



REPORT TITLE: Draft Council Strategy and Medium Term Financial Strategy 2022/23 to 2025/26 (For Publication and Consultation)

Cabinet Date	22 nd December 2021
Cabinet Member	Cllr Mark Hawthorne, Leader of Council Cllr Lynden Stowe, Deputy Leader and Cabinet Member for Finance and Change
Key Decision	No
Purpose of Report	To seek Cabinet approval for consultation and scrutiny of the proposed detailed revenue and capital budget for 2022/23 (including the Dedicated Schools Grant which will also be considered by the Schools Forum), the Medium Term Financial Strategy (MTFS) covering the period 2022/23 to 2025/26 and the updated Council Strategy covering the period 2022-2026.
Recommendations	Cabinet is asked to: Approve for consultation and scrutiny the proposed detailed revenue and capital budget for 2022/23 (including Dedicated Schools Grant which will also be considered by the Schools Forum), the Medium Term Financial Strategy (MTFS) covering the period 2022/23 to 2025/26 and the Council Strategy.
Reasons for recommendations	To ensure that Councillors and the public are made aware of the Council's Medium Term Financial Strategy, Financial Planning Framework and the Council Strategy
Resource Implications	The report is concerned with the Council's overall budget and the financial implications thereof.
Background Documents	Council Strategy and Medium Term Financial Strategy 2021/22 – 2023/24 Council report: 17 th February 2021
Statutory Authority	
Divisional Councillor(s)	All Councillors

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Timeline	December 2021 to January 2022

Introduction

1. This draft Medium Term Financial Strategy (MTFS) and Council Strategy are presented as the basis for consultation and scrutiny, prior to presenting to Cabinet on 26th January 2022, and recommendation to County Council on 16th February 2022.

Medium Term Financial Strategy

2. The MTFS has been prepared using best estimates from available data following the recent Spending Review announcements and the provisional Settlement which was received on 16th December 2021.
3. The draft MTFS contains the detailed budget proposals for 2022/23 including the general fund revenue budget, the capital programme and the Dedicated Schools Grant as well as high level budget information for the period 2023/24 to 2025/26. The draft general fund revenue budget for 2022/23 totals £519.833 million and is based on an overall increase of 2.99% on Council Tax (this is made up of 1.99% Council Tax increase plus a 1% Adult Social Care Precept increase) in accordance with the announcement in the recent Spending Review. This proposed increase in the Adult Social Care Precept is estimated to raise an additional £3.7 million.
4. This proposed budget will result in a Band D Council Tax of £1,451.36 in 2022/23 compared to £1,409.22 in 2021/22 – an increase of £42.14 per annum.
5. The overall funding assumptions for the Council are based on central government's 2021 Spending Review (SR21) and the provisional settlement received on the 16th December 2021. The Budget will be updated following the final 2022/23 finance settlement, which is expected in February 2022. A one-year finance settlement was received despite the three year SR21. The provisional settlement has given GCC more certainty over funding streams for 2022/23, however funding for future years remains uncertain. There could still be further amendments from the government until the final Finance Settlement is confirmed.
6. The detailed MTFS is attached to this report (Appendix 2).

The Council Strategy 2022-26: Building Back Better in Gloucestershire

7. The Council Strategy – 'Building Back Better in Gloucestershire' - is the key high-level document that, alongside with the MTFS, sets the Council's strategic policy direction. The new four-year strategy has been developed following full council elections in May 2021,

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 will be subject to public consultation before being presented to Cabinet in January 2022 and to Council in February 2022 for approval and adoption.

8. It sets out the Council's vision - 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.

9. The draft Council Strategy is attached to this report (Appendix 1)

2022/23 Revenue Budget Summary

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

Medium Term Financial Strategy – 2022/23 Budget – Overall Summary

Budget Area	Approved 2021/22 Budget	Removal of 2021/22 One Off Budget Adjustments	Agreed Budget Transfers between Service Areas	MTFS 2021/22 Base Budget	Pay Inflation Costs	Cost Increases	Cost Reductions	Proposed 2022/23 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000	£000	£000	£'000	£000	£000	£000	£'000	£000	%
Programme Budget Areas										
Adults	156,533	-	-707	155,826	1,006	12,378	-3,986	165,224	8,691	5.55%
Vulnerable Children	105,693	-282	-1,307	104,104	1,091	10,717	-3	115,909	10,216	9.67%
Other Children Services	20,878	-200	1,237	21,915	360	2,618	-202	24,691	3,813	18.26%
Economy, Environment and Infrastructure	75,888	-1,060	426	75,254	497	11,081	-4,172	82,660	6,772	8.92%
Community Safety	20,009	-	-7	20,002	479	727	-14	21,194	1,185	5.92%
Prevention & Wellbeing	35,566	-470	-	35,096	67	1,014	-73	36,104	538	1.51%
Corporate Resources	34,591	-50	943	35,484	780	2,983	-1,337	37,910	3,319	9.59%
Technical & Countywide	33,850	-13	-585	33,252	43	4,046	-1,200	36,141	2,291	6.77%
Total Budget	483,008	-2,075	-	480,933	4,323	45,564	-10,987	519,833	36,825	7.62%

Forward Draft Plans for the Revenue Budget in 2022/23 and 2025/26

11. The Council's revenue expenditure plans are set out in the MTFS for the four years covering the period 2022/23 to 2025/26. Detailed budget proposals are set out for 2022/23, whilst only high level budgets, based on estimated funding levels, are included for future years. The overall budgets are £536.50 million for 2023/24, £560.05 million for 2024/25 and £572.89 million for 2025/26 - these are forecast financial positions and will be updated as further information becomes available.

Dedicated Schools Grant

12. The illustrative 2022/23 DSG (before any changes for the updated census data that will be announced in December 2021) is shown below.

2022/23 Indicative DSG block summary	Schools	High Needs	Central School Services	Early Years	Total DSG
21/22 (as at Sept 21)	£411.371m	£74.352m	£2.784m	£35.337m	£523.844m
22/23 Indicative DSG block funding	£423.658m	£80.761m	£2.939m	£35.337m	£542.694m
Change	£12.287m	£6.409m	£0.155m	£0.000m	£18.851m
<i>Percentage change</i>	<i>3.0%</i>	<i>8.6%</i>	<i>5.6%</i>	<i>0.0%</i>	<i>3.6%</i>

13. As no information has been received about the 2022/23 Early Years block funding it has been included above at its current 2021/22 level.

Reserves

14. Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate. During 2021/22 all reserves have been examined in detail and the MTFs document provides a summary of reserves held and a forecast of anticipated balances for 31st March 2022.

15. The current level of General Reserves is considered to be at a satisfactory level by the Council's s151 officer following a risk-based review.

Capital Programme

16. The capital programme provides investment in the county totalling £975.11 million. The main investment relates to Economy, Environment and Infrastructure (£657.59 million), Schools and facilities for children (£145.61 million), Corporate Resources (£132.83 million) and Adults (£30.66 million).

17. The capital programme contains an estimate of £121.52 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

New Capital Funding	£000
Adults – Disabled Facilities Grant 2022/23 (estimate)	6,842
Children's Services – Schools Basic Need Grant 2022/23	6,774
Children's Services – Schools Condition Allocation 2022/23 (estimate)	4,600
Infrastructure – Highways Block Maintenance Grant 2022/23 (estimate)	9,896
Infrastructure – Highways Block Maintenance Grant - Incentive Element 2022/23 (estimate)	2,474
Infrastructure – Integrated Transport Block Grant 2022/23 (estimate)	2,884
Infrastructure – Pothole Action Fund 2022/23 (estimate)	9,896
Infrastructure – Highways Grant 2022/23 (estimate)	2,937
Total Grant	46,303
Internal Borrowing - New MTFS Bids	74,712
Total Capital Financing Budgets	74,712
Revenue contributions – Highways (estimate)	500
Total Revenue Contributions	500
Total New Capital Funding 2022/23 onwards	121,515

18. Priority schemes not supported by grants or contributions, have been included within the new programme on the basis that they can be funded from internal borrowing, thereby avoiding the immediate need for new external borrowing. These new schemes recommended for approval amount to £74.71 million and are detailed in Annex 8b.

Consultation

19. Following the publication of the budget proposals, a consultation will be launched between 23rd December 2021 and 21st January 2022. Stakeholders will be asked to give us their views on our overall priorities, the proposed budget and any potential impact on service levels.

20. Consultation 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

21. The Corporate Overview and Scrutiny Committee have also agreed that they will carry out their budget scrutiny process in January 2022. The Scrutiny meeting has been arranged for 6th January 2022 and will include briefings from Directors and Cabinet Representatives.

22. Following this meeting the Overview and Scrutiny Committee will feed back their views to the Cabinet prior to the final budget being developed.

Risks

23. In preparing the budget the following risks have been considered:

- Current spending trends and, where known, additional unavoidable cost pressures have been built into the proposed 2022/23 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 2022.
- Service related financial pressures and risks have been explicitly considered by all Directorates in preparing the budget.
- The level of reserves have 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 the MTFs period requires financial savings and efficiencies to be achieved. Whilst robust programme management plans have been put into place to deliver 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 vulnerable people including Children in Care where demand is continuing to increase. Additional resources are being invested in these areas under the proposed 2022/23 budget options.
- Provision has been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the impact of the National Living Wage.
- The reserves held are invested and the interest received supports the Council's budget.
- Consideration to the pressures within the DSG High Needs Block Funding have been made as part of the budget setting process and the Council has developed a High Needs Strategy designed to ensure the budget is balanced in future years. The DSG spend will need to be closely monitored during 2022/23 and beyond.
- The COVID-19 pandemic has resulted in significant financial pressures for the Council during the current financial year however central government have provided additional funding and the latest forecast for 2021/22 is that the additional funding will be sufficient to cover the costs of responding to the pandemic. The on-going financial impact of COVID in 2022/23 and beyond is uncertain so a number of contingencies have been included in the 2022/23 draft budget to fund COVID related pressures.

Equality implications

24. An Equality Impact Assessment is being drafted and will be provided in January 2022 to include the evidence base about service users, workforce and the final budget proposals.

Next Steps

25. Following consultation the MTFS, Council Strategy and supporting policy documents will be considered by Cabinet on 26th January 2022 with the recommended MTFS and Council Strategy being considered by the County Council on 16th February 2022 for approval.

Summary of Appendices

26. Appendix 1 Council Strategy

27. Appendix 2 Medium Term Financial Strategy (MTFS)