

Gloucestershire County Council

Council Strategy and Medium Term Financial Strategy

2020/21 – 2022/23

Budget and Precept 2020/21

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 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% social care precept raises an additional £6.3 million for Adult Social Care services.

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.

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 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:

- £38.395 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.
- £10.047 million of efficiency savings to be delivered.

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 Employee Related Budget	2019/20 Non - Employee Expenditure Budget	2019/20 Gross Expenditure Budget	2019/20 Income	2019/20 Revised MTFS Base Budget	Pay Inflation Costs	Cost Increases	Cost Reductions	Proposed 2020/21 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£000's	£'000s	£'000s	£'000s	£'000s	£'000	£'000	£'000	£'000	£'000	%
Adults	36,648	145,061	181,709	-35,118	146,591	712	7,986	-4,799	150,490	3,899	2.7%
Vulnerable Children	37,901	50,369	88,270	-575	87,695	724	12,172	-20	100,571	12,876	14.7%
Other Children Services	9,331	8,026	17,357	-887	16,470	189	1,862	-550	17,971	1,501	9.1%
Economy, Environment & Infrastructure	15,434	65,084	80,518	-15,318	65,200	305	8,265	-1,547	72,223	7,023	10.8%
Prevention & Wellbeing	2,071	30,246	32,317	-100	32,217	63	2,373	-327	34,326	2,109	6.5%
GFRS & Regulatory Services	15,432	3,511	18,943	-619	18,324	306	889	-	19,519	1,195	6.5%
Corporate Resources	24,070	15,556	39,626	-7,134	32,492	537	3,906	-1,854	35,081	2,589	8.0%
Technical and Countywide	10,056	30,470	40,526	-2,536	37,990	20	942	-950	38,002	12	0.0%
Total Budget	150,943	348,323	499,266	-62,287	436,979	2,856	38,395	-10,047	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. Changes between the 2020/21 consultation budget approved by Cabinet December 2019 and the final budget

Further to the formal consultation process the following changes to the revenue budget proposals were approved by Cabinet 29th January 2020:-

- Removal of the proposed waste saving - District Council Service change (£0.044 million)
- Removal of the proposed waste saving - Cost recovery from re-use shops at HRCs (£0.013 million)
- Removal of the proposed waste saving - Review tipping away payments (£0.014 million)
- Reduce E, E & I structural changes growth item by £0.071 million to compensate for the removal of the savings proposals above.
- Additional saving from the re-procurement of the Garden Waste Treatment Contract (£0.500 million)
- Additional one off contribution of £0.010 million per member for the Highways Local Scheme (£0.530 million)
- Additional efficiency savings within Corporate Resources (£0.030 million)
- An additional £1m into the Vulnerable Children's Earmarked Reserve (funded from the existing Invest to Save Earmarked Reserve).

The following table shows the revenue funding movements as a result of updated NNDR and Council Tax information received from the District Councils on 31st January 2020:

Detail	£m
Budget per Cabinet January 2020	468.183
Increase in business rate income	0.510
Reduction in Taxbase linked to Council Tax	-0.749
Reduction in Taxbase linked to ASC Council Tax	-0.072
Reduction in declared Council Tax Surplus	-1.877
Increase in non ringfenced grant	0.655
Reserve transfer from Rates Retention Reserve	1.533
Revised Budget	468.183

In order that the 2020/21 revenue budget remains at the proposed £468.183 million it is recommended that a one off transfer of £1.533 million from the Rates Retention Reserve is made.

5. Forward Draft Plans for the Revenue Budget in 2020/21 and 2021/22

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.

6. Dedicated Schools Grant (DSG)

The DfE announced the DSG for 2020/21 on the 19th December 2019.

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

2020/21 DSG Summary					
	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 £27.6 million or 6.1% compared to the 2019/20 allocations.

7. 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).

Consistent with the Council's priority to reduce the level of long term debt and the impact of interest and capital repayments on the revenue budget, the capital programme for 2020/21 is largely "capped" at the level of developer contributions, capital grants received and revenue contributions from capital financing budgets with internal borrowing only being used for key administration priorities.

The capital programme for 2020/21 onwards contains £83.71 million of new investment on capital schemes as set out in the table below. There have been no changes to the proposals from those included in the consultation budget in December 2019.

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

8. 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 is included as Appendix 3.

9. Risks

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 re-prioritise 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 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.

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 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.

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

RECOMMENDATIONS TO COUNCIL

- 1 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 2020/21, council tax for each valuation band, and to issue precepts on each district collection fund as set out below:

a) Gloucestershire County Council 2020/21 Budget:

	£000
Original 2019/20 Budget	429,661
Additional Ring Fenced Grant	10,421
Funding now rolled into base budget	
Removal of 2019/20 One Off Investments	-3,103
Revised 2019/20 Budget	<u>436,979</u>
Inflation	2,856
Cost and spending increases	38,395
Cost Reductions	<u>-10,047</u>
Total 2020/21 Budget	468,183
Less:	
Settlement Funding	85,023
Public Health Grant	24,292
Improved Better Care Fund	19,436
Social Care Grants	13,985
New Homes Bonus	2,828
Other Non Ring Fenced Grants	5,504
Collection Fund Surplus	2,123
Reserve Transfer	1,533
Total to be precepted (Council Tax Requirement)	313,459

	Taxbase Total	Total Precept £
Cheltenham	43,144.50	58,043,100
Cotswold	41,817.64	56,258,050
Forest of Dean	29,294.75	39,410,773
Gloucester City	38,356.60	51,601,848
Stroud	45,045.38	60,600,389
Tewkesbury	35,340.88	47,544,744
Total	232,999.75	313,458,904

- 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.
- 2) 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 2020/21, set out in Annex 10 of the detailed MTFS.
- 3) 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	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m	2021/22 Limit £m	2022/23 Limit £m
Total Authorised Limit for External Debt and Other Liabilities	380.000	950.000	990.000	950.000	910.000
Split: External Debt	360.862	355.375	413.349	397.637	382.189
Other Liabilities	19.138	594.625	576.651	552.363	527.811
Total Operational Boundary for External Debt	360.000	930.000	970.000	930.000	890.000
Split: External Debt	340.862	335.375	393.349	377.637	362.189
Other Liabilities	19.138	594.625	576.651	552.363	527.811

- a) Noting that the authorised limit for 2020/21 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.

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