



**REPORT TITLE: Medium Term Financial Strategy 2023/24 to 2026/27**

<b>Cabinet Date</b>	25 <sup>th</sup> January 2023
<b>Cabinet Member</b>	Cllr Mark Hawthorne, Leader of Council Cllr Lynden Stowe, Deputy Leader and Cabinet Member for Finance and Change
<b>Key Decision</b>	Yes
<b>Purpose of Report</b>	To recommend the MTFS, 2023/24 budget and Precept to Council.
<b>Recommendations</b>	<p>Cabinet is asked to:</p> <ol style="list-style-type: none"><li>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.</li><li>2. To approve the draft budget and to approve the MTFS and final revenue and capital budget for 2023/24 for recommendation to County Council, including all of the proposals set out in the annexes of the detailed MTFS (Appendix 1).</li><li>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.</li><li>4. To recommend to Council a revenue budget of £566.110 million, a band D council tax of £1,523.78 and consequential precepts on District Councils.</li><li>5. 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>6. To note the Risk Management Policy Statement &amp; Strategy 2022-25 as set out in Annex 11 of the detailed MTFS for submission to County Council.</li></ol>
<b>Reasons for recommendations</b>	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
<b>Resource Implications</b>	The report is concerned with the Council's overall budget and the financial implications thereof.

<b>Background Documents</b>	Council Strategy and Medium Term Financial Strategy 2022/23 – 2025/26 Council report: 16 <sup>th</sup> February 2022 Council Strategy – <a href="#">Building Back Better in Gloucestershire - Gloucestershire County Council</a> Budget Consultation: 8 <sup>th</sup> December 2022 – 5 <sup>th</sup> January 2023
<b>Statutory Authority</b>	
<b>Divisional Councillor(s)</b>	All Councillors
<b>Officer</b>	Paul Blacker, Director of Finance (01452) 328999 <a href="mailto:paul.blacker@gloucestershire.gov.uk">paul.blacker@gloucestershire.gov.uk</a>  Jayne Fuller, Corporate Finance Manager (01452) 328926 <a href="mailto:jayne.fuller@gloucestershire.gov.uk">jayne.fuller@gloucestershire.gov.uk</a>  Steve Mawson, Deputy Chief Executive and Executive Director of Corporate Resources (01452) 425557 <a href="mailto:steve.mawson@gloucestershire.gov.uk">steve.mawson@gloucestershire.gov.uk</a>
<b>Timeline</b>	December 2022 to January 2023

## Introduction

1. The Council's draft Medium Term Financial Strategy (MTFS) is being presented to Cabinet on 25th January 2023 and is then scheduled for County Council on 15th February 2023.

## Medium Term Financial Strategy

2. The MTFS has been prepared using best estimates from available data following the recent provisional settlement, which was received on 19th December 2022, with the final settlement expected early February 2023. Any amendments, as a result of the final settlement will be in the final budget submitted to County Council.
3. The draft budget was published for public consultation on 8th December 2022. 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).
4. The draft MTFS contains the detailed budget proposals for 2023/24 including the general fund revenue budget, the capital programme, and the Dedicated Schools Grant (DSG) as well as high level budget information for the period 2024/25 to 2026/27. The draft general fund revenue budget for 2023/24 totals £566.110 million and is based on an overall Council Tax increase of 4.99% (made up of 2.99% general Council Tax increase plus a 2% Adult Social Care (ASC) Precept increase).

5. This proposed budget will result in a Band D Council Tax of £1,523.78 in 2023/24 compared to £1,451.36 in 2022/23 – an increase of £72.42 per annum or £1.39 per week.
6. The overall funding assumptions for the Council are based on central government's 2022 Spending Review (SR22), a Policy Statement issued 12<sup>th</sup> December 2022 and the provisional settlement received on the 19<sup>th</sup> December 2022. The Budget will be updated following the final 2023/24 finance settlement, which is expected in February 2023. A one-year finance settlement was received despite two years figures being provided within the Policy Statement. The provisional settlement has given more certainty over funding streams for 2023/24, and the Policy Statement has provided some certainty for 2024/25, however funding for future years remains uncertain. Flexibility to amend the budget remains until the final Finance Settlement is confirmed.
7. The detailed MTFs is attached to this report (Appendix 1).

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

8. 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 four-year strategy was developed following full council elections in May 2021, and following public consultation was presented to Cabinet in January 2022 and to Council in February 2022 for approval and adoption. It sets out the Council's vision, its ambitions for the county and its priorities for addressing the challenges and opportunities it faces
9. 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.

### 2023/24 Revenue Budget Summary

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

Medium Term Financial Strategy – 2023/24 Budget – Overall Summary

Budget Area	Approved 2022/23 Budget	Removal of 2022/23 One Off Budget Adjustments	Agreed Budget Transfers between Service Areas	Revised MTFs 2022/23 Base Budget	Pay Inflation Costs	Cost Increases	Cost Reductions	Proposed 2023/24 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000	£000	£000	£'000	£000	£000	£000	£'000	£000	%
<b>Programme Budget Areas</b>										
Adults	165,007	-578	-345	164,084	3,359	21,480	-5,072	183,851	18,844	11.42%
Vulnerable Children	116,000	-1,866	2,189	116,323	3,769	11,013	-1,074	130,031	14,031	12.10%
Other Children Services	23,703	-976	-2,931	19,796	1,041	6,256	-205	26,888	3,185	13.44%
Economy, Environment and Infrastructure	82,795	-1,454	798	82,139	1,676	14,928	-6,784	91,959	9,164	11.07%
Community Safety	22,091	-810	-1,146	20,135	1,448	1,751	-8	23,326	1,235	5.59%
Prevention & Wellbeing	35,651	0	-31	35,620	187	819	-247	36,379	728	2.04%
Corporate Resources	39,490	-1,868	59	37,681	2,620	5,074	-887	44,488	*4,998	12.66%
Technical & Countywide	36,593	-3,500	1,407	34,500	1,056	456	-6,824	29,188	-7,405	-20.24%
<b>Total Budget</b>	<b>521,330</b>	<b>-11,052</b>	<b>-</b>	<b>510,278</b>	<b>15,156</b>	<b>61,777</b>	<b>-21,101</b>	<b>566,110</b>	<b>44,780</b>	<b>8.59%</b>

## **Changes between the 2023/24 revenue budget issued for consultation and the final budget**

11. The following specific budget changes are proposed:

- Increase of £1.918 million for Adult Social Care to reinstate the £1.708 million saving included in the consultation budget when it was assumed that this grant would cease following the postponement of the Social Care Reforms plus an additional £0.210 million for Market Sustainability.
- Increase of £2.807 million for Adult Social Care to fund activities relating to improving hospital discharges. The Better Care Fund Discharge grant of £2.807 million is ringfenced to new activities aimed at improving hospital discharges so is not available for general Adult Social Care expenditure. It will form part of the Better Care Fund, although it has been shown within our Core Spending Power.
- Increase of £0.887 million for Adult Social Care to fund activities designed to promote independent living – these activities were previously funded by a specific grant.
- Reduce the reliance on the use of reserves by £1.445 million to balance the 2023/24 revenue budget. The use of reserves has been reduced from £10.331 million in the consultation budget to £8.886 million in the current proposed budget.

12. In addition to the changes as a result of extra funding it is also proposed to fund £0.801 million worth of Legal Service growth associated with Children's Safeguarding on a permanent basis rather than a one-off basis as initially proposed within the consultation budget for Corporate Resources. This change is proposed following further work on the likely demand for legal input to safeguarding cases which indicated that additional funding will be needed beyond 2023/24.

13. The Proposed allocations expected under the Dedicated Schools Grant for 2023/24 have been updated based on the Department for Education announcement on 19th December 2022. Further details of these changes can be found in Section I.

14. The starting budget for individual services (shown in Annexes 2 and 3) has also been realigned to reflect permanent budget transfers that occurred between October 2022 and December 2022.

## **Forward Draft Plans for the Revenue Budget in 2023/24 and 2026/27**

15. The Council's revenue expenditure plans are set out in the MTFS for the four years covering the period 2023/24 to 2026/27. Detailed budget proposals are set out for 2023/24, whilst only high level budgets, based on estimated funding levels, are included for future years. The overall budgets are £592.94 million for 2024/25, £609.78 million for 2025/26 and £628.11 million for 2026/27 - these are forecast financial positions and will be updated as further information becomes available.

## Dedicated Schools Grant

16. On the 19<sup>th</sup> December 2022 the Department for Education (DfE) published the DSG figures for 2023/24 which included funding updates for the October 2022 census and other census data.

17. Also announced on the 19<sup>th</sup> December 2022 was additional funding (on top of the indicative 2023/24 DSG that was announced in July 2022) of £18.998m. This consisted of a further increase of £3.676m (4.3%) to the high needs block of the DSG and an extra £15.322m (3.5%) for mainstream schools in the form of a separate grant outside of the DSG called the Mainstream Additional Grant (MSAG). This grant is like the supplementary grant that was provided in 2022/23 and like that grant will be rolled into the DSG in the following year. The increase in funding is to recognise the additional costs that local authorities and schools will face in the coming year, which were not foreseen when the original block allocations of the DSG were calculated in July.

18. The increase in 2023/24 for the DSG and Mainstream Additional Grant (MSAG) is shown below:

<b>2023/24 DSG &amp; Additional Grant Summary</b>	<b>Schools</b>	<b>High Needs</b>	<b>Central School Services</b>	<b>Early Years</b>	<b>Total</b>
22/23 DSG (as at December 2022)	£428.040m	£84.241m	£2.964m	£35.879m	£551.124m
22/23 Schools Supplementary Grant	£12.295m				£12.295m
<b>22/23 DSG and Supplementary grant</b>	<b>£440.335m</b>	<b>£84.241m</b>	<b>£2.964m</b>	<b>£35.879m</b>	<b>£563.419m</b>
23/24 DSG Block Funding (at Dec 2022)	£455.425m	£93.023m	£3.077m	£37.818m	£589.344m
23/24 Additional Grant	£15.322m				£15.322m
<b>23/24 DSG and Additional Grant</b>	<b>£470.748m</b>	<b>£93.023m</b>	<b>£3.077m</b>	<b>£37.818m</b>	<b>£604.666m</b>
<b>Change</b>	<b>£30.413m</b>	<b>£8.782m</b>	<b>£0.113m</b>	<b>£1.939m</b>	<b>£41.247m</b>
<i>Percentage Change</i>	<i>6.9%</i>	<i>10.4%</i>	<i>3.8%</i>	<i>5.4%</i>	<i>7.3%</i>

## Reserves

19. Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate. During 2022/23 all reserves have been examined in detail and the MTFs document provides a summary of reserves held and a forecast of anticipated balances for 31<sup>st</sup> March 2023.

20. 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

21. The capital programme provides investment in the county totalling £1,013.46 million. The main investment relates to Economy, Environment and Infrastructure (£660.33 million), Schools and facilities for children (£168.29 million), Corporate Resources (£131.38 million), Adults (£44.72 million) and Community Safety (£8.75 million).

22. The capital programme contains an estimate of £83.56 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 Available 2023/24 onwards</b>	<b>£000</b>
<b>Internal Borrowing</b>	
New MTFS Bids	23,653
<b>Total Internal Borrowing</b>	<b>23,653</b>
<b>Grants</b>	
Adults – Disabled Facilities Grant 2023/24 - 2025/26 (estimate)	20,526
Schools – High Needs Provision Capital Allocation 2023/24	7,856
Schools – Schools Condition Allocation 2023/24 (estimate)	4,200
Non-Schools - Children's Homes Capital Fund	2,041
Infrastructure – Highways Block Maintenance Grant 2023/24 (estimate)	9,896
Infrastructure – Highways Block Maintenance Grant - Incentive Element 2023/24 (estimate)	2,474
Infrastructure – Integrated Transport Block Grant 2023/24 (estimate)	2,884
Infrastructure – Pothole Action Fund 2023/24 (estimate)	9,896
<b>Total Grants</b>	<b>59,773</b>
<b>Revenue contributions</b>	
Highways Locals (estimate)	130
<b>Total Revenue Contributions</b>	<b>130</b>
<b>Total New Capital Funding 2023/24 onwards</b>	<b>83,556</b>

23. 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 £23.65 million and are detailed in Annex 8b.

24. An estimate of £59.90 million new capital funding from Government grant allocations and revenue contributions has been included and is detailed in Annex 8c.

### **Changes between the 2023/24 capital budget issued for consultation and the final budget**

25. New investments within the capital programme have increased by £1.06 million since the consultation budget was issued, following notification of £2.04 million successful DfE Grant bids from the Children's Homes Capital Fund. This grant funding replaces £978k of internal borrowing previously included in Annex 8b (£528k Barnwood & £450k Redwell Road).

<b>Funding for New Capital Investment</b>	<b>£000</b>
<b>Budget per December 2022 Consultation</b>	<b>82,493</b>
Internal Borrowing - Children's Homes MTFS bids	-978
Grants - Children's Homes Capital Fund	2,041
<b>Revised Budget</b>	<b>83,556</b>

26. The existing capital programme also includes an additional £1.21 million funding, subject to approval of the changes detailed within the financial monitoring report elsewhere on agenda.

### **Consultation**

27. Consultation on the draft 2023/24 budget proposals took place between 8th December 2022 and 5th January 2023. Stakeholders have been asked to give us their views on our overall priorities, the proposed budget, options to reduce the budget gap and any potential impact on service levels.

Consultation took 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

28. Full details of the budget consultation are included in Appendix 2.

29. The Corporate Overview and Scrutiny Committee have also undertaken their own budget scrutiny process on 4<sup>th</sup> January 2023. Their report is included as Appendix 3.

## Risks

30. 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 2023/24 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 2023.
- 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 2023/24 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 2023/24 and beyond.

## Risk Management Policy Statement & Strategy

31. 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.

32. Annex 11 of the detailed MTFs (Appendix 1) provides the Risk Management Policy Statement and Strategy for 2022-25, 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.

### **Equality implications**

33. Cabinet Members are reminded that we have a legal duty to give due regard to the implications for people with protected characteristics. An Equality Impact Assessment is attached at Appendix 4.

### **Conclusion**

34. The Deputy Chief Executive and 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.

### **Summary of Appendices**

- Appendix 1 Medium Term Financial Strategy (MTFS)
- Appendix 2 Budget Consultation Report
- Appendix 3 COSC Budget Scrutiny Report
- Appendix 4 Equality Impact Assessment