

**COUNCIL STRATEGY & MEDIUM TERM FINANCIAL  
STRATEGY – 2021/22 to 2023/24**

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|--|---|
| <b>Cabinet Meeting</b>                 | 27th January 2021   |
| <b>Leader</b><br><b>Cabinet Member</b> | Cllr Mark Hawthorne, Leader of Council<br>Cllr Lynden Stowe, Cabinet Member for Finance and Change  |
| <b>Key Decision</b>                    | Yes   |
| <b>Other Documents</b>                 | Council Strategy and Medium Term Financial Strategy 2020/21 – 2022/23<br>Council report: 12 <sup>th</sup> February 2020<br>Council report: 16 <sup>th</sup> December 2020   |
| <b>Main Consultees</b>                 | Public, Schools Forum, Partners, Business Representation, Members of the Council, Scrutiny Committees, Trade Unions, Staff.   |
| <b>Planned Dates</b>                   | Consultation undertaken between December 2020 to January 2021   |
| <b>Divisional Councillor</b>           | All Councillors   |
| <b>Officers</b>                        | Paul Blacker, Director of Finance (01452) 328999<br>paul.blacker@gloucestershire.gov.uk<br>Jayne Fuller, Corporate Finance Manager (01452) 328926<br>jayne.fuller@gloucestershire.gov.uk<br>Steve Mawson, Executive Director of Corporate Resources (01452) 425557<br>Steve.mawson@gloucestershire.gov.uk |
| <b>Purpose of Report</b>               | To recommend the MTFs, Council Strategy, 2021/22 budget and Precept to Council.   |

|                              |   |
|------------------------------|---|
| <b>Recommendations</b>       | <p>Cabinet is asked to:</p> <ol style="list-style-type: none"> <li>1. To approve the Refreshed Council Strategy for submission to County Council (Appendix 1).</li> <li>2. To approve changes to the draft budget and to approve the MTFS and final revenue and capital budget for 2021/22 for recommendation to County Council, including all of the proposals set out in the annexes of the detailed MTFS (Appendix 2).</li> <li>3. To consider the outcome of the budget consultation as set out in Appendix 3 and the report from the Corporate Overview and Scrutiny Committee (COSC) in Appendix 4.</li> <li>4. 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.</li> <li>5. To recommend to Council a revenue budget of £481.755 million, a band D council tax of £1,409.22 and consequential precepts on District Councils.</li> <li>6. To note the Capital Strategy and Treasury Management Strategy &amp; Investment Strategy as set out in Annexes 7 &amp; 10 of the detailed MTFS.</li> <li>7. To note the Risk Management Policy Statement &amp; Strategy as set out in Annex 11 of the detailed MTFS.</li> </ol> |
| <b>Resource Implications</b> | <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 on 27th January 2021, prior to final approval of County Council on 17<sup>th</sup> February 2021. It has been prepared using best estimates from available data, based on the provisional settlement received in December 2020, with the final settlement expected early February 2021. Any amendments as a result of the final settlement will be in the final budget submitted to County Council.

The draft budget was approved for public consultation by Cabinet on 16<sup>th</sup> December 2020. The results of this public consultation exercise and the review by Corporate Overview and Scrutiny Committee are attached to this report (Appendix 3 and 4).

The MTFS contains the proposed budget for 2021/22 including the general fund revenue budget, the capital programme and the Dedicated Schools Grant. The draft general fund revenue budget totals £481.755 million and is based on an overall increase of 4.75% on Council Tax (this includes 1.99% Council Tax increase plus a 2.76% Adult Social Care Levy), which is in accordance with the announcement in the Comprehensive Spending Review. This proposed increase in the Levy is estimated to raise an additional £8.651 million for Adult Social Care services. The proposed budget is £1.297 million more than the consultation budget due to funding changes as outlined in section 4 below.

This proposed budget will result in a Band D Council Tax of £1,409.22 in 2021/22 compared to £1,345.32 in 2020/21 – an increase of £63.90 per annum.

A one year “roll over” type finance settlement has been confirmed for the next financial year by the 2020 Spending Review (SR20), and this was confirmed with the provisional settlement in December and the final Finance Settlement due in February 2021 – flexibility to amend the budget remains until the final Finance Settlement is confirmed.

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 Strategy has been updated following the recent public consultation and is presented to Cabinet prior to final approval and adoption by Council on 17<sup>th</sup> February 2017.

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. 2021/22 Revenue Budget Summary

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

Medium Term Financial Strategy – 2021/22 Budget – Overall Summary

| Budget Area                             | Approved 2020-21 Budget | Removal of 2020-21 One Off Budget Adjustments | Agreed Budget Transfers between Service Areas | MTFS 2020/21 Base Budget | Pay Inflation Costs | Cost Increases | Cost Reductions | Proposed 2021/22 Budget | Cash Increase / Decrease | Percentage Increase / Decrease |
|---|-------------------------|---|---|--------------------------|---------------------|----------------|-----------------|-------------------------|--------------------------|--------------------------------|
|   | £'000                   | £000  | £000  | £'000                    | £000                | £000           | £000            | £'000                   | £000                     | %                              |
| <b>Programme Budget Areas</b>           |                         |   |   |                          |                     |                |                 |                         |                          |                                |
| Adults                                  | 150,490                 | -   | 341   | 150,831                  | 1,031               | 7,864          | -3,193          | 156,533                 | 5,702                    | 3.78%                          |
| Vulnerable Children                     | 100,694                 | -1,761  | -698  | 98,235                   | 1,131               | 6,131          | -4              | 105,493                 | 7,258                    | 7.39%                          |
| Other Children Services                 | 17,970                  | -   | 339   | 18,309                   | 281                 | 2,400          | -112            | 20,878                  | 2,569                    | 14.03%                         |
| Economy, Environment and Infrastructure | 72,553                  | -4,505  | 2,660   | 70,708                   | 453                 | 4,184          | -447            | 74,898                  | 4,190                    | 5.93%                          |
| Community Safety                        | 19,519                  | -   | -   | 19,519                   | 374                 | 129            | -13             | 20,009                  | 490                      | 2.51%                          |
| Prevention & Wellbeing                  | 34,387                  | -60   | -61   | 34,266                   | 45                  | 1,376          | -171            | 35,516                  | 1,250                    | 3.65%                          |
| Corporate Resources                     | 35,066                  | -2,110  | 939   | 33,895                   | 734                 | 923            | -961            | 34,591                  | 696                      | 2.05%                          |
| Technical & Countywide                  | 37,504                  | 498   | -3,520  | 34,482                   | 30                  | 1,185          | -1,860          | 33,837                  | -645                     | -1.87%                         |
| <b>Total Budget</b>                     | <b>468,183</b>          | <b>-7,938</b>                                 | <b>-</b>                                      | <b>460,245</b>           | <b>4,079</b>        | <b>24,192</b>  | <b>-6,761</b>   | <b>481,755</b>          | <b>21,510</b>            | <b>4.67%</b>                   |

#### 4. Changes between the 2021/22 budget issued for consultation and the final budget

The following table shows the revenue budget changes since the Cabinet report in December 2020:

| Detail   | £m             |
|--|----------------|
| <b>Budget per Cabinet December 2020</b>  | <b>480.458</b> |
| Reduction in Settlement Funding (announced at provisional settlement 17/12/20)             | -1.206         |
| Increase in non ringfenced grant (announced at provisional settlement 17/12/20)            | 0.699          |
| Increased from Additional Social Care Grant (announced at provisional settlement 17/12/20) | 1.803          |
| <b>Revised Budget</b>  | <b>481.755</b> |

Increase in revenue funding £1.297 million

As a result of the additional funding outlined above, the following changes have been made to the budget proposal for 21/22:

- Additional £0.900 million added to the bed based and community inflationary assumptions in Adults services funded by a reduction on the Pay and Prices contingency cost pressure in Technical & Countywide.
- Removal of the unallocated savings proposals of £0.520 million within Adults services.
- Removal of the proposed cost pressure for parking income of £0.218 million as it is anticipated that this will be met through additional Covid-19 grant funding.
- Removal of the proposed cost pressure for Libraries and Registration income targets of £0.244 million as it is anticipated that this will be met through additional Covid-19 grant funding.
- Addition of £0.500 million to the proposed cost pressure for external placements within the Vulnerable Children's Service
- Addition of £0.123 million for the provision of District Library Innovation Labs
- Increase of £0.253 million to the proposed cost increase to Prevention and Wellbeing agenda for change.(From £0.344 million to £0.597 million)
- Reduction in the MtC Contingency savings proposal of £0.363 million within the Technical & Countywide service area

#### 5. Forward Draft Plans for the Revenue Budget in 2022/23 and 2023/24

The Council's revenue expenditure plans are set out in the MTFs for the three years covering the period 2021/22 to 2023/24. Detailed budget proposals are set out for 2021/22, whilst only high level budgets, based on estimated funding levels, are included for future years. The overall budgets are £490.06 million for 2022/23 and £502.51 million for 2023/24 - these are forecast financial positions and will be updated as further information becomes available.

## 6. Dedicated Schools Grant

The Education Secretary Gavin Williamson announced the DSG for 2021/22 on the 17th December 2020.

The 2021/22 position for Gloucestershire is as follows, this includes funding for teachers' pay and pension costs that were previously funded through separate grants:

| DSG Block Funding:  | Schools          | High Needs      | Central School Services | Early Years     | Total DSG        |
|---|------------------|-----------------|-------------------------|-----------------|------------------|
| 2020/21 DSG (as at Dec 20)  | £376.745m        | £66.376m        | £2.579m                 | £34.868m        | £480.568m        |
| Change  | £34.626m         | £8.246m         | £0.205m                 | £0.469m         | £43.546m         |
| <b>2021/22 DSG</b>  | <b>£411.371m</b> | <b>£74.622m</b> | <b>£2.784m</b>          | <b>£35.337m</b> | <b>£524.114m</b> |
| <i>Total percentage change to 2020/21</i>   | 9.2%             | 12.4%           | 7.9%                    | 1.3%            | 9.1%             |
| <i>Note:</i>  |                  |                 |                         |                 |                  |
| <i>Teachers pay &amp; pension previously paid as a separate grant but now included within the above 2021/22 DSG figures</i> | £18.285m         | £2.255m         | £0.108m                 | £0.000m         | £20.648m         |
|   | 4.9%             | 3.4%            | 4.2%                    | 0.0%            | 4.3%             |

This represents an increase in funding of £22.898m (4.8%) from the 2020/21 DSG, a further £20.648m (4.3%) has also been included for the movement of the teachers pay and pension funding from separate grants into the DSG, bringing the total change up to £43.546m (9.1%).

## 7. Capital Programme

New investments within the capital programme have increased by £6.470 million since the consultation budget was approved by Cabinet on 16th December 2020 as a result of additional funding now anticipated for the B4063 cycle route scheme.

| Funding for New Capital Investment                 | £m             |
|--|----------------|
| <b>Budget per Cabinet December 2020</b>            | <b>112.583</b> |
| Infrastructure – Highways Grant 2021/22 (estimate) | 6.470          |
| <b>Revised Budget</b>                              | <b>119.053</b> |

In addition to the above it is also proposed to increase the overall capital programme by a further £3.086 million subject to approval of the changes detailed within the financial monitoring elsewhere on this agenda.

The capital programme provides investment in the county totaling £914.21 million. The main investment relates to Economy, Environment and Infrastructure (£581.53 million), Schools and facilities for children (£149.57 million), Corporate Resources (£143.04 million) and Adults (£33.39 million).

The capital programme contains an estimate of £119.05 million of new investment on capital schemes, spread over a number of financial years financed from grants, revenue contributions and capital financing budgets, as set out in the table below.

## Funding for New Capital Investment

|  |                |
|--|----------------|
| <b>New Capital Funding</b>   | <b>£000</b>    |
| Adults – Disabled Facilities Grant 2021/22 (estimate)                                    | 6,030          |
| Children's Services – Schools Condition Allocation 2021/22 (estimate)                    | 4,500          |
| Infrastructure – Highways Block Maintenance Grant 2021/22 (estimate)                     | 14,350         |
| Infrastructure – Highways Block Maintenance Grant - Incentive Element 2021/22 (estimate) | 2,989          |
| Infrastructure – Integrated Transport Block Grant 2021/22 (estimate)                     | 2,861          |
| Infrastructure – Pothole Action Fund 2021/22 (estimate)                                  | 1,435          |
| Infrastructure – Highways Grant 2021/22 (estimate)                                       | 6,470          |
| <b>Total Grant</b>   | <b>38,635</b>  |
| Internal Borrowing - Highways  | 4,000          |
| Internal Borrowing - New MTFS Bids   | 75,918         |
| <b>Total Capital Financing Budgets</b>   | <b>79,918</b>  |
| Revenue contributions – Highways (estimate)  | 500            |
| <b>Total Revenue Contributions</b>   | <b>500</b>     |
| <b>Total New Capital Funding 2021/22 onwards</b>   | <b>119,053</b> |

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 internal borrowing, thereby avoiding the need for new external borrowing. These new schemes recommended for approval amount to £75.92 million. The £4.00 million of internal borrowing, listed separately in the table above, is the future years' element of the £16.00 million approved last year to invest in Highways structural maintenance.

## 8. Consultation

A formal budget consultation took place between 18th December 2020 and 15th January 2021 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

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

Full details of the formal budget consultation are included as Appendix 3.

The Corporate Overview and Scrutiny Committee have also undertaken their own budget scrutiny process on 7th January 2021. Their report is included as Appendix 4.

## 9. 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 cost pressures have been built into the proposed 2021/22 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 2021.
- Budget risks have been explicitly considered by all Directorates 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. It should be noted that the 2021/22 saving target of £6.761847 million is significantly lower than the savings target for 2020/21 of £10.545 million.
- 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 2021/22 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 2021/22 this issue will need to be closely monitored during 2021/22 and beyond.
- The COVID-19 pandemic has resulted in significant financial pressures for the Council during 2020/21 however central government have provided additional funding and the latest forecast for 2020/21 is that the additional funding will be

sufficient to cover the costs of responding to the pandemic. It is anticipated that the financial impact will continue beyond 31st March 2021 so in SR20 the Government announced the continuation of Sales, Fees and Charges reimbursement scheme for the first three months of the new financial year and announced a national funding pot of £1.55 billion. Gloucestershire share of this national pot was confirmed as £11.5 million in the provisional Finance Settlement.

## **10. 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 2) 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.

## **11. 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 is attached as Appendix 5.

## **12. Conclusions**

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.

## **13. Summary of Appendices**

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