

## **Gloucestershire County Council**

### **Council Strategy and Medium Term Financial Strategy 2015/16 – 2017/18**

#### **Budget and Precept 2015/16**

#### **Report and Recommendations**

#### **A Introduction**

1. This report refers to the detailed MTFs attached, and should be read in conjunction with the Council Strategy, the Due Regard Statement and the Consultation reports which accompany it.

The Cabinet approved a draft 2015/16 budget for consultation at its meeting on 10<sup>th</sup> December 2014. The consultation budget was £415.04 million, based on the provisional settlement for 2015/16 received earlier in 2014, with council tax levels again being frozen.

Following the announcement of the draft financial settlement for 2015/16 on 18<sup>th</sup> December 2014, and notification of the tax base figures in January from the six District Councils, the final budget proposal for 2015/16, which Cabinet recommend to Council, is £420.03 million, £4.99 million higher than the consultation budget. This increase can be sub divided between the taxbase increase, which now provides additional on-going base budget funding of £2.85 million and the increase in the Collection Fund surplus of £2.49 million, offset by a slight reduction in formula funding and grant changes.

Details of the Council Strategy which outlines the Council's strategic policy direction, under which the budget proposal is formulated, together with the results of consultation on this policy direction is provided in sections E and F of this report.

#### **B Summary Budget Proposal 2015/16**

- 2 The recommended budget for 2015/16 is £420.03 million which represents a decrease in cash terms of £8.075 million or 1.89%. However the Council has suffered a £17.5 million reduction in central government formula grant funding, offset by increases in Council Tax base and surplus of £5.4 million. The rest of the offset relates to ring fenced Public Health Funding, which has increased by £3.1 million as a result of the transfer of responsibilities for 0-5 year olds, and other increases in non ring fenced grants of £0.9 million.
- 3 The two year Council Tax Freeze Grant covering 2014/15 and 2015/16 is no longer a separate grant, it has been rolled into Revenue Support Grant from 2015/16.
- 4 The budget for 2015/16 contains:
  - £16.57 million of investment into services, particularly those for older people and vulnerable children and adults
  - £3 million to cover for increased costs due to inflation.
  - Funding for £61.82 million of new capital investment in roads, schools and other services.

- £27.64 million of savings delivered under the first year of the “Meeting the Challenge 2 - Together We Can” programme which has been introduced following extensive consultation.

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

<b>Overall Budget</b>						
<b>Medium Term Financial Strategy 2015/16 Budget Summary</b>						
<b>Budget Area</b>	<b>2014/15 GCC Revised Base Budget</b>	<b>Cost Reductions</b>	<b>Commitments/ Cost Increases</b>	<b>Proposed 2015/16 Budget</b>	<b>Cash Increase / Decrease</b>	<b>Percentage Increase / Decrease</b>
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Programme Budget Areas</b>						
Adults	147,258	-11,050	7,505	143,713	-3,545	-2.41%
Public Health	21,793	0	3,141	24,934	3,141	14.41%
Children and Families	92,808	-2,191	3,644	94,261	1,453	1.57%
Communities and Infrastructure (Excluding Waste)	58,904	-3,902	2,180	57,182	-1,722	-2.92%
Waste	26,436	0	711	27,147	711	2.69%
<b>Other Budget Areas</b>						
Business Support	19,799	-1,994	282	18,087	-1,712	-8.65%
Technical and Cross Cutting	61,109	-8,506	2,105	54,708	-6,401	-10.47%
<b>Total GCC</b>	<b>428,107</b>	<b>-27,643</b>	<b>19,568</b>	<b>420,032</b>	<b>-8,075</b>	<b>-1.89%</b>

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

The budget proposal for 2015/16 should be considered in the context of the budget changes over the period 2011/12 to 2014/15. Over this period the Council delivered over £123 million of cost reductions, whilst at the same time protecting the Adult Care budget. This required significant cost reductions, particularly relating to the budgets for Children and Families, Business Support Services and Communities and Infrastructure.

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.

This 2015/16 budget is the first year of the three year “Meeting the Challenge 2 – Together We Can” programme covering the financial years 2015/16 to 2017/18. Over this period savings of around £75 million are forecast to be required to address year on year funding

reductions and fund unavoidable cost increases.

Full details of the commissioning intentions for each commissioning area moving forward are provided at Annex 1 within the detailed MTFS. 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).

## **C Changes between the 2015/16 budget issued for consultation and the final budget**

### **Revenue : Funding Changes 2015/16**

7 The Cabinet approved a draft 2015/16 budget for consultation at its meeting on 10<sup>th</sup> December 2014. The consultation budget was £415.04 million with council tax levels again being frozen.

The consultation budget was based on the provisional financial settlement for 2015/16, including non ring fenced grants and Public Health ring fenced funding, which indicated total grant levels of £185.3 million. It was also based on a forecast tax base increase of 0.5% and collection fund surplus of £1.5 million.

Following the release of the provisional financial settlement for 2015/16 on 18th December, and the notification of the tax base figures from the District Councils in January 2015, the final budget proposal for 2015/16 is £420.03 million, £4.99 million (1.20%) higher than the consultation budget, analysed as follows;

- A reduction in the grant received from the financial settlement for Formula Grant (from £136.6 million to £135.9 million), offset by slight increases in non ring fenced grants (from £23.9 million to £24.1 million) and ring fenced Public Health funding (from £24.8 million to £24.9 million), overall totalling a £0.35 million loss, from £185.27 million to £184.92 million.
- A tax base increase, which now provides additional on-going base budget funding of £2.85 million, up from £228.27 million to £231.12 million.
- An increase in the Collection Fund surplus of £2.49 million, up from £1.5 million to £3.99 million.

The net reduction in grant received under the financial settlement of £0.35 million, includes the notification that the Local Welfare Provision which was previously provided by a specific grant is now provided for within Revenue Support Grant, Given the overall net reduction in grant funding, if the Local Welfare Scheme is to continue it will need to be funded from the local tax base increase.

The tax base increases have been set by the District Councils and show an average increase of 1.75%, with a range of 0.93% to 2.47%. 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 previous years. Following the localisation of

Council Tax benefits and changes to the Council Tax exemptions system a large decrease in the tax base was experienced in 2013/14 followed by a large increase in 2014/15.

The forecast included within the draft budget was based on an expectation that they would normalise back to previous levels for 2015/16, however, largely due to increased house building and the changes resulting from the localisation of council tax benefits, the increase in the tax base in 2014/15 has continued into 2015/16.

The overall Council Tax Collection Fund surplus figure set by the District Councils is £3.99 million (individual Districts range between £0.293million and £1.103 million), which again is significantly higher than the £1.5 million forecast in the draft budget.

Districts indicate that there are two reasons for the increase in the tax base and Collection Fund surplus; there has been an increase in house building over the last 12 months and they are still dealing with the implications and associated assumptions of the localisation of Council Tax benefits.

To put the tax base increase of 1.75% and Collection Fund surplus of £3.99 million into context, in the last 14 years prior to 2014/15, the tax base has only increased marginally over 1% on three occasions, and has been less than 1% for the other 11 years. Similarly, the Collection Fund surplus has averaged £1.43 million over this 14 year period. Hence the increases in 2014/15 and 2015/16 of 1.66% and 1.75% re the tax base and £2.5m and £3.99m re the surplus are unprecedented. Informal conversations with other authorities indicate that this is also a position being experienced across the country.

In terms of the financial settlement, it was also confirmed that no further funding information is available for future years, and nothing will be released until after the General Election in May 2015.

#### **Revenue: Spending Changes 2015/16:**

8 It is proposed that the additional available budget of £4.99 million is used as follows:

#### **National Pay Awards (additional funding of £0.451 million: on-going)**

The draft budget proposal provided for forecast pay increases based on a 1% pay award.

However, the Council has been informed by the National Joint Council (NJC) (Green Book) for Local Government Services that agreement has now been reached on rates of pay applicable from 1st January 2015. The pay agreement applies a 2.20% award to any staff attached to NJC 'spinal column points' (scp) 11-49. Higher percentage awards have been made to scp 5-10. The agreement is for the period 1st April 2014 – 31st March 2016.

Employees in receipt of the Gloucestershire County Council Living Wage Supplement (LWS) will not receive any additional pay as, although contractual pay for scp 5-10 will increase, their actual pay with the LWS is already higher than the revised pay scales.

The agreement also provides for a non-consolidated lump sum payment (based on current remuneration as at 1st December 2014) to be paid through December payroll. For staff

whose salary is equivalent to the Gloucestershire County Council Living Wage Supplement (£14,760) and above this will be £100.

In addition, the Council understands that the National Joint Council Employers offer for Chief Officers pay negotiations of 2% payable from 1st January 2015 to 31st March 2016 has now been agreed.

All Council staff attached to executive reward bands up to £99,999 FTE gross salary will receive this award.

It has been calculated that there will be an additional cost to the Council of £0.451 million above the 1% included within the agreed 2014/15 budget and 2015/16 budget proposal. (Assuming acceptance of the Chief Officer offer currently under consideration)

The additional funding to cover this cost is now included within this final budget proposal to fund the nationally agreed awards.

### **Local Welfare Scheme (£0.750 million: on-going)**

This funding will allow the continuation of the Gloucestershire Local Welfare scheme, which provides one-off practical support or other forms of assistance. There is an emphasis on the use of non-cash scheme, recycled goods and food deliveries.

The scheme provides for:

- People moving into or remaining in the community (for example moving out of residential or institutional care to live independently, people being resettled , and people who need help to stay in their own home and not go into residential care or hospital).
- Families and vulnerable individuals facing exceptional pressure

Support agencies have told us the scheme is straight forward and easy to access providing appropriate support to the right people quickly.

A Welfare award is made where it will have a substantial and immediate effect in resolving or improving an applicant's circumstances and is appropriate for the applicant's circumstances.

### **Home to School Transport (£0.105 million: on-going)**

The separate grant for extended rights for Free Home to School Transport received in 2014/15 was assumed to be permanent and available on an on-going basis to fund the costs in this area. Now it has been reduced by £0.105 million these costs need to be met from within the core budget and hence additional funding is required.

### **Public Health (£0.159 million:- on going)**

Allocations for 0-5 year olds public health funding have been confirmed and are slightly higher than forecast in the consultation budget. As this funding is ring fenced it needs to be to increase the Public Health budget.

### **Safeguarding Pressures Children's (£0.650 million: one-off)**

In common with many other local authorities, the council is managing a number of pressures related to safeguarding which continue to create budgetary challenges.

This includes the need to continually raise the quality of practice, introduce a single assessment process and improve the recruitment and retention of social workers. There is also a need to enhance quality assurance processes and continue to ensure the council is well prepared for Ofsted inspection. The budget already includes proposals to invest in coordination of child sexual exploitation and there is a need to ensure that there is also capacity to respond to the need for historical investigations.

It is therefore proposed to invest in further development of the social care ICT system to ensure changes to the social care assessment process can be successfully introduced. A new recruitment and retention strategy is being put in place to address high turnover rates in some front line social work teams, additional investment is proposed to support additional social work trainees, enhance professional development opportunities and implement any other recommendations agreed following the proposed Scrutiny Task group on this issue. Additional capacity was put in place in 2014/15 to assist in inspection preparation and quality assurance. It is proposed to continue this for 2015/16 as the council has not yet been inspected.

Consideration has also been given to our capacity to respond to allegations of historic abuse and the need to ensure that staff are sufficiently trained in this area. There is also a need to manage the extensive archive and ensure case records are managed according to current guidance. It is therefore proposed to fund some additional capacity to undertake a review of the current archive and identify any necessary steps that could improve access.

### **Creation of an Adult Care Reserve (£1 million: one-off)**

Given the concerns about the budget over spend in 2014/15, the volatility in demand, and the impact of actions taken by partner organisations across the health and social care economy, it would be prudent to create a reserve to mitigate the risk of Adult over spend on other council budgets.

### **Learning Disabilities employment (£0.30 million for 2 years)**

Following a successful test and learn exercise, this proposed two year investment will enable a small high quality supported employment service to be set up to find paid employment for a minimum of 120 disabled people over the next two year period. This is in accordance with the "Building Better Lives" policy and will not only transform the lives of the disabled people who are placed in paid employment, it will also generate savings by reducing demand on Council run services.

### **A417 / Missing Link (£1 million: one-off)**

The Council has publicly committed a sum of £4m towards the implementation of the 'Brown Route'. The Council will need to support the Highways Agency in undertaking the considerable amount of preparatory work on the scheme to get it ready for planning permission. Therefore an estimated £1 million of Council funding will need to be made available in 2015/16.

### **Additional Debt Redemption (£0.58 million: one-off)**

In line with the policy of debt redemption, the balance of £0.58 million is being 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 in the MTFs and are built into the detailed budgets at Annex 3 in the MTFs.

### **Capital Funding Changes 2015/16**

9 The 2015/16 budget issued for consultation contained £44.03 million for new investment in capital schemes financed from grants, revenue contribution to capital and capital receipts,

Since the consultation a further funding announcement relating to the Highways Block Maintenance Grant has been received confirming increases in grant levels, over and above those already announced, of £3.881 million for 2015/16. This means that the Highways Maintenance Grant will be £17.833 million for 2015/16.

The 2015/16 budget issued for consultation included an estimated £0.575 million for Fire Service capital grant in 2015/16. The capital grant allocation process for 2015/16 has now been revised whereby general allocations are no-longer made, with all allocations now based on specific projects bids incorporated through a scheme known as a "Transformation Fund". The Fire Service is currently considering a number of bids for submission, which will be considered by members at the appropriate time. The estimated Fire Service grant allocations for 2015/16 has therefore been removed from the Capital Programme. Any subsequent grant allocation for 2015/16 will result in an increase in the Capital Programme.

These announcements, plus additional infrastructure revenue contributions (£0.81 million), school contributions (£0.44 million), developer contributions (£0.44 million) and internal borrowing for a proposed "invest to save" Renewable Energy Scheme (£12.79 million, subject to further detailed analysis and approvals), have increased the amount of new investment in the 2015/16 budget by 17.79 million to £61.82 million.

The additional funding for new 2015/16 capital schemes of £17.79 million is detailed in the table below.

<b>Additional Funding for New Capital Schemes 2015/16</b>	
	<b>£'000</b>
<b>Grant</b>	
Infrastructure – Highways Block Maintenance Grant	3,881
Fire - grant reduction	-575
<b>Total Additional Grant 2015/16</b>	<b>3,306</b>
<b>Revenue Contributions – Infrastructure</b>	<b>810</b>
<b>School Contributions (estimate)</b>	<b>440</b>
<b>Developer Contributions – schools</b>	<b>436</b>
<b>Internal Borrowing – Renewable Energy Scheme (subject to further evaluation)</b>	<b>12,795</b>
<b>Total New Capital 2015/16</b>	<b>17,787</b>

## Capital : Spending Changes 2015/16

The additional grants and contributions mean that the 2015/16 Capital Programme can include a number of service priority schemes not previously included in the budget issued for consultation. These additions are reflected in section D and Annex 8 of the MTFS.

The additional budget for new 2015/16 capital schemes of £17.79 million is detailed in the table below.

<b>Increase in New Capital Schemes 2015/16</b>	<b>£'000</b>
<i>Children and Families</i>	
Capital Maintenance Programme (estimate)	280
Suitability Programme (estimate)	160
Calton Primary, expand by 1FE	36
Winchcombe Primary, expand to 1FE	400
<i>Infrastructure</i>	
Additional Highways Block Grant 15/16	3,881
Drainage Arising Processing Site	100
Flood Alleviation - various schemes	710
Fire -grant reduction	-575
Renewable Energy Scheme (subject to further evaluation)	12,795
<b>Increase in Total New Capital 2015/16</b>	<b>17,787</b>

### ***Renewable Energy Generation Scheme***

Consideration is still being given to a Renewable Energy Scheme under which the Council would finance the design, build and operation of medium-scale ground-mounted solar Photovoltaic (PV) generation facilities on a number of sites. Electricity generated by this project is equivalent to the annual electricity consumption of around 2,100 average Gloucestershire homes.

The proposed Renewable Energy Scheme requires a total investment of £12.79 million (£6.42 million in 2015/16, £5.90 million in 2017/18, and £0.47 million beyond 2017/18). Included within this amount is £1.0 million of development costs, which will be required to develop the procurement framework and take identified sites through the planning permission process. These development costs can be capitalised for successful planning applications, which has been assumed in the financial business case. However in the event that any facilities do not proceed to completion due to planning issues, their development costs will need to be considered as revenue costs and met from a revenue budget. If this proves to be the case these revenue costs will be met from the Transformation Reserve.

The scheme is still the subject of further detailed evaluation and therefore a report is expected back to Cabinet following full consultation with relevant shadows members.

Since this scheme is not supported by grants or contributions, if it goes ahead, it is



proposed to finance this scheme through £12.79 million of internal borrowing.

## D Overall Capital Programme

The full capital programme is set out in section D and Annex 8 of the MTFS.

The Capital Programme increases outlined in section C above, together with 2014/15 changes agreed by Cabinet since publication of the draft budget (£1.54 million reflecting additional grant funding and developer and revenue contributions), removal of previous year completed schemes (£1.49 million), and minor additional revenue and developer contributions for existing schemes (£0.3 million), gives a Capital Programme for the Council totalling £484.92 million. The main investment is on Communities and Infrastructure (£268.71 million) and Schools and facilities for children (£207.80 million), with the remainder being in Adults (£8.41 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 2015/16 is largely "capped" at the level of developer contributions and capital grants received, although internal borrowing is likely to be utilised if the "invest to save" renewable energy scheme referred to in section C goes ahead.

Other priority schemes not supported by grants or contributions, which are detailed in the MTFS, have been included within the new Capital Programme on the basis that they will be funded from capital receipts, thereby avoiding the need for new borrowing. These new schemes for 2015/16 not supported by grants or contributions amount to £11.08 million.

Currently forecast capital spend for 2015/16 is £113.83 million, with the majority of spend planned for schools and facilities for children (£40.27 million) and Communities and Infrastructure (£70.02 million).

The amount now included in the 2015/16 budget for new capital schemes is £61.82 million, as set out below.

<b>Total New Capital Funding 2015/16</b>	
	<b>£'000</b>
<b>Grant</b>	
Children and Families - Basic Need Grant (announced)	9,075
Children and Families – Capital Maintenance Grant (estimate)	6,485
Infrastructure – Highways Block Maintenance Grant (Announced)	17,833
Infrastructure – Integrated Transport Block Grant	2,861
<b>Total Grant</b>	<b>36,254</b>
<b>Capital Receipts – Infrastructure</b>	<b>11,081</b>
<b>Revenue Contributions – infrastructure (Estimate)</b>	<b>810</b>
<b>School Contributions (Estimate)</b>	<b>440</b>
<b>Developer Contributions – schools (Estimate)</b>	<b>436</b>
<b>Internal Borrowing – Renewable Energy Scheme</b>	<b>12,795</b>
<b>Total New Capital 2015/16</b>	<b>61,816</b>

The £61.82 million for new 2015/16 capital schemes and other changes to the Capital Programme result in a total Capital Programme of £484.92 million, as detailed in the table below.

<b>Total Capital Programme</b>	
	<b>£'000</b>
<i>Existing Approval</i>	419,672
<b>New Capital Schemes 2015/16</b>	61,816
<b>Increase to 2016/17 and Future Years Capital Schemes</b>	
Additional Highways Block Grant 16/17	2,397
Additional Highways Block Grant 17/18	1,902
Fire grant reduction	-1,150
<b>Amendments to Previous Year Schemes</b>	
C&I - Routine Maintenance	1,195
Bowbridge Stroud	200
Concrete Column Replacement	144
Closure of Completed Schemes	-1,494
Minor changes to a range of schemes	233
<b>Total Capital Programme</b>	<b>484,915</b>

## **E Council Strategy**

10 The Council Strategy, which is summarised in Section E of the MTFs and accompanies the MTFs, is recommended for approval by Cabinet for submission to County Council.

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.

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 ways, 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 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.

The strategy will be supported by a series of draft policy statements that set out our proposals for specific areas in more detail. These cover:

- Active Individuals
- Active Communities
- Children, Young People and Families
- Growing Older
- Gloucestershire Fire & Rescue Service Integrated Risk Management Plan
- Building Better Lives (agreed by Cabinet earlier in the year)

These policies provide more detail about the Council's strategic direction and will be brought back to Cabinet in April.

## **F Consultation**

11 Details of consultation undertaken are set out in Section F of the MTFS and in a consultation report which accompanies this MTFS.

In June 2014 and July 2014 we carried out a public consultation to test whether people support our ideas as set out in the Council Strategy

This consultation set out our proposed new approach to meeting people's needs based on:

- Active individuals
- Active communities
- Getting people back to independence
- Being there when we're needed most.

2,790 people took part in this consultation. The full consultation report is published on the Council website – [www.gloucestershire.gov.uk/togetherwecan](http://www.gloucestershire.gov.uk/togetherwecan). The response was overwhelmingly positive about our proposals and provided us with a strong mandate for change.

We have used this mandate to continue to develop our ideas and to begin to apply our thinking to specific Council activities and services.

We have also taken account of the concerns and notes of caution that some people raised, for example, by making it clear that we will preserve telephone and face to face contact for those who really need it, and by committing to exploring a range of options when considering disposing of Council buildings.

Following on from this, formal budget and strategy consultation took place between 10 December 2015 to 14 January 2016, 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
- Scrutiny Committees and the Overview and Scrutiny Management Committee.

The final report from the OSMC will be submitted to the 4th February 2015 Cabinet.

There were a further 206 responses from the general public to the budget consultation, plus 95 partners, voluntary sector and workforce representatives took part in workshops.

There was strong endorsement of the Council's draft strategy and the six key themes within it.

Over 80% of all respondents to the public consultation said that we should focus on the actions under each of the themes set out in the draft council strategy.

The top three areas where people felt we should also focus our budget and resources were:

- Investing more in road infrastructure and maintenance
- Improving public transport
- Supporting for the most vulnerable: including carers, the homeless and young people.

In relation to Road maintenance, infrastructure and congestion, in 2015/16 the Council has secured £17.83 million of funding for Structural Maintenance, up from £15.39 million in 2014/15. In addition there will be £2.86 million of integrated transport funding in 2015/16.

This sits alongside the £40 million secured for 11 key transport infrastructure projects through the Growth Deal signed with Government that will be delivered up to 2020/21. The County Council has also secured / lobbied for one-off funding for a number of other congestion reducing projects that were completed in 2015/16, including the upgrade of Walls / C&G Roundabouts (£3.1 million) and the re-dualling of the Swindon – Kemble rail line (£45 million). The Council continues to look for improvements to the A419/missing link.

In relation to public transport, over 90% of bus trips in Gloucestershire are made on services which receive no public subsidy. Our approach to public transport recognises the importance of maintaining a viable commercial bus network and investing in community transport, especially in rural areas. In our draft budget we propose to invest nearly £10million in public transport, including the national concessionary travel scheme. We will need to keep our subsidised network under review, making efficiencies by applying the principles agreed at the Meeting the Challenge bus review public consultation. We will also encourage commercial bus operators to engage more effectively with communities before they make changes.

Our aim is to enable communities to have access to essential services so we will work to minimise changes which could disadvantage vulnerable people and those at risk of isolation.

In relation to supporting carers, GCC/ GCCG has commissioned all-age countywide services for carers on a three year contract basis. The contracts comprise: Carers Assessment and Support Planning (£0.7m pa), Information, Advice & Guidance (£0.4m pa), Emotional Support (£0.2m pa), Carers Breaks (£0.950m pa) and Carers Voice (£0.05m pa) The suite of commissioned carer support contains many preventive services which can be accessed without a carers' assessment to ensure that carers get easy access to support they told us was helpful.

These services are provided by Carers Gloucestershire with Gloucestershire Young Cares and Guideposts with Crossroads care. Carers Gloucestershire administer and flexible budgets programme which enables carers to access small one off amounts to choose support that may help them in their caring role.

The Positive Caring Programme (a short course, learning and support for carers) is a GCC service which is being tendered out on a 3 year contract with the option to extend for a further year.

In addition, there are 6 specific carer services which are targeted specific ethnic minority communities which are funded through a grants programmes with local organisations which support these communities.

Overall, total carers funding per annum is £2.791 million.

Finally, 53 % of feedback received from the general public under the final stage of consultation said that we should accept the government funding and freeze council tax. For the fifth year running the budget proposal for 2015/16 includes freezing Council Tax levels.

## **G Schools Funding**

12 The proposed DSG allocations for 2015/16, as recommended to the Schools Forum, are set out in Section J and Annex 4 of the MTFS.

A draft 2015/16 schools formula was agreed by Cabinet on 22<sup>nd</sup> October 2014 and details were included in the draft 2015/16 consultation budget published in December 2014. The MTFS now shows the final version of the 2015/16 schools formula, which includes an update to take account of the revised data set (based on the October 2014 school census) issued by the DfE on 12<sup>th</sup> December 2014.

The other main changes since the consultation budget are:

- Confirmation that Gloucestershire's share of the additional £390 million allocated to the DSG of poorly funded authorities is £12.3 million (£12.2 million in at draft stage). £3.4 million added to the DSG for the net increase in pupil numbers.
- An additional £0.5 million has been added to the DSG for high needs top up funding, which is from a share of national high needs headroom held by the DfE and allocated based on the age 2 to 19 population estimates.
- £0.4 million added to the DSG for the new early years' pupil premium.

- The 2015/16 DSG was confirmed by the DfE on 17<sup>th</sup> December 2014 at £404.5 million, but does not yet include the funding for 2 year olds which will be announced in June 2015.

## H 2014/15 Current Financial Position

- 15 The current outturn forecast for 2014/15, based on December 2014 forecasts, is an overall forecast overspend of £0.71 million. Full details of this forecast are provided in a separate monitoring report to 4<sup>th</sup> February 2015 Cabinet.

## I Treasury Management and Prudential Indicators

- 16 The Treasury Management Strategy Statement and Annual Investment Strategy (AIS) are shown in Section R and Annex 10 in the MTFS.

Annex 10 provides details of:

- Treasury Management Strategy for 2015/16, including borrowing, debt rescheduling, and investments.
- Prudential Indicators.
- Minimum Revenue Provision (MRP) Statement.
- Specified and Non Specified Investment for use by the Council.

## J Future Years Forecast Budgets

- 17 The Council's financial forecasts for 2016/17 and 2017/18 are set out in section Q of the MTFS.

- 18 Outline financial proposals for 2016/17 and 2017/18 are shown in Annex 7 of the MTFS, however these require further analysis due to the lack of government funding information post 2015/16. Further announcements regarding future years funding are not expected until after the General Election which will create a major element of uncertainty for later years.

## K Reserves and Risk

- 19 Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate.

- 20 A summary of the Council's forecast reserves as at 31<sup>st</sup> March 2015, and movements since 31<sup>st</sup> March 2014 are as follows:

	<b>31<sup>st</sup> March 2014 £000</b>	<b>31<sup>st</sup> March 2015 £000</b>
Earmarked Revenue Reserves – Non Schools	84,087	78,360
Earmarked Reserves - Schools Related	25,103	25,103
General Fund Reserves	19,848	19,848
Total Capital Reserve	54,653	48,475
<b>Total Reserves</b>	<b>183,691</b>	<b>171,786</b>

Non School Revenue Earmarked Reserves are forecast to fall from £84.087 million as at 31<sup>st</sup> March 2014, to £78.360 million as at 31<sup>st</sup> March 2015, a reduction of £5.727 million. Each earmarked reserve has a set of commitments against it, which justifies the level of reserve required to mitigate risks and liabilities the Council faces. A detailed explanation of the reserves is shown in Annex 6 within the MTFs. In addition to the earmarked reserves set out in this annex, under the budget proposals for 2015/16 it is proposed to establish an Adult Care Reserve of £1 million to help mitigate against the future budget volatility.

General Fund balances will reduce if there is a revenue overspend position in 2014/15 as currently forecast. These currently equate to 4.47% of the 2014/15 net budget, i.e. within the target range of between 4% and 6% of the net budget.

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

21 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 considered in preparing the budget and taken into account, particularly 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.
- 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.
- 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.
- On the 6<sup>th</sup> January 2015 the Secretary of State allowed the appeal against the refusal for an Energy from Waste plant at Javelin Park. The project, its risks and the impact on the council's finances continue to be kept under constant review. The project estimates savings to GCC of around £150 million over the 25 year operational period of the concession. However in the event the project does not proceed the council is liable for contract termination costs and further costs associated with finding an alternative to landfill.
- The existing Children's reserve and proposed Adults reserve provide some mitigation against volatility and a small degree of resilience against year to year fluctuations in these high risk budget areas.
- 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.

## **L Risk Management Strategy**

It has always been important for organisations to identify and manage their risks. Identifying risks enables the Council to effectively manage strategic decision making, service planning and delivery to safeguard the wellbeing of its stakeholders and increases the likelihood of achieving its outcomes. Taking into account the overall future strategic direction of the Council, its structure and its services, it is now deemed an appropriate time to refresh and reaffirm our Risk Management Policy Statement and Strategy, to ensure that the Council's risk and assurance framework continues to build on our existing successes which reflects national good practice and standards. This should enable the Council to effectively manage the potential opportunities and threats, thus improving service delivery to our communities.

Annex 9 of the MTFS details the updated Risk Management Policy Statement and Strategy for 2015 – 2016, which aligns with the Council's Medium Term Financial Strategy (MTFS). The aims of this strategy are to support the challenges that the Council may face, allowing it to react dynamically to changing external circumstances by enabling the Council to handle risk effectively and deliver successful outcomes.

## **M Public Sector Equality Duty**

22 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 18<sup>th</sup> February as they are the decision-makers for the Council's budget.

## **N Conclusion**

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

### **RECOMMEND TO COUNCIL**

- 1 That the Council Strategy 2015-2018 is approved by Council.
- 2 That, having considered the additional consultation responses and the Public Sector Equality Duty Assessment, approval is given to the MTFS and the revenue and capital budgets for 2015/16, council tax for each valuation band, and to issue precepts on each district collection fund as set out below:



Gloucestershire County Council 2015/16 Budget:

	<b>£000</b>
<b>Original 2014/15 Budget</b>	<b>428,107</b>
Inflation	3,001
Cost and spending increases	16,567
Cost Reductions	<u>-27,643</u>
<b>Total</b>	<b>420,032</b>
Less:	
Formula Grant	135,895
Council Tax Freeze Grant 2014/15	2,527
Public Health Grant	24,934
NHS Funding	11,596
New Homes Bonus (incl. NHB Topslice Grant)	3,676
Education Single Grant	4,067
Education Statutory Responsibility Grant	1,265
Other Non Ring Fenced Grants	961
Collection Fund Surplus	3,995
 Total to be precepted (Council Tax Requirement)	 231,116

	<b>Taxbase Total</b>	<b>Total Precept £</b>
Cheltenham	39,787.10	43,387,833
Cotswold	37,250.50	40,621,670
Forest of Dean	26,995.56	29,438,658
Gloucester City	35,439.70	38,646,992
Stroud	41,428.97	45,178,292
Tewkesbury	31,034.04	33,842,621
<b>Total</b>		<b>231,116,066</b>

- 3 a) That approval is given to the Capital programme set out in Annex 8 of the MTFS, and delegated authority is given to the Strategic Finance Director to vary allocations between individual schemes in consultation with the Deputy Leader and Cabinet Member for Finance and Change.
- b) That approval is given to the Operational Boundary and Authorised Limits of borrowing, as set out in the Treasury Management Strategy, at Annex 10 in the MTFS as follows:

Operational Boundary for External Debt	2014/15	2015/16	2016/17	2017/18
	Approved	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<b>Total</b>	<b>495.000</b>	<b>352.000</b>	<b>324.000</b>	<b>307.000</b>

- c) Noting that the authorised limit for 2015/16 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003

- d) That the approval is given to the Prudential Indicators for Treasury Management set out in Annex 9 of the MTFS for
  - (i) Upper limit of fixed interest rate exposure of £291 million of net outstanding principal sums
  - (ii) Upper limit of variable rate exposure of zero of net outstanding principal sums
  - (iii) the maturity structure of borrowings as set out in Annex 10
  - (iv) the upper limit for principal sums invested for more than 364 days of £100 million
  
- e) That approval is given to the Risk Management Strategy set out in Annex 9 and the Treasury Management Strategy set out in Annex 10 of the MTFS.