

MEDIUM TERM FINANCIAL STRATEGY – 2020/21 to 2022/23

Cabinet Meeting	20 December 2019
Leader of Council Finance and Change	Cllr Mark Hawthorne Cllr Lynden Stowe
Key Decision	Yes
Other Documents	Council Strategy and Medium Term Financial Strategy 2019/20 – 2020/21 Council report: 13 th February 2019 Council Efficiency Plan 2016/2020
Main Consultees	Public, Schools Forum, Partners, Business Representation, Members of the Council, Scrutiny Committees, Trade Unions, Staff.
Planned Dates	December 2019 to January 2020
Divisional Councillor	All Councillors
Officers	Paul Blacker, Director of Finance (01452) 328999 paul.blacker@gloucestershire.gov.uk Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk Steve Mawson, Director of Corporate Resources (01452) 425557 Steve.mawson@gloucestershire.gov.uk
Purpose of Report	To set out the budget strategy, the detailed draft budget for 2020/21 and the MTFS covering the period 2020/21 to 2022/23.
Recommendations	Cabinet is recommended to: <i>Approve for consultation and scrutiny the proposed detailed revenue and capital budget for 2020/21 (including Dedicated Schools Grant which will also be considered by the Schools Forum) and the Medium Term Financial Strategy (MTFS) covering the period 2020/21 to 2022/23.</i>
Resource Implications	The report is concerned with the Council's overall budget and the financial implications thereof.

1. Introduction

This draft Medium Term Financial Strategy (MTFS) is presented as the basis for consultation and scrutiny, prior to final Cabinet approval on 29th January 2020, and recommendation to County Council on 12th February 2020. It has been prepared using best estimates from available data which will be updated when the provisional finance settlement is announced in December 2019. If the announcement is made prior to 20th December an update will be provided to Cabinet. Any amendments will be incorporated into the final budget submitted to Cabinet in January 2020 and Council in February 2020.

The MTFS contains the proposed budget for 2020/21 including the general fund revenue budget, the capital programme and the Dedicated Schools Grant. The general fund revenue budget totals £468.183 million and is based on a 1.99% Council Tax increase plus the Adult Social Care Levy which has been extended for a further year and allows the Council to increase council tax levels by an additional 2% specifically to fund Adult Social Care. This 2% Levy raises an additional £6.3 million for Adult Social Care services.

This proposed budget will result in a Band D Council Tax of £1,345.32 in 2020/21 compared to £1,293.70 in 2019/20 – an increase of £51.62 per annum.

The detailed MTFS is attached to this report.

2. The Council Strategy 2019-22: Looking to the Future

The Council Strategy – ‘Looking to the Future’ - is the key high-level document that, along with the MTFS, sets the Council’s strategic policy direction. It was approved by the Council in February 2019 and sets out the Council’s vision, its ambitions for the county and its priorities for addressing the challenges and opportunities it faces.

The council’s vision is to make the most of all that Gloucestershire has to offer, help improve the quality of life for every community, support businesses to be successful and make sure Gloucestershire is a place where people want to live, work and visit.

3. 2020/21 Revenue Budget Summary

A summary of this draft budget is provided in the following table.

Budget Area	2019/20 Agreed MTFs Budget £000	Additional Ring Fenced Grant Funding Rolled into Base Budget £000's	Transfer of 2019/20 One Off Budget Support £000's	Agreed 2019/20 Budget Adjustments £000's	2019/20 Revised MTFs Base Budget £000's	Pay Inflation Costs £'000s	Cost Increases £'000s	Cost Reductions £'000s	Proposed 2020/21 Budget £'000s	Cash Increase / Decrease £'000s	Percentage Increase / Decrease %
Adults	136,677	8,260	-	798	145,735	712	7,986	-4,799	149,634	3,899	2.7%
Vulnerable Children	84,194	2,161	-2,390	2,935	86,900	724	12,172	-20	99,776	12,876	14.8%
Other Children Services	19,715	-	-	-3,003	16,712	189	1,862	-550	18,213	1,501	9.0%
Economy, Environment and Infrastructure	65,570	-	-55	-311	65,204	305	7,806	-1,118	72,197	6,993	10.7%
Prevention & Wellbeing	33,082	-	-100	-777	32,205	63	2,373	-327	34,314	2,109	6.5%
GFRS & Regulatory Services	18,235	-	-	10	18,245	306	889	-	19,440	1,195	6.5%
Corporate Resources	30,919	-	-	1,406	32,325	537	3,906	-1,824	34,944	2,619	8.1%
Technical and Countywide	41,269	-	-558	-1,058	39,653	20	942	-950	39,665	12	0.0%
Total Budget	429,661	10,421	-3,103	-	436,979	2,856	37,936	-9,588	468,183	31,204	7.1%

4. Forward Draft Plans for the Revenue Budget in 2021/22 and 2022/23

The Council's revenue expenditure plans are set out in the MTFs for the three years covering the period 2020/21 to 2022/23. Detailed budget proposals are set out for 2020/21, whilst only high level budgets, based on estimated funding levels, are included for future years. The overall budgets are £479.7 million for 2021/22 and £492.6 million for 2022/23 - these are forecast financial positions and will be updated as further information becomes available.

5. Dedicated Schools Grant

The illustrative 2020/21 DSG (before any changes for the updated census data that will be announced in December 2019) is shown below.

2020/21 Indicative DSG Block Summary

	Schools	High Needs	Central School Services	Early Years	Total DSG
19/20	£356.305m	£59.895m	£2.559m	£33.559m	£452.318m
20/21 indicative	£373.343m	£66.026m	£2.559m	£33.559m	£475.486m
Change	£17.038m	£6.131m	£0.000m	£0.000m	£23.168m
	4.78%	10.24%	0.00%	0.00%	5.12%

As no information has been received yet about the 2020/21 Early Years block funding that block has been included above at its current 2019/20 level.

6. Capital Programme

The capital programme provides investment in the county totaling £589.47 million. The main investment relates to Economy, Environment and Infrastructure (£285.81 million), Schools and facilities for children (£159.58 million), Corporate Resources (£106.18 million) and Adults (£31.01 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 2020/21 is "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.

The capital programme for 2020/21 onwards contains £83.71 million of new investment on capital schemes, financed from grants, revenue contributions and capital financing budgets, as set out in the table below.

Funding for New Capital Investment

New Capital Funding	£000
Adults – Disabled Facilities Grant 2020/21 (indicative)	6,030
Children and Families – Basic Need Grant 2020/21 (balance remaining)	6,441
Children and Families – Schools Condition Allocation 2020/21 (indicative)	4,700
Infrastructure – Highways Block Maintenance Grant 2020/21 (indicative)	14,350
Infrastructure – Highways Block Maintenance Grant - Incentive Element 2020/21 (estimate)	3,012
Infrastructure – Integrated Transport Block Grant 2020/21 (indicative)	2,861
Infrastructure – Pothole Action Fund 2020/21	1,435
Internal Borrowing - Highways	16,000
Capital Receipts - New MTFS Bids	19,111
Capital Fund - New MTFS Bids	9,397
Total Capital Financing Budgets	44,508
Revenue contributions – Highways (estimate)	375
Total Revenue Contributions	375
Total New Capital Funding 2020/21 onwards	83,712

Priority schemes not supported by grants or contributions, which are detailed in Annex 8b, have been included within the new programme on the basis that they can be funded from capital receipts and internal borrowing, thereby avoiding the need for new external borrowing. These new schemes recommended for approval amount to £28.51 million. The £16.00 million of internal borrowing, listed separately in the table above, is the future years' element of the £29.00 million approved last year to invest in Highways structural maintenance.

7. Consultation

Following the publication of the budget proposals a consultation will be launched between 20th December 2019 and 17th January 2020. Stakeholders will be asked to give us their views on our overall priorities, council tax levels 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

The Corporate Overview and Scrutiny Committee have also agreed that they will carry out their budget scrutiny process in January 2020. The Scrutiny meeting has been arranged for 9th January 2020, 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.

8. Risks

In preparing the budget the following risks have been taken into account:

- Account has been taken of current spending trends, and where known, additional unavoidable future cost pressures have been built into the proposed 2020/21 budget. Current spending trends, especially the volatility of expenditure in Children and Families, and the emergence of new cost pressures will continue to be closely monitored as the budget is developed. This may result in the need to reprioritise resources prior to the final budget being approved by Council in February 2020.
- Funding risks have been explicitly considered in preparing the budget and taken into account.
- 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.
- 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 continuing to increase. Additional resources are being invested in these areas under the proposed 2020/21 budget options.
- Provision has been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the forecast impact of the 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 and will benefit from additional funding in 2020/21 this issue will need to be closely monitored during 2020/21 and beyond.

9. Public Sector Equality Duty

A Due Regard Statement is being drafted and will be updated in January 2020 to include the evidence base about service users, workforce and the final budget proposals.

10. Next Steps

Following consultation the MTFs, Council Strategy and supporting policy documents will be considered by Cabinet on 29th January 2020 with the recommended budget being considered by the County Council on 12th February 2020.