

Gloucestershire County Council

Medium Term Financial Strategy

2018/19 to 2020/21

Budget 2018 /19

A Context

- 1 This draft Medium Term Financial Strategy (MTFS) is presented as the basis for consultation and scrutiny, prior to final Cabinet approval on 31st January 2018, and recommendation to County Council on 14th February 2018. It has been prepared using best estimates from available data, which will be updated when the provisional financial settlement is received in mid December 2017. These amendments will be incorporated into the final budget submitted to Cabinet in January 2018 and County Council in February 2018.
- 2 The MTFS contains the proposed budget for 2018/19. The budget totals £407.16 million and is based on a 1.99% Council Tax increase. In addition, there is the continuation of the 'Adult Social Care precept' allowing upper-tier authorities to increase council tax levels by up to 2% specifically to fund Adult Social Care. This 2% levy raises an additional estimated £5.42 million for Adult Social Care services.
- 3 The draft MTFS should be considered in the context of the Council Strategy, which sets out our approach to meeting people's needs.
- 4 The Council Strategy summarises these high level plans and is supported by a series of policy statements that set out our proposals for specific areas in more detail.
- 5 In the context of the Council Strategy, commissioning intentions for each commissioning area 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).

B Council Strategy 2018/19

- 6 The Council Strategy is the key high-level document that, along with the MTFs, sets the Council's strategic policy direction. It is approved each year by the Council, alongside the MTFs and sets out the vision and values that will guide the Council, the priorities for addressing the challenges and opportunities we face, and how we will demonstrate progress in delivering those priorities.
- 7 The priorities set out in the strategy are:
- Protecting the most vulnerable people in our county
 - Building sustainable communities
 - Investing in vital services and infrastructure
 - Growing our economy
 - Creating a council fit for the future

C Other Consultation

- 8 Following the publication of the budget proposals, a consultation will be launched between 14th December 2017 and 17th January 2018. Stakeholders will be asked to give us their views on our overall priorities, council tax levels (including the National Adult Social Care levy) and the Council's draft budget.

This will take place with the following groups:

- All Gloucestershire residents,
 - Key partners including Health, the Independent and Voluntary sectors and town and parish councils,
 - Trade Unions and professional associations,
 - Staff, via the usual communication channels,
 - Gloucestershire businesses,
 - Schools, via the schools forum, open meetings and Head Teacher groups
- 9 The Overview and Scrutiny Management Committee have also agreed that they will carry out their budget scrutiny process in January 2018. The Scrutiny meeting has been arranged for 10th January 2018, and will include briefings from Directors and Cabinet Representatives.
- Following this meeting the Scrutiny Management and Overview Committee will feed back their views to the Cabinet prior to the final budget being developed.
- 10 Following consultation, the MTFs, Council Strategy and supporting policy documents will be considered by Cabinet again on 31st January 2018, with the recommended budget being considered by the County Council on 14th February 2018.

D Finance Settlement and Funding Assumptions

- 11 The funding environment for local authorities is increasingly complex. Cuts in government grant have been a feature of the settlement, and indications are that these are set to continue to the end of the current Spending Review (CSR) in 2019/20. In 2016/17 central government made an offer to local authorities, which included details of the settlement for four years (over the CSR period), instead of just one year. This increased the certainty of the main funding streams and the allocations. The Council accepted this offer as a minimum funding offer, signing up to the four-year deal. The budget for 2018/19 has been based on the figures the Council signed up to, which were honoured in the 2017/18 settlement in February 2017 and expected in the 2018/19 settlement. The provisional 2018/19 settlement is expected in mid December 2017, with the final settlement expected in February 2018.

Financial Settlement

- 12 The Council receives its funding through a number of sources; government grant, business rates retention income, council tax and charging for some of its services through fees and charges.
- 13 The main un-ringfenced grants received from central government that form the settlement are Revenue Support Grant (RSG) and Business Rate Top Up Grant, (which is part of the Business Rates Retention Scheme funding (BRR)). The BRR Scheme was introduced from 2013/14. The Scheme allows the Council to retain some of the business rates raised locally. The business rate yield is divided equally between central and local government. The Council's share of the locally retained element is 20%. The Top Up grant is received in order to protect upper tier services.
- 14 Under the latest proposals, by the end of the CSR period in 2019/20, RSG will have reduced by 84%, whilst Top Up grant remains relatively stable increasing in line with CPI, the Council's share of business rate yield is forecast to rise in line with CPI.

Other Funding Streams

- 15 In addition to the main un-ringfenced grants received, the Council also receives a number of other grants, which central government include in their presentation of Core Spending Power of local authorities. These include:
- **Public Health Grant**
Public Health funding is expected to reduce by 3.9% in real terms to 2019/20 and following an announcement in March 2017, ring fencing was extended into 2018/19. The Council has forecast a reduction of around 2.5% for 2018/19.
 - **Improved Better Care Fund**
The CSR announced an additional £1.5 billion for Adult Social Care by 2019/20 through the Improved Better Care Fund. From 2018/19 the Council will receive £6.8 million, which forms part of the overall budget of the Council for 2018/19. The Council continues to work closely with Health partners to facilitate more integrated working between health and social care.

- New Homes Bonus (NHB)
The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provided match funding for each new property, originally for six years, but now reduced to four years plus a bonus for each affordable home. The Council's allocation of grant reduced by around 10% in 2017/18, and expectations are that it will reduce by a further 27% to £3 million for 2018/19.
- 16 Well over half of the Council's funding now comes from Council Tax. The general Council Tax referendum limit for local authorities remains at 4%, including the Adult Social Care levy as last year. The budget for 2018/19 proposes to raise council tax by 1.99%, which generates estimated income of £5.17 million and the Adult Social Care Levy of 2% which generates an estimated £5.19m (both these amounts are calculated excluding the impact of any increase in the taxbase). Both these measures help to mitigate the impact of the reduction in government grants outlined above and fund pressures on council services.
 - 17 Following dialogue with the district councils additional funding has been built into the base budget for an estimated 1.5% increase in the tax base for the county. Once this is added to the taxbase the revenue gained by a proposed tax increase outlined above rises. The Council gains £5.42 million from the ASC levy, (£5.19 million tax 2% increase plus £0.24 million taxbase uplift), and £9.22m from the general council tax increase (£5.17 million 1.99% council tax increase plus £4.05 million taxbase uplift). An estimated surplus of over £3 million on the Collection Fund is also assumed. District councils will be confirming all these figures by the 31st January 2018 deadline before the budget is approved by Council in February 2018.
 - 18 Alongside the settlement there are other significant changes that impact on local government, that are affecting the financial forecasts for the Council. This includes the proposed move to 100% BRR, Business Rate Pilot application and the Fair Funding Review.

100% BRR and Business Rate Pilots

- 19 The Local Government Finance Bill was published on 13th January 2017. Its main purpose was to put in place the framework for 100% BRR. However, with the General Election in June 2017 this Bill was withdrawn, and was not mentioned in any subsequent publications.

Then on the 1st September 2017 the Department for Communities and Local Government (DCLG) published an "Invitation to local authorities to pilot 100% business rates retention in 2018/19 and to pioneer new pooling and tier-split models," with a deadline of 27th October 2017. Extensive modelling work was undertaken by the council and the six district councils supported by an external consultant which reviewed the risks and benefits and resulted in a bid to DCLG. In the event the bid is successful it could result in a one off financial benefit in 2018/19 for all seven councils. Further detail is available in the November Budget Monitoring report, which authorised the Director: Strategic Finance, in consultation with the Deputy Leader and Cabinet Member for Finance and Change, to commit Gloucestershire County Council to entering into the pilot for 100% Business Rates Retention in 2018/2019 for Gloucestershire in the event the bid to DCLG is successful.

- 20 DCLG are expected to announce successful pilots in December 2017 alongside the provisional financial settlement announcements. If Gloucestershire bid is unsuccessful, the existing Gloucestershire Business Rates Pool would continue in 2018/19 (excluding Tewkesbury).

The Gloucestershire Pool

- 21 The Council entered into a pooling agreement with all six district councils in the county in 2013/14. The reason for this was to retain a larger proportion of additional business rate income within the county, as a result of paying a lower levy on growth, above the baseline, to central government to support council services and economic growth.
- 22 In the first year of operation, 2013/14, the Pool reported a surplus, however in 2014/15 the Pool suffered a loss due to the impact of backdated appeals on rateable values and, in particular, the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. An improved position was reported in 2015/16 and 2016/17 with the Pool once again in a surplus. Latest modelling forecasts a surplus for 2017/18.
- 23 Due to on-going issues and concerns around the appeals issue with Virgin Media, the Pool reformed from 2016/17 to exclude Tewkesbury Borough Council, thus reducing the risk of a deficit occurring. As mentioned earlier if the 100% BRR bid to DCLG is unsuccessful, the current arrangement for the Pool will continue into 2018/19, excluding Tewkesbury.

Fair Funding Review

- 24 The National Fair Funding Review is reviewing the underlying needs formula and distribution methodology used for assessing need and allocating funding to Local Government because the formula has not been reviewed since 2013. DCLG are looking for a formula based model with common cost drivers such as population, sparsity and deprivation, which are relevant, objective, distinct, stable and future proof. Originally, the review was expected to be completed in time to implement the new approach by 2019/20 however it is now not expected to be implemented until 2020/21.
- 25 A consultation paper is expected imminently, and the Council will review and feed back as necessary on this. Of particular importance will be “transition” (or damping) arrangements that are put in place, so that authorities can develop financial plans with some knowledge of the potential “worst-case” scenario. The design of this “transition” is going to be crucial, as well as the amount and timing of transition allowed.

E Revenue Budget Proposal 2018/19

26 The proposed revenue budget for 2018/19 totals £407.16 million, a net reduction of £0.54 million from 2017/18 – this is made up of £28.72 million of investment in services offset by £29.26 million of savings and efficiencies.

27 In addition to the permanent investments within the 2018/19 budget proposals also include a number of one-off investments funded from the Transformation Reserve. The one-off proposals are

- **£1.59 million - Growing Our Communities Fund**

Building on the success of the three grant programmes; Active Together, Healthy Together and the Children’s Activity Fund this proposal takes the learning from the running of these three programmes from 2014 – 2017. The evaluation and feedback from stakeholders revealed the following benefits of a small grants programme:

It helped to foster good relationships and mutual trust between GCC and the VCS. Members were pivotal to the success of the programme by adopting a light touch approach. The Council has built many positive relationships with local charities and social enterprises who appreciated the flexibility the grants gave them to help meet local needs without too many strings attached.

The grants have encouraged and inspired the development of local solutions. Small grants can lever in additional funding and help to grow volunteer capacity thus increasing community resilience. Many projects harnessed existing skills and knowledge within the community to deliver their outcomes.

Recognising that these programmes will finish at the end of 2017/18 the MTFS proposes a Growing our Communities Fund 2018 – 2021, which is a member led communities grant programme. The purpose of the fund is to launch a grants programme that invests in Active Communities by supporting projects and activities that will make a positive difference to local communities. This light touch support to community initiatives would aim to:

- contribute to identifying and reduce social isolation;
- develop self supporting community hubs;
- support digital/virtual support networks
- promote healthy lifestyles
- Support safer neighbourhoods

The proposed £1.590 million reflects a sum of £30,000 being available to each councillor over a three year period (2018/19 to 2020/21) to fund community based investments as described above.

- **£0.53 million - Lengthsman Scheme**

Following the success of the Lengthsman scheme and additional one off funding in 2017/18, the MTFS proposes an additional one off £0.53 million in 2018/19 to continue the scheme after which it will become incorporated into the new Highways contract.

- **£2.74 million - A417 Reserve**

Given the Cabinet's commitment to the £4 million support to the A417 highways safety improvement work, a further £2.74 million is proposed to be added to the A417 Reserve to create the total funding commitment of £4.0 million.

28 A summary of this draft budget is provided below. This excludes the proposed one off investments to be funded from Reserves.

Overall Budget									
MTFS 2018/19 Budget Summary									
Budget Area	Approved 2017-18 MTFS Base Budget £'000s	Removal of 2017-18 One Off Investments from Service Areas to T&C £'000s	2017-18 Agreed Base Budget Adjustments; Corporate budget and cross cutting saving allocations £'000s	2017-18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018-19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease £'000s
Programme Budget Areas									
Adults	136,882	-4,035	-946	131,901	-11,561	12,255	132,595	694	0.53%
Children and Families Vulnerable Children	58,683	-1,610	-178	56,895	-	10,985	67,880	10,985	19.31%
Children and Families - Other Services	30,641	-410	-312	29,919	-891	380	29,408	-511	-1.71%
Communities and Infrastructure	83,804	-4,520	-621	78,663	-527	2,198	80,334	1,671	2.12%
Business Support	25,138	-	944	26,082	-666	2,299	27,715	1,633	6.26%
Technical and Corporate	47,642	10,575	1,113	59,330	-14,975	606	44,961	-14,369	-24.22%
Total GCC	382,790	-	-	382,790	-28,620	28,723	382,893	103	0.03%
Public Health	24,912	-	-	24,912	-640	-	24,272	-	0.00%
Total Budget	407,702	-	-	407,702	-29,260	28,723	407,165	-537	-0.13%

29 The 2018/19 draft budget is funded as follows:

	£000
Original 2017/18 Budget	407,702
Inflation	6,125
Cost and spending increases	22,598
Cost Reductions	<u>-29,260</u>
Total	407,165
Less:	
Settlement Funding	93,601
Public Health Grant	24,270
Improved Better Care Fund	6,838
New Homes Bonus	2,957
Other Non Ring Fenced Grants	2,003
Collection Fund Surplus	<u>3,000</u>
Budget to be met by Council Tax Payers	274,496
Council Tax at band D = £1,226.31	

- 30 The proposed budget for 2018/19 contains provision to fund key budget pressures including estimates for unavoidable contractual inflation, pay (1%) and increases in demand led services. In addition the proposed budget includes funding for key Administration priorities and additional funding for Children & Families following the recent OFSTED inspection.

F Financial Performance in 2017/18

- 31 The current forecast of the year end revenue position for 2017/18, based on actual expenditure at the end of October 2017 and forecasts made in November 2017, is a £0.214 million under-spend. Details of the forecast year end position, analysed by service area, is provided in the table below.

Directorate Breakdown for Cabinet Report - Position as at the end of Oct 2017

Service Area	2017/18 Budget	Forecast Outturn Position	Forecast Outturn Variance	Variance %	Forecast Variance Previously reported	Change in variance
	£000	£000	£000	%	£000	£000
Adults	145,232	144,812	-420	-0.3%	0	-420
Public Health	24,912	24,912	0	0.0%	0	0
Children & Families	98,203	104,542	6,339	6.5%	6,046	293
Communities & Infrastructure	88,706	88,706	0	0.0%	0	0
Business Support Services	26,383	26,383	0	0.0%	0	0
Support Services Recharges	-26,408	-26,408	0	0.0%	0	0
Total for Services	357,028	362,947	5,919	1.7%	6,046	-127
Technical & Corporate	50,674	44,541	-6,133	-12.1%	-6,133	0
Total	407,702	407,488	-214	-0.05%	-87	-127

32 Further details of the forecast year end position can be found in the Financial Monitoring Report 2017/18 presented to Cabinet elsewhere on this Agenda.

G. Dedicated Schools Grant (DSG)

33 In July 2017 the Secretary of State announced arrangements for DSG funding in 2018/19 and 2019/20, confirming a National Funding Formula (NFF) would be used to allocate funds to local authorities for both the schools block and high needs block elements of the DSG from April 2018, and an additional £1.3 billion nationally would be spent on schools over the next two years.

34 In order to provide stability the announcement stated no local authority will see a reduction in its cash allocation for the high needs block or it's per pupil allocation for the schools block.

35 A new Central School Services Block (CSSB) has been created by the Department for Education (DfE) by moving funds from the existing Schools Block of the DSG. This will cover the LA statutory responsibilities for both maintained schools and academies.

36 The impact on Gloucestershire's DSG is an overall increase of 1.76% in 2018/19 and a further increase of 0.98% in 2019/20 when compared to the 2017/18 DSG baseline. The change across the individual DSG blocks is shown below:

	Current	NFF with floors/caps		no floors/caps	Percentage changes on 17/18 baselines		
	17/18 Baselines	18/19 illustrative	19/20 illustrative	NFF in Full	18/19	19/20	NFF Full
Schools Block	£337,336,194	£343,874,698	£347,534,141	£349,362,768	1.94%	3.02%	3.57%
High Needs Block	£56,936,639	£57,454,334	£57,720,384	£57,720,384	0.91%	1.38%	1.38%
Central Block	£2,598,885	£2,533,913	£2,492,831	£2,492,831	-2.50%	-4.08%	-4.08%
Total DSG (excl EY)	£396,871,718	£403,862,946	£407,747,357	£409,575,984	1.76%	2.74%	3.20%
Increase comp to 17/18		1.76%	2.74%	3.20%			

37 The DSG baseline above does not currently include the early years funding block (£30.1m in 2017/18), it is anticipated the DfE will include this when they update the DSG baseline in December 2017 for the October 2017 Pupil Census.

38 Although the final schools block figure will be confirmed by the DfE in December 2017, the final high needs block will not be confirmed until the end of March 2018 after further information on high needs places has been collected. The final early years block will not be confirmed until April 2019 after it has been updated for the January 2019 pupil count.

School Block Funding

39 In September 2017 final decisions on the NFF were made by the DfE. Further information on the NFF and methods local authorities can use for allocating funds to schools have also subsequently been provided by the DfE and Education and Skills Funding Agency (ESFA) through regional meetings, at the national fair funding conference and through ESFA workshops. The key announcements from these are:

- The NFF will be implemented in 2018/19 as planned. It will be used as a method of allocating funds to local authorities (not direct to schools). There will be local discretion on the formula for 2018/19 and 2019/20 so local authorities along with their schools forum will determine the allocations to individual schools in those years.
- The additional £1.3 billion nationally has been used in the NFF to:
 - Increase the baseline amount per pupil for all schools by 0.5% in each of the two years.
 - Increase the basic amount per pupil for both primary and secondary schools
 - Introduce a new minimum allocation per pupil factor.
- The minimum per pupil element has been set at £3,300 for primary schools in 2018/19 and £3,500 in 2019/20. The minimum per pupil for secondary schools is £4,600 in 2018/19 and £4,800 in 2019/20.
- The minimum funding guarantee can be determined locally at any rate between +0.5% and -1.5%.
- The schools forum can agree a transfer from the schools block to the high needs block of up to 0.5% of the schools block value but there must be full consultation with schools.
- There will not be a looked after children factor in the schools NFF and the government is therefore putting extra funding into the pupil premium plus allocation which as a consequence will increase to £2,300 in 2018/19.
- The DfE and ESFA have confirmed that it will not be possible for local authorities to replicate the NFF when they allocate funds to schools for the following reasons:
 - The NFF is illustrative only based on October 16 census data. Funds issued to schools in 2018/19 will be based on October 2017 census data. The DfE have confirmed that although they will adjust NFF allocations to local authorities for overall pupil number changes in primary and secondary, they will not be re-baselining the NFF in 2018/19 or 2019/20 for any other changes.
 - Some of the NFF Funding is required to meet the full year effect of lump sums and varied pupil numbers in the new schools that opened in 2017/18, along with any changes in factors such as rates and rents which are being funded by the DfE on a historic basis.
 - There will need to be a local capping arrangement to meet the cost of the Minimum Funding Guarantee for schools.
 - The ESFA have issued an Authority Proforma Tool (APT) that local authorities have to use in 2018/19 to allocate funds to schools. The calculations in the ESFA's APT are different to those used by the DfE in the NFF.

- 40 The Schools Forum at its 20th October meeting agreed that the school funding formula for 2018/19 should be calculated using the following methodology:
- Ensure all schools receive a minimum 0.5% per pupil increase in 2018-19 compared to their baselines by setting the minimum funding guarantee (MFG) at plus 0.5%.
 - Apply the DfE minimum per pupil rates quoted for 2018/19 at £3,300 Primary and £4,600 Secondary.
 - Apply all the NFF factors and data provided by the DfE.
 - Set the cap at a level that exactly equals the MFG cost.
 - Set the factor allocation rates in proportion to the NFF rates quoted by the DfE, but all scaled by the same percentage to equal the school block funding remaining available for delegation.
 - Use the APT provided by the ESFA to calculate the final allocations to schools.
- 41 There is a requirement to submit the final 2018/19 schools formula to the DfE for approval by 19th January 2018, and then issue budgets to schools by 28th February 2018.

High Needs Block Funding

- 42 The High Needs budget is under huge pressure. The latest forecast is for an overspend of around £800,000 in 2017/18. In 2018/19 there is a facility to seek the agreement of the Schools Forum to a transfer of up to 0.5% from the Schools Block to the High Needs Block; this would add a further £1.65m as a one-off cash sum.
- 43 The Council have not asked the Forum to support a transfer in 2018/19 on the grounds that:
- It would be a one-off rather than a permanent transfer
 - There are DSG balances (£3.5m at 1st April 2017)) available specifically to support the high needs budget
 - School budgets are under great pressure too
 - We are talking with schools about new approaches to identifying and meeting additional needs, with the aim of containing spending within budget and addressing areas (e.g. exclusions) where outcomes are a concern; a deduction from school budgets would be an unhelpful backdrop to those discussions
- 44 The option to transfer from the Schools Block will also be available, again as a one-off, in 2019/20. The Schools Forum may need to re-consider the option at that time if spending cannot be contained within budget for 2018/19.
- 45 The Council has a High Needs programme in place which has the objective of bringing anticipated expenditure into line with the funding available by the end of 2018/19. If the High Needs block continues to overspend this will be initially funded through available DSG balances and further measures would be taken to reduce expenditure. Ultimately if these measures were not successful then eventually there would be a risk that this liability could fall on the Council.

Early Years Block

- 46 In December 2016 the Early Years National Funding Formula (EYNFF) was announced by the DfE and implemented from April 2017. Provisional funding levels for 2018/19 will be notified in December 2017 with updated figures in spring 2018 and 2019 which take into account pupil census movements. One of the conditions of the EYNFF was that the element of funding spent on central support services, which includes children's centres, reduced to 7% in 2017/18 and to 5% in 2018/19. The impact of having to adjust for this requirement will result in a shortfall in funding of circa £265,000 for early years services which the service will need to cover.

Central School Services Block (CSSB)

- 47 In 2018/19 this will be allocated based on national average allocations per pupil. Gloucestershire is currently £106,054 (4.08%) above this average. Any drop in funding is limited to 2.50% per year so there will be some transitional protection in 2018/19 but by 2019/20 Gloucestershire will be funded for the CSSB at the national funding rate. The CSSB covers the local authority statutory responsibilities for, maintained schools and academies as well as the costs of the Schools Forum and for the governments charge for copyright licences in schools.

H Council Tax

- 48 The Council's current 2017/18 Band D Council Tax is £1,179.26, including the Adult Social Care Precept. For 2018/19 it is proposed that Council Tax will increase by 1.99% plus an additional 2% the Adult Social Care Precept.
- 49 Forecast Council Tax levels for each band are shown below.

	2018/19 Budget	Increase on 2017/18
Band	£	£
A	817.54	31.37
B	953.80	36.60
C	1,090.06	41.82
D	1,226.31	47.05
E	1,498.83	57.51
F	1,771.33	67.96
G	2,043.85	78.42
H	2,452.62	94.10

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

I The Robustness of the Budget Proposals

- 50 The MTFs and proposed detailed budget for 2018/19 have been formulated in accordance with the medium term financial planning framework and budget principles as detailed in Annex 4.

- 51 The starting point for producing the MTFS for the next three years, and the detailed budget proposals for 2018/19, is the 2017/18 MTFS.
- 52 The proposed 2018/19 budget, and future years' budgets, also takes into account forecast funding changes, new unavoidable commitments, changes in legislation and Administration priorities.

J Flexible Use of Capital Receipts

- 53 As part of the local government settlement for 2016/17 Government announced greater flexibility for council's in how they make use of capital receipts. Councils were previously only allowed to use capital receipts for repaying debt or funding further capital spend. The rules now allow new capital receipts to be used to fund the revenue costs of transformation projects designed to generate ongoing revenue savings in the delivery of public services and /or to transform service delivery in a way that reduces costs or demand for services in the future. Plans for utilising capital receipts in this way need to be approved by County Council, incorporated in the Council's Efficiency Statement, and progress reported on an annual basis to DCLG.
- 54 The proposed budget 2018/19 does not anticipate the use of capital receipts in this way during 2018/19 financial year. However, given the expected size and scale of the transformation programme required to balance the budget over the coming years, it is likely the facility to use capital receipts in this flexible manner will be required in future.
- 55 When developing and adopting a Flexible Use of Capital Receipts Strategy the impact on the Council's Prudential Indicators would be carefully considered.

K Council's Financial Standing and Risks

- 56 Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate. During 2017/18 all reserves have been examined in detail.
- 57 A summary of the Council's forecast reserves as at 31st March 2018, and movements since 31st March 2017 are as follows:

	31st March	31st March
	2017	2018
	£000	£000
Earmarked Revenue Reserves -Non Schools	112,689	96,166
Earmarked Reserves – School Related	24,483	24,483
General Fund Reserves	19,848	18,553
Total Capital Reserves	78,388	78,388
	<hr/>	<hr/>
Total Reserves	<u>235,408</u>	<u>217,590</u>

- 58 General balances are anticipated to reduce to a level of £18.553 million, following support to the 2017/18 revenue budget approved by County Council in February 2017. This also assumes a balanced revenue outturn position for 2017/18. This equates to 4.56% of the 2017/18 net budget. If an over spend occurs in 2017/18, general fund balances are likely to reduce further.
- 59 This is considered to be a satisfactory level of general reserves, being within the target range of 4% to 6%. However given the risks facing the council, particularly the potential for an estimated £7 million back dated Sleep In allowance following recent case law, it is not recommended to reduce these levels further.
- 60 Non School Revenue Earmarked Reserves are forecast to fall from £112.689 million as at 31st March 2017, to £96.166 million as at 31st March 2018, a reduction of £16.523 million. It has been assumed that both Schools Related Reserves and Capital Reserves will remain at the level of balances held at 31st March 2017.
- 61 Annex 5 provides further detail on the Earmarked Reserves, including all of the proposed and forecast reserve movements during the year.

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

- 62 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. Other specific risks include the pay cap exceeding 1% and the potential backdating of sleep-in payments.
- 63 In preparing the budget, and in the context that non schools earmarked reserves will fall during 2017/18, the following factors mitigate the risks in the budget:
- Account has been taken of current spending trends and, where known and affordable within the core finance available to the Council, additional costs have been built into the proposed 2018/19 budget.
 - Budget risks have been explicitly considered in preparing the budget and taken into account, particularly the funding constraints going forward.
 - The level of reserves has been examined and will continue to be closely monitored during the period of this MTFS, in the context of protecting the Council from existing and future liabilities, particularly the financial risk associated with the backdating of sleep In allowances following recent case law.
 - Balancing the Council's budget over this period of financial constraint requires a series of major challenges. Whilst robust programme management plans have been put into place to deliver these savings, as evidenced by performance over the last three years, there is inevitably some residual risk.

- The highest risk areas continue to be demand led services, especially care for older and vulnerable people including Children in Care where demand is rising, and particularly post Ofsted inspection. Although additional resources are being invested in these areas under the proposed 2018/19 budget options, they are limited by the core funding and local taxation alternatives available to the Council.
- Provision has been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the forecast impact of the new National Living Wage.
- The reserves held are invested and the interest received supports the Council's budget.
- Consideration to the funding pressures within the DSG High Needs Block Funding has been made. Whilst the Council has a programme in place to resolve this issue, if the High Needs block continues to overspend this will be initially funded through available DSG balances and further measures would be taken to reduce expenditure. Ultimately if these measures were not successful then eventually there would be a risk that this liability could fall on the Council.

64 On the basis of the above, the Strategic Finance Director's advice is that the level of reserves, following the movements indicated 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.

M Public Sector Equality Duty

65 A Due Regard Statement is being drafted and will be updated in January 2018 to include the evidence base about service users and workforce, and the final budget proposals.

N Forward Draft Plans for the Revenue Budget

66 The Council's plans are set for the three years covering 2018/19 to 2020/21. The proposed detailed budget for 2018/19 is set out within the MTFs, whilst the current draft forecast budgets for 2019/20 and 2020/21 are:

	2019/20	2020/21
	£m	£m
Budget	419.2	422.2

67 Annex 6 gives outline financial proposals for 2019/20 and 2020/21, and will be updated as further information becomes available.

O Capital Expenditure

68 The proposed capital programme is set out in Annex 7a, with details of the financing of this programme being provided at the start of this Annex.

- 69 The capital programme provides total investment in the county totalling £490.09 million. The main investment relates to Communities and Infrastructure (£256.92 million), Schools and facilities for children (£149.86 million) Business Support (£58.84 million) and Adults (£24.47 million). Consistent with the Council’s priority to reduce the level of long term debt, and the impact of interest and capital repayments on the revenue budget, the capital programme for 2018/19 is largely “capped” at the level of developer contributions, capital grants received and revenue contributions from capital financing budgets with internal borrowing only being used for key administration priorities.
- 70 The above figures exclude the Renewable Energy Generation - Solar Farm scheme under which the Council was to finance the design, build and operation of medium-scale ground-mounted solar Photovoltaic (PV) generation facilities on a number of sites. The scheme was originally approved in February 2015 funded from internal borrowing, subject to further detailed evaluation. Due to Government changes to renewable energy subsidies (feed in tariffs) the sites approved are not currently financially viable and therefore the MTFs proposes to remove this scheme from the programme making £12.795 million of internal borrowing available to fund investment in infrastructure as outlined further on in the report. Development work around opportunities to invest in new projects relating to energy supply technologies is ongoing and in the event a viable project emerges, it will be presented to Cabinet for approval with a new business case including relevant funding options.

New Capital Investment 2018/19 onwards

- 71 The capital programme for 2018/19 onwards contains £167.59 million of new investment on capital schemes, financed from grants and capital financing budget, as set out in the table below.
- 72 Priority schemes not supported by grants or contributions, which are detailed in Annex 7b, have been included within the new programme on the basis that they can be funded from capital receipts, internal borrowing, revenue contributions and contributions from reserves, thereby avoiding the need for new borrowing. These new schemes recommended for approval amount to £63.67 million.

Funding for New Capital Investment

Grant	£000
Adults - Disabled Facilities Grant 2018/19 (estimate)	5,561
Children and Families – Basic Need Grant 2018/19 (balance remaining)	13,970
Children and Families – Basic Need Grant 2019/20	12,565
Children and Families – Schools Condition Allocation 2018/19 (estimate)	5,131
Children and Families – Special Provision Fund 2018-19	650
Children and Families – Special Provision Fund 2019-20	650
Children and Families – Special Provision Fund 2020-21	650
Communities & Infrastructure – Highways Maintenance Block Grant 2018/19	14,350

Communities & Infrastructure – Highways Maintenance Block Grant 2019/20 (indicative)	14,350
Communities & Infrastructure – Highways Maintenance Block Grant 2020/21 (indicative)	14,350
Communities & Infrastructure – Highways Maintenance Incentive Grant 2018/19 (estimate)	2,994
Communities & Infrastructure – Highways Maintenance Incentive Grant 2019/20 (estimate)	2,994
Communities & Infrastructure – Highways Maintenance Incentive Grant 2020/21 (estimate)	2,994
Communities & Infrastructure – Integrated Transport Block Grant 2018/19	2,861
Communities & Infrastructure – Integrated Transport Block Grant 2019/20 (indicative)	2,861
Communities & Infrastructure – Integrated Transport Block Grant 2020/21 (indicative)	2,861
Communities & Infrastructure – National Investment Productivity Fund 2018/19	2,696
Communities & Infrastructure – Pothole Action Fund 2018/19	1,435
Total Grant	103,923
Capital Financing Budgets	63,669
Total New Capital Funding 2017/18 onwards	167,592

Children and Families

- 73 The Council receives 2 main capital grants for schools from the Department for Education: Basic Need and Schools Condition.
- 74 The Basic Need allocation of £20.92 million for 2018/19 was approved in the 2017/18 MTFS for future years' spend. Of this grant, £6.95 million has been allocated to the existing programme, leaving a balance of £13.97 million available for new investment. The Basic Need allocation for 2019/20 is confirmed as £12.57 million. £15.00 million of the above basic need grants has been allocated to the new Cheltenham Secondary School scheme.
- 75 An estimated figure for the Schools Condition allocation of £5.13 million has been included for 2018/19 based on the allocation received for 2017/18.
- 76 The Cheltenham School scheme is required due to the shortfall of school places in the Cheltenham area from 2018 onwards. The estimated total cost of the scheme is £30 million with £15 million being funded from the Basic Needs allocation over three years. For the purposes of the MTFS it has been assumed that the rest will be funded from internal borrowing. The internal borrowing requirement may reduce if s106 contributions can be negotiated. This funding is uncertain but could be in the region of £6m over a five year period.

Communities and Infrastructure

- 77 The Council receives capital grants for Highways Maintenance Block and Integrated Transport Block.
- 78 The Department of Transport has confirmed the Maintenance Block Grant allocation for 2018/19 as £14.35 million and has provided indicative amounts of £14.35 million for both 2019/20 and 2020/21.
- 79 The Integrated Transport Block Grant funding arrangements were revised from 2015/16. In 2018/19 the total Integrated Transport Grant allocation for Gloucestershire is £2.861 million of non ring-fenced grant directly from the government. The same figure has been provided as the indicative amount for both 2019/20 and 2020/21.
- 80 Over recent years the Council has continued to invest in structural maintenance, despite austerity, and in its 2017 manifesto the administration committed to invest at least £150m over the next five years. This requires an additional £40 million of investment, the majority of which will be capital. This investment will more than double the amount of annual planned resurfacing works over a five year period (May 2017 to April 2022). In July 2017 Cabinet approved £1m of Highways investment towards costs associated with procurement. The remaining £39 million of Highways investment has been included in the MTFBS Budget for approval and it is proposed that this will be funded from internal borrowing.

P Borrowing

Total external borrowing requirement at the end of 2017/18 is forecast to be £306.9 million, a reduction of £2.0 million compared with the £308.8 million outstanding at the end of 2016/17.

- 81 External borrowing is generally obtained from the Public Works Loans Board (PWLB), usually at fixed rates of interest, over a set number of years.
- 82 However, in recent years, due to the significant differential between interest rates charged by the PWLB and interest earned on invested balances, the Council 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.
- 83 In line with the Council's aim to reduce the level of external borrowing, capital receipts have increasingly been used to fund capital expenditure. The MTC2 target for capital receipts from the sale of assets was £60 million by the end of 2017/18. An additional target of £33 million has been set for the 3 year period 2018/19 to 2020/21. This funding will mainly be used to repay debt or finance capital expenditure to avoid new borrowing. A Disposal Schedule will be considered by Cabinet in January 2018 in line with the Disposal Strategy.

84 The proposed capital programme includes significant investment – The vast majority of projects will be funded from government grants or capital financing budgets. Internal borrowing is planned for two major investment projects: Cheltenham School, where we have a statutory duty to provide sufficient school placements and highway investment to fulfil the manifesto promise of investing £150 million in highways over the next 5 year period.

Q Prudential Code

85 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).

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

87 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.

88 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.

89 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.

R Treasury Management

90 The proposed Treasury Management Strategy Statement and Annual Investment Strategy (AIS) for 2018/19 are shown in Annex 8.

91 It will be considered by the Audit and Governance Committee on 26th January 2018 and any comments will be reported to Cabinet on 31st January 2018.

92 Annex 8 provides details of:

- Treasury Management Strategy for 2018/19 including, borrowing, debt rescheduling and repayment options.

- Prudential Indicators.
- Minimum Revenue Provision (MRP) Statement.
- Policy on the use of Financial Derivatives.
- Specified and Non Specified Investments for use by the Council.

93 The proposed Treasury Management Strategy recommends a change in relation to the Minimum Revenue Provision (MRP). In 2015/16 the policy was amended to a fixed fee for existing debt, totalling £8.2 million. Following further review of the Capital Financing Requirement and the Prudential Indicators, and discussions with the Council's treasury advisors (Arlingclose) and external auditor (Grant Thornton) it is proposed to further reduce the MRP charge for existing debt to £6.2 million, releasing £2 million per annum. This change still allows for a prudent provision for the repayment of existing debt, and ensures that Prudential Indicators are not breached.

94 The other main changes to the proposed Treasury Management Strategy for 2018/19, when compared with the 2017/18 strategy, are as follows:

- The lowest risk category approved for use has been raised from BBB+ to A-.
- For non-specified investment limits, the total limit for investment in unrated UK Government and local authorities is removed.
- A section has been added on non treasury management investments, in accordance with expected changes to the Treasury Code.

S Attached Annexes

Annex 1	Commissioning Intentions
Annex 2	Budget Movements by Service Area
Annex 3	Budget Summary by Service Area
Annex 4	Medium Term Financial Planning Framework
Annex 5	Reserves and Balances Analysis
Annex 6	Revenue Budget Forward Projections
Annex 7a	Capital Programme 2018/19
Annex 7b	New Schemes 2018/19 Funded from Capital Receipts
Annex 8	Treasury Management Strategy

Annex 1 Commissioning Intentions

Annex 1.1: Children and Families Commissioning Intentions

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 2017/18 the total budget for children's services excluding Dedicated Schools Grant was £97.9 million; this included other grants and funding from formula/Council Tax. 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.

In March 2017 Ofsted inspected services for children in need of help and protection, looked after children and care leavers and graded the overall service as inadequate. Whilst there were strengths in our adoption services (graded good) and an improving picture for our children in care and care leavers (graded requires improvement), our help and protection and leadership and management were inadequate. The Council has developed an improvement plan to set out how we are bringing about the necessary improvements to services for children and young people across Gloucestershire and to ensure clarity and direction for Children's Services, our partners and everyone who needs to be involved in our transformation journey. Following the recent Ofsted inspection earlier this year, this has left Children's Services on a very structured improvement journey.

Strategic Direction

We are in the process of developing our new "Families" plan, outlining the county's approach to the needs of children, young people and their families for the next 3 years. The plan will be live from April 2018 so there is an element of Transition for 2018-19 as we move from a purely child and young person focus to a wider families approach. The new plan will also support and embed our Ofsted improvement journey, both for the short and longer strategic aspirations are to improve the outcomes for not only children young people and their families but for the wider partnerships and children's services workforce.

Wider drivers for change

The Children and Families Act 2014 seeks to improve services for vulnerable children and support families. It underpins wider reforms to ensure that all children and young people can succeed, no matter what their background. The changes to the law give greater protection to vulnerable children, better support for children whose parents are separating, a new system to help children with special educational needs and disabilities, and help for parents to balance work and family life. It also ensures vital changes to the adoption system can be put into practice, meaning more children who need loving homes are placed faster. Reforms for children in care can be implemented, including giving them the choice to stay with their foster families until their 21st birthday.

The Care Act 2014 is designed to bring the current laws related to adult social care together into one Act. Whilst predominately focused on Adults, the Care Act did introduce new legislation to support young people who find themselves caring for a parent or sibling; a decision to reconfigure the young carers' service and disaggregate it from the Adult Service is underway.

Children and Social Work Act 2017 is intended to improve support for looked after children and care leavers, promote the welfare and safeguarding of children, and make provisions about the regulation of social workers. The Act sets out corporate parenting principles for the council as a whole to be the best parent it can be to children in its care. These are largely a collation of existing duties local authorities have towards looked after children and those leaving care and will now extend our duties up to the age of 25 for all those leaving care. We will be required to publish our support offer to care leavers and to promote the educational attainment of children who have been adopted or placed in other long-term arrangements. The legislation extends the current considerations of the court when making decisions about the long-term placement of children to include an assessment of current and future needs and of any relationship with the prospective adopter. The Act makes changes to the arrangements for local child safeguarding partnerships and the serious case review process, including provision for a central Child Safeguarding Practice Review Panel for cases of national importance. It also establishes a new regulatory regime for the social work profession.

Needs Analysis

The Joint Strategic Needs Analysis (JSNA) identifies a number of areas that require review.

Gloucestershire has a high number of school exclusions in comparison to national, regional, and Statistical Neighbour rates. In particular, the permanent exclusions in both primary and secondary schools are high, with fixed term exclusions being broadly in-line with comparators. The proportion of secondary pupils excluded is the highest among our Statistical neighbours, and in the highest quartile among England authorities. A significant proportion of these exclusions relate to children and young people with additional needs. So work to review appropriateness of placements and the support arrangements that are put in place will be required in order to reduce the number of placements in independent special schools and out of county.

For the Early Years Foundation Stage in 2015, 64% of children achieved a good level of development (GLD), which was an improvement on 2014, but Gloucestershire remains slightly below the regional and national averages of 67% and 66% respectively. There is a notable gap in gender with 72% of girls, and 56% of boys achieving a GLD (mirroring the national gender differences). Children with Black or Chinese ethnicities are less likely to achieve a GLD. The proportion of children achieving a GLD split by first language shows that children with a first language other than English are less likely to achieve a GLD. More work is required to fully implement the 2- 2.5 year integrated check which brings together the Early Years Foundation Stage (EYFS) Progress Check at age two with the Healthy Child Programme (HCP) 2-2½ year health and development in order to identify those who might otherwise struggle to reach a GLD.

Gloucestershire currently has an increasing cared for population which is forecast to reach nearly 700 by March 2018 from a previous level of around 550. There are a number of possible reasons for this; the current improvement journey shows that our thresholds are poor and inconsistently applied so, along with an improvement in practice and assessment; this will increase the number of children and young people becoming looked after. The Children and Social Care Act has also extended the statutory duties for leaving care up to the age of 25 (previously 21), which will automatically increase our care population.

The 2014/15 rates of young people aged 10-24 admitted to hospital for self-harm in Gloucestershire (526.0 per 100,000) is significantly worse than England (398.8) and similar to the South West (537.9). The Gloucestershire rates increased between 2012/13 and 2013/14, with the most recent rates showing a slight decrease from 2013/14. Led locally by Gloucestershire Clinical Commissioning Group (GCCG), all key partners have now agreed a transformation plan that takes a 'whole system approach' to supporting mental health and wellbeing of children and young people.

Meeting the Challenge 2017/18

The MTC targets for 2017/18 totalled £10.07m and are on course to deliver savings of £9.9m due to the front loading of some children's centre restructure costs which will now be delivered in 2018/19.

The MtC savings include further reductions in home to school transport budgets and a continuing fall in spend against an historic pension's budget. The final roll out of SEN changes in respect of 16 -19 year olds reduced the need for some services and contractual efficiencies were found.

Looking forward

The Ofsted inspection leaves Children's Services on a very structured improvement journey. The associated improvement plan will need to be delivered in the next 12 months. This will focus particularly on the in care population, which is predicted to rise in part due to the Ofsted inspection but also due to the implementation of the Children and Social work act 2017. Guidance on the act is due to be published shortly and specific commissioning tasks will flow from this. The council will also need to continue to respond to changes in government funding for core education services as responsibility for school improvement continues to transfer to schools and academies.

The Current Children and Young People's plan is due to expire in March 2018. During 2017 the Council will be reviewing the needs analysis and working with all partners to develop a Children and Families plan. This will take forward the priorities of the partnership with a focus on prevention through to providing support for the most vulnerable and keeping children safe. The new Children and families plan for 2018 onwards will have a family based focus and will frame the longer term commissioning strategy.

Delivering Change

There are four main drivers to the work:

- Delivering against the OFSTED improvement plan
- Commissioning to take forward the priorities identified in the new Children and Families Plan including areas identified in the JSNA.
- Implementing the changes in legislation outlined in the children and social care act 2017 from April 2018.
- Delivering business as usual or on going commissioning arrangements.

Specific planned activities for 2018/19 include:

1. Development and implementation of a new Placement Sufficiency strategy for children's services this will include the extensive market management and development to provide:
 - A service which embeds improved practice within Children's services.
 - A fully operational IRIS project.
 - The right placement first time - to improve placement stability - this will also need to be embedded in practice.
 - Placements are developed in county to support children and young people to remain in local schools and health services
 - Emergency provision is developed to meet current needs, including the out-of hours and PACE placements.
 - Development of the market for young peoples accommodation to meet the new Duty for leaving care young people which comes into force from April 2018 - this will include UASC young people. Review of "support and assertive interventions "to prevent children and young people coming into care.
2. Update the current multi agency strategy for CSE and ensure action plans for both CSE and Missing are robust and reflect current challenges.
3. Develop a vulnerable young people's protocol to ensure clear governance arrangements are in place.
4. Continue to work with colleagues across the partnership to implement the Joint Strategy for Children and Young People with Additional Needs ensuring seamless support for children and young people's needs. This will include a focus upon improving transitions to adult services for children with additional needs by ensuring they are prepared adequately for independence in adulthood from the age of 16
5. Implement the new Statutory guidance for leaving care young people, as stated within the new Children and Social Work Act 2017 which will be requirement from April 2018. This includes:
 - To publish information about the authorities "Leaving care Offer"
 - Appoint a personal advisor for care leavers up to the age of 25 years - regardless of whether the young person intends to pursue education or training
 - LA's also will have a duty to carry out an assessment of the young persons needs and to provide the necessary advice and support
6. Continue to implement 'Gloucestershire's Future in Mind- Childrens Mental Health Transformation plan with a focus on providing a balance between the need for more early intervention and prevention and on meeting the needs of those very vulnerable children and young people who achieve poorer outcomes than most of the population. This will include extending the Mental Health in schools approach from Stroud into Gloucester City, working with partners on the self harm pathway and also looking at the mental health needs of children and young people who have suffered trauma and abuse.

7. Review and re-tender carer's services in two lots to encompass the needs of adult and young carers.
8. Update the childcare sufficiency strategy and associated action plan to deliver to the anticipated rise in demand following the roll out of the free 30 hours entitlement.
9. Working with Public Health Nursing and Education, ensure the 2 – 2.5 integrated checks are fully embedded across the county.
10. Scoping the development of a multi agency safeguarding hub model for responding to families with the most complex needs effectively with partners (including the development of a problem solving court, Early FDAC, ACES, PODS to reduce recurrent removals of children)
11. Continue to deliver the Council's statutory responsibilities for education.

Annex 1.2: Adults Commissioning Intentions

Context

Adult social care has a current (2017/18) net budget of £136.9 million, 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 most notably as set out in the Care Act 2014.

The overall performance of adult services continues to improve particularly in the key policy areas of reducing reliance on residential and nursing care and self directed support. We are also increasing the numbers of people supported to live independently through the use of technology (telecare) and continue to make progress in supporting people with disabilities into employment. We have also devoted additional resources to ensuring timely hospital discharge, although as a consequence the timeliness of assessment work and reablement interventions in the community is an area that needs attention.

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. This has also been reinforced by the detailed guidance released in support of the Care Act 2014. As part of this, and for those people who have ongoing 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 are reducing reliance on institutional care, creating innovative alternatives and encouraging the use of universal services, whilst recognising that there will always be a place for specialists too. We are also addressing the wider responsibilities in the Act for carers and notwithstanding that some elements have now been postponed to 2020 for all people with care needs and not just those we support. We are also continuing to promote an ethos of early intervention and prevention as an integral element to our intentions.

Needs Analysis

The number of adults aged 18 and over in Gloucestershire is projected to rise from 492,300 to 576,600 between 2015 and 2039, with the 18-64 age group predicted to grow by 1.8% and the over- 65s by 66.6% in the same period. The projected increase in older people (over-65s) in Gloucestershire, in particular, exceeds the national level (56.4%), and the number is predicted to rise from 126,800 in 2015 to reach 206,300 by 2039.

As the population ages, the number of older people with a very limiting long-term illness or disability is also predicted to rise, from 25,400 to 39,000 between 2015 and 2030. The number unable to manage at least one self-care activity is also predicted to grow, from 43,000 to 64,000 in the same period. The majority of this increase will be among the over-75s.

Moderate or severe hearing impairment, dementia and obesity are among the conditions that will see a significant increase in the County's older population. National estimates suggest that 80% of people living in care homes have some form of dementia or severe memory problems. In Gloucestershire, the number of older people with a dementia is expected to rise from 9,000 to 15,000 between 2015 and 2030. An estimated 12,700 people aged 65+ in Gloucestershire feel lonely always or often, and around 3,500 older people have severe depression.

The number of older carers aged 65+ is projected to rise from an estimated 18,400 people to 25,000 between 2015 and 2030, of which over a quarter are predicted to be over-80s, who may require extra support to provide care. One main concern among carers who care for older people is social isolation.

An estimated 9,000 people aged 18-64 in Gloucestershire have a serious physical disability. Many people with a physical disability have complex need. Some of the most common conditions that people with physical disabilities also experience are long-term pain, depression and mental health conditions. Just fewer than 60% of carers caring for people with a physical disability or sensory impairment have a long-standing illness or disability themselves.

An estimated 11,400 people aged 18 and over in Gloucestershire have a learning disability, of these 2,400 have moderate or severe conditions. The most prevalent type of learning disabilities in Gloucestershire is autistic spectrum disorder. While the overall number of adults with moderate or severe learning disability is predicted to rise by 3.6% between 2015 and 2025, the number is predicted to rise most steeply in the older age group, by 19.8% for the over-65s in the same period.

Many people with a learning disability have complex need; they are ten times more likely to have a vision impairment compared to the general population and significant proportions (40%) have a hearing impairment.

In 2015, an estimated 58,000 people aged 18-64 in Gloucestershire had a common mental disorder, and a further 26,000 people had two or more psychiatric disorders. Between 1,300 and 1,600 people aged 18-64 are estimated to have experienced antisocial personality disorder, psychotic disorder or borderline personality disorder. Long-term illness or disability can lead to mental health issues, making the needs more complex. It is estimated that 46% of people who have a long-term health condition and 30% of people who have long-term pain have a mental health condition. An estimated 34% of people who have sight loss suffer from depression.

Compared to other carers, carers caring for someone with a mental health condition are more likely to experience mental health need themselves, and they are also at a higher risk of neglecting themselves.

Meeting the Challenge 2017/18

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 whilst increasing our investment in the management of the social care function, avoiding crisis, commissioning differently, listening to our service users and improving the customer journey. We also continue to look at our processes.

Looking Forward

The proposed budget for 2017/18 includes an additional increase of 2% for the National Social Care Levy. In addition to meeting the costs to date of implementing the Care Act, the increase will be used to part address the impact of demographic changes and cost pressures including the National Living Wage. It will also help enable the transition to an approach based on a higher level of investment in early intervention and prevention.

Recognising that not all pressures can be addressed within the resources available and in the context of our intentions to improve outcomes, we will seek to achieve financial balance in adult services by:

- continuing to strengthen our assessment and care management function whilst also developing stronger links with primary care as part of the integrated multidisciplinary place based model
- supporting more people to live independently in the community
- develop our offer to Carers in line with Care Act requirements.
- improving transitions to adult services for children with special needs by ensuring they are prepared adequately for independence in adulthood from the age of 16
- being more responsive to potential demand through early intervention and prevention
- continuing with our cultural change work which supports both staff and service users to reflect on their attitude to managing risk in everyday life
- further improvements in the efficiency and effectiveness of services we commission including those commissioned jointly with the Clinical Commissioning Group (CCG)
- reducing admissions to full time care
- working with the NHS to better case manage people at risk of crisis or in need of urgent support, facilitate timelier discharges from hospital and reduce admissions and 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 District Councils and Housing Associations to both enhance the specialist housing offer and future-proof new-build homes to enable all lives to be lived as independently as possible
- working with partners to develop new opportunities for volunteering
- building on our success with helping people into the workplace by exploring innovative employment links to increase the number of disabled people in paid work
- continuing to actively reviewing high unit cost contracts to seek efficiencies including tighter management of voids in shared housing
- develop jointly with the CCG the Shared Lives service in the County
- ensuring our Telecare offer promotes helps people to live independently through 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 and ensuring each person has a circle of support around them
- embedding the use of Electronic Call Monitoring systems and ensuring we use the information that flows from the system to improve the quality of care and to inform our commissioning
- rolling out an outcomes based approach in the new domiciliary care service

- partnering with the CCG to ensure people with a learning disability in long stay hospitals are returned to independent living in their own community

Delivering Change

Demographic changes indicate a rising demand for support from people with increasingly complex needs that requires us to better manage and respond to demand. 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 and will provide opportunities to work with community and voluntary sector agencies in new ways and ensure we are sensitive to the communities in which many of our service users live.

The scale and pace of change continues at an unprecedented level and will create transitional issues as we all adjust to working in a different way. Communicating our intentions and listening to the voice of those we serve will be central to our thinking and will assist us to ensure all voices are heard and concerns and questions are actively addressed. 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.

At the heart of this work is culture change, based on a three tier conversation at the frontline in adult services that gives us a simple structure to help focus on helping people to help themselves.

Tier one – Help to help yourself.

Tier two – Help when you need it.

Tier three – Ongoing support for those that need it.

Annex 1.3: Public Health Commissioning Intentions

Context

The three domains of public health; health improvement; health protection and health care public health, became part of local government's public health function in 2013. 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, which was extended to include new responsibilities for 0-5 year olds (health visiting) in 2015.

In 2018/19, the grant available is £24.27m. The allocation is based on a national formula linked to health inequality and health need and remains ring-fenced until the end of March 2019, with reductions to the end of 2019/20.

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. Specifically, Gloucestershire County Council is required to deliver a number of mandated functions:

- appropriate access to sexual health services;
- health protection assurance functions delegated from the Secretary of State;
- ensuring NHS commissioners receive population public health advice (CCG core offer);
- the National Child Measurement Programme (NCMP);
- ensuring those eligible are invited to receive an NHS Health Check;
- five mandated points of contact through the health visiting (0-5) service.

The conditions of the Public Health grant also identify further requirements, such as improving outcomes from drug and alcohol treatment services and oral health promotion.

Strategic Direction

Nationally, the strategy for Public Health in England was laid out in the Government's White Paper *Healthy Lives, Healthy People* (2010). Locally, our system's 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.' Public Health has identified the following principles to guide our commissioning intentions, in the context of closer working with colleagues commissioning services across the Prevention, Wellbeing & Communities Hub:

- We prioritise prevention, self-help/self-care and early intervention, with a view to improving health and wellbeing and changing demand for services;
- We take a strengths-based approach, to make the most of assets and resources within communities, help build community capacity and develop community safeguarding and resilience;
- We work to ensure the best start in life;
- We give equal weight to physical and mental health and wellbeing;

- We focus resources where the need is greatest, helping to address avoidable health inequalities and targeting the most vulnerable;
- We work across GCC and the wider system, with health, social care, housing and other partners.

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. 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 NHS Health Check programme) is often cost effective, and if implemented at scale, would rapidly have an impact on life expectancy (Kings Fund, 2013).

Gloucestershire's Sustainability & Transformation Plan (STP), *One Gloucestershire: Transforming Care, Transforming Communities*, describes the vision for how publically funded health and social care services can support a healthier Gloucestershire, that is socially and economically strong and vibrant, to achieve an improved and more sustainable health and care system.

Gloucestershire County Council's Public Health function will continue to play a key role in influencing the STP, in particular leading its prevention and self-care plan through both the commissioning of services that contribute to the prevention of health and care needs and providing systems leadership on key societal health issues.

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.

However the picture in Gloucestershire is not perfect. There are areas of Gloucestershire where residents experience poorer health than the England average. Additionally, the health of people living in Gloucestershire has not been improving over time as seen in other parts of the country. Although life expectancy at 65 years of age is better in Gloucestershire than the England, it is not improving in line with the national trends for life expectancy, especially for females. The age to which men in Gloucestershire can expect to live with good health has been declining since 2010. This, coupled with the fact we have an ageing population, presents our biggest challenge.

The three leading causes of death in Gloucestershire are cancer (26%), circulatory disease (28%) and respiratory disease (15%). However, there are differences across the districts of Gloucestershire. For example, residents of Cotswold district have significantly lower mortality rates than the rest of the county for all three causes of death, whilst residents of Gloucester city have a significantly higher mortality rate for respiratory disease. Lifestyle 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 ongoing care needs in the future.

Meeting the Challenge 2017/18

Savings were realised in 2017/18 from the recommissioned adult drug and alcohol and healthy lifestyles services, which both commenced in January 2017. During 2017/18, Public Health delivered two major change projects in the reshaping of sexual health services and the public health nursing service (health visiting and school nursing). These will begin to deliver savings during 2017/18 and beyond.

These major recommissioning projects make up a significant portion of the allocated public health grant and, in 2018/19, the team's focus will shift from recommissioning and tendering activity to overseeing the implementation of new services, the 'business as usual' activity of contract management and developing the systems leadership role of public health. During 2016 Gloucestershire County Council were selected as one of four local authorities to participate in a three year national programme, working with Leeds Beckett University, to co-produce guidance for other local authorities to implement a whole systems approach to addressing obesity. During 2017/18 this work has informed the refinement of our local obesity strategy and plans and we are now developing a specific programme to improve the local food environment.

Looking Forward

The Public Health grant allocation is a ring-fenced grant and the expectation is that it will be fully spent. However, the Comprehensive Spending Review (CSR) in 2015 brought about a reduction in the Public Health grant over the four-year period to 2019/20. Whilst the four major recommissioning projects will be completed or almost completed by 2018/19, further reductions will need to be met through the review of individual elements of spend, e.g. in drug and alcohol activity outside of the main service.

2018/19 will also see an increased focus in Public Health's influencing and knowledge management and decision-making support roles. Helping people to stay healthy and live independently for longer and ensuring children have the best start in life are major contributors to reducing cost pressures in the medium and longer term. As such, Public Health activity plays a key role in supporting the commissioning intentions of other parts of Gloucestershire County Council, including children's and adult social care, as well as the wider system.

Delivering Change

Our commissioning intentions for 2018/19 are:

1. Deliver mandated functions
NHS Health Checks, Sexual Health, National Child Measurement Programme, Health Protection, Core Offer to the CCG & Health Visiting service
2. Deliver our driving change projects
Remodelling of sexual health and Public health Nursing (Health Visiting and School Nursing)
3. Engage and influence partners to improve the public's health
4. Develop and embed health and wellbeing in GCC business
5. Continue to deliver the Active Individuals, Active Communities and Safe, Settled and Secure Lives policies

Specific planned activities for 2018/19 include:

1. Delivering our mandated functions

- NHS Health Checks – implement a more targeted approach to the delivery of NHS Health Checks via GP practices
- Sexual Health – embed the reshaped sexual health service
- National Child Measurement Programme
- Health Protection
- Core Offer to the CCG – supporting the implementation, monitoring and evaluation of initiatives delivered as part of the STP
- Health Visiting service – embed the reshaped public health nursing service.

2. Deliver our driving change projects

- Implementation and embedding of the remodelled sexual health service. During 2017-18 a system wide redevelopment of Sexual Health services was led by a partnership of Gloucestershire County Council Public Health Team, NHS Gloucestershire Clinical Commissioning Group and the Gloucestershire Local Medical Committee, with input from other partners. This work has seen a refocusing of the Specialist service on those with a specialist sexual health or contraceptive need, or who are vulnerable to poor sexual health outcomes and innovative service changes such as online postal testing, telephone triage service, and online booking among other developments. The new system changes are going live during 2017/18 and into 2018/19. The new sexual health prevention service is due to go live in 2018/19. This will see a strengthening of primary sexual health prevention; aiming to reduce demand for health and social care services in the medium to long-term.

- Continue to work with Gloucestershire Care Services NHS Trust to deliver 2017/18 changes to the Public Health Nursing Service in line with the feedback received through the Public and stakeholder consultation. This may include changes to the way mandated contracts are provided for some families, moving to a different pathway for identifying hearing problems and delivering support through new hubs and bundles. Support and oversee planning for planned schemes to be delivered in 2019/20.
- Continue to embed the new healthy lifestyles service including the implementation of new functions to support pregnant women and young children (first 1001 days) and healthy workplaces
- Re-commission Public Health Enhanced Services (PHES) from General Practices and community pharmacy, including a more targeted approach to the delivering the NHS Health Checks programme and strengthening sexual health and contraception services in Primary Care to support access for those who will no longer be seen in the Specialist Service. This will include the delivery of: primary care long acting reversible contraception, primary care sexual health clinics and community pharmacy emergency hormonal contraception

3. Engage and influence partners to improve the public's health

- Actively working with the Clinical Commissioning Group and other partners as part of the Prevention & Self-Care Plan to ensure that up-stream health improvement services are routinely commissioned as part of a broader pathway approach
- Working with community organisations to develop innovative approaches to addressing health inequalities in key population groups
- Working across the system to develop and implement a whole systems approach to tackling obesity including a partnership approach to creating a healthier food environment
- Supporting the development and implementation of Gloucestershire Moves – Gloucestershire's programme to promote active lifestyles
- Supporting the Health and Wellbeing Board as it seeks to explore Adverse Childhood Experiences (ACEs) and whether an ACEs informed approach should be taken forward in Gloucestershire
- Lead the development of a countywide oral health promotion strategy and plan
- Develop a local prevention consensus statement and concordat for better mental health, reflecting the national agenda for a system-wide approach to public mental health

4. Develop and embed health and wellbeing in GCC business

- To co-ordinate and develop the community offer across the whole care sector. Working within prevention and early intervention elements of the operating model and being cognisant of how the system works and how changes to the community offer can affect demand elsewhere

- Scope a programme of work around embedding health in programmes addressing the wider determinants of health and identify priorities for implementation e.g. spatial planning, employment, transport and travel, environmental issues and poverty
- Support the implementation of GCCs workplace health and wellbeing plan
- Contribute to the development and implementation of GCCs behaviour change and demand management programme.

Annex 1.4: Communities & Infrastructure Commissioning Intentions

CONTEXT

Place Vision - Place shaping for the future

The County Council, along with its partners, is not only responsible for providing services now; we design strategies and invest in infrastructure to enable the future, laying the foundations for the economically, socially and environmentally successful communities we need to become.

STRATEGIC DIRECTION

Place priorities – People, Planning & Place

Places must work for the people that live in them. For the County Council, successful infrastructure is more than hard engineering; it provides the social, economic and environmental systems that support communities. Our priorities are shaped on understanding the different timescales, taking action that recognises the need to deliver over the next 3-years up to 2020, to enable already planned growth and change from 2020-2035 and to facilitate discussion and plan new growth for 2035-2050. Put another way the County Council needs to plan for the community and economic needs of 2050, whilst making sure someone disposes of your waste and opens your library for business tomorrow morning.

NEEDS ANALYSIS

The future of Gloucestershire

Technological innovation is increasingly shaping our behaviour and how our places operate. Our transport, environment and economic systems will become more driven by data and technology than they are today, but our most valuable asset is our people. Our services – including health, education and skills - will need to function as part of our integrated infrastructure to support our communities and businesses.

The County Council will take a long-term view to ensure Gloucestershire is fit for the future beyond 2035 – the following is just a ‘snap-shot’ to illustrate the journey we are on at all levels – it is not meant to be exhaustive – there are many futures that the County Council will need to try and shape and react to:

- Petrol and diesel cars became obsolete once the cost of electric vehicles dropped and their range increased. Most people no longer own or drive their own cars; they use shared autonomous vehicles that are available on demand. Welcome to Mobility as a Service – the Spotify model of transport.
- Roads are safer, the number and severity of accidents has fallen while residential streets have become relatively free of parked cars. However, the electrification of transport has increased demand for power; supply is now much more dependent on local generation and storage of energy.

- Councils are smaller and smarter, with most back office functions automated and transactions taking place on-line. Staff are mobile; they orchestrate and commission networks of partners, providers and community groups, sharing data widely. On-line engagement and participation tools involve residents in scenario planning and resource allocation.
- Homes and workplaces have seen great innovation based on fast digital connectivity, smarter use of energy and storage, and the re-use of rainwater and sewage. Restored front gardens offer benefits in terms of improved appearance, biodiversity and drainage as resilience challenges from climate change continue and include an unpredictable cycle of flood and drought

LOOKING FORWARD

Gloucestershire 2035-2050

Infrastructure delivery requires long-term planning, but the preparation starts now. Enabling the future will require new partnerships, where communities, technology and data come together to drive new thinking. The County Council is already building the networks to support our changing communities and places.

Food for thought:

- We will be able to evaluate how successful the Vision 2050 process was at shaping the County;
- The west coast mainline will use electric trains;
- The West of England and West Midlands Elected Mayor and Combined Authorities will be celebrating their 20th birthdays;
- By 2039 only 49.6% of the population will be of working age.
- Britain's relationship with the European Union will have changed significantly impacting on global and national trade; as will the ability to rely on skilled workforce through immigration;

Gloucestershire 2020 to 2035

Decision-making has to happen at the most appropriate level. The County Council and its partners are clear that localised infrastructure, environment and industrial strategies, aligned with national objectives can deliver certainty. Beside long term planning, good infrastructure demands clear funding commitments, not competitive bidding processes. Importantly, it also provides social and environmental benefits as well as the economic return on investment.

Food for thought:

- HS2 and the 3rd runway at Heathrow will be operational and access to the airport will have been improved by Crossrail and the new western access;
- Hinkley Point will be up and running and Oldbury is coming on line;
- Gloucestershire will have 60,000+ more homes than today and the highway network will be at capacity and reliant on technological advancement (i.e. autonomous vehicles) to create new capacity;
- The A417 missing link along with smart motorway and junction upgrades to J9, J10, J13 and J14 will all have been delivered reducing congestion and enabling development in the central Severn Vale.

Gloucestershire 2017 – 2020

The national landscape is experiencing profound change and uncertainty. The County Council and its partners can provide the expertise and leadership needed to transform our communities and our localised economies. We will continue to work with Government to make the case for Gloucestershire - sharing our best practice to make a positive difference, creating solutions, advising and advocating where needed.

Food for thought:

- The Javelin Park Energy from Waste facility will be operational from summer 2019. Our reliance on landfill for the disposal of household residual waste will have dramatically reduced and instead Gloucestershire's household waste will be generating electricity. The facility will generate enough electricity to power around 25,000 homes.
- Gloucestershire's recycling rate continues to increase. Exceeding 50% for the first time in 2016/17 (and already meeting the EU waste framework directive target of 50% by 2020), recycling levels will reach the joint waste strategy target of 60% by 2020.
- 50% of our highways operatives are over the age of 50. Addressing the issues of developing a skilled workforce will require investment in skills;
- Through people leaving the workforce and job growth there will be a requirement to fill 130,000 jobs between 2012-2022 (all sectors and all levels);
- For every new job there will be a requirement to fill 9 through replacement demand;
- As a major employer in the County, GCC will need to plan for its own workforce to work more flexibly, for longer and ensure there is emphasis on continuous skills development throughout employment;
- Physical and digital connectivity is a key factor in making Gloucestershire an attractive place to live and work for young people

LOOKING FORWARD

2017 – 2020: Building partnerships and delivering today

Providing Place services* that support thriving communities means getting the basics right every day. Our positive relationships with partners, contractors and communities are enabling us to deliver and transform our services targeting investment based on need.

*(*waste management, highways, Fire & Rescue, Transport; libraries, economic development, strategic infrastructure (highways, schools, digital), planning, regulatory services).*

Economic growth and infrastructure

- We know how important the road network is for business and for us to be able to get to work, school and leisure. We will invest £150m over the next five years – our biggest ever investment in roads;
- We will deliver superfast broadband to every home by 2021. We have already invested over £29m which has brought broadband to over 107,000 homes and businesses in the county so far.

- Complete economic corridor modelling by March 2018 to help position Gloucestershire's economy based on an analysis of which directions it looks and use this to inform gfirst LEP economic and GCC infrastructure thinking;
- Work in partnership with Highways England and sub-regional Combined and Local Authorities to make sure that Road Investment Strategies 2 and 3 include the extension of the smart motorways network south of Worcester through to Bristol is implemented and linked to junction improvements in the County, particularly J9, J10, J13, J14
- Work with bus and rail operators to invest in better public transport connectivity necessary to deliver sustainable economic growth, by opening modern transport interchanges in Gloucester city centre and at Cheltenham Spa station and by managing congestion on the road network.
- Work in partnership with Network Rail and regional Combined and Local Authorities to make sure that control periods 6 and 7 include projects to improve rail connectivity in the County, including the Metrowest extension to Gloucester delivered enabling 30 minute services to the west of England
- Working collaboratively with partners and developers to create a cycle superhighway, connecting communities across the county, extending the range that people will cycle and making the outside more accessible. Bringing large scale bike hire (Boris Bikes) to the county and maximising the potential of electric bikes to increase the appeal of cycling to broader demographic groups and to more rural communities.
- Continue to support the Local Nature Partnership and further develop the Council's approach to enabling 'Green Infrastructure', including Sustainable Drainage Systems and upper catchment flood alleviation solutions.
- Maximise the resources available for reducing long-term flood risk, in order to meet the Council's statutory responsibilities as the Lead Local Flood Authority and deliver its Local Flood Risk Management Strategy.
- Continue to enable development and economic growth by providing high quality statutory consultee advice to the Local Planning Authorities on flood alleviation and Sustainable Drainage systems.

Employment and Skills

- Alongside that, we are committed to helping the County's young people to develop skills and knowledge. We will work with local employers to create 5,000 new apprenticeships, at least 2,000 of which will be in engineering.
- Our partnership working with employers and skills providers via the Gloucestershire Employment and Skills Board will strengthen various aspects of the local skills system including: apprenticeships; retaining older workers; more effective labour market information and careers support; stronger links between businesses and schools; improved support for local businesses to close their skills gaps; improved employment and skills opportunities for priority areas of the County (e.g. Matson and Podsmead, Forest of Dean).
- Continue to invest in employment and skills investment by Gloucestershire Adult Education Service in local communities, particularly those most in need.
- Creating safe and trusted spaces through Library Growth Hub networks to support entry level businesses that may not choose to access more formal advice.
- Using apprenticeships to help recruit to public sector roles where there is a skills shortage.

Place Based Services

- Continue to deliver effective regulatory services, including for Public Rights of Way and Traffic Regulation Orders, Trading Standards, Fire Safety and Planning Enforcement (minerals and waste), and ensure that they continue to be intelligence led, proportionate, reasonable, clearly prioritised.
- Maximise the Fire and Rescue Service Prevention Strategy to ensure early intervention and protection work is linked to health and social care, in order to deliver an effective and efficient service and to help manage demand on other services.
- Capitalise on the wider role of regulatory services to ensure early intervention and prevention work in partnership with health and social care is continued and expanded.
- New Highways Contract procured with new structural maintenance resurfacing contract in place by April 2018, a professional services support contract and the new term maintenance contract operating from April 2019;
- Javelin Park energy from waste facility fully operational from autumn 2019;
- 31 Libraries become Tier 3 Growth Hubs with 2 innovation labs to support educational and economic growth
- The library service in the local community continues to be the County Councils generic face to face customer presence in local places driving digital skills, supporting local businesses to innovate, develop and grow as Tier 3 growth hubs and providing an access 'hub' for a range of other services – concessionary fares, registrars, drop-ins for people with disabilities, early health intervention, and job clubs
- Continue the journey towards carbon neutrality for the Council's operations and plan and prepare for increasing numbers of severe weather incidents.
- Ensure that Gloucestershire's roads, based on an objective analysis of the accident data, continue to be safe for users and that the number of people killed and seriously injured are reduced as far as possible
- Develop a new Fire and Rescue Integrated Risk Management Plan that defines the long-term operating model for the service in order to deliver a resilient, affordable and strong Gloucestershire presence.
- Improve the customer contact centre and reception experience, through smarter data intelligence, digital signposting and self service. Growing digital skills within our workforce to harness new technologies for smarter cities that will enhance our quality of life and enable Gloucestershire to compete within the global economy.
- Development of a Highways Skills Academy with key partners including local educational facilities, Gfirst LEP, highways contractors and wider supply chain all working towards the long term development of a skilled construction and engineering workforce.
- Completion of LED Street Lighting core investment programme to change all street lighting over to LED technology.

Continue to work through the Local Resilience Forum to ensure appropriate emergency management arrangements are in place and accord with the requirements of the Civil Contingencies Act.

2020 to 2035: Bringing national strategy down to the local level

Creating communities that work for all relies on effective localised decision making aligned with national strategy. Our local industrial, economic and environmental strategies must be integrated and make the case for Gloucestershire, making a clear our offer to national Government and what investment we need to deliver it.

Economic growth and infrastructure

- Continue to help UK government push ahead with the improvement work on the A417 missing link;
- Deliver transport schemes including the Gloucester South West Bypass and A419 Stonehouse improvements which have been funded through the Growth Deal (rounds 1-3) and promote new infrastructure projects in future rounds that will support economic growth
- Pursue projects that start to earn income from innovative energy supply projects, with a particular emphasis on PV, battery storage and electric vehicle charging.
- Designing new developments, retrofitting existing infrastructure and encouraging behaviour change to transition from petrol/diesel car ownership towards electric vehicles, shared mobility and connected and autonomous vehicles.
- Apprenticeship delivery increased to help local businesses deal with their skills gaps.
- LED lighting to support sustainable travel, maximising the use of solar for public/cycle paths and signage
- Continued increase in self service options in libraries, with additional digital equipment to support increased confidence of the public to access services on line

Placed based services

- Through the Joint Waste Partnership deliver 60% recycling and 92% energy recovery from residual waste treated at Javelin Park

2035 - 2050 - Creating the places of the future

Tackling the challenges of climate change, employment, housing and population growth and change requires vision, leadership and innovation, harnessing the power of big data and people to find creative solutions. The County Council is facilitating and enabling change now to shape, plan and deliver the future.

Economic growth and infrastructure

- Use the Vision 2050 engagement process to help shape the Council's long term thinking.

MTC2 AND DELIVERING THE CHANGE

MTC2 targets for 2017/18 have been delivered.

Place based services will continue to be under financial pressure as a result of increasing demand for social care.

In response the Council's Place Based services have been on a transformation journey for a number of years:

- Waste management, a key milestone being the commissioning of Javelin Park energy from waste facility;
- Transport, reducing spend on subsidised transport whilst maintaining accessibility by supporting the commercial network and integration with Home to School transport networks;

- Investment in broadband with around 95% of premises in the county already having Next Generation Access (30mbps) and reshaping Libraries to be the digital skills hubs for the Council;
- The shift to cashless payment for on-street parking underpinned by more efficient enforcement and back office functions

The priorities for transformation, will include

- Continuing the planned journey with waste, transport, digital and libraries.
- Reshaping Gloucestershire Highways to allow it to deliver the £150m+ of investment
- Considering ways to benefit from investment in energy technology at the local level, including grid supply and balancing and servicing new technologies such as electric vehicles and bicycles.
- Exploiting new approaches to cashless parking and differentiating offers to residents, visitors and commuters.
- Getting better at evidencing the value of Place based services in shaping the wider determinants of health and working more closely with public health to secure investment in improving health and social outcomes in the county.

Transformation will only take Place based services so far into the future as they will need continued public subsidy. Investment in economic growth to generate tax revenues will therefore be essential. Continued access to revenue resources will be essential to help develop a pipeline of capital infrastructure projects. This will allow the Council to successfully compete in an ever more competitive bidding environment for Government Funding. The need for strong partnerships with the Local Planning Authorities and gfirst LEP will be necessary to ensure that infrastructure investment supports and enables planned housing and employment land developments and economic growth. Better Business for All is one such programme that shows how Gloucestershire's regulatory services, such as Trading Standards can develop the right skills and culture to support new and expanding businesses whilst generating new income streams to compensate for reduced public funding. Certainty, over the longer term Business Rate retention and devolution will be critical in understanding how the Council can invest in different ways to enable critical infrastructure.

Similarly, the Council will need to work in partnership through the new Employment and Skills Board to make sure that the economy has the long term workforce necessary to sustain the economy in the long term allowing businesses to start and / or grow in the County.

In summary the challenge for the Council will be to continue to invest in enabling the economic growth that will generate the revenues necessary to deliver place based and wider social care services that are fit for today and also for tomorrow.

Annex 2 – Budget Movements by Service Area

2018-19 Adults Budget including the National Adult Social Care Levy

	Cost Increases £000	Cost Reductions £000	£000
Starting Budget (2017-18 Revised Budget)			131,901

Budget Changes:

Cost Increases

Improved Better Care Fund

Pay Inflation	337
To provide for a 1% pay award wef 1 April 2018	
Increased cost of care of vulnerable adults	
Inflation for Adult Social Care	2,061
Demand pressures linked to demographic growth	1,845
Complex Transitional services for Learning Disabilities	1,100
Disabilities - Transforming Care & Associated Discharges	354
Full year impact of NLW decisions in previous year	1,141

6,838

National Adult Social Care Levy

Amount of Additional adult social care levy 18-19 totals £5.417 million	
National Living Wage	3,391
Inflationary cost pressure following the introduction of the national living wage Care Act	
To fund, over and above the funding set aside in the Better Care Fund, the on-going costs of the requirements needing to be undertaken in 2018/19 of the Care Act 2014. This includes continued investment in new ways of working, the development of referral centres and enhanced support to self funders.	1,453
Demand pressures linked to demographic growth	573

5,417

2018-19 Adults Budget including the National Adult Social Care Levy Continued	Cost Increases £000	Cost Reductions £000	£000
<u>Cost Reductions</u>			
Adult Social Care Single Savings Programme			
- Older People The Older People and Vulnerable Adults element of the Programme supports the strategic directions of keeping people safe and independent, ideally in their own homes, investing in prevention to delay and avoid more expensive care support. In addition it continues to support the integration of Health and Social Care to deliver positive outcomes for individuals.		-5,069	
- Physical & Learning Disabilities The Disabilities element of the Programme supports the Building Better Lives Policy for supporting people with Disabilities in Gloucestershire. The savings will be delivered through effective enablement, brokerage, review to ensure needs are met utilising community resources and supporting people with disabilities into employment.(Physical Disabilities £0.487 million/Learning Disabilities £2.005 million)		-2,492	
Demand Management Issues Phase 3 Projects targeted at living within our means and adjusting to meet the increasing demand differently. Most of these projects are designed around the implementation of national policy and good practice - expanding the model of reablement, working in multidisciplinary teams but also increasing investments in management of the social care function, avoiding crisis, listening to our service users and improving the customer journey through the three tier conversations at the frontline in adult services.		-4,000	
TOTAL NET CHANGE	12,255	-11,561	694
2018-19 Adults Budget including National Adult Social Care Levy *			<u>132,595</u>
* This excludes the additional ringfenced social care grant funding totalling £7.176 million expected in 2018-19.(£10.598 million in 2017-18)			

2018-19 Public Health Budget

	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2017-18 Revised Budget)			24,912
<u>Budget Changes:</u>			
<u>Cost Reductions</u>			
2.5% national reduction in ring fenced grant allocation and savings achieved through remodelling of the sexual health and public health nursing services to release efficiency savings		-640	
TOTAL NET CHANGE	-	-640	-640
Public Health Budget 2018-19			<u>24,272</u>

2018-19 Children and Families Budget - Vulnerable Children

	Cost Increases £000	Cost Reductions £000	£000
<u>Budget Changes:</u>			
Starting Budget (2017-18 Revised Budget)			56,895
<u>Cost Increases</u>			
Pay Inflation To provide for a 1% pay award wef 1 April 2018	256		
National Living Wage Inflationary cost pressures following introduction of the National Living Wage	229		
External Placement Budget - the increased cost and number of placements	7,600		
Section 17 & Discretionary Payments - to support increased activity within social care	623		
Child Protection Conference Chairs - additional staffing to meet demand and required standards	121		
Community Equipment Budget - to support increased activity due to demographic growth	225		
Care Leavers - New Legislation to support Care Leavers to age 25	200		
Inflation uplift for Adoption, Special Guardianship and Fostering Allowances	195		
Special Guardianship Orders - Increased Numbers	808		
Fostering - In House Fostering Service - additional staff and allowances	607		
Children with Disabilities - Demographic Growth	82		
DCYP Children with Disabilities - increase in number of Direct Payments	39		
TOTAL NET CHANGE	10,985	-	10,985
Children & Families - Vulnerable Children Budget 2018/19			67,880

2018/19 Children and Families Budget - Other Services

	Cost Increases £000	Cost Reductions £000	£000
Starting Budget (2017/18 Revised Budget)			29,919
<u>Budget Changes:</u>			
Education			
Pay Inflation To provide for a 1% pay award wef 1 April 2018	92		
Home to School Transport To provide for contractual prices inflation.	50		
Home to School Transport Increase in numbers entitled to transport	125		
Home to School Transport Reduce bespoke travel arrangements through Independent Travel Training, increased vehicle capacity to Special Schools and the use of individual Personal Travel Allowances for CYP with complex needs.		-200	
Pensions Reduce the budget based on an assessment of the reduction in no. of pensioners and spouses based on age and trends		-150	
Commissioning			
Pay Inflation To provide for a 1% pay award wef 1 April 2018	13		
Other Children Services			
National Living Wage Inflationary cost pressures following introduction of the National Living Wage	100		
Supporting People Reduce community based support contract in line with utilisation and reduce capacity of accommodation based support in line with demand.		-541	
TOTAL NET CHANGE	380	-891	-511
Children & Families - Other Services Budget 2018/19			29,408

2018/19 Communities and Infrastructure Budget

	Cost Increases	Cost Reductions	£000
Starting Budget (2017/18 Revised Budget)			78,663
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	284		
To provide for a 1% pay award wef 1 April 2018			
Fire Fighters Pay Award (above general provision)	342		
To provide for a further 1% pay award wef 1 April 2018			
National Living Wage	383		
Inflationary cost pressures following introduction of the National Living Wage			
Development of Major Transport Schemes	150		
Due to the removal of revenue funding options when applying for capital grant funding there is a need to fund feasibility costs to enable schemes to be ready for external funding applications.			
Waste	2		
HRC Maintenance to compactors			
Highways LED	408		
Street Lighting contract price inflation and increase in electricity consumption due to growth in assets			
Road Safety Team	220		
Ongoing funding to continue to run the Road Safety Partnership			
Customer Programme Shortfall	379		
Highways - Additional Highways Costs	30		
<u>Cost Reductions</u>			
Parking		-50	
To review charging policy, including the introduction of 'pay by the minute' for on-street pay and display			
Integrated Transport		-50	
Review charging opportunities & centralisation of budgets			
Libraries		-50	
To re-shape support staffing arrangements			
Waste		-167	
To consider the introduction of 'winter opening' hours at household recycling centres			
Strategic Planning		-50	
To refocus spending on flood alleviation			
Fire & Rescue Services		-160	
Reduced costs of new pension scheme.			
Rationalisation of software licencing.			
Realising the benefits of the introduction of new systems.			
TOTAL NET CHANGE	2,198	-527	1,671
Communities and Infrastructure Budget 2018/19			80,334

2018/19 Business Support Budget

	Cost Increases	Cost Reductions	£000
Starting Budget (2017/18 Revised Budget)			26,082
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	227		
To provide for a 1% pay award wef 1 April 2018			
National Living Wage	207		
Inflationary cost pressures following introduction of the National Living Wage			
Cost increases due to increase in child protection cases (extraordinary included)	333		
General Data Protection Regulations Compliance	300		
E-storage Management Digital Strategy	132		
Print Contract	42		
HR Scanning System	68		
SAP data archiving and support	122		
Credit controller role	48		
ICT contract inflation	820		
<u>Cost Reductions</u>			
Efficiency savings across all support services, including digitisation of processes		-396	
Efficiency savings associated with improved cash flow and expansion of the GCC temporary staff register		-250	
Efficiency savings from reduced printing through member ICT		-20	
TOTAL NET CHANGE	2,299	-666	1,633
Business Support Budget 2018/19			27,715

2018/19 Technical and Corporate Budget

	Cost Increases	Cost Reductions	£000
	£000	£000	£000
Starting Budget (2017/18 Revised Budget)			59,330
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay inflation	6		
To provide for a 1% pay award wef 1 April 2018			
Contingency to provide for an additional 0.5% pay award wef 1 April 2018	600		
<u>Cost Reductions</u>			
Removal of 2017-18 one off investments		-10,575	
<u>MRP Changes</u>			
Capital Financing Changes as set out in detail within the Treasury Management Strategy		-2,000	
<u>Customer - Property Disposals</u>			
Revenue savings generated from the utilisation of the proceeds of property disposals to reduce debt and/or support financing of the capital programme		-1,400	
Treasury management		-1,000	
Increased income from investments			
TOTAL NET CHANGE	606	-14,975	-14,369
Technical and Corporate Budget 2018/19			44,961

Additional 2018/19 One Off Investments to be funded from the Transformation Reserve

	Cost Increases	Cost Reductions	£000
	£000	£000	£000
Growing Our Communities Fund – this fund will allow each Councillor to allocate £30,000 over a three year period to invest in key community projects.	1,590		
Additional investment in the Lengthsman Scheme in 2018/19 until it is incorporated in the new Highways contract	530		
A transfer to the A417 Reserve to create a total fund of £4.0 million	2740		
<u>TOTAL 2018/19 ONE OFF INVESTMENTS FROM TRANSFORMATION RESERVE</u>	<u>4,860</u>	<u>0</u>	<u>4,860</u>

Annex 3 – Budget Summary by Service Area

Overall Budget

Medium Term Financial Strategy - 2018/19 Budget

Budget Area	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease £'000s
Programme Budget Areas						
Adults	131,901	-11,561	12,255	132,595	694	0.53%
Children and Families- Vulnerable Children	56,895	0	10,985	67,880	10,985	19.31%
Children and Families- Other Services	29,919	-891	380	29,408	-511	-1.71%
Communities and Infrastructure	78,663	-527	2,198	80,334	1,671	2.12%
Business Support	26,082	-666	2,299	27,715	1,633	6.26%
Technical and Corporate	59,330	-14,975	606	44,961	-14,369	-24.22%
Total GCC	382,790	-28,620	28,723	382,893	103	0.03%
Public Health	24,912	-640	-	24,272	-640	-2.57%
Total Budget	407,702	-29,260	28,723	407,165	-537	-0.13%

Adults MTFS 2018/19

	2017/18 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2018/19 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Services for Older People	47,592	-5,883	3,100	44,809	-2,783	-5.85%
Services for People with a Physical Disability	12,391	-573	913	12,731	340	2.74%
Services for People with a Learning Disability	46,959	-4,979	6,023	48,003	1,044	2.22%
Services for People with Mental Health Issues	7,261		258	7,519	258	3.55%
Other Services for Adults	17,698	-126	1,961	19,533	1,835	10.37%
Total: Adults	131,901	-11,561	12,255	132,595	694	0.53%

Children and Families MTFS 2018/19

Children and Families - Vulnerable Children MTFS 2018/19

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Vulnerable Children	56,895		11,449	68,344	11,449	20.12%
Total: Vulnerable Children	56,895	-	11,449	68,344	11,449	20.12%

Children and Families - Other Services MTFS 2018/19

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Education	18,465	-350	267	18,382	-83	-0.45%
Commissioning	1,870	-	13	1,883	13	0.70%
Other Children Services	9,584	-541	100	9,143	-441	-4.60%
Total: Children & Families Other Services	29,919	-891	380	29,408	-511	-1.71%

Children and Families MTFs 2018/19

Children and Families - Vulnerable Children MTFs 2018/19

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Vulnerable Children	56,895		10,985	67,880	10,985	19.31%
Total: Vulnerable Children	56,895	-	10,985	67,880	10,985	19.31%

Children and Families - Other Services MTFs 2018/19

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Education	18,465	-350	267	18,382	-83	-0.45%
Commissioning	1,870	-	13	1,883	13	0.70%
Other Children Services	9,584	-541	100	9,143	-441	-4.60%
Total: Children & Families Other Services	29,919	-891	380	29,408	-511	-1.71%

Communities & Infrastructure MTFs 2018/19

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Parking	-2,864	-50	2	-2,912	-48	1.68%
Strategic Planning	1,772	-50	8	1,730	-42	-2.37%
Flood Alleviation	1,199		2	1,201	2	0.17%
Highways	17,735		618	18,353	618	3.48%
Integrated Transport Unit	10,195	-50	132	10,277	82	0.80%
Unallocated/Corporate Budgets	1,805		287	2,092	287	15.90%
Fire & Rescue Service	15,603	-160	472	15,915	312	2.00%
Libraries	3,263	-50	26	3,239	-24	-0.74%
Road Safety	123		226	349	226	183.74%
Regulatory Services	1,315		26	1,341	26	1.98%
Healthwatch	217			217	-	0.00%
Waste	27,429	-167	8	27,270	-159	-0.58%
Customer Services	1,250		12	1,262	12	0.96%
Customer Programme Savings	-379		379	-	379	-100.00%
Total: C&I Including Waste	78,663	-527	2,198	80,334	1,671	2.12%

Business Support MTFS 2018/19

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Support Services	19,261	-646	1,258	19,873	612	3.18%
Strategy & Challenge	6,821	-20	1,041	7,842	1,021	14.97%
Total: Business Support	26,082	-666	2,299	27,715	1,633	6.26%

Technical & Corporate MTFs 2017/18

	2017/18 GCC Revised Base Budget £'000s	Cost Reductions £'000s	Cost Increases (Including Inflation) £'000s	Proposed 2018/19 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Corporately Controlled Budgets	17,507		604	18,111	604	3.45%
Capital Financing	29,897	-4,400		25,497	-4,400	-14.72%
Members and Elections	1,351		2	1,353	2	0.15%
One off Investments	10,575	-10,575		-	-10,575	-100.00%
Total: Technical & Corporate	59,330	-14,975	606	44,961	-14,369	-24.22%

Context

The purpose of the Medium Term Financial Strategy (MTFS) is to give financial expression to the Council Strategy for 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. The MTFS is prepared annually and covers the three year period 2018/19 to 2020/21. It links decisions on resource allocation with decisions on policy priorities as set out in the Council Strategy.

Principles

The principles underlying the MTFS are:

- Stable and sustainable budgets.
- Ensures resources are focused on the Council's highest priorities
- Demonstrates value for money.
- 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.
- 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, thereby releasing on going debt related revenue savings.
- Aligns on-going financing resources with on-going spending commitments.

Budget Assumptions

The 2018/19 Budget and MTFS has been produced using the following assumptions

- Council tax will increase by 1.99% per annum
- The Adult Social Care Levy of 2% will be applied in 2018/19 and 2019/20
- The Pay Cap of 1% will apply to all Council employees (with the exception of Firefighters) during the period of this MTFS.
- Inflation – budgets will only be adjusted for inflation where there is a contractual commitment
- General Reserves will remain at the current level which is within the 4-6% recommended level
- External Borrowing will be repaid as it matures and no new external borrowing is anticipated during the lifetime of this MTFS
- A limited amount of central contingency will be held to cover potential risk of:
 - Pay award over 1%
 - Unachieved savings targets

Annex 5: Reserves & Balances Analysis

	Balance at 31 st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Projected Balance at 31 st March 2018	Notes
	£'000	£'000	£'000	£'000	
Earmarked Reserves					
Capital Fund	14,271	-8,052	6,947	13,166	1
Strategic Waste Reserve	36,005		1,700	37,705	2
Transformation Reserve	6,462	-6,130	5,000	5,332	3
Invest to Save	3,141	-900		2,241	4
Insurance Fund	12,560			12,560	5
Active Communities	1,230	-550		680	6
Public Health	3,641	-3,103		538	7
County Elections	934	-850	200	284	8
Vehicle & Plant Replacement	82			82	9
Fire Service Pensions	127			127	10
Fire Joint Training Centre	1,144	-27		1,117	11
Economic Stimulus Reserve	6,097	-5,465		632	12
Fire PFI Reserve - GFRS	3,048			3,048	13
Revenue Grant Reserves	10,710			10,710	14
Adoption Reserve	163	-163		0	15
Rates Retention Reserve	2,505	-835		1,670	16
Education Funding Risk Reserve	500			500	17
Vulnerable Children Reserve	3,124	-3,124		0	18
Home to School Transport Reserve	468	-100		368	19
A417 Missing Link	1,259			1,259	20
Adult Care	2,903			2,903	21
Communities & Infrastructure Reserve	703	-666		37	22
Traded Services & Shared Audit Service Reserves	253			253	23
LED Renewables Reserve	463			463	24
Services to Families with Young Children Reserve	300	-300		0	25
Other Reserves	596	-105	0	491	26
Earmarked Reserves (Non School)	112,689	-30,370	13,847	96,166	
Schools Related					
School Balances	19,688			19,688	27
Other Schools Related	4,795			4,795	27
School Related	24,483	0	0	24,483	
Earmarked Reserves Total	137,172	-30,370	13,847	120,649	
General Fund Balances	19,848	-1,295		18,553	28
Total Revenue Reserves	157,020	-31,665	13,847	139,202	
Earmarked Capital Reserves	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018	
Capital Grant & Contributions Reserves	46,017			46,017	29
Capital Receipts Reserve	32,371			32,371	30
Total Capital Reserves	78,388	0	0	78,388	

Notes on Reserves

1. The capital fund balance assumes that £6.95 million will be transferred from the revenue capital financing budget to support approved capital programme expenditure.
2. The strategic waste reserve's estimated balance as at 31st March 2018 is £37.70 million, following a proposed transfer of £1.7 million from revenue. These funds are required to meet contract payments due on construction / completion.
3. The transformation reserve was set up in 2009/10 to fund liabilities to pay for redundancy and one-off transformation costs associated with the MtC programme. The reserve will be reduced by £2.4 million to fund the 2017/18 revenue budget, as approved by County Council in February 2017.
4. The invest to save reserve supports projects that are designed to deliver on-going savings in the future by providing "pump priming" funding. The transfer out of the reserve relates to a £0.9 million contribution to capital for the provision of photovoltaic PV panels for Shire Hall.
5. It is anticipated that the insurance fund will remain at current levels in line with recommended actuarial valuations and assessment of potential liabilities.
6. The purpose of the reserve is to provide capacity to engage and build active communities as part of the Council's Strategic Plan. Commitments against the reserve are likely to be spread over a number of years. The reserve will be reduced by £0.5 million to fund the 2017/18 revenue budget, as approved by County Council in February 2017.
7. The public health reserve holds any unused balances from the Public Health Grant received by Government.
8. The county elections reserve acts as a smoothing reserve to fund the costs associated with county council elections held every four years. A budgeted annual contribution of £0.2 million is annually made to this fund. The costs associated with the 2017 election are fully funded from this reserve.
9. The vehicle and plant reserve is intended to support Council procurement of Service vehicles and Plant
10. The fire pensions reserve was established to support any potential liabilities under the fire service pension schemes. The cost of early retirements due to ill health result in additional employers' liabilities and the intention of this reserve is to offset any impact of these costs on the revenue budget if required.

11. The fire joint training 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 now expected to slowly reduce for the remaining of the contract to 2028.
12. The economic stimulus reserve is committed to fund a series of initiatives to support economic growth within Gloucestershire i.e. fastershire rural broadband and apprenticeship initiative. It is forecast that the reserve will have a balance of £0.63 million at 31st March 2018.
13. 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 £4.77 million, but then reduce over the next 13 years to zero in 2038.
14. 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.
15. The adoption reserve was established to support costs associated with the adoption service. It is anticipated that this will be fully utilised in 2017/18.
16. The way that the Council is funded changed in 2013/14. As a result the Council is subject to volatility around Business Rates collections. 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 £20.6 million 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 £4.9 million before the safety net would become payable. Where deficits do occur, the reserve will be used to prevent any impact on the revenue budget. The reserve will be reduced by £0.88 million to fund the 2017/18 revenue budget, as approved by County Council in February 2017. Part of this reserve is Gloucestershire Pool money, ring fenced for economic development projects across the County totalling £0.34 million.
17. The education funding smoothing reserve funds any in-year funding adjustments 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, i.e. if a school transfers to Academy status mid-year the Council's budget will be top-sliced mid-year.
18. The vulnerable children's reserve was established to cover the budgetary risks associated with the fluctuations in demand led Children Services, such as agency placements, fostering allowances, special guardianship and care allowances. It is anticipated that this will be fully utilized in 2017/18.
19. The home to school transport reserve was created in order to smooth out the budgetary pressures caused by the fluctuations in school transport days between financial years.
20. This reserve was established to support the upgrading of a section of the A417.

21. Adult care reserve was established to cover the budgetary risks associated with the fluctuations in demand led adult services.
22. This reserve was created to hold a number of small revenue carry forwards for Community and Infrastructure services and will be fully utilised in 2017/18 other than £0.37 million for Street Lighting LED phase 2 contract mobilisation which will be spent in 2018/19.
23. The traded services & shared audit reserve was created to support activities to generate further traded income.
24. This is the smoothing reserve for the repayment of the SALIX/SEELs repayments over 7 years.
25. This funding was approved by Cabinet to fund capital works which will enable children centre buildings to be adapted and made suitable for the provision of a wider range of services. This reserve will be fully utilised in 2017/18.
26. This relates to a small number of specific reserves.
27. It has been assumed that balances for Schools and the Dedicated School's Grant will remain at similar levels to those held at 31st March 2017.
28. Assuming a balanced outturn position on the revenue budget for 2017/18 general reserves are forecast to fall to £18.55 million at 31 March 2018, following the transfer of £1.29 million to support the revenue budget approved by County Council February 2017. In the event of an over spend position a further draw down on general reserves will be required.
29. The capital grants & contributions reserve is a technical reserve established, as required under accounting policies, for specific unapplied capital grants & contributions where conditions related to the grant have been fully met. These fully committed funds will be used to support the capital programme from 2017/18 onwards.
30. The capital receipts reserve holds capital receipts which have been received from approved property disposals. These receipts are held to finance the approved capital programme.

Annex 6 Revenue Budget Forward Projections

MTFS 2018/19 – 2020/21 – Forecast draft budgets based on funding assumptions

	2017/18	2018/19	2019/20	2020/21
	Revised	Forecast	Forecast	Forecast
	£m	£m	£m	£m
Base Budget	407.70	407.70	407.17	419.22
Inflation (Pay,Pensions and Prices)		1.82	2.43	2.34
National Living Wage		4.31	4.36	4.48
Other Pressures (Estimated)		22.60	21.49	10.25
Savings to be met from Transformation Programme		-29.26	-16.23	-14.07
Net Operating Budget	407.70	407.17	419.22	422.22
<u>Funded by:-</u>				
Core Grant Funding	-102.80	-93.60	-84.91	-77.96
Other Non Ring Fenced Grant Funding	-11.10	-11.80	-18.18	-17.94
Public Health Grant	-24.9	-24.27	-23.63	-23.63
Council Tax Surplus	-4.08	-3.00	-3.00	-3.00
Reserve Movements	-5.20	0.00	0.00	0.00
Council Tax Requirement	259.62	274.50	289.50	299.69
Council Tax Calculation				
Council Tax Base (Est)	220,159	223,839	227,016	230,422
Council Tax Band D Equivalent)	£1,179.26	£1,226.31	£1,275.24	£1,300.62
% Increase in Council Tax	3.99%	3.99%	3.99%	3.99%
This excludes the additional ringfenced social care grant funding totalling £10.598 million in 2017-18, £7.176 million expected in 2018-19 & £3.569 million expected in 2019-20.				

Annex 7a

Capital Programme 2018/19

MEDIUM TERM CAPITAL PROGRAMME - COUNTY COUNCIL SERVICES FINANCING STATEMENT

	----- Profiled Budget -----				Future Years	Total Still Required £000	Prior Years Actual £000	Total Scheme Investment £000
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000				
GROSS PAYMENTS								
Adults	7,872	10,523	0	0	0	18,395	6,078	24,473
Children & Families	29,249	48,199	18,359	5,650	0	101,457	48,400	149,857
<u>Communities:</u>								
Highways	39,882	51,715	30,205	30,205	9,000	161,007	65,160	226,167
Strategic Infrastructure	3,615	4,509	5,352	0	0	13,476	5,288	18,764
Waste Disposal	866	445	0	0	0	1,311	49	1,360
Libraries	520	1,567	0	0	0	2,087	905	2,992
Community Safety	1,384	1,672	815	150	0	4,021	3,614	7,635
<u>Business Support:</u>								
AMPS	18,040	15,307	1,738	450	0	35,535	6,941	42,476
ICT Projects	2,929	3,824	1,750	0	0	8,503	2,915	11,418
Archives & Information Management	2,327	578	0	0	0	2,905	353	3,258
Customer	46	170	0	0	0	216	342	558
Business Support Misc	0	771	360	0	0	1,131	0	1,131
Total	106,730	139,280	58,579	36,455	9,000	350,044	140,045	490,089
AVAILABLE RESOURCES								
Revenue Contributions	1,924	236	0	0	0	2,160		
Section 106 Contributions	14,333	8,400	58	0	0	22,791		
Capital Fund	10,074	7,079	2,026	0	0	19,179		
Other External Contributions	525	145	0	0	0	670		
External Grant - including Government	60,253	79,494	29,569	25,855	0	195,171		
Other Reserves	3,525	2,725	859	0	0	7,109		
Capital Receipts	16,096	25,201	7,067	600	0	48,964		
Internal Borrowing	0	16,000	19,000	10,000	9,000	54,000		
Other - including Borrowing	0	0	0	0	0	0		
Total	106,730	139,280	58,579	36,455	9,000	350,044		
Surplus/deficit (-)	0	0	0	0	0	0		

Capital Programme 2018/19	Total Scheme Budget							Financing for Total Scheme Budget										Total for Remaining Life £000	Prior Years Funding £000	Funding of Budget Total £000
	Scheme Name	Total Scheme Budget	Prior Years Actuals	2017/18	2018/19	2019/20	2020/21	Future Years	Revenue Contrib	S106 External Contrib	Capital Fund	Other External Contrib	External Grant	Other Reserves	Capital Receipts	Internal Borrowing	Other incl. Borrowing			
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000			
Springbank Primary garden room	258	1	246	11	0	0	0	22	0	0	0	0	235	0	0	0	0	257	1	258
Gardners Lane Primary 2 Class Extension	828	0	676	152	0	0	0	5	0	0	0	0	823	0	0	0	0	828	0	828
Gloucester Road Primary, SEN/Group Room	350	4	312	34	0	0	0	0	291	3	0	0	52	0	0	0	0	346	4	350
Hunts Grove, ICT/FFE	406	0	0	325	81	0	0	0	0	0	0	0	406	0	0	0	0	406	0	406
Longford Primary, ICT/FFE	271	0	0	271	0	0	0	0	0	0	0	0	271	0	0	0	0	271	0	271
School kitchen upgrades 17/18	300	0	163	137	0	0	0	8	0	286	0	0	6	0	0	0	0	300	0	300
Calton Primary, 1FE expansion	4,716	4,464	150	102	0	0	0	0	0	0	0	0	252	0	0	0	0	252	4,464	4,716
Coney Hill Primary, extension & hygiene	260	0	223	37	0	0	0	0	0	0	0	0	260	0	0	0	0	260	0	260
Dinglewell Junior replace classrooms	821	0	40	761	20	0	0	35	0	0	0	0	786	0	0	0	0	821	0	821
Intensive Intervention Service (IRIS)	1,200	0	600	600	0	0	0	0	0	1,200	0	0	0	0	0	0	0	1,200	0	1,200
Schemes under £250,000 17/18 onwards	47,198	39,246	6,661	1,251	40	0	0	560	899	126	173	6,194	0	0	0	0	0	7,952	39,246	47,198
New Starts 2018/19 onwards																				
Basic Need Grant 18/19	8,970	0	0	8,970	0	0	0	0	0	0	0	0	8,970	0	0	0	0	8,970	0	8,970
Special Provision Fund 18/19 - 20/21	1,950	0	0	650	650	650	0	0	0	0	0	0	1,950	0	0	0	0	1,950	0	1,950
Basic Need Grant 2019/20	2,565	0	0	0	2,565	0	0	0	0	0	0	0	2,565	0	0	0	0	2,565	0	2,565
Schools Condition Allocation 18/19 (indicative)	5,131	0	0	5,131	0	0	0	0	0	0	0	0	5,131	0	0	0	0	5,131	0	5,131
Cheltenham New School	30,000	0	0	11,000	14,000	5,000	0	0	0	0	0	0	15,000	0	0	15,000	0	30,000	0	30,000
Building improvements to Impact Youth Centre space &	578	0	0	578	0	0	0	0	0	0	0	0	0	578	0	0	0	578	0	578
Total Children & Families	149,857	48,400	29,249	48,199	18,359	5,650	0	818	17,391	1,635	173	65,862	0	578	15,000	0	0	101,457	48,400	149,857
Highways																				
Metz Way Bus Lane (East of Eastern Ave)	1,856	385	116	1,355	0	0	0	0	1,274	0	0	0	197	0	0	0	0	1,471	385	1,856
Coopers Hill - Slip	380	115	219	46	0	0	0	0	0	0	0	0	265	0	0	0	0	265	115	380
Pothole Action Fund Unallocated	1,435	0	1,435	0	0	0	0	0	0	0	0	0	1,435	0	0	0	0	1,435	0	1,435
Cinderford Northern Quarter Spine Road	6,839	5,887	760	192	0	0	0	0	0	100	0	0	852	0	0	0	0	952	5,887	6,839
Gloucester South West Bypass - Llanthony	635	180	455	0	0	0	0	0	0	0	0	0	455	0	0	0	0	455	180	635
On street parking (Cheltenham Phase 4)	587	318	269	0	0	0	0	212	0	0	0	0	57	0	0	0	0	269	318	587
Cheltenham to Bishops Cleeve Cycle Track	770	53	100	617	0	0	0	0	717	0	0	0	0	0	0	0	0	717	53	770
A40 Improvements Over Roundabout	2,465	579	400	1,486	0	0	0	0	0	0	0	0	1,886	0	0	0	0	1,886	579	2,465
Elmbridge Major Scheme Bid	13,299	8,340	3,600	1,359	0	0	0	0	0	0	0	0	4,959	0	0	0	0	4,959	8,340	13,299
A435 Bishops Cleeve to Race Course Hiway	451	6	75	370	0	0	0	0	445	0	0	0	0	0	0	0	0	445	6	451
LED Streetlighting Major Project	22,217	7,525	6,695	7,997	0	0	0	0	0	0	0	0	4,271	10,421	0	0	0	14,692	7,525	22,217
Concrete Column Replacement-LED Project	1,988	1,188	800	0	0	0	0	0	0	0	0	0	800	0	0	0	0	800	1,188	1,988
High Mast Replacement	390	72	318	0	0	0	0	0	0	0	0	0	318	0	0	0	0	318	72	390
Street Lighting - General	3,058	2,757	301	0	0	0	0	0	0	0	0	0	301	0	0	0	0	301	2,757	3,058
Berkeley New And Berkeley Old Bridges	3,306	2,174	1,132	0	0	0	0	0	0	0	0	0	1,132	0	0	0	0	1,132	2,174	3,306
Horsley Hill Landslip Nailsworth	862	237	625	0	0	0	0	0	0	0	0	0	625	0	0	0	0	625	237	862
Lydney Level Crossings	500	17	483	0	0	0	0	0	0	0	0	0	483	0	0	0	0	483	17	500
SM PRN A Roads Unallocated	1,352	0	1,352	0	0	0	0	0	0	0	0	0	1,052	0	300	0	0	1,352	0	1,352
SM NPRN B Classified Unallocated	1,774	0	1,774	0	0	0	0	0	0	0	0	0	1,524	0	250	0	0	1,774	0	1,774
Bowbridge Stroud - Community Offer	1,137	667	470	0	0	0	0	0	10	0	178	282	0	0	0	0	0	470	667	1,137
Bristol Road, Gloucester	590	93	166	331	0	0	0	0	495	0	0	2	0	0	0	0	0	497	93	590
St Johns Road Slimbridge	348	53	295	0	0	0	0	95	0	150	0	0	50	0	0	0	0	295	53	348
TS152 - Metz Way/Eastern Avenue design	570	27	24	519	0	0	0	0	0	0	0	0	543	0	0	0	0	543	27	570
SM NPRN C Classified Unallocated	4,822	0	4,822	0	0	0	0	0	3	0	0	0	4,619	0	200	0	0	4,822	0	4,822
SM NPRN Unclassified Unallocated	884	0	884	0	0	0	0	0	0	0	0	0	884	0	0	0	0	884	0	884
Footways Unallocated	421	0	421	0	0	0	0	0	0	0	0	0	421	0	0	0	0	421	0	421
Minor Works 2017-18	1,519	0	1,519	0	0	0	0	0	5	33	0	0	1,481	0	0	0	0	1,519	0	1,519
Reactive Works Unallocated	3,656	0	3,656	0	0	0	0	0	0	0	0	0	3,656	0	0	0	0	3,656	0	3,656
Safety Fencing	600	336	253	11	0	0	0	150	0	0	0	0	114	0	0	0	0	264	336	600
Schemes under £250,000 17/18 onwards	43,710	34,151	6,463	3,096	0	0	0	455	2,084	749	172	6,099	0	0	0	0	0	9,559	34,151	43,710
New Starts 2018/19 onwards																				
Structural Maintenance (estimate)	52,032	0	0	17,344	17,344	17,344	0	0	0	0	0	0	52,032	0	0	0	0	52,032	0	52,032
Pothole Fund (estimate)	1,435	0	0	1,435	0	0	0	0	0	0	0	0	1,435	0	0	0	0	1,435	0	1,435
Road Maintenance	39,000	0	0	10,000	10,000	10,000	9,000	0	0	0	0	0	0	0	0	39,000	0	39,000	0	39,000
Integrated Transport (estimated 2018/19)	8,583	0	0	2,861	2,861	2,861	0	0	0	0	0	0	8,583	0	0	0	0	8,583	0	8,583
National Investment Productivity Fund 2018/19	2,696	0	0	2,696	0	0	0	0	0	0	0	0	2,696	0	0	0	0	2,696	0	2,696
Total Highways	226,167	65,160	39,882	51,715	30,205	30,205	9,000	912	5,033	1,032	350	103,509	0	11,171	39,000	0	0	161,007	65,160	226,167

Capital Programme 2018/19	Current Total Scheme Budget	Total Scheme Budget						Financing for Total Scheme budget								Total for Remaining Life £000	Prior Years Funding £000	Funding of budget total £000	
		Scheme Name	Prior Years	2017/18	2018/19	2019/20	2020/21	Future Years	Revenue	S106	Other	External	Other	Capital	Internal				Other incl.
			Actuals	£000	£000	£000	£000	£000	£000	Contrib	External	External	Reserves	Receipts	Borrowing				Borrowing
Strategic Infrastructure																			
Fastershire Broadband Strategy	13,700	4,215	2,785	1,500	5,200	0	0	0	0	0	0	5,131	4,354	0	0	0	9,485	4,215	13,700
Priors & Oakley FAS - FDGiA	2,583	239	700	1,644	0	0	0	0	0	166	0	2,178	0	0	0	0	2,344	239	2,583
Schemes under £250,000 17/18 onwards	2,283	834	130	1,180	139	0	0	198	0	1,238	0	13	0	0	0	0	1,449	834	2,283
New Starts 2018/19 onwards																			
Multi Modal Transport Model - SATURN	198	0	0	185	13	0	0	0	0	0	0	198	0	0	0	0	198	0	198
Total Strategic Infrastructure	18,764	5,288	3,615	4,509	5,352	0	0	198	0	1,404	0	2,191	5,329	4,354	0	0	13,476	5,288	18,764
Waste Disposal																			
Hempstead HRC	460	49	406	5	0	0	0	0	0	411	0	0	0	0	0	0	411	49	460
Mobile Compactors	460	0	460	0	0	0	0	0	0	20	0	0	440	0	0	0	460	0	460
New Starts 2018/19 onwards																			
Mobile Compaction and site works - Phase 2	440	0	0	440	0	0	0	0	0	0	0	440	0	0	0	0	440	0	440
Total Waste Disposal	1,360	49	866	445	0	0	0	0	0	431	0	0	880	0	0	0	1,311	49	1,360
Libraries																			
Customer Services Programme	1,519	43	45	1,431	0	0	0	0	0	0	0	0	1,476	0	0	0	1,476	43	1,519
Schemes under £250,000 17/18 onwards	1,473	862	475	136	0	0	0	0	357	31	0	220	3	0	0	0	611	862	1,473
Total Libraries	2,992	905	520	1,567	0	0	0	0	357	31	0	220	0	1,479	0	0	2,087	905	2,992
Community Safety																			
BA Project	700	234	400	66	0	0	0	0	0	0	0	466	0	0	0	0	466	234	700
Operational equipment	270	4	135	131	0	0	0	0	0	266	0	0	0	0	0	0	266	4	270
Appliances & Equipment 17/18 (Vehicles)	600	0	400	200	0	0	0	0	0	600	0	0	0	0	0	0	600	0	600
Mobile Data Terminals	300	0	50	100	150	0	0	0	0	300	0	0	0	0	0	0	300	0	300
Schemes under £250,000 17/18 onwards	3,775	3,376	399	0	0	0	0	67	0	211	0	102	0	19	0	0	399	3,376	3,775
New Starts 2018/19 onwards																			
Personal Protective Equipment	600	0	0	300	300	0	0	0	0	0	0	0	600	0	0	0	600	0	600
Emergency Response Vehicles	1,090	0	0	875	215	0	0	0	0	0	0	0	1,090	0	0	0	1,090	0	1,090
Upgrade emergency control room mobilising system	300	0	0	0	150	150	0	0	0	0	0	0	300	0	0	0	300	0	300
Total Community Safety	7,635	3,614	1,384	1,672	815	150	0	67	0	1,377	0	568	0	2,009	0	0	4,021	3,614	7,635
AMPS																			
SH MTFS SH Maintenance	1,096	453	300	343	0	0	0	0	0	9	0	1	0	633	0	0	643	453	1,096
MTFS SH Reorganisation	1,380	1,051	329	0	0	0	0	0	0	0	0	0	329	0	0	0	329	1,051	1,380
Locality Hubs	330	9	50	221	50	0	0	0	0	0	0	321	0	0	0	0	321	9	330
MTFS SH Refurbishment	7,186	1,141	5,645	400	0	0	0	0	0	35	0	0	6,010	0	0	0	6,045	1,141	7,186
Worksmart - Photovoltaic Panels	1,140	0	540	600	0	0	0	0	0	240	0	0	900	0	0	0	1,140	0	1,140
Area Based Review	7,800	0	2,463	5,337	0	0	0	0	0	0	0	0	7,800	0	0	0	7,800	0	7,800
Blackfriars & Quays Redevelopment	4,130	487	2,243	1,400	0	0	0	0	0	0	0	3,643	0	0	0	0	3,643	487	4,130
Shire Hall Maintenance - 16-17 MTFS	1,500	0	1,500	0	0	0	0	0	0	0	0	0	1,500	0	0	0	1,500	0	1,500
Health & Safety Works 2016/17 - 2018/19	900	0	600	300	0	0	0	0	0	0	0	0	900	0	0	0	900	0	900
Disabled Access Corp 2016/17 - 2018/19	450	0	0	450	0	0	0	0	0	0	0	0	450	0	0	0	450	0	450
Shire Hall - Social Care Hub - MTFS17/18	2,900	0	2,500	400	0	0	0	0	0	2,900	0	0	0	0	0	0	2,900	0	2,900
Shire Hall Office Moves - MTFS 17/18	1,772	0	1,000	772	0	0	0	0	0	1,772	0	0	0	0	0	0	1,772	0	1,772
Locality Solutions (Stroud)	375	0	0	375	0	0	0	0	0	375	0	0	0	0	0	0	375	0	375
Rural Estates - Farm Investment	1,570	0	0	1,000	570	0	0	0	0	75	0	0	1,495	0	0	0	1,570	0	1,570
Schemes under £250,000 17/18 onwards	5,087	3,800	870	349	68	0	0	0	10	279	0	221	0	777	0	0	1,287	3,800	5,087
New Starts 2018/19 onwards																			
Shire Hall - Conferencing Facility	400	0	0	400	0	0	0	0	0	0	0	0	400	0	0	0	400	0	400
Health & Safety Programme	750	0	0	250	250	250	0	0	0	0	0	0	750	0	0	0	750	0	750
Shire Hall - Must Haves	2,810	0	0	2,310	500	0	0	0	0	0	0	0	2,810	0	0	0	2,810	0	2,810
Service Properties Refurbishment	900	0	0	400	300	200	0	0	0	0	0	0	900	0	0	0	900	0	900
Total AMPS	42,476	6,941	18,040	15,307	1,738	450	0	0	10	5,685	0	4,186	900	24,754	0	0	35,535	6,941	42,476

Capital Programme 2018/19	Total Scheme Budget							Financing for Total Scheme Budget							Total for Remaining Life £000	Prior Years Funding £000	Funding of Budget Total £000			
	Total Scheme Budget	Prior Years Actuals	2017/18	2018/19	2019/20	2020/21	Future Years	Revenue Contrib	S106 External Contrib	Capital Fund	Other External Contrib	External Grant	Other Reserves	Capital Receipts				Internal Borrowing	Other incl. Borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000				£000	£000	
ICT Projects																				
ICT Strategy - Telephony	1,809	878	625	306	0	0	0	0	0	300	0	0	0	631	0	0	931	878	1,809	
ICT Strat - Secure Wi-Fi	744	405	241	98	0	0	0	100	0	129	0	0	0	110	0	0	339	405	744	
ICT Strat - Network Strategy Upgrade	1,296	46	464	786	0	0	0	0	0	1,070	0	0	0	180	0	0	1,250	46	1,296	
ICT Strat - End User Device O/S	2,100	0	120	230	1,750	0	0	0	0	2,100	0	0	0	0	0	0	2,100	0	2,100	
ICT Strat - VM Refresh - V6 environmt	353	0	117	236	0	0	0	0	0	353	0	0	0	0	0	0	353	0	353	
ICT Strat - Replace NGD recycled devices	762	0	259	503	0	0	0	0	0	762	0	0	0	0	0	0	762	0	762	
ICT Strat - Document Storage	273	0	0	273	0	0	0	0	0	273	0	0	0	0	0	0	273	0	273	
Social Work, Not Paperwork	327	0	327	0	0	0	0	0	0	327	0	0	0	0	0	0	327	0	327	
C&F ICT Systems Rationalisation	500	0	0	500	0	0	0	0	0	500	0	0	0	0	0	0	500	0	500	
Schemes under £250,000 17/18 onwards	2,974	1,586	776	612	0	0	0	0	0	547	0	0	0	841	0	0	1,388	1,586	2,974	
New Starts 2018/19 onwards																				
Audio Visual Conferencing Equipmt	280	0	0	280	0	0	0	0	0	0	0	0	0	280	0	0	280	0	280	
Total ICT Projects	11,418	2,915	2,929	3,824	1,750	0	0	100	0	6,361	0	0	0	2,042	0	0	8,503	2,915	11,418	
Archives & Information Management																				
Alvin Street Extension - For the Record	3,039	341	2,312	386	0	0	0	0	0	473	61	1,064	0	1,100	0	0	2,698	341	3,039	
Schemes under £250,000 17/18 onwards	27	12	15	0	0	0	0	4	0	11	0	0	0	0	0	0	15	12	27	
New Starts 2018/19 onwards																				
For the Record': additional storage and transforming	192	0	0	192	0	0	0	0	0	0	0	0	0	192	0	0	192	0	192	
Total Archives & Information Management	3,258	353	2,327	578	0	0	0	4	0	484	61	1,064	0	1,292	0	0	2,905	353	3,258	
Customer																				
Schemes under £250,000 17/18 onwards	558	342	46	170	0	0	0	0	0	78	0	0	0	138	0	0	216	342	558	
Total Customer	558	342	46	170	0	0	0	0	0	78	0	0	0	138	0	0	216	342	558	
Business Support Misc																				
New Starts 2018/19 onwards																				
Procure to Pay Digital Project	900	0	0	540	360	0	0	0	0	0	0	0	0	900	0	0	900	0	900	
SAP Environment - additional data storage	82	0	0	82	0	0	0	0	0	0	0	0	0	82	0	0	82	0	82	
HR Scanning system	149	0	0	149	0	0	0	0	0	0	0	0	0	149	0	0	149	0	149	
Total Business Support Misc	1,131	0	0	771	360	0	0	0	0	0	0	0	0	1,131	0	0	1,131	0	1,131	

Annex 7b

Capital Programme New Schemes 2018/19 onwards funded from Capital Receipts, Internal Borrowing, Reserves & Revenue Contributions					
Scheme Name	Scheme Budget £000	2018/19 £000	2019/20 £000	2020/21+ £000	Comments
<u>Community & Infrastructure</u>					
Multi Modal Transport Model	198	185	13		To construct a multi modal Transport model to aid with the identification of infrastructure requirements for the County.
Road Maintenance	39,000	10,000	10,000	19,000	To improve the condition of the Gloucestershire road network
Mobile Compaction and site works - Phase 2	440	440			Replacement of static waste compaction equipment at the end of its life
Community & Infrastructure total	39,638	10,625	10,013	19,000	
<u>Children & Families</u>					
Building improvements to Impact Youth Centre space & Lodge building - Lewis Lane	578	578			Property rationalisation - Refurbishment of GCC Youth Centre space
Cheltenham School	15,000	6,000	9,000		A new school build to accommodate growing numbers in the County. Total scheme cost is £30m with £15m to be funded from the Basic Need Grant
Children & Families Total	15,578	6,578	9,000	0	
<u>Asset Management & Property Services</u>					
Health & Safety Programme	750	250	250	250	Surveys and capital works on safety aspects for GCC property portfolio
Shire Hall - essentials	2,810	2,310	500		Capital works to enable property rationalisatoin
Refurbishment of Service Properties	900	400	300	200	To enable effective service operations
Shire Hall conferencing facility	400	400			To provide an in house conference function
Asset Management & Property Services Total	4,860	3,360	1,050	450	

Capital Programme New Schemes 2018/19 onwards funded from Capital Receipts, Internal Borrowing, Reserves & Revenue Contributions					
Scheme Name	Scheme Budget £000	2018/19 £000	2019/20 £000	2020/21+ £000	Comments
<u>ICT Projects</u>					
Audio visual conferencing eqt	280	280			IT solutions enabling collaborative partnership working
ICT Projects Total	280	280	0	0	
<u>Business Services Centre</u>					
Procure to Pay Digital Project	900	540	360		Digitising manual procurement through to payment processing
SAP Environment - additional data storage	82	82			System critical data storage
Business Services Centre Total	982	622	360	0	
<u>Archives</u>					
For the Record': additional storage and transforming archive service	192	192			To ensure the future archiving requirements are made in line with legislation
Archives Total	192	192	0	0	
<u>Human Resources</u>					
HR Scanning system	149	149			To ensure the Council meets its GDPR requirements in relation to employment records
Human Resources Total	149	149	0	0	
<u>Community Safety - Fire & Rescue</u>					
Emergency response vehicles	1,090	875	215		GFRS has a well established fire engine replacement programme to ensure that its fleet remains sustainable and reliable for responding to emergencies. There are two new fire engines needed for 2017 – 18 and one aerial ladder platform and replacement of some light fleet vehicles
Upgrade emergency control room mobilising system	300		150	150	Updating the mobilising system to accommodate the Countrywide changes to the Emergency Services Network
Personal Protection Equipment	600	300	300		Replacement of Fire Fighting Equipment to ensure firefighters have the equipment needed to operate effectively
Community Safety - Fire & Rescue Total	1,990	1,175	665	150	
Total New Schemes 2018/19 onwards	63,669	22,981	21,088	19,600	

Annex 8
Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2019/20

Gloucestershire County Council

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- A. Economic and Interest Rate Forecast
- B. Existing Portfolio Projected Forward
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1. Background

- 1.1 In February 2010 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 1.2 In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.
- 1.3 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance. In particular this Treasury Management Strategy Statement aims to approve:
 - Treasury Management Strategy for 2018/19
 - Annual Investment Strategy for 2018/19
 - Prudential Indicators for 2018/19, 2019/20 and 2020/21
 - MRP Statement
- 1.4 The Council has borrowed and continues to invest 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.
- 1.5 In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

2. External Context

Economic background

- 2.1 The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 2.2 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.
- 2.3 In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit Outlook

- 2.4 High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

- 2.5 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.
- 2.6 The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

3. Interest Rate Forecast

- 3.1 The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2018/19. Two of the nine-member Monetary Policy Committee voted for an increase to 0.50% in September, and the decision was said to be finely balanced for others, although all agreed that any increases would be limited and gradual. But stilted progress in the EU exit negotiations, softening consumer spending and a tightening of consumer credit are expected to stay the Committee's hands. The risk of a cut to zero or negative rates has diminished and there is now a chance that rates will rise despite the economic fundamentals.
- 3.2 Longer-term interest rates have risen in the past year, reflecting the possibility of increasing short-term rates. Arlingclose forecasts these to remain broadly constant during 2018/19, but with some volatility as interest rate expectations wax and wane with press reports on the progress of EU exit negotiations.
- 3.3 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

4. Local Context

- 4.1 At 31st March 2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) is £308.8m, while usable reserves and working capital which are the underlying resources available for investment were £272.1m.
- 4.2 The Council currently has £285.5 million of external borrowing, a £19.8m PFI lease liability and £336.066 million (as at 16th November 2016) of internal 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 2020/21. 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

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Closing CFR	302.076	318.854	337.842	344.918
Less:				
Existing Profile of External Borrowing	285.513	277.650	269.786	261.823
Other Long Term Liabilities (PFI)	19.825	19.138	18.465	17.688
Internal (over) Borrowing	-3.262	22.067	49.591	65.408
Less:				
Balances & Reserves	217.590	211.590	205.590	199.590
Working Capital	36.700	36.700	36.700	36.700
Investments	(257.552)	(226.223)	(192.699)	(170.882)

5. Borrowing Strategy

- 5.1 The total borrowing requirement at the end of 2017/18 is forecast to be £303.0 million (equivalent to the CFR). This is financed by historic external borrowing of £285.5 million, and a PFI lease liability of £19.8 million. The Council's aim is to both repay maturing debt, and where possible some of the existing debt when opportunities to do this arise. The Council also considers new borrowing where it can be shown to be prudent and financial beneficial to do so. In 2017/18 £6.7 million maturing external debt will be repaid. £6.9 million is forecast to be repaid in 2018/19 and opportunities to repay debt early will be kept under review. Where funding permits and it is cost effective to do so, additional loans may also be repaid.
- 5.2 The Council's 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 Council's long-term plans change is a secondary objective.
- 5.3 The Council's 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 that in the event that the Council needed to borrow it would be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 5.4 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 modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.
- 5.5 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 and any successor body
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Gloucestershire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

6.2 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback.

6.3 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.

6.4 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Audit and Governance Committee.

6.5 The Council holds £33.050 million of Lender's Option Borrower's Option (LOBO) 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 2018/19, however lenders are unlikely to exercise their options in the current low interest rate environment. The situation with these LOBOs will be kept under regular review and the Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Previously a further £8 million of loans with Barclays were classified as LOBOs, however Barclays have now fixed the interest rates on these loans until maturity. These are now classified as fixed rate market loans.

6.6 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 Cabinet Member for Finance and Change.

7.2 Borrowing and rescheduling activity will be reported to the Audit and Governance Committee in the Annual Treasury Management Report, the Mid Year Report and any other treasury management reports presented to Audit & Governance Committee.

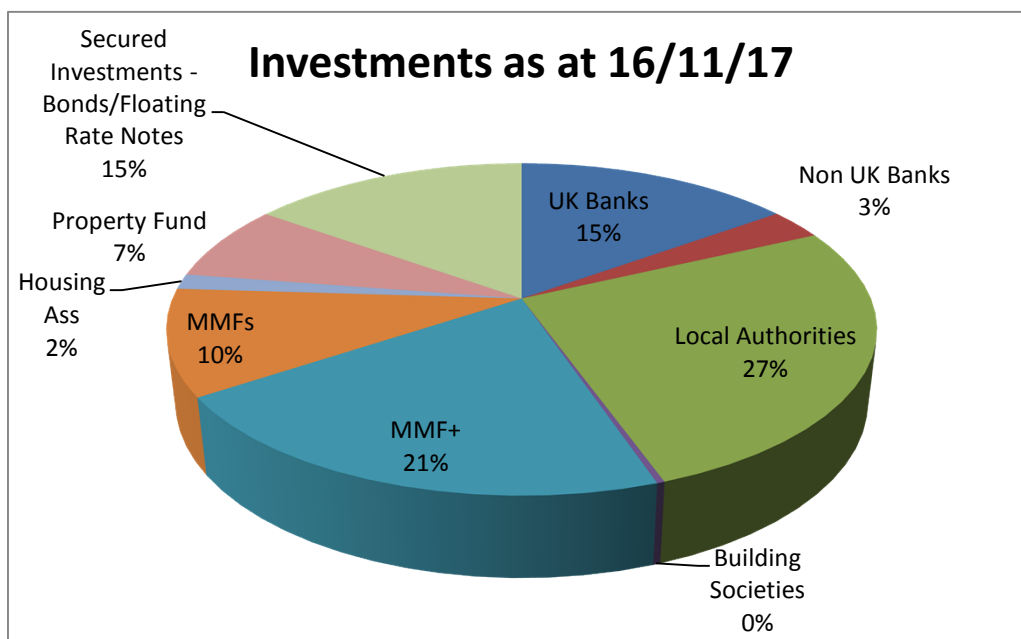
8. Investment Strategy

8.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18 the Council’s internal investment balance has ranged between £282.7 million and £357.2 million, and similar levels are expected to be maintained in the forthcoming year.

8.2 Both the CIPFA Code and 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 Negative Interest Rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

8.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue its strategy of diversifying into more secure and / or higher yielding asset classes during 2018/19. This is especially the case for funds available for longer-term investment. The pie chart below shows how Councils surplus cash is currently invested - 18% is exposed to “bail-in” risk (ie the risk that should the counterparty fail the Council will lose a porportion of the funds deposited):



8.5 The Council is committed to moving away from unsecured investments where feasible. To minimise the risk of unsecured deposits the Council has the approved counterparties in Table 2 below, subject to the cash and time limits shown.

Table 2: Approved Investment Counterparties (including Non Specified)

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited	n/a	n/a
			50 years		
AAA	£15m	£30m	£30m	£15m	£15m
	5 years	20 years	50 years	20 years	20 years
AA+	£15m	£30m	£30m	£15m	£15m
	5 years	10 years	25 years	10 years	10 years
AA	£15m	£30m	£30m	£15m	£15m
	4 years	5 years	15 years	5 years	10 years
AA-	£15m	£30m	£30m	£15m	£15m
	3 years	4 years	10 years	4 years	10 years
A+	£15m	£30m	£15m	£15m	£15m
	2 years	3 years	5 years	3 years	5 years
A	£15m	£30m	£15m	£15m	£15m
	13 months	2 years	5 years	2 years	5 years
A-	£15m	£30m	£15m	£15m	£15m
	6 months	13 months	5 years	13 months	5 years
None	£1m	n/a	£30m	£1m	£15m
	6 months		25 years	5 years	5 years
Pooled funds	£30m per fund				

Table 2 should be read in conjunction with the notes below:

- Credit Rating:**
 Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- Banks Unsecured:**
 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

- **Banks Secured:**
Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- **Government:**
Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- **Corporates:**
Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £1 million per company as part of a diversified pool in order to spread the risk widely.
- **Registered Providers:**
Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.
- **Pooled Funds:**
Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of a professional fund manager in return for a fee. Short Term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short 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.

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 Council's 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 credit 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 specified 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.

9.3 For specified investments:

CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- 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".

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. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Ratings as determined for use by the Council:

Long-term

Fitch	A-
Moody's	A3
S&P	A-

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

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

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Council may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £30 million in total,

- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments,
- shares in money market funds and other pooled funds, and
- reverse repurchase (repo) agreements.

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.

9.5 **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 prudent 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.

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.

10.3 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. 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 table 3 below.

Table 3: Non-Specified Investment Limits

Non Specified Investment Limits	Cash limit £m
Total long-term investments	200
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	150
Total investments (excluding pooled funds) in foreign countries rated below AA+	60
Total non-specified investments	410
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 has placed funds with Funding Circle, which is a Local Authority Partnership Programme. Following a change in how the programme is run, these funds now form part of the Council's investment portfolio.	

10.4 The maximum that will be lent to any one organisation (other than the UK Government) will be £30 million.

10.5 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. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	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	£50m per manager
Negotiable instruments held in a broker's nominee account	£100m per broker
Foreign countries	£30m per country
Registered Providers	£40m in total
Unsecured investments with Building Societies	£40m in total
Loans to small businesses	£1m in total
Loans to unrated corporates	£30m in total
Money Market Funds	£150m in total

10.6 **Non-Treasury Investments:** Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. The Council has £1 million invested in Lloyds Bank as part of the Local Authority Mortgage Scheme (LAMs), which sits outside of the treasury management investment limits.

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, including those present in pooled funds and forward starting transactions, 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 Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

12 Minimum Revenue Provision

12.1 The Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. CLG's Guidance on MRP places a duty on local authorities to make a prudent provision for debt redemption. Guidance 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 MRP Statement must be submitted to Council before the start of the 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.

12.2 In line with Council policy on the repayment of debt, and with the continuation of capital grants by government, the Council has not borrowed externally to fund the capital programme over the last 7 years. Opportunities are now limited for the repayment of debt early due to the low interest rate environment, meaning that high premiums would need to be paid should the Council wish to restructure or repay external debt early. Internal borrowing has been fully repaid during 2016/17, and maturing debt will continue to be redeemed over the next few years.

12.3 In order to ensure that the MRP charge remains prudent, the Council remains within Prudential Indicators, and to reduce the amount of excess MRP set aside, the Council changed its policy for supported capital expenditure in 2015/16. The method used is similar to other local authorities and sets aside a fixed sum of MRP each year. For Gloucestershire the fixed sum was set at £8.2m.

- 12.4 Following further review of the Capital Financing Requirement and the Prudential Indicators, and discussions with the Council's treasury advisors (Arlingclose) and external auditor (Grant Thornton) it is proposed to further reduce the MRP charge for existing debt to £6.2 million, releasing £2 million per annum from 2017/18. This change still allows for a prudent provision for the repayment of existing debt, and ensures that Prudential Indicators are not breached.
- 12.5 The asset life of capital assets obtained through the capital programme will form the basis of calculating an annual MRP provision for any new borrowing requirement going forward.
- 12.6 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.

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 and Governance 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 July meeting.
- A monitoring update report will be presented to the October meeting.
- Consultation on the following year strategy will be presented to the January meeting.

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 and Governance 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

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. The current contract was recently retendered and effective from 1st December 2017.

Arlingclose's Economic and Interest Rate Forecast

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.44
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.30	0.30	0.30	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.53
Arlingclose Central Case	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.29
Downside risk	-0.10	-0.10	-0.15	-0.10	-0.10	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.17
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.65	0.65	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.60	0.60	0.62
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.10	-0.10	-0.25
5-yr gilt yield														
Upside risk	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Arlingclose Central Case	0.55	0.55	0.60	0.60	0.60	0.65	0.70	0.75	0.80	0.85	0.90	0.95	0.95	0.73
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Arlingclose Central Case	1.05	1.05	1.05	1.05	1.05	1.10	1.15	1.20	1.25	1.30	1.35	1.40	1.40	1.18
Downside risk	-0.20	-0.35	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15	-0.15	-0.24
20-yr gilt yield														
Upside risk	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.70	0.70	0.57
Arlingclose Central Case	1.60	1.60	1.60	1.60	1.60	1.65	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.73
Downside risk	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.34
50-yr gilt yield														
Upside risk	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.85	0.85	0.60
Arlingclose Central Case	1.50	1.50	1.50	1.50	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.85	1.63
Downside risk	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.50	-0.50	-0.37

Underlying Assumptions:

- The Monetary Policy Committee once again voted 7-2 in favour of maintaining bank rate at 0.25% in September. However, the Committee meeting minutes suggested that the upside risks to Bank Rate had increased, noting that the majority of MPC members judged that the withdrawal of monetary stimulus was likely to be appropriate to return inflation to target.
- This potential rise in Bank Rate is dependent on policymakers seeing continued erosion of economic capacity and a gradual rise in underlying inflationary pressure.
- All members agreed that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. UK Q2 2017 GDP growth was 0.3%, after a 0.2% expansion in Q1. The initial expenditure breakdown showed weakness in consumption, business investment and net trade. Both consumer and business confidence remain subdued.
- Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low, with little scope for further reduction to smooth consumption. When inflation eventually eases, savings are likely to be replenished, further diverting money away from consumption.
- Some data has held up better than expected, with unemployment falling to an all-time low and house prices remaining relatively resilient.

- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remain elevated and help to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC have changed their rhetoric, implying a rise in Bank Rate in "the coming months". We are not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.
- This decision is still very data dependent and we are for now maintaining our central case for Bank Rate at 0.25% whilst introducing near-term upside risks to our forecasts.
- The Arlingclose central case is for gilt yields and therefore long-term interest rates to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

EXISTING PORTFOLIO PROJECTED FORWARD

	Portfolio 16 Nov 2017	Average Rate	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
	Actual		Estimate	Estimate	Estimate	Estimate
	£m	%	£m	£m	£m	£m
External Borrowing						
Fixed Rate – PWLB	244.463	5.29	236.599	228.736	228.736	220.773
Fixed Rate – Market	33.050	4.23	33.050	33.050	33.050	33.050
Variable Rate – PWLB	0.000	0.00	0.000	0.000	0.000	0.000
Variable Rate – Market	8.000	5.00	8.000	8.000	8.000	8.000
Total External Borrowings	285.513	5.18	277.649	269.786	269.786	261.823
Other long-term liabilities (PFI)	0.000					
Total External Debt	285.513		277.649	269.786	269.786	261.823
Investments:						
<i>Managed in house</i>						
- Short term deposits and monies on call and Money Market Funds	175.480	0.50	155.480	135.480	115.480	95.480
- Long Term investments (over 12 months)	90.586	1.40	90.586	90.586	90.586	90.586
<i>Managed externally</i>	70.000	1.54	70.000	70.000	70.000	70.000
Total Investments	336.066		316.066	296.066	276.066	256.066
Net Borrowing / Investment Position	50.553		38.417	26.280	6.280	(5.757)

Prudential Indicators 2018/19

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.

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Capital Expenditure	106.73	146.946	66.246	44.122

2.2 Capital expenditure is expected to be financed as follows:

Capital Financing	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Revenue Contributions	1.924	0.236	0.000	0.000
Capital Fund and other Reserves	13.599	9.804	2.885	0.000
Government Grants and External Contributions	75.111	88.039	29.627	25.855
Capital receipts	16.096	25.201	7.067	0.600
Total Financing	106.730	123.280	39.579	26.455
Internal Borrowing	0.000	23.666	26.667	17.667
External Borrowing	0.000	0.000	0.000	0.000
Total Funding	0.000	23.666	26.667	17.667
Total Financing & Funding	106.730	146.946	66.246	44.122

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 voluntary revenue contributions are made.

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Capital Financing Requirement	302.076	318.854	337.842	344.918

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 is currently experiencing a short term issue whereby the level of external borrowing exceeds the Capital Financing Requirement. This is due to the current limitations in being able to repay external debt early and that the current policy whereby the capital programme is approved and largely fully funded without the need for additional borrowing. This doesn't have any adverse impact on the Council's revenue budget and overall financial position. It is anticipated that this temporary position will be rectified in 2017-18. 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	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Total	363.000	380.000	385.000	390.000

- 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	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Total	343.000	360.000	365.000	370.000

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.

Debt	31.03.17	31.03.18	31.03.19	31.03.19	31.03.19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Borrowing	285.513	277.650	269.786	261.823	251.878
PFI liabilities	19.825	19.138	18.465	17.688	17.096
Total Debt	305.338	296.788	288.251	279.511	268.974

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 2016/17 is £17.5 million and for interest receipts is £2.8 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.

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
Ratio of Financing Costs to Net Revenue Stream	4.86%	4.76%	4.65%	5.16%

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	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£	£	£	£
Increase in Band D Council Tax	0.00	2.38	8.55	11.34

8.2 The Council's capital plans, as estimated in forthcoming financial years, will have a minimal 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 This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Upper limit for Fixed Interest Rate exposure	320.000	320.000	340.000	350.000
Upper limit for Variable Interest Rate exposure	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 31/03/18	Actual Fixed Rate £m Borrowing as at 31/03/18	% Fixed Rate Borrowing as at 31/03/18	Compliance with Set Limits?
			LOBO	PWLB/Other		
under 12 months	25	0	33.050	7.863	14.7	Yes
12 months and within 24 months	25	0	0.000	30.009	10.8	Yes
24 months and within 5 years	50	0	0.000	29.500	10.6	Yes
5 years and within 10 years	75	0	0.000	29.000	10.4	Yes
10 years and within 20 years	100	0	0.000	58.671	21.1	Yes
20 years and within 30 years	100	0	0.000	81.557	29.4	Yes
30 years and within 40 years	100	0	0.000	0.000	0.0	Yes
40 years plus	100	0	0.000	8.000	2.9	Yes

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

- 12.1 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.

	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Upper Limit for total principal sums invested over 364 days	200.000	200.000	200.000	200.000