impact of demographic changes and increases in demand provides opportunities for improved commissioning. Regional work continues to underpin this with the highlighting of good practice and where interventions are working well. Contracts will be re-negotiated and/or re-tendered as a result of this work. In addition demographic factors and increased choice for individuals, as Personal Budgets are available to all existing and new services users, will also have an impact.			
Controls and Service redesign (Commenced during 2011/12)			
Improved commissioning, particularly of support planning and brokerage will release savings of £2 million, based on the experience of our work in disabilities, e.g. brokerage will provide a formal process to commission the best value option for each specialist placement.		-2,000	
A further £2 million will be realised by the positive impact of reablement and new ways of working, e.g. A hospital specific domicilary care team has been developed to enable people to return home in a timely fashion.		-2,000	
The development of alternatives to long term care, including extra care housing and supported living is the third main area which will contribute £2.5 million to redesign savings, e.g. close working is underway with District Councils to maximium use of planned additional extra care housing including the use of telecare.		-2,500	
TOTAL NET CHANGE	**7,021**	**-10,380**	**-3,359**
Adults Budget 2014/15			**147,648**

2014/15 Public Health Budget			
	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2013/14 Revised Budget)			**21,126**
Budget Changes:			
Cost Increases			
Pay and Pensions Inflation	0		
Prices Inflation	0		
Increased Demand:			
Public Health Services	667		
Growth funded from the increase in the ring-fenced public health grant.			
Cost Reductions	0		
TOTAL NET CHANGE	**667**	**0**	**667**
Public Health Budget 2014/15			**21,793**

2014/15 Children and Families Budget			
	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2013/14 Revised Budget)			**95,101**
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay and Pensions Inflation	284		
Prices Inflation	138		
Increased Demand:			
Regrading of Social Workers	633		
Increased salary levels, in line with those in other authorities, will improve the retention rates of Social Workers thereby enabling a service improvement in relation to the care of vulnerable children.			
Increased Fostering, Adoption and Guardianships Allowances	1,646		
The success in increasing the number of vulnerable children who are adopted or fostered, and the increase in special guardianship arrangements, coupled with a need to ensure that allowances remain at similar levels to other authorities, means that this cost increase is required. This should facilitate the continued success in this area, in the context of the continual rise in the number of children coming into the care of the authority.			
Youth Local	265		
Increasing Children and Young People's physical, social and cultural activities through voluntary action in local communities by means of a countywide small grants scheme that maximises value for money and Member involvement in their divisions.			
Children in care - Reunification project	650		
£550k of this investment would develop a short life team, over 2 years, to enable a quick return home for children and young people in care where this is possible. Outcomes for teenagers coming into care are poor, thus the aim of the project would be to ensure these outcomes are improved. The project would test and develop a successful unification practise and evaluate future need. A further £100k would develop a shared care fostering scheme for troubled young people and avoid the need to take them into care. Both projects would reshape the service model and following this one off initial investment should become self-sustaining with reduced numbers of teenagers in care			
Review family support provision across social care and contracted services	50		
This one off investment would establish the cost effectiveness of the different forms of family support, establish practice standards and make proposals for delivery across children's services. The project would aim to develop costed proposals for the delivery of family support, informed by local need, evidence of best practice and effectiveness.			
Safeguarding	250		
This one off investment will build capacity within the safeguarding system and ensure the successful implementation of the Multi Agency Safeguarding Hub (MASH). The project would include additional quality assurance and training to improve safeguarding practise and support ICT and staffing transition costs in relation to the MASH.			
Growing Great Futures	50		
Building on Growing Great Futures a one off £50k investment will be used to explore possibilities to expand parent led/ community led activity e.g. parent champions with the aim of increasing the availability of parent to parent advice to manage demand for advice from professionals			
Education	50		
Work with the secondary sector, to build a more sustainable school improvement system and prepare for inspection. This project would include training for secondary schools and academies, events on exclusions, school improvement materials, external advice on trading opportunities			

	Cost Increases	Cost Reductions	
	£000	£000	£000
<u>Cost Reductions</u>			
Supporting People		-1,500	
The Supporting People's Strategy aims to shift investment into developing more flexible, generic services that will be responsive to changes in the pattern of needs; reduce reliance on accommodation-based services and put more emphasis on maintaining independence and/or moving people into employment, education and training as well as promoting health and well being. This will support broader adult social care objectives of promoting independent living and reablement			
Home to School Transport Policy Changes (Commenced during 2011/12)		-635	
The council provides free home to school transport to 10% of Gloucestershire's pupils and students at an annual cost of approximately £14 million. In 2011/12 the council approved a policy to reduce the support to discretionary home to school travel on a phased basis. Entitlements did not change for existing pupils and have only changed for new secondary aged pupils from September 2012, which means that savings are incremental.			
The services which have stopped on a phased basis include:			
· Free transport for catholic children to catholic schools			
· Free transport to selective schools			
For joint catchment areas transport is only provided to the nearest school and this includes post 16 provision as well. In other areas of the policy rules have been clarified to ensure the policy is applied consistently. The review of routes and other procurement efficiencies will achieve further savings.			
In addition further savings will be achieved through allocating the grant for Extended Rights to free Home to School Transport against these entitlements releasing other funding.			
Education		-1,153	
A range of savings and service reductions linked to changes in the role of the local authority and increase in the number of schools which have become academies. This includes anticipated reductions in funding needed for residual pension costs, a review of the role of the Early Years Quality Assurance function. There will be further reductions in school intervention staffing, however following the schools forum a decision has been taken to de-delegate funding to support maintained primary schools. The changes also recognise that funding for pupils who need assistance in relation to school uniforms transfers to academies from LA budgets and propose that funding is also transferred to maintained schools to allow them to undertake this function.			
Commissioning		-1,047	
These savings reduce spend on a number of contracts through greater efficiencies to reflect demand.			
TOTAL NET CHANGE	**4,016**	**-4,335**	**-319**
Children and Families Budget 2014/15			**94,782**

2014/15 Communities and Infrastructure Budget (Excluding Waste)			
	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2013/14 Revised Budget)			**58,684**
Budget Changes:			
Cost Increases			
Pay and Pensions Inflation	299		
Prices Inflation	701		
Increased Demand:			
Highways Local	1,060		
To allow each Council member to receive £20k to spend on local highway priorities, which support the delivery of the Asset Management Plan.			
A417 'Missing Link'	500		
The top transport priority for Gloucestershire, identified by the LEP in the Strategic Economic Plan (SEP), is the 'missing link'. The Council is lobbying Government hard to secure the £255m needed to deliver the "Brown Route". Government (DfT) has signalled that it will expect to make a contribution to the pre-development works that will be needed to secure programme entry. To this end £500k investment would allow a match funding opportunity.			
Partnership and Flood Alleviation	500		
Flood alleviation remains a priority for the council. As the Lead Local Flood authority it has successfully worked in partnership with other statutory bodies and local partners to fund a wide range of flood alleviation works. Incidents of property flooding, during comparable rainfall events, have reduced significantly as a result of this investment since 2007. A £500k investment by the council would provide match funding opportunities to help enable future flood works, particularly where vulnerable communities need help and value for money can be assured.			
Cost Reductions			
Retendering of the Highways Contract (Commenced during 2013/14)		-850	
This project aims to deliver savings through the redesign of the Highways service. MTC savings for years 1, 2 and 3 were achieved through two work streams: *Service change – A review and redesign of service levels. *Restructure – A restructure of the Highways function to achieve savings whilst maintaining front-line services. MTC Year 4 savings are being achieved through the final work stream which involves the re-tendering of the Highways Services Contract. Four bidders have submitted tenders and evaluations are on-going. It is anticipated that the contract will be awarded in November 2013 and mobilisation will occur between December 2013 and 1st April 2014. Initial financial reviews of all of the bidders' submissions gives a high level of confidence that the MTC Year 4 savings will be achieved.			
Economy and Environment		-234	
The saving arise from staffing efficiencies made when the Economic Development team was restructured during 2013/14. There will be a small saving associated with discontinuing the public subsidy of the Destination Management Organisation, the operation of which is now being undertaken by the Local Enterprise Partnership. There will also be a reduction in the revenue budget in Development Management and reductions in financial contributions to previously notified external bodies.			
Fire and Rescue Redesign		-367	
As detailed in the Integrated Risk Management Plan, the Fire and Rescue Service intends to achieve budget reductions in 2014/15 by changing the way specialised appliances are mobilised and crewed. Staffing within the control room has been reviewed and corporate, preventative and enforcement services have been rationalised in order to achieve the required savings.			
Infrastructure and Economic Growth		-36	
This saving will be a combination of reducing grants to AONB Partnership bodies and staffing efficiencies and the introduction of charges for pre-application advice.			

	Cost Increases	Cost Reductions	
	£000	£000	£000
Road Safety Partnership		-250	
The saving will be achieved through a combination of reducing the pump-priming funding associated with Skillzone, charging the cost of safety audits to the associated capital scheme and increasing the range of road safety courses provided.			
Revision of management and infrastructure support for library services		-265	
Savings relate to a management restructure, with no direct impact on service delivery.			
TOTAL NET CHANGE	**3,060**	**-2,002**	**1,058**
Communities and Infrastructure Budget 2014/15 (Excluding Waste)			**59,742**

2014/15 Waste Budget			
	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2013/14 Revised Budget)			**25,030**
Budget Changes:			
Cost Increases			
Pay and Pensions Inflation	5		
Prices Inflation	0		
Increased Demand:			
Waste £1.41 million of this relates primarily to the increase in landfill tax which is increasing from £72 per tonne in 2013/14 to £80 per tonne in 2014/15. The remaining £0.14 million relates to reduced trade income.	1,550		
Cost Reductions			
Waste The Food and Garden waste procurement is expected to generate cost efficiencies.		-150	
TOTAL NET CHANGE	**1,555**	**-150**	**1,405**
Waste Budget 2014/15			**26,435**

2014/15 Support Services Budget			
	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2013/14 Revised Budget)			**19,557**
Budget Changes:			
Cost Increases			
Pay and Pensions Inflation	200		
Prices Inflation	0		
Increased Demand	0		
Cost Reductions			
Strategic Finance		-290	
Deletion of posts and reprioritisation of workloads for remaining staff following a detailed finance review.			
Human Resources and the Business Services Centre		-167	
Remodelled service and deletion of posts.			
ICT		-40	
Increased efficiency through the centralisation of ITC support.			
TOTAL NET CHANGE	**200**	**-497**	**-297**
Support Services Budget 2014/15			**19,260**

2014/15 Technical and Cross Cutting Budget			
	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2013/14 Revised Budget)			**60,405**
Budget Changes:			
Cost Increases			
Pay and Pensions Inflation	129		
Prices Inflation	0		
Pension Past Service Deficit for whole authority	550		
Increased Demand:			
ICT	541		
There are three significant areas of investment required to support the rationalisation of accommodation on ongoing business need; £168,000 to cover hardware maintenance and software licences for technology to deploy new desktop services, £315,000 for hardware maintenance and software licences required to create a secure and compliant network to meet PSN requirements and £58,000 to cover additional costs.			
Transfer to Education Funding Reserve	200		
Following notification of additional funding under the Education Single grant, it is proposed to transfer this funding to the Education Funding Reserve, to fund further in year reductions following Academy transfer.			
Debt Redemption	1,432		
In line with the policy of debt redemption, the balance of £1.432 million to be used to redeem external debt thereby saving the council revenue costs of borrowing from 2015/16 onwards.			
Cost Reductions			
Asset Disposals / Capital Financing / Buildings Related Revenue Savings		-650	
During the period 2011/12 to 2014/15 capital receipts in the order of £45 million will be generated. Target receipts for 2014/15 are £11.5 million, this being the 2014/15 target of £6.5 million and an additional £5 million to address forecast slippage in 2013/14. Full achievement of this target is forecast. These receipts will be used for debt repayment, Revenue Contributions to Capital and for the funding of capital infrastructure and ICT investment costs.			
Capital Financing Savings		-2,250	
Reduction in capital financing costs as a result of debt redemption			
Increased Interest Credits Income		-1,000	
Interest credits are currently forecast to exceed the 2013/14 budget level by £1 million, hence the income budget in this area can be increased by this amount.			

	Cost Increases	Cost Reductions	
	£000	£000	£000
Reduced lease costs		-110	
Reduction in centrally funded leasing costs.			
Review of Transport		-500	
MTC project identifying cross cutting savings from Adult care transport, Education transport, public transport and staff travel.			
Customer Programme		-300	
The Customer Programme is a Council wide programme which is currently looking at our contact strategy. The aim is to deliver cost effective channels that manages demand			
TOTAL NET CHANGE	**2,852**	**-4,810**	**-1,958**
Technical and Cross Cutting Budget 2014/15			**58,447**

Annex 3

Overall Budget

Medium Term Financial Strategy -2014/15 Budget - Overall Summary

Budget Area	2013/14 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2014/15 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Programme Budget Areas						
Adults	**151,007**	-10,380	7,021	147,648	-3,359	-2.22%
Public Health	**21,126**	0	667	21,793	667	3.16%
Children and Families	**95,101**	-4,335	4,016	94,782	-319	-0.34%
Communities and Infrastructure (Excluding Waste)	**58,684**	-2,002	3,060	59,742	1,058	1.80%
Waste	**25,030**	-150	1,555	26,435	1,405	5.61%
Other Budget Areas						
Support Services	**19,557**	-497	200	19,260	-297	-1.52%
Technical and Cross Cutting	**60,405**	-4,810	2,852	58,447	-1,958	-3.24%
Total GCC	**430,910**	**-22,174**	**19,371**	**428,107**	**-2,803**	**-0.65%**

Adults MTFS 2014/15									
	2013/14 GCC Revised Base Budget	Pay Inflation Costs	Prices Inflation Costs	Pension Inflation Costs	Cost Reductions	Cost Increases	Proposed 2014/15 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Services for Older People	65,162	146	920		-6,559	1,812	61,481	-3,681	-5.65%
Services for People with a Physical Disability	16,542	42			-871	1,607	17,320	778	4.70%
Services for People with a Learning Disability	56,351	66	1,050		-2,290	1,342	56,519	168	0.30%
Services for People with Mental Health Issues	6,437				-140		6,297	-140	-2.17%
Other Services for Adults	5,029	21			-520		4,530	-499	-9.92%
Customer Services	1,486	15					1,501	15	1.01%
Total: Adults	**151,007**	**290**	**1,970**	**0**	**-10,380**	**4,761**	**147,648**	**-3,359**	**-2.22%**

Public Health MTFS 2014/15

	2013/14 GCC Revised Base Budget	Pay Inflation Costs	Prices Inflation Costs	Pension Inflation Costs	Cost Reductions	Cost Increases	Proposed 2014/15 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Sexual Health	3,618						3,618	0	0.00%
Children & Young People	1,996						1,996	0	0.00%
Substance Misuse	6,494						6,494	0	0.00%
Support & Overhead Costs	2,606						2,606	0	0.00%
Physical Activity Scheme	1,266						1,266	0	0.00%
Other Public Health Budgets	5,146					667	5,813	667	12.96%
Total: Public Health	**21,126**	**0**	**0**	**0**	**0**	**667**	**21,793**	**667**	**3.16%**

Children and Families MTFS 2014/15									
	2013/14 GCC Revised Base Budget	**Pay Inflation Costs**	**Prices Inflation Costs**	**Pension Inflation Costs**	**Cost Reductions**	**Cost Increases**	**Proposed 2014/15 Budget**	**Cash Increase / Decrease**	**Percentage Increase / Decrease**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Early & Targeted Intervention	16,245	24	0		-827	227	15,669	-576	-3.55%
Child Protection,LAC and Care Leave	31,440	123	127		-100	3,317	34,907	3,467	11.03%
Children with Disabilities	4,713	20	0		-70		4,663	-50	-1.06%
Education	24,087	87	11		-1,788	50	22,447	-1,640	-6.81%
Supporting People	14,420	0	0		-1,500		12,920	-1,500	-10.40%
Quality and Commissioning	4,196	30	0		-50		4,176	-20	-0.48%
Total: Children & Families	**95,101**	**284**	**138**	**0**	**-4,335**	**3,594**	**94,782**	**-319**	**-0.34%**

Communities & Infrastructure MTFS 2014/15

	2013/14 GCC Revised Base Budget	Pay Inflation Costs	Prices Inflation Costs	Pension Inflation Costs	Cost Reductions	Cost Increases	Proposed 2014/15 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Highways	18,851	33	701		-850	2,060	20,795	1,944	10.31%
Intergrated Transport Unit	9,898	7					9,905	7	0.07%
Fire & Rescue Service	17,961	148			-367		17,742	-219	-1.22%
Libraries	4,091	31			-265		3,857	-234	-5.72%
Other C&I Services	7,883	80			-520		7,443	-440	-5.58%
Total: C&I Excluding Waste	**58,684**	**299**	**701**	**0**	**-2,002**	**2,060**	**59,742**	**1,058**	**1.80%**
Waste	25,030	5			-150	1,550	26,435	1,405	5.61%
Total: C&I Including Waste	**83,714**	**304**	**701**	**0**	**-2,152**	**3,610**	**86,177**	**2,463**	**2.94%**

Support Services MTFS 2014/15									
	2013/14 GCC Revised Base Budget	**Pay Inflation Costs**	**Prices Inflation Costs**	**Pension Inflation Costs**	**Cost Reductions**	**Cost Increases**	**Proposed 2014/15 Budget**	**Cash Increase / Decrease**	**Percentage Increase / Decrease**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Enabling & Transition	13,189	114			-207		13,096	-93	-0.71%
Strategy & Challenge	3,674	39					3,713	39	1.06%
Strategic Finance	2,694	47			-290		2,451	-243	-9.02%
Total: Support Services	**19,557**	**200**	**0**	**0**	**-497**	**0**	**19,260**	**-297**	**-1.52%**

Technical & Cross Cutting MTFS 2014/15									
	2013/14 GCC Revised Base Budget	**Pay Inflation Costs**	**Prices Inflation Costs**	**Pension Inflation Costs**	**Cost Reductions**	**Cost Increases**	**Proposed 2014/15 Budget**	**Cash Increase / Decrease**	**Percentage Increase / Decrease**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Corporately Controlled Budgets	16,660	127		550	-910	741	17,168	508	3.05%
Capital Financing	42,510				-3,900	1,432	40,042	-2,468	-5.81%
Members and Elections	1,235	2					1,237	2	0.16%
Total: Technical & Cross Cutting	**60,405**	**129**	**0**	**550**	**-4,810**	**2,173**	**58,447**	**-1,958**	**-3.24%**

Annex 4

Living Wage

Background

1. The Overview and Scrutiny Management Committee considered the content of an information pack on the Living Wage received at the meeting on 25 September 2013. The recommendations made by Overview and Scrutiny Management Committee were presented to Cabinet on 23 October by Cllrs Oosthuysen and Lydon.
2. The Cabinet asked that officers prepare and include an annex, detailing the effects of following the Committee's recommendation in the draft budget papers, which would be considered at the Cabinet's meeting in December and the Council's meeting in February 2014. This would allow a full appraisal of the possible implications of implementing the recommended option.
3. The Schools Forum received a copy of the Information Pack and considered the implications at their meeting in November.
4. Other background information:

   Report to the Overview and Scrutiny Committee -
   http://glostext.gloucestershire.gov.uk/documents/s18916/Living%20Wage%20report%20September.pdf
   Minutes from Overview and Scrutiny Committee -
   http://glostext.gloucestershire.gov.uk/documents/s18916/Living%20Wage%20report%20September.pdf
   Minutes from November Schools Forum
   http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=382&MId=7515&Ver=4

Summary of the Recommended Option

5. The recommended option is to adopt an approach which :
   - Creates an additional, non-consolidated, local supplement to the pay of all Gloucestershire County Council staff (including Council-employed staff in maintained schools) that are currently on salaries of less than the living wage. Officers would recommend giving it a slightly different title e.g. Gloucestershire County Council 'living wage supplement', or something similar.
   - Gives discretion about both the rate of pay set, the review arrangements and the level of any uplift, if agreed. Most authorities are setting their initial rates to be consistent with the current national 'living wage' hourly rate.
   - Will apply to all council employees and would be promoted to council maintained schools.
   - County Council contractors/suppliers will not be required to adopt either the national living wage or any agreed local pay supplement and the council will not promote such an adoption.

6. Adopting a local approach has a number of benefits. These include:
   - The Council retains control. It can decide on the time of year to review and the rate of uplift, if any and/or whether to continue to offer the supplement. This reduces the

chance of any impact on the council's grading structure and allows the council to retain control over its costs.
- It avoids the complexity of working with contractors to encourage them to pay the living wage, particularly since other authorities are facing difficulties when applying this during their procurement process.
- It still recognises the current cost of living issues faced by our lower-paid employees.

7. However, in considering this option, Council will wish to note that:
   - The initial costs remain the same as introducing the National Living Wage.
   - The council will need to consult with and promote the proposal to maintained schools. Scrutiny consideration and Cabinet decisions so far are due to be shared with the Schools Forum on 27th November.
   - The council will be required to introduce a separate process for annual review which will include consultation with the trade unions and to comply with the constitution, approval at Appointments Committee.

8. Should council be minded to adopt this approach, the details will require further consultation with maintained schools and approval by the council's Appointments Committee.

Costs

9. The costs associated with introducing a 'living wage' supplement are set out below. These figures are correct as at 13 November and reflect the revised national living wage hourly rate which was increased from November 1 to £7.65 per hour.

FTE Below Living Wage				
Area	**Permanent**	**Fixed Term**	**Temporary/Casual**	**Total**
GCC	58.39	19.79	0	78.18
Schools	130.18	23.56	21.1	174.84
Total	**188.57**	**43.35**	**21.1**	**253.02**

Cost of Implementing the Living wage with Estimated On Costs						
Area	**Permanent**	**Fixed Term**	**Temporary/Casual**	**Zero Hour**	**No - Mo**	**Total**
GCC	£138,141	£46,336	£0	£23,150	£3,199	£210,826
Schools	£298,073	£53,712	£47,069	£30,562	£2,707	£432,123
Total	**£436,214**	**£100,048**	**£47,069**	**£53,712**	**£5,906**	**£642,949**

- *Data as at 13 November 2013*

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Annex 5

Forward Planning 2014/15 to 2016/17

Introduction

Context

The purpose of the Medium Term Financial Strategy (MTFS) is to give financial expression to the Council Strategy in relation to the next three year period. The MTFS sets out the Council's high-level funded plan, for achieving its goals and priorities, balancing available financing and spending ambitions. It highlights the financial projections for financing, spending (revenue and capital), and reserves. It also highlights the underlying financial strategy, the financial assumptions, and the inherent financial risks. Importantly, it links decisions on resource allocation to decisions on policy priorities.

A key element within the MTFS is the recognition of the Council's challenging financial position for the medium term, following the publication of the Spending Review and draft financial settlement under which the "affordable" budget for 2014/15 is forecast to reduce by £2.8 million (0.7%) in cash terms, and by £19 million (4.6%) in 2015/16.

Developments

The MTFS is a strategic three year plan of internal resource allocations, with changes in allocation determined in accordance with the Council's goals and priorities. The MTFS is updated and refreshed on an annual basis.

In response to its projected financial trajectory, the Council has been developing strategies and plans to deliver a balanced financial position over the medium term. This has resulted in the Council identifying (and delivering) significant efficiencies in the past, which will continue to be required in the future.

To support the Council's planning process and inform financial decisions going forward, the Council has developed its MTFS planning process, and enhanced it with the introduction of the MtC programme covering the four years 2011/12 to 2014/15. This process provides a sound decision making procedure to ensure prioritisation of proposals against the Corporate Strategy. This improved process has been used to understand, assess and manage funding allocations in the context of significantly limited resources going forward, and has generated savings of £36 million in 2011/12, £30 million in 2012/13, and is forecast to deliver a further £36 million of savings in 2013/14.

Resources have been reviewed against the Council's priorities and activities.

As set out in the MTFS, during 2013/14 all reserves have been examined in detail and a number of movements are proposed as set out in Annex 7.

Financial Strategy

Context

Gloucestershire has a growing and ageing population and has also again recently experienced a significant growth in the numbers of vulnerable children coming into care. This will significantly affect the demand for services. The Council needs to manage this demographic growth, while continuing to deliver high quality cost effective services across Gloucestershire.

The MTFS addresses these challenges by taking its lead from the Council's strategic priorities, as set out in the Council Strategy and from the feedback from public consultation, with significant levels of additional resources being again proposed for 2014/15 in relation to the groth in the demand for care of older and vulnerable adults and vulnerable children.

The Council's financial strategy for 2014/15 to 2016/17, contributes particularly to the specific strategic goals set out in the Council Strategy of:

- Living within our means
- Providing the basics
- Helping communities to help themselves

Preparation & Links

The Council's MTFS is prepared annually, and now covers the three year period 2014/15 to 2016/17 even through the final finance settlement when announced in December 2013 or January 2014, will only cover, at best, the next two financial years. It links decisions on resource allocation with decisions on policy priorities, as set out in the Council's Strategy. The first year of the updated MTFS covers the budget for the forthcoming financial year 2014/15.

Principles

The principles underlying the MTFS are:

- Stable and sustainable budgets.
- Ensures resources are focussed on the Council's highest priorities
- Demonstrates value for money and delivers low Council Tax increases, in the case of 2014/15 a Council Tax freeze, following a similar freezes over the last three financial years.
- Recognises risk and ensures an adequate level of financial protection against risk by maintaining a prudent, but not excessive, level of financial reserves.
- Secure understanding of sources of potential finance.
- Builds financial capacity for organisational change via the Transformation and Invest to Save Reserves.
- Is flexible – to allow shifts in spending should circumstances change.
- Does not overburden the Council with future financial commitments, with a key aim being to continue to reduce debt over the period of the new MTFS.
- Aligns on-going financing resources with on-going spending commitments.

Annex 6

Reserve movements

The above forecasts assume a balanced outurn position on the revenue budget for 2013/14

Annex 6

Notes on Reserves

1. The Capital fund balance assumes that £0.375 million will be used to finance the capital programme in 2013-14. The remaining balance available is required from 2014/15 to fund debt redemption in line with Council Strategy. £4.8 million of external debt is due to mature in 2014/15 and there are also £41 million Lender Option Borrower Option Loans at risk of being called for repayment.

2. The Insurance Fund's estimated balance as at 31st March 2014 is forecast to decrease by £1.6m following increases in future fund liabilities. The balance required in the fund is based on a detailed analysis of existing and future liabilities, utilising the advice of the actuary and the Council's insurers.

3. The Strategic Waste Reserve's estimated balance as at 31st March 2014 is £14.6 million, following a budgeted transfer of £1m from revenue. The strategic waste reserve is fully committed to fund a contribution to the proposed waste facility.

4. The Reserve acts as an equalisation fund to smooth out revenue implications over the course of the PFI contract. PFI credits are received within the early years of the contract and need to be held to fund anticipated costs in the later years of the contract. From 2014/15 reserve balances are expected to slowly reduce for the remaining of the contract to 2028. Additional funding of £0.120m has been transferred into the reserve to address future funding shortfall.

5. The Invest to Save reserve supports projects that are designed to deliver on-going savings in the future by providing "pump priming" funding. Current known commitments, the majority of which are forecast to fall due in 2014/15 include: £0.5m Provision of SALIX loan grants; £0.9m Provision of Photovoltaic PV Panels for Shire Hall; £1.3m on Next Generation Desktops & New Telephony to facilitate hot desking and estate rationalisation, £0.7 million for the Customer Access Programme, and at least £1m for Dilnot Care Reforms.

6. The Transformation reserve was set up in 2009/10 to fund liabilities associated with the MtC programme. To date the reserve has been used to fund costs in excess of £10 million associated with redundancies etc necessary to generate some of the MtC savings in excess of £95m. During 2013/14 this reserve was forecast to reduce by at least £1.2 million with the major costs being £0.5 million to defend the Javelin Park planning appeal, £0.5 million for redundancy and/or pension strain costs, and £0.2 million for one-off funding including the customer programme. In addition, during 2014/15 it is intended to use £1.035 million to fund the further one-off investment in the customer programme as set out in annex 1.5.

7. The Impairment Reserve was established during 2009/10, to meet any potential losses from investments in Icelandic banks.The reserve continues to be monitored regularly.

8. The Economic Stimulus Reserve was agreed by Cabinet in February 2012 and is committed to fund a series of initiatives to support economic growth within Gloucestershire: £7.5m for Rural Broadband; £0.9m for Apprenticeship Initiative; £1m for Local Authority Mortgage Scheme. The reserve forecast balance is fully committed primarily in relation to the funding of Rural Broadband.

9. The Fire PFI reserve acts as an equalisation fund to smooth out revenue implications over the course of the PFI contract. PFI credits are received within the early years of the contract and need to be held to fund anticipated costs in the later years of the contract. Reserve balances are therefore expected to peak in 2025 at £4.77m, but then reduce over the next 13 years to zero in 2038.

10. The Revenue Grants Reserve is a technical reserve established, as required under accounting policies, for specific unapplied revenue grants where conditions related to the grant have been fully met

11. The way that the Council is funded changed in 2013/14. As a result the Council will be subject to volatility around Business Rates collected. To minimise this volatility the Council will receive a "Top Up" Grant from Central Government, which means that only our "Baseline" position will be subject to the volatility. This figure accounts for £19.7 of our funding, and means that if our District Councils collect less business rates this figure could be lower. Central Government do have a safety net mechanism, that would mean that the Council would receive funding to offset this loss should Business Rates fall, however this safety net is set at 7.5%, meaning that our collected Business Rates would need to fall by £4.9m before the safety net would become payable. As a result of this potential funding gap a reserve has been created at 10% of the GCC baseline figure, to help offset any loss in Business Rate income.

12. The Education Funding Smoothing Reserve has been established following the announcement in the financial settlement that, from 2013/14 onwards, in-year funding adjustments will be made in relation to Academies. Such adjustments will be funded during the year from the reserve with base budget reductions made in the following year's budget, ie if a school transfers to Academy status mid year the council's budget will be top-sliced mid year. During 2013-14 the fund has been utilised to offset funding reductions in the Education Support Grant of £0.115m

13. It has been assumed that school balances will remain at similar levels to those held at 31st March 2013.

14. It has been assumed that balances for the Dedicated School's Grant will remain at similar levels to those held at 31st March 2013.

15. General reserves are forecast to remain at £19.7m at 31 March 2014, assuming a balanced outturn position on the Revenue budget for 2013-14. In the event of an over spend position general reserves will have to be utilised.

Annex 7 – Revenue Draft Budget Forward Projections

MTFS 2014/15 – 2016/17 – Forecast draft budgets based on funding assumptions

Service Area	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**
Adults	151.01	147.65	139.90	137.99
Public Health	21.13	21.79	21.61	20.66
Children and Families	95.10	94.78	86.74	83.93
Communities and Infrastructure	58.68	59.74	55.10	53.97
Waste	25.03	26.44	27.44	28.45
Support Services	19.56	19.26	17.81	17.23
Technical/Cross Cutting	60.40	58.45	60.50	58.87
Total	**430.91**	**428.11**	**409.10**	**401.10**

Summary of forecast 3 year changes

	£m	**£m**
2013/14 adjusted base budget		**430.91**
Inflation	13.69	
Other costs		
Social care investment	9.48	
Public Health	0.67	
Vulnerable Children	3.74	
Highways and Transport	1.66	
Waste disposal	3.55	
ICT	0.54	**33.33**
Savings		
Adults	-29.27	
Public Health	-1.13	
Children and Families	-16.17	
Communities and Infrastructure	-9.38	
Waste	-0.15	
Business Support	-2.93	
Technical and Cross Cutting	-4.11	**-63.14**
Total		**401.10**

The above forecasts will require further detailed analysis following the financial settlement.

Annex 8 : Capital Programme

Capital Programme 2014/15

MEDIUM TERM CAPITAL PROGRAMME - COUNTY COUNCIL SERVICES						
FINANCING STATEMENT						
			Forecast			
	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Total 5 Yrs**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
GROSS PAYMENTS						
Adults	793	3,473	2,747	0	0	**7,013**
Children & Families	24,692	17,411	23,593	31,366	13,145	**110,207**
Communities & Infrastructure:	30,738	46,329	51,563	45,808	28,120	**202,558**
C&I - Infrastructure	28,589	42,948	49,795	45,155	27,528	
C&I - Libraries	292	145	246	78	17	
C&I - Safety	1,857	3,236	1,522	575	575	
Total	56,223	67,213	77,903	77,174	41,265	**319,778**
AVAILABLE RESOURCES						
Borrowing	0	0	0	0	0	**0**
Government capital grant - general	24,928	54,596	55,982	52,912	37,500	**225,918**
Capital contributions	8,186	2,109	4,083	5,647	500	**20,525**
Revenue contributions	23,056	10,133	12,833	8,873	0	**54,895**
Reserves - Invest to Save	0	0	1,805	1,095	0	**2,900**
Capital Fund	0	375	0	0	0	**375**
Capital Receipts	53	0	3,200	8,647	3,265	**15,165**
Total	56,223	67,213	77,903	77,174	41,265	**319,778**
Surplus/deficit (-)	**0**	**0**	**0**	**0**	**0**	**0**

Capital Programme 2014/15

Scheme Name	Actual		Forecast											
	Prior Years	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Forecast Total £'000	External Grant £'000	External Contrib £'000	Revenue Contrib £'000	Borrowing £'000	Capital receipts £'000	Reserves & Capital Fund £'000	Funding Total £'000
Summary														
Adults	17,493	793	3,473	2,747	0	0	7,013	3,372	529	3,112	0	0	0	7,013
Children & Families	159,710	24,692	17,411	23,593	31,366	13,145	110,207	77,828	12,412	19,914	0	53	0	110,207
Communities & Infrastructure:	255,686	30,738	46,329	51,563	45,808	28,120	202,558	144,718	7,584	31,869	0	15,112	3,275	202,558
C&I - Infrastructure	238,413	28,589	42,948	49,795	45,155	27,528	194,015	138,103	7,308	30,217	0	15,112	3,275	194,015
C&I - Libraries	7,163	292	145	246	78	17	778	17	267	494	0	0	0	778
C&I - Safety	10,110	1,857	3,236	1,522	575	575	7,765	6,598	9	1,158	0	0	0	7,765
Total Capital Programme	**432,889**	**56,223**	**67,213**	**77,903**	**77,174**	**41,265**	**319,778**	**225,918**	**20,525**	**54,895**	**0**	**15,165**	**3,275**	**319,778**
Adults														
Adults Social Services Grant 13/14	0	0	1,360	0	0	0	1,360	1,360	0	0	0	0	0	1,360
Locality Hub The Beeches	78	87	1,585	155	0	0	1,827	25	521	1,281	0	0	0	1,827
Gloucester LD Reprovision Scheme	133	64	0	786	0	0	850	0	8	842	0	0	0	850
PSS Grant	0	599	0	0	0	0	599	599	0	0	0	0	0	599
GIS	0	0	400	50	0	0	450	0	0	450	0	0	0	450
Schemes under £300,000	17,282	43	128	368	0	0	539	0	0	539	0	0	0	539
	17,493	793	3,473	1,359	0	0	5,625	1,984	529	3,112	0	0	0	5,625
Adults														
New Starts 2014/15 PSS Grant	0	0	0	1,388	0	0	1,388	1,388	0	0	0	0	0	1,388
	0	0	0	1,388	0	0	1,388	1,388	0	0	0	0	0	1,388
Adult Total	**17,493**	**793**	**3,473**	**2,747**	**0**	**0**	**7,013**	**3,372**	**529**	**3,112**	**0**	**0**	**0**	**7,013**
Children and Families														
St. White's Primary, replacement school	0	0	85	1,200	4,565	150	6,000	6,000	0	0	0	0	0	6,000
Sandford, relocation	12	173	100	2,000	3,000	386	5,659	5,659	0	0	0	0	0	5,659
Watermoor Primary, replacement	0	50	450	3,527	105	0	4,132	2,832	1,300	0	0	0	0	4,132
Maidenhill School, refurbish main block	37	1,357	2,176	290	0	0	3,823	3,823	0	0	0	0	0	3,823
Alderman Knight, replacement school	1,867	3,617	176	0	0	0	3,793	3,793	0	0	0	0	0	3,793
Post 16 SEN provision	0	36	0	0	200	0	236	236	0	0	0	0	0	236
St. James Primary, Chelt Primary Review	197	2,679	136	43	0	0	2,858	2,231	0	627	0	0	0	2,858
Brockworth School, improve accommodation	1,527	2,311	103	6	0	0	2,420	0	2,420	0	0	0	0	2,420
Shrubberies, specialist classroom	2	92	1,532	440	0	0	2,064	2,064	0	0	0	0	0	2,064
Additional Basic Need Grant 12/13	0	0	0	488	0	0	488	488	0	0	0	0	0	488
Kingsway, contribution to new primary	4	338	1,018	0	0	0	1,356	1,356	0	0	0	0	0	1,356
Short Breaks for Disabled Children 2012/13	0	34	57	600	600	0	1,291	1,291	0	0	0	0	0	1,291
Belle Vue PRU	29	502	645	30	0	0	1,177	998	0	179	0	0	0	1,177
Tuffley C & I Centre, replacement	0	0	660	413	28	0	1,101	1,101	0	0	0	0	0	1,101
Woodmancote Primary, expand to 2FE	0	95	0	928	0	0	1,023	30	993	0	0	0	0	1,023
Swindon Village Primary, remodelling	2,193	720	128	10	0	0	858	0	0	858	0	0	0	858
Early Education for Two Year Olds	0	0	300	320	0	0	620	620	0	0	0	0	0	620
Coopers Edge, new primary school	6,365	514	159	0	0	0	673	0	673	0	0	0	0	673
St. Peters Primary, new school (PCP)	7,594	508	152	0	0	0	660	0	660	0	0	0	0	660
Language Immersion Centre	6,660	290	366	0	0	0	656	256	0	400	0	0	0	656

	Actual		Forecast											
Scheme Name	**Prior Years**	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**Forecast Total £'000**	**External Grant £'000**	**External Contrib £'000**	**Revenue Contrib £'000**	**Borrowing £'000**	**Capital receipts £'000**	**Reserves & Capital Fund £'000**	**Funding Total £'000**
Kingsway, Early Years	0	119	451	15	0	0	585	44	0	541	0	0	0	585
Yorkley Primary, remodelling	732	553	19	0	0	0	572	45	0	527	0	0	0	572
Sufficiency schemes 13/14	0	0	0	285	0	0	285	285	0	0	0	0	0	285
Shrubberies, PMLD provision	0	2	60	438	0	0	500	500	0	0	0	0	0	500
Norton Primary, replace temps	0	0	302	108	22	0	432	432	0	0	0	0	0	432
Locality Hubs	280	1	200	226	0	0	427	0	0	427	0	0	0	427
Cheltenham Academy	25,516	386	8	0	0	0	394	208	0	186	0	0	0	394
Schools Energy Reduction Programme 13/14	0	0	393	0	0	0	393	393	0	0	0	0	0	393
Kingsholm Primary, sufficiency	0	0	338	20	0	0	358	358	0	0	0	0	0	358
Calton Junior various works	0	306	27	0	0	0	333	315	0	18	0	0	0	333
Capital Maintenance contingency 11/12	0	0	0	332	0	0	332	332	0	0	0	0	0	332
Contingency Provision 12/13	0	324	0	0	0	0	324	324			0	0	0	324
Tredington Primary Hall and classroom	0	0	150	150	0	0	300	227	0	73	0	0	0	300
Whitminster Endowed Primary Replace temp	0	72	228	0	0	0	300	270	0	30	0	0	0	300
Schemes under £300,000	106,695	9,613	6,992	679	151	0	17,435	2,861	291	14,230	0	53	0	17,435
	159,710	24,692	17,411	12,548	8,671	536	63,858	39,372	6,337	18,096	0	53	0	63,858
New Starts 2014/15														
Capital Maintenance Programme	0	0	0	1,680	0	0	1,680	1,400	0	280	0	0	0	1,680
Health & Safety works	0	0	0	800	0	0	800	800	0	0	0	0	0	800
Hatherley Infant & St James Junior, additional capacity	0	0	0	500	500	0	1,000	1,000	0	0	0	0	0	1,000
Hunts Grove, new primary school & nursery	0	0	0	500	4,875	500	5,875	0	5,875	0	0	0	0	5,875
Northway Infants, replacement school	0	0	0	500	3,000	500	4,000	4,000	0	0	0	0	0	4,000
Kingsholm Primary, staff room, library & classrooms	0	0	0	850	0	0	850	850	0	0	0	0	0	850
Lakeside Primary, additional 1FE	0	0	0	500	2,000	300	2,800	2,800	0	0	0	0	0	2,800
Dunalley, pre-school unit	0	0	0	400	0	0	400	400	0	0	0	0	0	400
Calton, extra classroom	0	0	0	200	0	0	200	0	200	0	0	0	0	200
Gloucester Rd Primary, 0.5 FE	0	0	0	250	0	0	250	250	0	0	0	0	0	250
Early Years projects	0	0	0	100	0	0	100	100	0	0	0	0	0	100
Isbourne Valley Primary, co-location	0	0	0	450	0	0	450	450	0	0	0	0	0	450
School kitchen upgrades to meet free school meals polic	0	0	0	1,029	0	0	1,029	1,029	0	0	0	0	0	1,029
SEN strategy development	0	0	0	680	500	0	1,180	852	0	328	0	0	0	1,180
Tuffley Primary, alterations	0	0	0	276	0	0	276	0	0	276	0	0	0	276
English Bicknor Primary, replace temporary buildings	0	0	0	350	50	0	400	400	0	0	0	0	0	400
Achieving Two Year Old programme	0	0	0	1,000	0	0	1,000	246	0	754	0	0	0	1,000
Schools suitability programme	0	0	0	980	1,000	0	1,980	1,800	0	180	0	0	0	1,980
	0	0	0	11,045	11,925	1,300	24,270	16,377	6,075	1,818	0	0	0	24,270
New Starts 2015/16 & 2016/17														
Basic Need Grant - announced	0	0	0	0	10,770	11,309	22,079	22,079	0	0	0	0	0	22,079
	0	0	0	0	10,770	11,309	22,079	22,079	0	0	0	0	0	22,079
Children and Families Total	**159,710**	**24,692**	**17,411**	**23,593**	**31,366**	**13,145**	**110,207**	**77,828**	**12,412**	**19,914**	**0**	**53**	**0**	**110,207**

	Actual		Forecast												
Scheme Name	**Prior Years**	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**Forecast Total £'000**	**External Grant £'000**	**External Contrib £'000**	**Revenue Contrib £'000**	**Borrowing £'000**	**Capital receipts £'000**	**Reserves & Capital Fund £'000**	**Funding Total £'000**
<u>Communities & Infrastructure</u>														
<u>Structural Maintenance</u>														
Minor Struct Maint Works	8,271	4,283	4,160	0	0	0	8,443	7,843	0	225	0	0	375	8,443
Street Lighting	782	997	843	1	0	0	1,841	841	0	1,000	0	0	0	1,841
Cambridge to Claypits (& Slimbridge Rbt)	3	580	0	0	0	0	580	39	251	290	0	0	0	580
LED retrofit Signs & De-illumi Bollards	0	393	52	0	0	0	445	337	108	0	0	0	0	445
LED Replacements 2013 - Salix scheme	0	0	382	0	0	0	382	382	0	0	0	0	0	382
"KingsditchLn(A4019-Runnings Rd),Kngsdtc	0	0	356	0	0	0	356	356	0	0	0	0	0	356
A417 Staunton to Oridge Street	0	1	331	0	0	0	332	332	0	0	0	0	0	332
Promenade (op municipal build)Cheltenham	22	314	0	0	0	0	314	32	0	282	0	0	0	314
Schemes under £300,000	112,825	12,530	21,019	22	0	0	33,571	31,576	552	1,443	0	0	0	33,571
Structural Maintenance Total	**121,903**	**19,098**	**27,143**	**23**	**0**	**0**	**46,264**	**41,738**	**911**	**3,240**	**0**	**0**	**375**	**46,264**
<u>Integrated Transport</u>														
Elmbridge Major Scheme Bid	569	1,023	1,894	1,410	9,520	3,510	17,357	15,790	1,400	167	0	0	0	17,357
C & G Roundabout Gloucester	0	2	887	772	0	0	1,661	1,261	400	0	0	0	0	1,661
A40 Improvements Over to Highnam	2,398	819	0	0	0	0	819	3	0	816	0	0	0	819
Cheltenham Transport Plan (Boots Corner - LSTF)	0	11	350	350	0	0	711	711	0	0	0	0	0	711
Improvements to Tewkesbury Road Corridor	0	21	160	567	0	0	748		748	0	0	0	0	748
Smartcards	0	185	106	130	0	0	421	262	159	0	0	0	0	421
Schemes under £300,000	6,764	2,580	2,790	2,800	0	0	8,170	4,809	3,059	302	0	0	0	8,170
	9,731	4,641	6,187	6,029	9,520	3,510	29,887	22,836	5,766	1,285	0	0	0	29,887
New Starts 2014/15														
Large & Miscellaneous Schemes	0	0	0	580	0	0	580	580	0	0	0	0	0	580
Parking Schemes	0	0	0	145	0	0	145	145	0	0	0	0	0	145
Safety	0	0	0	570	0	0	570	570	0	0	0	0	0	570
Community	0	0	0	100	0	0	100	100	0	0	0	0	0	100
	0	0	0	1,395	0	0	1,395	1,395	0	0	0	0	0	1,395
Integrated Transport Total	**9,731**	**4,641**	**6,187**	**7,424**	**9,520**	**3,510**	**31,282**	**24,231**	**5,766**	**1,285**	**0**	**0**	**0**	**31,282**
<u>Other</u>														
Growing Places	0	0	3,000	4,855	0	0	7,855	7,855	0	0	0	0	0	7,855
Rural Broadband	0	0	0	3,500	4,000	0	7,500		0	7,500	0	0	0	7,500
ICT Strategy	184	526	589	2,523	0	0	3,638	680	0	2,958		0	0	3,638
MTFS SH Reorganisation	0.00	0.00	1,290	622	0	0	1,912	0	0	1,912	0	0	0	1,912
MTFS SH Maintenance	0	1	810	1,018	0	0	1,829	0	0	1,829	0	0	0	1,829
Capital Maintenance	995	25	400	670	0	0	1,095	0	0	1,095		0	0	1,095
Shire Hall Optimisation of Space	211	840	203	0	0	0	1,043	0	0	1,043	0	0	0	1,043
Investment in composting facilities	8,835	3	0	413	0	0	416		0	416	0	0	0	416
Enhancement to Hempsted Recycling Centre	0	0	0	250	0	0	250	0	0	250	0	0	0	250
Health & Safety Works	150	106	120	251	0	0	477	89	0	388		0	0	477
Traffic Model Update (Saturn)	0	0	200	250	0	0	450	450	0	0	0	0	0	450
Various Carbon Reduction Schemes	247.00	157.25	100	166	0	0	423	0	0	423		0	0	423
Whaddon Flood Alleviation Scheme	0	1	50	359	0	0	410	410	0	0	0	0	0	410
Improving Customer Access	71	41	100	187	0	0	328	0	0	328	0	0	0	328
Flood & Water Management Act	0	0	180	139	0	0	319	0	319	0	0	0	0	319
Schemes under £300,000	96,086	3,150	2,576	1,047	0	0	6,773	-489	212	7,050	0	0	0	6,773
Other Total	**106,779**	**4,850**	**9,618**	**16,250**	**4,000**	**0**	**34,718**	**8,995**	**531**	**25,192**	**0**	**0**	**0**	**34,718**

	Actual		Forecast											
Scheme Name	**Prior Years**	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**Forecast Total £'000**	**External Grant £'000**	**External Contrib £'000**	**Revenue Contrib £'000**	**Borrowing £'000**	**Capital receipts £'000**	**Reserves & Capital Fund £'000**	**Funding Total £'000**
New Starts 2014/15														
MTFS SH Refurbishment	0	0	0	3,000	4,100	0	7,100	0	0	0	0	7,100	0	7,100
Archives - extension to Alvin Street	0	0	0	200	2,000	0	2,200	1,000	100	0	0	1,100	0	2,200
ICT Strategy	0	0	0	1,805	1,262	745	3,812	0	0	0	0	1,812	2,000	3,812
Worksmart Programme - Photovoltaic Panels	0	0	0	0	900	0	900	0	0	0	0	0	900	900
Principal Roads (Class A)	0	0	0	1,850	0	0	1,850	1,850	0	0	0	0	0	1,850
Classified Roads [CLASS B]	0	0	0	1,600	0	0	1,600	1,600	0	0	0	0	0	1,600
Classified Roads [CLASS 3]	0	0	0	4,900	0	0	4,900	4,900	0	0	0	0	0	4,900
Minor Works	0	0	0	3,685	0	0	3,685	3,685	0	0	0	0	0	3,685
Unclassified Roads [CLASS 4 and less]	0	0	0	2,477	0	0	2,477	2,477	0	0	0	0	0	2,477
Footways	0	0	0	700	0	0	700	700	0	0	0	0	0	700
Data collection inc SCRIM Data	0	0	0	110	0	0	110	110	0	0	0	0	0	110
Processing Hazardous Material	0	0	0	30	0	0	30	30	0	0	0	0	0	30
Advanced design / coring	0	0	0	260	0	0	260	260	0	0	0	0	0	260
Bridges	0	0	0	1,400	0	0	1,400	1,400	0	0	0	0	0	1,400
Lighting	0	0	0	1,200	0	0	1,200	1,200	0	0	0	0	0	1,200
Signals	0	0	0	400	0	0	400	400	0	0	0	0	0	400
Lydney Level Crossing	0	0	0	500	0	0	500	500	0	0	0	0	0	500
Flood Levy - Drainage Works	0	0	0	500	0	0	500	0	0	500	0	0	0	500
LSTF Grant	0	0	0	489	0	0	489	489	0	0	0	0	0	489
Pinchpoint Funding grant	0	0	0	992	0	0	992	992	0	0	0	0	0	992
Swap funding 2015/16 & 2016/17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	**0**	**0**	**26,098**	**8,262**	**745**	**35,105**	**21,593**	**100**	**500**	**0**	**10,012**	**2,900**	**35,105**
New Starts 2015/16 & 16/17														
Highways Block Maintenance Grant - Estimated	0	0	0	0	13,952	13,952	27,904	27,904	0	0	0	0	0	27,904
LED Street Lighting Project	0	0	0	0	4,300	4,200	8,500	3,400	0	0	0	5,100	0	8,500
Integrated Transport Grant - Estimated	0	0	0	0	5,121	5,121	10,242	10,242	0	0	0	0	0	10,242
Swap funding 2015/16	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	23,373	23,273	46,646	41,546	0	0	0	5,100	0	46,646
Infrastructure Total	**238,413**	**28,589**	**42,948**	**49,795**	**45,155**	**27,528**	**194,015**	**138,103**	**7,308**	**30,217**	**0**	**15,112**	**3,275**	**194,015**
Communities - Libraries & Archives														
Book Issuing	109	133	12	30	14	0	189	0	0	189	0	0	0	189
Schemes under £100,000	7,054	159	133	216	64	17	589	17	267	305	0	0	0	589
Communities - Libraries & Archives Total	**7,163**	**292**	**145**	**246**	**78**	**17**	**778**	**17**	**267**	**494**	**0**	**0**	**0**	**778**
Communities - Safety														
Control Room Equipment	0	489	1,211	0	0	0	1,700	1,700	0	0	0	0	0	1,700
Fire Vehicles 11/12	242	883	470	0	0	0	1,353	348	0	1,005	0	0	0	1,353
Fire Vehicles 12/13	0	140	974	0	0	0	1,114	1,114	0	0	0	0	0	1,114
BA Project	0	**0**	0	700	0	0	700	700	0	0	0	0	0	700
Fire Vehicles 2013/14	0	**0**	575	0	0	0	575	575	0	0	0	0	0	575
Schemes under £300,000	9,868	345	6	0	0	0	351	189	9	153	0	0	0	351
	10,110	1,857	3,236	700	0	0	5,793	4,626	9	1,158	0	0	0	5,793
New Starts 2014/15 onwards														
Grant funding Fire 2014-15 (2015-16beyond estimated)	0	0	0	822	575	575	1,972	1,972	0	0	0	0	0	1,972
	0	0	0	822	575	575	1,972	1,972	0	0	0	0	0	1,972
Communities - Safety Total	**10,110**	**1,857**	**3,236**	**1,522**	**575**	**575**	**7,765**	**6,598**	**9**	**1,158**	**0**	**0**	**0**	**7,765**
Communities & Infrastructure Total:	**255,686**	**30,738**	**46,329**	**51,563**	**45,808**	**28,120**	**202,558**	**144,718**	**7,584**	**31,869**	**0**	**15,112**	**3,275**	**202,558**

Annex 9

Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17

Gloucestershire County Council

Contents

Appendices

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also includes the Annual Investment Strategy as required under the Communities and Local Governments's (CLG) Investment Guidance.

1.2 As per the requirements of the Prudential Code, the Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 24th February 2010.

1.3 The purpose of this Treasury Management Strategy Statement is to approve:

- Revisions to the Treasury Management Strategy for 2013/14
- Treasury Management Strategy for 2014/15
- Annual Investment Strategy for 2014/15
- Prudential Indicators for 2014/15, 2015/16 and 2016/17
- MRP Statement

1.4 The Council has borrowed and invested substantial sums of money and therefore has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.

2. External Context

Economic background

2.1 The Bank of England's Monetary Policy Committee (MPC), through its recent forward guidance, is committed to keeping policy rates low for an extended period. This will be achieved by using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates, subject to certain knock-outs. Unemployment was 7.7% in August 2013, but is not forecast to fall below the threshold until 2016, due to the UK's flexible workforce.

2.2 The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.7% in September 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.

2.3 Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and an initial estimate of 0.8% in Q3) alongside a pick-up in property prices, mainly stoked by government initiatives to boost mortgage lending, have led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.

Credit outlook

2.4 The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifest in relation to holders of subordinated debt issued by the Co-op which will likely suffer a haircut on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

3. Interest Rate Forecast

3.1 Arlingclose’s forecast is for the Bank Rate to remain flat until late 2016, the risk to the upside (i.e. rates being higher) are weighted more heavily towards the end of the forecast horizon. Gilt yields are expected to rise over the forecast period with medium and long-dated gilts expected to rise by between 0.7% and 1.1%.

3.2 A more detailed economic and interest rate forecast, provided by Arlingclose, is attached at Appendix A.

4. Local Context

4.1 The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management activity. The Councils current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.

4.2 The Council’s currently has £308.438 million (as at 31/03/2014) of external borrowing, £251.181 million (as at 08/11/2013) of internal investments, and £20.226 million of external investments. This is set out in further detail at Appendix B, and forecasts changes in these sums are shown in the balance sheet analysis at Table 1 below.

4.3 Under the Prudential Code the Council is able to borrow funds in excess of the current level of its CFR up to the projected level in 2016/17. The Council is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

4.4 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Council’s borrowing requirement.

Table 1: Balance Sheet Summary and Forecast

	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
CFR	380.899	351.174	332.756	314.985	297.886
Less:					
Existing Profile of External Borrowing	323.438	308.438	303.575	298.712	293.849
and Other Long Term Liabilities	21.941	21.941	21.479	20.942	20.391
Internal (over) Borrowing	**35.520**	**20.795**	**7.702**	**-4.669**	**-16.354**
Less:					
Balances & Reserves	125.519	128.235	123.794	110.053	110.053
Working Capital	94.500	168.022	119.426	121.926	124.526
Investments	**(184.499)**	**(275.462)**	**(235.518)**	**(236.648)**	**(250.933)**

5. Borrowing Strategy

5.1 Total borrowing requirement at the end of 2013/14 is forecast to be £351.174 million (equivalent to the CFR). This includes external borrowing of £308.438 million, PFI lease liability of £21.941 million and internal borrowing of £20.795 million. The Council's aim is to reduce the level of borrowing over the next few years, and where possible repay some of the existing debt. In 2013/14 £19.863 million of maturing debt has been repaid through voluntary repayment.

5.2 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments, because of the difference between what is paid on the borrowing and what is earned on the investment. The cost of carry is likely to be an issue until 2016 or beyond. As borrowing is often for longer dated periods (anything up to 50 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the Council's wider financial position.

5.3 As indicated in Table 1, the Council has a predicted gross borrowing requirement of £7.702 million in 2014/15. The Councils chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Councils long-term plans change is a secondary objective.

5.4 Given the significant cuts to public expenditure and in particular to local government funding, the Councils borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

5.5 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

5.6 In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

6. Sources of Borrowing and Portfolio Implications

6.1 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds (except [your local] Pension Fund)
- capital market bond investors
- special purpose companies created to enable joint local authority bond issues.

6.2 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

6.3 The Council holds £41.050 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBO's have options during 2014/15, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

6.4 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators at Appendix C.

7 Debt Rescheduling

7.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. Such repayments will only be made after consultation with the Deputy Leader and Cabinet Member for Finance and Change.

7.2 Borrowing and rescheduling activity will be reported to the Audit Committee in the Annual Treasury Management Report and the regular treasury management reports presented to Cabinet.

8. Investment Strategy

8.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's internal investment balance has ranged between £210.237 million and £304.519 million, and similar levels are expected to be maintained in the forthcoming year.

8.2 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

8.3 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Council and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

8.4 The Council defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

8.3 The Council may invest its surplus funds with any of the counterparties in Table 2 below, subject to the cash and time limits shown.

Table 2: Approved Investment Counterparties

Counterparty		Cash limit	Time limit †
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£30m each	10 years*
	AA+		5 years*
	AA		4 years*
	AA-		3 years*
	A+		2 years
	A		1 year
	A-		
The Authority's current account bank (HSBC Ltd) if it fails to meet the above criteria		£2m	next day
UK Central Government (irrespective of credit rating)		unlimited	50 years**
UK Local Authorities (irrespective of credit rating)		£30m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		£10m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings		£5m each	5 years
UK Building Societies without credit ratings		£1m each	1 year
Money market funds and other pooled funds		£15m each	n/a
Externally Managed Funds***		£25m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser		£5m each	3 months
		£1m each	1 year
		£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

* but no longer than 2 years in fixed-term deposits and other illiquid instruments

** but no longer than 5 years in fixed-term deposits and other illiquid instruments

***this relates to the External Fund managed by Investec Asset Management Ltd

Further specific details on the investment strategy can be found in Appendix D.

8.4 There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive are implemented.

8.5 In addition, the Council may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Council's treasury management adviser. This includes:

- **Current Account Bank:**
  The Council banks with HSBC. At the current time, it does meet the Councils minimum credit criteria. Even if the credit rating falls below the Councils minimum criteria within the financial year it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

- **Registered Providers**:
  Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

- **Building Societies**:
  The Council takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council's deposits would be paid out in preference to retail depositors. The Council will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

- **Money Market Funds**:
  These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Note: the Council has removed the requirement for AAA ratings following EU proposals to stop money market funds from having credit ratings.

- **Other Pooled Funds:**
  Table 1 above indicates that the Council will have substantial cash balances available for investment over the medium term. It will therefore continue to use pooled bond, equity and property funds that offer enhanced returns over the longer term, but are potentially more volatile in the shorter term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

- **Other Organisations:**
  The Council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser.

- **Externally Managed Funds:**
  £20.226 million of the Council's funds are managed on a pooled basis by Investec Asset Management Ltd. The Council has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. The performance and continued suitability in meeting with Councils investment objectives are regularly monitored

9 Risk Assessment and Credit Ratings

9.1 The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Councils treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

9.2 Where a credit rating agency announces that a A- rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

10 Security of Investments

10.1 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

10.2 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Councils cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

11 Policy on Use of Financial Derivatives

11.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits).

The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

11.2 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

11.4 The local Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

12 2014/15 MRP Statement

12.1 The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of borrowing (MRP). This year's policy can be found in Appendix E of this report.

13 Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

13.1 Treasury Activity is monitored regularly and reported internally to the Strategic Finance Director. The Prudential Indicators will be monitored through the year and reported as follows:

The Strategic Finance Director will report to the Audit Committee on Treasury Management activity / performance and Performance Indicators as follows:

- Outturn report on treasury activity for the prior year will be presented to the June meeting.
- A monitoring update report will be presented to the September meeting.
- Consultation on the following year strategy will be presented to the January meeting.

In addition the Strategic Finance Director will report regularly to Cabinet, as part of the monitoring report, on treasury management activity / performance.

14 Other items

Treasury Management Training

CIPFA's Code of Practice requires the Strategic Finance Director to ensure that all members and staff tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Requirements for members training, including Audit Committee, will be kept under review. Senior staff with responsibility for treasury management have a professional responsibility to ensure that they are aware of the relevant Codes and Guidance which apply to the treasury function, and have access to the skills and knowledge to carry out their roles effectively.

Investment Consultants / Treasury Advisors

The CLG's Guidance on local government investments recommends that the Investment Strategy should state:

- Whether and, if so, how the Council uses external contractors offering information, advice or assistance relating to investment, and

- How the quality of any such service is controlled.

In order to ensure that we manage the relationship with our treasury advisors effectively we meet on a regular basis, usually quarterly. At these meetings current market conditions are reviewed, as is the strategy in light of this. We ensure that the information provided is current and appropriate to our circumstances.

The Council maintains the quality of the service with its advisors by holding quarterly meetings and tendering periodically.

Appendix A

Arlingclose's Economic and Interest Rate Forecast

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk				-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month LIBID rate													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.80
Arlingclose Central Case	0.45	0.45	0.50	0.55	0.55	0.55	0.55	0.60	0.65	0.70	0.80	0.80	0.80
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.30	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55
1-yr LIBID rate													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arlingclose Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
10-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
20-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
50-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80

Underlying Assumptions:

- Growth continues to strengthen with the initial estimate for Q3 growth coming in at 0.8%. The service sector remains the main driver of growth, boosted by a significant contribution from construction.
- The unemployment rate remained at 7.7%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for September remained at 2.7%. Regulated and administered prices are likely to keep CPI above target in the near term. In the medium term inflation is expected to come back towards the target 2%.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%. It currently forecasts this level to emerge in Q2/2016, but this will be updated in the November Inflation Report.
- House price inflation is likely to rise due to the government's Help to buy scheme, where it will guarantee up to 15% of purchasers' 95% mortgages. This could lead to a housing bubble, which in turn could come under pressure if rates were to rise quickly.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Recent weaker data from the US suggests that the recovery is slowing, therefore tapering looks more likely in Q1 2014.

- The US political deadlock over spending cuts and the debt ceiling is likely to reoccur in Q1 2014. The partial closedown on government in is estimated to have cost the US economy over $24bn.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- China data has seen an improvement, easing markets fears.
- On-going regulatory reform and a focus on bail-in debt restructuring is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.
- Geopolitical tensions make for a less than conducive backdrop while global economies remain fragile, especially the emerging economies.

Forecast:

- Arlingclose's projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, upside risks now weight more heavily at the end of our forecast horizon.
- Arlingclose continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US. Yields are slowly drifting lower now that tapering is less likely to occur in the near-term.

Appendix B

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio	Average Rate	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17
			Estimate	Estimate	Estimate	Estimate
	£m	%	£m	£m	£m	£m
External Borrowing						
Fixed Rate – PWLB	272.251	5.48	267.388	262.525	257.662	252.799
Fixed Rate – Market	41.050	4.32	41.050	41.050	41.050	41.050
Variable Rate – PWLB	15.000	0.54	0.000	0.000	0.000	0.000
Variable Rate – Market	0.000		0.000	0.000	0.000	0.000
Total External Borrowings	**328.301**	**5.11**	**308.438**	**303.575**	**298.712**	**293.849**
Other long-term liabilities	21.941		21.941	21.479	20.942	20.391
Total External Debt*	**350.242**		**330.379**	**325.054**	**319.654**	**314.240**
Investments:						
Managed in house						
- Short term deposits and monies on call and Money Market Funds	246.181	0.48	250.135	210.089	211.117	225.299
- Long Term investments (over 12 months)	5.000	4.40	5.000	5.000	5.000	5.000
Managed externally	20.226	0.50	20.327	20.429	20.531	20.634
Total Investments*	**271.407**		**275.462**	**235.518**	**236.648**	**250.933**
Net Borrowing / Investment Position	**(78.835)**		**(54.917)**	**(89.536)**	**(83.006)**	**(63.307)**

*note that the Council has the following predicted liability for internal borrowing. This is not shown in the table above as this is reducing our current external debt, but also reducing the amount available for investment, therefore the net position is as shown above.

	2013/14	2013/14	2014/15	2015/16	2016/17
	Current	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total Internal Borrowing	**0.932**	**20.795**	**7.702**	**0.000**	**0.000**

Appendix C

Prudential Indicators 2014/15 – 2016/17

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. Estimates of Capital Expenditure:

2.1 This indicator is set to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. The table below shows the estimates of capital expenditure, and further detail can be found in the Capital Programme Report.

	2013/14 Approved £m	**2013/14 Revised £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Capital Expenditure	78.619	67.313	77.903	77.174	41.265

2.2 Capital expenditure is expected to be financed as follows:

Capital Financing	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
			77.903		
Capital receipts	4.435	0.000	3.200	8.647	3.265
Government Grants	58.138	54.696	55.982	52.912	37.500
Revenue Contributions	7.448	10.133	12.833	8.873	0.000
Capital Contributions	8.598	2.109	4.083	5.647	0.500
Capital Reserve	0.000	0.375	1.805	1.095	0.000
Total Financing	**78.619**	**67.313**	**77.903**	**77.174**	**41.265**
Supported Borrowing	0.000	0.000	0.000	0.000	0.000
Unsupported Borrowing	0.000	0.000	0.000	0.000	0.000
Total Funding	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Total Financing & Funding	**78.619**	**67.313**	**77.903**	**77.174**	**41.265**

3. Capital Financing Requirement:

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. The CFR is forecast to fall over the next three years as maturing debt is repaid and additional volunary revenue contributions are made.

	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Financing Requirement	380.899	351.174	332.756	314.985	297.886

4. Gross Debt and the Capital Financing Requirement:

4.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

4.2 If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

4.3 The Strategic Finance Director reports that the Council had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals from the approved budget.

5. Authorised Limit and Operational Boundary for External Debt:

5.1 The Council has an integrated Treasury Management Strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

5.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

5.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

5.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Council's Authorised Limit is shown below.

Authorised Limit for External Debt	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Total	**525.000**	**430.000**	**410.000**	**400.000**	**375.000**

5.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

5.6 The Strategic Finance Director has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next appropriate meeting of the Council. The Council's Operational Boundary is shown below.

Operational Boundary for External Debt	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Total	**495.000**	**400.000**	**380.000**	**370.000**	**345.000**

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2013	£m
Borrowing	328.301
Other Long-term Liabilities	21.941
Total	**350.242**

7. Ratio of Financing Costs to Net Revenue Stream:

7.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

7.2 The estimate for interest payments in 2014/15 is £16.208 million and for interest receipts is £2.5 million. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Ratio of Financing Costs to Net Revenue Stream	10.01%	7.47%	7.00%	7.23%	7.15%

8. Incremental Impact of Capital Investment Decisions:

8.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2013/14 Approved £	2013/14 Revised £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Increase in Band D Council Tax	0.00	0.00	0.00	0.00	0.00

8.2 The Council's capital plans, as estimated in forthcoming financial years, have a nil impact on Council Tax. This reflects the fact that capital expenditure is predominantly financed from grants, contributions, capital receipts, and internal resources.

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 24th February 2010*.

**The Council has incorporated the changes from the revised CIPFA Code of Practice (published November 2011) into its treasury policies, procedures and practices.*

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

10.4 The Council's existing level (on internal investments) of fixed interest rate exposure is 79% and variable rate exposure is 19%.

	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Upper limit for Fixed Interest Rate exposure	450	355	335	315	300
Upper limit for Variable Interest Rate exposure	200	0	0	0	0

11. Maturity Structure of Fixed Rate borrowing:

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate £m Borrowing as at 31/03/14	Actual Fixed Rate £m Borrowing as at 31/03/14	Fixed Rate Borrowing as at 31/03/14	Compliance with Set Limits?
	%	%	LOBO*	PWLB	%	
under 12 months	25	0	41.050	4.863	14.9	Yes
12 months and within 24 months	25	0	-	4.863	1.6	Yes
24 months and within 5 years	50	0	-	21.062	6.8	Yes
5 years and within 10 years	75	0	-	37.872	12.3	Yes
10 years and within 20 years	100	0	-	44.500	14.4	Yes
20 years and within 30 years	100	0	-	47.958	15.5	Yes
30 years and within 40 years	100	0	-	91.270	29.6	Yes
40 years and within 50 years	100	0	-	15.000	4.9	Yes

*Note that LOBO's are included in the table above at earliest call date and not at maturity.

12. Credit Risk:

12.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

12.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

13. Upper Limit for total principal sums invested over 364 days:

13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Upper Limit for total principal sums invested over 364 days	30	50	50	50	50

Appendix D

Further Detail on the Investment Strategy

Specified Investments

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment:

- is sterling denominated
- has a maximum maturity of 1 year
- is invested with one of:
    - the UK government;
    - a UK local authority, parish council or community council; or
    - a body or investment scheme of "high credit quality"
- not defined as capital expenditure under legislation.

Ratings as determined for use by the Council:

	Long-term
Fitch	A-
Moody's	A3
S&P	A-
Sovereign	AA+

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

Non Specified Investment Limits	Cash limit £m
Total long-term investments	50
Total investments without credit ratings or rated below A-	50
Total investments in foreign countries rated below AA+	10
Total non-specified investments *	110

* this limit excludes funds managed by the Council External Fund Manager

Notes:

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

2. The Local Authority Mortgage Scheme (cash backed option) requires a 5 year deposit to be placed with the mortgage lender. The deposit forms an integral part of the mortgage lending, and is included on the investment portfolio in accordance with accounting regulations, however is in addition to current lending limits specified.

3. The Council will be placing funds with Funding Circle, which is a Local Authority Partnership Programme. These funds will be used to support the Business community of Gloucestershire and will be in addition to the current lending limits specified above.

Investment Limits

The Council's usable revenue reserves (excluding school balances) available to cover investment losses are forecast to be £100.516 million on 31st March 2014. In order that no more than 30% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £30 million.

A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts *(e.g. King & Shaxson)*, foreign countries and industry sectors as below:

	Cash limit
Any single organisation, except the UK Central Government	£30m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£30m per group
Any group of pooled funds under the same management	£30m per manger
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£20m per country
Registered Providers	£40m in total
Building Societies	£40m in total
Loans to small businesses	£10m in total
Money Market Funds	£100m in total

Approved Instruments

The Council may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits where the Council may demand repayment at any time (with or without notice),
- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures shown in Appendix C.

Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Councils medium term financial plan and cash flow forecast.

Appendix E

MRP Statement 2014/15

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

Option 1: Regulatory Method.
Option 2: CFR Method.
Option 3: Asset Life Method.
Option 4: Depreciation Method.

NB This does not preclude other prudent methods.

MRP in 2014/15: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

The MRP Statement will be submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement would be put to Council at that time.

The Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure, and MRP in respect of PFI and finance leases brought on Balance Sheet under the IFRS-based Code of Practice will match the annual principal repayment for the associated deferred liability.