

# Gloucestershire County Council

## Council Strategy and Medium Term Financial Strategy

2021/22 – 2023/24

### Budget and Precept 2021/22

### Report and Recommendations

#### 1. Introduction

This report refers to the detailed Medium Term Financial Strategy (MTFS) attached, and should be read in conjunction with the Council Strategy, the Due Regard Statement and the Consultation reports which accompany it.

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 £483.008 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). This proposed increase in the Levy is estimated to raise an additional £8.753 million for Adult Social Care services.

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.

The detailed MTFS is attached to this report as Appendix 2.

#### 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 for final approval and adoption by Council

The updated Council Strategy is attached to this report as appendix 1.

#### 3. Summary Budget Proposal 2021/22

The recommended budget for 2021/22 is £483.008 million, which represents an increase in cash terms of £14.825 million, or 3.17%, from the approved 2020/21 budget.

The recommended budget for 2021/22 contains:

- £25.445 million of extra investment into services, particularly those for vulnerable children and adults as well as economic development.
- £4.079 million to cover for increased costs due to inflation and pay awards.
- £6.761 million of efficiency savings to be delivered.
- £7.938 million reduction due to removal of the 2020/21 one off cost investments
- £119.053 million of new capital investment in roads, schools and other services.

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

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	6,043	4.02%
Vulnerable Children	100,694	-1,761	-498	98,435	1,131	6,131	-4	105,693	4,999	4.96%
Other Children Services	17,970	-	139	18,109	281	2,400	-112	20,678	2,708	15.07%
Economy, Environment and Infrastructure	72,553	-4,505	2,660	70,708	453	4,184	-447	74,898	2,345	3.23%
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	1,129	3.28%
Corporate Resources	35,066	-2,110	939	33,895	734	923	-961	34,591	-475	-1.35%
Technical & Countywide	37,504	498	-3,520	34,482	30	2,438	-1,860	35,090	-2,414	-6.44%
<b>Total Budget</b>	<b>468,183</b>	<b>-7,938</b>	<b>-</b>	<b>460,245</b>	<b>4,079</b>	<b>25,445</b>	<b>-6,761</b>	<b>483,008</b>	<b>14,825</b>	<b>3.17%</b>

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

#### 4. Changes between the 2021/22 consultation budget approved by Cabinet December 2020 and the final budget

The following changes to the revenue budget proposals were approved by Cabinet on 27th January 2021, following additional funding of £1.297 million being confirmed in the provisional finance settlement:-

- Additional £0.900 million added to the bed based and community inflationary assumptions in Adults services funded by a reduction in the Pay and Prices Contingency in Technical and Countywide.
- Removal of the unallocated savings proposals of £0.520 million within Adults services
- Removal of the proposed cost pressure for parking income totaling £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 by £0.363 million within the Technical & Countywide service area

In addition to the above changes approved by Cabinet 27th January 2021, the Council has now received more information on the council tax collection fund position and Business Rates projected income and collection fund position from our District Councils. This has indicated that an additional £1.253 million is available for 2021/22 as follows:-

<b>Detail</b>	<b>£m</b>
<b>Budget per Cabinet January 2021</b>	<b>481.755</b>
Additional Council Tax Income	0.920
Deficit on the Council Tax Collection Fund	-0.815
Changes to Business Rates Income	1.148
<b>Revised Budget</b>	<b>483.008</b>

It is recommended that a new growth item is now incorporated within the budget proposals for a transfer to the Rates Retention Reserve totalling £1.253 million, in recognition of the continuing risks presented by the Covid-19 pandemic on future council tax and NNDR collection rates.

No changes are required as a result of the final Finance Settlement published on 4<sup>th</sup> February 2021.

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

The Council's revenue expenditure plans are set for the three years covering 2021/22 to 2023/24. The proposed detailed budget for 2021/22 is set out within the MTFs, whilst the current draft forecast budgets for 2022/23 and 2023/24 are:

	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>
Budget	490.99	503.42

These are forecast financial positions for 2022/23 and 2023/24 and will be updated as further information becomes available.

## **6. Dedicated Schools Grant (DSG)**

The Secretary of State for Education Secretary 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>	<i>9.2%</i>	<i>12.4%</i>	<i>7.9%</i>	<i>1.3%</i>	<i>9.1%</i>

*Note:*

<i>Teachers pay &amp; pension previously paid as a separate grant but now included within the above 2021/22 DSG figures</i>	<i>£18.285m</i>	<i>£2.255m</i>	<i>£0.108m</i>	<i>£0.000m</i>	<i>£20.648m</i>
	<i>4.9%</i>	<i>3.4%</i>	<i>4.2%</i>	<i>0.0%</i>	<i>4.3%</i>

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

Further to the consultation budget proposals, Cabinet 27<sup>th</sup> January 2021 gave approval to an increase in new investments within the capital programme of £6.470 million as a result of additional funding now anticipated for the B4063 cycle route scheme.

<b>Funding for New Capital Investment</b>	<b>£m</b>
<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 Cabinet on 27th January 2021 also approved increases in existing schemes within the approved capital programme of a further £3.086 million as follows:-

- the Council has received an additional £812k Disabled Facilities Grant allocation from the Ministry of Housing, Communities and Local Government for 2020/21. The additional grant has been added to the existing Disabled Facilities Grant capital budget.
- an increase of £2.274 million in the Highways capital programme budget as summarised below:
  - £692k Department of Transport Active Travel Fund (tranche 2) grant towards the B4063 Gloucester to Cheltenham Cycle Route scheme.
  - £173k from Highways revenue towards the B4063 Gloucester to Cheltenham Cycle Route scheme, this being the revenue element of the DfT Active Travel Fund (tranche 2) grant
  - £1.165 million Highways England grant towards the B4063 Gloucester to Cheltenham Cycle Route scheme
  - £219k from Highways Locals fund to support a number of Structural Maintenance schemes.
  - £25k Developer contribution towards a Moreton-in-Marsh footway scheme.

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), Adults (£33.39 million) and Community Safety (£6.679 million).

The capital programme contains an estimate of £119.05 million of investment in new 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.

<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>

## 8. Consultation

A formal budget consultation took place between 18th December 2020 and 15<sup>th</sup> 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

Full details of the results of the consultation are in 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, and in the context that non schools earmarked reserves will fall during 2020/21, 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 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 £6.761 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**

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 (Appendix 5) before us today includes the relevant details.

## **12. 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.

## **13. Summary of Appendices**

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

## RECOMMENDATIONS TO COUNCIL

- 1 That, the Council Strategy for 2021/22 is approved.
- 2 That, having considered the additional consultation responses and the Public Sector Equality Duty Due Regard Statement , approval is given to the MTFs and the revenue and capital budgets for 2021/22, council tax for each valuation band, and to issue precepts on each district collection fund as set out below:

### a) Gloucestershire County Council 2021/22 Budget:

	<b>£000</b>
<b>Original 2020/21 Budget</b>	<b>468,183</b>
Removal of 2020/21 One Off Investments	-7,938
Revised 2019/20 Budget	460,245
Inflation	4,079
Cost and spending increases	25,445
Cost reductions	-6,761
<b>Total 2021/22 Budget</b>	<b>483,008</b>
Less:	
Top Up Grant	54,236
Business Rates Income	23,254
Revenue Support Grant	8,220
Public Health Grant	24,767
Improved Better Care Fund	19,436
New Homes Bonus	1,912
Social Care Grant	15,788
Other Non Ring Fenced Grants	6,119
Collection Fund Deficit	-815
Reserves	822
<b>Budget to be met by Council Tax Payers</b>	<b>329,269</b>

### Total to be precepted:

	<b>Taxbase Total</b>	<b>Total Precept £</b>
Cheltenham	42,970.60	60,555,083
Cotswold	41,848.15	58,973,303
Forest of Dean	29,737.73	41,907,041
Gloucester City	38,119.80	53,719,233
Stroud	45,573.57	64,223,244
Tewkesbury	35,403.02	49,890,689
<b>Total</b>	<b>233,652.87</b>	<b>329,268,593</b>



b) That approval is given to the Capital programme set out in Annex 8a of the detailed MTFS, and delegated authority is given to the Section 151 Officer to vary allocations between individual schemes in consultation with the Cabinet Member for Finance and Change.

3 That the Council approves the Capital Strategy, set out in Annex 7 of the detailed MTFS, the Treasury Management Strategy and the non treasury Investment Strategy for 2021/22, set out in Annex 10 of the detailed MTFS.

4 That approval is given to the Operational Boundary and Authorised Limits of borrowing, as set out in the Capital Strategy, at Annex 7 in the detailed MTFS as follows:

Table 8: Authorised Limit and Operational Boundary for External Debt

Authorised limit and operational boundary	2019/20 Limit £m	2020/21 Limit £m	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m
<b>Total Authorised Limit for External Debt and Other Liabilities</b>	<b>440.000</b>	<b>455.000</b>	<b>500.000</b>	<b>500.000</b>	<b>495.000</b>
Split: External Debt	341.592	357.930	404.107	405.575	401.843
Other Liabilities	98.408	97.070	95.893	94.425	93.157
<b>Total Operational Boundary for External Debt</b>	<b>420.000</b>	<b>435.000</b>	<b>480.000</b>	<b>480.000</b>	<b>475.000</b>
Split: External Debt	321.592	337.930	384.107	385.575	381.843
Other Liabilities	98.408	97.070	95.893	94.425	93.157

a) Noting that the authorised limit for 2021/22 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003

b) That the approval is given to the Prudential Indicators for Treasury Management set out in Annex 10 of the detailed MTFS for :

- (i) the maturity structure of borrowings, and
- (ii) the upper limit for principal sums invested for more than 364 days of £200 million.

5 That the Council approves the Schools Funding set out in section G and Annex 9 in the detailed MTFS.