

# **Gloucestershire County Council**

## **Medium Term Financial Strategy Approved by County Council**

**17<sup>th</sup> February 2016**

**2016/17 to 2018/19**

**Budget 2016 /17**

## A Context

- 1 This Medium Term Financial Strategy (MTFS) was approved by County Council on 17<sup>th</sup> February 2016. It should be read in conjunction with the Draft Council Strategy, the Due Regard Statement and the Consultation reports which accompany it.

In December 2015 the Cabinet approved an MTFS containing two alternative consultation budgets for 2016/17. The first budget totalled £411.66 million and was based on a 1.99% Council Tax increase, the first tax increase levied by the Council in five years. The second budget was exactly the same as the first, with the exception that it had an additional £4.7 million investment for Adult Social Care, which would be funded by a new 2% National Social Care levy, and totalled £416.35 million.

Following the announcement of the draft financial settlement for 2016/17 on 17th December 2015 and notification of the tax base figures in January 2016 from the six District Councils, and following public consultation, the final approved budget for 2016/17 is £420.46 million, £4.11 million higher than the second consultation budget. Under this budget Council Tax will increase by 1.99% and an additional 2% National Social Care Precept will be applied, taking the overall increase to 3.99%.

The increase between the consultation budget of £416.35 million and final budget proposal of **£420.46** million (both of which were based on a 1.99% Council Tax increase and a 2% Social Care levy) can be sub divided between the tax base increase, which now provides additional on-going base budget funding of £1.88 million, the increase in the one-off Collection Fund surplus of £2.00 million, and an increase of £2.475 million following confirmation from Government of a new transitional grant, offset by a £1.475 million reduction in formula funding and grant changes, and a £0.775 million reduction in the Business Rates Collection Fund.

Details of the Council Strategy which outlines the Council's strategic policy direction, under which the budget is formulated, together with the results of consultation on this policy direction are provided in sections B and C of this report.

In the context of the Council Strategy, commissioning intentions for each commissioning area moving forward are provided at Annex 1. The Annex highlights current achievements and future plans in relation to the redesign of services within Gloucestershire, which aim to maximise effectiveness whilst delivering on the significant financial challenges facing the Council. These detailed narratives cover Children and Families (Annex 1.1) which includes the Cabinet response to the Scrutiny Task Group Recommendations on the recruitment and retention of Social Workers, Adults (Annex 1.2), Public Health (Annex 1.3) and Communities and Infrastructure (Annex 1.4).

**B Meeting the Challenge 2 – Together We Can – Draft Council Strategy 2016 to 2019**

2 The Council Strategy, developed under “Meeting the Challenge 2 – Together We Can” is the key high-level document that, along with the Medium Term Financial Strategy (MTFS), sets the Council’s strategic policy direction. It is supported by a series of policy statements that set out our proposals for specific areas in more detail. These cover:

- Active Individuals
- Active Communities
- Children, Young People and Families
- Growing Older
- Gloucestershire Fire & Rescue Service Integrated Risk Management Plan
- Building Better Lives

3 The Council Strategy is written in the context of continued constraints on public sector funding accompanied by growing demand for key council services. Left unchecked, the combination of these factors would require us to spend an increasing proportion of the Council’s budget on social care for vulnerable children and adults, and on the care of older people. If we carry on trying to respond in the same ways, we risk these services becoming overwhelmed and delivering diminishing results.

4 However, we believe that this also presents us with an opportunity to think differently about the services we provide and the way we provide them. We want to help people to live fulfilling and independent lives by ensuring they can access support that meets their individual needs through working with the entire community. We believe that this will achieve better results for individuals and mean that the Council’s resources can continue to support the most vulnerable in our community.

5 The vision for the draft strategy continues to be ‘to use the resources available to us to improve quality of life for Gloucestershire people and communities’.

This is supported by three values that have informed the proposed direction and by which the implementation of this strategy will be steered:

- Living within our means – refusing to pass on debt to the next generation and continuing to focus our priorities in order to manage our budgets and reduce our borrowing.
- Focussing on what makes a difference – being relentless in the pursuit of good outcomes and finding the best, most efficient way of improving them.
- Helping communities help themselves – getting better results and achieving better value by giving power and tools to local people

6 The strategy sets out our proposed new approach to meeting people's needs based on:

- Active individuals
- Active communities
- Getting people back to independence
- Being there when we're needed most.

The strategy then expands on our approach and our thinking, describing our intentions and commitment to local people across a series of themes. The Council Strategy was approved by County Council in February 2016.

7 In December 2014 we carried out a public consultation to find out what people thought about our draft council strategy and our approach to aligning our resources to meet the values and aims set out within it.

8 Three methods of gathering respondent data were used; an online survey, a paper version, and two workshops with our provider partners and our workforce. Consultation also took place with voluntary sector organisations in the County, trade unions and the Schools Forum.

9 301 people took part in this consultation. The full consultation report is published on the Council website. The response was overwhelmingly positive about our proposals and provided us with a strong mandate for change. Additional consultation was also undertaken between December 2015 and January 2016 which was equally positive as summarised in section C below.

10 The top comments about our proposed budget were:

- Less reduction to the adults budget
- Increase council tax

We have used this mandate to continue to develop our ideas and to begin to apply our thinking to specific Council activities and services.

## **C Consultation**

11 A formal budget consultation took place between 17<sup>th</sup> December 2015 to 22<sup>nd</sup> January 2016, with the following groups:

- Key partners including Health, the Independent and Voluntary sectors and district, town and parish councils,
- The general public
- The Council's The People's Panel
- Trade Unions and professional associations,
- Staff via the usual communication channels,
- Schools via the schools forum, open meetings and Head Teacher groups

There were 943 responses to the budget consultation.

There was strong endorsement that the council should continue to focus its budget and resources on the six key themes set out within the Council Strategy.

93% of respondents said that we have the right priorities and we should focus on supporting the most vulnerable, working with communities and individuals to help them to do more for themselves and reduce our running costs to get the best out of our assets.

Over half of respondents, 61%, were in favour of a council tax rise in 2016/17, with 38% in favour of freezing council tax and 1% not responding to the question

Breaking down the 61% in favour of a Council Tax increase, the majority, 43%, favoured the 3.99% which includes the National Adult Social Care Levy with 18% favouring only 1.99%.

Overall the comments received supported the council's proposals to raise council tax particularly in order to invest in services for people who need them most.

The top five comments on the council's 2016 budget were:

- Cancel the incinerator
- Focus on providing services for the most vulnerable including services for the children's services
- Invest in Gloucestershire's infrastructure, in particular roads
- Transparency needed over how the additional money raised will be spent
- Focus budget on the statutory services

Following these meetings the Scrutiny Management and Overview Committee fed back their views to the 3<sup>rd</sup> February Cabinet meeting.

12 The Overview and Scrutiny Management Committee have also undertaken their own budget scrutiny process, with scrutiny meetings held with members of the Health and Care Scrutiny Committee, Environment and Communities Scrutiny Committee and the Children and Families Scrutiny Committee. Members of the Overview and Scrutiny Management Committee also received a presentation and discussed the MTFS on 25<sup>th</sup> January 2016.

Following these meetings the Scrutiny Management and Overview Committee fed back their views to the 3<sup>rd</sup> February Cabinet meeting.

## **D Finance Settlement and Funding Assumptions**

13 The council receives its funding through a number of sources; government grant, business rates retention income, council tax and charging for some of its services through fees and charges.

The Spending Review, announced on 25<sup>th</sup> November 2015, provided a complex and mixed picture for local government. It highlighted a cash terms increase in spending between now and 2019/20, but assumed that a significant cut in funding (46% nationally) was offset by an increase in local taxation receipts.

The main un-ringfenced grant from government is the Revenue Support Grant (RSG). The provisional settlement announcement on 17<sup>th</sup> December 2015 provided estimates for the next four years for RSG, showing a reduction of over 88% over the four years on the unadjusted 2015/16 position. Central Government have announced that RSG will reduce to zero for most authorities after the current spending review period.

Part of the Council's RSG is compensation for freezing Council Tax in the past. The Council had assumed that this funding would be protected, to ensure that those authorities that had frozen Council Tax were not disadvantaged by that decision. It is clear from the Spending Review that this is not the case, and although 2015/16 freeze grant did become part of RSG, this and previous years' grant has been topsliced by over 16% in the settlement.

The provisional financial settlement for 2016/17 confirmed that Revenue Support Grant fell from £67.45 million received in 2015/16 to £49.91 million for 2016/17. Overall funding announced as part of the settlement was some £1.475 million lower than the level forecast and included within the draft budgets issued for consultation in December 2015.

Overall predicted Business Rates income was lower due to the estimated level of the deficit on the Business Rates Collection fund being some £0.775 million lower than the forecasts included within the draft budgets. Final Business Rates funding has now been received, with a deficit on the Collection Fund totalling £1.9m in line with these revised expectations.

The Business Rates Retention Scheme was introduced for 2013/14. Under the Scheme, the Council retains some of the business rates raised locally. The business rate yield is divided equally between central and local government. The Council's share of the locally retained element is 20%. In order to protect upper tier services a "top up" grant is also received from central government, increasing annually in line with RPI, which is reflected in the MTFS.

The Council entered into a pooling agreement with all six district councils in the county in 2013/14. The reason for this was to retain additional income within the county from paying a lower levy on growth, above the baseline, to central government.

In the first year of operation the Pool reported a surplus, however in 2014/15 the Pool suffered a loss due to the impact of backdated appeals on rateable values, in particular the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. The final Pool position for 2014/15 published a deficit of £2.3m, following a safety net payment to Tewkesbury of £3.9m, as reported to Cabinet in June 2015. Under the governance arrangements in place the deficit had to be funded, and the Council's contribution was £0.41m. A Business Rates Retention Reserve was set up to cover these situations, and a drawdown was made from this to cover the cost to the Council.

Due to on-going issues, and concerns around the situation with Virgin Media, the Pool has been reformed from 2016/17 to exclude Tewkesbury Borough Council, thus reducing the risk of a deficit occurring again. These changes have all been documented in budget monitoring reports and the out-turn report.

Other grants that are included in the Council's core funding, some of which have yet to be confirmed, are as follows:

- Public Health Grant - Estimated to be £25.94 million but not yet confirmed

The Public Health Grant for 2015/16 experienced an in year reduction of £1.5 million. The recent Comprehensive Spending Review (CSR) announcement refers to a further reduction of 3.9% in real terms to 2019/20, with the ring fence remaining for the next 2 years. Modelling of the reduction suggests that the level of Public Health Grant for 2016/17 will be £25.943 million.

- Better Care Fund

In June 2013 Central Government announced the formation of a £3.8 billion Better Care Fund (BCF), to ensure a transformation in integrated health and social care. The allocation of funding for the BCF for Gloucestershire totalled £39.9 million in 2015/16, and over £11 million of this is included within the Council's core grant funding. The CSR announced an additional £1.5 billion by 2019/20. The timing and funding of this new funding is very unclear, although indications suggest 2017, and given its ring fenced nature the council awaits further announcements before incorporating into its budget, whilst continuing to work closely with Health partners to facilitate more integrated working between health and social care. The announcement also implied a significant increase (£220 million nationally to £500 million by 2019/20) in the Disabled Facilities Grants, which is paid to district councils in Gloucestershire within the Better Care Fund for housing adaptions. No further information relating to 2016/17 has been released.

- Education Support Services Funding

The council receives an Education Support Services Grant, which reflects services provided to maintained schools and a number of statutory services to discharge its responsibilities in respect of education currently estimated at £4.9 million.

The essential statutory duties include strategic planning of schools places, prosecution for non-attendance at school and monitoring of schools causing concern and special educational needs. The recent CSR announcement suggested the removal of a number of statutory duties and a reduction in the grant, which will have further budget implications for the council in future years. A consultation in 2016 will be undertaken by the Department for Education, which will inform the timing and extent of further reductions.

- **New Homes Bonus (NHB)**

The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides match funding for each new property for six years plus a bonus for each affordable home. The Council will receive £4.5 million in 2016/17. The NHB Scheme continues for 2016/17 (Year 6 of the scheme), however the provisional settlement proposed reform and a consultation has been released regarding the future of the scheme.

- As expected the CSR also confirmed that the £2.53 million of Council Tax freeze grant received in 2015/16 does not continue into 2016/17.
- **Transitional Grant**

Additional funding is to be provided in both 2016-17 and 2017-18 “for councils with the sharpest reductions in Revenue Support Grant”. The grant allocation of £2.47 million is un-ringfenced and has been used to support the 2016/17 budget.

Overall the CSR confirmed that the overall core funding for 2016/17 at £169.74 million, some £15.13 million (or 8.2%) lower than received in 2015/16. This core funding accounts for 40% of the funding of the total budget with the remaining funding being raised from Council Tax and the National Social Care Levy.

In addition to these core funding elements the provisional settlement also made the following announcements:

- **Childcare**

The CSR announced that the Government is going to double the amount of free childcare for eligible 3 and 4 year olds from 15 to 30 hours a week from September 2017. It has been assumed that additional funding will be announced in due course to fund the expanded service.

- School Funding

The Government also announced that a national funding formula for schools will be implemented from 2017/18 with a consultation exercise due to commence in 2016. The national funding formula will embrace early years and high needs as well as mainstream schools. Gloucestershire is likely to benefit from any move to a formula approach to education funding. The pace of transition will be a key issue; schools in some local authority areas will face significant reductions. The Spending Review also confirmed that school funding will be protected in cash terms per pupil. So the budget quantum will increase to reflect growth in pupil numbers nationally but will not cover the cost of pay and other cost increases.

- Potholes Fund

An additional £250 million will be available nationally to tackle potholes, further announcements from the Department of Transport will outline the detail.

- Independent Living Fund

DCLG has confirmed that a separate grant in 2016/17 will continue to support service users previously in receipt of the Independent Living Fund, in order 'to support councils in meeting their duties under the Care Act 2014'.

- Extended Rights to Free Travel

The Department for Education (DfE) has confirmed that the extended rights to free travel grant will continue in 2016/17.

- Local Reform and Community Voices Grant

Final decisions are being made about this grant.

- Social Care Capital Grant

It has been confirmed that this grant will not continue due to an extension of the Disabled Facilities Grant. No further details are yet available.

In addition to the reduction in core funding a small number of grants have been rolled into core funding. The most significant one is the reduced funding associated with the Care Act which leaves a new funding requirement of £1.6 million. This new requirement will be the first priority against the additional funding identified through the National Social Care levy as shown in annex 2. The remaining balance of £3.089 million will held in the Vulnerable Adults Reserve and will be ring fenced for Adult Social Care.

Over half of the council's funding comes from Council Tax. The general Council Tax referendum limit has again been set at 2%.

The key Council Tax announcement in the Spending Review was a new National Social Care levy' allowing upper-tier authorities to increase council tax levels by up to 2% specifically to fund adult social care. This is in addition to the ability to raise Council Tax up to the referendum limit. This 2% social care precept will raise an additional £4.7 million for Adult Social Care Services in Gloucestershire.

With regard to Council Tax, the tax base increases have been set by the District councils and show an average increase of 2.24%, with a range of 1.5% to 3.1%. These increases are significantly higher than those included within the draft budget which were based on best available information provided by the District Council's in November 2015.

As a result of this it is now forecast that £240.98 million will be raised by the 1.99% Council Tax increase that is proposed, some £1.84 million higher than forecast in the draft budget. Following the localisation of Council Tax benefits and changes to the Council Tax exemptions system a large decrease in the tax base was experienced in 2013/14 followed by a large increase in 2014/15 and 2015/16. The expectation was that this would start to stabilise, however the complexity that this has added to the calculation of the tax base continues, resulting in large increases year on year.

The overall Council Tax Collection Fund surplus figure set by the District Councils is £5.0 million (individual District Councils range between £0.590 million and £1.040 million), which is again significantly higher than the £3 million forecast and included within the draft budget.

District Councils have indicated that there are two reasons for the increase in the tax base and Collection Fund surplus; there has been an increase in house building over the last 12 months and they are still dealing with the implications and associated assumptions of the localisation of Council Tax benefits.

In terms of the financial settlement, four years have been offered to local authorities. There are currently no further details on how we accept the offer, however should we choose to do so, it will mean that the Council would be provided with more financial security until 2019/20. Further details are awaited, however, approval for delegated authority was given to the Strategic Director of Finance to produce the necessary efficiency statement within the DCLG deadline, based on the approved MTFS, in consultation with the Cabinet member for Finance and Change, once more detailed guidance is received from DCLG. An update will be given to members by the Strategic Director of Finance through the 2016/17 budget monitoring reports.

Hence, in summary, the changes in funding between the draft budget (December cabinet, pre the draft finance settlement) and the final approved budget (post the draft finance settlement) show a positive movement of £4.11 million, analysed as follows;

- A reduction in the core grant per the draft financial settlement of £1.475 million
- A reduction in Business Rates Collection Fund of £0.775 million.
- An increase in the Taxbase of £1.88 million, up from £243.83 million to £245.71 million, which includes £0.037 million relating to the Adult Social Care Levy.
- Additional government funding of £2.47 million through the transitional grant.
- An increase in the Collection Fund surplus of £2 million, up from £3 million to £5 million.

In addition to the reduction in core formula funding a small number of ring fenced grants have been “rolled in” i.e. we will no longer receive them as separate ring fenced grants. These are the Lead Local Fisheries grant, the Sustainable Urban Drainage grant and the Care Act Funding grant. Commitments associated with these grants have been built into this final budget.

Following the release of the provisional financial settlement for 2016/17 on 17th December, and the notification of the tax base figures from the District Councils in January, the approved budget for 2016/17 is £420.46 million. This means, following a Council Tax freeze for 5 years, the Council Tax is increased by 1.99% in 2016/17 and a further 2% National Social Tax levy introduced in 2016/17.

## **E Revenue Budget Proposal 2016/17**

14 The final revenue budget for 2016/17 totals £420.46 million, an increase of £0.43 million from 2015/16. Under this budget Council Tax will increase by 1.99% and an additional 2% Social Care levy will be applied, taking the overall increase to 3.99%.

A summary of this is provided below.

<b>Overall Budget</b>					
<b>MTFS 2016/17 Budget Summary</b>					
<b>Budget Area</b>	<b>2015/16 GCC Revised Base Budget £'000s</b>	<b>Cost Reductions £'000s</b>	<b>Cost Increases (Including Inflation) £'000s</b>	<b>Proposed 2016/17 Budget £'000s</b>	<b>Cash Increase / Decrease £'000s</b>
<b>Programme Budget Areas</b>					
Adults	140,988	-10,790	8,787	138,985	-2,003
National Adults Care Levy	0	0	4,726	4,726	4,726
<b>Total Adults Budget</b>	<b>140,988</b>	<b>-10,790</b>	<b>13,513</b>	<b>143,711</b>	<b>2,723</b>
Children and Families	91,683	-6,675	6,876	91,884	201
Communities and Infrastructure (Excluding Waste)	56,346	-6,147	4,152	54,351	-1,995
Waste	26,988	0	561	27,549	561
Business Support	25,984	-1,094	920	25,810	-174
Technical and Cross Cutting	53,109	-5,440	3,542	51,211	-1,898
<b>Total GCC</b>	<b>395,098</b>	<b>-30,146</b>	<b>29,564</b>	<b>394,516</b>	<b>-582</b>
Public Health	24,934	-2,132	3,141	25,943	1,009
<b>Total Budget</b>	<b>420,032</b>	<b>-32,278</b>	<b>32,705</b>	<b>420,459</b>	<b>427</b>

15 This 2016/17 budget is funded as shown below:

	£000
<b>Original 2015/16 Budget</b>	<b>420,032</b>
 Inflation	8,470
Cost and spending increases	24.235
Cost Reductions	<u>-32,278</u>
<b>Total</b>	<b>420,459</b>
<b>Funded By:</b>	
Core Grant	118,244
Public Health Grant	25,943
Transitional Grant	2,475
NHS Funding	11,596
New Homes Bonus	4,480
Education Single Grant	3,592
Education Statutory Responsibility Grant	1,275
Other Non Ring Fenced Grants	2,138
Collection Fund Surplus	<u>5,006</u>
<b>Total</b>	<b>(174.749)</b>
<b>Budget to be met by Council Tax Payers</b>	<b>245,710</b>
Split:	
Adult Social Care Levy (2%)	4,726
All Other Council Tax (1.99%)	240,984
<b>Total Council Tax at Band D = £1,134.01</b>	

16 The approved budget for 2016/17 contains provision to fund the majority of budget pressures including unavoidable contractual inflation, pay, pension and NI changes and increases in demand led services. A number of the significant increases are outlined below:

- There are significant investments within the Adults budget including £4.7 million relating to the National Social Care levy, £3.4 million for the increased cost of care of vulnerable adults, £1.1 million to fund general pressure from other authorities to pick up responsibility for Ordinary Residence cases and costs, and £0.4 million for Safeguarding and Deprivation of Liberties.

- There is a significant change in National Insurance as from the 1st April 2016 the Government is introducing a single-tier state pension for all employees, which means the current lower contracted-out national insurance rates will be scrapped and all employers will pay the higher ("standard") contracted-in rate. It has been calculated that this will increase the Council's employer's national insurance costs by around £3.2 million in 2016/17.
- Pay inflation at 1% is provided for in the budget and an additional £1.5 million for past service deficit pension costs as recommended by the actuary.
- Contractual inflation has been subject to challenge and negotiation to minimise its impact on the budget.
- Regarding demand pressures within Children and Families, we have listened to the Scrutiny Social Care Task Force chaired by Councillor Tracey Millard, and there is significant investment in this area, with funding of £2.0 million included within the 2016/17 budget for additional social workers, with further investment to follow in 2017/18. Other budget increases in this area include £0.4 million for fostering with an additional one-off funding of £1.5 million for Children in Care and £0.6 million to extend the Gloucester PODs pilot.
- Following the announcement by Government about the introduction of the national living wage from 1st April 2016 detailed modelling has been undertaken to forecast the implications for the Council. The impact of the national living wage will be minimal in relation to GCC staff because the authority already pays salary levels in excess of the new national living wage. However it is forecast that the new national living wage will have a significant impact on contractual costs, particularly in relation to social care of Adults. Current forecasts are that, after allowing for effective contractual negotiations, it will be in the order of £3.3 million, of which £2.8 million relate to social care of adults. The funding covering all services is built into the budget .

## **F Financial Performance in 2015/16**

17 In ensuring that the budget is robust it is important to take account of current spending patterns and the Council's overall financial position. In overall terms the Council is currently forecasting an overspend of £2.34 million.

In summary the current forecast for 2015/16 is shown in the table below:

Service Area	2015/16 Budget	Forecast Outturn	Forecast Variance	Variance %	Forecast Variance Previously reported	Change in variance
	£000	£000	£000	%	£000	£000
Adults	<b>149,260</b>	153,160	3,900	2.6%	4,095	-195
Public Health	<b>24,934</b>	24,934	0	0.0%	0	0
Children & Families	<b>99,599</b>	101,959	2,360	2.4%	2,475	-115
Communities & Infrastructure	<b>89,070</b>	89,070	0	0.0%	0	0
Business Support Services	<b>26,887</b>	26,539	-348	-1.3%	-348	0
Support Services Recharges	<b>-26,887</b>	-26,887	0	0.0%	0	0
<b>Total for Services</b>	<b>362,863</b>	<b>368,775</b>	<b>5,912</b>	<b>1.6%</b>	<b>6,222</b>	<b>-310</b>
Technical & Cross Cutting	<b>57,571</b>	54,000	-3,571	-6.2%	-2,971	-600
<b>Total</b>	<b>420,434</b>	<b>422,775</b>	<b>2,341</b>	<b>0.6%</b>	<b>3,251</b>	<b>-910</b>

As can be seen from the summary of investments in the 2016/17 budget in paragraph 16, there have been significant investments in the two service areas that are forecast to overspend in 2015/16.

Further details of the forecast year end position can be found in the Financial Monitoring Report 2015/16 presented to Cabinet on 3<sup>rd</sup> February 2016.

## G. Dedicated Schools Grant (DSG)

18 The Department for Education (DfE) announced the DSG (prior to academy recoupment) for each authority for 2016/17 on the 17th December 2015. This included:

- The Schools Block total
- The High Needs Block total
- A provisional Early Years Block total

The 2016/17 position for Gloucestershire is:

DFE 17th December 2015 announcement of 2016/17 DSG Blocks				
Schools	High Needs	Early Years	Additions	Total
£M	£M	£M	£M	£M
£334.983	£52.387	£24.460	£0.111	£411.941

The additions figure represents continued Non-Qualified Teachers (NQT) funding which forms part of the Age Weighted Pupil Unit (AWPU) funding delegated to schools.

The Schools Block figure includes the base-lining of the £12.3 million for poorer funded authorities that was received in 2015/16. With Schools Forum and Cabinet agreement £2.4 million of this funding was transferred to the other blocks in 2015/16. The same £2.4 million transfer will therefore be actioned in 2016/17 moving £1.6 million to the High Needs Block and £0.8 million to the Early Years Block, the remaining £9.9 million funding stays within the Schools Block.

The 2016/17 DSG total is a £4.0 million increase to the current 2015/16 DSG and is as a result of the following changes:

DSG Movement 2015/16 to 2016/17	£M
2015/16 Current DSG	407.9
Net increase of 752 School Pupils October 15	3.3
Non Maintained Special School Places Adjustment	-0.3
Extra High Needs Top Up Funding	1.0
<b>2016/17 DSG announced 17 December 2015</b>	<b>411.9</b>

From 2016/17 financial year place funding for pre and post 16 pupils in non-maintained special schools (NMSS) is no longer included in the DSG baseline, nor will it be part of the place deductions (recoupment) process.

## Schools Block and Mainstream Delegated budgets.

The Schools Block total for Gloucestershire has been calculated by the DfE using a Schools Block Unit of Funding (SBUF) rate of £4,357 per pupil. This funding rate ranks Gloucestershire 118th out of 151 local authorities. City of London is ranked 1st for funding at £8,587 and Wokingham ranked 151st at £4,167. The national average schools block funding rate is £4,744.

The announced Schools Block funding has been adjusted for the following previously agreed adjustments to arrive at a total for delegation to schools of £330.7 million.

<u>Adjustments to arrive at Delegated Budgets Total</u>	<u>£M</u>	<u>£M</u>
<b>2016/17 DfE announced Schools Block Allocation</b>		<b>335.0</b>
Additions Block NQT funding		<b>0.1</b>
Share of £12.3M to High Needs Block		<b>-1.6</b>
Share of £12.3M to Early Years Block		<b>-0.8</b>
<b>Adjusted Schools Block</b>		<b>332.7</b>
<b>Less Centrally retained:</b>		
Copyright Licence Charge		<b>-0.4</b>
Admissions		<b>-0.8</b>
Schools Forum		<b>-0.1</b>
Growth Fund		<b>-0.7</b>
		<b>-2.0</b>
<b>2016/17 Delegated Budgets Total</b>		<b>330.7</b>

The proposed updated formula to be used for the delegated budget allocations is attached at Annex 4. This formula uses a revised data set (based on the October 2015 census) released by the Education Funding Agency (EFA) on the 10th December 2015.

### High Needs Block

The DfE had previously announced that no further specific place funding would be allocated to local authorities submitting net increases in place numbers in 2016/17. This means any net increase in places will now have to be met by the local authority from their top up funding and results in a confusing situation where some places are funded by the EFA and others by the local authority. Additional funding for high needs top ups of £1 million has however been added to the High Needs Block. This was a share of national high needs headroom held by the DfE and was allocated based on ages 2 to 19 population estimates.

After adjusting for the transfer from the schools block and the additional top up funding the total amount of 2016/17 DSG funding available for high needs (before recoupment) is £53.3 million.

## Early Years Block

As for the Schools Block, the early years per pupil rates for 2016/17 remain at the same level as in 2015/16, £4,683.50 per FTE for two year olds and £3,928.39 per FTE for three and four year olds.

The announced early years DSG block for 2016/17 is £24.5 million, this includes the £0.4 million early years pupil premium that was received in 2015/16.

After adjusting for the transfer from the schools block the total amount of 2016/17 DSG funding available for early years £25.3 million.

The early years block will be revised in July 2016 and July 2017 to reflect the January pupil census in each year.

From 2017/18 the spending review confirmed a number of early years commitments the government is making:

1. To allocate additional funding to double the free childcare entitlement from 15 to 30 hours a week for working families with three and four year olds.
2. To invest further funding to increase the average hourly rate childcare providers receive.
3. To provide further capital investment to create additional places in nurseries.

This will be delivered alongside the introduction of the national early years funding formula to ensure funding is fairly allocated.

## National Funding Formula Consultation

In the Spending Review announcement on 23rd November 2015 the Chancellor confirmed the government's intention to introduce a national funding formula for schools from 2017/18. Consultation is due to commence in 2016. The national funding formula arrangement will cover schools, early years and high needs. No further detail is yet available.

## **H      Council Tax**

19      The Council's 2015/16 Band D Council Tax is £1,090.50, which is below the average for comparable County Councils.

Following approval of the Budget, the Council's Council Tax will rise by 1.99% with a further 2% increase for the National Adult Care Levy.

Council Tax levels for 2016/17 for each band are shown below.

Band	2015 16	2016 17	Increase
	£	£	£
A	£727.00	£756.01	£29.01
B	£848.17	£882.01	£33.84
C	£969.33	£1,008.01	£38.68
D	£1,090.50	£1,134.01	£43.51
E	£1,332.83	£1,386.01	£53.18
F	£1,575.17	£1,638.02	£62.85
G	£1,817.50	£1,890.02	£72.52
H	£2,181.00	£2,268.02	£87.02

Nearly two-thirds of households are in Bands A, B or C.

## I The Robustness of the Budget Proposals

20 The MTFS and detailed budget for 2016/17 have been formulated in accordance with the medium term financial planning framework detailed in Annex 5.

The framework sets out the financial strategy, financial assumptions and financial risks taken into account when preparing the MTFS and budget for 2016/17. The starting point for producing the MTFS for the next three years, and the detailed approved budget for 2016/17, is the 2015/16 MTFS, and particularly the detailed 2015/16 budget, together with any changes to legislation, and forecast commitments and funding.

With regard to the current financial position for 2015/16, budget monitoring has identified a number of risks and pressures which need to be addressed if net expenditure is to be contained within budget, as summarised in section F above and provided in more detail in the budget monitoring report submitted to Cabinet on 3<sup>rd</sup> February 2016. Significant investments are being made in both Children and Families and the Adult Services budgets in 2016/17. These should reduce the risks in relation to the forecast over-spends in 2015/16.

## 21 Council's financial standing and risks

Under the Local Government Act 2003 the Council has a responsibility to ensure that reserves are adequate and in doing so should take advice from the Chief Financial Officer. During 2015/16 all reserves have been examined in detail. The Council's reserves as at 31<sup>st</sup> March 2015 were as follows:

	£000
Earmarked Revenue Reserves -Non Schools	94,773
Earmarked Reserves – School Related	28,091
General Fund Reserves	19,848
Total Capital Reserves	51,823
 Total Reserves at 31 <sup>st</sup> March 2015	 <u>194,535</u>

Overall, as detailed in Annex 6, the Council's reserves as at 31<sup>st</sup> March 2016 are forecast to be:

	£000
Earmarked Revenue Reserves -Non Schools	73,885
Earmarked Reserves – School Related	28,091
General Fund Reserves	19,848
Total Capital Reserves	51,823
 Total Reserves at 31 <sup>st</sup> March 2016	 <u>173,647</u>

22 General balances are anticipated to remain unchanged at a level of £19.848 million, assuming a balanced revenue outturn position for 2015/16. These equate to 4.72% of the 2015/16 net budget. If an over spend occurs in 2015/16 general fund balances are likely to reduce.

This is considered to be a satisfactory level of general reserves, being within the target range of 4% to 6%.

23 Non School Revenue Earmarked Reserves are forecast to fall from £94.77 million as at 31<sup>st</sup> March 2015, to £73.88 million as at 31<sup>st</sup> March 2016, a reduction of £20.89 million, equivalent to over 22.5% in one year largely to support the capital expenditure in year and contract related payments for waste and broadband development in line with approved Council strategy.

Annex 6 provides a summary of the Earmarked Reserves, including all of the proposed and forecast reserve movements during the year.

It has been assumed that both School Related Reserves and Capital Related Reserves will remain at the level of balances held at 31st March 2015.

**J Strategic Finance Director (Section 151 Officer) Review of the Budget**

24 The level of General Reserves needs to reflect the risks the Council is facing. These risks will depend upon the robustness of the budgets, the adequacy of budgetary control and external factors such as inflation and interest rates.

25 In preparing the budget, and in the context that non schools earmarked reserves will fall during 2015/16, the following factors mitigate the risks in the budget:

- Account has been taken of current spending trends and, where known and affordable within the core finance available to the Council, additional costs have been built into the 2016/17 budget.
- 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 the savings under Meeting the Challenge 2, as evidenced by performance over the last three years, there is inevitably some residual risk. A contingency of £1.59 million is included within the budget to mitigate against this risk.
- The highest risk areas continue to be demand led services, especially care for older and vulnerable people including children in care where demand is rising. However, as set out earlier in this MTFS, significant levels of investment are included for both of these areas within the 2016/17 budget. With regard to services for older and vulnerable people, these are partly funded from the National Social Care Levy.
- Provision has been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the forecast impact of the new National Living Wage.
- The reserves held are invested and the interest received supports the Council's budget.

26 On the basis of the above, the Strategic Finance Director's advice is that the level of reserves, following the movements indicated earlier, are adequate, the financial standing of the Council is sound in the context of the key risks, and that the proposed budget is robust and achievable.

**K Public Sector Equality Duty**

27 A detailed Due Regard Statement was approved by County Council as the decision-makers for the Council's budget.

The Due Regard Statement summarises the impact of the budget on people with protected characteristics and how the impact will be mitigated. It also includes the evidence base used and the impact on the workforce.

**L Forward Draft Plans for the Revenue Budget in 2017/18 and 2018/19**

28 The Council's plans are set for the three years covering 2016/17 to 2018/19 in Annex 7. The approved detailed budget for 2016/17 is set out within the MTFS, whilst the current indicative range of indicative budgets for 2017/18 and 2018/19, based on the limited funding information available are:

	<b>2017/18</b> £m	<b>2018/19</b> £m
Budget	398.7 to 410.8	390.2 to 410.0

These forecasts may be the subject of significant change to the very limited nature of the funding information currently available

**M Capital Expenditure**

29 The approved capital programme is set out in Annex 8, with details of the financing of this programme being provided at the start of this Annex.

The capital programme provides total investment in the county totaling £458.82 million. The main investment relates to Communities and Infrastructure (£290.86 million), Schools and facilities for children (£159.54 million), with the remainder being in Adults (£8.41 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 new capital programme from 2016/17 is largely "capped" at the level of developer contributions and capital grants received

Priority schemes not supported by grants or contributions, which are detailed below, have been included within the new programme on the basis that they will be funded from capital receipts, thereby avoiding the need for new borrowing. These new schemes for 2016/17 not supported by grants or contributions amount to £7.85 million.

**30 *Changes to the approved Capital Programme***

The Council is in partnership with Herefordshire Council to improve the broadband infrastructure across the two counties to enable businesses, communities and individual households to benefit from faster speeds.

The public subsidy, consisting of national and local government funding, is used to fund the gap between the capital costs of deploying an expanded fibre network and the likely commercial returns.

The approved programme includes £11.7 million for Broadband (Fastershire) to fund the following:

- Stage 2: Fastershire contract with BT - £7.5 million match funding

- Stage 3: Superfast Broadband Programme for future network deployment - £4.2m capital as partial match funding of £5.46 million allocated to Gloucestershire by BDUK.

The new approved capital programme reflects an additional £2.0 million to match fund an increased award from the South West Ultrafast Deployment Fund (of £2.0 million) to deliver Stage 3 (Lot 2) of the revised Broadband Strategy. This further investment will enable the procurement of ultrafast broadband infrastructure, with a particular focus on the Forest of Dean. It is estimated that the delivery via lots (Stage 3) will take the total premises covered in Gloucestershire to 95.5%.

Within the approved capital programme £24.5 million has been approved for the LED street lighting project, financed by grant and capital receipts.

The LED Street Lighting scheme now only requires £22.5 million following a successful procurement process, which achieved lower prices for equipment than had been expected and reflected lower market price of technology as it has developed and become more widely used. The 2016/17 capital programme transfers £2 million of approved funding from the LED Street Lighting scheme to the Broadband scheme, which gives the scheme total approval of £13.7 million.

Additional Growth Fund grants for existing schemes of £3.80 million for the Cinderford Northern Quarter, and £1.99 million for Berkeley Bridges have been confirmed and included within the approved capital programme.

Additional external and revenue contributions for existing schemes have also been confirmed and included within the approved capital programme.

31

### ***Additions to the Capital Programme***

The approved capital programme for 2016/17 contains £58.42 million of new investment on capital schemes financed from grants, revenue contribution to capital and capital receipts, as set out in the following table.

### ***Funding for New Capital Investment***

<b>Grant</b>	<b>£000</b>
Children and Families - Basic Need Grant	11,309
Children and Families – Capital Maintenance Grant	5,207
Infrastructure – Highways Block Maintenance Grant	17,833
Infrastructure – Integrated Transport Block Grant	2,861
<b>Total Grant</b>	<b>37,210</b>
<b>Capital Receipts</b>	<b>7,850</b>
<b>Revenue Contributions – Infrastructure</b>	<b>112</b>
<b>School Contributions (estimate)</b>	<b>560</b>
<b>Developer Contributions – schools</b>	<b>12,691</b>
<b>Total New Capital 2016/17</b>	<b>58,423</b>

32

### ***Children and Families***

The Council receives 2 main capital grants for schools from the Department for Education: Basic Need and Schools Condition. The Basic Need allocation of £11.309 million for 2016/17 was approved in the 2015/16 MTFS for future years' spend. The Schools Condition allocation for 2016/17 is £5.207 million and is available for new investment.

In addition, school revenue contributions are estimated to be £0.56 million and Developer Section 106 contributions amount to £12.69 million.

33

### ***Communities and Infrastructure***

The Council receives capital grants for the Highways Maintenance Block and Integrated Transport Block.

The Department of Transport has confirmed the Maintenance Block Grant allocation for 2016/17 as £17.83 million.

The Integrated Transport Block Grant funding arrangements were revised from 2015/16. In 2016/17 the total Integrated Transport Grant allocation for Gloucestershire is £2.86 million of non ring-fenced grant directly from the government.

## ***Priority schemes not supported by grants or contributions***

The approved 2016/17 capital programme includes a number of schemes that are considered Council priorities but are not supported by grants or contributions. Details of the individual schemes are provided below. These schemes are being financed from the use of £7.85 million of capital receipts.

### *Customer Programme Total Investment £1.500 million*

*Profiled Spend : 2016/17 £0.500m, 2017/18 £0.500 m, 2018/19 £0.500 m*

Investment designed to change and improve public access to universal services in Gloucestershire, using the Libraries and their locations as a place to change the way resident's access services. The aim is to make the best use of resources and ensure customers can access a wider range of services from local locations.

This is an essential strand of the Council's customer programme.

### *Corporate Health & Safety Total Investment £0.900 million*

*Profiled Spend : 2016/17 £0.300m, 2017/18 £0.300m, 2018/19 £0.300m*

Investment is required to maintain the safety of buildings and to ensure compliance with legislation in areas such as the management of asbestos, legionella management, and boiler safety.

### *Disabled Access –Corporate Total Investment £0.450 million*

*Profiled Spend : 2016/17 £0.150m, 2017/18 £0.150m, 2018/19 £0.150m*

In order to comply with legislative requirements, investment is required to ensure disabled access to buildings and user needs are met.

### *Shire Hall Capital Maintenance Total Investment £1.500 million*

*Profiled Spend : 2016/17 £0.500m, 2017/18 £0.500m, 2018/19 £0.500m*

Investment in ongoing replacement of structural elements of buildings is required to maintain safety standards and compliance with current legislation in areas such as lifts, heating plant and equipment, wiring, and cabling.

### *Rural Estates Investment Total Investment £1.500 million*

*Profiled Spend : 2016/17 £0.500m, 2017/18 £0.500m, 2018/19 £0.500m*

A condition survey undertaken on rural estates in 2014 identified a significant works backlog.

Following a review of works data, in line with the 2010 Strategic Estate Plan, a prioritised programme for investment has been drafted that requires £0.5 million investment a year over the three years of MtC2. All investment relates to items that the Council, as landlord, has as a statutory responsibility and obliged to undertake.

This three year investment programme will ensure that the majority of the outstanding maintenance work is completed and will be integral to the success of an updated Strategic Estate Plan. It will ensure that holdings have sufficient fixed equipment for the efficient and optimal use of the units, the provision of which will not only increase overall asset value but will also command increased rental / revenue opportunities.

*Area Based Review Total Investment £2.000 million*

*Profiled Spend : 2016/17 £0.500m, 2017/18 £0.500m, 2018/19 £1.000m*

Further investment in buildings is required to facilitate the rationalisation and optimisation of the Council's property estate. This will free assets for disposal that will contribute to the achievement of the MTC2 capital receipts targets.

This further investment takes the total approval for the Area Based Review and Quayside Masterplan to £8.0 million.

### **Borrowing**

- 35 Total borrowing requirement at the end of 2015/16 is forecast to be £317.6 million, a reduction of £8.7 million compared with the £326.3 million outstanding at the end of 2014/15.
- 36 External borrowing is generally obtained from the Public Works Loans Board (PWLB), usually at fixed rates of interest, over a set number of years.

However, in recent years, due to the significant differential between interest rates charged by the PWLB and interest earned on invested balances, the Council has internally funded borrowing from investment balances (mainly reserves). This strategy, followed by the majority of local authorities essentially involves lending investment balances to ourselves to reduce overall interest costs.

The Council's aim is to reduce the level of borrowing and where possible reduce the level of overall borrowing outstanding. At the end of this financial year 2015/16, it is predicted that all internal borrowing will have been repaid.

The MtC2 target for capital receipts from the sale of assets is £60 million by the end of 2017/18, which will be used to repay debt and/or finance capital expenditure to avoid new borrowing. A Disposal Schedule, in line with the Disposal Strategy, was considered by Cabinet in February 2016.

### **Prudential Code**

- 37 In accordance with the Local Government Act 2003 the Council needs to comply with the "Prudential Code for Capital Finance in Local Authorities" (The Code).
- 38 Under the 2003 Act, Authorities have the freedom to determine the level of borrowing they wish to undertake to deliver their capital programmes.
- 39 The Code has been developed as a professional Code of Practice to support Local Authorities making these decisions. Regulations issued under the Act make compliance with the Code mandatory.

40 The objectives of the Code are:

- To ensure that capital investment plans are affordable, prudent and sustainable.
- To ensure treasury management decisions are taken in accordance with good professional practice.
- To be consistent with good local strategic planning, asset management planning and option appraisal.

41 To demonstrate that these objectives have been fulfilled the Code sets out indicators that must be used and the factors which must be taken into account.

The Council complies with the Prudential Code:

- By having medium term plans (Corporate Strategy, Revenue and Capital budgets).
- By having plans to achieve sound capital investment via the Capital Strategy, Project Appraisal and Asset Management Plans.
- By complying with the Treasury Management Code of Practice.
- By producing the indicators for affordability and prudence required by the Code.

## **N Treasury Management**

42 The approved Treasury Management Strategy Statement and Annual Investment Strategy (AIS) for 2016/17, as set out in the MTFS, are shown in Annex 9.

It was considered by the Audit and Governance Committee on 22<sup>nd</sup> January 2016 and their comments were reported to Cabinet on 3rd February 2016.

Annex 9 provides details of:

- Treasury Management Strategy for 2016/17 including, borrowing, debt rescheduling and repayment options, and investment strategy.
- Prudential Indicators.
- Minimum Revenue Provision (MRP) Statement.
- Policy on the use of Financial Derivatives.
- Specified and Non Specified Investments for use by the Council.

In line with Council policy on the repayment of debt, and with the continuation of capital grants by government, the Council has less, if any need, to borrow externally. Opportunities are now limited for the repayment of debt early due to the low interest rate environment, meaning that high premiums would need to be paid should the Council wish to restructure or repay external debt early. Due to less debt maturing than has been set aside each year through the MRP an excess of MRP will in future accumulate if the policy remains unchanged.

In order to ensure that the Council's MRP policy remains prudent, and to reduce the amount of excess MRP set aside, the Council has implemented a new MRP policy, similar to that already adopted by other Local Authorities.

This change still allows for a prudent MRP provision, has no adverse impact on the Council's debt maturity profile and avoids the potential for surplus MRP in 2016/17 following the successful redemption of all internal borrowing by the end of this financial year. The new policy was developed in discussion with both the council's Treasury Management adviser (Arlingclose) and external audit (Grant Thornton). The approach was explained in depth at a Treasury Management member training session on 20<sup>th</sup> January and was both discussed and supported by the Audit and Governance Committee, who have responsibility for the Treasury Management Strategy, at their recent meeting on 22<sup>nd</sup> January 2016.

Details of the new MRP policy are set out in section 12 of the Treasury Management Strategy at Annex 9. These changes, will be implemented from 2015/16, were approved as part of the MTFS by Council in February 2016, and will generate revenue savings of £4 million per annum, which are built into the 2016/17 budget.

43 In addition to the change to the MRP policy, the other main changes to the Treasury Management Strategy for 2016/17, when compared with the 2015/16 strategy, are as follows:

- Approved Counterparties: these have been split to detail secured and unsecured deposit limits. This is to reduce the amount that can be put on deposit in unsecured institutions as the Council moves into more secured investments.
- Limits on unsecured investments have been lowered to reflect the additional risk this category carries.
- The investment limit has been increased for balances over 364 days to allow flexibility in the use of longer dated secure instruments.
- The limit with foreign counterparties has increased to £30 million per country to allow more flexibility in the use of secured investments.
- A new category has been added with a limit of £30 million in total for loans to unrated corporates. This is to allow for secured investments in corporate bonds and floating rate notes.
- The lowest risk category approved for use has been raised from BBB- to BBB. This is to limit the Council's exposure to low rated institutions, but to allow flexibility should the Council's main bank be downgraded.

**O Risk Management Strategy 2016/17**

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. Taking into account the overall future strategic direction of the Council, its structure and its services, it is now deemed an appropriate time to refresh and reaffirm our Risk Management Policy Statement and Strategy, to ensure that the Council's risk and assurance framework continues to build on our existing successes, which reflect national good practice and standards. This should enable the Council to effectively manage the potential opportunities and threats, thus improving service delivery to our communities.

Annex 10 of the MTFS details the updated Risk Management Policy Statement and Strategy for 2016 – 2017, which aligns with the Council's Medium Term Financial Strategy (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. This Strategy was presented to the Audit & Governance Committee on 22<sup>nd</sup> January 2016 and was approved by County Council 17<sup>th</sup> February 2016 and subsequent dissemination to members and managers via the Communications Team, to reaffirm GCCs risk management objectives.

**P      Attached Annexes**

- Annex 1      Commissioning Intentions
- Annex 2      Budget movements by Service Area
- Annex 3      Budget Summary by Service Area
- Annex 4      Dedicated Schools Grant
- Annex 5      Medium Term Financial Planning Framework
- Annex 6      Reserves and Balances Analysis
- Annex 7      Indicative Forecast Budgets
- Annex 8      Capital Programme
- Annex 9      Treasury Management Strategy
- Annex 10      Risk Management Strategy

## **Annex 1 : Children and Families Commissioning Intentions**

### **Context**

The Council has wide ranging responsibilities for children's services; this includes leading and co-ordinating all local partners to ensure outcomes for children and young people improve. In 2015/16 the total budget for children's services excluding Dedicated Schools Grant was £99.2 million; this included other grants and funding from formula/Council Tax. The strategic direction for children's services is set by the local Children and Young People's Plan; this together with the current corporate strategy identifies a continuing need to improve outcomes for the most vulnerable.

A focus on the performance and quality of Children's services has been retained whilst managing significant pressures on demand for placements for Children in Care and the challenge of ensuring sufficient, experienced social workers. There has been a 5.3% increase in the number of children in Care between October 2014 and October 2015, with this trend continuing into 2015/16. Referral rates continue to increase. This mirrors national trends with benchmarking against comparator local authorities suggesting Gloucestershire is average or low for most indicators.

Progress has continued in respect of results at Key Stage 2 with 81% achieving level 4 or above in reading, writing and maths and 60.1% of young people achieving 5 GCSEs (including English and Maths) at A\*-C. The main challenge continues to be reducing the gap in outcomes between all children and the most vulnerable; permanent exclusion rates remain relatively high.

### **Meeting the Challenge 2014/15**

Savings targets for this year are on target to be achieved including reductions in home to school transport costs as policy changes are rolled out. The increase in children in Care has resulted in significant pressure on the placement budget especially regarding external placements for young people with complex needs. This is outlined in the Budget Monitoring report elsewhere on the Cabinet's agenda including a recovery plan aimed at reducing the use of external placements and ensuring all community options are considered with close management scrutiny of decision making.

As elsewhere, retaining experienced social workers continues to be a major issue with the costs of agency staff currently running at £1,104k (April to November). Successful recruitment has resulted in 40 new social workers, the majority of whom are newly qualified and so a strong development and support programme is in place. Nevertheless workload pressures mean that caseloads are higher than desirable especially in some front line team and additional agency staff have had to be used to cover absence and provide experience.

The council has been successful in receiving funding through the DfE Innovations Programme in 2015. This is facilitating a redesign of the response to adolescents which will establish a different way of managing risk recognising how young people need to be engaged with.

Concern about the prevalence of mental health issues for young people has been recognised nationally and all local areas have had to produce improvement plans. This has been led locally by Gloucestershire Clinical Commissioning Group (GCCG) and we now have a transformation plan that has been agreed. In addition Gloucestershire is one of 22 local areas to be running a pilot focussed on improving mental health support in schools.

The council has maintained its role in respect of schools in particular by successfully rolling out the SEN reforms and planning for additional school places in key areas. Services to support the identification of children who may be excluded from or unable to attend mainstream school have been reorganised to enable us to focus some of our most vulnerable young people.

### **Looking Forward**

The budget for 2016/17 includes significant investment, (£6.8 million in total), to transform services, meet demand pressures and inflationary costs. The budget also requires savings of £6.7 million.

The most significant planned investment is in additional social worker capacity to improve the quality of interventions and reduce workload pressures. There is also funding to continue the Gloucester PODs pilot which has reorganised social work teams into small units supported by mental health, drugs and alcohol workers and specialists in support for victims of domestic abuse.

A further contingency of £1.5 million is provided to offset pressures on placements budgets alongside investment in fostering in order to enable the in house service to recruit and support additional carers.

The MtC savings include further reductions in home to school transport budgets and a continuing fall in spend against an historic pensions budget. Implementation of SEN changes in respect of 16 -19 year olds will reduce the need for some services and contractual efficiencies are proposed as demand changes.

### **Strategic Direction**

A new Children and Young People's Plan (CYPP), agreed by the Children's Partnership, has a clear ambition for all children to receive the best start in life and to reach their full potential. Most children in the county continue to live and do well; there is however a continued need to focus on the most vulnerable children and families. As a consequence the plan has the following aims: that our vulnerable children will thrive with help from their family, their community and universal services and with specialist help when needed. Partners have agreed to work towards the following priorities:

- **Children will thrive at home** - Families stay together: Early Help is in place to prevent issues persisting and escalating.
- **Children will thrive at home with help** - Preventing family breakdown: Families stay safely together; with extra help from communities and practitioners.
- **Children will thrive with specialist help** - Providing for effective and efficient intervention: Children, who need it, will have specialist help; have a good experience and settle permanently, quickly and safely.
- **We will work well together** - Planning, developing and jointly providing appropriate support for families.

The Gloucestershire Children's Safeguarding Board will continue to play a key role in harnessing effort across agencies, holding all partners to account and ensuring a strong quality assurance process is in place.

Whilst the partnership as a whole continues to aspire to support families across the spectrum of need the council's investment must be increasingly targeted on those who most need help and intervention. This reflects the significant demand pressures on specialist services and need to ensure sound safeguarding services and better life experiences for Children in Care. Work has already begun on a more coordinated early help offer in local areas aimed at reducing demand on social care.

## **Delivering Change**

There are three overarching aims:

- To reduce and divert demand for high cost, high dependency (acute) services
- To improve outcomes for children 'at risk' through high quality interventions which achieve stability within a family setting
- To ensure that vulnerable children are identified and supported to achieve good outcomes within local communities

To achieve these aims, commissioning intentions are:

- To shift and increase investment into the social care workforce to improve the quality of interventions
- To reshape family support services for children, young people and families to ensure they target emerging needs effectively
- To continue to support a diverse range of early years provision to work in an integrated way to support all families
- To develop alternatives to Care and ensure only those children who need to come into Care
- To ensure that vulnerable children are able to access a high quality education

Specific planned activities for 2016/17 include:

- Development of reshaped family support services for younger children
- Embedding new Early help arrangements at district level
- Focusing on children and young people at risk of not accessing education
- Redesigning and strengthening social care 'front door'
- Implementing new arrangements for specialist support for teenagers and their families
- Reviewing support for Children in Care to secure permanence
- Developing sufficient good placement options and alternative models
- Working with other councils to develop Adoption West to improve the adoption service
- Maintaining progress in respect of SEN reform and ensure sufficient provision for children with special needs
- Ensuring sufficient school places in areas of growth in need

All activities will be subject to community impact assessments and specific consultation will be undertaken where appropriate with stakeholders.

## **RECRUITMENT AND RETENTION OF SOCIAL WORKERS CABINET RESPONSE TO SCRUTINY TASK GROUP RECOMMENDATIONS**

### **Introduction**

This report and the attached action plan summarises the Cabinet's response to the Scrutiny Task group which presented its findings to Cabinet in November 2015. The Cabinet's response will continue to be monitored through the normal scrutiny monitoring process which requires updates on progress at 6, 12 and 18 months.

### **Background**

Regular performance monitoring has identified the continuing pressures faced by Children's Social Care in terms of increased demand and securing and maintaining a sufficient, experienced workforce. The Children and Young People's Scrutiny Committee has had a regular focus on safeguarding and has also tracked budget pressures, noting the significant overspend on staffing budgets and cost of agency workers. These issues have also been identified by the Leader, the Lead Cabinet Member and senior officers through the Children's Social Care Assurance Board chaired by the Chief Executive. A number of actions have been taken including a refreshed recruitment and retention strategy with a new recruitment website, strengthened links with Gloucestershire University, a new development programme, the PODs 'pilot' in Gloucester City and regrading of staff in 2015. However the challenges have persisted and whilst they are common, and indeed reflect, the national situation there has been a determination locally not to be complacent, to learn from elsewhere and take effective action.

In 2014/15 the turnover rate of social workers was 17.9 % (which is comparable to national rate of 17% in September 2014 published by DfE ). There was also a need to cover for maternity at an estimated 10% and sickness. By April 2015 the numbers of agency staff being employed had reached a headcount of 27 with the overall spend on agency staff being £1.368m in 2014/15. A social work health check (which is a survey of all social workers) was conducted in January 2015. Whilst there were positives, much of the feedback concerned the significant workload, team morale and working environment in certain teams, training available, high levels of paperwork and bureaucracy.

Following discussions between members of the Children and Families Scrutiny committee, the Chair of OSMC and the Lead Cabinet member for Children a proposal was developed and subsequently agreed for a Scrutiny task group to look into all these issues.

### **The Response – overview**

The Cabinet welcomes the Scrutiny Task Group report and appreciates the time and effort that Task group members have devoted to the issues which provide such complex challenges. All of the recommendations have been accepted – the detailed action is outlined in the attached report which responds to each recommendation.

In many instances the Task group recommendation either endorses actions which are already underway – for example improving the opportunities for reflective supervision or helpfully identifies additional complementary action – for example developing our social work Academy arrangement with the University.

### **Mapping the service and additional investment**

Recommendations (d) and (e) cover mapping and determining the number of social workers required and proposes additional investment in children's social workers to reduce agency spend, reduce caseloads and address cost pressures. These recommendations have been immediately acted upon and are contained within the 2016/17 MTFS budget to significantly increase investment – by £2m in 2016/17, with an additional £1.7m proposed for 2017/18.

The main aim of any investment must be to reduce workloads to manageable levels so that the quality of social work practice can improve and become more effective. The expectation is that, over time, additional capacity should both enable us to respond to increasing demand and also reduce the amount of 'repeat' work – where children experience more than one Child Protection plan or come in and out of Care. The exact number of social workers needed depends on a number of factors – the number and type of cases, the geographical spread, levels of maternity and sickness and, crucially, the levels of experience. So, for example, a higher number of social workers are needed in a team with all newly qualified staff, more agency staff are needed when there is sickness or maternity leave. In order to estimate the level of investment needed a model has been developed which calculated how many staff would be needed at current levels of demand, assuming a reduction in turnover over time. This model will also enable us to monitor the situation regularly and take proactive actions if, for example, turnover rates suddenly deteriorate.

There are currently 184.1fte social workers (January 2016) employed in Children's Social Care. This includes social workers working in Fostering and Adoption and in teams managed by Prospects that include work with Care Leavers. The aim is to reduce caseloads in key front line teams to at least 20 and preferably 18, and 15 for newly qualified workers; caseloads can currently be as high as 36.

This funding will support the equivalent of 50 additional newly qualified Social Workers (above the current funded number) with associated management and support.

It will also cover costs for staffing that will make caseloads more manageable and will make the management oversight of casework more sustainable. Over time, of course, numbers will fluctuate as staff gain experience, develop their careers and upgrade etc. A more detailed plan is being developed to roll out this investment over a two year period because social work recruitment can be challenging and the service needs to ensure it can effectively support and develop large numbers of newly qualified staff. At the same time we are also developing a reshaped service for adolescents through the DfE Innovations programme and need to make sure that additional posts are distributed appropriately. A continuing need to cover absence and ensure sufficient experience within teams means that some level of use of agency staff is likely to continue.

## **Current Situation**

Since the publication of the Task group report there have already been some positive developments in respect of the workforce:

- Agreement to allow the service to 'over' recruit means that the service is now fully staffed (185fte compared to 163 in July 2015) with 22.5 additional agency workers
- There are 5 social worker vacancies currently, excluding the 20 social work posts agreed in Oct 15, which compares with 16 in April 15.
- Turnover has reduced by 6.8% between March (17.9%) and December 2015, it is now 11.1%
- Turnover of newly qualified social workers has reduced from 7% (June 2015) to 5% now.
- 8 experienced practitioners are about to progress to senior practitioner (SP) level, increasing SP numbers to 20

Although caseloads have reduced they remain too high and staff are unable to prioritise Children in Need work and we do not yet have consistently good quality work in other areas including child protection; implementing the recommendations of the Task group should enable us to build on these early successes and achieve a more sustainable workforce.

## **Conclusion**

The cross party support for prioritising work with our most vulnerable children and families must be welcomed. The approach taken demonstrates the value of the scrutiny process in allowing non-executive members to have a fresh independent look at a particular issue of real significance for the Council.

We are determined to work on improving existing services and ensuring that social workers have the capacity to make real changes in the best interests of children. The additional investment proposed by Cabinet as a result of the findings of the Task Group needs to be carefully targeted and monitored over time to ensure it has maximum impact. The Cabinet would welcome the continued interest and oversight through the Children and Families Scrutiny Committee.

## Scrutiny Task Group Report on the Recruitment and Retention of Children's Social Workers

The final report from the Scrutiny Task group was considered by the Workforce Development Strategic group who have produced this response plan.

Recommendation	Workforce Development Group Response
a) That Cabinet continue to make early help and early intervention a priority going forward and that the level of investment reflects this. Any changes need to be communicated effectively.	<p><b>Owner: E O'K</b></p> <p>Early Help is a key priority for the Gloucestershire Children Partnership. Together with local partners, the Council has been working to join-up early help provision and has established Early Help Partnerships within each district. This is not a new service but builds on existing arrangements and services already in place to provide children, young people and families with access to professional support that best meets their needs.</p> <p>Within the Council we have integrated our Troubled Families programme (locally known as Families First) with existing early help services to create new Families First Plus teams. These locality-based support these Early Help Partnerships by co-ordinating:</p> <ul style="list-style-type: none"><li>• the development of local partnerships to ensure they are fairly represented by all the local agencies supporting families and working to share resources, avoid duplication and look at opportunities to reshape service delivery to meet local need; and</li><li>• all 'Requests for Support' on behalf of the partnership. Representatives from the partnership meet on a fortnightly basis to review these and decide which agency is best placed to respond and provide appropriate support.</li></ul> <p>Key roles within Families First Plus teams include:</p> <ul style="list-style-type: none"><li>• Early Help Coordinators - building capacity within the community to support families; providing advice, guidance and support around early</li></ul>

		<p>help to professionals in the community; tracking children receiving early help to ensure support is effective.</p> <ul style="list-style-type: none"> <li>Community social workers - providing advice, guidance and support on high need cases including the management of risk</li> <li>Family Support Workers - providing parenting interventions and courses.</li> </ul> <p>Whole family working – with a focus on mental health, substance misuse, domestic violence and intensive family intervention for high need complex families.</p>
b)	Meetings are arranged between social workers and their team manager to discuss their needs with regards to remote access to the Council's ICT network.	<p><b>Owner: VB</b></p> <p>An annual health check of the social care workforce is currently running this will be followed up with planned focus groups being held in January /February 2016. Staff views about ICT and remote access will be sought through this process. As part of the 'social work NOT paperwork' project that is running as commissioned a 'time and motion' study of workers in different teams to provide an analysis of the current issues. A strategic view will also be considered to ensure consistency across the service.</p>
c)	A 're-integration programme' is put in place to encourage and support qualified social workers to return to the service.	<p><b>Owner: MC</b></p> <p>GCC have committed to work with the LGA on a national approach to return to work involving the setting up of return to practice learning and development courses in several locations at varying times of the year.</p>
d)	An exercise is undertaken to look at the whole children's safeguarding service and map the number of social workers required in the County and where they should be best allocated.	<p><b>Owner: KOM</b></p> <p>A systematic review of the current social work capacity has been completed by the commissioning team and subsequently a MTFS bid was devised. Once the outcome of this is known an agreement as to the best allocation of any additional funding will be decided.</p>

<p>e)</p>	<p>There is further investment in the Children and Families revenue budget to increase capacity through the recruitment of social workers. The level of investment is to be determined but the task group believes it should be sufficient to have a demonstrable impact over a four year period and therefore needs to be in the range between £2m and £6m.</p> <p>The task group requests that through the MTFs process officers are requested to develop options which demonstrate how an investment in children's social care could</p> <ul style="list-style-type: none"> <li>i. Reduce the costs associated with agency workers</li> <li>ii. Reduce caseloads to manageable levels</li> <li>iii. Cap current trends of rising cost and need</li> <li>iv. Begin to address cost pressures across the budget area</li> </ul> <p>The task group is further concerned that any budget proposals do not result in a reduction in the quality of service delivery. The task group will reconvene in January 2016 to consider the proposals as part of the budget scrutiny process.</p>	<p><b>Owner: KOM</b></p> <p>MTFS proposals include investment in children's social workers. Work on developing the detailed plans are underway to ensure maximum impact on caseloads and reduce agency costs. A workforce that consists of more permanent staff in stable teams will help in managing demand once cases are in the system – e.g. more purposeful planned work with children in need helping them to move successfully out of the service and experienced social care staff at the helpdesk helping to correctly direct children and families referrals to where they will receive the most appropriate help. It is more difficult to predict/manage external demand.</p>
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f)	<p>The website is regularly updated and that Cabinet explore the option of further investment to ensure its increased visibility on search engines.</p>	<p><b>Owner: SH</b></p> <p>The Valuing Children website is updated with all new vacancies within children's services on a weekly basis by Penna/BSC with oversight from the Practice Learning Team.</p> <p>Content is also updated on a quarterly basis with new training strategies/policies and is communicated at the Workforce Development Strategy Group and then passed onto Penna to implement.</p> <p>On January 25<sup>th</sup> a meeting has been arranged with Penna to review the website in detail to ensure it is still fit for purpose and to make any necessary improvements to attract further interest to GCC Children's Service and to discuss how Penna can support Children's Service social media to support recruitment (including twitter and LinkedIn).</p> <p>Training by Penna for Practice Learning and BSC staff on how to edit the content of the valuing children website which will give the Children's Service and the BSC greater control over it's accuracy.</p> <p>Google Analytics:-</p> <p>Penna have also supported us to increase the websites visibility on search engines using key words. We are currently trailing until march to assess the benefits and understand whether the added cost provides a return on investment.</p> <p>Penna to provide monthly reports from google analytics on activity generated from the valuing children website.</p>
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g)	That regular events are arranged to celebrate the role of the social worker.	<p><b>Owner: SH</b></p> <p>A framework for celebrating practice across children's services to be developed following a start and finish group to explore how this would look in Gloucestershire. First meeting to be held in January 2016 with representatives across the service. Framework to be presented to OLT for consideration in April/May 2016.</p> <p>To further build upon the success of the first social work open day, held in May 2005. In May 2016 we plan to hold a 'Celebrating Social Work in Gloucestershire' day which we will combine with a Masterclass.</p>
h)	The opportunity for 'clinical and reflective supervision' is embedded within social worker practice.	<p><b>Owner: CD</b></p> <p>As part of the training on offer to all deputy team managers and managers we have a 3 day supervision training course which runs at regular intervals throughout the year. In addition to this we are embarking upon embedding a reflective supervision culture across the organisation and have commissioned In-Tac to deliver a 6month programme (January – June) to 30 managers and 80 social workers. We hope this will be a rolling programme.</p> <p>As part of our ASYE programme we offer monthly group clinical supervision to all ASYE's. This is run by external facilitators with expertise and skill in delivering reflective supervision. Alongside this the practice learning team provide monthly reflective supervision on a 1:1 basis to all ASYE's.</p> <p>Currently all 50 newly qualified social workers receive both individual reflective supervision with a consultant social worker or principal social worker and they also attend monthly group clinical supervision with an external supervisor. This group external supervision has now been rolled out to all the Gloucester Pods and currently we are looking at the budgetary implications of rolling this out to all social work teams in the Local Authority. If this is not financially viable</p>

		consideration will be given to the PSW or consultant social workers providing this group supervision but this will need to be discussed and agreed by OLT.
i)	More is done to support those returning to social work after a period of ill health and that mental health issues are given parity with physical issues.	<p><b>Owners: VB/MC</b>  Mandatory Equality and Diversity e-learning is currently being rolled out across GCC to raise awareness and understanding of issues relating to disability.</p> <p>The new Health and wellbeing policy is being developed and work is being undertaken to ensure this links to support and issues of mental health.</p> <p>The workforce development strategy is based on resilience and has four themes under the heading of resilience – of individuals, teams, organisation and partnerships. Improving resilience will help in this action.</p>
j)	A flexible approach is taken in supporting career development including a possible reduction in caseloads for those social worker undertaking further qualifications.	<p><b>Owner: VB</b>  Whilst caseloads remain higher than wanted it is difficult to look at reducing caseloads across the board for staff who are undertaking development qualifications. However moving forward when staffing levels have increased this will form part of the on going recruitment and retention strategy.</p>
k)	Secondment opportunities be identified as part of the appraisal process each year. All options should be explored to ensure we are as flexible as possible when dealing with requests.	<p><b>Owners: JS/DW (with input from MC/VB)</b>  The transfer policy will be reviewed and re-launched to enable transfer between teams and actively encourage development through secondment or transfer. A working model will be presented to OLT for consideration by the end of April 2016.</p>

l)	<p>The Council formalises arrangements with universities to develop an 'academy' approach, learning from the best practice of Essex Council.</p>	<p><b>Owner: CD</b>  The local authority currently has a Social Work academy alongside the University of Gloucestershire and this academy has had a number of successes already including the very popular new and revitalised Master classes. The Academy is also going to be growing with the council investing in two new practice educator manager posts to support more social work students to carry out placements in GCC which in turn will lead to the UOG developing a new post graduate social work training course starting in January 2017 which should significantly increase the quantity and standard of social workers qualifying in Gloucestershire. Clive Diaz will arrange to visit the Essex academy in the new year to see what further lessons can be learned from this model.</p>
m)	<p>Cabinet ensures that social worker pay in Gloucestershire remains competitive with neighbouring authorities and that the option of a Memorandum of Understanding with neighbouring authorities is explored.</p>	<p><b>Owner: MC</b>  A benchmarking exercise has been undertaken and will be monitored to ensure GCC remains competitive.   Work is taking place in the region to progress the Memorandum of understanding around agency pay rates and a regionally funded post has been established based in Swindon. Progress has been slower than desired as the postholder has had an extended period of sickness.</p>
n)	<p>Cabinet explores the options available to provide a sustainable package of incentives for long service staff.</p>	<p><b>Owner: MC</b>  Reward packages have been considered including both financial and other incentives. GCC already pays a limited number of one off honoraria to reward very specific activities above and beyond expectations within the role and has in the past paid retention payments. Other retention incentives have included a consistent approach to TOIL and a pilot will be launched on a compressed hours model of working (9 day fortnight). Car Parking continues to be a factor causing frustration and a task and finish group is considering how "paperwork" can be reduced so that the focus is on social work not paperwork.</p>

## **Annex 1.2 : Adults Commissioning Intentions**

### **Context**

Adult social care has a current (2015/16) net budget of £141.0 million, the single biggest area of expenditure of the County Council. We support approximately 25,000 people who have a disability, are vulnerable, or live with an age-related disorder, as well as commissioning services aimed at addressing social care and health inequalities, promoting health and well being. We work in partnership with our service users and carers, health, housing and the third sector to maximise people's potential for independence, meeting assessed need within a legal framework most notably as set out in the Care Act 2014.

The overall performance of adult services is improving particularly in the key policy areas of timely hospital discharge, reducing reliance on residential and nursing care and self directed support. We are also continuing to making better use of technology (telecare) and have made notable progress in supporting people with disabilities into employment. However the timeliness of assessment work and reablement interventions in the community is an area that still needs attention.

### **Strategic Direction**

As indicated our strategic ambition is to support people to live independently. The national policy framework created by Think Local Act Personal, builds on the direction set by "Putting People First" with its focus on community support and involvement, early intervention, prevention and reablement services. This has also been reinforced by the detailed guidance released in support of the Care Act 2014. As part of this, and for those people who have on-going needs, we want to ensure we put each individual service user in control of their care and support, offering choice, providing professional advice and enabling their voice to be heard, with the ultimate aim of improving outcomes for people.

We are reducing reliance on institutional care, creating innovative alternatives and encouraging the use of universal services, whilst recognising that there will always be a place for specialists too. We are also addressing the wider responsibilities in the Act for carers and notwithstanding that some elements have now been postponed to 2020 for all people with care needs and not just those we support. We are also continuing to promote an ethos of early intervention and prevention as an integral element to our intentions.

### **Needs Analysis**

The number of older people aged 65+ in the county grew by an average of 2,100 people per year between 2003 and 2013. Projections suggest that this will continue to significantly increase to 3,400 people per annum between 2012 and 2037 as a result of rising life expectancy and demographic impacts of two generations of baby boomers.

Significantly, the projected percentage increase of the older population is greater in Gloucestershire than in England over the period 2012-2037 (up 72.2% compared to 65.1%). The impact of the County's ageing demographic is further heightened by the small growth of its child and working-age population compared to England over the same period.

In particular, the number of people aged 75 and over (the ages at which GCC adult care and other service support are most likely to be required) is projected to increase by an annual average of some 2,300 per annum during this period. Within which the number of 85+ will see the fastest rate of growth with numbers expected to increase by some 165%.

The geographical distribution of older people is also spreading, with implications for locality strategy, community safety, community engagement and any future service change. The Census 2011 suggested that a total of 40 council wards (i.e. 28% of all wards) had at least 1,000 residents aged 65+. By 2013 this had grown to 50 wards (i.e. 35.2% of wards) across both urban and rural areas.

The rising trend of older people aged 65+ living alone could also place extra pressure on care and infrastructure provision. Data from the Census suggests that there were 33,800 of older people aged 65+ living on their own in 2011. The number is projected to rise to 41,000 by 2021. It is projected that almost 7 in 10 single pensioners will be aged 75+ in 2021, and among these three quarters are women.

Dementia is an increasingly common condition. In Gloucestershire, there are estimated to be 9,000 people aged 65 and over living with dementia. This number is expected to rise by almost two thirds to almost 15,000 in 2030. Almost 64% are women.

Due to our limited core funding we are continually looking to make changes to make our services more effective, and we have a duty to plan now in order to build communities who can respond to these changes. In addition to building capacity, we will need communities who adopt a positive and inclusive approach to people with disabilities and are not risk adverse. However, this will require a more responsive style of intervention from statutory services when such risks become unmanageable.

Gloucestershire also has considerable additional pressures in the area of learning disabilities. We are the third highest region in the country for claims of 'ordinary residence'. This is fuelled by a considerable number of placements by other counties into our jurisdiction with resulting claims that these service users have now become the financial responsibility of Gloucestershire. In addition the life expectancy for people with learning disabilities continues to add to expected cost pressures as their care in most cases becomes more expensive based on such things as genetic dispositions to early onset dementia. Similarly at the young adult end of the spectrum the cases received from children's services into adult services demonstrate ever higher levels of need as heroic medical efforts with premature births lead to people having more profound and multiple disabilities than seen before and requiring higher levels of costly specialist provision.

## **Meeting the Challenge 2015/16**

In line with the strategic direction set out above, we have a series of projects targeted at living within our means and adjusting to meeting demand differently. Most of these are designed around the implementation of national policy and good practice – expanding on the model of reablement, working in multidisciplinary teams, avoiding crisis, commissioning differently, listening to our service users and improving the customer journey. We also continue to look at our processes.

In the area of learning disabilities shifting provision to lighter touch front door services such as Drop In centres has been supplemented by the focus on employment for people with disabilities referred to above thus increasing independence and reducing costs.

## **Looking Forward**

The final budget for 2016/17 results in a Council Tax increase of 1.99% and an additional increase of 2% for the National Social Care Levy. The impact of this is that the budget now provides for a net increase to the Adults budget of £2.686 million compared with a reduction of £2.003 million in the draft budget. The increase recognises the very significant challenges impacting on Adult Care and needs to be set in the context of this year's financial position, where an over-spend in excess of £4 million is currently forecast. Accordingly, in addition to meeting the costs to date of implementing the Care Act the increase will be used to address the existing high level of commitments, as the service manages the transition to an approach based on a higher level of investment in early intervention and prevention.

Against this background, we intend to try and achieve financial balance in adult services by:

- strengthening our assessment and care management function whilst maintaining an integrated multidisciplinary team model
- supporting more people to live independently in the community
- further improvements in the effectiveness of services we commission
- reducing admissions to full time care
- working with the NHS to better support people in need of urgent support in the community, facilitate timelier discharges from hospital and reduce readmissions
- decommissioning services that are no longer peoples' preferred choice as they opt to meet their needs in different ways
- stimulating the market and empowering communities who want to be involved
- working with partners to develop new opportunities for volunteering.
- exploring new ways to develop links with the employment market
- continuing to actively reviewing high unit cost contracts to seek efficiencies
- rolling out more innovative Telecare solutions which improve service and cost less than traditional care

- enabling people with a learning disability to live more inclusive and independent lives in the community improving quality of life
- entering into a new procurement framework which will offer more choice to people with a disability but which will lead to a reduction to costly alternatives such as residential care and supported living.
- making wider use of Electronic Call Monitoring systems.
- developing a greater focus on outcomes in our domiciliary care service

## **Delivering Change**

Such financial constraints should be considered in the context of substantial change. Statistically, there will be a rising demand for support from people with increasingly complex needs. This will involve a range of partnerships, many of which will be new relationships with communities. Whilst it will be challenging financially, it will result in investment in local communities.

The scale and pace of change is unprecedented and will create transitional issues as we all adjust to working in a different way. All activities will be subject to community impact assessments and specific consultation will be undertaken where appropriate with stakeholders. We will actively pursue opportunities to engage with service users and their carers to continue to build confidence in those partnerships.

## **Annex 1.3: Public Health Commissioning Intentions**

### **Context**

Under the Health and Social Care Act, three domains of public health; health improvement; health protection and health care public health, have become part of Local Government's public health function. Gloucestershire County Council has a statutory duty to promote the health of the Gloucestershire population, and responsibility for commissioning specific public health services, supported by a ring fenced grant, which has been extended to include new responsibilities for 0-5 year olds (Health Visiting). The allocation is based on a national formula linked to health inequality and health need and per the CSR remains ring fenced for the next 2 years, with reductions to 2019/20.

The grant is spent on activities whose main or primary purpose is to positively impact on the health and wellbeing of the local population, with the aim of reducing health inequalities in local communities. Those activities include:

- carrying out health protection functions delegated from the Secretary of State
- reducing health inequalities and improving health across the life course, including within hard to reach groups
- ensuring the provision of population healthcare advice to Clinical Commissioning Groups (CCGs).

### **Strategic Direction**

Nationally, the strategy for Public health in England was laid out in the Government's White Paper *Healthy Lives, Healthy People* (2010). Locally, our strategic ambition is reflected in the vision presented in Gloucestershire's Health and Wellbeing Strategy, *Fit For the Future*; '*to improve the health of all Gloucestershire residents and protect the most vulnerable*' by '*working with our communities to co-produce health, wellbeing and resilience*'.

The Local Government Association has identified that investment in public health leads to reduced pressure on National and Local Government and the NHS, saving money that can be further invested in prevention and early intervention. This, in turn, through improved health and wellbeing and health equality, leads to further reductions in pressure on care services. This is known as the virtuous circle of public health.

### **Needs analysis**

The Joint Strategic Needs Assessment (JSNA) is a strategic planning tool that brings together the latest information on the health and wellbeing of people who live in Gloucestershire and people who use Gloucestershire public services and underpins the Health and Wellbeing Board's Strategy. It tells us that overall Gloucestershire is one of the healthiest counties in England. Health outcomes are above the national average and deaths from the major diseases like cancer, heart disease and strokes are below the national average and falling. We have made some progress, however the picture in Gloucestershire is not perfect.

The health and wellbeing of people in some of our communities is not improving at the same rate as others. Every year, many people suffer avoidable ill health or die earlier than they should – this is known as health inequality.

In Gloucestershire, men in the fifth most deprived communities live, on average, 5.8 fewer years than those living in our fifth least deprived areas – the pattern is similar for women, with those living in the most deprived areas living on average 4.1 fewer years than those in the least deprived areas (source, ONS 2006-10).

While life expectancy in Gloucestershire is increasing, on average, a man can expect to live the last 14.6 years of his life and a woman the last 14.9 years in poorer health. This, coupled with the fact we have an ageing population, presents our biggest challenge.

Life style factors such as smoking, poor nutrition, physical inactivity and alcohol misuse are important contributors to most preventable diseases. Unless we take early action to support individuals, families and communities to take steps to improve their own health and wellbeing now, we will not be able to resource the increases in people with on-going care needs in the future.

## **Public Health Vision**

The vision is to make improving and protecting the public's health everybody's business and to embed public health into the operation of Gloucestershire County Council and the Clinical Commissioning Group (CCG) and to do so that we can tackle the big health and wellbeing issues that arise from worklessness, deprivation and family poverty.

## **Commissioning Principles**

- Prioritising primary prevention and early intervention - helping people to help themselves
- Ensuring the best start in life
- Focusing resources where the 'need' (potential to benefit) is greatest – helping to address avoidable health inequalities and targeting the most vulnerable
- Greater emphasis on mental health and wellbeing and the impact of poor mental health
- Embedding health and wellbeing across wider system, including funding some GCC activities

## **Delivering Change**

The Public Health allocation is a ring fenced grant and the expectation is that it will be fully spent. Helping people to stay healthy and live independently for longer is a major contributor to reducing cost pressures in the medium and longer term.

Systematic primary prevention is critical to reduce the overall burden of disease in the population. It is estimated that 80% of cases of heart disease, stroke and type 2 diabetes, and 40% of cases of cancer could be avoided if common lifestyle risk factors were eliminated (WHO, 2005).

Secondary prevention, involving detecting the early stages of disease and intervening before full symptoms develop (for example through the NHS Health Check programme) is often cost effective, and if implemented at scale, would rapidly have an impact on life expectancy. (Kings Fund, 2013).

While there will be no cash releasing savings from the Public Health ring fenced grant in 2016/17, public health funding for primary and secondary prevention can contribute to early intervention activities across GCC. For example in children's centres and ensuring interventions are based on evidence of what works. Public health interventions aimed at building community capacity will help reduce need / demand for peoples' services. We are actively working with the Clinical Commissioning Group and GCC to ensure that up-stream health improvement services are routinely commissioned as part of a broader pathway approach.

## Commissioning Priorities for 2016/17

### **1. Deliver mandated functions**

*NHS Health Checks, Sexual Health, NCMP, Health Protection, CCG, Core Offer to the CCG & Health Visitors*

### **2. Deliver our driving change projects**

*Healthy lifestyles, drugs & alcohol*

### **3. Plan and review our commissioning intentions for all our services**

### **4. Engage and influence partners to improve the public's health**

### **5. Develop and embed health and wellbeing in GCC business**

Performance will be measured against a subset of locally determined priority indicators from the Public Health Outcomes Framework, which includes 66 public health indicators. We will apply the principle of 'proportionate universalism' ensuring the right level of support and intervention is commissioned according to need to reduce the gap in health inequalities.

## **Annex 1.4 : Communities and Infrastructure Commissioning Intentions**

### **Background**

1. The Council has a number of important roles that help shape the nature of people and places in Gloucestershire:

- Framing and enforcing rules and laws that influence behaviour;
- Delivering critical public services and infrastructure that enable local people to go about their daily lives safely and efficiently;
- Helping different communities to make choices for themselves and shaping the actions of the Council and partners to meet the needs of the locality; and,
- Working with partners to enable long-term economic, social and environmental wellbeing.

2. The importance of a locality that people identify with is well understood and does not really change over time. There is a need to keep the management and resolution of multi-faceted economic and social problems, regardless of whether they relate to individuals, families or communities, grounded in localities. To this end building the capacity for collective action and choices about the use of public and community resources will continue to be a key challenge for the Council.

### **Overall Commissioning Intention**

3. The Council's Community and Infrastructure functions interact with localities and communities on a daily basis. The outcomes in terms of community capacity to support individuals and families and infrastructure provision, or the lack of it, are, on the whole, highly visible to people.

4. Because of this the overall commissioning aim for the Council's Community and Infrastructure functions is to:

- *Creatively use its resources, powers and influence to promote the general well-being of localities and the individuals and communities who live and work within them.*

### **The elements of a strong locality and the Council's general role**

5. There are a number of components that make up a strong locality and the Council's Strategy 2015-18 describe these as:

1. Active Individuals;
2. Active Communities;
3. Getting people back to independence;
4. Being there when we're most needed and,
5. Providing the infrastructure for a thriving economy.

## **The Council's Commissioning Intentions for its Communities and Infrastructure Functions**

6. Bearing in mind the elements of a strong locality identified above and the overall commissioning policy aim identified in paragraph 4 the Council has established the outcomes it is seeking to achieve and its commissioning intentions in terms of delivering these through its Communities & Infrastructure functions (set out in Appendix A). In some cases the intentions are to continue with the current direction of travel, some will, however, require change, and where this is the case further consultations will be carried out.

### **1. Active Individuals**

#### **1.1 Outcome Sought**

- A Council presence in localities that makes best use of buildings within a community and that is part of a joined-up approach to providing information, advice and services; recognising that there is no 'one size fits all' solution.
- A robust commercial bus network supported by affordable and subsidised bus, concessionary fare and community transport provision that for most people maintains reasonable access to employment, education, health services and essential shopping facilities
- Different individuals and communities, who understand the pressures faced by the Council and feel enabled wherever possible to make choices for themselves, in doing so shaping the actions of the Council and partners.

#### **1.2 Commissioning Intentions**

##### **Customer Access Programme and Area Based Review**

- Through the Customer Access programme maximise the efficiency of use of buildings, including Libraries, within any locality and provide information advice and transactional services (e.g. registration), through the most efficient channels. In doing so recognise that vulnerable people may require a wider choice of channels.

##### **Transport Authority**

- Continue to keep public transport reimbursements and subsidies at affordable levels and regularly review the discretionary elements of the statutory Concessionary Fares scheme in order to minimise the local Council Tax subsidy.
- Work with communities and partners to make sure that the best use is made of all transport assets, whether privately, publically or community owned, within any locality.

## **Communications & Engagement**

- The 'Together we Can' and related key policy consultations continue to meet the standards defined by the Constitution Institute.
- Ensure land-use planning related consultations are carried out in accordance with the Statement of Community Involvement or governing statute and find a pragmatic balance between informal and formal consultations for other statutory functions (e.g. introduction of new / changed parking schemes).

## **2. Active Communities**

### **2.1 Outcome Sought**

- Individuals and community groups who have the skills, abilities and confidence to take effective action and leading roles in the development of their localities.

### **Community Capacity Building**

- Work with partners, including in the voluntary and community sector, to further develop the activities, resources and support that strengthen community capacity building and to this end consult on a new Active Communities Policy and Strategy.
- Work with public sector partners to co-ordinate Community Capacity Building activities.
- Where we can maximise the positive outcomes of doing so we will continue to transfer assets to the local community in a way that accords with previous Community Offer programmes (e.g. Community Libraries) and continue to make other resources available at a locality level and subject to informed local influence over priorities (e.g. Highways Local, Highways – Your Way).

### **Minerals and Waste Planning Authority**

- Wherever possible continue to support District and Parish Council's in the production of their Local and Neighbourhood Plans so that local need, resilience and distinctiveness are promoted in the planning system.
- Maintain a planning process, for minerals and waste that enables individuals and communities to express their opinions and concerns. Particularly in localities where individuals and communities may come into dispute or conflict with the development industry.

### **Highway Authority**

- Promote the aims and objectives set out in Gloucestershire's Manual for Streets and provide robust and evidenced based advice to the Local Planning Authorities so that local people can express their concerns and opinions about development proposals, in terms of highway and transport impacts.

### **3. Getting people back to independence**

#### **3.1 Outcome Sought**

- The most vulnerable receive the information, advice, support and advocacy when they most need it.
- People feel able and safe to go about their legitimate day-to-day business.

#### **3.2 Commissioning Intentions**

##### **Voluntary and Community sector**

- Re-commission the Council's general and specialist advocacy services as part of the Customer Programme
- Continue to commission an effective Healthwatch service.

##### **Regulatory Services**

- Continue to ensure that the Council's regulatory services, particularly those related to Trading Standards, Fire Safety (Regulatory Reform Order) and Planning Enforcement (minerals and waste) continue to be intelligence led, proportionate, reasonable, clearly prioritised and where appropriate link to the wider public health and social care outcomes to which they contribute positively.

##### **Road Safety Partnership**

- Following the joint review of the Road Safety Partnership with the Office of the Police and Crime Commissioner (OPCC) ensure smooth implementation of new Governance and operational arrangements in order to ensure that Gloucestershire's roads, based on an objective analysis of the accident data, continue to be safe for users and that the number of people killed and seriously injured are reduced as far as possible.

##### **Lead Local Flood Authority**

- To maximise the resources available for reducing long-term flood risk, in order to meet the Council's statutory responsibilities as the Lead Local Flood Authority and deliver its Local Flood Risk Management Strategy.

### **4. Being there when we're most needed**

#### **4.1 Outcome sought**

Individuals, communities and businesses that are adaptable, resilient and able to operate during and recover quickly from emergencies.

## 4.2 Commissioning Intentions

### **Fire and Rescue Authority**

- Following the completion of the Strategic Review continue to integrate the activities of the Fire and Rescue Service into the operations of the Council.
- Consult on and adopt a new Integrated Risk Management Plan that defines the long-term operating model for the service in order to deliver a resilient, affordable and strong Gloucestershire presence.

### **Civil Contingencies**

- Continue to work through the Local Resilience Forum to ensure appropriate emergency management arrangements are in place and accord with the requirements of the Civil Contingencies Act.
- Continue to monitor Gloucestershire's carbon emissions and the medium to long-term resilience of vulnerable individuals, communities and infrastructure to more severe and unpredictable weather patterns.

## 5. Providing the infrastructure for a thriving economy

### **5.1 Outcome Sought**

Investment in the physical assets that underpin networks for transport, energy generation and distribution, electronic communications, solid waste management, water distribution and waste water treatment that enables economic growth by allowing people, goods, commodities, water, energy and information to move about efficiently.

## 5.2 Commissioning Intentions

### **Waste Disposal Authority**

- Continue to be a key partner within the Joint Waste Committee in order to manage waste and resources effectively. The intention being to move material up the waste hierarchy and, where sustainable (in the widest social, economic and environmental sense), into the circular resource economy.
- Continue to work in partnership with all Districts to reduce and reuse waste, improve recycling rates and divert waste away from landfill in line with the Joint Waste Management Strategy targets. Continually look for efficiencies and other opportunities to achieve these intentions more cost effectively.

### **Highway Authority**

- Through the Transport Asset Management Plan ensure that investment continues to be needs led and delivers a road network which is safe, reliable and as fit for purpose as possible given the level of funding and resource available.
- Maximise efficiencies through the new highways contract and to keep the service standards within the Transport Asset Management plan under review to ensure that standards allow statutory duties to be met on a risk assessed basis, whilst maximising investment in planned road maintenance.
- Deliver the Carbon Management Plan that seeks to reduce Council emissions by 60%, with a particular emphasis on LED based street-lighting.

### **Economic Development and Growth**

- To work through the Gloucestershire Economic Growth Joint Committee and the Economic Growth Joint Scrutiny Committee to support the Local Enterprise Partnership (LEP) in the delivery of its Strategic Economic Plan and current and future Growth Deals signed with Government.
- To act as the Accountable Body for all Government capital resources made available to the LEP through the Growth Deal and other financial mechanisms (e.g. Gloucestershire Infrastructure Investment Fund).
- To make sure that both the Council's Asset Management Plan and Transport Asset Management Plan are drivers of economic growth in the County.
- To ensure business compliance, such that legitimate traders enjoy a level playing field in the market place, and can prosper without fear of unfair competition locally.

### **Infrastructure Authority / Provider**

- Maximises resources secured through the planning system for investment in critical infrastructure, particularly highways and schools. In doing so fulfil the 'duty to co-operate' with other planning authorities and statutory consultees. In doing so making sure that developer contribution for other critical infrastructure are promoted and funded by the appropriate tier of local government.
- Achieve around 95% next generation access coverage of broadband in the County by 2018.
- Deliver the transport schemes promoted by the Council, which have been funded through the Growth Deal (Round 1) and promote new infrastructure schemes in future rounds that will enable economic growth.

### **Minerals and Waste Planning Authority**

- Continue to make best use of the resources available for meeting statutory planning responsibilities, particularly the production adoption of the Mineral's Local Plan and delivery of the Waste Core Strategy.

## Annex 2 – Budget Movements by Service Area Including National Adult Social Care Levy

2016/17 Adults Budget including the National Adult Social Care Levy

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>140,988</b>
<b><u>Budget Changes:</u></b>			
<b><u>Cost Increases</u></b>			
<b>Pay Inflation</b> To provide for a 1% pay award wef 1 April 2016	266		
<b>National Insurance</b> To provide for increased employers national insurance contributions	801		
<b>Increased cost of care of vulnerable Adults</b> To fund increased care costs, primarily due to the increased complexity of care requirements and the implications of the National Living Wage.	6,220		
<b>Safeguarding and Deprivation of Liberty Safeguards</b> To offset financial impact of the Supreme Court judgement relating to Deprivation of Liberty Safeguards (DOLS) applications. Covers cost of responding to applications received from care homes and hospitals, and also potential additional DoLS assessments in community settings.	400		
<b>Ordinary Residence Issues</b> This reflects the general pressure from other local authorities for this Authority to pick up responsibility for Ordinary Residence cases and costs.	1,100		
<b>National Adult Care Levy</b> <b>Care Act</b> To fund, over and above the funding set aside in the Better Care Fund, the ongoing costs of the requirements needing to be undertaken in 2016/17 of the Care Act 2014. This includes investment in new ways of working, the development of referral centres and enhanced support to self funders.	1,600		
<b>Transformation of Adult Social Care</b> Contingency to address the impact of additional external care commitments, to underpin the transition to a greater focus on and investment in, the use of early intervention, prevention and reabling approaches to reduce on-going demand.	3,126		
<b>Total re National Adult Care Levy</b>	4,726		
<b><u>Cost Reductions</u></b>			
<b>Building Better Lives Programme</b> This programme supports the Building Better Lives Policy which sets out the direction of travel for supporting people with a disability within Gloucestershire over the next 10 years. This policy describes the drivers and context behind adopting an all age and all disability provision of support, which takes account of the national policy context, local perspectives and best practice principles.	-5,644		
<b>Older People and Vulnerable Adults Programme</b> The Older People and Vulnerable Adults Programme supports the strategic direction of keeping people safe and independent, whilst investing in prevention to delay or avoid more expensive care support with less budget. In addition it supports the integration of Health and Social Care to deliver positive outcomes for individuals.	-3,862		
<b>Adult Mental Health Services</b> Improving the commissioning, including the support and opportunities provided and developing more community based alternatives to long term care for people with serious mental health conditions.	-264		
<b>Transport</b> Transport savings within the Adults budget	-20		
<b>Deletion of One-Off Funding included within the 2015/16 Budget</b> Deletion of one-off contribution to the vulnerable Adults Reserve	-1,000		
<b>TOTAL NET CHANGE</b>	<b>13,513</b>	<b>-10,790</b>	<b>2,723</b>
<b>2016/17 Adults Budget including National Adult Social Care Levy</b>			<b>143,711</b>

**2016/17 Public Health Budget**

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>24,934</b>
<b><u>Budget Changes:</u></b>			
Grant Increase for full year effect of 0-5 public health services		3,141	
<b><u>Cost Reductions</u></b>			
<b>Grant Reductions (Estimated per Autumn Statement)</b>			
2015/16 in year based reduction of 6.2% which flows through to 2016/17		-1,543	
2016/17 2.2% reduction		-589	
<b>TOTAL NET CHANGE</b>	<b>3,141</b>	<b>-2,132</b>	<b>1,009</b>
<b>Public Health Budget 2016/17</b>			<b>25,943</b>

## 2016/17 Children and Families Budget

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>91,683</b>
<b><u>Budget Changes:</u></b>			
<b><u>Cost Increases</u></b>			
<b>Pay Inflation</b>	305		
To provide for a 1% pay award wef 1 April 2016			
<b>Prices Inflation</b>	300		
Estimated cost of the National Living Wage			
<b>National Insurance</b>	835		
To provide for increased employers national insurance contributions			
<b>Home to School Transport</b>	433		
To provide for increased numbers and contractual prices inflation.			
<b>Children in Care Allowances</b>	306		
Inflation of 3.39% covering in house fostering, post 16 children in care, adoption, special guardianship and child arrangement orders allowances to keep in line with government national minimum standards. Uplift of 2% on foster carers fees			
<b>Adoption Numbers</b>	152		
To provide for the increased number of adoption allowances			
<b>Fostering/ Independent Reviewing Team</b>	400		
Investment in services to increase placement numbers and provide additional staff to cover increase in demand			
<b>Additional Social Workers</b>	2,000		
Investment in social workers to reduce caseloads and improve practice and retention of staff.			
<b>Children in Care (one-off funding within Base Budget)</b>	1,500		
To mitigate risk associated with the fluctuations in the numbers of children in care			
<b>Extending PODS trial (one-off funding within the Base Budget)</b>	600		
Funding to extend the Gloucester social work PODs model for an additional financial year to facilitate a robust evaluation of the model.			
<b>Mental Health (one off funding within the Base Budget)</b>	25		
Investment to provide improved mental health support to children and young people			
<b>Child Safety (one off funding within the Base Budget)</b>	20		
Investment for child sexual exploitation (CSE) team to look at gaps in E-safety and to continue the "In the Net" internet safety awareness work.			

## Cost Reductions

<b>Vulnerable Children and Families Programme</b> Savings within youth support and children's centre budgets, realignment of funding from public health for activity grants and contract efficiencies	-1,252
<b>Supporting People</b> The Supporting People's Strategy aims to shift investment into developing more flexible community based services, reducing reliance on accommodation-based services, and supporting individual and families to develop the skills and resilience to sustain independent living. Building on the strengths of individuals, services will support them to connect to the people, places and activities within their communities that enable them to achieve positive outcomes in the long term and build sustainable models of mutual support	-1,486
<b>Education Services</b> Savings within pension budgets and additional income and efficiencies across education services.	-246
<b>Efficiencies</b> Efficiencies generated via closer working with Public Health	-2,000
<b>Deletion of One-Off Investment included in the 2015/16 budget</b> Deletion of one-off investments included within the 2015/16 budget	-680
<b>Transport</b> Route reviews and the implementation of policy changes.	-519
<b>Building Better Lives Programme</b> This programme supports the Building Better Lives Policy which sets out the direction of travel for supporting people with a disability within Gloucestershire over the next 10 years. These savings will be delivered through efficiencies in residential provision	-492
<b>TOTAL NET CHANGE</b>	<hr/> <b>6,876</b>
<b>Children and Families Budget 2016/17</b>	<hr/> <b>91,884</b>

**2016/17 Communities and Infrastructure Budget (Excluding Waste)**

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>56,346</b>
<b><u>Budget Changes:</u></b>			
<b><u>Cost Increases</u></b>			
<b>Pay Inflation</b> To provide for a 1% pay award wef 1 April 2016	277		
<b>National Insurance</b> To provide for increased employers national insurance contributions	836		
<b>Prices Inflation</b> Contractual prices inflation including the estimated cost of the National Living Wage	590		
<b>Sustainable Urban Drainage</b> Funding to replace lost grant	19		
<b>Highways (one off funding within the Base Budget)</b> Additional investment in road maintenance	1545		
<b>Highways Local (one off funding within the Base Budget)</b> Additional investment to increase the funds available per county division from £20,000 to £30,000 for use on highway improvements, to be promoted and agreed with the local county councillor beforehand. ( Includes continuation of additional £2,500 per council division approved in 2015-16)	530		
<b>Traffic Regulation Orders (one off funding within the Base Budget)</b> One off investment to improve the implementation process of traffic regulation orders, which impose traffic restrictions for safety reasons, by employing a designated Traffic Regulation Order (TRO) Officer and providing additional funds for preparation of new TRO's.	100		
<b>Resident Parking Permits</b> Investment to provide free residents parking permits to all Vehicle Excise Duty (VED) band A electric vehicles, which includes electric vehicles for the first permit only to be applied in 2016-17 and 2017-18 with a review after two years.	5		
<b>Road Safety (one off funding within the Base Budget)</b> Continuation of initiative that all Year 5 pupils at Gloucestershire's primary schools are given the opportunity to have a free session at Gloucester's SkillZone.	50		
<b>Cycling Schemes (One off funding within the Base Budget)</b> An investment to realise at least 4 of the 6 cycling schemes proposed within the "Barriers to Cycling" report over the next two years.	150		
<b>Air Quality (one off funding within the Base Budget)</b> One off investment to carryout an independent study to review 30+ air quality management areas and examine solutions to reducing levels of pollution at these particular sites. Study to be overseen by the Gloucestershire Pollution Group (GPG) involving all six district councils plus a representative from the County Council. Recommendations to be reported to the GPC, County's Environment & Community and the Health & Care Scrutiny Committees within 12 months.	30		
One off investment to undertake a detailed analysis of the pollution levels outside Gloucestershire's primary and secondary schools and for the findings to be reported back to the County's Environment & Community Scrutiny Committee and the Health & Care Scrutiny Committee to determine further action.	20		

## Cost Reductions

<b>Community Services</b>	-1,475
IRMP Implementation, Road Safety partnership, Reshaping of Trading Standards	
<b>Highways</b>	-2,040
Transport Asset Management Plan review and service standard changes, minor works review, contract efficiencies and additional income	
<b>Infrastructure/Economic Growth</b>	-110
Cuts in grants to outside bodies, reshaping of Minerals and Waste team	
<b>Renewable Energy</b>	-300
Reduced energy costs from LED street lighting project	
<b>Deletion of One-Off Investment included in the 2015/16 budget</b>	-1,522
Deletion of one-off investments included within the 2015/16 budget	
<b>Transport</b>	-700
Changes to concessionary fares, public and community transport	
<b>TOTAL NET CHANGE</b>	<hr/> <b>4,152</b> <b>-6,147</b> <b>-1,995</b>
<b>Communities and Infrastructure Budget 2016/17 (Excluding Waste)</b>	<hr/> <b>54,351</b>

## 2016/17 Waste Budget

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>26,988</b>
<b><u>Budget Changes:</u></b>			
<b><u>Cost Increases</u></b>			
<b>Pay Inflation</b>	6		
To provide for a 1% pay award wef 1 April 2016			
<b>National Insurance</b>	18		
To provide for increased employers national insurance contributions			
<b>Increase in Residual Waste tonnage</b>	153		
The increased cost of waste disposal reflects increased waste tonnages.			
<b>Prices Inflation</b>	384		
Contractual prices inflation and the estimated cost of the National Living Wage			
<b><u>Cost Reductions</u></b>		0	
<b>TOTAL NET CHANGE</b>	<b>561</b>	<b>0</b>	<b>561</b>
<b>Waste Budget 2016/17</b>			<b>27,549</b>

**2016/17 Business Support Budget**

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>25,984</b>
<b><u>Budget Changes:</u></b>			
<b><u>Cost Increases</u></b>			
<b>Pay Inflation</b>	212		
To provide for a 1% pay award wef 1 April 2016			
<b>National Insurance</b>	708		
To provide for increased employers national insurance contributions			
<b><u>Cost Reductions</u></b>			
<b>Finance</b>		-184	
Efficiencies including reduced posts, reprioritisation of work and service rationalisation.			
<b>HR/BSC</b>		-325	
Efficiencies and reprioritisation of work			
<b>ICT</b>		-271	
Efficiencies and reprioritisation of work			
<b>Strategy and Challenge (including Archives and Legal)</b>		-314	
Review functions, budgets and income streams. Reduce posts and reprioritise work flowing from specific service reviews.			
<b>TOTAL NET CHANGE</b>	<b>920</b>	<b>-1,094</b>	<b>-174</b>
<b>Business Support Budget 2016/17</b>			<b>25,810</b>

## 2016/17 Technical and Cross Cutting Budget

	Cost Increases	Cost Reductions	
	£000	£000	£000
<b>Starting Budget (2015/16 Revised Budget)</b>			<b>53,109</b>
<b><u>Budget Changes:</u></b>			
<b><u>Cost Increases</u></b>			
<b>Apprenticeship Levy</b>			
To provide funding for the new Apprenticeship levy announced under the Spending Review		453	
<b>Pensions - Past Service Deficit for the whole authority</b>		1,500	
Pension benefits already accrued by staff that are not fully funded			
<b>MtC2 Budget Contingency</b>		1,589	
Contingency provision to provide funding to mitigate against slippage in the delivery of MtC2 savings built into the budget			
<b>TOTAL COST INCREASES</b>			
<b><u>Cost Reductions</u></b>			
<b>Customer - Access / Universal</b>		-530	
Cross cutting efficiency savings yet to be allocated to services			
<b>Customer - Property Disposals</b>		-600	
Revenue savings generated from the utilisation of the proceeds of property disposals to reduce debt and/or finance the capital programme			
<b>Transport</b>		-50	
Cross Cutting Transport Savings yet to be allocated to services			
<b>Structure</b>		-260	
Savings from reduced senior management posts			
<b>MRP Changes</b>		-4,000	
Capital Financing Changes as set out in detail in the Treasury Management Policy			
<b>TOTAL NET CHANGE</b>	<b>3,542</b>	<b>-5,440</b>	<b>-1,898</b>
<b>Technical and Cross Cutting Budget 2016/17</b>			<b>51,211</b>

## Annex 3 – Budget Summary by Service Area

<b>Overall Budget</b>					
<b>MTFS 2016/17 Budget Summary</b>					
<b>Budget Area</b>	<b>2015/16 GCC Revised Base Budget £'000s</b>	<b>Cost Reductions £'000s</b>	<b>Cost Increases (Including Inflation) £'000s</b>	<b>Proposed 2016/17 Budget £'000s</b>	<b>Cash Increase / Decrease £'000s</b>
<b>Programme Budget Areas</b>					
Adults	140,988	-10,790	8,787	138,985	-2,003
National Adults Care Levy	0	0	4,726	4,726	4,726
<b>Total Adults Budget</b>	<b>140,988</b>	<b>-10,790</b>	<b>13,513</b>	<b>143,711</b>	<b>2,723</b>
Children and Families	91,683	-6,675	6,876	91,884	201
Communities and Infrastructure (Excluding Waste)	56,346	-6,147	4,152	54,351	-1,995
Waste	26,988	0	561	27,549	561
Business Support	25,984	-1,094	920	25,810	-174
Technical and Cross Cutting	53,109	-5,440	3,542	51,211	-1,898
<b>Total GCC</b>	<b>395,098</b>	<b>-30,146</b>	<b>29,564</b>	<b>394,516</b>	<b>-582</b>
Public Health	24,934	-2,132	3,141	25,943	1,009
<b>Total Budget</b>	<b>420,032</b>	<b>-32,278</b>	<b>32,705</b>	<b>420,459</b>	<b>427</b>

## Adults MTFS 2016/17

	2015/16 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2016/17 Budget	Cash Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s
National Adult Social Care Levy	0	0	4,726	4,726	4,726
Services for Older People	60,829	-3,876	3,031	59,984	-845
Services for People with a Physical Disability	18,235	-4	591	18,822	587
Services for People with a Learning Disability	51,064	-5,646	3,869	49,287	-1,777
Services for People with Mental Health Issues	6,443	-264	711	6,890	447
Other Services for Adults	4,417	-1,000	585	4,002	-415
<b>Total: Adults</b>	<b>140,988</b>	<b>-10,790</b>	<b>13,513</b>	<b>143,711</b>	<b>2,723</b>

**Public Health MTFS 2016/17**

	<b>2015/16 GCC Revised Base Budget</b> £'000s	<b>Cost Reductions</b> £'000s	<b>Cost Increases (Including Inflation)</b> £'000s	<b>Proposed 2016/17 Budget</b> £'000s	<b>Cash Increase / Decrease</b> £'000s
Sexual Health	4,100		0	4,100	0
NHS Health Check Programme	812		0	812	0
Health Protection	80		0	80	0
Weight & Nutrition	510		0	510	0
Substance Misuse	6,941		0	6,941	0
Smoking & Tobacco	1,702		0	1,702	0
Children 0-19	5,257		3,141	8,398	3,141
Miscellaneous Public Health Services	5,532	-2,132	0	3,400	-2,132
<b>Total: Public Health</b>	<b>24,934</b>	<b>-2,132</b>	<b>3,141</b>	<b>25,943</b>	<b>1,009</b>

<b>Children and Families MTFs 2016/17</b>					
	<b>2015/16 GCC Revised Base Budget</b> £'000s	<b>Cost Reductions</b> £'000s	<b>Cost Increases (Including Inflation)</b> £'000s	<b>Proposed 2016/17 Budget</b> £'000s	<b>Cash Increase / Decrease</b> £'000s
Early and Targeted Intervention (Vulnerable Children)	14,074	-2,952	89	11,211	-2,863
Child Protection, CIC and Care Leavers	34,843	-680	5,602	39,765	4,922
Children with Disabilities	4,347	-492	67	3,922	-425
Education	21,629	-765	740	21,604	-25
Supporting People	12,975	-1,786	100	11,289	-1,686
Quality and Commissioning	3,815		278	4,093	278
<b>Total: Children &amp; Families</b>	<b>91,683</b>	<b>-6,675</b>	<b>6,876</b>	<b>91,884</b>	<b>201</b>

## Communities & Infrastructure MTFS 2016/17

	2015/16 GCC Revised Base Budget £'000s	Cost Increases (Including Inflation)		Proposed 2016/17 Budget £'000s	Cash Increase / Decrease £'000s
		Cost Reductions £'000s	£'000s		
		£'000s	£'000s		
Parking	-2,487		13	-2,474	13
Strategic Infrastructure	3,189	-1,200	190	2,179	-1,010
Flood Alleviation	1,167		27	1,194	27
Gloucestershire Highways	19,741	-2,502	2,843	20,082	341
Intergrated Transport Unit	10,815	-800	132	10,147	-668
Fire & Rescue Service	16,438	-1,335	560	15,663	-775
Libraries	3,204	-100	108	3,212	8
Regulatory Services	1,803	-60	108	1,851	48
Road Safety	206	-140	74	140	-66
Healthwatch	467		0	467	0
Unallocated/Corporate Budgets	1,803	-10	97	1,890	87
<b>Total: C&amp;I Excluding Waste</b>	<b>56,346</b>	<b>-6,147</b>	<b>4,152</b>	<b>54,351</b>	<b>-1,995</b>
Waste	26,988		561	27,549	561
<b>Total: C&amp;I Including Waste</b>	<b>83,334</b>	<b>-6,147</b>	<b>4,713</b>	<b>81,900</b>	<b>-1,434</b>

### Business Support MTFS 2016/17

	2015/16 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2016/17 Budget	Cash Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s
Support Services	23,020	-780	757	22,997	-23
Strategy & Challenge	2,964	-314	163	2,813	-151
<b>Total: Business Support</b>	<b>25,984</b>	<b>-1,094</b>	<b>920</b>	<b>25,810</b>	<b>-174</b>

### Technical & Cross Cutting MTFS 2016/17

	2015/16 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2016/17 Budget	Cash Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s
Corporately Controlled Budgets	16,796	-840	3,542	19,498	2,702
Capital Financing	35,118	-4,600	0	30,518	-4,600
Members and Elections	1,195		0	1,195	0
<b>Total: Technical &amp; Cross Cutting</b>	<b>53,109</b>	<b>-5,440</b>	<b>3,542</b>	<b>51,211</b>	<b>-1,898</b>

## Annex 4

Summary of the final 2016/17 Authority Proforma Tool (APT) recommended for submission to the EFA on 14th January 2016

<u>Schools and academies budget allocations before de-delegation</u>						<u>% of delegated budget</u>
	<u>Units</u>	<u>Rate</u>	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>	
<u>Pupil led:</u>			£	£	£	£
Basic Entitlement Primary (Age Weighted Pupil Unit)	45,603	2,969.33	135,410,217		135,410,217	40.9%
Basic Entitlement KS3 (Age Weighted Pupil Unit)	18,899	3,767.44		71,200,858	71,200,858	21.5%
Basic Entitlement KS4 (Age Weighted Pupil Unit)	12,549	4,519.33		56,713,075	56,713,075	17.1%
<b>Total AWPU (October 2015 pupils)</b>	<b>77,051</b>		<b>135,410,217</b>	<b>127,913,933</b>	<b>263,324,150</b>	<b>79.6%</b>
Deprivation Primary (FSM ever 6)	9,140	892.98	8,161,835		12,691,486	3.8%
Deprivation Secondary (FSM ever 6)	5,926	764.32		4,529,652		
Prior Attainment (Y1-3 Early Years Foundation Stage Profile + Y4-6 Low Attainment <78)	8,561	1,652.18	14,144,747		24,267,078	7.3%
Prior Attainment (SATs <L4 Eng or Mths)	5,630	1,797.81		10,122,330		
English as Additional Language (3 year EAL)	2,267	834.01	1,890,969		1,890,969	0.6%
English as Additional Language (3 year EAL)	382	834.01		318,727	318,727	0.1%
<b>Total Pupil Led delegations</b>			<b>159,607,768</b>	<b>142,884,642</b>	<b>302,492,409</b>	<b>91.5%</b>
<i>Note: budget totals calculated above are based on un-rounded units and rates</i>						
<b>Other Formula Factors:</b>						
Lump Sum (includes 85% protection for amalgamated school)	246	72,667	17,926,949		17,926,949.00	5.4%
Lump Sum	39	175,000		6,825,000	6,825,000.00	2.1%
Split Sites	3 schools @ £43,626 + £58/pupil		156,920		156,920.00	0.0%
Rates	Currently based on 16/17 estimates + 15/16 adjustments		2,063,083	1,122,834	3,185,916.70	1.0%
Exceptional Premises Factor - Rents	Currently based on 16/17 estimates		114,305	0	114,304.86	0.0%
<b>Total Other Formula factors</b>			<b>20,261,257</b>	<b>7,947,834</b>	<b>28,209,091</b>	<b>8.5%</b>
<b>Total budget allocations before MFG, Cap and de-delegation</b>			<b>179,869,025</b>	<b>150,832,475</b>	<b>330,701,500</b>	<b>100.0%</b>
<b>Minimum Funding guarantees &amp; capping</b>						
MFG protections (based on no loss below -1.5% per pupil)			632,520	130,411	762,936	0.2%
Capping reductions based on no gains per pupil above	1.39%		<b>-762,931</b>	0	<b>-762,936</b>	-0.2%
<b>Difference</b>			<b>-130,411</b>	<b>130,411</b>	<b>0</b>	
<b>Total budget allocations after MFG &amp; Cap applied but before de-delegations</b>			<b>179,738,614</b>	<b>150,962,887</b>	<b>330,701,500</b>	<b>100.0%</b>
<b>Proposed de-delegation for maintained schools only (takes into account anticipated conversions)</b>						
	<u>Maintained</u>	<u>Rate</u>	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>	
	<u>Pupils</u>		£	£	£	
Targeted Intervention & Support Primary	36,624	9.27	339,504		429,051	0.1%
Targeted Intervention & Support Secondary	4,328	20.69		89,546		
<b>Total Targeted Support</b>	<b>40,952</b>		<b>339,504</b>	<b>89,546</b>	<b>429,051</b>	
Union Facilities Primary	36,624	3.05	111,703		111,703	0.0%
October Pupil Increases (above threshold)	36,624	10.53	385,651		385,651	0.1%
<b>Total de-delegation funds available to maintained schools</b>			<b>836,858</b>	<b>89,546</b>	<b>926,405</b>	<b>0.3%</b>
<b>Total budget allocations after MFG,CAP and de-delegation</b>			<b>178,901,755</b>	<b>150,873,340</b>	<b>329,775,095</b>	<b>99.7%</b>

**Forward Planning 2016/17 to 2018/19****Introduction***Context*

The purpose of the Medium Term Financial Strategy (MTFS) is to give financial expression to the Council Strategy in relation to the next three year period. The MTFS sets out the Council's high-level funded plan, for achieving its goals and priorities, balancing available financing and spending ambitions. It highlights the financial projections for financing, spending (revenue and capital), and reserves. It also highlights the underlying financial strategy, the financial assumptions, and the inherent financial risks. Importantly, it links decisions on resource allocation to decisions on policy priorities.

A key element within the MTFS is the recognition of the Council's challenging financial position for the medium term, following the publication of the Spending Review for 2016/17, under which the "affordable" budget for 2016/17, after taking into account a 1.99% increase in Council Tax and a 2% increase for the Social Care levy, is forecast to increase by £0.43 million (0.1%) in cash terms to £420.46 million. It should also be noted that central government have included funding for the Care Act within our core figures, which results in an additional cost to the Council of £3.6m.

*Developments*

The MTFS is a strategic three year plan of internal resource allocations, with changes in allocation determined in accordance with the Council's goals and priorities. The MTFS is updated and refreshed on an annual basis.

In response to its projected financial trajectory, the Council has been developing strategies and plans to deliver a balanced financial position over the medium term. This has resulted in the Council identifying (and delivering) significant efficiencies in the past via its "Meeting the Challenge" initiative, which will continue to be required over the period 2016/17 to 2018/19. Current forecasts indicate that savings of at least £75 million will be required over the three year period from 2016/17.

To support the Council's planning process and inform financial decisions going forward, the Council has developed its MTFS planning process, and enhanced it with the introduction of the MtC programme. The initial MtC programme covered the four years 2011/12 to 2014/15. A second programme "Meeting the Challenge 2 – Together we Can", covers the period 2015/16 to 2017/18. This process provides a sound decision making procedure to ensure prioritisation of proposals against the Corporate Strategy. This improved process has been used to understand, assess and manage funding allocations in the context of significantly limited resources going forward.

Resources have been reviewed against the Council's priorities and activities.

**Financial Strategy***Context*

Gloucestershire has a growing and ageing population and has also again recently experienced key budget pressures relating to the care of vulnerable Adults and Children. The Council needs to manage this demand increase, while continuing to deliver high quality cost effective services across Gloucestershire.

The Government Spending Review announced on the 25<sup>th</sup> November 2015 created a social care precept to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on adult social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2% above the existing threshold. The Council is proposing to implement this levy which will raise an additional £4.7 million of funding for Social Care which is included within the Adults budget.

The MTFS addresses these challenges by taking its lead from the Council's strategic priorities, as set out in the Council Strategy and from the feedback from public consultation.

The Council's financial strategy for 2016/17 to 2018/19, contributes particularly to our proposed new approach to meeting people's needs based on:

- Active individuals
- Active Communities
- Getting people back to independence
- Being there when we're needed most

#### *Preparation & Links*

The Council's MTFS is prepared annually, and now covers the three year period 2016/17 to 2018/19.

It links decisions on resource allocation with decisions on policy priorities, as set out in the Council's Strategy.

#### *Principles*

The principles underlying the MTFS are:

- Stable and sustainable budgets.
- Ensures resources are focussed on the Council's highest priorities
- Demonstrates value for money.
- Recognises risk and ensures an adequate level of financial protection against risk by maintaining a prudent, but not excessive, level of financial reserves.
- Secure understanding of sources of potential finance.
- Builds financial capacity for organisational change.
- Is flexible – to allow shifts in spending should circumstances change.
- Does not overburden the Council with future financial commitments, with a key aim being to continue to reduce debt over the period of the new MTFS, thereby releasing on going debt related revenue savings.
- Aligns on-going financing resources with on-going spending commitments.

## Annex 6 : Reserve Movements

	Balance at 31 <sup>st</sup> March 2015	Transfers Out 2015/16	Transfers In 2015/16	Projected Balance at 31 <sup>st</sup> March 2016	Notes
<b>Earmarked Reserves</b>					
Capital Fund	22,849	-22,849	1,300	1,300	1
Strategic Waste Reserve	15,577	-8,152	18,000	25,425	2
Transformation Reserve	6,912	-1,945	280	5,247	3
Invest to Save	4,517	-1,400	169	3,286	4
Insurance Fund	10,283	-600		9,683	5
Active Communities	1,230	-30		1,200	6
Public Health	4,513	-1,213		3,300	7
County Elections	414		200	614	8
Vehicle & Plant Replacement	110			110	9
Fire Service Pensions	127			127	10
Fire Joint Training Centre	1,169	-16		1,153	11
Economic Stimulus Reserve	10,296	-3,263		7,033	12
Fire PFI Reserve - GFRS	2,489		384	2,873	13
Revenue Grant Reserves	6,981			6,981	14
Adoption Reserve	762	-367		395	15
Rates Retention Reserve	1,660	-90		1,570	16
Education Funding Risk Reserve	500	-50		450	17
Vulnerable Children Reserve	2,585	-1,885		700	18
Home to School Transport Reserve	400		272	672	19
A417 Missing Link	309		1,000	1,309	20
Adult Care	654	-1,654	1,000	0	21
Other Reserves	436	0	21	457	22
<b>Earmarked Reserves ( Non School)</b>	<b>94,773</b>	<b>-43,514</b>	<b>22,626</b>	<b>73,885</b>	
<b>Schools Related</b>					
School Balances	20,220			20,220	23
Dedicated Schools Grant Reserve	7,723			7,723	23
Other Schools Related	148			148	23
<b>School Related</b>	<b>28,091</b>	<b>0</b>	<b>0</b>	<b>28,091</b>	
<b>Earmarked Reserves Total</b>	<b>122,864</b>	<b>-43,514</b>	<b>22,626</b>	<b>101,976</b>	
<b>General Fund Balances</b>	<b>19,848</b>			<b>19,848</b>	<b>24</b>
<b>Total Revenue Reserves</b>	<b>142,712</b>	<b>-43,514</b>	<b>22,626</b>	<b>121,824</b>	
<b>Earmarked Capital Reserves</b>	<b>Balance at 31<sup>st</sup> March 2015</b>	<b>Transfers Out 2015/16</b>	<b>Transfers In 2015/16</b>	<b>Balance at 31<sup>st</sup> March 2016</b>	
Capital Grant & Contributions Reserves	51,823			51,823	25
<b>Total Capital Reserves</b>	<b>51,823</b>	<b>0</b>	<b>0</b>	<b>51,823</b>	
<b>Total Useable Reserves</b>	<b>194,535</b>	<b>-43,514</b>	<b>22,626</b>	<b>173,647</b>	

## Notes on Reserves

1. The Capital fund balance assumes that £1.3 million will be received in revenue contributions held in advance of capital spend.

It is currently forecast that £5.849 million will be transferred out of this reserve to finance the capital programme expenditure in 2015/16.

A further £17million has been transferred from the Capital Fund to the Strategic Waste Reserve following the approval of Cabinet to utilise £17 million from the Capital Fund for the Residual Waste project. The remaining balance available will be used to support capital projects from 2016/17 onwards.

2. The Strategic Waste Reserve's estimated balance as at 31st March 2016 is £25.425 million, following the £17 million transfer from the Capital Fund and a budgeted transfer of £1million from the revenue budget. It is currently forecast that expenditure totalling £8.152 million relating to the new waste facility will now be made in 2015/16.
3. The Transformation Reserve was set up in 2009/10 to fund liabilities to pay for redundancy and one-off transformation costs associated with the MtC programme. During 2015/16 this reserve is forecast to reduce by £1.945 million to provide specific transformation budgetary support (£1.115 million), MtC2 related redundancy & pensions strain costs (£0.5 million) and Highways Local expenditure (£0.33 million). These transfers out of the reserve are offset by transfers into the reserve following the early delivery of budget savings (£0.280 million).
4. The Invest to Save Reserve supports projects that are designed to deliver on-going savings in the future by providing "pump priming" funding. It is anticipated that £1.4 million will be fully utilised to support the provision of next generation desktops being undertaken under the approved 2015/16 capital programme.
5. A balanced position is forecast for the Insurance Fund as at 31st March 2016 based on a detailed analysis of existing and future liabilities, utilising the advice of the actuary and the Council's insurers. However a £0.6 million contribution from the Insurance Invest to Save Fund is forecast in 2015/16 to support the provision of next generation desktops being undertaken under the approved 2015/16 capital programme.
6. The purpose of the reserve is to provide capacity to engage and build active communities as part of the Council's Strategic Plan. Commitments against the reserve are likely to be spread over a number of years.
7. The Public Health reserve holds any unused balances from the Health Grant received by Government. Based on current budget forecasts, following an in year reduction to the 2015/16 grant allocation of £1.5 million, it is anticipated that the reserve balance will be reduced to £3.3 million at 31<sup>st</sup> March 2016.
8. The County Elections Reserve acts as a smoothing reserve to fund the costs associated with County Council Elections held every four years. A budgeted annual contribution of £0.2 million is currently made to this fund.
9. The Vehicle and Plant reserve is intended to support Council procurement of Service vehicles and Plant. It is intended that this fund will support the current cross cutting review of Transportation.

10. The Fire Pensions Reserve supports any potential liabilities under the Fire Service pension schemes. The cost of early retirements due to ill health result in additional employers' liabilities and the intention of this reserve is to offset any impact of these costs on the revenue budget if required.
11. The Fire Joint Training reserve acts as an equalisation fund to smooth out revenue implications over the course of the PFI contract. PFI credits are received within the early years of the contract and need to be held to fund anticipated costs in the later years of the contract. Reserve balances are now expected to slowly reduce for the remaining of the contract to 2028.
12. The Economic Stimulus Reserve is fully committed to fund a series of initiatives to support economic growth within Gloucestershire i.e. Fastershire Rural Broadband and Apprenticeship Initiative. It is forecast that the Reserve will have a balance of £7.03 million at 31<sup>st</sup> March 2016 following payment of £3 million towards the Broadband project; £0.07 million on Grow Gloucestershire Initiative; £0.170 million on the Apprenticeship Initiative; £0.023 million on community grants.
13. The Fire PFI reserve acts as an equalisation fund to smooth out revenue implications over the course of the PFI contract. PFI credits are received within the early years of the contract and need to be held to fund anticipated costs in the later years of the contract. Reserve balances are therefore expected to peak in 2025 at £4.77 million, but then reduce over the next 13 years to zero in 2038.
14. The Revenue Grants Reserve is a technical reserve established, as required under accounting policies, for specific unapplied revenue grants where conditions related to the grant have been fully met.
15. The Adoption Reserve was established to support future costs associated with the Adoption Service.
16. The Council is subject to volatility around Business Rates collections. Central Government do have a safety net mechanism, that would mean that the Council would receive funding to offset this loss should Business Rates fall, however this safety net currently means that our collected Business Rates income would need to fall by £4.9 million before the safety net would become payable from Central Government. It is therefore intended that this reserve will be utilised to prevent any impact on the revenue budget. A deficit of £0.411 million was incurred by the Council in 2014/15 largely as a result of rating revaluation appeals.
17. The Education Funding Smoothing Reserve funds any in-year funding adjustments made in relation to Academies. Such adjustments will be funded during the year from the reserve with base budget reductions made in the following year's budget, ie if a school transfers to Academy status mid-year the Council's budget will be top-sliced mid-year.
18. The Vulnerable Childrens reserve was established to cover the budgetary risks associated with the fluctuations in demand led Children Services, such as agency placements, fostering allowances, special guardianship and care allowances. The majority of this reserve will be utilised to support the over spend in 2015/16. Investment in the base budget is proposed to support this risk in 2016/17. It is forecast that a balance of £0.7 million will be held at 31<sup>st</sup> March 2016 committed to support service delivery in 2016/17.

19. The Home to School Transport Reserve was created in order to smooth out the budgetary pressures caused by the fluctuations in school transport days between financial years due to when easter school holidays fall. A contribution into the reserve in 2015/16 is forecast totalling £0.272 million
20. The A417 Missing Link Reserve was established to undertake a feasibility study on possible project solutions and a budgeted transfer of £1 million was made from the 2015/16 revenue budget to support this initiative. Negotiations with Highways England are currently ongoing.
21. This Adult Care reserve was established to cover the budgetary risks associated with the fluctuations in demand led Adult Services. This reserve will be fully utilised to support the over spend in 2015/16.
22. This relates to a small number of specific reserves.
23. It has been assumed that balances for Schools and the Dedicated School's Grant will remain at similar levels to those held at 31st March 2015.
24. General reserves are forecast to remain at £19.848 million at 31 March 2016, assuming a balanced outturn position on the Revenue budget for 2015/16. In the event of an over spend position a draw down on general reserves will be required.
25. The Capital Grants & Contributions Reserve is a technical reserve established, as required under accounting policies, for specific unapplied capital grants & contributions where conditions related to the grant have been fully met. These fully committed funds will be used to support the Capital Programme from 2016/17 onwards.

## Annex 7

### Indicative Forecast budgets based on funding assumptions

Service Area	Low Funding Assumptions			High Funding Assumptions		
	2016/17 £m	2017/18 £m	2018/19 £m	2016/17 £m	2017/18 £m	2018/19 £m
Adults	143.71	137.73	133.72	143.71	142.57	143.61
Public Health	25.94	25.30	24.65	25.94	25.30	24.65
Children and Families	91.89	90.15	89.85	91.89	92.43	94.58
Communities and Infrastructure	54.35	52.18	48.53	51.92	53.44	51.08
Waste	27.55	26.21	25.38	27.55	26.88	26.72
Support Services	25.81	24.77	24.19	25.81	25.40	25.46
Technical/Cross Cutting	51.21	44.80	43.92	51.21	44.80	43.92
<b>Total</b>	<b>420.46</b>	<b>401.14</b>	<b>390.24</b>	<b>417.98</b>	<b>410.82</b>	<b>410.02</b>

### Summary of forecast 3 year changes

	Low Funding		High Funding	
	£m	£m	£m	£m
2015/16 adjusted base budget		<b>420.03</b>		<b>420.03</b>
Cost Increases (estimated)				
Adults	28.13		28.13	
Public Health	3.14		3.14	
Children and Families	14.25		14.25	
Communities and Infrastructure	6.00		6.00	
Waste	1.16		1.16	
Support Services	1.91		1.91	
T and C	13.27	<b>67.86</b>	13.27	<b>67.86</b>
Savings (estimated)				
Adults	-40.20		-25.50	
Public Health	-3.42		-3.42	
Children and Families	-17.84		-16.09	
Communities and Infrastructure	-15.07		-13.82	
Waste	-3.07		-2.77	
Business Support	-4.10		-3.70	
Technical and Cross Cutting	-13.95	<b>-97.65</b>	-12.57	<b>-77.87</b>
<b>Total</b>		<b>390.24</b>		<b>410.02</b>

## Annex 8

## **Capital Programme 2016/17**

## **MEDIUM TERM CAPITAL PROGRAMME - COUNTY COUNCIL SERVICES FINANCING STATEMENT**

Scheme Name	Total Scheme Budget										Funding for Total Scheme Budget												
	Total Scheme Budget £'000	Prior Years		2015/16				2016/17		2017/18		2018/19		Future Years £'000	External Grant £'000	External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund £'000	Other Reserves £'000	Internal Borrowing £'000	Other incl. External Borrowing £'000	Funding of Budget Total £'000
		Actuals £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000										
<b>Summary by Service Area</b>																							
Adults	8,413	3,750	1,633	2,464	566	0	0	2,748	1,042	1,858	640	470	0	0	0	1,655	8,413						
Children & Families	159,542	69,854	27,634	36,965	24,489	600	0	118,661	27,696	4,345	0	1,146	0	0	0	7,694	159,542						
Communities & Infrastructure:																							
Infrastructure	217,270	65,823	36,738	56,916	28,778	29,015	0	160,317	10,819	9,361	15,500	3,186	9,346	0	0	8,741	217,270						
AMPS	34,334	7,399	4,187	16,118	4,680	1,950	0	4,631	200	5,370	20,980	170	900	0	0	2,083	34,334						
ICT Projects	14,374	5,236	5,508	2,630	900	100	0	1,125	0	1,954	8,070	700	2,000	0	0	525	14,374						
Rural Services	2,867	691	126	1,050	500	500	0	103	0	131	2,102	0	0	0	0	531	2,867						
E&T Miscellaneous	13,424	483	0	6,567	6,374	0	0	0	0	244	306	0	0	0	0	12,795	79	13,424					
Libraries	2,630	610	256	676	588	500	0	0	638	244	1,521	0	0	0	0	227	2,630						
Archives	2,309	32	186	1,091	1,000	0	0	1,000	0	82	1,100	127	0	0	0	0	0	2,309					
Community Safety F&R	3,655	2,147	1,104	404	0	0	0	3,595	0	0	25	35	0	0	0	0	0	3,655					
	<b>458,818</b>	<b>156,025</b>	<b>77,372</b>	<b>124,881</b>	<b>67,875</b>	<b>32,665</b>	<b>0</b>	<b>292,180</b>	<b>40,395</b>	<b>23,589</b>	<b>50,244</b>	<b>5,834</b>	<b>12,246</b>	<b>12,795</b>	<b>21,535</b>	<b>458,818</b>							
<b>Adults</b>																							
Gloucester LD Reprovision Scheme	957	394	210	0	353	0	0	0	0	169	493	89	0	0	0	206	957						
Adults Social Services Grant 13/14 14/15	2,748	70	1,152	1,526	0	0	0	2,748	0	0	0	0	0	0	0	0	2,748						
GIS	850	31	100	719	0	0	0	0	0	481	0	369	0	0	0	0	0	850					
Schemes under £250,000 (15/16 onwards)	3,858	3,255	171	219	213	0	0	0	1,042	1,208	147	12	0	0	0	1,449	3,858						
	<b>8,413</b>	<b>3,750</b>	<b>1,633</b>	<b>2,464</b>	<b>566</b>	<b>0</b>	<b>0</b>	<b>2,748</b>	<b>1,042</b>	<b>1,858</b>	<b>640</b>	<b>470</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,655</b>	<b>8,413</b>						
<b>Children &amp; Families</b>																							
Secondary future basic need 15/16	5,000	0	100	4,283	617	0	0	5,000	0	0	0	0	0	0	0	0	0	5,000					
Language Immersion Centre	6,806	6,539	0	267	0	0	0	6,166	26	0	0	0	0	0	0	614	6,806						
St. White's Primary, replacement school	6,000	1,618	4,032	350	0	0	0	5,425	575	0	0	0	0	0	0	0	0	6,000					
Hunts Grove, new primary school	5,874	3	0	5,871	0	0	0	0	5,874	0	0	0	0	0	0	0	0	5,874					
Calton Primary, 1FE expansion	4,797	68	2,000	2,716	13	0	0	4,547	236	14	0	0	0	0	0	0	0	4,797					
Northway Infant, replacement school	4,000	137	3,000	763	100	0	0	4,000	0	0	0	0	0	0	0	0	0	4,000					
Lakeside Primary, additional 1FE 14/15	3,235	569	2,666	0	0	0	0	3,235	0	0	0	0	0	0	0	0	0	3,235					
Paternoster, replace temps	2,800	0	20	580	2,100	100	0	2,800	0	0	0	0	0	0	0	0	0	2,800					
Bettridge sufficiency	2,225	0	200	1,650	375	0	0	2,225	0	0	0	0	0	0	0	0	0	2,225					
Alderman Knight sufficiency	1,775	0	150	1,550	75	0	0	1,775	0	0	0	0	0	0	0	0	0	1,775					
Dunalley Primary, final phase (inc A2YO)	1,539	376	1,001	143	19	0	0	1,535	0	4	0	0	0	0	0	0	0	1,539					
Pittville School, remodel Food Tech/SEN	1,495	0	452	1,043	0	0	0	1,414	0	43	0	38	0	0	0	0	0	1,495					
Short Breaks for Disabled Children	1,292	46	100	573	573	0	0	1,292	0	0	0	0	0	0	0	0	0	1,292					
Shrubberies, PMLD provision	1,253	795	394	60	4	0	0	1,215	0	38	0	0	0	0	0	0	0	1,253					
Kingsholm Primary, final phase	1,201	403	779	19	0	0	0	1,201	0	0	0	0	0	0	0	0	0	1,201					
Woodmancote Primary, expand to 2FE	902	0	100	802	0	0	0	35	860	2	0	5	0	0	0	0	0	902					
Isbourne Valley Primary, co-location	770	24	725	21	0	0	0	755	0	15	0	0	0	0	0	0	0	770					
Chesterton Primary, C&I Centre	720	62	640	18	0	0	0	720	0	0	0	0	0	0	0	0	0	720					
Winchcombe Primary, expand to 1FE	675	0	400	175	100	0	0	275	400	0	0	0	0	0	0	0	0	675					
Gloucester Road Primary, teaching space	566	33	500	30	3	0	0	514	35	17	0	0	0	0	0	0	0	566					
Chalford Hill Primary, replace temps	551	0	30	521	0	0	0	530	0	21	0	0	0	0	0	0	0	551					

Total Scheme Budget							Funding for Total Scheme Budget									
Total Scheme Budget £'000	Prior Years		Future Years			External Grant £'000	External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund £'000	Other Reserves £'000	Internal Borrowing £'000	Other incl. External Borrowing £'000	Funding of Budget £'000		
	Actuals £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000											
511	0	10	501	0	0	0	511	0	0	0	0	0	0	0	511	
169	0	0	169	0	0	0	169	0	0	0	0	0	0	0	169	
500	0	50	435	15	0	0	437	0	63	0	0	0	0	0	500	
631	0	350	281	0	0	0	631	0	0	0	0	0	0	0	631	
423	48	356	19	0	0	0	23	0	0	0	400	0	0	0	423	
422	0	50	150	222	0	0	0	422	0	0	0	0	0	0	422	
400	17	345	18	20	0	0	0	0	0	400	0	0	0	0	400	
370	1	369	0	0	0	0	370	0	0	0	0	0	0	0	370	
348	4	330	14	0	0	0	308	0	15	0	25	0	0	0	348	
336	0	10	326	0	0	0	336	0	0	0	0	0	0	0	336	
600	0	15	435	150	0	0	600	0	0	0	0	0	0	0	600	
122	0	0	122	0	0	0	122	0	0	0	0	0	0	0	122	
280	0	0	280	0	0	0	270	0	10	0	0	0	0	0	280	
275	0	15	246	14	0	0	125	0	150	0	0	0	0	0	275	
265	0	235	30	0	0	0	235	0	30	0	0	0	0	0	265	
274	13	261	0	0	0	0	246	0	6	0	22	0	0	0	274	
260	1	256	3	0	0	0	63	29	168	0	0	0	0	0	260	
2,343	733	1,610	0	0	0	0	1,910	0	433	0	0	0	0	0	2,343	
66,453	58,364	6,083	1,947	59	0	0	49,813	6,548	2,756	0	256	0	0	7,080	66,453	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
1,680	0	0	1,680	0	0	0	1,400	0	280	0	0	0	0	0	1,680	
800	0	0	800	0	0	0	800	0	0	0	0	0	0	0	800	
200	0	0	200	0	0	0	200	0	0	0	0	0	0	0	200	
2,420	0	0	1,000	1,420	0	0	2,200	0	220	0	0	0	0	0	2,420	
500	0	0	500	0	0	0	500	0	0	0	0	0	0	0	500	
2,500	0	0	0	2,000	500	0	0	2,500	0	0	0	0	0	0	2,500	
114	0	0	114	0	0	0	114	0	0	0	0	0	0	0	114	
100	0	0	0	100	0	0	100	0	0	0	0	0	0	0	100	
350	0	0	350	0	0	0	350	0	0	0	0	0	0	0	350	
150	0	0	150	0	0	0	150	0	0	0	0	0	0	0	150	
1,800	0	0	900	900	0	0	0	1,800	0	0	0	0	0	0	1,800	
3,800	0	0	1,900	1,900	0	0	0	3,800	0	0	0	0	0	0	3,800	
500	0	0	500	0	0	0	0	500	0	0	0	0	0	0	500	
250	0	0	250	0	0	0	0	250	0	0	0	0	0	0	250	
3,841	0	0	500	3,341	0	0	0	3,841	0	0	0	0	0	0	3,841	
1,500	0	0	750	750	0	0	1,500	0	0	0	0	0	0	0	1,500	
360	0	0	360	0	0	0	300	0	60	0	0	0	0	0	360	
760	0	0	380	380	0	0	760	0	0	0	0	0	0	0	760	
440	0	0	220	220	0	0	440	0	0	0	0	0	0	0	440	
3,812	0	0	0	3,812	0	0	3,812	0	0	0	0	0	0	0	3,812	
5,207	0	0	0	5,207	0	0	5,207	0	0	0	0	0	0	0	5,207	
159,542	69,854	27,634	36,965	24,489	600	0	118,661	27,696	4,345	0	1,146	0	0	7,694	159,542	

Scheme Name	Total Scheme Budget £'000	Total Scheme Budget							Funding for Total Scheme Budget							Funding of Budget Total £'000					
		Prior Years		2015/16		2016/17		2017/18		2018/19		Future Years		External Grant £'000	External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund £'000	Other Reserves £'000	Internal Borrowing £'000	Other incl. External Borrowing £'000
		Actuals £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Archives</b>																					
Alvin Street Extension	2,299	32	176	1,091	1,000	0	0	0	1,000	0	72	1,100	127	0	0	0	0	2,299			
FOI Database	10	0	10	0	0	0	0	0	0	0	10	0	0	0	0	0	0	10			
	<b>2,309</b>	<b>32</b>	<b>186</b>	<b>1,091</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>82</b>	<b>1,100</b>	<b>127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,309</b>			
<b>ICT Projects</b>																					
ICT Strategy Desktop 14/15	5,338	2,185	3,149	4	0	0	0	0	0	0	500	2,138	700	2,000	0	0	0	5,338			
ICT Strategy Infrastructure	3,324	2,316	402	306	200	100	0	0	680	0	852	1,267	0	0	0	525	3,324				
Information Management Digital 15/16	1,400	0	0	700	700	0	0	0	0	0	0	1,400	0	0	0	0	1,400				
Network Infrastructure 15/16	1,016	0	451	565	0	0	0	0	0	0	45	971	0	0	0	0	1,016				
ICT Strategy Telephony 14/15	716	7	136	573	0	0	0	0	0	0	0	716	0	0	0	0	716				
SAP Servers Upgrade 15/16 MTFS	661	11	650	0	0	0	0	0	0	0	300	361	0	0	0	0	661				
People's Network replacement 15/16	351	77	243	31	0	0	0	0	0	0	0	351	0	0	0	0	351				
Contact Centre	321	22	270	29	0	0	0	0	0	0	0	321	0	0	0	0	321				
Schemes under £250,000 (15/16 onwards)	1,247	618	207	422	0	0	0	0	445	0	257	545	0	0	0	0	1,247				
<b>New starts 2016/17 onwards</b>	<b>14,374</b>	<b>5,236</b>	<b>5,508</b>	<b>2,630</b>	<b>900</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>1,125</b>	<b>0</b>	<b>1,954</b>	<b>8,070</b>	<b>700</b>	<b>2,000</b>	<b>0</b>	<b>525</b>	<b>14,374</b>				
<b>AMPS</b>																					
Shire Hall - Toilet Refurbishments	300	0	300	0	0	0	0	0	0	0	300	0	0	0	0	0	300				
Blackfriars & Quays Redevelopment	4,130	0	505	2,895	730	0	0	0	4,130	0	0	0	0	0	0	0	4,130				
Area Based Review & Quayside Master Plan	8,000	0	500	3,500	3,000	1,000	0	0	0	0	8,000	0	0	0	0	0	8,000				
Worksmart - Photovoltaic Panels	900	0	0	900	0	0	0	0	0	0	0	900	0	0	0	0	900				
MTFS SH Refurbishment	7,100	0	0	7,100	0	0	0	0	0	0	7,100	0	0	0	0	0	7,100				
Locality Hubs	352	1	175	176	0	0	0	0	352	0	0	0	0	0	0	0	352				
SH MTFS SH Maintenance	862	437	261	164	0	0	0	0	0	0	294	568	0	0	0	0	862				
New Cap Maintenance Strat 08/09 onwards	1,335	1,030	305	0	0	0	0	0	0	0	1,022	313	0	0	0	0	1,335				
Health & Safety Works 2008/09 - 2013/14	628	336	150	142	0	0	0	0	89	0	539	0	0	0	0	0	628				
Schemes under £250,000 (15/16 onwards)	7,877	5,595	1,991	291	0	0	0	0	60	200	3,515	1,849	170	0	0	2,083	7,877				
<b>New starts 2016/17 onwards</b>	<b>16-17 MTFS Shire Hall Maintenance</b>	<b>1,500</b>	<b>0</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>					
Health & Safety Works 2016/17 - 2018/19	900	0	0	300	300	300	0	0	0	0	900	0	0	0	0	0	900				
Disabled Access Corporate 2016/17 - 2018/19	450	0	0	150	150	150	0	0	0	0	450	0	0	0	0	0	450				
	<b>34,334</b>	<b>7,399</b>	<b>4,187</b>	<b>16,118</b>	<b>4,680</b>	<b>1,950</b>	<b>0</b>	<b>0</b>	<b>4,631</b>	<b>200</b>	<b>5,370</b>	<b>20,980</b>	<b>170</b>	<b>900</b>	<b>0</b>	<b>2,083</b>	<b>34,334</b>				
<b>E&amp;T Miscellaneous</b>																					
Solar Ground Mounted Facilities	12,795	0	0	6,421	6,374	0	0	0	0	0	0	0	0	0	12,795	0	12,795				
Schemes under £250,000 (15/16 onwards)	629	483	0	146	0	0	0	0	0	0	244	306	0	0	0	79	629				
	<b>13,424</b>	<b>483</b>	<b>0</b>	<b>6,567</b>	<b>6,374</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>244</b>	<b>306</b>	<b>0</b>	<b>0</b>	<b>12,795</b>	<b>79</b>	<b>13,424</b>				
<b>Rural Services</b>																					
Schemes under £250,000 (15/16 onwards)	1,367	691	126	550	0	0	0	0	103	0	131	602	0	0	0	531	1,367				
<b>New starts 2016/17 onwards</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>				
Rural Estates - Farm Investment	2,867	691	126	1,050	500	500	0	0	103	0	131	2,102	0	0	0	531	2,867				



Scheme Name	Total Scheme Budget £'000	Total Scheme Budget						Funding for Total Scheme Budget														
		Prior Years		2015/16		2016/17		2017/18		2018/19		Future Years		External Grant £'000	External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund £'000	Other Reserves £'000	Internal Borrowing £'000	Other incl. External Borrowing £'000	Funding of Budget Total £'000
		Actuals £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Infrastructure - Highways - Other</b>																						
LED Street lighting Major Project	22,500	0	2,030	4,300	5,870	10,300	0	9,800	0	2,030	10,670	0	0	0	0	0	0	0	22,500			
Rural Broadband - Fastershire	13,700	0	3,050	7,050	3,600	0	0	0	0	0	4,354	0	9,346	0	0	0	0	0	13,700			
Residual Waste Project	9,121	8,740	0	283	98	0	0	0	0	380	0	0	0	0	0	0	0	8,741	9,121			
Lydney Level Crossings	500	10	0	490	0	0	0	500	0	0	0	0	0	0	0	0	0	0	500			
Flood & Water Management Act	313	15	0	298	0	0	0	278	0	35	0	0	0	0	0	0	0	0	313			
Whaddon - Flood Alleviation Scheme FDGiA	293	17	76	200	0	0	0	133	0	160	0	0	0	0	0	0	0	0	293			
Hempsted HRC	380	0	250	130	0	0	0	0	0	380	0	0	0	0	0	0	0	0	380			
Schemes under £250,000 (15/16 onwards)	2,620	684	1,040	896	0	0	0	512	17	1,541	0	550	0	0	0	0	0	0	2,620			
	<b>49,427</b>	<b>9,466</b>	<b>6,446</b>	<b>13,647</b>	<b>9,568</b>	<b>10,300</b>	<b>0</b>	<b>11,223</b>	<b>17</b>	<b>4,526</b>	<b>15,024</b>	<b>550</b>	<b>9,346</b>	<b>0</b>	<b>8,741</b>	<b>49,427</b>						
<b>Communities &amp; Infrastructure - Libraries</b>																						
Schemes under £250,000 (15/16 onwards)	1,130	610	256	176	88	0	0	0	638	244	21	0	0	0	0	227	0	1,130				
<b>New starts 2016/17 onwards</b>																						
Customer Services Programme	1,500	0	0	500	500	500	0	0	0	0	1,500	0	0	0	0	0	0	0	1,500			
	<b>2,630</b>	<b>610</b>	<b>256</b>	<b>676</b>	<b>588</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>638</b>	<b>244</b>	<b>1,521</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>227</b>	<b>0</b>	<b>2,630</b>				
<b>Community Safety F&amp;R</b>																						
Control Room Equipment	1,700	1,219	481	0	0	0	0	1,700	0	0	0	0	0	0	0	0	0	0	1,700			
Fire Vehicles 2013/14-2014/15	1,220	928	266	25	0	0	0	1,195	0	0	25	0	0	0	0	0	0	0	1,220			
BA Project	700	0	350	350	0	0	0	700	0	0	0	0	0	0	0	0	0	0	700			
Schemes under £250,000 (15/16 onwards)	35	0	6	29	0	0	0	0	0	0	0	35	0	0	0	0	0	0	35			
<b>New starts 2016/17 onwards</b>																						
Fire Vehicles (estimated 2015/16 - 17/18)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	<b>3,655</b>	<b>2,147</b>	<b>1,104</b>	<b>404</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,595</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,655</b>			
	<b>458,818</b>	<b>156,025</b>	<b>77,372</b>	<b>124,881</b>	<b>67,875</b>	<b>32,665</b>	<b>0</b>	<b>292,180</b>	<b>40,395</b>	<b>23,589</b>	<b>50,244</b>	<b>5,834</b>	<b>12,246</b>	<b>12,795</b>	<b>21,535</b>	<b>458,818</b>						

## **Annex 9 Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2017/18**

**Gloucestershire County Council**

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### **Appendices**

- A. Economic and Interest Rate Forecast
- B. Existing Portfolio Projected Forward
- C. Prudential Indicators

## 1. Background

- 1.1 In February 2010 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 1.2 In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.
- 1.3 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance. In particular this Treasury Management Strategy Statement aims to approve:
  - Treasury Management Strategy for 2016/17
  - Annual Investment Strategy for 2016/17
  - Prudential Indicators for 2016/17, 2017/18 and 2018/19
  - MRP Statement
- 1.4 The Council has borrowed and invested substantial sums of money and therefore has potentially large exposures to financial risks, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.

## 2. External Context

### Economic background

- 2.1 Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.
- 2.2 The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

### Credit outlook

- 2.3 The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

2.4 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain stubbornly low.

### **3. Interest Rate Forecast**

3.1 The Council's treasury management advisor Arlingclose forecasts the first rise in official interest rates in the third quarter of 2016 rising by 0.5% a year thereafter, finally settling between 2% and 3%. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

3.2 A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields. A more detailed economic and interest rate forecast, provided by Arlingclose, is attached at Appendix A.

### **4. Local Context**

4.1 At 31<sup>st</sup> March 2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £326.3m, while usable reserves and working capital which are the underlying resources available for investment were £234.6m. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.

4.2 The Council currently has £303.6 million (as at 31<sup>st</sup> October 2015) of external borrowing, a £21.0m PFI lease liability and £345.38 million (as at 26<sup>th</sup> October 2015) of internal investments. This is set out in further detail at Appendix B, and forecasts changes in these sums are shown in the balance sheet analysis at Table 1 below.

4.3 Under the Prudential Code the Council is able to borrow funds in excess of the current level of its CFR up to the projected level in 2018/19. The Council is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

4.4 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Council's borrowing requirement.

**Table 1: Balance Sheet Summary and Forecast**

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR	326.330	317.593	315.676	313.284	304.396
Less:					
Existing Profile of External Borrowing	303.575	298.712	293.849	285.514	277.651
and Other Long Term Liabilities (PFI)	21.479	20.943	20.391	19.825	19.137
<b>Internal (over) Borrowing</b>	<b>1.276</b>	<b>-2.062</b>	<b>1.436</b>	<b>7.945</b>	<b>7.608</b>
Less:					
Balances & Reserves	194.535	179.050	171.655	160.496	143.274
Working Capital	40.015	40.000	40.000	40.000	40.000
<b>Investments</b>	<b>(233.274)</b>	<b>(221.112)</b>	<b>(210.219)</b>	<b>(192.551)</b>	<b>(175.666)</b>

## 5. Borrowing Strategy

- 5.1 The total borrowing requirement at the end of 2015/16 is forecast to be £317.593 million (equivalent to the CFR). This is financed by historic external borrowing of £298.712 million, and a PFI lease liability of £20.943 million. The Council's aim is to reduce the level of borrowing over the next few years, and where possible repay some of the existing debt. In 2015/16 £4.863 million maturing external debt has been repaid to date. £4.863 million is forecast to be repaid in 2016/17 and opportunities to repay debt early will be kept under review. Where funding permits and it is cost effective to do so, additional loans may also be repaid.
- 5.2 As indicated in Table 1, the Council is forecasting that the capital programme will be fully financed from 2016/17 with only a small amount of internal borrowing (£1.4m) supporting the programme. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 5.3 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely that in the event that the Council needed to borrow it would be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 5.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.
- 5.5 In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

## 6. Sources of Borrowing and Portfolio Implications

6.1 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board and any successor body
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Gloucestershire Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues

6.2 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback.

6.3 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates. The Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons:

- 6.3.1 borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans;
- 6.3.2 there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and
- 6.3.3 up to 5% of the loan proceeds will be withheld from the Council and used to bolster the Agency's capital strength instead.

Any decision to borrow from the Agency will therefore be the subject of a separate report to Audit and Governance Committee.

6.4 The Council holds £41.050 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBO's have options during 2016/17, and although the Council believes lenders are unlikely to exercise their options in the current low interest rate environment, they will be kept under regular review. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

6.5 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators at Appendix C.

## 7 Debt Rescheduling

7.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is

expected to lead to an overall saving or reduction in risk. Such repayments will only be made after consultation with the Cabinet Member for Finance and Change.

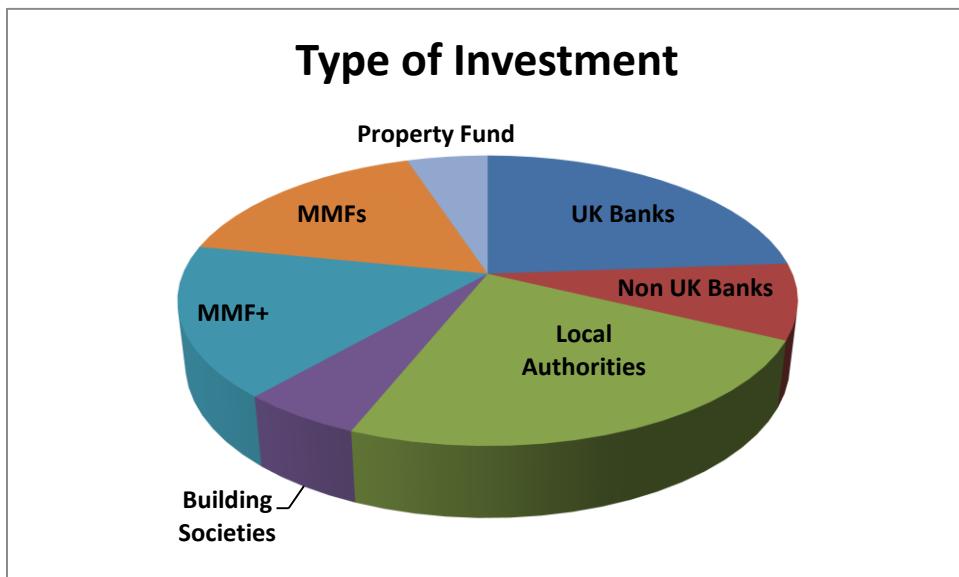
7.2 Borrowing and rescheduling activity will be reported to the Audit and Governance Committee in the Annual Treasury Management Report and the regular treasury management reports presented to Cabinet.

## 8. Investment Strategy

8.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's internal investment balance has ranged between £258.206 million and £346.828 million, and similar levels are expected to be maintained in the forthcoming year.

8.2 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

8.3 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and / or higher yielding asset classes during 2016/17. This is especially the case for the estimated £189m that is available for longer-term investment. The majority of the Council's surplus cash is currently invested as follows, of which 60% is exposed to "bail-in" risk (ie the risk that should the counterparty fail the Council will lose a proportion of the funds deposited):



8.4 The Council is committed to moving away from unsecured investments where feasible. To minimise the risk of unsecured deposits the Council has the approved counterparties in Table 2 below, subject to the cash and time limits shown.

**Table 2: Approved Investment Counterparties**

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£15m	£30m	£30m	£15m	£15m
	5 years	20 years	50 years	20 years	20 years
AA+	£15m	£30m	£30m	£15m	£15m
	5 years	10 years	25 years	10 years	10 years
AA	£15m	£30m	£30m	£15m	£15m
	4 years	5 years	15 years	5 years	10 years
AA-	£15m	£30m	£30m	£15m	£15m
	3 years	4 years	10 years	4 years	10 years
A+	£15m	£30m	£15m	£15m	£15m
	2 years	3 years	5 years	3 years	5 years
A	£15m	£30m	£15m	£15m	£15m
	13 months	2 years	5 years	2 years	5 years
A-	£15m	£30m	£15m	£15m	£15m
	6 months	13 months	5 years	13 months	5 years
BBB+	£7.5m	£15m	£7.5m	£7.5m	£7.5m
	100 days	6 months	2 years	6 months	2 years
BBB	£7.5m	£15m	n/a	n/a	n/a
	next day only	100 days			
None	£1m	n/a	£30m	£1m	£15m
	6 months		25 years	5 years	5 years
Pooled funds			£30m per fund		

Table 2 should be read in conjunction with the notes below:

- **Credit Rating:**  
Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.
- **Banks Unsecured:**  
Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Councils current account bank HSBC.
- **Banks Secured:**  
Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- **Government:**  
Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- **Corporates:**  
Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
- **Registered Providers:**  
Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.
- **Pooled Funds:**  
Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of a professional fund manager in return for a fee. Short Term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

- **Other Organisations:**

The Council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser.

## **9 Risk Assessment and Credit Ratings**

9.1 The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

9.2 Where a credit rating agency announces that a A- rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only specified investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

9.3 **For specified investments:** CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

9.4 The Council defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

**Ratings as determined for use by the Council:**

<b>Long-term</b>	
<b>Fitch</b>	A-
<b>Moody's</b>	A3
<b>S&amp;P</b>	A-
<b>Sovereign</b>	AA+

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

9.5 The Council may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Council may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £30 million in total,
- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments,
- shares in money market funds and other pooled funds, and
- reverse repurchase (repo) agreements.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures shown in Appendix C.

9.6 **Liquidity management:** The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

## **10 Security of Investments**

10.1 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

10.2 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

10.3 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown Appendix D, together with investment limits and approved instruments.

<b>Non Specified Investment Limits</b>	<b>Cash limit £m</b>
Total long-term investments	120
Total investments without credit ratings or rated below A-	150
Total investments (excluding pooled funds) in foreign countries rated below AA+	60
Total non-specified investments	330

Notes:

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The Local Authority Mortgage Scheme (cash backed option) requires a 5 year deposit to be placed with the mortgage lender. The deposit forms an integral part of the mortgage lending, and is included on the investment portfolio in accordance with accounting regulations, however is in addition to current lending limits specified.
3. The Council has placed funds with Funding Circle, which is a Local Authority Partnership Programme. These funds will be used to support the Business community of Gloucestershire and are in addition to the current lending limits specified above.

10.4 The Council's usable revenue reserves (excluding school balances) available to cover investment losses are forecast to be £97.767 million on 31st March 2016. In order that no more than 30% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £30 million.

10.5 A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts (e.g. King & Shaxson), foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£30m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£30m per group
Any group of pooled funds under the same management	£50m per manager
Negotiable instruments held in a broker's nominee account	£75m per broker
Foreign countries	£30m per country
Registered Providers	£40m in total
Unsecured investments with Building Societies	£40m in total
Loans to small businesses	£1m in total
Loans to unrated corporates	£30m in total
Money Market Funds	£100m in total

## 11 Policy on Use of Financial Derivatives

11.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

11.2 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

11.4 The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

## 12 2016/17 MRP Statement

12.1 Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. This required local authorities to assess their outstanding debt and to make an annual charge to the General Fund of 4% of the General Fund Debt.

12.2 DCLG's Guidance on MRP places a duty on local authorities to make a prudent provision for debt redemption. Guidance has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003. The MRP Statement must be submitted to Council before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement would be put to Council at that time.

12.3 The four MRP options illustrated by the guidance are:

- Option 1: Regulatory Method:

This method can only be adopted for debt prior to 2008, and allows MRP to be calculated as per the previous guidelines via a formula link of 4% to CFR. The Council maintained this method for historic debt when the regulations changed.

- Option 2: CFR Method:

This is a simplified version of Option 1 that makes an adjustment for housing authorities and other adjustments under SI2007. For the Council this would provide the same result as Option 1.

- Option 3: Asset Life Method:

This method is used by the Council for all debt taken after 2008. It uses the asset life to determine the charge to revenue, to write the borrowed amount out fully over that life.

- Option 4: Depreciation Method:

This option is a more complex calculation of option 3, where MRP is matched to the provision for depreciation. Due to its complex nature its use was dismissed by the Council.

CLG have confirmed that the illustration of these options does not preclude other prudent methods being adopted by authorities..

12.4 Options 1 and 2 may only be used for supported expenditure, which relates to debt taken prior to 2008. Methods of making prudent provision for self financed expenditure after this date include Options 3 and 4.

12.5 In previous years the Council has applied Option 1 in respect of supported capital expenditure (pre-2008 debt) and Option 3 in respect of unsupported capital expenditure (post-2008 debt), and MRP in respect of PFI and finance leases brought on Balance Sheet under the IFRS-based Code of Practice matches the annual principal repayment for the associated deferred liability.

12.6 In line with Council policy on the repayment of debt, and with the continuation of capital grants by government, the Council has not borrowed externally over the last 5 years. Opportunities are now limited for the repayment of debt early due to the low interest rate environment, meaning that high premiums would need to be paid should the Council wish to restructure or repay external debt early. Internal borrowing has been fully repaid during 2015/16, and maturing debt will continue to be redeemed over the next few years. However given the reduction in debt an excess of MRP may now accumulate and the Council will not remain within Prudential Indicator 4 (Appendix C) if the policy remains unchanged.

12.7 DCLG's Guidance on MRP places a duty on local authorities to make a prudent provision for debt redemption, and although four MRP options are illustrated other prudent methods are acceptable. In order to ensure that the MRP charge remains prudent, the Council remains within Prudential Indicators, and to reduce the amount of excess MRP set aside, the Council proposes to implement a new policy in place of Option 1 in respect of supported capital expenditure, similar to that already adopted by other Local Authorities. No change is proposed to the application of Option 3 in respect of unsupported capital expenditure. This new policy for supported capital expenditure initially sets aside a fixed sum of MRP each year of £7.4m. By making the change revenue base budget can be released from 2015/16 totalling £4 million per year as proposed in the MTFS and budget monitoring report being considered by Cabinet.

12.8 By fixing MRP at this level, modelling has shown that the CFR will reduce quicker than if the MRP policy had remained unchanged ie. the external borrowing requirement reduces faster. The reason for this is because a fixed sum is now set aside whereas under the regulatory method MRP is calculated on a reducing balance methodology. The policy will be reviewed annually in line with regulations to ensure that this remains prudent and the Council remains within Prudential Indicator 4 (Appendix C).

12.9 MRP in respect of PFI and finance leases brought on Balance Sheet under the IFRS-based Code of Practice will match the annual principal repayment for the associated deferred liability.

### **13 Monitoring and Reporting on the Treasury Outturn and Prudential Indicators**

13.1 Treasury Activity is monitored regularly and reported internally to the Strategic Finance Director. The Prudential Indicators will be monitored through the year and reported as follows:

The Strategic Finance Director will report to the Audit and Governance Committee on Treasury Management activity / performance and Performance Indicators as follows:

- Outturn report on treasury activity for the prior year will be presented to the June meeting.
- A monitoring update report will be presented to the September meeting.
- Consultation on the following year strategy will be presented to the January meeting.

In addition the Strategic Finance Director will report regularly to Cabinet, as part of the monitoring report, on treasury management activity / performance.

### **14 Other items**

#### **Treasury Management Training**

CIPFA's Code of Practice requires the Strategic Finance Director to ensure that all members and staff tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Requirements for members training, including Audit and Governance Committee, will be kept under review. Senior staff with responsibility for treasury management have a professional

responsibility to ensure that they are aware of the relevant Codes and Guidance which apply to the treasury function, and have access to the skills and knowledge to carry out their roles effectively.

### **Investment Consultants / Treasury Advisors**

The CLG's Guidance on local government investments recommends that the Investment Strategy should state:

- Whether and, if so, how the Council uses external contractors offering information, advice or assistance relating to investment, and
- How the quality of any such service is controlled.

In order to ensure that we manage the relationship with our treasury advisors effectively we meet on a regular basis, usually quarterly. At these meetings current market conditions are reviewed, as is the strategy in light of this. We ensure that the information provided is current and appropriate to our circumstances.

The Council maintains the quality of the service with its advisors by holding quarterly meetings and tendering periodically.

## Appendix A

### Arlingclose's Economic and Interest Rate Forecast

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Official Bank Rate</b>													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.50</b>	<b>1.50</b>	<b>1.75</b>	<b>1.75</b>
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
<b>3-month LIBID rate</b>													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
<b>Arlingclose Central Case</b>	<b>0.55</b>	<b>0.60</b>	<b>0.70</b>	<b>0.80</b>	<b>0.95</b>	<b>1.05</b>	<b>1.15</b>	<b>1.30</b>	<b>1.40</b>	<b>1.55</b>	<b>1.65</b>	<b>1.80</b>	<b>1.85</b>
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
<b>1-yr LIBID rate</b>													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
<b>Arlingclose Central Case</b>	<b>1.10</b>	<b>1.20</b>	<b>1.35</b>	<b>1.45</b>	<b>1.55</b>	<b>1.70</b>	<b>1.80</b>	<b>1.95</b>	<b>2.00</b>	<b>2.10</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
<b>5-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.70</b>	<b>1.80</b>	<b>1.90</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.25</b>	<b>2.30</b>	<b>2.35</b>	<b>2.35</b>
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>10-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.00</b>	<b>2.05</b>	<b>2.10</b>	<b>2.20</b>	<b>2.30</b>	<b>2.40</b>	<b>2.50</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.80</b>
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>20-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>2.95</b>
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
<b>50-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>3.00</b>	<b>3.00</b>
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

### Underlying Assumptions:

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.

- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly more likely in December given recent data and rhetoric by committee members.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

**Forecast:**

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

- Appendix B

## EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio	Average Rate	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19
			Estimate	Estimate	Estimate	Estimate
			£m	%	£m	£m
<b>External Borrowing</b>						
Fixed Rate – PWLB	257.662	5.34	257.662	252.799	244.464	236.601
Fixed Rate – Market	41.050	4.38	41.050	41.050	41.050	41.050
Variable Rate – PWLB	0.000	0.00	0.000	0.000	0.000	0.000
Variable Rate – Market	0.000		0.000	0.000	0.000	0.000
<b>Total External Borrowings</b>	<b>298.712</b>	<b>5.42</b>	<b>298.712</b>	<b>293.849</b>	<b>285.514</b>	<b>277.651</b>
Other long-term liabilities (PFI)	20.391		20.391	20.391	19.825	19.137
<b>Total External Debt</b>	<b>319.103</b>		<b>319.103</b>	<b>314.240</b>	<b>305.339</b>	<b>296.788</b>
<b>Investments:</b>						
<i>Managed in house</i>						
- Short term deposits and monies on call and Money Market Funds	279.865	0.48	298.669	293.842	282.683	265.461
- Long Term investments (over 12 months)	49.009	1.63	49.009	49.009	49.009	49.009
<i>Managed externally</i>	15.000	4.01	15.000	15.000	15.000	15.000
<b>Total Investments</b>	<b>343.874</b>		<b>362.678</b>	<b>357.851</b>	<b>346.692</b>	<b>329.470</b>
<b>Net Borrowing / Investment Position</b>	<b>24.771</b>		<b>43.575</b>	<b>43.611</b>	<b>41.353</b>	<b>32.682</b>

## Prudential Indicators 2016/17

**1. Background:**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**2. Estimates of Capital Expenditure:**

2.1 This indicator is set to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. The table below shows the estimates of capital expenditure, and further detail can be found in the Capital Programme Report.

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	53.132	75.470	115.549	59.253	32.165

2.2 Capital expenditure is expected to be financed as follows:

Capital Financing	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	8.098	6.709	18.210	12.019	13.350
Government Grants	35.622	49.801	76.116	36.975	18.815
Revenue Contributions	5.075	5.301	0.816	0.000	0.000
Capital Contributions	3.765	5.829	8.039	0.285	0.000
Reserves	0.572	7.830	5.950	3.600	0.000
<b>Total Financing</b>	<b>53.132</b>	<b>75.470</b>	<b>109.131</b>	<b>52.879</b>	<b>32.165</b>
Internal Borrowing	0.000	0.000	6.421	6.374	0.000
External Borrowing	0.000	0.000	0.000	0.000	0.000
<b>Total Funding</b>	<b>0.000</b>	<b>0.000</b>	<b>6.421</b>	<b>6.374</b>	<b>0.000</b>
<b>Total Financing &amp; Funding</b>	<b>53.132</b>	<b>75.470</b>	<b>115.552</b>	<b>59.253</b>	<b>32.165</b>

**3. Capital Financing Requirement:**

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. The CFR is forecast to fall over the next three years as maturing debt is repaid and additional voluntary revenue contributions are made.

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
<b>Capital Financing Requirement</b>	326.330	317.593	315.676	313.284	304.396

#### **4. Gross Debt and the Capital Financing Requirement:**

- 4.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.
- 4.2 If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.
- 4.3 The Strategic Finance Director reports that the Council had no difficulty meeting this requirement in 2015/16, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals from the approved budget.

#### **5. Authorised Limit and Operational Boundary for External Debt:**

- 5.1 The Council has an integrated Treasury Management Strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 5.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.
- 5.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 5.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Council's Authorised Limit is shown below.

Authorised Limit for External Debt	2015/16	2016/17	2017/18	2018/19
	Approved	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<b>Total</b>	<b>380.000</b>	<b>360.000</b>	<b>360.000</b>	<b>350.000</b>

- 5.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

5.6 The Strategic Finance Director has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next appropriate meeting of the Council. The Council's Operational Boundary is shown below.

Operational Boundary for External Debt	2015/16	2016/17	2017/18	2018/19
	Approved	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<b>Total</b>	<b>352.000</b>	<b>330.000</b>	<b>330.000</b>	<b>330.000</b>

## 6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2015	£m
Borrowing	303.575
Other Long-term Liabilities	21.479
<b>Total</b>	<b>325.054</b>

## 7. Ratio of Financing Costs to Net Revenue Stream:

7.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

7.2 The estimate for interest payments in 2015/16 is £15.678 million and for interest receipts is £2.5 million. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

	2015/16	2016/17	2017/18	2018/19
	Approved	Estimate	Estimate	Estimate
<b>Ratio of Financing Costs to Net Revenue Stream</b>	6.25%	6.48%	6.80%	7.36%

## 8. Incremental Impact of Capital Investment Decisions:

8.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2015/16	2016/17	2017/18	2018/19
	Approved	Estimate	Estimate	Estimate
	£	£	£	£
<b>Increase in Band D Council Tax</b>	<b>0.00</b>	<b>0.72</b>	<b>2.64</b>	<b>1.82</b>

8.2 The Council's capital plans, as estimated in forthcoming financial years, have a nil impact on Council Tax. This reflects the fact that capital expenditure is predominantly financed from grants, contributions, capital receipts, and internal resources.

## 9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

### Adoption of the CIPFA Code of Practice in Treasury Management

The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 24th February 2010\*.

*\*The Council has incorporated the changes from the revised CIPFA Code of Practice (published November 2011) into its treasury policies, procedures and practices.*

## 10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

10.4 This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2015/16	2016/17	2017/18	2018/19
	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<b>Upper limit for Fixed Interest Rate exposure</b>	320	320	315	305
<b>Upper limit for Variable Interest Rate exposure</b>	0	0	0	0

## 11. Maturity Structure of Fixed Rate borrowing:

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Fixed Rate £m Borrowing as at 31/03/16</b>	<b>Actual Fixed Rate £m Borrowing as at 31/03/16</b>	<b>Fixed Rate Borrowing as at 31/03/16</b>	<b>Compliance with Set Limits?</b>
	<b>%</b>	<b>%</b>	<b>LOBO*</b>	<b>PWLB</b>	<b>%</b>	
under 12 months	25	0	41.050	4.863	15.4	Yes
12 months and within 24 months	25	0		8.336	2.8	Yes
24 months and within 5 years	50	0		23.690	7.9	Yes
5 years and within 10 years	75	0		36.545	12.2	Yes
10 years and within 20 years	100	0		44.000	14.7	Yes
20 years and within 30 years	100	0		47.849	16.0	Yes
30 years and within 40 years	100	0		77.379	25.9	Yes
40 years and within 50 years	100	0		15.000	5.0	Yes

Note that LOBO's are included in the table above at earliest call date and not at maturity.

## 12. Upper Limit for total principal sums invested over 364 days:

12.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Approved</b> <b>£m</b>	<b>Estimate</b> <b>£m</b>	<b>Estimate</b> <b>£m</b>	<b>Estimate</b> <b>£m</b>
Upper Limit for total principal sums invested over 364 days	100	120	130	140

# Gloucestershire County Council Risk Management Policy Statement & Strategy



2016-2017

# Risk Management Policy Statement

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Gloucestershire County Council (GCC) recognises that Risk Management is one of the key principles of effective Corporate Governance. It is also a key contributor to a sound internal control environment and the Annual Governance Statement.

The Council seeks to adopt recognised best practice in the identification, evaluation and cost effective/proportional control of risks and opportunities to ensure that they are managed at acceptable levels. Risk management within GCC is about managing our threats and opportunities and striving to create an environment of 'no surprises'. By managing our threats effectively we will be in a stronger position to deliver our business objectives. By managing our opportunities we will be in a better position to demonstrate improved services and better value for money.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. As an organisation it can impact in many ways, whether financially, politically, on our reputation, environmentally or to our service delivery. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development. As an organisation, with a range of different stakeholders, each with differing needs and expectations, this can be a challenge. We must ensure that the decisions we take as a Council reflect a consideration of the potential implications for all our stakeholders. We must decide whether the benefits of taking our actions outweigh the risks.

The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the business, are understood and proactively managed, rather than avoided. Risk management therefore needs to be taken into the heart of the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. We do not shy away from risk but instead seek to proactively manage it. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.

The Cabinet and the Corporate Management Team are fully committed to effective risk management and see it as part of our responsibility to deliver an effective public service to the communities within Gloucestershire.

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# Risk Management Strategy

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This strategy recognises that the next few years will present unprecedented challenges for the Council in delivering its services and corporate priorities.

Risk Management is a central part of the Council's strategic management. It is a cyclical process whereby the Council identifies, evaluates, monitors and controls potential opportunities and adverse effects that challenge the assets, reputation and objectives of the organisation. It enables the Council to effectively manage strategic decision-making, service planning and delivery, to safeguard the wellbeing of our customers and stakeholders.

The Council should not be afraid of identifying a risk or feel that identifying a risk is a failure. Identification of a risk provides an opportunity for improvement and success!

## What are the real benefits of managing risk?

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Risk Management will strengthen the ability of the Council to achieve its corporate objectives and enhance the value of services provided by:

- Informing strategic and operational decision-making;
- Safeguarding all persons to whom the Council has a duty of care;
- Increasing our chances of success and reducing our chances of failure;
- Enhancing stakeholder value by minimising losses and maximising opportunities;
- Increasing knowledge and understanding of exposure to risk;
- Enabling not just backward looking review, but forward looking thinking;
- Contributing towards social value and sustainable development;
- Reducing unexpected and costly surprises;
- Minimising our vulnerability to fraud and corruption;
- Freeing up management time from 'fire-fighting' ;
- Providing management with early warnings of problems;
- Ensuring minimal service disruption;
- Ensuring statutory compliance;
- Better targeting of resources i.e. focus scarce resources on high risk activity;

- Reducing the financial costs due to, e.g. service disruption, litigation, insurance premiums and claims, and bad investment decisions;
- Delivering creative and innovative projects; and
- Protecting our reputation.

## Our Strategic Risk Management Objectives

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- Strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
- Setting the ‘tone from the top’ on the level of risk we are prepared to accept on our different service delivery activities and priorities. Understanding our ‘risk appetite’ and acknowledging that how we ‘think about risk’ will be different depending on the context of corporate impact and sensitivity;
- Risk management enables us to be more consistent in options appraisals and more flexible/agile in delivering change. Risk aversion can result in the bar being set much higher for commissioning a change compared with maintaining the status quo;
- Acknowledging that even with good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;
- Developing leadership capacity and skills in having a clear understanding of the risks facing the Council and how we manage them;
- Risk management should be integral to how we run Council business/services. Risk management processes provide effective arrangements that identify and achieve successful local and national priority objectives;
- Supporting a culture of well-measured risk taking throughout the Council’s business, including strategic, programme, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, reward, impact and cost of control measures;
- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management and continues to be a key and effective contributor to Corporate Governance and a satisfactory Annual Governance Statement;

- Effective monitoring and Board intelligence on the key risks facing the Council; and
- Good practice tools to support the Council in the management of risks.

# What is the Council's Risk Appetite?

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There are numerous definitions of organisational ‘risk appetite’, but it all boils down to how much of what sort of risk an organisation is willing to take. The HM Treasury definition being: *‘The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.’* So why do we need to determine our risk appetite?

If managers are running the business with insufficient guidance on the levels of risk that are legitimate for them to take, or not seizing important opportunities due to a perception that taking on additional risk is discouraged, then business performance will not be maximised. At the other end of the scale an organisation constantly erring on the side of caution (or one that has a risk-averse culture) is one that is likely to stifle creativity and not necessarily encouraging innovation, nor seek to exploit opportunities.

A framework has been developed and implemented to enable risk judgements to be more explicit, transparent and consistent. By enhancing our approach to determining risk appetite we are able to raise the Council’s capability to deliver on challenging targets to raise standards, improve service quality, system reform and provide more value for money.

This framework is considered by all levels of the business, from strategic decision making, to operational delivery.

## How are our objectives going to be met?

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The Council’s objectives will be achieved by:

- Adopting good practice risk management principles, in line with the Institute of Risk Management Professional Standards 2015 and the International Risk Management Standard (ISO 31000). The application of the standards and principles within it will be reviewed annually and amended accordingly to reflect key changes;
- Establishing clear roles and responsibilities and reporting lines within the Council for risk management;

- Incorporating risk management into the council's decision making and strategic management processes;
- Incorporating risk management into service/business planning, option appraisals, programme and project management, partnerships and procurement processes;
- The provision of risk management training, advice, detailed guidance and support and providing opportunities for shared learning; and
- The provision of a risk governance framework to ensure the adequacy and effectiveness of the identification, assessment, control, monitoring and review arrangements in place to manage risk. The framework will ensure that risk management is dynamic and responsive to change.

## **Monitoring and Review of Risk Management Activities (minimum requirements)**

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- A quarterly review of the Strategic Risk Register;
- A quarterly review of service area (Commissioning/Delivery) risk registers;
- A monthly review of programme/project/partnership risk registers;
- An annual review of the corporate Risk Management Policy Statement and Strategy;
- An annual report on risk management activity; and
- An annual review and report on the overall effectiveness of risk management and internal control by Internal Audit, which feeds into the Annual Governance Statement.

# Accountabilities, Roles and Responsibilities

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There needs to be clarity in terms of ‘who does what’ otherwise we will be exposed to risks being unmanaged, causing us damage or loss that we could otherwise influence, control or avoid. The key roles and responsibilities are outlined below:

## Cabinet

- Endorse the Risk Management Policy Statement and Strategy;
- Endorse the content of the Strategic Risk Register and proposed risk mitigation plans, and monitor implementation;
- Be aware of the risk management implications of decisions;
- Monitor key performance results including the production of an annual report on Strategic risk management activity; and
- Nominate a Lead Member Risk Management Champion to be responsible for the championing, scrutiny and oversight of the risk management activities.

## Portfolio Holders/Scrutiny

- Ensure that risks and opportunities within their portfolio are identified and effectively managed through discussions with Directors (Commissioning and Delivery) and Service Heads ;
- Facilitate a risk management culture across the council;
- Contribute to the Cabinet review of risk and being proactive in raising risk from the wider Gloucestershire area and community; and
- Monitor and challenge key risk controls and actions.

## Audit and Governance Committee

- Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment; and
- Receive an annual report on risk management activity.

## Corporate Management Team (CoMT)

- Provide corporate leadership of risk management throughout the Council;
- Agree an effective Council wide framework for the management of risks and opportunities;
- Advise Members on effective risk management and ensure Members receive relevant risk information;
- Ensure that the Council complies with the corporate governance requirements relating to risk management;
- Own the Council's Strategic Risk Register and ensuring that risks are reviewed as part of the wider Council's performance arrangements;
- Ensure that reports to support strategic and/or policy decisions include a risk assessment;
- Monitor the implementation of key mitigation plans and controls assurance programmes;
- Ensure processes are in place to report any perceived new/emerging (key) risks or failures of existing control measures; and
- Nominate a Director to be responsible for the championing, scrutiny and oversight of risk management activities.

## **Directors (Commissioning and Delivery)**

- Ensure that risk management within their areas of responsibility is implemented in line with the Council's Risk Management Strategy;
- Assist in the preparation of the Council's Annual Governance Statement by providing an assurance statement for the internal control framework operating within their service(s);
- Ensure that risks associated with the delivery of outcomes are identified and effectively managed by owning Risk Registers;
- Ensure regular review of the Risk Registers as part of wider Council performance;
- Challenge relevant Lead Commissioners and Service Heads on relevant risks relating to their areas of responsibility;
- Proactively raise risks issues at management team meetings and with Portfolio Holders; and
- Nominate a Risk Champion to work alongside the Corporate Risk Management Team, who will be the key interface in supporting the application of risk management principles within their service.

## **Lead Commissioners/Service Heads**

- Ensure that risk management, within their areas of responsibility, is implemented in line with the Council's Risk Management Strategy;
- Own their risk register and identify cross-cutting risks as well as risks arising from their areas of responsibility; prioritising and initiating mitigating actions;
- Ensure regular review of the service risk register as part of wider Council performance;
- Report to Directors on any perceived new and emerging risks or, failures of existing control measures;
- Promote and share good practice across service areas;
- Liaise with their service Risk Champion; and
- Challenge risk owners and actions to ensure that controls are operating as intended.

## **Managers**

- Ensure that risk management within their areas of responsibility is implemented in line with the Council's Risk Management Strategy;
- Communicate the risk management arrangements to staff;
- Liaise with their service Risk Champion;
- Identify training needs and report these to their service Risk Champion;
- Take accountability for actions and, report to their Lead Commissioner or Service Head; and
- Report any perceived new and/or emerging risks or, failure of control measures to their Lead Commissioner or Service Head.

## **Staff/Other Stakeholders**

- Maintain risk awareness, assessing and managing risks effectively in their job and, report risks to their manager.

## **Corporate Risk Management Team**

### **Strategic and Operational Risk**

- Lead on the development and manage the implementation of an integrated risk management framework, strategy and process on behalf of the Council;
- Undertake an annual review of the Council's Corporate Risk Management Strategy and update accordingly, presenting any revisions to COMT for approval;

- Spread the ethos and, promote the effectiveness of good risk management throughout the Council;
- Facilitate the review and update of the Strategic Risk Register;
- Identify and address cross cutting risks and risk management issues;
- Support the development of the Council's service, programme, project and partnership risk registers;
- Provide the Council with guidance, toolkits, advice and support on the application of risk management principles and, support the Risk Champions in delivering their role;
- Lead, co-ordinate and develop risk management activity across the Council with the support of the Risk Champions;
- Ensure that all relevant staff and Members are adequately trained in risk management and risk assessment techniques;
- Moderate and challenge the application of risk management principles accordingly;
- Liaise with external consultants and risk management organisations and review national standards to identify, share and maintain best practice within the Council; and
- Liaise with both internal and external audit with regard to risk management.

## **Risk Financing and Insurance**

- Lead on the development and implementation of the Council's Insurance programme;
- Provide advice and guidance with regards to insurance requirements, indemnities and legal liabilities;
- Lead on claims management and investigation services for claims made against the Council; and
- Provide an insurance programme to maintained schools, who buy-back the traded service;

## **Corporate Risk Management (virtual) Group**

The virtual group is made up of senior officers within the following:

- Corporate Risk Management;
- Performance & Need;
- Information Management;
- Health & Safety;
- Emergency Management;
- Risk/Insurance Services;
- Commercial Services;

- Asset Management & Property Services, and
- Service area risk champions (Commissioning and Delivery).

The key aims of the virtual group are to:

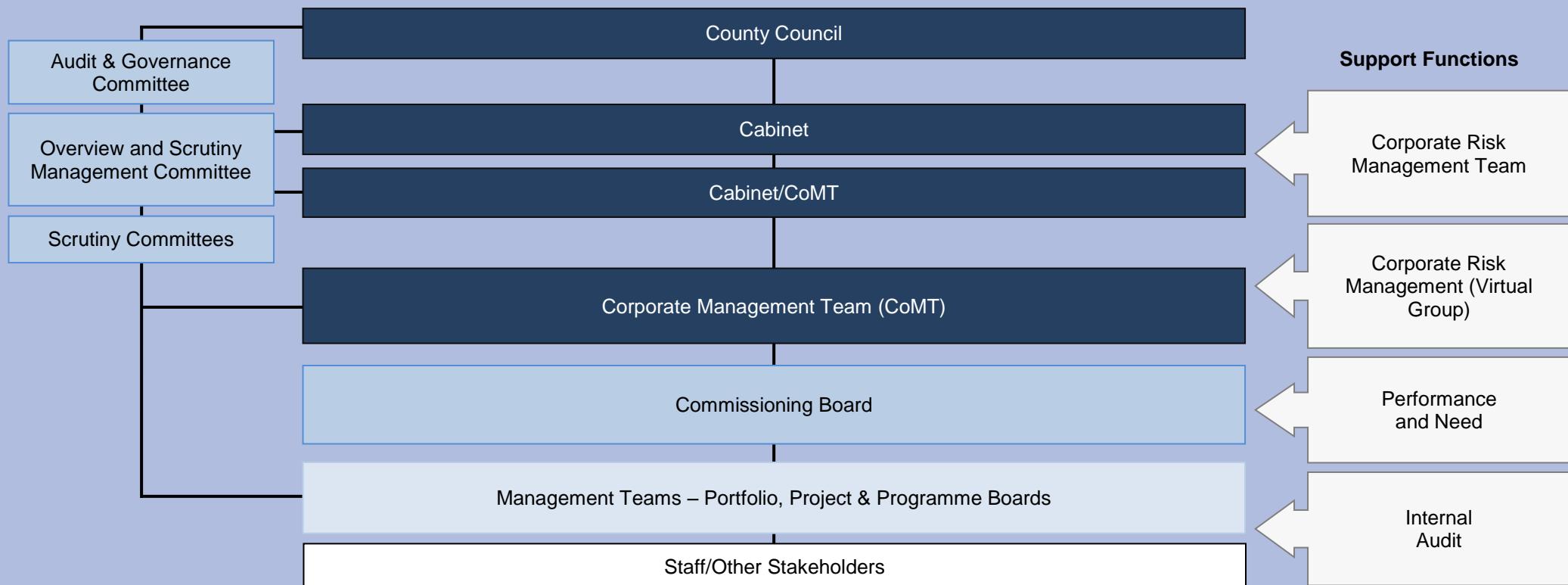
- Act as the main risk management contact/advisor for their service areas, ensuring that corporate information and requirements are communicated throughout the service areas and that key service risk information is escalated, to enable appropriate action to be taken by the Corporate Risk Management Team i.e. ‘top down – bottom up’ approach;
- Support the development and implementation of the Corporate Risk Management Policy and Strategy;
- Support the development of the Strategic Risk Register;
- Support the development of and advise on the adequacy of the service, programme, project and partnership risk registers;
- Identify and address cross cutting risks and risk management issues;
- Provide support on risk management to Directors, Service Heads and other managers within their service area;
- Promote the benefits of risk management across their service areas;
- Identify their service areas training needs and notify the Corporate Risk Management Team;
- Maintain, on behalf of their services, risk registers that comply with corporate guidelines;
- Promote and share best practice/lessons learned across the service areas; and
- Report on the progress and development of the Risk Management Strategy within the Council.

## Internal Audit

The role of Internal Audit in respect of risk management is to:

- Provide an annual independent, objective assessment/opinion of the effectiveness of the risk management and control processes operating within the Council which feeds into the Council’s Annual Governance Statement;
- Provide advice and guidance on risk and control; and
- Ensure that the Internal Audit activity is focused on the key risks facing the Council.

# Risk Management Governance Structure





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