Summary of Information

The attached report is the summary MTFS position presented to Cabinet on the 10th December 2014 for the whole Council. The link to the detailed report is set out above but a number of specific annexes relating to Children and Families are attached for information. These include:

- Annex 1: Children and Families Commissioning Intentions
- Annex 2: Budget movements
- Annex 3: Budget Summary by Service Area

In summary it is proposed that Children and Families achieve cost reductions of £2.19 million and receive cost increases of £2.01 million, a net reduction in budget of £0.18 million. See annex for details.
Main Report Contents

1. **Introduction**

The attached draft Medium Term Financial Strategy (MTFS) is presented as the basis for consultation and scrutiny, prior to final Cabinet approval on 4th February 2015, and recommendation to County Council on 18th February 2015.

2. **Meeting the Challenge 2 – Together We Can – Draft Council Strategy 2015 to 2018**

The Council Strategy, developed under “Meeting the Challenge 2 – Together We Can” is the key high-level document that, along with the Medium Term Financial Strategy (MTFS), sets the Council’s strategic policy direction. It is supported by a series of draft policy statements that set out our proposals for specific areas in more detail.

The Council Strategy and the supporting policy statements, which accompany the draft MTFS, were approved for consultation by Cabinet on 22nd October 2014.

The Council Strategy is written in the context of continued constraints on public sector funding accompanied by growing demand for key council services. Left unchecked, the combination of these factors would require us to spend an increasing proportion of the Council’s budget on social care for vulnerable children and adults, and on the care of older people. If we carry on trying to respond in the same way, we risk these services becoming overwhelmed and delivering diminishing results.

However, we believe that this also presents us with an opportunity to think differently about the services we provide and the way we provide them. We want to help people to live fulfilling and independent lives by ensuring that they can access support that meets their individual needs through working with the entire community. We believe that this will achieve better results for individuals and mean that the Council’s resources can continue to support the most vulnerable in our community.

In the context of the Council Strategy, commissioning intentions for each commissioning area moving forward are provided at Annex 1.

In June and July we carried out a public consultation to test whether people support our ideas and, as set out in the consultation report which is published on the Council website, the response was overwhelmingly positive about our proposals and provided us with a strong mandate for change.

3. **2015/16 Budget Summary**

The 2015/16 draft revenue budget proposal for consultation is based on a budget of £415.042 million which represents a decrease in cash terms of £13.065 million or 3.05%. Under this proposal the Cabinet is again, for the fifth year in a row, proposing to freeze Council Tax levels. The income foregone will be replaced by Council Tax freeze grant (which is being built into on-going Revenue Support Grant) and additional savings which are included within the budget proposal.

The detailed budget for 2015/16, which is explained in Annexes 2 and 3 of the draft MTFS, contains adequate provision to fund unavoidable contractual inflation and pay inflation, and the increased costs of demand led services, particularly the care of older and vulnerable adults, and vulnerable children,
including an uplift to care allowances.

It also provides funding to make the multi agency safeguarding hub fully operational in 2015/16, and to recruit to new posts to ensure that Gloucestershire is able to respond effectively to safeguarding issues around child sexual exploitation in the local area after issues raised nationally.

The budget also provides sufficient provision to fund all of the new 2015/16 capital investment, totalling £44.03 million, without the need to take on additional long term borrowing.

Specifically, the Budget for 2015/16 contains:
- £12.0 million of investment in services, particularly those for older people and vulnerable children and adults.
- £2.6 million to cover increased costs due to inflation.
- Funding for £44.0 million of new capital investment in roads, schools and other services, without any additional borrowing.
- £27.6 million of savings, many of which relate to the first year of the three year “Meeting the Challenge 2 – Together We Can” programme covering the financial years 2015/16 to 2017/18.

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

<table>
<thead>
<tr>
<th>Overall Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Term Financial Strategy -2015/16 Budget - Overall Summary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget Area</th>
<th>Revised Base Budget £'000s</th>
<th>Cost Reductions £'000s</th>
<th>Cost Increases (Including Inflation) £'000s</th>
<th>Proposed 2015/16 Budget £’000s</th>
<th>Cash Increase / Decrease £’000s</th>
<th>Percentage Increase / Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme Budget Areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adults</td>
<td>147,258</td>
<td>-11,050</td>
<td>6,047</td>
<td>142,255</td>
<td>-5,003</td>
<td>-3.40%</td>
</tr>
<tr>
<td>Public Health</td>
<td>21,793</td>
<td>0</td>
<td>2,982</td>
<td>24,775</td>
<td>2,982</td>
<td>13.68%</td>
</tr>
<tr>
<td>Children and Families</td>
<td>92,808</td>
<td>-2,191</td>
<td>2,009</td>
<td>92,626</td>
<td>-182</td>
<td>-0.20%</td>
</tr>
<tr>
<td>Communities and Infrastructure (Excluding Waste)</td>
<td>58,904</td>
<td>-3,902</td>
<td>1,150</td>
<td>56,152</td>
<td>-2,752</td>
<td>-4.67%</td>
</tr>
<tr>
<td>Waste</td>
<td>26,436</td>
<td>0</td>
<td>710</td>
<td>27,146</td>
<td>710</td>
<td>2.69%</td>
</tr>
<tr>
<td>Other Budget Areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>19,799</td>
<td>-1,994</td>
<td>180</td>
<td>17,895</td>
<td>-1,814</td>
<td>-9.16%</td>
</tr>
<tr>
<td>Technical and Cross Cutting</td>
<td>61,109</td>
<td>-8,506</td>
<td>1,500</td>
<td>54,103</td>
<td>-7,006</td>
<td>-11.46%</td>
</tr>
<tr>
<td>Total GCC</td>
<td>428,107</td>
<td>-27,643</td>
<td>14,578</td>
<td>415,042</td>
<td>-13,065</td>
<td>-3.05%</td>
</tr>
</tbody>
</table>

Unfortunately, given the on-going financial challenges, it is no longer possible to continue to protect the Adult Care budget going forward, since this would require continued disproportionate reductions in the budgets of other key services, particularly in relation to the care of vulnerable children and the repair and maintenance of the highways network.

However, if this budget is approved, the percentage budget changes over the five year period of “Meeting the Challenge”, covering the years 2011/12 to 2015/16, are as set out in the graph below:
From this graph it can be seen that, although the Adults budget will now see a reduction over this period, this is still a much smaller reduction than has been experienced in most other service areas.

4. **Funding for 2015/16**

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.

2015/16 will be the third year of the new settlement arrangements, so the new system is now bedding down. Central government have made a commitment to provide local authorities with more certainty over settlements, and to date all indications are that the 2015/16 final settlement will be broadly in line with the provisional settlement announced in February 2014 alongside the 2014/15 final settlement. No future funding figures are yet available, and all indications are that nothing will be announced until after the general election in May 2015. This causes considerable uncertainty for 2016/17 onwards.

Following the technical consultation on the 2015/16 settlement it would appear that the Council will suffer a slight reduction in funding (£0.1 million) as a result of recoupment of Carbon Reduction funding. Council Tax Freeze Grant for 2014/15 has been rolled into Revenue Support Grant from 2015/16 and CLG have made a commitment to protect this funding stream for those authorities that have frozen council tax. This gives a provisional settlement figure of £136.5 million, which is in line with expectations.

However, there are still expected to be a few changes in respect of the settlement, over and above that
already announced by the Spending Review in June 2013, the Budget in March 2014, and the additional information provided as part of the Technical Consultation received in July 2014. National changes from these announcements include the “safety net” topslice, the New Homes Bonus Scheme, and the Business Rate Scheme. All of these have been taken into account for the budget proposal, although funding will continue to be kept under review as further announcements are made.

Hence, although the current budget proposals for 2015/16 are based on the best available information to date, because the provisional settlement figures are not expected to be released until around 18th December 2014, with the final settlement in February 2015, it may be necessary to amend the final budget proposal to Council in February 2015.

In June 2013 Central Government announced the formation of a £3.8 billion Better Care Fund (BCF), to ensure a transformation in integrated health and social care. The allocation of funding for the BCF for Gloucestershire totals £39.9 million, and the Council is working closely with Health partners to set out how the single pooled Better Care Fund budget will be implemented, to facilitate closer working between health and social care services. These joint plans have been approved by the Clinical Commissioning Group and the Council and through the Health and Wellbeing Board. There are numerous risks that have been identified with the new funding arrangement, in particular that a lot of the funding is already committed, and does not therefore represent new funding. It has been identified nationally that £135 million reflects new duties as a result of preparing for the Care Act, which is estimated at £1.4 million for Gloucestershire locally.

The New Homes Bonus Scheme continues for 2015/16, which currently pays a non ring fenced grant on the basis of an 80:20 split between the lower and upper-tier authorities, so the Council receives 20% of each District Council allocation. Initially it was determined that the bonus would be paid for six years. Provisional figures for the 2015/16 bonus (Year 5 of the scheme) are likely to be around £3.6 million (including NHB top slice grant), which has been built into the base budget. Additional funding has also been built into the base budget for an estimated 0.5% increase in the tax base and an estimated £1 million Collection Fund surplus. These must be confirmed by the District Council’s by the statutory deadline of 31st January 2015.

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. For 2015/16 it is estimated that £5.3 million will be received from this grant, and modelling has taken place to confirm that this is consistent with our assumptions around schools converting to academies. This is a further reduction from 2014/15, as the pot of money available for this grant has been reduced nationally resulting in a lower settlement.

The Public Health Grant for 2015/16 has been increased by £2.982 million to £24.775 million, with the additional funding being provided for the provision of public health services to children up to 5 years of age (health visiting) from October 2015. The government has now confirmed that this is to remain a ring fenced grant in 2015/16. In addition to grants included within the base budget funding, shown in section G of the draft MTFS, it is forecast that the Council will receive service specific grants of £296.6 million in 2015/16, the majority of which are ring fenced. These grants are detailed in section I of the draft MTFS.
Public Sector Equality Duty

A Due Regard Statement has been produced to accompany the draft Council Strategy and relevant policies. This will be updated in the New Year to include the updated evidence base about service users and workforce and the final budget proposals.

Capital Programme

Given the Council’s priority to reduce the level of long term debt, and hence interest and capital repayments, the new capital programme from 2015/16 onwards will be fully funded without additional borrowing, primarily from capital grants, capital and revenue contributions and capital receipts emanating from the accommodation rationalisation programme.

The capital programme provides estimated investment in the county totaling £463.7 million over the life of the programme. This is made up of £44.0 million of new capital investment, and £419.7 million of existing capital schemes. The majority of spend is planned for Community and Infrastructure (£248.9 million) and Children and Families (£206.4 million).

Consultation Undertaken

In addition to the “Meeting the Challenge – Together We Can” consultation, further consultation will be undertaken between December 2014 and January 2015.

This will take place with the following groups:
- Key partners including Health, the Independent and Voluntary sectors and town and parish councils,
- The general public,
- 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 feed back their views to the Cabinet prior to the final budget being developed.

Following consultation, the MTFS, Council Strategy and supporting policy documents will be considered by Cabinet again on 4th February 2015, with the recommended budget being considered by the County Council on 18th February 2015.

Forward Draft Plans for the Revenue Budget in 2016/17 and 2017/18

The Council’s plans are set for the three years covering 2015/16 to 2017/18. The detailed draft budget for 2015/16 is set out within the draft MTFS, whilst the current draft forecast budgets for 2016/17 and 2017/18, are:

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>£403.5</td>
<td>£395.1</td>
</tr>
</tbody>
</table>
Outline financial proposals for 2016/17 and 2017/18 are shown in Annex 6 of the draft MTFS, however these require much further analysis due to a lack of information on government funding after 2015/16. Figures are not expected until after the General Election which will create a major element of uncertainty for later years.

9 Treasury Management

The proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 is set out in the draft MTFS. The Strategy takes account of the Code of Practice for Treasury Management in the Public Sector. It will be considered by the Audit and Governance Committee on 23rd January 2015 and any comments will be reported to Cabinet on 4th February 2015.

10 Reserves

Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate. During 2014/15 all reserves have been examined in detail.

A summary of the Council’s forecast reserves as at 31st March 2015, and movements since 31st March 2014 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31st March 2014</th>
<th>31st March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earmarked Reserves – Non Schools</td>
<td>£84,087</td>
<td>£77,752</td>
</tr>
<tr>
<td>Earmarked Reserves - Schools Related</td>
<td>£25,103</td>
<td>£25,103</td>
</tr>
<tr>
<td>General Fund Reserves</td>
<td>£19,848</td>
<td>£19,848</td>
</tr>
<tr>
<td>Total Capital Reserve</td>
<td>£54,653</td>
<td>£48,475</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>183,691</strong></td>
<td><strong>171,178</strong></td>
</tr>
</tbody>
</table>

As shown above, Non School Revenue Earmarked Reserves are forecast to fall from £84.087 million as at 31st March 2014, to £77.752 million as at 31st March 2015, a reduction of £6.335 million, equivalent to over 7% in one year.

General balances are anticipated to remain unchanged at a level of £19.848 million, assuming a balanced revenue outturn position for 2014-15. These equate to 4.63% of the 2014-15 net budget. If an over spend occurs in 2014/15 general fund balances are likely to reduce.

 Paragraphs 39 to 42 and Annex 5 of the draft MTFS, provide detail and commentary on the proposed and forecast reserve movements during the year.

As set out in these sections, changes in services and risks, particularly in relation to Children’s demand led services, have resulted in the need to amend some reserves and provide new reserves intended to mitigate against future risks.

It has been assumed that School Related Reserves will remain at the level of balances held at 31st
March 2014.

11 Risks

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

- Account has been taken of current spending trends and where known, costs have been built into the 2015/16 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.
- The highest risk areas continue to be demand led services, especially care for older and vulnerable people where demand is continually rising, looked after children, and Waste management.
- 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 budgets.
- 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 four 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.

On this basis, the Strategic Finance Director’s advice is that the level of reserves is adequate, and the financial standing of the Council is sound in the context of the key risks.

Next Steps

12. Following consultation and scrutiny the MTFS and detailed budget for 2015/16 will be reviewed by Cabinet on 4th February 2015 for recommendation to Council on 18th February 2015.