Gloucestershire County Council

Medium Term Financial Strategy
Approved by Council
18th February 2015

2015/16 to 2017/18

<u>Budget 2015/16</u>

A Context

1 This Medium Term Financial Strategy (MTFS), and detailed budget for 2015/16, was approved by Full Council on 18th February 2015.

This MTFS covers the period 2015/16 to 2017/18. However, due to the absence of reliable data regarding financial settlements after the General Election in May 2015, detailed budget proposals only relate to 2015/16, with indicative forecasts given for the following two years.

The MTFS should be considered in the context of the Due Regard Statement, consultation feedback, and the Council Strategy, which 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 Council Strategy summaries these high level plans and is supported by a series of draft policy statements that set out our proposals for specific areas in more detail.

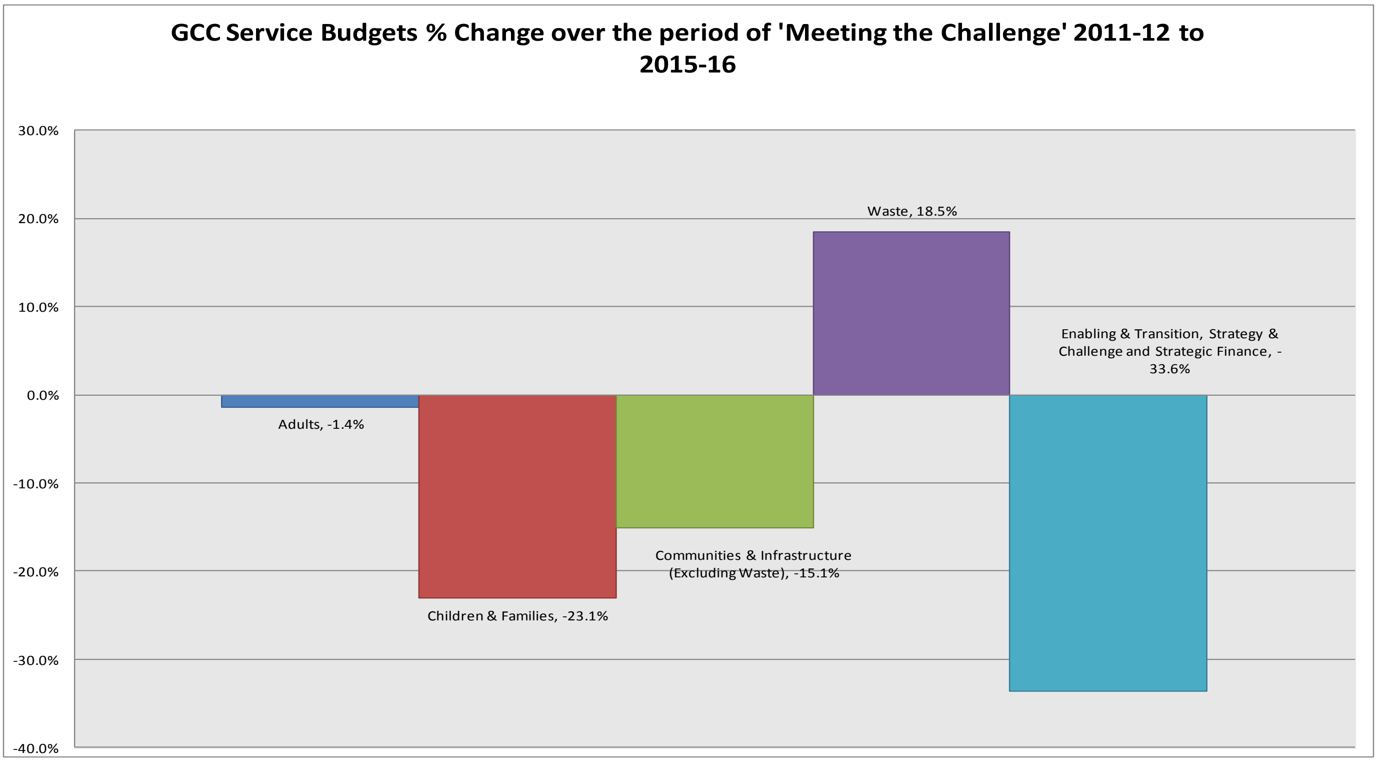
In the context of the Council Strategy commissioning intentions for each commissioning area moving forward are provided at Annex 1. The Annex highlights current achievements and future plans in relation to the redesign of services within Gloucestershire, which aim to maximise effectiveness whilst delivering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

2 The budget proposal for 2015/16 should be considered in the context of the budget changes over the period 2011/12 to 2014/15. Over this period the Council delivered over £123 million of cost reductions, whilst at the same time protecting the Adult Care budget. This required significant cost reductions, particularly in relation to the budgets for Children and Families, Business Support Services and Communities and Infrastructure.

Unfortunately, given the on-going financial challenges, it is no longer possible to continue to protect the Adult Care budget going forward, since this would require continued disproportionate reductions in the budgets of other key services, particularly in relation to the care of vulnerable children and the repair and maintenance of the highways network.

3 The detailed budget approved for 2015/16 is set out in section B below.

The percentage budget changes over the five year period of “Meeting the Challenge”, covering the years 2011/12 to 2015/16, are as set out in the graph below.



From this graph it can be seen that, although the Adults budget will now see a reduction over this period, this is still a much smaller reduction than has been experienced in most other service areas.

B Summary Revenue Budget Proposals 2015/16

4 The approved 2015/16 revenue budget is based on a budget of £420.03 million, which represents a decrease in cash terms of £8.075 million or 1.89%. Council Tax levels will again be frozen.

5 The budget proposals for 2015/16 are based on the provisional financial settlement announced by the Chancellor of the Exchequer on the 18th December 2014 and on other prudent financial forecasts.

6 The two year Council Tax Freeze Grant covering 2014/15 and 2015/16 is no longer a separate grant, it has been rolled into Revenue Support Grant from 2015/16.

7 The detailed budget for 2015/16, which is explained in Annexes 2 and 3, contains adequate provision to fund unavoidable contractual inflation and pay inflation, and the increased costs of demand led services, particularly the care of older and vulnerable adults, and vulnerable children including an uplift to care allowances.

The budget also provides funding to allow continuation of the Gloucestershire Local Welfare Scheme, improving safeguarding issues including making the multi agency safeguarding hub fully operational in 2015/16, and to recruit to new posts to ensure that Gloucestershire is able to respond effectively to safeguarding issues around child sexual exploitation in the local area after issues raised nationally.

In addition it also provides sufficient provision to increase learning disabilities employment opportunities, provide for preparatory work on the A417/Missing Link and to fund £61.82 million of new 2015/16 capital investment.

The following table outlines overall movements in the budget for the key service areas:

Overall Budget

Medium Term Financial Strategy 2015/16 Budget Summary

Budget Area	2014/15 GCC Revised Base Budget	Cost Reductions	Commitments/ Cost Increases	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Programme Budget Areas						
Adults	**147,258**	-11,050	7,505	143,713	-3,545	-2.41%
Public Health	**21,793**	0	3,141	24,934	3,141	14.41%
Children and Families	**92,808**	-2,191	3,674	94,291	1,483	1.60%
Communities and Infrastructure (Excluding Waste)	**58,904**	-3,902	2,703	57,705	-1,199	-2.04%
Waste	**26,436**	0	711	27,147	711	2.69%
Other Budget Areas						
Business Support	**19,799**	-1,994	282	18,087	-1,712	-8.65%
Technical and Cross Cutting	**61,109**	-8,520	1,566	54,155	-6,954	-11.38%
Total GCC	**428,107**	**-27,657**	**19,582**	**420,032**	**-8,075**	-1.89%

8 This budget is the first year of the three year "Meeting the Challenge 2 – Together We Can" programme covering the financial years 2015/16 to 2017/18. Over this period savings of around £75 million are forecast to be required to address year on year funding reductions and fund unavoidable cost increases.

C Changes between the 2015/16 budget issued for consultation and the final budget

Revenue : Funding Changes 2015/16

9 The Cabinet approved a draft 2015/16 budget for consultation at its meeting on 10th December 2014. The consultation budget was £415.04 million with council tax levels again being frozen.

This consultation budget was based on the provisional financial settlement for 2015/16, including non ring fenced grants and Public Health ring fenced funding, which indicated total grant levels of £185.27 million. It was also based on a forecast tax base increase of 0.5% and collection fund surplus of £1.5 million.

Following the release of the provisional financial settlement for 2015/16 on 18th December 2014, and the notification of the tax base figures from the District Councils in January 2015, the final budget proposal for 2015/16 is £420.03 million, £4.99 million (1.20%) higher than the consultation budget, analysed as follows;

- A reduction in the grant received from the financial settlement for Formula Grant (£136.6 million to £135.9 million), offset by a slight increase in non ring fenced grants (£23.9 million to £24.1 million) and ring fenced Public Health funding (£24.8 million to £24.8 million), so overall a £0.35 million loss, from £185.27 million to £184.92 million.
- A tax base increase, which now provides additional on-going base budget funding of £2.85 million, up from £228.27 million to £231.12 million.
- An increase in the Collection Fund surplus of £2.49 million, up from £1.5 million to £3.99 million.

The net reduction in grant received under the financial settlement of £0.35 million, includes the notification that the Local Welfare Provision which was previously provided by a specific grant is now provided for within Revenue Support Grant. Given the overall net reduction in grant funding, if the Local Welfare Scheme is to continue it will need to be funded from the local tax base increase.

The tax base increases have been set by the District Councils and show an average increase of 1.75%, with a range of 0.93% to 2.47%. These increases are significantly higher than the 0.5% estimate used for the draft budget, which was based on actual overall tax base increases experienced in previous years. 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. The forecast included within the draft budget was based on an expectation that they would normalise back to previous levels for 2015/16, however, largely due to increased house building and the changes resulting from the localisation of council tax benefits, the increase in the tax base in 2014/15 has continued into 2015/16.

The overall Council Tax Collection Fund surplus figure set by the District Councils is £3.99 million (individual Districts range between £0.293million and £1.103 million), which again is significantly higher than the £1.5 million forecast in the draft budget.

Districts indicate 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.

To put the tax base increase of 1.75% and Collection Fund surplus of £3.99 million into context, in the last 14 years prior to 2014/15, the tax base has only increased marginally over 1% on three occasions, and has been less than 1% for the other 11 years.
Similarly, the Collection Fund surplus has averaged £1.43 million over this 14 year period. Hence the increases in 2014/15 and 2015/16 of 1.66% and 1.75%, re the tax base, and £2.5m and £3.99m, re the surplus, are unprecedented. Informal conversations with other authorities indicate that this is also a position being experienced across the country.
In terms of the financial settlement, it was also confirmed that no further funding information is available for future years, and nothing will be released until after the General Election in May 2015.

Revenue: Spending Changes 2015/16:

10 It was agreed that the additional available budget of £4.99 million is used as follows:

National Pay Awards (additional funding of £0.451 million: on-going)

The draft budget proposal provided for forecast pay increases based on a 1% pay award.

However, the Council has been informed by the National Joint Council (NJC) (Green Book) for Local Government Services that agreement has now been reached on rates of pay applicable from 1st January 2015. The pay agreement applies a 2.20% award to any staff attached to NJC ‘spinal column points’ (scp) 11-49. Higher percentage awards have been made to scp 5-10. The agreement is for the period 1st April 2014 – 31st March 2016.

Employees in receipt of the Gloucestershire County Council Living Wage Supplement (LWS) will not receive any additional pay as, although contractual pay for scp 5-10 will increase, their actual pay with the LWS is already higher than the revised pay scales.

The agreement also provides for a non-consolidated lump sum payment (based on current remuneration as at 1st December 2014) to be paid through December payroll. For staff whose salary is equivalent to the Gloucestershire County Council Living Wage Supplement (£14,760) and above this will be £100.

In addition, the Council understands that the National Joint Council Employers offer for Chief Officers pay negotiations of 2% payable from 1st January 2015 to 31st March 2016 has now been agreed.

All Council staff attached to executive reward bands up to £99,999 FTE gross salary will receive this award.

It has been calculated that there will be an additional cost to the Council of £0.451 million above the 1% included within the agreed 2014/15 budget and 2015/16 budget proposal. (Assuming acceptance of the Chief Officer offer currently under consideration)

The additional funding to cover this cost is now included within this final budget to fund the nationally agreed awards.

Local Welfare Scheme (£0.750 million: on-going)

This funding will allow the continuation of the Gloucestershire Local Welfare scheme, which provides one-off practical support or other forms of assistance. There is an emphasis on the use of non-cash scheme, recycled goods and food deliveries.
The scheme provides for:

- People moving into or remaining in the community (for example moving out of residential or institutional care to live independently, people being resettled , and people who need help to stay in their own home and not go into residential care or hospital).

- Families and vulnerable individuals facing exceptional pressure

Support agencies have told us the scheme is straight forward and easy to access providing appropriate support to the right people quickly.

A Welfare award is made where it will have a substantial and immediate effect in resolving or improving an applicant's circumstances and is appropriate for the applicant's circumstances.

Home to School Transport (£0.105 million: on-going)

The separate grant for extended rights for Free Home to School Transport received in 2014/15 was assumed to be permanent and available on an on-going basis to fund the costs in this area. Now it has been reduced by £0.105 million these costs need to be met from within the core budget, and hence additional funding is required.

Public Health (£0.159 million:- on going)

Allocations for 0-5 year olds public health funding have been confirmed and are slightly higher than forecast in the consultation budget. As this funding is ring fenced it needs to be used to increase the Public Health budget.

Public Health
It was agreed that a £0.010 million investment funded from the Sexual Health part of the Public Health Ring Fenced Grant would be utilised to carry-out a study into Chlamydia/STI screening and the role of GPs across the county in encouraging more opportunistic screening.

Safeguarding Pressures Children's (£0.650 million: one-off)

In common with many other local authorities, the council is managing a number of pressures related to safeguarding which continue to create budgetary challenges. This includes the need to continually raise the quality of practice, introduce a single assessment process, and improve the recruitment and retention of social workers. There is also a need to enhance quality assurance processes and continue to ensure the council is well prepared for Ofsted inspections. The budget already includes proposals to invest in coordination of child sexual exploitation and there is a need to ensure that there is also capacity to respond to the need for historical investigations.

It is therefore proposed to invest in further development of the social care ICT system to ensure changes to the social care assessment process can be successfully introduced. A new recruitment and retention strategy is being put in place to address high turnover rates in some front line social work teams, additional investment is proposed to support additional social work trainees, enhance professional development opportunities, and implement any other recommendations agreed following the proposed Scrutiny Task group on this issue. Additional capacity was put in place in 2014/15 to assist in inspection preparation and quality assurance. It is proposed to continue this for 2015/16 as the council has not yet been inspected.
Consideration has also been given to our capacity to respond to allegations of historic abuse and the need to ensure that staff are sufficiently trained in this area. There is also a need to manage the extensive archive and ensure case records are managed according to current guidance. It is therefore proposed to fund some additional capacity to undertake a review of the current archive and identify any necessary steps that could improve access.

Adoption Support (£0.01 million:-one-off)

Investment to provide support in the form of courses for those approved adopters who adopt older children and teenagers where the risk of disruption is recognised to be high. The aim is to further support these placements and reduce the chance of the placement breaking down.

Child Sexual Exploitation (£0.02 million:- one-off)

One-off investment to the Child Sexual Exploitation (CSE) Team to work towards doubling the number of children who receive E-Safety in 2015/2016.

Creation of an Adult Care Reserve (£1 million: one-off)

Given the concerns about the budget over spend in 2014/15, the volatility in demand, and the impact of actions taken by partner organisations across the health and social care economy, it would be prudent to create a reserve to mitigate the risk of Adult over spend on other council budgets.

Learning Disabilities employment (£0.30 million for 2 years)

Following a successful test and learn exercise, this proposed two year investment will enable a small high quality supported employment service to be set up to find paid employment for a minimum of 120 disabled people over the next two years. This is in accordance with the "Building Better Lives" policy and will not only transform the lives of the disabled people who are placed in paid employment, it will also generate savings by reducing demand on Council run services.

A417 / Missing Link (£1 million: one-off)

The Council has publicly committed a sum of £4m towards the implementation of the 'Brown Route'. The Council will need to support the Highways Agency in undertaking the considerable amount of preparatory work on the scheme to get it ready for planning permission. Therefore an estimated £1 million of Council funding will need to be made available in 2015/16.

Rural Sustainable Drainage Pilot Scheme (£0.03 million:- one off)

One off investment for rural sustainable drainage pilot scheme in the Frome catchment area in Stroud district.

Projecting Gloucestershire's Transport Programme (£0.10 million:- one-off)

To invest £0.10 million into the Transport Programme. This will allow more effective investment of funds in maintaining rural bus services and expanding capacity on popular routes.

Cycle Feasibility Scheme (£0.10 million:-one-off)

An investment to undertake the necessary feasibility and advance design work in preparation for delivering cycle schemes in future years.

Free Wi-Fi provision within Libraries (£0.10 million:- one-off)

An investment to provide free Wi-Fi in every county and community library.

Highways Local Scheme (£0.133 million:- one-off)

That every elected county councillor in 2015-16 receives an additional £2,500 as part of the highways local initiative, which may be used for tree maintenance and/or tree planting in their division.

Financial Support to Red Cross Emergency Support Service (£0.01 million:- one-off)

One off investment given to the red cross fire emergency support service in order to double the number of volunteers from 12 to 24. The red cross fire emergency support service provides invaluable support to Gloucestershire fire and rescue service.

Road Safety (£0.05 million:- one-off)

A one investment package into a number of road safety programmes including a repeat of all Year 5 pupils in Gloucestershire’s primary schools being given the opportunity to have a session at Gloucestershire’s skill Zone.

Living Wage (£0.036 million:- on-going)

An additional investment to provide a living wage supplement at £7.85 per hour. (From £7.65 per hour)

All of the above are now included within the analysis of budget movements by service area at Annex 2 in the MTFS and are built into the detailed budgets at Annex 3 in the MTFS.

Capital Funding Changes 2015/16

11 The 2015/16 budget issued for consultation contained £44.03 million for new investment in capital schemes financed from grants, revenue contribution to capital, and capital receipts,

Since the consultation, a further funding announcement relating to the Highways Block Maintenance Grant has been received confirming increases in grant levels, over and above those already announced, of £3.881 million for 2015/16. This means that the Highways Maintenance Grant will be £17.833 million for 2015/16.

The 2015/16 budget issued for consultation included an estimated £0.575 million for Fire Service capital grant in 2015/16. The capital grant allocation process for 2015/16 has now been revised whereby general allocations are no-longer made, with all allocations now based on specific projects bids incorporated through a scheme known as a "Transformation Fund". The Fire Service is currently considering a number of bids for submission, which will be considered by members at the appropriate time. The estimated Fire Service grant allocations for 2015/16 has therefore been removed from the Capital Programme. Any subsequent grant allocation for 2015/16 will result in an increase in the Capital Programme.

These announcements, plus additional infrastructure revenue contributions (£0.81 million), school contributions (£0.44 million), developer contributions (£0.44 million) and internal borrowing for a proposed "invest to save" Renewable Energy Scheme (£12.79 million, subject to further detailed analysis and approvals), have increased the amount of new investment in the 2015/16 budget by 17.79 million to £61.82 million.

The additional funding for new 2015/16 capital schemes of £17.79 million is detailed in the table below.

Additional Funding for New Capital Schemes 2015/16	
	£'000
Grant	
Infrastructure – Highways Block Maintenance Grant	3,881
Fire - grant reduction	-575
Total Additional Grant 2015/16	3,306
Revenue Contributions – Infrastructure	810
School Contributions (estimate)	440
Developer Contributions – schools	436
Internal Borrowing – Renewable Energy Scheme (subject to further evaluation)	12,795
Total New Capital 2015/16	**17,787**

Capital : Spending Changes 2015/16

12 The additional grants and contributions mean that the 2015/16 Capital Programme can include a number of service priority schemes not previously included in the budget issued for consultation. These additions are reflected in section D and Annex 8 of the MTFS.

The additional budget for new 2015/16 capital schemes of £17.79 million is detailed in the table below.

Increase in New Capital Schemes 2015/16	
	£'000
Children and Families	
Capital Maintenance Programme (estimate)	280
Suitability Programme (estimate)	160
Calton Primary, expand by 1FE	36
Winchcombe Primary, expand to 1FE	400
Infrastructure	
Additional Highways Block Grant 15/16	3,881
Drainage Arising Processing Site	100
Flood Alleviation - various schemes	710
Fire -grant reduction	-575
Renewable Energy Scheme (subject to further evaluation)	12,795
Increase in Total New Capital 2015/16	**17,787**

Renewable Energy Generation Scheme

Consideration is still being given to a Renewable Energy Scheme under which the Council would finance the design, build and operation of medium-scale ground-mounted solar Photovoltaic (PV) generation facilities on a number of sites. Electricity generated by this project is equivalent to the annual electricity consumption of around 2,100 average Gloucestershire homes.

The proposed Renewable Energy Scheme requires a total investment of £12.79 million (£6.42 million in 2015/16, £5.90 million in 2017/18, and £0.47 million beyond 2017/18). Included within this amount is £1.0 million of development costs, which will be required to develop the procurement framework and take identified sites through the planning permission process. These development costs can be capitalised for successful planning applications, which has been assumed in the financial business case. However in the event that any facilities do not proceed to completion due to planning issues, their development costs will need to be considered as revenue costs and met from a revenue budget. If this proves to be the case these revenue costs will be met from the Transformation Reserve.

The scheme is still the subject of further detailed evaluation and therefore a report is expected back to Cabinet following full consultation with relevant shadows members.

Since this scheme is not supported by grants or contributions, if it goes ahead, it is proposed to finance this scheme through £12.79 million of internal borrowing.

D Overall Capital Programme

13 The agreed full 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 increases outlined in section C above, together with 2014/15 changes agreed by Cabinet since publication of the draft budget (£1.54 million reflecting additional grant funding and developer and revenue contributions), removal of previous year completed schemes (£1.49 million), and minor additional revenue and developer contributions for existing schemes (£0.3 million), gives a Capital Programme for the Council totalling £484.92 million. The main investment is on Communities and Infrastructure (£268.71 million) and Schools and facilities for children (£207.80 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 2015/16 is largely "capped" at the level of developer contributions and capital grants received, although internal borrowing is likely to be utilised if the "invest to save" renewable energy scheme referred to in section 12 goes ahead.

The 2015/16 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 in the following sections.

The following schemes are being financed from the use of £11.081 million of capital receipts.

ICT Strategy New Investment
Total Investment: £5.081 million
Profiled Spend: 2015/16 £4.200m, 2016/17 £0.776m, 2017/18 £0.105m

With the appointment of a new ICT contractor the existing ICT Strategic Roadmap and Strategy has been reviewed, and plans developed to ensure that the organisation has a fit for purpose business critical ICT infrastructure.

The funding enables a secure environment to maintain our Public Services Network accreditation and ensure critical servers are replaced, including the cost of migrating SAP onto the new infrastructure.

Overall, £1.950 million, £0.615 million and £0.105 million will need to be spent on Infrastructure in 2015/16, 2016/17 and 2017/18 respectively, and £1.400 million on Corporate Document Management Solutions in 2015/16.

The ICT Strategy includes the funding for the re-provision of Libraries ICT. The estimated cost for this is £0.35 million, and all spend on the scheme will be approved through the Customer Service Project Board. Through the Customer Programme there are plans to implement and extend digital access routes to information and services for customers. The upgrading of the Peoples Network provision will ensure PC access is available to people who do not have access to PCs or the internet at home. Additionally, the growth in ownership and active individual use of this mobile technology depends on availability of Wi-Fi for access to information and services.

The ICT Strategy also includes funding to develop a business case to ensure that the Council continues to adopt the necessary SAP upgrades to ensure the system is fit for purpose. The estimated cost for this is £0.500 million in 2015/16 and £0.161 million in 2016/17.

The total cost of the ICT Strategy New Investment is £5.081 million.

Area Based Review and Quayside Masterplan
Total Investment: £6.000 million
Profiled Spend: 2015/16 £2.500m, 2016/17 £2.500m, 2017/18 £1.000m

In order to continue the Property Rationalisation programme further investment is required to maximise the use and efficiency of Shire Hall.

Working with public sector partners, a series of Area Based Reviews will be undertaken with the objectives of maximising development opportunities, such as the Quayside and Blackfriars Masterplan, or sharing building occupancy to reduce overheads.
As part of the Customer Programme, a detailed occupancy study of our buildings has been undertaken and additional capital receipts will be identified from bringing delivery functions together in shared building space.

The total cost of the Area Based Review and Quayside Masterplan is £6.0 million.

The following scheme is being financed from the use of £12.79 million of internal borrowing.

Renewable Energy Scheme
Total Investment: £12.795 million
Profiled Spend: 2015/16 £6.421m, 2016/17 £nil, 2017/18 £5.9m, Onwards £0.474m

As indicated in section 12, consideration is still being given to a Renewable Energy Scheme under which the Council would finance the design, build and operation of medium-scale ground-mounted solar Photovoltaic (PV) generation facilities on a number of sites. If the proposed Renewable Energy Scheme does go ahead the scheme will be financed from internal borrowing.

Currently forecast capital spend for 2015/16 is £113.83 million, with the majority of spend planned for schools and facilities for children (£40.27 million) and Communities and Infrastructure (£70.02 million).

The amount now included in the 2015/16 budget for new capital schemes is £61.82 million, as set out below.

Total New Capital Funding 2015/16	
	£'000
Grant	
Children and Families - Basic Need Grant (announced)	9,075
Children and Families – Capital Maintenance Grant (estimate)	6,485
Infrastructure – Highways Block Maintenance Grant (Announced)	17,833
Infrastructure – Integrated Transport Block Grant	2,861
Total Grant	36,254
Capital Receipts – Infrastructure	11,081
Revenue Conbtributions – infrastructure (estimate)	810
School Contributions (estimate)	440
Developer Contributions – schools (estimate)	436
Internal Borrowing – Renewable Energy Scheme	12,795
Total New Capital 2015/16	**61,816**

The £61.82 million for new 2015/16 capital schemes and other changes to the Capital Programme result in a total Capital Programme of £484.92 million, as detailed in the table below.

Total Capital Programme	
	£'000
Existing Approval	419,672
Total New Capital 2015/16	61,816
Increase to 2016/17 and Future Years Capital Schemes	
Additional Highways Block Grant 16/17 (estimate)	2,397
Additional Highways Block Grant 17/18 (estimate)	1,902
Fire grant reduction	-1,150
Amendments to Previous Year Schemes	
C&I - Routine Maintenance	1,195
Bowbridge Stroud	200
Concrete Column Replacement	144
Closure of Completed Schemes	-1,494
Minor changes to a range of schemes	233
Total Capital Programme	**484,915**

Borrowing

14 Total borrowing requirement at the end of 2014/15 is forecast to be £327.7 million, a reduction of £26 million compared with the £353.7 million outstanding at the end of 2013/14.

15 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 authority has internally funded borrowing from investment balances (mainly reserves). This strategy, currently followed by the majority of local authorities, essentially involves lending investment balances to ourselves to reduce overall interest costs.

As stated earlier, the Council's aim is to reduce the level of borrowing and where possible reduce the level of overall borrowing outstanding. The MtC target for capital receipts from the sale of assets was £45 million by the end of 2014/15, which was used to repay debt and/or finance capital expenditure to avoid new borrowing. Targets for MtC2 capital receipts for 2015/16 are £24 million, and again much of this will be utilised to repay debt and/or finance the capital programme. A Disposal Schedule will be considered by Cabinet in February 2015 in line with the Disposal Strategy.

Prudential Code

16 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).

Under the 2003 Act, Authorities have the freedom to determine the level of borrowing they wish to undertake to deliver their capital programmes.

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.

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

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

E Council Strategy

17 The Council Strategy, which accompanies the MTFS, was approved by County Council 18th February 2015.

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.

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.

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.

The strategy will is supported by a series of draft 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 (agreed by Cabinet earlier in the year)

These policies provide more detail about the Council's strategic direction and will be brought back to Cabinet in April 2015.

F Consultation

18 In June 2014 and July 2014 we carried out a public consultation to test whether people support our ideas as set out in the Council Strategy.

This consultation set 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.

2,790 people took part in this consultation. The full consultation report is published on the Council website – www.gloucestershire.gov.uk/togetherwecan. The response was overwhelmingly positive about our proposals and provided us with a strong mandate for change.

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

We have also taken account of the concerns and notes of caution that some people raised, for example, by making it clear that we will preserve telephone and face to face contact for those who really need it, and by committing to exploring a range of options when considering disposing of Council buildings.

Following on from this, formal budget and strategy consultation took place between 10th December 2015 to 14th January 2015, with the following groups:

- Key partners including Health, the Independent and Voluntary sectors and town and parish councils,
- The general public,

- Trade Unions and professional associations,
- Staff, via the usual communication channels,
- Schools, via the schools forum, open meetings and Head Teacher groups
- Scrutiny Committees and the Overview and Scrutiny Management Committee.

The final report from the OSMC will be submitted to the 4th February 2015 Cabinet.

There were a further 206 responses from the general public to the budget consultation, plus 95 partners, voluntary sector and workforce representatives took part in workshops.

There was strong endorsement of the Council's draft strategy and the six key themes within it.

Over 80% of all respondents to the public consultation said that we should focus on the actions under each of the themes set out in the draft council strategy.

The top three areas where people felt we should also focus our budget and resources were:

- Investing more in road infrastructure and maintenance
- Improving public transport
- Supporting for the most vulnerable: including carers, the homeless and young people.

In relation to Road maintenance, infrastructure and congestion, in 2015/16 the Council has secured £17.83 million of funding for Structural Maintenance, up from £15.39 million in 2014/15. In addition there will be £2.86 million of integrated transport funding in 2015/16.

This sits alongside the £40 million secured for 11 key transport infrastructure projects through the Growth Deal signed with Government that will be delivered up to 2020/21. The County Council has also secured / lobbied for one-off funding for a number of other congestion reducing projects that were completed in 2015/16, including the upgrade of Walls / C&G Roundabouts (£3.1 million) and the re-dualling of the Swindon – Kemble rail line (£45 million). The Council continues to look for improvements to the A419/missing link.

In relation to public transport, over 90% of bus trips in Gloucestershire are made on services which receive no public subsidy. Our approach to public transport recognises the importance of maintaining a viable commercial bus network and investing in community transport, especially in rural areas. In our draft budget we propose to invest nearly £10 million in public transport, including the national concessionary travel scheme. We will need to keep our subsidised network under review, making efficiencies by applying the principles agreed at the Meeting the Challenge bus review public consultation. We will also encourage commercial bus operators to engage more effectively with communities before they make changes. Our aim is to enable communities to have access to essential services so we will work to minimise changes which could disadvantage vulnerable people and those at risk of isolation.

In relation to supporting carers, GCC/ GCCG has commissioned all-age countywide services for carers on a three year contract basis. The contracts comprise: Carers Assessment and Support Planning (£0.7m pa), Information, Advice & Guidance (£o.4m pa), Emotional Support (£0.2m pa), Carers Breaks (£0.950m pa) and Carers Voice (£0.05m pa).

The suite of commissioned carer support contains many preventive services which can be accessed without a carers' assessment to ensure that carers get easy access to support they told us was helpful.

These services are provided by Carers Gloucestershire with Gloucestershire Young Cares and Guideposts with Crossroads care. Carers Gloucestershire administer and flexible budgets programme which enables carers to access small one off amounts to choose support that may help them in their caring role.

The Positive Caring Programme (a short course, learning and support for carers) is a GCC service which is being tendered out on a 3 year contract with the option to extend for a further year.

In addition, there are 6 specific carer services which are targeted specific ethnic minority communities which are funded through a grants programmes with local organisations which support these communities.
Overall, total carers funding per annum is £2.791 million.

Finally, 53 % of feedback received from the general public under the final stage of consultation said that we should accept the government funding and freeze council tax. For the fifth year running the budget proposal for 2015/16 includes freezing Council Tax levels.

G Financial Settlement and Funding Assumptions

19 2013/14 brought a fundamental change to the way Local Government is funded. This included not only changes to Formula Grant under the Local Government Resource Review, but also changes to Council Tax Benefits and the Council Tax Exemption Scheme. From 2013/14 the Council also became part of a Business Rate Pooling agreement with the district councils in the county.

2015/16 will be the third year of the new settlement arrangements, so the new system is now bedding down. Central government have made a commitment to provide local authorities with more certainty over settlements, and the 2015/16 final settlement was broadly in line with expectations. The Council is however disappointed that there are no future funding figures yet available, and all indications are that nothing will be announced until after the general election in May 2015. This will cause considerable uncertainty for 2016/17 onwards.

Following the announcement of the 2015/16 settlement it would appear that the Council will suffer a slight reduction in central formula grant funding (£0.7 million) on previously announced figures. Council Tax Freeze Grant from 2014/15 has been confirmed as rolled into Revenue Support Grant from 2015/16. After taking account of expected business rate collection this gives a formula grant settlement figure of £135.9 million

20 As expected there were few changes in respect of the settlement, over and above that already announced by the Spending Review in June 2013, the Budget in March 2014, and the additional information provided as part of the Technical Consultation received in July 2014. National Changes from these announcements include:

- The “safety net” top-slice has reduced to £50 million from £95 million nationally, which is consistent with the provisional settlement announced in February 2014. This top-slice has the effect of reducing the money available for Revenue Support Grant, however unused funding is returned to Councils. To date no money has been returned from this top-slice, and it is unlikely that the Council will receive any returned funding for 2015/16.

- Money continues to be top-sliced from the system to pay for the New Homes Bonus Scheme, however this top slice has been reduced from the announced £1 billion to £950 million. Settlement data suggests that this grant will be £0.2 million in 2015/16 for the Council.

- Numerous changes were made to the Business Rate Scheme as a result of the Autumn Statement 2013, which meant that a number of small section 31 grants were created by central government to compensate authorities for these changes. This has been continued with the 2014 Autumn Statement making a similar announcement. These reliefs include:

    - A 2% cap in the inflation increase
    - Doubling of the Small Business Rate Relief
    - Relaxation of Small Business Rate Relief on second properties
    - £1,000 retail relief
    - Reoccupation relief, and
    - Empty new build measures

This resulted in additional income of £1.6 million in 2014/15, and it is predicted that £1.7 million will be received for 2015/16. This has therefore been built into base funding, however will be kept under review as confirmation of this funding stream will not be announced until late January 2015.

All of the above has been taken into account for the budget proposal. Funding will continue to be kept under review as further announcements are made.

Hence, although the current budget proposals for 2015/16 are based on the best available information to date, i.e. the Autumn Statement 2014, and the provisional settlement, final figures are not expected to be released until around 4th February 2015, so it may be necessary to amend the final budget proposal to Council on 18th February 2015.

21 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 totals £39.9 million, and the Council is working closely with Health partners to set out how the single pooled Better Care Fund budget will be implemented, to facilitate closer working between health and social care services. These joint plans have been approved by the Clinical Commissioning Group and the Council and through the Health and Wellbeing Board. The December 2014 settlement confirmed that the revenue funding stream (£36 million) was in line with expectations, however to date there has only been confirmation of one of the capital elements of this funding stream, and confirmation is still awaited for the Disabled Facilities Grant of £2.55 million.

The table below shows the current national allocations and proposals re the split of funding:

Better Care Fund	National Allocation £m	GCC Revenue £m	GCC/CCG Capital £m	CCG Revenue £m
Social Care Capital	133.641		1.409	
Disabled Facilities	220.000		2.550	
Total Capital Funding	**353.641**		**3.959**	
Existing Funding	889.000	11.600		
Care Bill	135.000	1.400		
Other Demand	2,006.000	1.500		
CCG Reablement & OT	430.000	3.000		
Total Revenue Funding	**3,460.000**	**17.500**		**18.489**
Total BCF	**3,813.641**	**17.500**	**3.959**	**18.489**

There are numerous risks that have been identified with the new funding arrangement, in particular a lot of the funding is already committed, and does not therefore represent new funding. It has been identified nationally that £135 million reflects new duties as a result of preparing for the Care Act, which is estimated at £1.4 million for Gloucestershire locally.

22 The New Homes Bonus Scheme continues for 2015/16, which currently pays a non ring fenced grant equivalent to the national average for the Council Tax band of each new home built plus any empty property brought back into use, in the local authority area. At the outset of the scheme it was determined that this would be paid for six years. In two-tier areas the scheme splits the bonus 80:20 between the lower and upper-tier authorities, so the Council receives 20% of each District Council allocation. Settlement figures for Year 5 of the scheme (2015/16) have been announced at £3.7 million (including NHB top-slice grant), and the Council has built this funding into the base budget.

23 The Council receives an Education Support Services Grant, which reflects services provided to maintained schools and a number of statutory services provided to all schools.

As schools convert to academies the grant against maintained schools is reduced, so announced allocations need to be treated with caution as they will reduce in year. For 2015/16 it has been confirmed that £5.3 million will be received from this grant, and modelling has taken place to confirm that this is consistent with our assumptions around schools converting to academy status. This is a further reduction from 2014/15 as the pot of money available for this grant has been reduced nationally resulting in a lower settlement.

24 The Public Health Grant for 2015/16 has been increased by £3.141 million to £24.934 million, with the additional funding being provided for the provision of public health services to children up to 5 years of age (health visiting) from October 2015. Although it had been indicated that the ring fence on this grant would be removed in 2015/16, the government has now confirmed that this is remaining a ring fenced grant in 2015/16.

H Financial Performance in 2014/15

25 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 a minor over-spend of £0.71 million.

In summary the current forecast for 2014/15 is shown below:

Adults	Over spend of £4.86 million
Public Health	Balanced position
Children and Families	Under spend of £0.65 million
Communities & Infrastructure	Under spend of £0.25 million
Support Services	Under spend of £0.11 million
Technical & Corporate	Under spend of £3.14 million
Total	**Under spend of £0.71 million**

Full details of this forecast are provided in a separate monitoring report to Cabinet 4th February 2015.

I 2015/16 Budget Proposal

26 The approved budget for 2015/16 is £420.03 million which represents a decrease in cash terms of £8.075 million or 1.89%. However the Council has suffered a £17.5 million reduction in central government formula grant funding, offset by increases in Council Tax base and surplus of £5.4 million. The rest of the offset relates to ring fenced Public Health Funding, which has increased by £3.1 million as a result of the transfer of responsibilities for 0-5 year olds, and other increases in non ring fenced grants of £0.9 million.

The two year Council Tax Freeze Grant covering 2014/15 and 2015/16 is no longer a separate grant, it has been rolled into Revenue Support Grant from 2015/16.

27 The budget for 2015/16 contains:

- £16.58 million of investment into services, particularly those for older people and vulnerable children and adults
- £3 million to cover for increased costs due to inflation.
- Funding for £61.82 million of new capital investment in roads, schools and other services.
- £27.66 million of savings delivered under the first year of the "Meeting the Challenge 2 - Together We Can" programme which has been introduced following extensive consultation.

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

Overall Budget

Medium Term Financial Strategy 2015/16 Budget Summary

Budget Area	2014/15 GCC Revised Base Budget	Cost Reductions	Commitments/ Cost Increases	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Programme Budget Areas						
Adults	**147,258**	-11,050	7,505	143,713	-3,545	-2.41%
Public Health	**21,793**	0	3,141	24,934	3,141	14.41%
Children and Families	**92,808**	-2,191	3,674	94,291	1,483	1.60%
Communities and Infrastructure (Excluding Waste)	**58,904**	-3,902	2,703	57,705	-1,199	-2.04%
Waste	**26,436**	0	711	27,147	711	2.69%
Other Budget Areas						
Business Support	**19,799**	-1,994	282	18,087	-1,712	-8.65%
Technical and Cross Cutting	**61,109**	-8,520	1,566	54,155	-6,954	-11.38%
Total GCC	**428,107**	**-27,657**	**19,582**	**420,032**	**-8,075**	-1.89%

29 A detailed analysis of budget movements by service area is provided an Annex 2, and a summary of the overall budget, again by service area, is provided at Annex 3.

The approved budget for 2015/16 has been formulated in the context of the Medium Term Financial Planning framework which is provided at Annex 5.

Proposed 2015/16 Budget and Funding Sources

	£000
Original 2014/15 Budget	**428,107**
Inflation	3,001
Cost and spending increases	16,581
Cost Reductions	-27,657
Total	**420,032**
Less:	
Formula Grant	135,895
Council Tax Freeze Grant (2015/16)	2,527
Public Health Grant	24,934
NHS Funding	11,596
New Homes Bonus (incl NHB top-slice grant)	3,676
Education Single Grant	4,067
Education Statutory Responsibility Grant	1,265
Other Non Ring Fenced Grants	961
Collection Fund Surplus	3,995
Budget to be met by Council Tax Payers	231,116

Council Tax at Band D = £1,090.50

30 The budget provides for contractual prices inflation, forecast pay increases and the increase in the Local Government Pension Scheme employer's superannuation contributions following the actuarial valuation of the fund.

Fees and charges levied by the Council will be reviewed during the year, and amended as necessary, as a minimum in line with inflation forecasts

J Dedicated Schools Grant (DSG)

31 The DSG for 2015/16 was announced by the DfE on 17th December 2014. The DSG announcement included:

- The Schools Block total
- A provisional High Needs block
- A provisional Early Years block (excluding 2 year old funding).

The 2015/16 position for Gloucestershire is:

DfE 17th December 2014 announcement of 2015/16 DSG Blocks				
Schools	High Needs	Early Years	Additions	Total
£m	£m	£m	£m	£m
331.704	51.643	21.012	0.113	404.472

This total does not yet include funding for 2 year olds which the DfE will add in the July 2015 DSG update.

This represents a £17.1 million increase on the current 2014/15 DSG and is as a result of the following changes:

DSG movement 2014/15 to 2015/16	£m
2014/15 current DSG	393.0
less 2 year old funding	-5.6
2014/15 DSG excluding DSG for 2 year olds	387.4
Net increase in School Pupils October 14	3.4
Extra High Needs Top Up Funding	0.5
Additional Schools Block DSG	12.3
Extra DSG to fund Free School	0.5
Early Years Pupil Premium	0.4
2015/16 DSG announced 17 December 2014	404.5

As 2 year old DSG funding has not yet been announced for 2015/16 this has been excluded from 2014/15 to identify the DSG increase on a like for like comparison.

It should be noted that although the early years' pupil premium has been added to the early years' block of the DSG, the pupil premium for schools remains a separate grant.

The biggest part of the increase was Gloucestershire's £12.3 million share of the £390 million funding allocated to poorly funded authorities.

Following consultation with schools in May and June 2014, the Schools Forum agreed that the £12.3 million additional DSG should be divided between the three DSG blocks on the basis of the DSG division in 2014/15.

School Funding

A draft formula for schools was recommended by the Forum at its September 2014 meeting and agreed at the council's Cabinet on 22nd October 2014.

The latest DfE announcement includes a revised dataset that takes account of the October 2014 census along with other unit count changes for Deprivation, Special Educational Needs (SEN) and English as an Additional Language (EAL).

The funding formula for schools for 2015/16 has been updated to take account of the additional funding and the revised data set. The main changes between 2014/15 and 2015/16 to the formula are:

- a £13.6 million (4.3%) increase in the total amount delegated to schools when compared to the amount of £313.9 million in 2014/15.
- a £1.4 million (69%) drop in the amount of Minimum Funding Guarantee (MFG) protection needed from £2.0 million to £0.6 million and in the number of schools requiring MFG protection from 87 to 29.
- an increase to the gain schools can retain through the capping percentage from 1.45% to 8.19% and a decrease in the number of schools needing to be capped from 102 to 34.

There is a requirement to submit the final 2015/16 formula to the Education Funding Agency (EFA) for approval by 20th January 2015 and then issue budgets to schools by the end of February 2015.

The Schools Forum recommended at its 14th January 2015 meeting that the Council agree the final 2015/16 funding as set out in Annex 4.

High Needs Block Funding

£0.5 million additional funding for high needs top ups has been added to this block, increasing it to £51.6 million. The £0.5 million was a share of national high needs headroom held by the DfE and was allocated based on ages 2 to 19 population estimates.

The High Needs budget will also be adjusted by £1.6 million for its share of the £12.3 million additional funding for 2015/16, in line with the Forum's decision in June that it should be apportioned across the three DSG blocks.

The high needs places submission for 2015/16 has been made to the EFA and is still currently being considered.

An announcement on the final high needs block total is due in March/April 2015.

Early Years Block Funding

£0.4 million has been added to this block for the new early years' pupil premium (EYPP) to increase it to £21.0 million. The DfE will be conducting a survey in autumn 2015 to check take up of the EYPP. Any adjustments required to allocations following the survey will be made in January 2016. Although the early years' pupil premium has been added to the early years' block of the DSG, the pupil premium for schools remains a separate grant.

The Early Years budget will also be adjusted by £0.8 million for its share of the £12.3 million additional funding for 2015/16 in line with the Forum's decision in June 2014 that it should be apportioned across the three DSG blocks.

The DfE allocation for 2015/16 does not currently include anything for 2 year olds funding. The DfE have indicated the initial allocation for 2 year olds will be announced in June 2015 and added to the DSG when it is updated in July 2015. It is anticipated that this initial allocation will be based on the current 2014/15 level of funding for 2 year olds of £5.6 million less £0.6 million of trajectory funding and then adjusted for participation levels based on the January 2015 census.

There will also be an update in July 2015 to account for changes in 3 and 4 year old pupils between January 2014 and January 2015.

A further update to the 2015/16 early years block will be made in July 2016 to take account of the change in 2 year old participation numbers and the change in 3 and 4 year old pupils numbers in January 2016.

This means final allocations will be based 5/12ths on January 2015 numbers (for April 2015 to August 2015 period) and 7/12ths on January 2016 numbers (for September 2015 to March 2016 period).

K Service Specific Grants

32 In addition to grants included within the base budget funding, shown in paragraph 31, it is forecast that the Council will receive the following grants in 2015/16, the majority of which are ring fenced, which are used for service specific purposes.

Service Specific Grants	Actuals 2014/15 £'000	Forecast 2015/16 £'000
Dedicated Schools Grant (DSG)	236,648	243,339
Pupil Premium Grant	11,425	11,789
Primary School PE and Sport Funding	1,854	1,906
Universal Infant Free School Meals Grant	3,765	4,873
Special Educational Needs (SEN) Reform Grant	698	----
Adoption Reform Grant	499	----
SEN Implementation	445	331
Local Sustainable Transport Fund	1,106	920
Public Health Grant	21,793	24,934
Local Reform and Community Voices	457	340
Fire Revenue Grant	322	366
The Private Finance Initiative (PFI)	3,086	3,086
Asylum Seekers	300	120
Youth Justice Board	644	644
Local Welfare Provision	1,105	----
Free Entitlement to Transport	509	404
Adult and Community Learning	2,862	2,800
Sixth Form Funding	2,067	2,081
Local Enterprise Partnerships Funding	268	268
Troubled Families	192	192
Cotswold Way	10	10
Bikability Grant	148	176
Offa's Dyke	6	6
Inspire	6	6
Community Right to Challenge	9	9
Total Service Specific Grants	290,224	298,600

Although the Public Health Grant is a ring-fenced grant, expenditure on Public Health forms an integral part of the Council's base budget.

L Council Tax

33 The Council's current 2014/15 Band D Council Tax is £1.090.50, which is below the average for comparable County Councils.

Council Tax will, for the fifth year running, be frozen in 2015/16. Half of the Council Tax income foregone will be replaced by Government grant in 2015/16, whilst the remainder has been funded from additional savings which are now built into the budget.

Council Tax levels for each band are shown below, all being the same as in 2014/15.

Band	**2015/16** **£**	**Increase on 2014/15** **£**
A	727.00	0
B	848.17	0
C	969.33	0
D	1,090.50	0
E	1,332.83	0
F	1,575.17	0
G	1,817.50	0
H	2,181.00	0

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

M The Robustness of the Budget Proposals

34 *Medium Term Financial Planning Framework*

The MTFS and detailed budget for 2015/16 has 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 2015/16. The starting point for producing the MTFS for the next three years, and the detailed budget proposals for 2015/16, is the 2014/15 MTFS, and particularly the detailed 2014/15 budget, together with any changes to legislation, and forecast commitments and funding.

The 2014/15 budget included increased spending pressures of £19.37 million. These pressures, together with the reductions in Government grant, were funded by “Meeting the Challenge” savings totalling £22.17 million, the vast majority of which are forecast to be fully delivered in 2014/15.

With regard to the current financial position for 2014/15, budget monitoring has identified a number of risks and pressures which need to be addressed if net expenditure is to be contained within budget. These issues, together with mitigating actions are set out in the budget monitoring report which accompanies this MTFS to Cabinet.

The 2015/16 budget, and future years’ budgets, will flow from the 2014/15 budget, taking into account forecast funding changes. New unavoidable commitments and their availability and deliverability, in relation to 2015/16, are clearly set out in the MTFS.

35 *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.

The Council's reserves as at 31st March 2014 were as follows:

	£000
Earmarked Revenue Reserves – Non Schools	84,087
Earmarked Reserves – School related	25,103
General Fund Reserves	19,848
Total Capital Reserves	54,653
Total Reserves at 31st March 2014	**183,691**

Overall, as detailed in Annex 5, the Council's reserves as at 31st March 2015 are forecast to be:

	£000
Earmarked Revenue Reserves – Non Schools	78,360
Earmarked Reserves – School related	25,103
General Fund Reserves	19,848
Total Capital Reserves	48,475
Total Reserves at 31st March 2015	**171,786**

36 As can be seen from the above, general balances are anticipated to remain unchanged at a level of £19.848 million, however these will reduce if there is a revenue overspend position in 2014/15 as currently forecast. These currently equate to 4.47% of the 2014/15 net budget, i.e. within the target range of between 4% and 6% of the net budget.

This is considered to be a satisfactory level of general reserves and it is not planned to increase general reserves further in 2014/15, with the base budget provision again being used for additional debt redemption.

37 Non School Revenue Earmarked Reserves are forecast to fall from £84.087 million as at 31st March 2014, to £78.360 million as at 31st March 2015, a reduction of £5.727 million. Annex 6 provides a summary of the Earmarked Reserves, including all of the proposed and forecast reserve movements during the year. In addition under the 2015-16 budget proposals it is proposed to establish an Adult Care Reserve of £1 million to provide a provision against future overspends in this very important and volatile area.

Changes in services and risks have resulted in the need to review the current Children and Families reserves to provide new reserves which will mitigate specific risks which may arise in-year and between years.

Given that savings are on target to be achieved in Supporting People, not all of the £1.9 million reserve will be required to fund future realignment of services and it is proposed to reduce the reserve to £1.2 million, releasing £0.7 million.

With very few schools currently converting to academies, with the incentive to covert diminishing as the rate per pupil has reduced, only two primary schools have converted to academies this year with an estimated loss of under £30,000.

Based on 2015/16 rates if all secondary schools converted and 10% of primary schools (averaged throughout the year) the estimated loss of grant in-year would be £364,000 (excludes special schools and pupil referral units). Based on this reasoning the Education Services Grant reserve can be reduced from £1.2 million to £0.5 million and still cover the loss of grant in 2015/16, thereby releasing £0.7 million. The reserve will be reviewed every year to ensure that the risk of grant loss is covered.

Many of the Children and Families' high cost budgets are demand-led and fluctuate across years. To counter-act this risk it is proposed that a £1 million reserve is established to help fund these in-year fluctuations across budgets such as external agency placements, fostering allowances, special guardianships and care leavers allowances.

Between financial years the number of school transport days vary depending on when Easter falls, 195 days being the average academic year total. In the past six years the number of school transport days has been as follows:

- 2011/12 195 days
- 2012/13 188 days
- 2013/14 201 days
- 2014/15 194 days
- 2015/16 191 days
- 2016/17 198 days

To avoid the effects of these changes it is proposed that a reserve of £0.4 million be established to offset the changing number of days (based on days of 201 – 195 = 6 multiplier by the cost per day £63,000). The reserve will be used or replenished from the budget depending on the actual and average days (195 days) in that particularly year

38 It has been assumed that School Related Reserves will remain at the level of balances held at 31st March 2014..

39 As outlined in the approved budget proposal for 2015/16, given the concerns about the Adults budget over spend in 2014/15, the volatility in demand, and the impact of actions taken by partner organisations across the health and social care economy, a £1 million reserve to mitigate the risk of Adult over spend on other council budgets will be created.

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

40 In preparing the budget the following factors mitigate the risks in the budget:

- Account has been taken of current spending trends and where known, costs have been built into the 2015/16 budget.
- Budget risks have been considered in preparing the budget and taken into account, particularly funding constraints going forward.
- The level of reserves 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 changes. Whilst robust programme management plans have been put into place to deliver these savings, as evidenced by performance over the last three years, there is inevitably some residual risk.

- The highest risk areas continue to be demand led services, especially care for elderly and vulnerable people where demand is continually rising, looked after children, and waste management, where significant investment is required to deliver the new waste facility.

- On the 6th January 2015 the Secretary of State allowed the appeal against the refusal for an Energy from Waste plant at Javelin Park. The project, its risks and the impact on the council's finances continue to be kept under constant review. The project estimates savings to GCC of around £150 million over the 25 year operational period of the concession. However in the event the project does not proceed the council is liable for contract termination costs and further costs associated with finding an alternative to landfill.

- The existing Children's reserve and proposed Adults reserve provide some mitigation against volatility and a small degree of resilience against year to year fluctuations in these high risk budget areas.

- Provision has been made for pay awards, pension increases and contractual inflationary pressures.

- The reserves held are invested and the interest received supports the Council's budget.

On the basis of the above, the Strategic Finance Director's advice is that the level of reserves, following the movements detailed 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.

O Risk Management Strategy

41 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 reflects 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 9 of the MTFS details the updated Risk Management Policy Statement and Strategy for 2015 – 2016, 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.

P Public Sector Equality Duty

42 A detailed Due Regard Statement has been produced which summarises the impact of the budget proposals 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. The document is a final draft. The final version will be produced for consideration by County Council on 18th February as they are the decision-makers for the Council's budget.

Q Forward plans for the Revenue Budget in 2016/17 and 2017/18

43 With regard to future years revenue budgets, given the absence of a financial settlement, forecasts are subject to much higher levels of risk. However, based on current information available, indicative funding forecasts to be used for long term budget planning purposes are:

2016/17:	Affordable budget:	£406.8 million, a reduction of £13.2 million
2017/18:	Affordable budget:	£395.1 million, a reduction of £11.7 million

In addition to addressing funding reductions, the MTFS and detailed annual budgets will also need to fund unavoidable cost increases. A detailed process is in place under which such pressures are identified and formally challenged by a sub group of the officer Challenge Board. Current indicative forecasts of the likely level of cost increases in 2016/17 and 2017/18 are:

2016/17	Cost Increases:	£13.6 million
2017/18:	Cost Increases:	£13.9 million

The combined effect of the funding reductions and unavoidable cost increase forecasts (of which £3 million of adult growth will be funded from the Better Care Fund) indicate that efficiencies and other cost reductions in the order of £52 million will be required to balance the budget over the two financial years 2016/17 to 2017/18.

R Treasury Management and Prudential Indicators

44 The Treasury Management Strategy Statement and Annual Investment Strategy (AIS) are shown in Annex 10 in the MTFS.

Annex 10 provides details of:

- Treasury Management Strategy for 2015/16, including borrowing, debt rescheduling, and investments.
- Prudential Indicators.
- Minimum Revenue Provision (MRP) Statement.
- Specified and Non Specified Investment for use by the Council.

Annex 1:1 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 2014/15 the total budget for children's services excluding Dedicated Schools Grant was £100.7 million; this included other grants and funding from formula/Council Tax. This represented a 1.7% reduction in budgets available compared to 2013/14. 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. Significant improvements in work on permanence have been achieved with 86 children having adoption placements since April 2013. The extended offer for 2 year olds is being implemented with 1,401 children benefiting from a free nursery place in September 2014, improvements in work with courts and new arrangements for meeting the needs of children with special educational needs and/or disabilities are now being implemented.

Meeting the Challenge 2014/15

Savings targets for this year are on target to be achieved with new contracts in respect of children's centres and youth support continuing to work well. Savings are being achieved as the cost of home to school transport reduces as policy changes are rolled out. Over commitments in the High Needs Block of the Dedicated Schools Grant have been reduced considerably through successful management of placement budgets. An increase in the numbers of children being placed in residential placements resulted in an overspend of £0.78 million in 2013/14; this pressure has continued into 2014/15 with the projected overspend standing at £1 million. More recently the numbers in residential placements has reduced considerably with review and monitoring arrangements now strengthened. One off investment has enabled the establishment of a reunification project to assist in successfully returning children home from Care. As elsewhere, retaining experienced social workers continues to be a major issue with the costs of agency staff currently running at £871k (April to mid-November); the establishment of the Gloucester Pods project has succeeded in raising morale but fully resourcing the teams is proving challenging. Adoption Grant and the reserve established has enabled the good progress in adoption placements and the council is part of a national government Adoption Support Fund prototype which funds support for children post adoption.

The increasing incidence of self harm amongst young people has been recognised and investment in a programme across schools and a new service to support young people at risk has been made. The council's role in respect of schools remains much reduced but one off investment has allowed us to run some dedicated activities aimed at reducing the achievement gap and to share good practice about use of the school premium.

The primary sector, in particular, has seen improvements with 90% of children now able to attend primary schools deemed good or outstanding by Ofsted (end of the academic year 2013/14), above the national average (81.5%).

Looking Forward

The proposed budget for 2015/16 requires savings of £2.2 million to be achieved in council children's services.

An investment of £3.6 million is planned to meet inflationary costs, grant reductions, including the welfare reform grant and demand pressures against allowances and transport. This investment also covers funding to meet safeguarding pressures providing support for social work training and development of historic records, and additional support for the Multi Agency Safeguarding Hub, a co-ordinator post in respect of Child Sexual Exploitation, and meeting the cost of the council's additional responsibilities in respect of Care Leavers up to 25 years.

The MtC savings include further reductions in home to school transport budgets resulting from new policies and better procurement. A continuing fall in spend against an historic pensions budget is planned. A number of savings will continue in education areas to reflect the changing role of the council in education and shift in funding to schools. Additional income is also anticipated as schools are now buying back significantly more services for school improvement and educational psychology. Savings in residence order budgets are planned (this is because this order is now relatively rarely used) alongside efficiencies in support services.

Needs Analysis

Most children in Gloucestershire continue to have positive outcomes – in 2014 59.8% achieved 5 A* - C GCSEs including English and Maths, compared to 56.1% nationally. However, a significant minority do not have the same positive life chances as their peers – the gaps in achieving 5 A* - C including English and Maths at GCSE, between children eligible for free school meals (this gap has widened from 31% points in 2013 to 32.7% points in 2014; it is wider than the national gap of 26.9%), and those with SEN, and the rest, (the SEN gap has narrowed from 52.5% points in 2012 to 48.8% points in 2014), have marginally improved but are still a larger than statistical neighbours and England.

For the most vulnerable children there is a need to focus our efforts it is disappointing that only 15.2% of LAC achieved 5 A* - C GCSEs including English and Maths for the academic year 2013/14.

428 children were subject to a CP plan on the 1st November 2014, of which 44.4% (190) were under 5 years and, for them; the most common issues are long-term neglect combined with parental substance/alcohol misuse and domestic abuse. More than 23,000 young people from schools and colleges across the county took part in the Gloucestershire Online Pupil Survey (OPS) 2014 and the findings are being used to identify where support is needed the most. The majority of young people said they felt safe at home and safe at school, with the number of pupils feeling safe at school rising over the last six years. Pupils felt that bullying was being dealt with well at school with physical and cyber bullying both decreasing from previous survey, and being the lowest areas. More secondary school aged pupils than ever before said they do not drink alcohol, smoke or have tried drugs.

In line with the last survey 85% Year 12 pupils said they intended to continue with education or training next year. Families First (our local Troubled Families programme) is now working with 691 families (as at 1st October 2014), meeting government targets and receiving good feedback from families themselves.

Strategic Direction

Given the financial context and identified needs there is a continuing need to reshape our response to some of our most troubled families whilst ensuring that universal services continue to be of high quality. This will increasingly involve partnerships with local communities and partners encouraging them to meet the needs of families.

Current trends continue to drive increased specialist intervention across the partnership and action needs to be taken to enhance the effectiveness of our early help offer and ensure all professionals are working effectively and efficiently together. Demand needs to be managed so that council resources and efforts are targeted effectively on identifying and working with vulnerable families at the earliest opportunity and strong, quality specialist interventions where necessary.

The current Children and Young People's Plan (CYPP) is based on a full needs analysis and clearly targets the most vulnerable children and their families. The priority groups for partnership action will continue to be those who need safeguarding, LAC, children in poverty, disabled children and young people. Work is underway to develop a new CYPP from 2015 which will assist all partners in tackling the significant challenges they face, draft aims and objectives and principles are currently under discussion. 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.

Delivering Change

Our aims will continue to be to:

- Reduce and divert demand for high cost, high dependency (acute) services

- Ensure targeted services are available in local areas with effective ‘front door’ access

- Improve outcomes and consistency and avoid duplication wherever possible

Commissioning activity will focus on:

- Planning for the long term

- Improving the effectiveness of the local early help offer including an enhanced offer on young people’s activities through elected members

- Monitoring the effectiveness of funded programmes

- Driving more integrated services to ensure a family focus including taking on new responsibilities for commissioning public health services for under 5s (health visiting)

- Developing our relationship with schools in the changed context

- Implementing new government legislation in SEND

- Skills development and links to wider economic development

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

Annex 1.2: Adults Commissioning Intentions

Context

Adult social care has a current (2014/15) net budget of £154.3 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.

The overall performance of adult services is mixed although we are improving in the key policy areas of supporting timely hospital discharge and self directed support, with an increased number of people with personal support plans and individual budgets. In the current year we are also making better use of technology (Telecare) in part to support our reduced use of residential and nursing care to match best practice elsewhere. 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 now 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 want to reduce reliance on institutional care, create innovative alternatives and encourage the use of universal services, recognising that there will always be a place for specialists too. We must also address the wider responsibilities in the Act for carers; people with care needs generally and not just those we support; and the promotion of early intervention and prevention – all of which are integral to our intentions.

Needs Analysis

The number of older people aged 65+ in the county has been growing by an average of 1,500 people per year over the last 10 years. Projections suggest that this will double to an increase of around 3,100 people annually on average between now and 2021. Long-range projections are not yet available but the increase is expected to accelerate in the longer term as rising life expectancy and demographic impacts of two generations of baby boomers take hold.

Significantly, the projected percentage increase of the older population is greater in Gloucestershire than in England over the period 2010-2021 (up 27% compared to 24%). The County's ageing demographic is further underlined 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 1,700 between 2011 and 2021. The number of 85+ will see the fastest rate of growth during this period.

The geographical distribution of older people is also expected to spread, 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+, accounting for between 10.4% and 30.7% of the ward population.
There were also 39 council wards (i.e. 27%) containing at least 500 elderly people aged 75+. By 2015, the number of such wards could grow to 58 (i.e. 4 in 10 wards), spreading across urban and rural areas of the county. An estimated 40% to 66% of the older population in these wards will be aged 75+.

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 8,610 people living with dementia. That number is expected to almost double over the next 20 years.

As we do not anticipate new investment to meet the needs of our future residents, 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 2014/15

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 with a new focus on employment for people with disabilities thus increasing independence and reducing costs. This has been accompanied by the use of Telecare (GPS) in place of paid support workers and an improved focus on employment opportunities.

Looking Forward

The proposed budget for 2015/16 requires us to reduce our costs by £11.05m in order to live within our means.

We intend to achieve financial balance in adult services by:

- reshaping our assessment and care management model through integration and the development of multidisciplinary teams
- 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

- actively reviewing high unit cost contracts to seek efficiencies
- adopting 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

- exploring the wider use of Electronic Call Monitoring systems

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. The public health grant allocation for Gloucestershire in 2014/15 was £21.793 million. The ring fenced grant has been extended to include 2015/16 and is £24.9 million which includes new responsibilities for 0-5 year olds (Health Visiting). The allocation is based on a national formula linked to health inequality and health need.

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)

Commissioning Principles

- The grant should be used to contribute to the achievement of the Joint Health and Wellbeing Strategy, and for commissioning services and interventions in ways that reflect the agreed principles and priorities of the strategy

- It should be used to fund services/areas of work that no other funding is likely to cover – for example promoting positive lifestyles work and the core public health responsibilities that sit with the Council

- It should be applied to fund evidence-based interventions with proven effectiveness and health gain; where the evidence does not exist then it can be used to stimulate innovative ways of improving health and reducing health inequalities

Where it can 'add value' to existing programmes that have a strong link to the Health and Wellbeing agenda – for example the *Families First* programme, it can be used to integrate and/or strengthen prevention within these programmes.

Much of this funding is already committed and spent on directly commissioned services such as drugs and alcohol treatment (£6.9million), sexual health services (£4.1 million), NHS Health Checks (£0.9 million), Children aged 5 - 19 (£2.2 million).

Other funding is committed to fund a range of projects that promote and enable healthy living, e.g. Tobacco Control, including smoking cessation (£1.6 million) and public mental health (£0.4 million).

The public health staffing structure has been reviewed to maximise the potential impact on health improvement and is now fully integrated with GCC colleagues.

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 so that we can tackle the big health and wellbeing issues that arise from worklessness, deprivation and family poverty.

Health and Wellbeing priorities

The five Health and Wellbeing priorities identified in Gloucestershire's Health and Wellbeing Strategy are listed as follows:

1. Reducing obesity
2. Reducing harm caused by alcohol
3. Improving mental health
4. Improving health and wellbeing into older age
5. Tackling health inequalities

Meeting the challenge

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 Health Check programme) is often highly 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 2014/15, public health funding for primary and secondary prevention can contribute to the early intervention aspects of proposals for people's services, particularly around '*Find, Seek and Divert'* 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.

Public Health will have an important role in developing the county's neighbourhood approach through Asset Based Community Development (ABCD) in which individuals and communities are empowered to take ownership of their health through interventions such as support with parenting and finding employment.

Commissioning Priorities

Commissioning priorities for 2015/2016 are informed by Gloucestershire's Joint Strategic Needs Assessment (JSNA) and driven by Gloucestershire's Health and Wellbeing Board with advice from the Director of Public Health. The public health grant will be used to support outcome delivery of the Health and Wellbeing Strategy and to integrate prevention to support GCC's existing priorities.

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.

A key commissioning priority is the 'Active Together' scheme which aims to increase participation in sport and physical activity in our most deprived communities and those groups identified under the Equality Act 2010, particularly among people who are currently not active. £2.7 million from the Public Health grant in 2013/14 and 14/15 has been allocated over the financial years 2014/15 & 2015/16 to operate and support the provision of this scheme (during its term).

Looking Forward

We will continue to work closely with Council colleagues and the Health and Wellbeing Board to:

- support delivery of the Health and Wellbeing Strategy across the life course to Promote healthy lifestyles and reduce health inequalities

- provide support for Clinical Commissioning Group on the prevention agenda

- ensure health and wellbeing and prevention is integral to delivery of the Council's priorities and develop integrated models of commissioning

- deliver of core mandated public health services

- take more local action in line with the principles of the Health and Wellbeing Strategy

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.
- In order to generate £2.4 million of savings in 2015/16, a capital disposals programme is in place which is forecast to deliver £20 million of capital receipts. This will enable a saving of £2 million in capital financing costs and £0.4 million in annual running costs to be achieved.

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.

Communication & 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 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.

Highways Authority

- Promote the aims and objectives set out in Gloucestershire’s Manual for Streets and Local Transport Plan, 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.

Highways 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.
- Support the District Councils as Local Planning Authorities to deliver growth in the County, under the statutory duty to cooperate.

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.
- Deliver the schemes identified Council's Local Transport Plan.

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 Minerals Local Plan and delivery of the Waste Core Strategy.

7 In terms of 2015/16 the level of savings to be delivered is £3.902 million and the main projects are on target, as summarised in the table below. Detail on the individual cost reductions can be found in Annex 2 of the main MTFS report – 'Budget Movements by Service Area'.

Functional area	Cost Reduction
Community Services Programme	£1,351k
Highways Programme	£1,590k
Infrastructure and Economic Growth Programme	£196k
Libraries Efficiency Programme	£30k
Registrars	£30k
Countryside and Travellers Sites	£5k
Communications	£200k
Transport programme	£200k
Customer Programme (C&I contribution)	£300k

APPENDIX A: Community & Infrastructure Functions

- **Highways Authority** (Gloucestershire Highways; Network & traffic Management; PROW; Parking)
- **Planning Authority & Economic Growth** (Economic Development; Flood Alleviation; Transport Planning; Strategic Planning; Minerals and Waste; Planning Development Management)
- **Fire & Rescue Authority**
- **Waste Disposal Authority**
- **Customer Services** (Registration Service; Libraries; Concessionary Fares; Subsidised public transport)

Community and Locality Services (Road Safety Partnership; Coroners Service; Trading Standards; Heritage; Countryside Parks; Traveller Sites)

Annex 2 – Budget Movements by Service Area

2015/16 Adults Budget

	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2014/15 Revised Budget)			147,258
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	435		
Increased cost of care of vulnerable Adults To fund increased care costs, primarily due to the increased complexity of care requirements, increased numbers of vulnerable adults and contractual inflation on care contracts. It has been agreed that £3 million of this cost will be funded from the Better Care Fund, see below.	5,770		
Creation of a new Vulnerable Adults Reserve Given the volatility of this budget and the uncontrollable impacts of actions taken by partner organisations, it is felt to be prudent to provide provision against future years overspends which cannot be funded from under spends in other areas.	1,000		
Learning disabilities employment Following a successful test and learn exercise, this proposed two year investment will enable a small high quality supported employment service to be set up to find paid employment for a minimum of 120 disabled people over the next two year period. This is in accordance with the “Building Better Lives” policy and will not only transform the lives of the disabled people who are placed in paid employment, it will also generate savings by reducing demand on Council run services.	300		
<u>Cost Reductions</u>			
Building Better Lives Programme 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.		-5,683	
Older People and Vulnerable Adults Programme 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.		-1,933	

	Cost Increases	Cost Reductions	
	£000	£000	£000
Review and Realignment of existing NHS Funding for Social Care for 15/16 Realignment of existing NHS Funding for Social Care from joint projects to part fund additional 15/16 demand, as shown under cost increases above. This is part of the 2015/16 Better Care Fund, developed in partnership with the Clinical Commissioning Group and key stakeholders, and endorsed by the Health and Well Being Board.		-3,000	
Refocus of the Quality Assurance function Refocus/reorganisation of function following staff consultation.		-100	
Adult Mental Health Service Review 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	
Customer Programme Savings to be generated by more effective customer access routes		-70	
TOTAL NET CHANGE	**7,505**	**-11,050**	**-3,545**
Adults Budget 2015/16			**143,713**

2015/16 Public Health Budget

	Cost Increases	Cost Reductions	
	£000	**£000**	**£000**
Starting Budget (2014/15 Revised Budget)			**21,793**
<u>Budget Changes:</u>			
<u>Grant Increase</u>			
Public Health Services Transfer of the responsibility and funding for the provision of public health services to children up to 5 years in age (health visiting), from NHS England in October 2015. A **£10K** investment funded from the Sexual Health part of the Public Health Ring Fenced Grant to carry-out a study into Chlamydia/STI screening and the role of GPs across the county in encouraging more opportunistic screening.	3,141		
<u>Cost Reductions</u>		0	
TOTAL NET CHANGE	**3,141**	**0**	**3,141**
Public Health Budget 2015/16			**24,934**

2015/16 Children and Families Budget

	Cost Increases	Cost Reductions	
	£000	**£000**	**£000**
Starting Budget (2014/15 Revised Budget)			**92,808**
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	426		
Adoption Allowances To fund the increased number of children with an adoption allowance or special guardianship allowance due to increase in number of children achieving permanency, and to ensure that carers allowance rates remain in line with minimum requirements.	821		
Care Leavers To provide an uplift in allowance rates and funding for additional staff due to increased pressure from legislation changes.	65		
Multi Agency Safeguarding Hub To provide the required funding to make the multi agency safeguarding hub fully operational in 2015/16 , and to recruit new posts to ensure that Gloucestershire is able to respond effectively to safeguarding issues around child sexual exploitation in the local area after issues raised nationally.	316		
Safeguarding Pressures - Children In common with many other local authorities, the Council is managing a number of pressures related to safeguarding which continue to create budgetary challenges. This includes the need to continually raise the quality of practice, introduce a single assessment process and improve the recruitment and retention of social workers. There is also a need to enhance quality assurance processes and continue to ensure the council is well prepared for Ofsted inspection. It is therefore proposed to invest in further development of the social care ICT system to ensure changes to the social care assessment process can be successfully introduced. A new recruitment and retention strategy is being put in place to address high turnover rates in some front line social work teams, additional investment is proposed to support additional social work trainees, enhance professional development opportunities and implement any other recommendations agreed following the proposed Scrutiny Task group on this issue. Additional capacity was put in place in 2014/15 to assist in inspection preparation and quality assurance. It is proposed to continue this for 2015/16 as the council has not yet been inspected. Consideration has also been given to our capacity to respond to allegations of historic abuse and the need to ensure that staff are sufficiently trained in this area. There is also a need to manage the extensive archive and ensure case records are managed according to current guidance. It is therefore proposed to fund some additional capacity to undertake a review of the current archive and identify any necessary steps that could improve access.	650		

Cost Increases	Cost Increases	Cost Reductions	
	£000	£000	£000
Home to School Transport To provide for increased numbers and contractual prices inflation.	511		
The grant for extended rights for free home to school transport, which is included within the base budget, was £509,000 in 2014/15. The draft budget proposal for 2015/16, including the home to school transport savings identified, was formulated on the basis that this grant would remain at the same level in 2015/16, however it has now been announced that the grant will reduce by £105,000 in 2015/16 to £404,000. The reduction in the grant for 2015/16 therefore results in a shortfall in the budget which needs to be addressed.	105		
Welfare Reform Grant The provisional settlement announcement confirmed that ring fenced local welfare grant is being withdrawn in 2015/16, with funding now included within the overall financial settlement. However, as this settlement reduced, additional funding has to be identified as part of the budget to continue this service. The £750k proposes to continue funding the continuation of the Gloucestershire Local Welfare scheme, which provides one-off practical support or other forms of assistance. There is an emphasis on the use of non-cash scheme, recycled goods and food deliveries. This level of budget should meet current demands on this scheme, assuming efficiencies in administration can be achieved. It is not possible to predict future pressures especially as universal credit is introduced. The scheme will need to be reviewed during 2015/16 to identify options going forward given the future financial context.	750		
Adoption Support Investment to provide support in the form of courses for those approved adopters who adopt older children and teenagers where high risk of disruption is recognised to be high. The aim is to further support these placements and reduce the chance of the placement breaking down.	10		
Child Sexual Exploitation One-off investment to the Child Sexual Exploitation (CSE) Team to work towards doubling the number of children who receive E-Safety in 2015/2016.	20		
Cost Reductions			
Education Services The savings include anticipated reductions in funding needed for residual pension costs and cost reductions linked to changes in the role of the local authority as more schools become academies. There are also additional contributions from charges to schools for the provision of education services from School Improvement and Education Psychology		-757	
Vulnerable Children and Families Programme A range of savings and cost reductions across services to reflect funding changes in services and reductions in specialist provision		-446	
Supporting People 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		-688	
Building Better Lives Programme Please see Adults page for a summary of the programme		-50	

	Cost Increases	Cost Reductions	
	£000	£000	£000
Transport Programme Transport savings are included in the overall Transport Programme which aims to make savings by integrating transport networks across areas more effectively and seeking out synergies, more effective procurement. These savings specifically relate to Home to School Transport.		-150	
Customer Programme Savings to be generated by more effective customer access routes		-100	
TOTAL NET CHANGE	**3,674**	**-2,191**	**1,483**
Children and Families Budget 2015/16			**94,291**

2015/16 Communities and Infrastructure Budget (Excluding Waste)

	Cost Increases	Cost Reductions	
	£000	**£000**	**£000**
Starting Budget (2014/15 Revised Budget)			**58,904**
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	320		
Highways Contract To provide for contractual prices inflation in the revenue contract	280		
Concessionary Fares To fund increased contract costs, primarily due to increased numbers, the reduction in Bus Service Operator Grant and fuel increases	580		
A417 The Council will need to support the Highways Agency in undertaking the considerable amount of preparatory work on this scheme to get it ready for planning permission. Council funding, estimated at around £1 million, will therefore need to be available from 2015/16.	1,000		
Rural Sustanable Drainage Pilot Scheme One off investment for rural sustainable drainage pilot scheme in the Frome catchment area in Stroud district.	30		
Projecting Gloucestershire's Transport Programme To invest £100k into the Transport Programme. This will allow more effective investment of funds in maintaining rural bus services and expanding capacity on popular routes.	100		
Cycle Feasibility Scheme An investment to undertake the necessary feasibility and advance design work in preparation for delivering cycling schemes in future years.	100		
Free Wi-Fi Provision within Libraries An investment to provide free Wi-Fi in every county and community library.	100		
Highways Local That every elected county councillor in 2015/2016 receives an additional £2.5k as part of a one-off increase to their 'Highways Local' money, which may be used for tree maintenance and/or tree planting in their division.	133		
Financial Support to Red Cross Emergency Support Service That a one-off investment is given to the Red Cross Fire Emergency Support Service in order to double the number of volunteers from 12 to 24. The Red Cross Fire Emergency Support Service provides invaluable support to the Gloucestershire Fire and Rescue Service.	10		
Road Safety A one-off investment package into a number of Road Safety Programmes including a repeat of all Year 5 pupils at Gloucestershire's primary schools being given the opportunity to have a session at Gloucester's SkillZone	50		

	Cost Increases	Cost Reductions	
	£000	£000	£000
Cost Reductions			
Community Services Programme The focus will be on savings and efficiencies in community safety and protection driven by the joint review of the Road Safety Partnership and improved risk management by Gloucestershire Fire and Rescue Service (GFRS). Changes include £261,000 of internal efficiencies at GFRS from the MTC1 programme, efficiencies in road safety back office systems, repositioning internal equalities posts and Public Health commissioning Trading Standards to deliver work which supports smoking cessation.		-1,351	
Highways Programme Savings in highways is being achieved through 2.5% efficiencies being driven out of the new contract with Amey and through the capitalisation of minor works against a context of approximately £41 million revenue and capital highways budget in 21014/15. Additional income is also being generated within the Highways Records, Street Works and Highways Development Management teams through increased fees, enforcement and chargeable work volumes.		-1,590	
Infrastructure and Economic Growth Programme The Council is no longer liable for Carbon Reduction Commitment levies (£160,000 budget), as a result of its past / current energy saving projects. The other main saving is £30,000 of early savings made in 2014/15 through the restructuring / amalgamation of the Planning Development Management and Minerals & Waste teams in Strategic Infrastructure.		-196	
Libraries Efficiency Programme Re - provision of Visually Impaired Service to achieve £20,000 of efficiencies. £10,000 from integration of Ask Us Service with customer programme's review of advice and guidance.		-30	
Registrars Additional Income		-30	
Concessionary Fares To consider removing the use of concessionary fares on dedicated park and ride services		-5	
Communications Savings realised already, during 2014/15, through communications service restructure.		-200	
Transport Programme The programme aims to maintain the commercial bus network, and make savings by integrating subsidised transport provision, including dedicated park and ride services, across areas more effectively, more efficient procurement, and continuing to keep under review the discretionary elements of the statutory concessionary fares scheme.		-200	
Customer Programme Savings to be generated by more effective customer access routes		-300	
TOTAL NET CHANGE	**2,703**	**-3,902**	**-1,199**
Communities and Infrastructure Budget 2015/16 (Excluding Waste)			**57,705**

2015/16 Waste Budget

	Cost Increases	Cost Reductions	
	£000	**£000**	**£000**
Starting Budget (2014/15 Revised Budget)			**26,436**
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	8		
Increased Waste Costs To provide funding for unavoidable increases in landfill tax of 2.5%, and to provide for forecast increases in waste tonnage and increased disposal costs.	703		
<u>Cost Reductions</u>	0		
TOTAL NET CHANGE	**711**	**0**	**711**
Waste Budget 2015/16			**27,147**

2015/16 Business Support Budget

	Cost Increases	Cost Reductions	
	£000	**£000**	**£000**
Starting Budget (2014/15 Revised Budget)			**19,799**
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Pay Inflation	282		
<u>Cost Reductions</u>			
Strategic Finance Deletion of posts and reprioritisation of work following a detailed finance review		-179	
People Services Deletion of posts following detailed service reviews		-215	
Programme Support Deletion of posts following detailed service reviews and reductions in procurement costs		-1,200	
Strategy and Challenge (incl Archives) Review functions, budgets and income streams. Reduce posts and reprioritise work flowing from specific service reviews, including Archives.		-300	
Customer Programme Savings to be generated by more effective customer access routes		-100	
TOTAL NET CHANGE	**282**	**-1,994**	**-1,712**
Support Services Budget 2015/16			**18,087**

2015/16 Technical and Cross Cutting Budget

	Cost Increases	Cost Reductions	
	£000	£000	£000
Starting Budget (2014/15 Revised Budget)			**61,109**
<u>Budget Changes:</u>			
<u>Cost Increases</u>			
Local Government Pension Scheme Past Service Deficit for whole authority	1,500		
All Services : National Pay Awards	30		
Living Wage An additional investment to provide a living wage supplement at £7.85 per hour. (From £7.65 per hour)	36		
<u>Cost Reductions</u>			
Area Based Review and Reduced Capital Costs This programme, which follows on from the successes in this area over the period of MtC1, is designed to ensure we maximise the effective utilisation of our buildings and other capital assets, disposing of excess assets as required, and thereby reducing capital financing costs, primarily via reduced running costs and providing capital receipts for increased debt redemption. £2.4 million relates to savings as a result of disposals scheduled during 2015/16, which are forecast to deliver £0.4 million in reduced running costs of buildings and £2.0 million in reduced capital financing costs. However, in addition to this, a further £2.47 million can now be withdrawn from the capital financing budget as a result of the success in the reduction of debt over the last four years. During this period, including plans for 2014/15, it is forecast that debt will have been reduced by around £100 million, i.e. significantly in excess of forecasts at the start of the period on which the MtC1 savings were based. This is due to the decision taken not to borrow to finance the capital programme, coupled with the repayment of maturing and other debt, funded from a combination of capital receipts, under spends and the capital financing budget. Clearly the success in this area has had a positive effect on the level of savings required relating to front line services.		-4,884	
Transport Programme Staff travel and Fleet Savings and Social Care Savings that will be allocated over service areas in the final version		-170	
Technical Budget Adjustments Withdrawal of one-off funding included within the 2014/15 agreed budget		-3,466	
TOTAL NET CHANGE	**1,566**	**-8,520**	**-6,954**
Technical and Cross Cutting Budget 2015/16			**54,155**

Annex 3 – Budget Summary by Service Area

Overall Budget

Medium Term Financial Strategy 2015/16 Budget Summary

Budget Area	2014/15 GCC Revised Base Budget	Cost Reductions	Commitments/ Cost Increases	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Programme Budget Areas						
Adults	**147,258**	-11,050	7,505	143,713	-3,545	-2.41%
Public Health	**21,793**	0	3,141	24,934	3,141	14.41%
Children and Families	**92,808**	-2,191	3,674	94,291	1,483	1.60%
Communities and Infrastructure (Excluding Waste)	**58,904**	-3,902	2,703	57,705	-1,199	-2.04%
Waste	**26,436**	0	711	27,147	711	2.69%
Other Budget Areas						
Business Support	**19,799**	-1,994	282	18,087	-1,712	-8.65%
Technical and Cross Cutting	**61,109**	-8,520	1,566	54,155	-6,954	-11.38%
Total GCC	**428,107**	**-27,657**	**19,582**	**420,032**	**-8,075**	-1.89%

Adults MTFS 2015/16						
	2014/15 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Services for Older People	62,586	-4,933	3,221	60,874	-1,712	-2.74%
Services for People with a Physical Disability	16,305	-155	476	16,626	321	1.97%
Services for People with a Learning Disability	55,091	-5,528	3,405	52,968	-2,123	-3.85%
Services for People wih Mental Health Issues	6,386	-264	321	6,443	57	0.89%
Other Services for Adults	5,450	-170	60	5,340	-110	-2.02%
Customer Services	1,440		22	1,462	22	1.53%
Total: Adults	**147,258**	**-11,050**	**7,505**	**143,713**	**-3,545**	**-2.41%**

Public Health MTFS 2015/16						
	2014/15 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Sexual Health	4,077		0	4,077	0	0.00%
Children & Young People	2,215		3,141	5,356	3,141	141.81%
Substance Misuse	6,920		0	6,920	0	0.00%
Support & Overhead Costs	7,231		0	7,231	0	0.00%
Physical Activity Scheme	1,350		0	1,350	0	0.00%
Total: Public Health	**21,793**	**0**	**3,141**	**24,934**	**3,141**	**14.41%**

Children and Families MTFS 2015/16						
	2014/15 GCC Revised Base Budget	**Cost Reductions**	**Cost Increases (Including Inflation)**	**Proposed 2015/16 Budget**	**Cash Increase / Decrease**	**Percentage Increase / Decrease**
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Early and Targeted Intervention (Vulnerable Children)	15,636	0	23	15,659	23	0.15%
Child Protection, LAC and Care Leavers	33,896	-436	2,078	35,538	1,642	4.84%
Children with Disabilities	4,406	-50	27	4,383	-23	-0.52%
Education	22,367	-907	740	22,200	-167	-0.75%
Supporting People	12,913	-688	750	12,975	62	0.48%
Quality and Commissioning	3,590	-110	56	3,536	-54	-1.50%
Total: Children & Families	**92,808**	**-2,191**	**3,674**	**94,291**	**1,483**	**1.60%**

Communities & Infrastructure MTFS 2015/16

	2014/15 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Parking	-2,465		2	-2,463	2	-0.08%
Strategic Infrastructure	1,322	-30	7	1,299	-23	-1.74%
Flood Alleviation	1,142		31	1,173	31	2.71%
Gloucestershire Highways	21,405	-1,590	1,291	21,106	-299	-1.40%
Intergrated Transport Unit	10,054	-200	108	9,962	-92	-0.92%
Fire & Rescue Service	17,157	-721	165	16,601	-556	-3.24%
Libraries	3,843	-30	137	3,950	107	2.78%
Regulatory Services	2,011	-210	30	1,831	-180	-8.95%
Road Safety	789	-616	57	230	-559	-70.85%
Communications & Engagement	852	-200	6	658	-194	-22.77%
Healthwatch	457		0	457	0	0.00%
Unallocated/Corporate Budgets	2,337	-305	869	2,901	564	24.13%
Total: C&I Excluding Waste	**58,904**	**-3,902**	**2,703**	**57,705**	**-1,199**	**-2.04%**
Waste	26,436		711	27,147	711	2.69%
Total: C&I Including Waste	**85,340**	**-3,902**	**3,414**	**84,852**	**-488**	**-0.57%**

Support Services MTFS 2015/16						
	2014/15 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Enabling & Transition	14,177	-1,487	174	12,864	-1,313	-9.26%
Strategy & Challenge	3,303	-317	43	3,029	-274	-8.30%
Strategic Finance	2,319	-190	65	2,194	-125	-5.39%
Total: Support Services	**19,799**	**-1,994**	**282**	**18,087**	**-1,712**	**-8.65%**

Technical & Cross Cutting MTFS 2015/16						
	2014/15 GCC Revised Base Budget	Cost Reductions	Cost Increases (Including Inflation)	Proposed 2015/16 Budget	Cash Increase / Decrease	Percentage Increase / Decrease
	£'000s	£'000s	£'000s	£'000s	£'000s	%
Corporately Controlled Budgets	21,208	-4,036	1,566	18,738	-2,470	-11.65%
Capital Financing	38,664	-4,484	0	34,180	-4,484	-11.60%
Members and Elections	1,237		0	1,237	0	0.00%
Total: Technical & Cross Cutting	**61,109**	**-8,520**	**1,566**	**54,155**	**-6,954**	**-11.38%**

Annex 4

Summary of the final 2015/16 Authority Proforma Tool (APT) recommended for submission to the EFA on 20th January 2015

Schools and academies budget allocations before de-delegation						**% of**
	Units	**Rate**	**Primary**	**Secondary**	**Total**	**delegated**
Pupil led:		**£**	**£**	**£**	**£**	**budget**
Basic Entitlement Primary (Age Weighted Pupil Unit)	44,717.17	2,974.07	132,992,110		132,992,110	40.6%
Basic Entitlement KS3 (Age Weighted Pupil Unit)	18,700.00	3,750.83		70,140,447	70,140,447	21.4%
Basic Entitlement KS4 (Age Weighted Pupil Unit)	12,923.00	4,499.58		58,148,085	58,148,085	17.8%
Total AWPU (October 2014 pupils will be used for final version)	**76,340.17**		**132,992,110**	**128,288,532**	**261,280,643**	**79.8%**
Deprivation Primary (FSM ever 6)	8,662.30	889.16	7,702,184		12,123,358	3.7%
Deprivation Secondary (FSM ever 6)	5,808.69	761.13		4,421,174		
Prior Attainment (Early Years Foundation Stage Profile <78)	12,753.24	1,096.62	13,985,507		24,862,489	7.6%
Prior Attainment (SATs <L4 Eng or Mths)	6,075.45	1,790.32		10,876,981		
English as Additional Language (3 year EAL)	2,097.56	830.53	1,742,091		1,742,091	0.5%
English as Additional Language (3 year EAL)	346.04	830.53		287,400	287,400	0.1%
Total Pupil Led delegations			**156,421,893**	**143,874,087**	**300,295,980**	**91.7%**
Note: budget totals calculated above are based on un-rounded units and rates						
Other Formula Factors:			£	£	£	
Lump Sum *(includes 70% protection for amalgamated school)*	247	£69,195.00	17,118,843		17,118,843	5.2%
Lump Sum	39	£175,000.00		6,825,000	6,825,000	2.1%
Split Sites	*4 schools @ £43,379 + £58 / pupil*		202,257		202,257	0.1%
Rates	*Currently based on 15/16 estimates + 14/15 adjustments*		1,974,061	992,546	2,966,607	0.9%
Exceptional Premises Factor - Rents	*Currently based on 15/16 estimates*		134,378	0	134,378	0.0%
Total Other Formula factors			**19,429,539**	**7,817,546**	**27,247,085**	**8.3%**
Total budget allocations before MFG, Cap and de-delegation			**175,851,432**	**151,691,633**	**327,543,065**	**100.0%**
Minimum Funding guarantees & capping						
MFG protections (based on no loss below -1.5% per pupil)			578,487	49,053	627,541	0.2%
Capping reductions based on no gains per pupil above	8.19%		-627,541	0	-627,541	-0.2%
Difference			**-49,053**	**49,053**	**0**	
Total budget allocations after MFG & Cap applied but before de-delegations			**175,802,379**	**151,740,686**	**327,543,065**	**100.0%**
Proposed de-delegation for maintained schools only (takes into account anticipated conversions)						
	Maintained	**Rate**	**Primary**	**Secondary**	**Total**	
	Pupils	£	£	£	£	
Targeted Intervention & Support Primary	36,271.17	9.27	336,234		426,463	
Targeted Intervention & Support Secondary	4,361.00	20.69		90,229		
Total Targeted Support	40,632.17		336,234	90,229	426,463	
Covered from previous years DSG de-delegated balances			-336,234	-90,229	-426,463	
Net targeted support de-delegated in 15/16			0	0	0	0.0%
Union Facilities Primary	36,271.17	3.05	110,627		110,627	0.0%
October Pupil Increases (above threshold)	36,271.17	10.53	381,935		381,935	0.1%
Total de-delegation funds available to maintained schools			**492,562**	**0**	**492,562**	**0.1%**
Total budget allocations after MFG,CAP and de-delegation			**175,309,817**	**151,740,686**	**327,050,503**	**99.9%**

Forward Planning 2015/16 to 2017/18

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 and draft financial settlement for 2015/16, under which the "affordable" budget for 2015/16, assuming a freeze in Council Tax, is forecast to reduce by £8.1 million (1.89%) in cash terms. Although, as set out in this MTFS, there is an absence of financial settlement data post 2015/16, the expectation is that funding constraints will continue, with the affordable budgets for 2016/17 and 2017/18 currently being forecast at £406 million and £395 million respectively.

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 2015/16 to 2017/18. Current forecasts indicate that savings in the order of £80 million will be required over the three year period from 2015/16, although, given the absence of funding information for 2016/17 and 2017/18 these are only estimates.

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 intial MtC programme covered the four years 2011/12 to 2014/15. A second programme "Meeting the Challenge 2 – Together we Can", will cover 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 demographic growth and increased demand, while continuing to deliver high quality cost effective services across Gloucestershire.

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, with additional resources being again proposed for 2015/16 in relation to the growth in the demand for care of older and vulnerable adults and vulnerable children.

The Council's financial strategy for 2015/16 to 2017/18, 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 2015/16 to 2017/18, even though the final finance settlement announced in December 2014, only covered the 2015/16 financial year.

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 and delivers low Council Tax increases, in the case of 2015/16 a Council Tax freeze, following similar freezes over the last four financial years.
- 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

Useable Reserves					
	Balance at 31st March 2014	Transfers Out 2014/15	Transfers In 2014/15	**Projected Balance at 31st March 2015**	**Notes**
	£'000	£'000	£'000	**£'000**	
Earmarked Reserves					
Capital Fund	**15,655**	**-7,000**	**0**	**8,655**	**1**
Insurance Fund	**8,876**	**0**	**1,423**	**10,299**	**2**
Supporting People	**1,930**	**-700**	**0**	**1,230**	**3**
Public Health	**2,267**	**0**	**650**	**2,917**	**4**
County Elections	**278**	**-10**	**151**	**419**	**5**
Vehicle & Plant Replacement	**110**	**0**	**0**	**110**	**6**
Fire Service Pensions	**127**	**0**	**0**	**127**	**7**
Strategic Waste Reserve	**14,577**	**0**	**1,000**	**15,577**	**8**
Fire Joint Training Centre	**1,185**	**-20**	**0**	**1,165**	**9**
Invest to Save	**4,866**	**-32**	**0**	**4,834**	**10**
Transformation Reserve	**8,009**	**-1,351**	**0**	**6,658**	**11**
Impairment Reserve	**2,006**	**-1,846**	**0**	**160**	**12**
Economic Stimulus Reserve	**8,950**	**-1,082**	**1,846**	**9,714**	**13**
Fire PFI Reserve - GFRS	**1,998**	**397**	**0**	**2,395**	**14**
Revenue Grant Reserves	**8,693**	**0**	**0**	**8,693**	**15**
Adoption Reserve	**1,000**	**0**	**0**	**1,000**	**16**
Rates Retention Reserve	**2,049**	**0**	**0**	**2,049**	**17**
Education Funding Risk Reserve	**1,000**	**-700**	**200**	**500**	**18**
Vulnerable Children Reserve	**0**	**0**	**1,000**	**1,000**	**19**
Home to School Transport Reserve	**0**	**0**	**400**	**400**	**20**
Other Reserves	**511**	**-69**	**15**	**458**	**21**
	84,087	**-12,413**	**6,685**	**78,360**	
Schools Related					
School Balances	**18,999**	**0**	**0**	**18,999**	**22**
Dedicated Schools Grant Reserve	**5,590**	**0**	**0**	**5,590**	**23**
Other Schools Related	**514**	**0**	**0**	**514**	**22**
	25,103	**0**	**0**	**25,103**	
	109,190	**-12,413**	**6,685**	**103,463**	
General Fund Balances	**19,848**	**0**	**0**	**19,848**	**24**
Total Revenue Reserves	**129,038**	**-12,413**	**6,685**	**123,311**	
Earmarked Capital Reserves	**Balance at 31st March 2014**	Transfers Out 2014/15	Transfers In 2014/15	**Balance at 31st March 2015**	
Capital Grant & Contributions Reserves	**54,653**	**-52,355**	**46,177**	**48,475**	**25**
Total Capital Reserves	**54,653**	**-52,355**	**46,177**	**48,475**	
Total Useable Reserves	**183,691**	**-64,768**	**52,862**	**171,786**	

The above forecasts assume a balanced outturn position on the revenue budget for 2014/15.

Notes on Reserves

1. The Capital fund balance assumes that £7 million will be used to finance the capital programme in 2014/15. The remaining balance available will be used to support future capital programme projects from 2015/16 onwards.

2. The Insurance Fund's estimated balance as at 31st March 2015 is forecast to increase by £1.4million following increases in future fund liabilities. The balance required in the fund is based on a detailed analysis of existing and future liabilities, utilising the advice of the actuary and the Council's insurers.

3. The Reserve was established to support future costs associated with the Supporting People Initiative within Social Care and to realign services to achieve future savings. Following a review of reserves and achievement of savings targets it is proposed to reduce the reserve by £0.7million, with this amount being transferred to the new Vulnerable Children Reserve.

4. Following the transfer of the Public Health Services in April 2014, a new ring fenced reserve has been established in accordance with grant conditions to hold any unused balances from the Health Grant received by Government. It is been assumed that the current under spend forecast for the service totalling £0.65 million will be transferred to this reserve at year end.

5. The County Elections Reserve acts as smoothing reserve to fund the costs associated with County Council Elections held every three years. A budgeted annual contribution of £0.150 million is currently made to this fund

6. This 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.

7. The Fire Pensions Reserve was established to support 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.

8. The Strategic Waste Reserve's estimated balance as at 31st March 2015 is £15.6 million, following a budgeted transfer of £1 million from revenue. The Strategic Waste Reserve is fully committed to fund a contribution to the proposed waste facility.

9. This 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. From 2014/15 reserve balances are expected to slowly reduce for the remaining of the contract to 2028.

10. The Invest to Save reserve supports projects that are designed to deliver on-going savings in the future by providing "pump priming" funding. Current known commitments, the majority of which are forecast to fall due in 2015/16 include: £0.5 million Provision of SALIX loan grants; £0.9 million Provision of Photovoltaic PV Panels for Shire Hall; £1.3 million on Next Generation Desktops & New Telephony to facilitate hot desking and estate rationalisation, £0.7 million for the Customer Access Programme, together with at least £1 million for Dilnot Care Reforms.

11. The Transformation reserve was set up in 2009/10 to fund liabilities associated with the MtC programme. To date the reserve has been used to fund costs in excess of £11 million associated with redundancies etc necessary to generate some of the MtC savings. During 2014/15 this reserve is forecast to reduce by £1.4 million to provide specific transformation budgetary support (£0.4 million) and MtC related redundancy & pensions strain costs (£1 million).

12. The Impairment Reserve was established during 2009/10, to meet any potential losses from investments in Icelandic banks. A transfer of £1.8 million from this reserve will be undertaken in 2014/15 to the Economic Stimulus Reserve in order to provide additional funding for the Fastershire Broadband project, (as agreed by Cabinet 17th September 2014).

13. The Economic Stimulus Reserve was agreed by Cabinet in February 2012 and is committed to fund a series of initiatives to support economic growth within Gloucestershire. It is forecast that the Reserve will have a balance of £9.7 million at 31st March 2015 specifically committed for Fastershire Rural Broadband £9.3 million following additional funding from the impairment Reserve as agreed by Cabinet 17 September 2014 (£1.8 million) and £0.4 million for Apprenticeship Initiative.

14. 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 £4.77million, but then reduce over the next 13 years to zero in 2038.

15. 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. These funds cannot be used for other purposes. It has been assumed that the level of these grants will be similar with those held at the beginning of the year.

16. The Reserve was established to reduce the backlog in numbers of children awaiting adoption and implement improved procedures within the service. Further government grant funding has also been received for this purpose and this funding is being spent ahead of this reserve. Plans are in place to fully utilise this reserve during 2015/16.

17. The way that the Council is funded changed in 2013/14. As a result the Council will be subject to volatility around Business Rates collected. To minimise this volatility the Council will receive a “Top Up” Grant from Central Government, which means that only our “Baseline” position will be subject to the volatility. This figure accounts for £20.6 million of our funding, and means that if our District Councils collect less business rates this figure could be lower. 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 is set at 7.5%, meaning that our collected Business Rates would need to fall by £4.9 million before the safety net would become payable. As a result of this potential funding gap a reserve has been created at 10% of the GCC baseline figure, to help offset any loss in Business Rate income.

18. The Education Funding Smoothing Reserve has been established following the announcement in the financial settlement that, from 2013/14 onwards, in-year funding adjustments will be 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.

Due to the limited number of schools converting to academies it is proposed to reduce this reserve by £0.7 million, with £0.3 million being transferred to the new Vulnerable Children Reserve and £0.4 million being transferred to the new Home to School Transport Reserve.

19. It is proposed to create a new reserve 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.

20. It is proposed to create a new Home to School Transport Reserve in order to smooth out the budgetary pressures caused by the fluctuations in school transport days between financial years.

21. This relates to a small number of specific reserves.

22. It has been assumed that school balances will remain at similar levels to those held at 31st March 2014.

23. It has been assumed that balances for the Dedicated School's Grant will remain at similar levels to those held at 31st March 2014.

24. General reserves are forecast to remain at £19.8 million at 31 March 2015, assuming a balanced outturn position on the Revenue budget for 2014/15. In the event of an over spend position general reserves will have to be utilised.

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 2015-16 onwards.

Annex 7

MTFS 2015/16 – 2017/18 – Forecast draft budgets based on funding assumptions

Service Area	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**
Adults	143.71	141.73	139.73
Public Health	24.93	23.58	22.32
Children and Families	94.30	91.19	88.31
Communities and Infrastructure	57.69	55.57	53.59
Waste	27.15	26.38	26.52
Support Services	18.09	17.11	16.19
Technical/Cross Cutting	54.16	51.23	48.48
Total	**420.03**	**406.78**	**395.14**

Summary of forecast 3 year changes

	£m	**£m**
2014/15 adjusted base budget		**428.11**
Inflation	10.41	**10.41**
Cost Increases (forecast)		
Adults	18.62	
Public Health	3.14	
Children and Families	7.38	
Communities and Infrastructure	4.40	
Waste	2.95	
Support Services	0.10	
T and C	0.06	**36.65**
Savings (forecast)		
Adults	-29.13	
Public Health	-3.04	
Children and Families	-13.94	
Communities and Infrastructure	-11.08	
Waste	-3.39	
Business Support	-4.22	
Technical and Cross Cutting	-15.20	**-80.03**
Total		**395.14**

The above forecasts will require further detailed analysis following the financial settlement.

Annex 8 – Capital Programme

Capital Programme 2015/16

MEDIUM TERM CAPITAL PROGRAMME - COUNTY COUNCIL SERVICES
FINANCING STATEMENT

	Prior Years Actual Spend	Profiled Budget 2014/15	2015/16	2016/17	2017/18	Future Years Spend	Total Scheme Investment
	£000	£000	£000	£000	£000	£000	£000
GROSS PAYMENTS							
Adults	3,367	1,492	3,548	0	0	0	**8,407**
Children & Families	105,127	18,432	40,266	19,319	24,659	0	**207,803**
Communities and Infrastructure:							
Highways	56,850	30,611	44,637	33,466	28,753	12,200	**206,517**
Enabling & Transition	8,084	10,590	24,143	3,276	7,005	474	**53,572**
Archives	0	39	230	1,000	1,000	0	**2,269**
Libraries	474	213	308	0	100	0	**1,095**
Safety	2,703	1,849	700	0	0	0	**5,252**
Total	176,605	63,226	113,832	57,061	61,517	12,674	**484,915**
AVAILABLE RESOURCES							
External Grant - including Government	114,266	42,873	67,858	45,095	48,432	4,880	**323,404**
Capital Contributions	18,380	3,755	12,071	0	100	0	**34,306**
Other External Contributions	1,838	227	100	0	0	0	**2,165**
Revenue Contributions	15,346	5,057	3,823	120	0	0	**24,346**
Capital Receipts	0	3,711	17,722	7,150	5,485	7,320	**41,388**
Capital Fund & Reserves	780	7,603	5,837	4,696	1,600	0	**20,516**
Other - including Borrowing	25,995	0	6,421	0	5,900	474	**38,790**
Total	176,605	63,226	113,832	57,061	61,517	12,674	**484,915**
Surplus/deficit (-)	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Scheme Name	Total Scheme Budget £'000	Prior Years Actuals £'000	*Total Scheme Budget* 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Future Years £'000	*Funding for Total Scheme Budget* External Grant £'000	S106 External Contrib £'000	Other External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund & Reserves £'000	Other incl. Borrowing £'000	Funding of Budget Total £'000
Summary by Service Area															
Adults	8,407	3,367	1,492	3,548	0	0	0	2,748	521	0	1,513	0	1,449	2,176	8,407
Children & Families	207,803	105,127	18,432	40,266	19,319	24,659	0	164,410	24,965	1,083	5,981	0	0	11,364	207,803
Communities and Infrastructure:															
Highways	206,517	56,850	30,611	44,637	33,466	28,753	12,200	149,265	8,217	882	11,815	17,144	10,452	8,742	206,517
Enabling & Transition	53,572	8,084	10,590	24,143	3,276	7,005	474	1,729	0	200	4,114	23,144	8,372	16,013	53,572
Archives	2,269	0	39	230	1,000	1,000	0	1,000	0	0	169	1,100	0	0	2,269
Libraries	1,095	474	213	308	0	100	0	0	603	0	153	0	112	227	1,095
Safety	5,252	2,703	1,849	700	0	0	0	4,252	0	0	601	0	131	268	5,252
	484,915	**176,605**	**63,226**	**113,832**	**57,061**	**61,517**	**12,674**	**323,404**	**34,306**	**2,165**	**24,346**	**41,388**	**20,516**	**38,790**	**484,915**
Adults															
Adults Social Services Grant 13/14 14/15	2,748	13	850	1,885	0	0	0	2,748	0	0	0	0	0	0	2,748
GIS	850	31	15	804	0	0	0	0	0	0	850	0	0	0	850
Gloucester LD Reprovision Scheme	983	206	505	272	0	0	0	0	0	0	0	0	777	206	983
Schemes under £250,000 (14/15 onwards)	3,826	3,117	122	587	0	0	0	0	521	0	663	0	672	1,970	3,826
	8,407	**3,367**	**1,492**	**3,548**	**0**	**0**	**0**	**2,748**	**521**	**0**	**1,513**	**0**	**1,449**	**2,176**	**8,407**
Children & Families															
St. White's Primary, replacement school	6,000	11	1,400	4,319	270	0	0	5,425	575	0	0	0	0	0	6,000
Hunts Grove, new primary school	5,875	2	1	5,872	0	0	0	0	5,875	0	0	0	0	0	5,875
Greenfields Academy (ex Sandford)	5,500	9	350	5,141	0	0	0	5,500	0	0	0	0	0	0	5,500
Northway Infant, replacement school	4,000	0	100	3,900	0	0	0	4,000	0	0	0	0	0	0	4,000
Watermoor Primary, replacement	4,268	907	3,291	70	0	0	0	2,205	2,048	15	0	0	0	0	4,268
Lakeside Primary, additional 1FE 14/15	2,900	2	1,278	1,563	57	0	0	2,900	0	0	0	0	0	0	2,900
Dunalley Primary, final phase (inc A2YO)	1,507	0	150	1,309	48	0	0	1,507	0	0	0	0	0	0	1,507
Short Breaks for Disabled Children	1,291	34	50	1,207	0	0	0	1,291	0	0	0	0	0	0	1,291
Kingsholm Primary, final phase	1,201	2	200	968	31	0	0	1,201	0	0	0	0	0	0	1,201
Tuffley C & I Centre, replacement	1,119	81	996	42	0	0	0	1,100	0	0	19	0	0	0	1,119
Universal Infant Free School Meals Grant	1,013	27	986	0	0	0	0	1,013	0	0	0	0	0	0	1,013
Shrubberies, PMLD provision	976	57	800	119	0	0	0	972	0	0	4	0	0	0	976
Woodmancote Primary, expand to 2FE	779	0	0	779	0	0	0	0	779	0	0	0	0	0	779
Isbourne Valley Primary, co-location	710	0	23	652	35	0	0	695	0	0	15	0	0	0	710
English Bicknor Primary, replace temps	536	1	535	0	0	0	0	536	0	0	0	0	0	0	536
Chesterton Primary, C&I Centre	700	0	25	650	25	0	0	700	0	0	0	0	0	0	700
Tredington Primary Hall and classroom	462	0	438	24	0	0	0	284	178	0	0	0	0	0	462
Kingsway Nursery, A2YO	423	0	45	378	0	0	0	23	0	0	400	0	0	0	423
St. Thomas More Primary, A2YO capital	400	0	90	300	10	0	0	0	0	0	400	0	0	0	400
Kitchen upgrades for free school meals	366	0	366	0	0	0	0	295	53	0	18	0	0	0	366
SEN adaptations/disabled access	463	101	100	262	0	0	0	463	0	0	0	0	0	0	463

Scheme Name	Total Scheme Budget £'000	*Total Scheme Budget* Prior Years Actuals £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Future Years £'000	*Funding for Total Scheme Budget* External Grant £'000	S106 External Contrib £'000	Other External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund & Reserves £'000	Other incl. Borrowing £'000	Funding of Budget Total £'000
Finlay Children's Centre	280	0	0	280	0	0	0	280	0	0	0	0	0	0	280
Tuffley Primary, alterations	321	0	185	136	0	0	0	35	0	0	286	0	0	0	321
Dunalley Primary, KS1 class extension	297	17	270	10	0	0	0	297	0	0	0	0	0	0	297
SEN Strategy development	107	0	0	107	0	0	0	107	0	0	0	0	0	0	107
Milestone Key Stage 4 Extensions	305	0	10	285	10	0	0	280	0	0	25	0	0	0	305
Language Immersion Centre	6,806	6,539	0	267	0	0	0	6,167	0	26	0	0	0	613	6,806
John Moore Primary, additional classroom	260	0	260	0	0	0	0	260	0	0	0	0	0	0	260
St James Junior, additional classrooms	250	0	2	248	0	0	0	250	0	0	0	0	0	0	250
Schools Capital Maintenance Programme	2,718	951	1,767	0	0	0	0	2,129	0	0	589	0	0	0	2,718
Schemes under £250,000 (14/15 onwards)	103,948	96,386	4,714	2,772	76	0	0	73,349	15,021	1,042	3,785	0	0	10,751	103,948
New starts 2015/16 onwards															
Capital Maintenance Programme	1,680	0	0	1,680	0	0	0	1,400	0	0	280	0	0	0	1,680
Health & safety/accessibility etc.	1,000	0	0	500	500	0	0	1,000	0	0	0	0	0	0	1,000
Early Years projects	100	0	0	100	0	0	0	100	0	0	0	0	0	0	100
Suitability Programme	1,760	0	0	760	1,000	0	0	1,600	0	0	160	0	0	0	1,760
Calton Primary, expand by 1FE	4,400	0	0	200	4,000	200	0	4,364	36	0	0	0	0	0	4,400
Thrupp Primary, replace temps	300	0	0	150	150	0	0	300	0	0	0	0	0	0	300
Chalford Hill Primary, replace temps	525	0	0	300	225	0	0	525	0	0	0	0	0	0	525
Hunts Grove Primary, ICT/FFE/fees	511	0	0	300	211	0	0	511	0	0	0	0	0	0	511
Rowanfield Primary, budget increase	315	0	0	315	0	0	0	315	0	0	0	0	0	0	315
Greenfield Academy, budget increase	165	0	0	165	0	0	0	165	0	0	0	0	0	0	165
SEN sufficiencey	4,000	0	0	2,000	2,000	0	0	4,000	0	0	0	0	0	0	4,000
Paternoster, replace temps	2,800	0	0	0	2,800	0	0	2,800	0	0	0	0	0	0	2,800
Winchcombe Primary, expand to 1FE	400	0	0	400	0	0	0	0	400	0	0	0	0	0	400
Longford Primary, ICT/FFE/fees	336	0	0	336	0	0	0	336	0	0	0	0	0	0	336
Primary basic need projects	1,505	0	0	1,000	505	0	0	1,505	0	0	0	0	0	0	1,505
Lakeside Primary, budget increase	400	0	0	400	0	0	0	400	0	0	0	0	0	0	400
Secondary basic need projects	6,666	0	0	0	0	6,666	0	6,666	0	0	0	0	0	0	6,666
Basic Need Grant 15/16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Basic Need Grant 16/17	881	0	0	0	881	0	0	881	0	0	0	0	0	0	881
Basic Need Grant (estimate 2017/18)	11,308	0	0	0	0	11,308	0	11,308	0	0	0	0	0	0	11,308
Capital Maintenance Grant (estimate)	12,970	0	0	0	6,485	6,485	0	12,970	0	0	0	0	0	0	12,970
	207,803	**105,127**	**18,432**	**40,266**	**19,319**	**24,659**	**0**	**164,410**	**24,965**	**1,083**	**5,981**	**0**	**0**	**11,364**	**207,803**
Communities & Infrastructure - Archives															
Alvin Street Extension	2,259	0	29	230	1,000	1,000	0	1,000	0	0	159	1,100	0	0	2,259
FOI Database	10	0	10	0	0	0	0	0	0	0	10	0	0	0	10
	2,269	**0**	**39**	**230**	**1,000**	**1,000**	**0**	**1,000**	**0**	**0**	**169**	**1,100**	**0**	**0**	**2,269**
Communities & Infrastructure - E&T - ICT															
ICT Strategy	8,401	1,663	5,396	1,342	0	0	0	680	0	0	458	4,738	2,000	525	8,401
Improving Customer Access	400	119	141	140	0	0	0	0	0	0	257	0	143	0	400
Service Integration Programme	445	326	23	96	0	0	0	445	0	0	0	0	0	0	445
New starts 2015/16 onwards															
ICT Strategy	5,081	0	0	4,200	776	105	0	0	0	0	0	5,081	0	0	5,081
	14,327	**2,108**	**5,560**	**5,778**	**776**	**105**	**0**	**1,125**	**0**	**0**	**715**	**9,819**	**2,143**	**525**	**14,327**

Scheme Name	Total Scheme Budget £'000	Prior Years Actuals £'000	*Total Scheme Budget* 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Future Years £'000	*Funding for Total Scheme Budget* External Grant £'000	S106 External Contrib £'000	Other External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund & Reserves £'000	Other incl. Borrowing £'000	Funding of Budget Total £'000
Communities & Infrastructure - E&T - AMPS															
MTFS SH Refurbishment	7,100	0	0	7,100	0	0	0	0	0	0	0	7,100	0	0	7,100
New Cap Maintenance Strat 08/09 onwards	2,090	1,020	13	1,057	0	0	0	0	0	0	1,022	0	1,068	0	2,090
Accommodation	1,382	1,334	48	0	0	0	0	0	0	0	800	0	1	581	1,382
SH Block 3 Improvements	1,051	0	1,051	0	0	0	0	0	0	0	1	0	1,050	0	1,051
Worksmart - Photovoltaic Panels	900	0	0	900	0	0	0	0	0	0	0	0	900	0	900
SH MTFS SH Maintenance	782	289	493	0	0	0	0	0	0	0	294	0	488	0	782
MTFS SH Reorganisation	255	125	130	0	0	0	0	0	0	0	0	0	130	125	255
Locality Hubs	352	0	352	0	0	0	0	352	0	0	0	0	0	0	352
Health & Safety Works 2008/09 - 2013/14	628	311	317	0	0	0	0	89	0	0	291	0	248	0	628
Schemes under £250,000 (14/15 onwards)	3,272	1,456	1,816	0	0	0	0	60	0	0	432	0	1,685	1,095	3,272
New starts 2015/16 onwards															
Area Based Review and Quayside Master Plan	6,000	0	0	2,500	2,500	1,000	0	0	0	0	0	6,000	0	0	6,000
	23,812	**4,535**	**4,220**	**11,557**	**2,500**	**1,000**	**0**	**501**	**0**	**0**	**2,840**	**13,100**	**5,570**	**1,801**	**23,812**
Communities & Infrastructure - E&T - Misc															
Moore Cottage Hospital	521	30	491	0	0	0	0	0	0	200	21	0	270	30	521
Community Asset Transfer	564	258	225	81	0	0	0	0	0	0	179	225	81	79	564
Solar Ground Mounted Facilities	12,795			6,421		5,900	474							12,795	12,795
Schemes under £250,000 (14/15 onwards)	66	0	0	66	0	0	0	0	0	0	66	0	0	0	66
	13,946	**288**	**716**	**6,568**	**0**	**5,900**	**474**	**0**	**0**	**200**	**266**	**225**	**351**	**12,904**	**13,946**
Communities & Infrastructure - E&T - Rural															
Various Carbon Reduction Schemes	670	462	56	152	0	0	0	0	0	0	210	0	208	252	670
Schemes under £250,000 (14/15 onwards)	817	691	38	88	0	0	0	103	0	0	83	0	100	531	817
	1,487	**1,153**	**94**	**240**	**0**	**0**	**0**	**103**	**0**	**0**	**293**	**0**	**308**	**783**	**1,487**
Communities & Infrastructure - Highways - Struct Maint															
A4135 M5 bridge to Cam Pitch, Cam	331	331	0	0	0	0	0	331	0	0	0	0	0	0	331
Pothole Fund 2014-15 - Unallocated	3,384	0	3,384	0	0	0	0	3,384	0	0	0	0	0	0	3,384
Minor Struct Maint Works	18,950	16,728	2,222	0	0	0	0	17,155	0	0	1,795	0	0	0	18,950
SM NPRN C Classified Unallocated	3,304	0	3,304	0	0	0	0	3,304	0	0	0	0	0	0	3,304
Severe Weather Recovery Grant 14-15	3,082	0	2,800	282	0	0	0	1,214	0	0	1,868	0	0	0	3,082
SM NPRN Unclassified Unallocated	3,407	0	3,407	0	0	0	0	3,196	61	0	150	0	0	0	3,407
SM PRN A Roads Unallocated	2,706	67	2,639	0	0	0	0	2,706	0	0	0	0	0	0	2,706
Concrete Column Replacement -LED Project	894	0	683	211	0	0	0	519	0	0	375	0	0	0	894
Footways Unallocated	675	0	660	15	0	0	0	675	0	0	0	0	0	0	675
SM NPRN B Classified Unallocated	789	0	789	0	0	0	0	789	0	0	0	0	0	0	789
Berkeley New And Berkeley Old Bridges	530	106	41	383	0	0	0	530	0	0	0	0	0	0	530
Street Column Structural Test & Repair	497	0	497	0	0	0	0	497	0	0	0	0	0	0	497
LED Replacements 2013 - Salix scheme	779	391	388	0	0	0	0	40	0	0	268	90	381	0	779
Old Wye Bridge Chepstow - Contribution	358	0	225	133	0	0	0	358	0	0	0	0	0	0	358
A44 Five Mile Drive, Blockley Ph2	625	0	625	0	0	0	0	0	0	0	625	0	0	0	625

Scheme Name	Total Scheme Budget £'000	Prior Years Actuals £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Future Years £'000	External Grant £'000	S106 External Contrib £'000	Other External Contrib £'000	Revenue Contrib £'000	Capital Receipts £'000	Capital Fund & Reserves £'000	Other incl. Borrowing £'000	Funding of Budget Total £'000
	Total Scheme Budget							***Funding for Total Scheme Budget***							
A40 Golden Valley-M5 to Arle Crt eastbnd	400	0	400	0	0	0	0	0	0	0	400	0	0	0	400
Schemes under £250,000 (14/15 onwards)	19,390	16,763	2,447	180	0	0	0	16,357	22	364	2,026	0	620	1	19,390
New starts 2015/16 onwards															
Structural Maintenance (estimate)	50,036	0	0	17,833	16,349	15,854		50,036	0	0	0	0	0	0	50,036
	110,137	**34,386**	**24,511**	**19,037**	**16,349**	**15,854**	**0**	**101,091**	**83**	**364**	**7,507**	**90**	**1,001**	**1**	**110,137**
Communities & Infrastructure - Highways - Integ Trans															
Elmbridge Major Scheme Bid	17,303	2,368	350	6,953	5,000	2,632	0	15,790	1,282	0	231	0	0	0	17,303
C&G / Walls Roundabout Gloucester	3,111	572	2,500	39	0	0	0	2,696	405	0	10	0	0	0	3,111
Cheltenham Transport Plan (Boots Corner	826	129	50	647	0	0	0	826	0	0	0	0	0	0	826
Bristol Road, Gloucester	591	49	5	537	0	0	0	25	566	0	0	0	0	0	591
Tewkesbury Rd Chelt-Bus Priority Signals	353	76	0	277	0	0	0	0	353	0	0	0	0	0	353
Traffic Model Update (Saturn)	472	104	139	229	0	0	0	150	100	100	122	0	0	0	472
RTPI Upgrade - Tewkesbury Road Corridor	337	30	207	100	0	0	0	0	337	0	0	0	0	0	337
Fire College Site Moreton - Mitigation M	281	0	0	281	0	0	0	0	281	0	0	0	0	0	281
Schemes under £250,000 (14/15 onwards)	14,004	8,512	2,197	3,283	6	6	0	7,978	4,810	418	773	0	25	0	14,004
New starts 2015/16 onwards															
Integrated Transport (estimated 2017/18)	8,583	0	0	2,861	2,861	2,861	0	8,583	0	0	0	0	0	0	8,583
	45,861	**11,840**	**5,448**	**15,207**	**7,867**	**5,499**	**0**	**36,048**	**8,134**	**518**	**1,136**	**0**	**25**	**0**	**45,861**
Communities & Infrastructure - Highways - Other															
LED Street Lighting Project	24,500	0	0	4,300	4,200	3,800	12,200	9,800	0	0	0	14,700	0	0	24,500
Flood Alleviation schemes	710	0	0	710	0	0	0	0	0	0	710	0	0	0	710
Rural Broadband - Fastershire	11,700	0	0	3,050	5,050	3,600	0	0	0	0	0	2,354	9,346	0	11,700
Residual Waste Project	9,251	8,741	0	510	0	0	0	0	0	0	510	0	0	8,741	9,251
Hempsted HRC	250	0	0	250	0	0	0	0	0	0	250	0	0	0	250
Lydney Level Crossings	500	9	0	491	0	0	0	500	0	0	0	0	0	0	500
Flood & Water Management Act	343	15	30	298	0	0	0	308	0	0	35	0	0	0	343
Whaddon - Flood Alleviation Scheme FDGiA	293	1	90	202	0	0	0	133	0	0	160	0	0	0	293
Schemes under £250,000 (14/15 onwards)	2,972	1,858	532	582	0	0	0	1,385	0	0	1,507	0	80	0	2,972
	50,519	**10,624**	**652**	**10,393**	**9,250**	**7,400**	**12,200**	**12,126**	**0**	**0**	**3,172**	**17,054**	**9,426**	**8,741**	**50,519**
Communities & Infrastructure - Libraries															
Schemes under £250,000 (14/15 onwards)	1,095	474	213	308	0	100	0	0	603	0	153	0	112	227	1,095
	1,095	**474**	**213**	**308**	**0**	**100**	**0**	**0**	**603**	**0**	**153**	**0**	**112**	**227**	**1,095**
Communities & Infrastructure - Safety															
Fire Vehicles 2013/14-2014/15	1,195	45	1,150	0	0	0	0	1,195	0	0	0	0	0	0	1,195
BA Project	700	0	0	700	0	0	0	700	0	0	0	0	0	0	700
Control Room Equipment	1,700	1,132	568	0	0	0	0	1,700	0	0	0	0	0	0	1,700
Schemes under £250,000 (14/15 onwards)	1,657	1,526	131	0	0	0	0	657	0	0	601	0	131	268	1,657
	5,252	**2,703**	**1,849**	**700**	**0**	**0**	**0**	**4,252**	**0**	**0**	**601**	**0**	**131**	**268**	**5,252**
	484,915	**176,605**	**63,226**	**117,954**	**55,571**	**58,885**	**12,674**	**323,404**	**34,306**	**2,165**	**24,346**	**41,388**	**20,516**	**38,790**	**484,915**

Annex 9

Gloucestershire
COUNTY COUNCIL

RISK MANAGEMENT

POLICY STATEMENT & STRATEGY

2015-2016

Contents

Document Version Control

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v1-0	Original document	Theresa Mortimer	August 2007
v2-0	Updated Version	Theresa Mortimer	February 2009
v3-0	NOM Updates	Theresa Mortimer	November 2012
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Foreword by the Chief Executive

Four years ago we launched Meeting the Challenge, which was our plan to save £114million by the end of 2014/15, and the good news is that we're on track to make these savings.

With a strong mandate for change, our next step is developing plans or policies relevant to the services that we provide, in a way that will generate further savings over the next 3 years. We're looking at a minimum of £75million to close the funding gap between 2015/16 and 2017/18. To do this we have developed Meeting the Challenge Together we Can in the summer of 2014 and developed a new Council Strategy and policies which promote communities and individuals doing more for themselves, so we can focus our support where we're needed the most.

We know there are already excellent community networks and groups running and we want to work with them, share their local knowledge and invest where we think something can be developed further to help individuals and families.

Whilst these further changes in our approach to delivering services will create opportunities; they will also create risks and uncertainty. I am therefore determined that we manage the risks and opportunities associated with the delivery of our outcomes, by adopting good risk management principles. This strategy is focussed on providing the risk management principles, tools, techniques, advice and support for a successful transition from the organisation we currently are, to where we need to be.

Pete Bungard: Chief Executive
Gloucestershire County Council

Risk Management Policy Statement

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.

Risk Management Strategy

Introduction

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?

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

- Informing strategic/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.

What are our Strategic Risk Management Objectives?

- 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 be more consistent in options appraisals and more flexible/agile in delivering change;
- 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 GCC’s Risk Appetite?

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?

The Council's objectives will be achieved by:

- Adopting good practice risk management principles, in line with 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, 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)

- 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;
- An annual review and report on the overall effectiveness of risk management and internal control by Internal Audit.

Please refer to:

- Appendix 1 which outlines the risk management roles and responsibilities; and
- Appendix 2 which provides an overview of the risk management governance structure.

Appendix 1 - Risk Management Accountabilities, Roles and Responsibilities

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;
- 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 prioritise and initiate mitigating actions to reduce the risks identified;
- Identify cross-cutting risks as well as risks arising from their areas of responsibility;
- 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, 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 (Risk Management and Insurance Services);
- Performance & Need;
- Information Management;
- Health & Safety;
- Emergency Management;
- Commercial Services;
- Asset Management & Property Services, and
- Service area risk champions (Commissioning and Delivery).

The key aims of the Virtual Group are to:

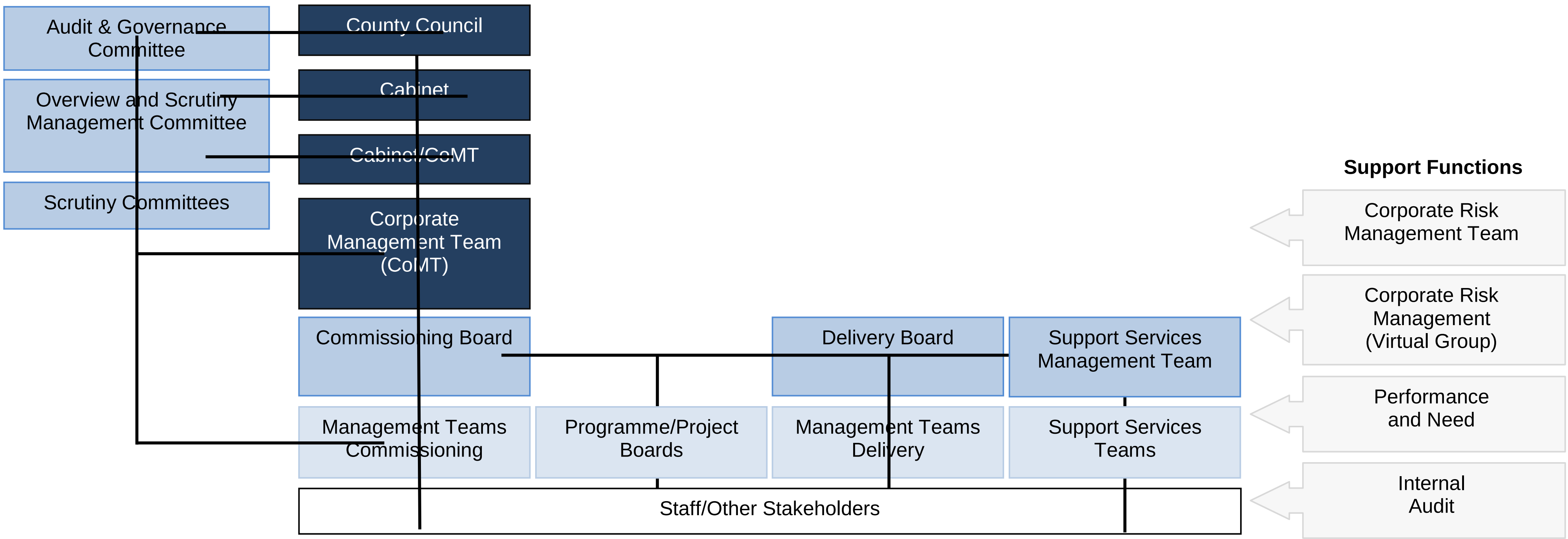
- Act as the main risk management contact/advisor for their service areas, ensuring that corporate information and requirements are communicated throughout the service areas and that key service risk information is escalated, to enable appropriate action to be taken by the Corporate Risk Management Team 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.

Appendix 2 - Risk Management Governance Structure



Annex 10

Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18

Gloucestershire County Council

Contents

Appendices

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:

- Any revisions to the Treasury Management Strategy for 2014/15
- Treasury Management Strategy for 2015/16
- Annual Investment Strategy for 2015/16
- Prudential Indicators for 2015/16, 2016/17 and 2017/18
- 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 There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

2.2 The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

Credit outlook

2.3 The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

2.4 The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world.

However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Council.

3. Interest Rate Forecast

3.1 The Council's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

3.2 A more detailed economic and interest rate forecast, provided by Arlingclose, is attached at Appendix A.

4. Local Context

4.1 At 31st March 2014 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £352.4m, while usable reserves and working capital which are the underlying resources available for investment were £210.0m. The Councils current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.

4.2 The Council currently has £308.4 million (as at 31st October 2014) of external borrowing, a £21.5m PFI lease liability and £298.91 million (as at 31st October 2014) 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 2017/18. 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 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
CFR	332.756	327.748	316.543	299.586	285.703
Less:					
Existing Profile of External Borrowing	303.575	303.575	298.712	293.849	285.514
and Other Long Term Liabilities	21.479	21.479	20.943	20.391	19.825
Internal (over) Borrowing	**7.702**	**2.694**	**-3.112**	**-14.654**	**-19.636**
Less:					
Balances & Reserves	183.691	169.965	157.678	156.428	151.118
Working Capital	118.027	101.164	88.301	83.438	75.103
Investments	**(294.016)**	**(268.435)**	**(249.091)**	**(254.520)**	**(245.857)**

5. Borrowing Strategy

5.1 Total borrowing requirement at the end of 2014/15 is forecast to be £327.748 million (equivalent to the CFR). This is financed by external borrowing of £303.575 million, PFI lease liability of £21.479 million and internal borrowing of £2.694 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 2013/14 £19.863 million of maturing debt was repaid reducing the external debt portfolio, and in 2014/15 it is planned that £4.863 million will be repaid. Opportunities to repay debt early with be kept under review in 2015/16 and where funding permits additional loans may be repaid.

5.2 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments, because of the difference between what is paid on the borrowing and what is earned on the investment. The cost of carry is likely to be an issue until 2016 or beyond. As borrowing is often for longer dated periods (anything up to 50 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the Council's wider financial position.

5.3 As indicated in Table 1, the Council has predicted that the capital programme will be fully financed from 2015/16 with no internal borrowing supporting the programme. The Council has made voluntary revenue provision to repay loans early hence reducing the CFR and causing a decrease in the underlying need to borrow. However, due to the nature of the historic profile of debt the Council will appear in an overborrowed position. This will be corrected as further opportunities to repay external debt are identified. The Councils 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 Councils long-term plans change is a secondary objective.

5.4 Given the significant cuts to public expenditure and in particular to local government funding, the Councils 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 to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

5.5 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. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

5.6 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
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds (except Gloucestershire Pension Fund)
- capital market bond investors
- special purpose companies created to enable joint 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.

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 2015/16, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. 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 Deputy Leader and Cabinet Member for Finance and Change.

7.2 Borrowing and rescheduling activity will be reported to the Audit 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 £169.496 million and £301.175 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 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Council and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

8.4 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. The Council does not intend to make any investments denominated in foreign currencies. 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.

8.5 The Council may invest its surplus funds with any of the counterparties in Table 2 below, subject to the cash and time limits shown.

Table 2: Approved Investment Counterparties

Counterparty		Cash limit	Time limit †
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£30m each	10 years*
	AA+		5 years*
	AA		4 years*
	AA-		3 years*
	A+		2 years
	A		1 year
	A-		
The Authority's current account bank (HSBC Ltd) if it fails to meet the above criteria		£2m	next day
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	BBB+	£15m each	100 days
UK Central Government (irrespective of credit rating)		unlimited	50 years**
UK Local Authorities (irrespective of credit rating)		£30m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		£10m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings		£5m each	5 years
Banks and Building Societies without credit ratings		£1m each	1 year
Money market funds and other pooled funds		£15m each	n/a
Externally Managed Funds		£25m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser		£5m each	3 months
		£1m each	1 year
		£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

* but no longer than 2 years in fixed-term deposits and other illiquid instruments

** but no longer than 5 years in fixed-term deposits and other illiquid instruments

Further specific details on the investment strategy can be found in Appendix D. 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 or BBB- are restricted to overnight deposits at the Council's 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 the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value 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.

- **Externally Managed Funds:**
  The Council does not currently use an External Fund Manager, however if this is deemed appropriate the Council will evaluate the use of Pooled Funds and their use within the investment portfolio. Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.

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 Councils 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 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.

9.3 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 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.

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 Councils 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. 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.

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

12 2015/16 MRP Statement

12.1 The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of borrowing (MRP). This year's policy can be found in Appendix E of this report.

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 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 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-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Underlying Assumptions:

- The UK economic recovery has continued apace and now appears more sustainable. GDP growth has averaged 0.8% per quarter since the middle of 2013.
- While still largely driven by household consumption, the large and continued rise in employment makes this position of less concern in the short term. On the back of strong consumption growth, business investment is recovering, albeit from a low base, and should support continued expansion of GDP throughout this year.
- We expect consumption growth to slow later this year, alongside softening housing market activity, the subdued outlook for wage growth and slower employment growth.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. However, we expect that commodity prices will remain subdued given slowing global growth.
- The MPC remains concerned about the sensitivity of the UK economy to a rise in Bank Rate. The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity

within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.

- However, we also expect employment growth to slow through the rest of the year as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- The lack of wage and inflationary pressures will be the main reasons policymakers are likely to hold off monetary tightening until later than markets are currently forecasting. They are nevertheless communicating the possibility of a rise in Bank Rate; an attempt, we believe, to prompt highly indebted businesses and households to manage and reduce their exposures to rising interest rates.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- Potential upside risks include a shift in relative monetary policy expectations between the UK and the US, and rises in commodity prices on the back of geo-political tensions.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

Appendix B

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio	Average Rate	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18
			Estimate	Estimate	Estimate	Estimate
	£m	%	£m	£m	£m	£m
External Borrowing						
Fixed Rate – PWLB	262.525	5.63	262.525	257.662	252.799	244.463
Fixed Rate – Market	41.050	4.45	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
Total External Borrowings	**303.575**	**5.49**	**303.575**	**298.712**	**293.849**	**285.513**
Other long-term liabilities	21.479		21.479	20.943	20.391	19.825
Total External Debt*	**325.054**		**325.054**	**319.655**	**314.240**	**305.338**
Investments:						
Managed in house						
- Short term deposits and monies on call and Money Market Funds	284.016	0.48	258.435	245.512	250.941	248.178
- Long Term investments (over 12 months)	10.000	4.40	10.000	10.000	10.000	10.000
Managed externally	0.000	0.00	0.000	0.000	0.000	0.000
Total Investments*	**294.016**		**268.435**	**255.512**	**260.941**	**258.178**
Net Borrowing / Investment Position	**(31.038)**		**(56.619)**	**(64.143)**	**(53.299)**	**(47.160)**

*note that the Council has the following internal borrowing liability.

	2014/15	2014/15	2015/16	2016/17	2017/18
	Approved	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total Internal Borrowing	**7.702**	**2.694**	**0.000**	**0.000**	**0.000**

From 2015/16 it is expected that the Council will have no further internal borrowing liability with the capital programme being fully financed from loans.

Appendix C

Prudential Indicators 2015/16 – 2017/18

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 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Capital Expenditure	77.899	63.226	107.411	57.636	56.192

2.2 Capital expenditure is expected to be financed as follows:

Capital Financing	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Capital receipts	3.200	3.711	17.722	7.150	5.485
Government Grants	55.982	42.873	67.858	45.670	49.007
Revenue Contributions	12.829	5.057	3.823	0.120	0.000
Capital Contributions	4.083	3.982	12.171	0.000	0.100
Capital Reserve	1.805	7.603	5.837	4.696	1.600
Total Financing	**77.899**	**63.226**	**107.411**	**57.636**	**56.192**
Supported Borrowing	0.000	0.000	0.000	0.000	0.000
Unsupported Borrowing	0.000	0.000	6.421	0.000	5.900
Total Funding	**0.000**	**0.000**	**6.421**	**0.000**	**5.900**
Total Financing & Funding	**77.899**	**63.226**	**113.832**	**57.636**	**62.092**

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 volunary revenue contributions are made.

	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Capital Financing Requirement	332.756	327.748	316.543	299.586	285.703

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 2014/15, 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	2014/15 Approved £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total	**524.538**	**382.000**	**354.000**	**337.000**

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	2014/15 Approved £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total	**495.000**	**352.000**	**324.000**	**307.000**

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 31/03/2014	£m
Borrowing	308.438
Other Long-term Liabilities	21.943
Total	**330.381**

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 2014/15 is £16.208 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.

	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Ratio of Financing Costs to Net Revenue Stream	10.01%	7.22%	7.28%	7.34%	7.30%

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	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£	£	£	£	£
Increase in Band D Council Tax	0.00	0.00	0.00	0.00	0.00

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:

	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Upper limit for Fixed Interest Rate exposure	450	316	291	274	255
Upper limit for Variable Interest Rate exposure	0	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.

Maturity Structure of Fixed Rate Borrowing	**Upper Limit**	**Lower Limit**	**Actual Fixed Rate £m Borrowing as at 31/03/15**	**Actual Fixed Rate £m Borrowing as at 31/03/15**	**Fixed Rate Borrowing as at 31/03/15**	**Compliance with Set Limits?**
	%	**%**	**LOBO***	**PWLB**	**%**	
under 12 months	25	0	41.050	4.863	15.1	Yes
12 months and within 24 months	25	0	-	4.863	1.6	Yes
24 months and within 5 years	50	0	-	24.062	7.9	Yes
5 years and within 10 years	75	0	-	44.509	14.7	Yes
10 years and within 20 years	100	0	-	44.000	14.5	Yes
20 years and within 30 years	100	0	-	47.849	15.8	Yes
30 years and within 40 years	100	0	-	77.379	25.5	Yes
40 years and within 50 years	100	0	-	15.000	4.9	Yes

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

12. Credit Risk:

12.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

12.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

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

13.1 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.

	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Upper Limit for total principal sums invested over 364 days	50	50	100	100	100

Appendix D

Further Detail on the Investment Strategy

Specified Investments

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment:

- is sterling denominated
- has a maximum maturity of 1 year
- is 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"
- not defined as capital expenditure under legislation.

Ratings as determined for use by the Council:

	Long-term
Fitch	A-
Moody's	A3
S&P	A-
Sovereign	AA+

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

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 in the table below.

Non Specified Investment Limits	Cash limit £m
Total long-term investments	100
Total investments without credit ratings or rated below A-	150
Total investments in foreign countries rated below AA+	60
Total non-specified investments	310

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.

Investment Limits

The Council's usable revenue reserves (excluding school balances) available to cover investment losses are forecast to be £100.516 million on 31st March 2014. 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.

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:

	Cash limit
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	£30m per manager
Negotiable instruments held in a broker's nominee account	£75m per broker
Foreign countries	£20m per country
Registered Providers	£40m in total
Building Societies	£40m in total
Loans to small businesses	£10m in total
Money Market Funds	£100m in total

Approved Instruments

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.

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 pessimistic 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 Councils medium term financial plan and cash flow forecast.

Appendix E

MRP Statement 2015/16

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision 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 four MRP options available are:

Option 1: Regulatory Method.
Option 2: CFR Method.
Option 3: Asset Life Method.
Option 4: Depreciation Method.

NB This does not preclude other prudent methods.

MRP in 2014/15: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

The MRP Statement will be submitted to Council before the start of the 2014/15 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.

The Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure, and 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.

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