

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

Cabinet Meeting	29 January 2020
Leader Cabinet Member	Cllr Mark Hawthorne, Leader of Council Cllr Lynden Stowe, Lead Cabinet Member for Finance and Change
Key Decision	Yes
Other Documents	Council Strategy and Medium Term Financial Strategy 2017/18 – 2019/20 Council report: 13 th February 2019 Cabinet report: 20 th December 2019
Main Consultees	Public, Schools Forum, Partners, Business Representation, Members of the Council, Scrutiny Committees, Trade Unions, Staff.
Planned Dates	Consultation undertaken between December 2019 and January 2020
Divisional Councillor	All Councillors
Officers	Steve Mawson Tel: 01452 (32) 8474 Executive Director of Corporate Resources Paul Blacker Tel: 01452 (32) 8999 Director of Finance
Purpose of Report	To recommend the MTFS, 2020/21 Budget and Precept to Council.

Recommendations	<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> 1. To consider the outcome of the budget consultation as set out in Appendix 2 and the report from the Corporate Overview and Scrutiny Committee (COSC) in Appendix 3. 2. To approve the MTFS and final revenue and capital budget for 2020/21 for recommendation to County Council, including all of the proposals set out in the annexes of the detailed MTFS (Appendix 1). 3. To note the schools funding allocations, the provisional local government finance settlement and forecast reserve movements as summarised in this report and set out in the MTFS. 4. To recommend to Council a revenue budget of £468.183 million, a band D council tax of £1,345.32 and consequential precepts on District Councils. 5. To note the Capital Strategy and Treasury Management Strategy & Investment Strategy as set out in Annexes 7 & 10 of the detailed MTFS. 6. To note the Risk Management Policy Statement & Strategy as set out in Annex 11 of the detailed MTFS.
Resource Implications	<p>The report is concerned with the Council's overall budget and the financial implications thereof.</p>

1. Introduction

This Medium Term Financial Strategy (MTFS) is presented to Cabinet for approval prior to being presented to County Council on 12th February 2020. It has been prepared using best estimates from available data and based on the provisional financial settlement received on 20th December 2019 with the final settlement expected early February 2020. Any amendments required as a result of the final financial settlement will be in the final budget submitted to County Council.

The draft budget was approved for public consultation by Cabinet on 20th December 2019. The results of this public consultation exercise and the review by Corporate Overview and Scrutiny Committee are attached to this report (Appendix 2 and 3).

The MTFS contains the proposed budget for 2020/21. The 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. The proposed budget for 2020/21 remains the same as the consultation budget at £468.183 million.

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 or just under £1 per week.

The detailed MTFS is attached to this report (Appendix 1).

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

The Council Strategy sets out the Council's long-term vision and ambition for Gloucestershire and informs the priorities reflected in the MTFS. This strategy builds on the themes and ambitions that were developed as part of the Gloucestershire 2050 conversation that took place throughout 2018. This strategy reflects an increasing focus on what sort of County we want for the future, and how we can work with communities and partners to make the most of the opportunities the county is facing as well as addressing our strategic challenges. It sets out the Council's commitment and contribution to delivering that vision.

The strategy was subject to engagement with the public and with Council staff throughout November 2018 and December 2018. This included staff briefing sessions, engagement through social media and a roadshow programme that targeted high footfall events and locations. Overall the comments received supported the draft strategy and the priorities for Gloucestershire, particularly the strong focus on developing the County's transport, economy and infrastructure.

The Council Strategy is available at:

<https://www.gloucestershire.gov.uk/council-and-democracy/corporate-plans-and-strategies/looking-to-the-future-new-council-strategy/>

3. Summary Budget Proposal 2020/21

The recommended budget for 2020/21 is £468.183 million this represents an increase in cash terms of £31.204 million, or 7.1%, from 2019/20.

The recommended budget for 2020/21 contains:

- £37.865 million of extra investment into services, particularly those for vulnerable children and adults as well as economic development.
- £2.856 million to cover for increased costs due to inflation and pay awards.
- £83.71 million of new capital investment in roads, schools and other services.
- £9.517 million of efficiency savings to be delivered.

The following changes have been made to the revenue budget increases / reductions since the draft budget was approved for consultation by Cabinet on 20th December 2019;

- Removal of the proposed waste saving - District Council Service change (£44k)
- Removal of the proposed waste saving - Cost recovery from re-use shops at HRCs (£13k)
- Removal of the proposed waste saving - Review tipping away payments (£14k)
- Reduce Economy, Environment & Infrastructure structural changes growth item by £0.071 million to compensate for the removal of the savings proposals above.
- An additional £1m into the Vulnerable Children's Earmarked Reserve (funded from the existing Invest to Save Earmarked Reserve).

The overall proposed budget for 2020/21 remains unchanged at £468.183 million.

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

Medium Term Financial Strategy – 2020/21 Budget – Overall Summary

Budget Area	2019/20 Agreed MTFS Budget	Additional Ring Fenced Grant Funding Rolled into Base Budget	Transfer of 2019/20 One Off Budget Support	Agreed 2019/20 Budget Adjustments	2019/20 Revised MTFS Base Budget	Pay Inflation Costs	Cost Increases	Cost Reductions	Proposed 2020/21 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£000	£000's	£000's	£000's	£000's	£'000s	£'000s	£'000s	£'000s	£'000s	%
Adults	136,677	8,260	-	1,654	146,591	712	7,986	-4,799	150,490	3,899	2.7%
Vulnerable Children	84,194	2,161	-2,390	3,730	87,695	724	12,172	-20	100,571	12,876	14.7%
Other Children Services	19,715	-	-	-3,245	16,470	189	1,862	-550	17,971	1,501	9.1%
Economy, Environment and Infrastructure	65,570	-	-55	-315	65,200	305	7,735	-1,047	72,193	6,993	10.7%
Prevention & Wellbeing	33,082	-	-100	-765	32,217	63	2,373	-327	34,326	2,109	6.5%
GFRS & Regulatory Services	18,235	-	-	89	18,324	306	889	-	19,519	1,195	6.5%
Corporate Resources	30,919	-	-	1,573	32,492	537	3,906	-1,824	35,111	2,619	8.1%
Technical and Countywide	41,269	-	-558	-2,721	37,990	20	942	-950	38,002	12	0.0%
Total Budget	429,661	10,421	-3,103	-	436,979	2,856	37,865	-9,517	468,183	31,204	7.1%

Full details of the budget proposals are set out in annexes 2 and 3 within the detailed MTFS of Appendix 1 which accompanies this paper.

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

The Council's revenue expenditure plans are set for the three years covering 2020/21 to 2022/23. The proposed detailed budget for 2020/21 is set out within the MTFs, whilst the current draft forecast budgets for 2021/22 and 2022/23 are:

	2021/22	2022/23
	£m	£m
Budget	479.7	492.6

These are forecast financial positions for 2021/22 and 2022/23 and will be updated as further information becomes available.

5 Dedicated Schools Grant (DSG)

The Department for Education announced the DSG allocations for 2020/21 on 19th December 2019.

The DSG will continue to be received based on national funding formulas for 4 separate blocks. The 2020/21 position for Gloucestershire is:

<u>2020/21 DSG Summary</u>					
	Central School				
	Schools	Services	High Needs	Early Years	Total DSG
19/20	£356.305m	£2.559m	£59.895m	£33.559m	£452.318m
20/21	£376.745m	£2.579m	£66.429m	£34.180m	£479.933m
Change	£20.440m	£0.020m	£6.534m	£0.621m	£27.615m
	5.74%	0.78%	10.91%	1.85%	6.11%

This represents an increase in the total DSG of £27.6m (6.1%) from the current 2019/20 DSG.

6 Capital Programme

The capital programme provides investment in the county totaling £587.35 million. The main investment relates to Economy, Environment and Infrastructure (£289.81 million), Schools and facilities for children (£159.89 million) Corporate Resources (£105.99 million) and Adults (£31.01 million).

The capital programme for 2020/21 onwards contains £83.71 million of proposed new investment in capital schemes as set out in the table below.

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
Total Grant	38,829
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

7 Consultation

A formal budget consultation took place between 20th December 2019 and 17th January 2020, 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

Full details of the results of the consultation are in Appendix 2.

The Corporate Overview and Scrutiny Committee have also undertaken their own budget scrutiny process on 9th January 2020. Their report will be attached as Appendix 3 to this report. The Chair of the Committee has been invited to present the report.

8 Risks

- 2 In preparing the budget, and in the context that non schools earmarked reserves will fall during 2019/20, the following risks have been taken into account in the budget:
- Account has been taken of current spending trends and, where known, additional unavoidable 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 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.
 - 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.
 - 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 Risk Management Policy Statement & Strategy

It has always been important for organisations to identify and manage their risks. Identifying risks enables the Council to effectively manage strategic decision making, service planning and delivery to safeguard the wellbeing of its stakeholders and increases the likelihood of achieving its outcomes.

Annex 11 of the detailed MTFs (Appendix 1) provides the 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.

10 Public Sector Equality Duty

Cabinet Members are reminded that we have a legal duty to give due regard to the implications for people with protected characteristics. The Due Regard Statement before us today includes the relevant details.

11 Conclusion

The Executive Director of Corporate Resources (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.

12 Summary of Appendices

- Appendix 1 Medium Term Financial Strategy (MTFS)
- Appendix 2 Budget Consultation Report
- Appendix 3 COSC Budget Scrutiny Report
- Appendix 4 Due Regard Statement