

COUNCIL STRATEGY AND MEDIUM TERM FINANCIAL STRATEGY

2018-19 TO 2020-21

Cabinet Date	31 January 2018
Leader of the Council Finance and Change	Cllr Mark Hawthorne Cllr Ray Theodoulou
Key Decision	Yes
Other Documents	Council Strategy and Medium Term Financial Strategy 2017/18 – 2019/20 Council report: 15 th February 2017 Cabinet report: 13 th December 2017 Council Efficiency Plan 2016/2020
Main Consultees	Public, Schools Forum, Partners, Business Representation, Members of the Council, Scrutiny Committees, Trades Unions, Staff.
Planned Dates	Consultation undertaken between December 2017 and January 2018
Divisional Councillor	All Councillors
Officers	Jo Walker (32) 8474 Director: Strategic Finance Jane Burns (42) 5202 Director: Strategy and Challenge Paul Blacker (32) 8999 Head of Financial Management
Purpose of Report	To recommend the Council Strategy, MTFS and 2018/19 budget and precept to Council.
Key Recommendations (continued overleaf)	<ol style="list-style-type: none"> 1. To consider the outcome of the budget consultation as set out in Appendix 3 and the report from the Overview and Scrutiny Management Committee (OSMC) in Appendix 4. 2. To approve the Draft Council Strategy for submission to County Council (Appendix 1). 3. To approve changes to the draft budget as set out in Section C , and to approve the MTFS and final revenue and capital budget for 2018/19 for recommendation to Council, including all of the proposals set out in the annexes of the detailed MTFS (Appendix 2).

	<ol style="list-style-type: none"> 4. To note the schools funding, the provisional local government finance settlement and forecast reserve movements as summarised in this report and set out in the MTFS, and to recommend to Council a revenue budget of £412.90 million, and a band D council tax of £1,232.21, and consequential precepts on District Councils. 5. To note that Gloucestershire was successful in becoming a Business Rate Retention pilot in 2018/19 and propose that the additional revenue will be split between Children's Social Care (£2.6 million) and Adult Social Care (£2 million). 6. To approve, for recommendation to Council, the Treasury Management Strategy, Investment Strategy and Prudential Indicators as set out in Section I of this report and Annex 10 of the detailed MTFS. 7. To approve, for recommendation to Council, the Risk Management Policy Statement & Strategy as set out in Section M of this report and Annex 11 of the detailed MTFS.
<p>Resource Implications</p>	<p>The report concerns itself with the Council's overall budget and the financial implications thereof.</p>

A Introduction

1. This report refers to the detailed MTFs attached, and should be read in conjunction with the Draft Council Strategy, the Due Regard Statement and the Consultation reports which accompany it.
2. In December 2017 the Cabinet proposed a budget for consultation totalling £407.17 million and was based on a 1.99% Council Tax increase and a 2% National Adult Social Care levy.
3. Since the draft budget was published, additional pressures have been identified in Children and Families and around the pay award. The Cabinet proposes to invest significantly into protecting the most vulnerable children and young people in our county, following last year's Ofsted report. The Children & Families – Vulnerable Children budget has been increased by £5.01 million to fund additional investment in Children's Safeguarding Service (£3.89 million) and one-off funding to support the implementation of the Ofsted Improvement Plan (£1.12 million). The national pay award for local government is higher than anticipated. An additional £0.6 million has been added to the pay inflation provision in order to support a 2% pay award across all service areas based on the latest national pay negotiations. Finally an additional £0.12 million has been added to Adult Social Care following changes to the reported tax base for District Councils, which improves the amount generated by the levy.
4. Following Cabinet in December 2017 the draft financial settlement was announced on 19th December 2017. The most significant changes included in the settlement were;
 - The announcement that GCC had been accepted as a 100% business Rates Retention (BRR) pilot
 - Additional £0.431 million of New Homes Bonus (NHB) in 2018/19
 - The flexibility to increase Council Tax by up to 3% (from the previous limit of 2%) before triggering a referendum.
5. The additional pressures outlined earlier have been funded by the additional New Homes Bonus Grant and changes in the tax base / collection fund estimates from district councils combined with the proposal to increase Council Tax by an additional 0.5%, which will result in a revised budget proposal of £412.90 million. Despite the decision by government to raise the cap, Cabinet wish to place as little burden on Gloucestershire families as possible, and are only taking half of the potential extra increase. This budget proposal represents an increase of £5.74 million on the December consultation budget.
6. This proposal reflects the feedback from consultation and the Overview and Scrutiny Committee (OSMC) review, which supports investment for those who are most vulnerable in Gloucestershire.
7. Details of the Council Strategy which outlines the Council's strategic policy direction, under which the budget proposal is formulated, are outlined in Section E of this report
8. The results of the budget consultation and the OSMC review of the proposed budget are outlined in Section F of this report.

B Summary Budget Proposal 2018/19

9. The recommended budget for 2018/19 is £412.90 million this represents an increase in cash terms of £5.2 million, or 1.27%, from 2017/18.

10. The recommended budget for 2018/19 contains:

- £27.73 million of extra investment into services, particularly those for older people and vulnerable children and adults
- £6.73 million to cover for increased costs due to inflation.
- £178.99 million of new capital investment in roads, schools and other services.
- £29.26 million of efficiency savings to be delivered.

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

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 cross cutting saving allocations £'000s	2017-18 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	-743	132,104	-11,561	12,629	133,172	1,068	0.81%
Children and Families Vulnerable Children	58,683	-1,610	335	57,408	-	16,288	73,696	16,288	28.37%
Children and Families - Other Services	30,641	-410	-471	29,760	-891	359	29,228	-532	-1.79%
Communities and Infrastructure	83,804	-4,520	-1,270	78,014	-527	2,409	79,896	1,882	2.41%
Business Support	25,138	-	977	26,115	-666	2,468	27,917	1,802	6.90%
Technical and Corporate	47,642	10,575	1,172	59,389	-14,975	306	44,720	-14,669	-24.70%
Total GCC	382,790	-	-	382,790	-28,620	34,459	388,629	5,839	1.53%
Public Health	24,912			24,912	-641		24,271	-641	-2.57%
Total Budget	407,702	-	-	407,702	-29,261	34,459	412,900	5,198	1.27%

12. Full details of the budget proposals are set out in annexes 2 and 3 within the detailed MTFS accompanying this paper in Appendix 2.

13. Details of the commissioning intentions for each commissioning area moving forward are provided at Annex 1 within the detailed MTFS. The Annex highlights current achievements and future plans in relation to the redesign of services within Gloucestershire, which aim to maximise effectiveness whilst delivering on the significant

financial challenges facing the Council. These detailed narratives cover Children and Families (Annex 1.1), Adults (Annex 1.2), Public Health (Annex 1.3) and Communities and Infrastructure (Annex 1.4).

C Changes between the 2018/19 budget issued for consultation and the final budget

Revenue: Spending Pressures 2018/19:

14. Since the draft budget was approved by cabinet for consultation the following pressures have been identified for 2018/19:

- Children & Families – The Vulnerable Children’s budget has been increased by £5.01 million to enable the Council to deliver high quality safeguarding and care services to vulnerable children and young people in Gloucestershire. This is made up of additional investment in the Children’s Safeguarding Service of £3.89 million, which will enable us to build a new Children’s Social Care service. We have seen demand for children’s social care services increase over the last year with a 17% increase in referrals and a 35% increase in the number of children subject to a child protection plan; in addition we need to strengthen our social work practice following an inadequate OFSTED in 2017. The funding will be used to recruit more social workers to manage demand, enable us to recruit and retain experienced and qualified social workers through a revised career progression pathway, develop smaller teams to support quality of practice and decision making and additional administrative support so that social workers can focus on direct work with families. There is also an additional one-off funding sum of £1.12 million to support the implementation of the Ofsted Improvement Plan, requiring additional senior management capacity, quality assurance and additional corporate support.
- The Adult Social Care Levy has increased by £0.12 million following changes to the tax base reported by District Councils, which will further support market resilience.
- An additional £0.6 million has been added to the pay inflation provision in order to support a 2% pay award across all service areas, reflecting current national pay discussions.

15. In addition to the increases outlined above the starting budget for individual services (shown in Annexes 2 and 3 of the main MTFs document) has been realigned to reflect any additional permanent budget transfers occurring in 2017/18.

Revenue : Funding Changes 2018/19

16. The Cabinet approved the 2018/19 consultation budget in December 2017. The budget totalled £407.17 million and was based on a 1.99% Council Tax increase and a 2% National Adult Social Care Levy.

17. The consultation budget was based on the Spending Review figures announced with the final 2017/18 settlement, and on the latest available information on other funding streams.

18. Following the release of the provisional financial settlement for 2018/19 on 19th December 2017, the Cabinet propose to increase Council Tax by an additional 0.5% which will generate £1.328 million to fund pressures in Children’s Social Care. Notification of the final tax base and collection fund surplus figures from the District Councils have also been received, both higher than originally estimated, £1.727 million for the tax base and £2.249 million for the surplus. A combination of these additional funding sources results in a final budget proposal for 2018/19 of £412.90 million - £5.74 million or 1.4% higher than the consultation budget.
19. The changes in funding between the consultation budget (pre the draft finance settlement) and the final budget proposal (post the draft finance settlement) are analysed as follows;

Detail	£m
Additional NHB grant	0.431
Additional 0.5% Council Tax	1.328
Additional Taxbase linked to Council Tax	1.618
Additional Taxbase linked to ASC Council Tax	0.109
Additional Council Tax Surplus Declared (one off funding)	2.249
TOTAL	5.735

20. The two key changes relating to the draft financial settlement are;
- Additional New Homes Bonus of £0.431 million, due to a national increase in NHB of £8.2 million. The settlement also advised that there will be further reductions in the number of payment years from 5 years in 2017-18 to 4 years in 2018-19 and that NHB will continue to be paid on housing growth above 0.4%.
 - Flexibility to increase the council tax referendum principle from 2% to 3% for 2018-19, giving the Council potentially an extra £2.66 million should the full 1% be implemented. Following detailed discussions around Children’s social care between the Cabinet and senior officers and following feedback from the Overview and Scrutiny Committee, the Cabinet are proposing to increase council tax by an additional 0.5% (£1.33 million), giving a Council Tax increase of 2.49%.
21. In addition to changes from the draft financial settlement outlined above District Councils have also confirmed their taxbase and surplus/deficit levels, although they have a statutory deadline of the 31st January to confirm. The tax base increase is £1.727 million, as advised by the District councils who show an average increase of 2.3%, ranging between 1.4% and 4.1% across the six district councils, compared to the 1.5% estimated in the consultation budget. The overall Council Tax Collection Fund surplus figure set by the District Councils is £5.25 million an increase of £2.25 million from the amount estimated in the consultation budget.
22. Other grants that are included in the Council’s core funding, include:
- Public Health Grant – announced at £24.271 million.

- New Homes Bonus – announced at £3.39 million.

23. The Council also receives a number of specific grants – final updates on these are expected with the final settlement in February 2018. The latest position is as follows:

Ringfenced Revenue Grants, not included in Base Funding	Actuals	Forecast
	2017/18	2018/19
	£'000	£'000
Dedicated Schools Grant (DSG)	251,456	257,997
Better Care Fund (joint funding with CCG)	37,287	37,995
Pupil Premium Grant	12,134	12,283
Primary School PE and Sport Funding	2,898	2,898
Universal Infant Free School Meals Grant	5,628	5,628
Adult and Community Learning	2,407	2,067
Music Service	794	795
SEN Implementation	417	417
Adoption Support Fund	739	-
Youth Justice Board - Remands	43	43
Youth Justice Board	480	480
Staying Put	260	260
Unaccompanied Asylum Seekers	580	765
Firelink Grant	224	224
New Dimension Service and Maintenance Grant	36	58
Emergency Services Mobile Communication Programme (ESMCP)	202	1,048
The Private Finance Initiative (PFI)	4,875	4,875
Extended Rights to Free Travel	422	422
Independent Living Fund	945	945
Local Reform and Community Voices	345	345
Sixth Form Funding	2,006	2,006
School Improvement Grant	426	426
Additional Social Care Funding	10,598	7,176
Tackling Troubled Families & PbR	1,148	1,148
Total Ringfenced Grant	336,350	340,301

Business Rate Retention Pilot (BRR)

24. 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.

25. 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. Further detail is available in the November Budget Monitoring report, which authorised the Strategic Finance Director, 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.
26. DCLG announced successful pilots in December 2017 alongside the provisional financial settlement. Gloucestershire’s bid was successful, and indications announced at the time were that this is worth an additional £9.2 million to Gloucestershire as a whole. The bid was based on :-
- 20% to an already established and effective Strategic Economic Development Fund (set up under existing pool arrangements and managed by the Gloucestershire Economic Growth Joint Committee comprising all 7 Gloucestershire Councils and the GFirst Local Enterprise Partnership)
 - 30% to the 6 District Councils for financial resilience (stability and sustainability) and growth initiatives specific to their individual areas
 - 50% to the County Council for financial resilience (stability and sustainability) and growth initiatives
27. Working on the basis that the Council’s share for sustainability is 50%, this gives the Council one off funding of potentially £4.6 million. It should be noted that this is an estimate of the rates collection forecast and business rates collected may be more or less than this. Extensive modelling was carried out at the time our submission was submitted based on latest forecasts and appeals data. The Districts submit a National Non Domestic Rate (NDR) return at the end of January, which will give a better forecast position. As the pilot does not form part of the Core Spending Assessment for GCC and is only for one year it is not built into the MTFs base budgets.
28. However it is clear that this will generate additional revenue therefore the Cabinet propose that the priorities for this additional revenue will be as follows:
- £2.6 million Childrens Social Care
- Over the last 5 years we have seen an increase in the number of children in care in line with national trends. This has caused considerable pressure on the council agency budget that has risen from £4.5m in 2015 to £9m in 2017. The reasons for the increase are predominantly due to two factors, the needs of children being more complex and requiring additional support or specialist placements and the volume of external placements, an increase from 190 placements in 2015 to 250 in 2017. We recognise that we need to review our sufficiency strategy for vulnerable children and review the type and volume of placements that we provide in house and commission from external partners. The Sufficiency Strategy and plan are currently being developed for April 2018. This

funding will be used to support the implementation of the Sufficiency Strategy to enable the council to make structural changes to reduce longer term costs and will support any volatility in demand whilst these changes are being implemented.

- £2 million Adult Social Care

The budget makes sufficient provision for known commitments and likely increases in demand and costs. However we have experienced of late increased market instability, both through the impact of changing demand patterns but also in part due to staffing issues and abnormal cost pressures on care providers. These have impacted both on people supported by the Council and others who fund their own care. Therefore this funding will be used to enable us to meet our Care Act obligations regarding market shaping.

Capital Strategy 2018-19 & Beyond

29. Gloucestershire County Council’s capital strategy provides the framework for capital investment.

30. The proposed capital programme has been developed in accordance with the Capital Strategy which is set out in Annex 7 of the MTFS.

Capital Funding Changes 2018/19

31. The 2018/19 budget issued for consultation contained £167.59 million of new investment in capital schemes financed from grants and capital financing budget.

32. Since the December consultation budget £3.52 million additional funding for Community Safety has been agreed from capital receipts - this reflects the development of a five year Emergency Response Vehicles replacement programme.

33. The School Basic Need Grant available for new starts has increased by £5.01 million due to funding being freed up from the existing capital programme, with £4.64 million of this is from the Balcarras expansion scheme, which is no longer required following the decision to build a new Secondary School in Cheltenham. The balance relates to developer s106 contributions replacing grant funding on various schemes.

34. There are also additional schools developer section 106 contributions of £2.45 million with school revenue contributions expected to increase by a further £0.43 million.

35. This additional funding for new 2018/19 capital schemes amounts to £11.40 million and is summarised in the following table.

Additional Funding for New Capital Schemes 2018/19	
	£000
School Basic Need Grant 2018/19 (returned from existing programme)	5,010
School Contributions (estimate)	430
Developer Contributions – schools	2,445
Capital Receipts – Fire Vehicles	3,516
Total New Capital 2018/19	11,401

36. This increases the amount of new investment in the 2018/19 budget to £178.99 million.

Capital : Spending Changes 2018/19

37. The additional contributions and grants mean that the 2018/19 Capital Programme can include a number of service priority schemes not previously included in the December consultation budget. These additions are reflected in Annex 8a of the detailed MTFs.

38. The additional schemes added to the 2018/19 capital programme since the consultation budget are summarised in the table below.

Increase in Capital Schemes 2018/19	
	£000
<i>Children and Families</i>	
Capital Maintenance Programme (estimate)	280
Suitability Programme (estimate)	150
Various schemes - developer s106 contributions	2,445
Various schemes – Basic Need Grant 2018/19	5,010
<i>Community Safety</i>	
Emergency Response Vehicles	3,516
Increase in Total New Capital 2018/19	11,401

D Overall Capital Programme

39. The full capital programme is set out in Annexes 8a and 8b of the detailed MTFs.

40. The £178.99 million of new 2018/19 capital schemes and other changes to the Capital Programme, including recommendations contained in the Financial Monitoring Report earlier in the agenda, result in a total Capital Programme of £504 million, as detailed in the table below.

Total Capital Programme	
	£000
<i>Existing Approval</i>	325,006
New Capital Schemes 2018/19	178,993
Total Capital Programme	503,999

41. The main investment relates to Communities and Infrastructure (£266.92 million) and Schools and facilities for children (£153.66 million), with the remainder being in Adults (£24.47 million) and Business Support Services (£58.94 million).

42. Priority schemes not supported by grants or contributions have been included within the new Capital Programme on the basis that they will be funded from capital receipts, capital financing budgets, contributions from reserves and revenue thereby avoiding the need for new borrowing. Internal borrowing is proposed to be used to fund the £39 million investment in Highways and upto £15 million towards the proposed new secondary school in Cheltenham (this figure may reduce as additional s106 developer contributions are received). These new schemes for 2018/19 not supported by grants or contributions amount

to £67.19 million and are detailed in Annex 8b of the detailed MTFS.

43. The 2018/19 capital spend is forecast to be £140.59 million, with the majority of spend planned for schools and facilities for children (£43.44 million) and Communities and Infrastructure (£65.87 million). The actual level of spend will be dependent on the 2017/18 outturn position and will be subject to review during 2018/19.

E Draft Council Strategy 2018/19

44. 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.

45. 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

46. The Council Strategy has been updated and is provided as an Appendix 1 to this report.

F Consultation

47. A formal budget consultation took place between 14th December 2017 and 17th January 2018, with the following groups:

- Key partners including Health, the Independent and Voluntary sectors and district, town and parish councils
- The general public
- The council's People's Panel
- Trade Unions and professional associations
- Staff via the usual communication channels
- Schools via the schools forum

48. As well as targeted stakeholder engagement, the council carried out a strong social media communications campaign, including Facebook advertising to target hard to reach groups.

49. There were 784 responses to the budget consultation. The Council received 183 comments on social media in direct response to targeted communications.

50. Council Budget

74% of respondents agreed with our draft budget proposals including the 1.99% increase in council tax and 2% national adult social care levy.

Overall the comments received supported the council's budget proposals particularly the investment in services for children and young people, our most vulnerable people and in our roads and other infrastructure. The main comments on the draft budget were:

- Invest in services for the most vulnerable
- Supportive of proposals
- More investment in roads and other infrastructure
- Not enough detail in consultation - and needs a simplified version of the budget to make it easier to comment on
- Invest in services for children and young people including education

Other comments to our proposed budget included:

- Disagree with council tax rise
- Invest in services that affect people's everyday lives
- Lobby for more money from central government

51. Council priorities

The majority of respondents agreed with our draft priorities

89% of respondents agreed with the priority 'Protecting the most vulnerable in our county'

The main comments about this priority were:

- We need to provide more support to vulnerable people, including homeless people, to help them build their confidence. There is a need for more day centres and respite services.
- The most vulnerable people, children and families need to be the priority. We need to focus on early intervention and making sure that people know that they are entitled to receive the right support and services that they need and deserve.

85% of respondents agreed with the priority 'Building sustainable communities'

The main comments about this priority were:

- We should focus on helping communities grow to become thriving communities. We can support them by spending money on the basic statutory services eg: a reliable joined up public transport service, resource centres, libraries and play areas. But this should not come at a cost to the community.
- Need to define "Sustainable", and how are you going to achieve this.

93% of respondents agreed with the priority 'Investing in vital services and Infrastructure'

The main comments about this priority were:

- Vital services need ongoing investments to be able to work efficiently and ensure they are sustainable. We need to invest more into our roads and footpaths, public transport, schools, broadband and in keeping our towns and villages clean

- Infrastructure is key as long as the finances are used in a transparent and economic way

86% of respondents agreed with the priority 'Growing our economy'

The main comments about this priority were:

- A strong economy will provide employment and taxes for investment into our services; this will encourage businesses to come to Gloucestershire which will create more jobs and apprenticeships for young people, creating a better standard of living.
- We need to invest in good infrastructure to help grow our economy and attract people/businesses to stay/move to Gloucestershire. We need to have good transport, internet, car parking and affordable homes.

85% of respondents agreed with the priority 'Creating a council fit for the future'.

The main comments about this priority were:

- Need to define what this means, and how you are going to achieve this.
- We need a council that is looking ahead and planning for the changes that need to happen. You need to change the culture in ways of working, such as effective contract management. We need to make these changes and address the problems we face and use what we already have more efficiently to look at promoting new ways of working.
- We need a strong council that will make positive decisions for the county. We need more investment in infrastructure, public transport, better technology systems, libraries and affordable housing. We need to invest more in rural/deprived areas and create a council that works for the public.

52. The detailed results of the budget consultation are attached as Appendix 3.

53. The Overview and Scrutiny Management Committee have also undertaken their own budget scrutiny process. They met on 24th January 2018 to agree their report and recommendations. This report will be circulated to Cabinet under separate cover and the chair of OSMC has been invited to present the report.

G Dedicated Schools Grant (DSG)

54. In July 2017 the Secretary of State announced arrangements for DSG funding confirming a National Funding Formula (NFF) would be used to allocate funds to local authorities from April 2018. This included an illustrative NFF allocation before the updates for census and other data changes.

55. The Dedicated Schools Grant (DSG) allocation for 2018/19 was then announced by the DfE in December 2017 which included the updates for census and other data changes. The position for Gloucestershire (including academies) is:

DSG movement 2017/18 to 2018/19	Schools	Central School Services	High Needs	Total excluding EY	Early Years (EY)	Total DSG
2017/18 DSG as at December 2017	337.059	2.599	57.213	396.871	30.060	426.931
Increase up to illustrative NFF 2018/19	6.816	-0.065	0.241	6.992	0.000	6.992
Illustrative NFF 2018/19	343.875	2.534	57.454	403.863	30.060	433.923
Increase for census and source data updates	4.550	0.034	0.113	4.697	3.126	7.823
2018/19 DSG announced 19th December 2017	348.425	2.568	57.567	408.560	33.186	441.746
Overall increase 2017/18 to 2018/19	11.366	-0.031	0.354	11.689	3.126	14.815
Overall % increase 2017/18 to 2018/19	3.4%	-1.2%	0.6%	2.9%	10.4%	3.5%

56. This represents an increase of £14.8m (3.5%) from the current 2017/18 DSG of £426.9m. The National Funding Formula changes account for £7.0m of the increase and the further £7.8m increase reflects the change for 902 additional pupils in the October 2017 census and for updates in census and underlying source data used for the high needs and early years funding formulas.
57. The School Forum's recommended formula for delegation of school budgets for 2018/19 is shown in Annex 9 of the detailed MTFs.
58. The High Needs budget is under increasing pressure and the latest forecast is for an overspend of around £1,200,000 in 2017/18. On this basis DSG balances available to support high needs at 31st March 2018 will stand at around £2.1m.
59. A major budget review will be undertaken at the end of January 2018. The budget for 2018/19 and a medium term financial plan will then be presented to the Schools Forum in March 2018. It is inevitable though that there will need to be a further draw on DSG balances to support the 2018/19 budget. The aim is then for the changes arising from the High Needs programme to impact from the autumn term so that a balanced budget can be set for 2019/20.

H 2017/18 Current Financial Position

60. The current outturn forecast for 2017/18, based on December 2017 forecasts, is a forecast under spend of £0.036 million.
61. Full details of this forecast are provided in a separate monitoring report to 31st January 2018 Cabinet.

I Treasury Management and Prudential Indicators

62. The Treasury Management Strategy Statement and Annual Investment Strategy (AIS) are shown in Annex 10 of the detailed MTFs. The Strategy takes account of the Code of Practice for Treasury Management in the Public Sector.
63. 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.

64. Annex 10 of the detailed MTFS provides details of:

- Treasury Management Strategy for 2018/19, including borrowing, debt rescheduling, and investments
- Prudential Indicators
- Proposed Minimum Revenue Provision (MRP) Statement
- Specified and Non Specified Investment for use by the Council

J Future Years Forecast Budgets

65. The Council's financial forecasts for 2019/20 and 2020/21 are set out in section N and Annex 6 of the detailed MTFS.

66. These forecasts are only indicative due to the lack of certainty on government funding information post 2018/19, especially in relation to grant distribution methods.

K Reserves

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

68. A summary of the Council's forecast reserves as at 31st March 2018, and movements since 31st March 2017 are as follows:

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

69. 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.

70. This level of general balances 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.

71. 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.

72. Annex 5 of the detailed MTFs provides a summary of the Earmarked Reserves, including all of the proposed and forecast reserve movements during 2017/18.

L Risk Mitigation

73. 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.

M Risk Management Policy Statement & Strategy

74. It has always been important for organisations to identify and manage their risks. Identifying risks enables the Council to effectively manage strategic decision making, service planning and delivery to safeguard the wellbeing of its stakeholders and increases the likelihood of achieving its outcomes. Taking into account the overall future strategic direction of the Council, its structure and its services, it is now deemed an appropriate time to refresh and reaffirm our Risk Management Policy Statement and Strategy, to ensure that the Council's risk and assurance framework continues to build on our existing successes, which reflect national good practice and standards. This should enable the Council to effectively manage the potential opportunities and threats, thus improving service delivery to our communities.
75. Annex 11 of the detailed MTFS provides the updated Risk Management Policy Statement and Strategy for 2018/21, which aligns with the MTFS. The aims of this Strategy are to support the challenges that the Council may face, allowing it to react dynamically to changing external circumstances by enabling the Council to handle risk effectively and deliver successful outcomes.

N Public Sector Equality Duty

76. A detailed Due Regard Statement has been produced which summarises the impact of the budget proposals on people with protected characteristics and how the impact will be mitigated. It also includes the evidence base used and the impact on the workforce. The document is a final draft and is attached as Appendix 5 to this report. The final version will be produced for consideration by County Council on 14th February 2018 as they are the decision-makers for the Council's budget.

O Conclusion

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

P Summary of Appendices

Appendix 1	Council Strategy
Appendix 2	Medium Term Financial Strategy (MTFS)
Appendix 3	Budget Consultation Report
Appendix 4	OSMC Budget Scrutiny Report (to follow)
Appendix 5	Due Regard Statement (to follow)

