

B

Gloucestershire County Council

Medium Term Financial Strategy

2013/14 to 2015/16

Budget 2013 / 14

Main Report Contents

A Introduction

- 1 This Medium Term Financial Strategy (MTFS), and detailed budget for 2013/14, is presented as the basis for consultation and scrutiny prior to final Cabinet approval on 6th February 2013 and submission to County Council on 20th February 2013.
- 2 This MTFS covers the period 2013/14 to 2015/16. The first two years are based on years three and four of the “Meeting the Challenge” initiative which commenced in 2011/12. Progress to date and plans for the future are set out in this strategy.
- 3 The 2011/12 budget was the first budget formulated under the MtC initiative. The MtC programme was implemented to deliver £114 million of savings over the period 2011/12 to 2014/15. During 2011/12 the full MtC target savings of £30 million were delivered together with an additional £6 million from technical and other savings. Monitoring of the 2012/13 budget shows that the Council is on target to successfully deliver this year’s £29 million target. This is a major achievement since it means that the Council will have exceeded its original savings targets for the two years 2011/12 and 2012/13.
- 4 Progress achieved since the implementation of the current strategy and 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)
 - Communities and Infrastructure (annex 1.3)

In April 2013 responsibility for commissioning of public health services will transfer to Local Authorities as part of the Government’s reform of the health system. The Council will have a new statutory duty to promote the health of the population it serves, and responsibility for commissioning specific public health services, supported by a ring fenced budget. The public health grant to the Council has now been confirmed as £21.126 million for 2013/14 and £21.793 million for 2014/15.

Details of the Public Health function and its strategic direction, needs analysis and commissioning intentions from 2013/14 are provided in annex 1.4.

- 5 The detailed budget for 2013/14 has been formulated following the publication of the new draft local government finance settlement for 2013/14 and 2014/15 on 19th December 2012. To date a final settlement has not been issued hence the budget proposals are based on the draft settlement.
- 6 The revenue budget strategy for 2013/14 onwards continues to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, has implemented a vacancy freeze, has increased debt repayment and is continuing to streamline back office services, all of which contribute to protecting front line services, whilst minimising compulsory redundancies.

- 7 The capital budget strategy reflects the Council's priority of reducing long term debt utilising capital financing budgets, capital receipts, the capital fund and revenue contributions to fund the capital programme for 2013/14, avoiding the need for new borrowing.

B Summary Budget Proposal 2013/14

- 8 The recommended budget for 2013/14 is £430.91 million which represents a decrease in cash terms (excluding Public Health) of £15.4 million or 3.46%.
- 9 On 8th October 2012 the Chancellor of the Exchequer announced that a government grant, payable in 2013/14 and 2014/15, equivalent to a 1% Council Tax increase, would be made available to all local authorities that freeze Council Tax increases for 2013/14. This grant was confirmed at £2.4 million in the final Finance Settlement. The budget proposes taking up this grant and freezing Council Tax for the third year running.
- 10 The detailed budget for 2013/14, which is explained in depth in Annexes 2 to 4 of the MTFS, contains adequate provision to fund the increased costs of the care of older and vulnerable people, where the budget has again been protected, and to cover other cost pressures including contractually committed inflation costs. The cost of this additional investment, together with the loss of Government grant, is funded by savings of over £35 million, many of which are a continuation of "Meeting the Challenge" proposals that started in 2011. In total this will take the savings delivered in the three years 2011/12 to 2013/14 to over £100 million.
- 11 The success of the Meeting the Challenge initiative means that despite the significant reduction in available funding, the Council has again been able to protect the overall level of funding for the provision of care to older people and vulnerable adults, limit the service redesign savings relating to the reduction of Early Intervention Grant to £2.3 million i.e. significantly less than the grant reduction of £5.4 million, fully fund inflation, provide additional funding for economic development and allow for additional debt redemption funding. This reflects the key feedback from the budget consultation. The budget also makes sufficient provision to fund all of the new 2013/14 capital schemes totalling £40.3 million, an increase of £2.5 million compared with the consultation budget, without the need to take on additional long term borrowing.

C Changes between the 2013/14 budget issued for consultation and the final budget

C1 Revenue : Funding Changes

- 12 The revenue budget proposed for consultation in January 2013 totalled £405.703 million compared with the final budget proposal which now totals £409.78 million (£430.91 including Public Health), an increase of around 1% (excluding Public Health). This increase is possible because the tax base for 2013/14 has now been confirmed at 204,893, which is a 9% decrease on the 2012/13 tax base, compared with a forecast decrease of 10.7% included in the consultation budget. The tax base used for the consultation budget was based on a 10.7% reduction to take account of the localisation of Council Tax benefits, the introduction of the Council Tax support grant and changes to the Council Tax exemption system. The actual reduction in the tax base, based on the figures provided by the District Councils in January 2013, is an average reduction of 9%, with a range of -4.8% to -12.8%.

- 13 Under the Health and Social Care Act, the Council will have a new statutory duty to *promote* the health of their population, and responsibility for commissioning specific public health services, supported by a ring fenced grant. The ring fenced Public Health grant allocations for Gloucestershire are £21,126 million in 2013/14 and £21,793 for 2014/15.

Five of the new public health responsibilities will be mandated. These are: Sexual Health Services; Health Protection; National Child Measurement Programme; NHS Health Check Assessment and Public Health advice to NHS Commissioners. Additionally, several non mandated functions will be transferring including, for example, Adult Substance Misuse Services and Public Health Mental Health. Non mandated responsibilities include programmes that are of equal importance in meeting the Council's new duties but will not be nationally prescribed, enabling local flexibility on how they are commissioned and/or delivered based on national and local need and priorities. Further details are provided in Annex 1.4.

Performance will be measured against a subset of locally identified priority indicators from the Public Health Outcomes Framework, which includes 66 public health indicators.

- 14 The only major source of funding that is still to be confirmed relates to the Education Single Grant which, in the funding calculations behind the budget, has been forecast at £5.4 million. Any changes in the level of grant received compared with the forecast will be addressed by an appropriate adjustment in the amount provided for debt redemption in the 2013/14 budget.

C2 Revenue : Spending Changes

- 15 In terms of new spending proposals in the final budget compared to the consultation budget, four key changes have been made, which are highlighted below.
- 16 In relation to Adult services an additional resource totalling £0.5 million has been identified post consultation to stimulate a range of activities to pump prime projects, which will result in service changes. This will include improving the Commissioning of Services, extending the Q360 (quality) initiative beyond Learning Disabilities and implementing the social work reform board standards.
- 17 Following the consultation highlighting the importance of continuing to support the most vulnerable, additional investment is proposed in services for children and families of £0.65 million. This will support targeted support teams in localities, maintain funding for school intervention in maintained schools and address pressures on social care teams. An additional £0.1 million has also been included within the budget to address inflation pressures regarding historic pension costs.
- 18 Three measures designed to build on the economic stimulus package introduced in 2012/13 are now included within the proposals:
- Regarding the Local Authority Mortgage Scheme, the original scheme introduced as part of the 2012/13 budget was very successful, with the GCC scheme totalling £1 million enabling over 40 properties to be purchased by first time buyers within Gloucestershire. Given that the funds from the first phase have now been fully committed, an additional £0.2 million of funding has been included within the budget for 2013/14, to be added to the £0.8 million still available from the funding approved by Council in February 2012, to facilitate the extension of the scheme.

This will then provide a further £1 million to be used to participate in a “cash-backed” indemnity Local Government Mortgage Scheme from March 2013 or the nearest possible date thereafter. Based on the success of the initial scheme this should facilitate in the order of 40 further properties to be purchased by first time buyers within Gloucestershire

- Recognising that access to finance is a critical and ongoing issue for businesses around the UK, which is restricting growth and employment, an amount of £0.1 million is to be provided to help provide loans to local companies via “Funding Circle” which provides an online ‘marketplace’ to help businesses secure finance and investors achieve improved returns. Funding Circle has been supported by Government who have committed to lend £20 million to businesses through this online ‘marketplace’ approach
- The budget also now makes provision of £0.25 million for a Community Infrastructure Grants Scheme. Under this scheme one off grants will be allocated for capital improvements to community buildings to generate additional income and/or reduce costs, and so support more active communities. Improvements could include, but are not limited to refurbishment/repairs, equipment, accessibility, energy efficiency and renewable energy generation.

19 Finally an additional £2.3 million is included within the final budget proposal to fund additional debt redemption in accordance with our value of “living within our means” and reducing our debt and the burden it places on our revenue finances.

20 A summary of the overall budget for 2013/14 overall cash increases / decreases for the key programme areas, which takes account of all funding changes proposed is outlined below.

| Service Area | Budget 2013/14 £m | Cash Increase or Decrease £m | % Increase / Decrease |
|--------------------------------------------------------------------|----------------------------------|-----------------------------------------------------|--------------------------------------|
| Adults | 152.33 | +0.674 | +0.44% |
| Children and Families | 98.63 | -5.170 | -4.98% |
| Communities and Infrastructure | 85.19 | -4.961 | -5.50% |
| Public Health (New) | 21.13 | N/A | N/A |
| Strategy and Challenge, Enabling and Transition, Strategic Finance | 21.40 | -0.774 | -3.49% |
| Technical and Cross Cutting | 52.23 | -5.215 | -9.08% |
| Total change | 430.91 | -15.446 | -3.46% |

C3 Capital

21 The 2013/14 budget issued for consultation contained £37.8 million for new investment in capital schemes financed by grants and internal resources. Since then further funding announcements have been received, which have increased the capital programme. The main increases in capital for 2013/14, compared with the consultation budget, are:

- £0.30 million Fire grant
- £0.81 million Children & Families – U2’s Building Grant
- £1.36 million Adults Social Care Grant
- £2.47 million Total Increase for 2013-14 New investment

- 22 The amount now included in the 2013/14 budget for new capital schemes has increased to £40.27 million, as set out below.

| | |
|---------------------------------------------------------|--------|
| Grant | £000 |
| Schools (Indicative only) | 8,742 |
| Children & Families – U2's Building Grant | 810 |
| Adults Social Care Grant (Provisional) | 1,360 |
| Infrastructure – Highways Block Maintenance Grant | 14,974 |
| Infrastructure – Integrated Transport Block Grant | 3,642 |
| Infrastructure – Cinderford Northern Qtr Spine Road | 3,628 |
| Infrastructure – ** Additional Funding Autumn Statement | 2,708 |
| Infrastructure - Fire | 822 |
| Total Grant | 36,686 |
| | |
| Revenue Contribution – Schools | 580 |
| | |
| Capital Receipts - Infrastructure | 3,000 |
| | |
| Total new Capital 2013/14 | 40,266 |

C4 Consultation

- 23 In summary we have conducted a telephone public consultation to re-affirm public support for the council priorities. The survey ran from 02 – 23 January to provide 1100 responses (statistically representative of the resident population). The results indicate a high level of public support for the council's priorities with a high level of consistency with last year's figures. The full consultation report will be circulated with the County Council papers. In summary the key feed back was:

- There is strong endorsement of the Council's strategy and four key priorities. Over 89% of all respondents to the public consultation said that the priorities are either more or of equal importance, compared with last year.
- The top two priorities for 98% of people who responded are: 'Protecting vulnerable people' and 'Getting our own house in order'.
- 'Stimulating economic growth and creating jobs' was rated by 96% of people surveyed as of more or equal importance, when compared with last year.
- A clear majority (64%) of respondents said that the Council should accept the Government funding and freeze Council Tax levels for 2013/14. Only 18% of respondents disagreed.

- 24 Further consultation has taken place with:

- Key partners including Health, the Independent and Voluntary sectors and town and parish councils,
- Trade Unions and professional associations,
- Staff, via the usual communication channels,
- Schools, via the schools forum, open meetings and Head Teacher groups.

The draft budget was also considered by Scrutiny Committees in January 2013.

D Finance Settlement and Funding Assumptions

- 25 2013/14 brings a fundamental change to the way Local Government is funded. This includes 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.

The Local Government Finance Act gained Royal assent on 31st October 2012. It provides a legal basis for business rates retention and localising Council Tax support. This follows a series of consultations over the last 12 months across a broad range of funding streams.

Whilst the government had provided some clarity on how the Business Rate Retention scheme would work, there remained a great deal of uncertainty around the actual level of funding councils could expect to receive in 2013/14. This uncertainty was not totally resolved until the Local Government Finance Settlement was announced on 19th December 2012. We are now aware that Formula Grant will be split into two funding mechanisms, Rates Retention and Revenue Support Grant. The Council will receive £66.192m via the Rates Retention mechanism, with the potential to gain more money through growth of the business rate base. This new funding mechanism is explained further in the paragraphs below.

Under existing arrangements, non-domestic rates revenue (business rates) collected by local authorities is pooled centrally (i.e. paid over by collection authorities to Central Government) before being redistributed to Police, Fire and Local authorities in England under a complex formula based model (the Four Block Model).

In the future, instead of receiving this grant from Central Government we will now receive income directly from the collection authorities (District Councils) based on submitted NNDR1 forms, and an element will be received (top up grant) from central government. This should represent approximately 50% of the Formula Grant settlement, and would form the Rates Retention element. As the income received from Districts is based on the NNDR1 forms, the actual amount may be slightly different to the budgeted figure of £66.192m. To offset this risk a new Rates Retention reserve has been created.

Under the new Rates Retention System all District Councils must pay a levy on growth back to Central Government. A facility exists to reduce this levy, and this is known as Business Rates Pooling. The Gloucestershire Councils have now agreed to a Gloucestershire Business Rates Pool. This arrangement means that there is the potential for additional resources from Business Rate income to be kept for the benefit of the whole of Gloucestershire. This is because the levy on growth reduces under a pooling arrangement. It has been agreed that any additional income will be shared between the Gloucestershire Councils, and Governance arrangements have been approved detailing these arrangements.

The remaining settlement amount would be received via Revenue Support Grant from central government. This will total £99.496m in 2013/14. The Council will therefore receive funding of £165.688 million from Central Government. This figure includes £33.8 million of specific grant that has been rolled into the new system, £11.5 million that has been taken out of the system relating to Local Authority Central Spend Equivalent Grant (LACSEG) funding, and a new Council Tax Support Grant of £24.4 million which replaces the income that would previously have been raised from the council taxbase in relation to council tax benefit claimants. More information on the new Council Tax Benefit System is provided below.

Currently collection authorities receive a grant to cover all benefits paid, and the Council receive its share of the income through the precept. Under the new system a Council Tax Support Grant will be paid to all major local authorities, however this will be at 90% of existing funding. As a result local councils are expected to either change the benefits system to reduce the cost, or absorb the cost locally. Gloucestershire collection authorities have consulted and plan not to cut existing benefits meaning that the cost of the change will need to be absorbed locally.

A further change is proposed by central government, concerning the current Council Tax Exemption system. Under these changes the collection authorities can raise additional council tax by modifying the rules on second homes and Class A and C exemptions. It is hoped that by making these changes in Gloucestershire the cost of the Council Tax benefit cut can be partially offset.

- 26 The draft Finance Settlement, which was received on 19th December 2012. In terms of the Finance Settlement it has been confirmed that it is a two year settlement covering 2013/14 and 2014/15.

The key changes in respect of the settlement include:

- A number of key specific grants have been rolled into Formula Grant. These include, Early Intervention Grant (which has been cut by 26%), and Learning Disability and Health Reform Grant.
- Formula Grant has reduced from £125.0 million in 2012/13 to £118.9 million in 2013/14, a 4.9% reduction.
- Full Local Support Services Grant will not continue into 2013/14, which is a general grant allocated directly to local authorities as additional revenue funding to areas. The loss of elements of this grant is just under £1 million.
- Council Tax grant in relation to the 2011/12 freeze of £6.1 million has been confirmed as continuing.
- One-off Council Tax grant in relation to the 2012/13 freeze of £6.15 million has been confirmed as discontinued, however a 1% grant has been offered for both 2013/14 and 2014/15 if the Council once again freezes Council Tax. This grant is worth £2.5m to the Council for 2013/14 and 2014/15.
- A Council Support Grant of £24.5 million will be payable to the Council to offset (at a 90% funding level) the changes being made to the Council Tax Benefit system. This means that there will be a funding shortfall of approximately £2.7 million.
- A Transition Grant, worth £0.6 million to the Council, will be paid where billing authorities design the new Council Tax Benefit scheme to protect benefit claimants from the full impact of the cuts. It is expected that the Council will be eligible for this grant.
- Funding reductions in relation to Academy Schools totalling £11.5 million have been made. Indicative allocations show that the Council will receive back £1.2 million of this for statutory duties for all schools, and £5.4 million (estimated) associated with duties for non Academy Schools. These amounts have been included within the MTFS.

- Public Health ring fenced grant of £21.126 million for 2013/14 and £21.793 million for 2014/15 has subsequently been confirmed.

Following the announcement of Council Tax Freeze Grant for 2013/14, the Council is again proposing to freeze Council Tax levels in 2013/14. Full details of the proposed Council Tax and actual Tax base are provided in section H of the MTFS.

In the 2010 Spending Review, the Government provided £7.2bn additional funding to local authorities to protect social care services. Around half of this money was to be transferred to local authorities from the NHS. Local authorities and the NHS were to agree between them how the money would be used to benefit both parties and promote integration. A Plan was produced and agreed between the Council and NHS. In the recent White Paper, *Caring for Our Future: shared ambitions for care and support*, the Government committed to providing an additional £300m over the last two years of this Spending Review period. The Council will receive £9.0 million in 2013/14 and similar levels should also be received in 2014/15. These amounts are included within the budget funding figures.

In addition to the above the New Homes Bonus Scheme pays a non ring fenced grant equivalent to the national average for the Council Tax band of each new home built, and 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. Figures have now been confirmed for Year 3 of the scheme (2013/14), and the Council will be awarded a grant of £1.819 million, which includes the previous two years allocations.

- 27 Finally, from April 2013, the Department for Works and Pensions (DWP) will no longer make Community Care Grants and Crisis Loans direct to claimants. Instead this responsibility will cease and the Council will be expected to design a different provision that is suitable and appropriate to meet crisis needs of the local community. Funding will be provided in the form of a non ring fenced grant from the DWP, and it has been confirmed that the funding will be £1.121 million in 2013/14, with a provisional figure of £1.105 million in 2014/15.

Community Care Grants were awarded by DWP for a range of expenses, and were intended to support vulnerable people to return to or remain in the community or to ease exceptional pressures on families. Crisis Loans were paid by DWP to meet immediate short term needs in an emergency when a person has insufficient resources to prevent a serious risk to the health and safety of themselves or their families. The Council does not need to replicate this provision, and is currently reviewing a number of options which would provide a suitable scheme with the focus being on ensuring that local people are responded to in a way which provides support at the time of crisis, and which develops their skills to help themselves in the future to reduce the likelihood of reoccurring crises.

- 28 A significant unknown factor in relation to the 2013/14 budget, and future budgets, was the funding of Academy Schools, which is being removed from Formula Grant. During 2012/13 the DfE issued a number of consultation papers "*On the 'minded to' decision for the academies funding transfer for 2011-12 and 2012-13*" and "*School Funding Reform - next steps*".

These consultations looked at the options for recouping academy funding from local authorities and making funding for schools fairer. The Council responded to both consultations.

It has now been confirmed that £11.5 million will be removed from formula grant, with £1.2 million being returned to the Council for statutory responsibilities for all schools, and an estimated £5.4 million being returned to the Council for duties associated with non Academy schools. Any significant variations between this estimated grant and the actual received will be addressed by making an appropriate amendment to the debt redemption funding provided within the budget.

- 29 The settlement for 2013/14 continues to be a two year financial settlement covering the remaining two years of the CSR 2010. Due to this the budget forecast for 2015/16 has been based on prudent financial forecasts based on funding received for 2013/14 and 2014/15.

The overall effect of the financial settlement is that for 2013/14, with Council Tax levels again being frozen the affordable budget figure taking into account Public Health fundings, without drawing on reserves, is £430.91 million.

E New Council Strategy 2011 – 2014

- 30 The Council Strategy was adopted by County Council in February 2011. It sets out the Council's vision, values and priorities for the 4-year period from 2011 to 2015. It also provides a high-level overview of the Council's Meeting the Challenge programme.

Over the past 2 years, we have made good progress in delivering this strategy, and we believe that the strategic direction it sets is still relevant and appropriate to the opportunities and challenges the Council faces. We have recently updated our evidence base through the development of the Joint Strategic Needs Assessment and the production of *Understanding Gloucestershire* (our high level needs analysis). This will help to make sure our decisions and strategic direction is based on a sound and up-to-date understanding of local people's needs.

From April 2013, the public health function will transfer to the Council from the NHS. This gives the Council new responsibilities for improving the health and wellbeing of the local population, promoting healthy lifestyles and tackling health inequalities. Working with our strategic partners, we have consulted with local people on the development of two key strategies - the Shadow Gloucestershire Health and Wellbeing Board's Health and Wellbeing Strategy and the Health and Social Care Community's '*Your Health, Your Care*' Strategy.

As part of this year's budget setting process, we have reviewed our achievements over the past year and consulted again with local people about our future priorities in order to re-confirm the Council's strategy and values.

- 31 The Vision and Values set out in our Council Strategy are as follows:

Vision

Our vision is to use the resources available to us to improve the quality of life for Gloucestershire people

Values

- Living within our means – We believe that it is wrong to spend more than we can afford or to pass financial problems on to the next generation. This means we have to make difficult decisions now and focus on our priorities, manage our budgets and reduce our borrowing.

- Providing the basics – In the coming years we will have less money and will have to make sure we spend it where the need is greatest. Our role is to make sure local people get good outcomes for their services and we understand that it is the quality of the service that matters to local people, not who provides it.
- Helping communities help themselves – The Council is at its most effective when it is helping people to live successful lives as independently as possible and helping communities to help themselves. We believe that if you give power to local people you get better results and achieve better value.

We believe that the vision and values remain the right ones to help us to meet the challenges of the next few years.

32 We also set out our strategy and key commitments in relation to four priority areas:

- **Getting our own house in order** – Every pound spent on running the Council is a pound that is not spent on front-line services. There is a cost associated with running any organisation, but we will continue to minimise and reduce that cost. We will do everything we can to be as efficient as possible, reduce the Council's running costs and get the best value from our assets.
- **Protecting Vulnerable People** – Protecting vulnerable children, young people and adults is one of our most important areas of work. It accounts for a large proportion of our budget and we know from the 'Let's Talk' conversation that local people support our view that this should be a top priority for the Council.
- **Supporting Active Communities** – We want to help communities to do more themselves and give them more control over local services like schools, libraries and youth centres.
- We know that Gloucestershire's army of volunteers already make a huge difference to thousands of people's everyday lives in their neighbourhoods, towns and villages. We want to work more closely with Gloucestershire's voluntary and community sector to stimulate innovation and encourage communities to step forward and take on new roles in providing local services and solutions.
- **Building a Sustainable County** – the Council is responsible for planning and delivering much of the infrastructure that keeps the county working and moving. The financial challenges mean that we need to find significant savings, but we are committed to doing this in a way that avoids creating problems for future generations. Following feedback from local people in last year's budget consultation we will have a particular focus on supporting initiatives that stimulate economic growth and create jobs in Gloucestershire.

The refreshed strategy accompanies this MTFS for endorsement by Cabinet, and is presented to Council for adoption alongside the MTFS and budget proposals.

F Financial Performance in 2012/13

- 33 In ensuring that the budget is robust it is important to take account of current spending patterns and the Council's overall financial position. In overall terms the Council is currently forecasting an under spend of around £4 million, equivalent to 1% of the budget.

Full details of this forecast are provided in Annex 6.

- 34 In summary the current forecast for 2012/13 is shown below:

| | |
|--------------------------------|-------------------------------------|
| Adults | Overspend of £0.92 million |
| Children and Families | Underspend of £4.80 million |
| Communities and Infrastructure | Overspend of 1.10 million |
| Support Services | Underspend of £0.51 million |
| Technical & Corporate | Underspend of £0.77 million |
| Total: | Under spend of £4.06 million |

G 2013/14 Detailed Budget Proposal

Overview

- 35 A budget of £430.91 million is proposed for 2013/14, representing a decrease on the 2012/13 original reworked budget in cash terms of £15.4 million or 3.46%.

The proposed budget for 2013/14 is summarised below:

| | £000 |
|------------------------------------------------|----------------|
| Original 2012/13 reworked Budget | 425,230 |
| Inflation (1) | 7,446 |
| Cost and spending increases | 12,307 |
| Cost Reductions | <u>-35,199</u> |
| Total (excluding Public Health) | 409,784 |
| Public Health | 21,126 |
| Total (All) | 430,910 |
| Less: | |
| Formula Grant | 159,590 |
| Council Tax Freeze Grant (2012/13 and 2013/14) | 8,573 |
| Public Health Grant | 21,126 |
| NHS Funding | 9,055 |
| New Homes Bonus | 1,819 |
| One off Transitional Grant | 664 |
| Education Single Grant | 5,400 |
| Education Statutory Responsibility Grant | 1,247 |
| Budget to be met by Council Tax Payers | 223,436 |
| Council Tax at band D = £1,090.50 | |

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

36 An overview of the net budget is provided in Annex 2, with an overall financial summary of the proposed budgets for 2013/14, broken down by commissioning area being provided. The individual cost increases and cost reductions are then shown, in summary form, in Annexes 3 and 4.

The budget proposals for 2013/14 have been formulated in the context of the Medium Term Financial Planning framework which is provided in Annex 5.

Dedicated Schools Grant (DSG)

37 The DSG for 2013/14 was announced on the 19th December 2012 as £387.4 million.

This represents a cash freeze on the pupil unit rate of funding but is an increase of £7.5 million to the 2012/13 baseline for an increase in pupils and additional responsibilities resulting from the school funding reforms.

The 2013/14 school funding reforms result in the DSG being split into three funding blocks for High Needs, Early Years and Schools. Funding will not be ring fenced between the three blocks.

The split of the 2013/14 baselines across the three blocks are:

| DSG Funding Blocks | Schools | High Needs | EY block | Additions | Total |
|--------------------------------|----------------|-------------------|-----------------|------------------|--------------|
| | £M | £M | £M | £M | £M |
| Total 2013/14 Baselines | 315.8 | 47.6 | 19.4 | 4.6 | 387.4 |

The £7.5 million increase in the DSG relates to the following:

- £1.3m increase to the schools block for a net increase of 310 pupils.
- £1.7m increase to the high needs block for new post 16 funding responsibilities.
- £3.9m addition for new 2 year old funding responsibilities
- £0.5m addition for 3 year old transition funding for removing the 90% floor.
- £0.1m addition for monitoring and quality assuring Newly Qualified Teacher (NQT) induction.

Although the schools block figure has now been confirmed by the DfE, the high needs block will not be confirmed until March 2013 after further information on high needs growth and hospital education funding has been collected on the 25th January 2013. The early years block will not be confirmed until April 2014 after it has been updated for the January 2014 census count.

School Funding

The new DfE dataset was released on 10th December 2012; this includes all the data that has to now be used in the 22nd January 2013 pro forma submission to the DfE and in the final 2013/14 school budgets.

The key movement within the dataset is the change to the October 2012 census count. There has been a net pupil increase of 310 from the previous October 2011 count which is represented by a 1.75% increase in primary pupils and a 1.32% reduction in secondary pupils.

These new pupil counts together with other unit count changes for deprivation, Special Education Needs (SEN) and English as an Additional Language (EAL) have been applied against the unit rates that were issued to schools in their draft budgets and despite there being a net increase in pupil numbers, the result is a saving of £459,000.

The saving mainly results from the fact that the secondary factors are funded at much higher values and therefore the saving from the reduction in secondary pupils is much more than the additional cost associated with the increase in the lower value primary factors (e.g. secondary draft KS4 Age Weighted Pupil Unit (AWPU) is £4,497 but primary is £2,876).

As a result of the 2013/14 DSG being split into three separate funding blocks the DfE no longer use an overall Guaranteed Unit of Funding for the whole DSG, but instead have a separate unit value for the schools block and for the early years block.

The new Schools Block Baseline per Pupil figure is £4,202.88 and the 2013/14 DSG settlement includes an additional £1.3 million by applying this new unit figure to the 310 net pupil increase.

The estimated additional schools block funding available for 2013/14 after taking these two amounts into account is therefore £1.728 million.

There are however some additional costs that will need to be set against this for: Estimated increase in rates costs for 2013/14 of £405,000.

A new DfE charge for nationally arranged copyright licensing costs £153,000.

The DfE have announced they will purchase a single national licence managed by them for all state funded schools. This means LAs, schools and academies will no longer need to negotiate individual licenses. LAs will be able to hold DSG funding centrally to cover the charge from the DfE.

It is proposed that the balance of the 2013/14 schools block funding should then be used to increase the basic AWPU factor rates in the primary and secondary sectors. This would be done by allocating funds pro rata to the draft budget totals for each AWPU factor. Increases to any other funding factor unit rates are not proposed on the basis that; pupil premium is increasing and will fund deprivation increases; and Gloucestershire's SEN unit rate appears to be high in relation to other local authorities.

Any increase in a school's deprivation, SEN or EAL numbers would therefore be funded at the unit values quoted in the draft budgets.

Next steps

Following the announcement of the 2013/14 DSG on the 19th December 2012 and the release of the final dataset from the DfE, final school budget calculations and checks will now be made in order to meet the 22nd January 2013 deadline for submission of the funding factor pro forma to the EFA.

The DfE deadline for issuing school budgets has been revised to 15th March 2013. It is anticipated however that acceptance of the pro forma submission will be received from the EFA in February 2013, at which point final budgets will be able to be issued to schools. Top up funding for high needs pupils will be calculated using a spot date position in January or February 2013 and this will be included in the budget notifications to schools. Funding changes for movements in high needs pupils will then be applied on a monthly basis.

Academies will continue to be funded according to the 2012/13 statement funding rules until the end of the 2012/13 academic year. From the 1st September 2013 they will then switch to the new high needs funding system. Maintained schools will have the new funding system applied from 1st April 2013.

A school funding report providing further details relating to the DSG settlement and new dataset was considered at the 9th January 2013 Schools Forum.

Two year old funding

Since 2009 local authorities have been delivering a 'targeted offer' of between 10 and 15 hours a week of free pre-school education to some of the most disadvantaged two year olds. However, in November 2010 the Government announced that, from September 2013, the most disadvantaged 20% of two year olds will receive a statutory entitlement to 15 hours a week of free pre-school education. This entitlement will also be extended to 40% of two year olds from September 2014 - for details please see the relevant Cabinet report on this agenda.

Initial funding to support preparations for the build-up in provision for the new entitlement, in advance of the September 2013 roll out, was identified in Early Intervention Grant (EIG) allocations for 2011/12 and 2012/13. In May 2012 the Government confirmed funding for two year olds' entitlement would be transferred from EIG to the Dedicated Schools Grant (DSG) from 2013/14, to reflect the statutory nature of the entitlement from September 2013. Allocations for the Council in 2013/14 are, statutory entitlement £2.854 million and trajectory building funding £1.12 million. These amounts are within DSG for 2013/14 and funding will no longer be ring fenced.

Estimated Balances – DSG 2012/13

The forecast position for DSG under-spends including the carry forward from 2011/12 is estimated to be £6.1 million at 31st March 2013. It was agreed that unspent funds from 2011/12 would be retained until the likely impact of the school funding reforms were known. This represents 1.6% of DSG and balances are set out below.

| Estimated school balances | £000 |
|---------------------------------------|--------------|
| Carbon reduction commitment (schools) | 40 |
| School redundancies | 200 |
| Sponsored academy deficits | 1,000 |
| | 1,240 |

| Estimated early years balances | £000 |
|---------------------------------------|-------------|
| Early years contingency | 710 |

| Estimated central budget balances | £000 |
|------------------------------------------|-------------|
| Secondary behaviour support team | 241 |
| Nursery education payments | 200 |
| SEN support (includes ATS) | 308 |
| Targeted intervention in schools | 178 |
| Other variances | 323 |
| Redundancy and pension costs | -750 |
| | 500 |

| Estimated general DSG balances | £000 |
|---------------------------------------|--------------|
| DSG balance brought forward | 3,301 |
| DSG general contingency | 386 |
| | 3,687 |

The nursery education budget is forecast to under-spend by £200,000 due to lower than anticipated growth in access to the free entitlement therefore the early years contingency has not been drawn on in year. The redundancy and pension costs are broad estimates and relate to the restructuring of central services for vulnerable children which include READs and the PRS.

Carbon Reduction Commitment (CRC)

In his Autumn Statement 2012 the Chancellor announced that schools will be dropped from phase 2 of the Carbon Reduction Commitment. This means that schools will still be in the CRC and liable for their emissions for 2013/14 either through delegated funding or from DSG centrally. The position of academies, funded on an academic year, is unclear. From 2014/15 the government intends to implement alternative robust measures that will incentivise and support schools to obtain both energy cost and emission savings. As the charging basis for emissions is likely to change from 2014/15 the Schools Forum agreed to meet the 2013/14 cost from DSG balances rather than implementing a new charging basis in 2013/14 that would then change the following year. The 2013/14 DSG cost is estimated as £430,000.

School Deficits

In the past DSG balances have been used to offset a number of risks, including the write off of deficits. This is a particular issue when schools become sponsored academies - the DfE expects councils to meet the cost of any deficit at the point of conversion.

In the future there is a risk that the council will be expected to meet these costs without a DSG funded budget to meet the cost; as a consequence the Schools' Forum has recommended that a number of long standing deficits in maintained schools should be written off.

The Schools Forum discussed options for writing off deficits at its 28th November 2012 meeting and again on 9th January.

The contexts for the discussions were:

- At 31st March 2013 there are projected to be 18 schools in deficit; the aggregate deficit is estimated at £1.429 million.
- A number of these schools have an 'historic' deficit i.e. the deficit has been built up in the past, usually under previous school leadership, and is challenging to reduce, especially where pupil numbers are static or reducing.
- Requests to write off or reduce deficits have been rare because the focus has been on encouraging all schools to manage their budgets effectively.
- DfE advice on the position from 1st April 2013 is equivocal: LAs may write off deficits 'from their own resources' but cannot make provision within the DSG schools block.
- It is not clear whether, with the agreement of the Schools Forum, deficits may be written off from DSG balances held in the High Needs Block. There is a significant DSG balance projected for 31st March 2013; given future uncertainties there is an opportunity to address the current deficits that may be unlikely to arise again.

In its initial discussion in November 2012 the Forum expressed concerns about the principle of writing off deficits when many schools had had to take difficult budget decisions, but acknowledged that some schools had faced particular challenges. Officers were asked to review the circumstances of each of the schools with a deficit and develop more detailed criteria for write-off. At its 9th January 2013 meeting the Forum considered the proposed criteria and the risks for the council, the Dedicated Schools Grant and for the pupils in the schools concerned. After a lengthy debate The Forum agreed to recommend the principle of writing off school deficits subject to the application of robust criteria to be applied in respect of individual schools.

It is therefore recommended that school deficits are written off in schools where:

- an in-year revenue balance has been achieved i.e. the school has restructured its finances so that spending does not exceed the annual budget
- a substantial amount of the deficit will have been repaid by March 2013
- there has either been a change of leadership or the school has significantly restructured (e.g. gone to mixed age teaching, amalgamated infants and junior)

Many of these schools have also been categorised by Ofsted as requiring Special Measures and/or suffered a fall in pupil numbers.

There are a further three schools that converted to academy status with a deficit but prior to 31st March 2012. The Forum recommends that the same principles be applied to these schools in consultation with the Education Funding Agency.

The maximum additional call on the DSG balances would be £307,600.

Summary Position

If the Forum recommendations on DSG balances set out above are implemented the position will be:

| | £000 |
|-----------------------------------------------------------------|-------|
| Projected DSG balance at 31st March 2013 | 6,137 |
| Allocation: | |
| - Retain redundancy provision | 400 |
| - Deficit write-off | 1,188 |
| - Carbon reduction Commitment 2013/14 | 430 |
| - Balances to be retained for High Needs and Early Years blocks | 4,119 |

H Council Tax

38 The Council's current 2012/13 Band D Council Tax is £1,090.50, which is below the average for comparable County Councils.

In accordance with the terms of the two year Council Tax grant for 2013/14, Council Tax will, for the third year running, be frozen in 2013/14. 50% of the Council Tax income foregone will be replaced by Government grant in 2013/14 and 2014/15, 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 2012/13.

| Band | 2013/14 £ | Increase on 2012/13 £ |
|------|--------------|--------------------------------|
| 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.

I The Robustness of the Budget Proposals

39 Medium Term Financial Planning Framework

The MTFS and detailed budget for 2013/14 have been formulated in accordance with the medium term financial planning framework detailed in Annex 5.

The framework sets out the financial strategy, financial assumptions and financial risks taken into account when preparing the MTFS and budget for 2013/14.

40 **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 2012 were as follows:

| | £000 |
|-----------------------------------------------|---------|
| Earmarked Reserves | 80,117 |
| Schools Related Reserves | 22,848 |
| County Fund reserves | 18,497 |
| Capital Grants Unapplied Reserve | 2,721 |
| | <hr/> |
| Total Reserves at 31 st March 2012 | 124,183 |

Overall, as detailed in Annex 7, the Council's reserves as at 31st March 2013 are forecast to be:

| | £000 |
|-----------------------------------------------|---------|
| Earmarked Reserves | 79,735 |
| Schools Related Reserves | 22,139 |
| General Reserves | 19,721 |
| Capital Grant Unapplied Reserve | 2,700 |
| | <hr/> |
| Total Reserves at 31 st March 2013 | 124,295 |

41 During 2012/13 all reserves have been examined in detail.

General balances have been increased by £1.224 million resulting in a forecast level of £19.721 million at 31st March 2013 (4.9% of the net budget proposed for 2013/14).

Although this is a satisfactory level of general reserves, being within the target range of 4% to 6% (currently £16.103 million to £24.155 million), it is slightly below the average for County Councils in the South West Region which stands at 5.7%. It is not planned to increase general reserves further in 2013/14, with the base budget provision being used for additional debt redemption.

42 Earmarked Reserves are forecast to fall from £80.1 million (£82.8 million including the capital grant reserve) as at 31st March 2012, to £79.7 million (£82.4 million including the capital grant reserve) as at 31st March 2013, a reduction of £0.4 million. This forecast assumes a balanced outturn position for 2012/13. Annex 7 provides a summary of the Earmarked Reserves, including all of the proposed and forecast reserve movements during the year.

43 The movement in School Related Reserves reflects the transfer of balances for those schools converting to academy status and net use of delegated balances held by schools.

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

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

45 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 2013/14 budget.
- Budget risks have been explicitly considered in preparing the budget and taken into account, particularly the funding constraints going forward.
- The level of reserves will continue to be closely monitored during the period of this MTFS, in the context of protecting the Council from existing and future liabilities. This is extremely important given the recent announcements by the Chancellor of the Exchequer regarding ongoing austerity measures and further funding reductions of 5% per annum until 2017/18
- 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.
- Although additional resources are being invested in some of these areas under the proposed budget, particularly in relation to the care of the elderly and vulnerable people, robust and regular budget monitoring will, again, be essential, particularly in the context of the current forecast overspend in relation to adult care budgets.
- Balancing the Council's budget over this period of financial constraint requires a series of major changes. Whilst robust programme management plans are being put into place to deliver these savings, as evidenced by performance in 2012/13 and 2011/12, there is inevitably some residual risk.

Adequate reserves will be necessary to meet any significant shortfalls, hence the strategy outlined in section I above.

- 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.

46 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.

K Forward Draft Plans for the revenue budget in 2014/15 and 2015/16

47 The Council's plans are set for the three years covering 2013/14 to 2015/16. The detailed draft budget for 2013/14 is set out within the MTFS, whilst the current draft forecast budgets for 2014/15 and 2015/16 are:

| | 2014/15 | 2015/16 |
|--------|----------------|----------------|
| | £m | £m |
| Budget | 420.5 | 418.5 |

- 48 Outline financial proposals for 2014/15 and 2015/16 are shown in Annex 8. These have been formulated in accordance with the financial settlement covering 2014/15 and prudent estimates for 2015/16.

L Capital Expenditure

- 49 The full capital programme is set out in Annex 9, with details of the financing of this programme being provided at the start of this Annex.

- 50 The capital programme provides investment in the county totaling £331 million over a five-year period from 2011/12 to 2015/16.

The main investment is on Highways and Infrastructure (£185 million) and schools and facilities for children (£126 million).

The new capital programme from 2013/14 is largely “capped” at the level of developer contributions and capital grants received, given that it is a Council priority to reduce the level of long term debt, and hence interest and capital repayments.

Schemes in excess of this amount included within the new programme will be funded from other available finance sources, including Capital Receipts, the Capital Fund and by making revenue contributions to capital where possible, thereby avoiding the need for new borrowing. In accordance with the Council priority to reduce debt, provision for new schemes beyond 2013/14 is dependent upon funding and is likely to be “capped” at the level of developer contributions and capital grants received.

51 Additions to the Capital Programme

The budget for 2013/14 contains £40.266 million for new investment capital schemes financed from grants, revenue contributions and capital receipts as set out in the table below.

| Grant | £000 |
|---------------------------------------------------------|---------------|
| Schools (Indicative only) | 8,742 |
| Children & Families – U2’s Building Grant | 810 |
| Adults Social Care Grant (Provisional) | 1,360 |
| Infrastructure – Highways Block Maintenance Grant | 14,974 |
| Infrastructure – Integrated Transport Block Grant | 3,642 |
| Infrastructure – Cinderford Northern Qtr Spine Road | 3,628 |
| Infrastructure – ** Additional Funding Autumn Statement | 2,708 |
| Infrastructure - Fire | 822 |
| Total Grant | 36,686 |
| | |
| Revenue Contribution – Schools | 580 |
| | |
| Capital Receipts - Infrastructure | 3,000 |
| | |
| Total new Capital 2013/14 | 40,266 |

** Following the Chancellors Autumn Statement in December 2012, the Council has received written confirmation regarding additional Local Highways Maintenance Capital

Funding of £4.142 million. The funding will be split between £2.708 million in 2013/14 and £1.434 million in 2014/15, and has been included in the MTFS capital programme.

Increase in funding since 7th January Cabinet Report

£0.81 million – Children & Families – New Grant

The Council has received confirmation from the Department of Education that we will receive a capital grant that is intended to support implementation of early education for two year olds. This means providers of early education for two year olds will be able to bid for the money and that it won't necessarily be spent on authority owned assets.

£1.36 million - Adults Personal Social Care - New Grant

The Department of Health has allocated the Community Capacity Grant to local authorities, providing capital funding to support development in three key areas: personalisation, reform and efficiency. The distribution uses total adults social care relative needs formulae. The provisional allocations for the authority were confirmed on the 19th December as £1.36 million in 2013/14 and £1.38 million for 2014/15.

£0.3 million - Increase in Fire Grant for 2013/14 and 2014/15

The Fire Capital Grant allocation changes in 2013-14 from a lump sum settlement previously allocated, to a reduced lump sum, with authorities being required to make individual bids for the remainder of the funding.

The Council estimated a lump sum of £0.52 million and did not include the two bids made by the authority valued at less than £0.01 million. We have now received confirmation that our bids were unsuccessful; however the lump sum allocation was £0.3 million higher than our estimate for the next two years.

Indicative forecasts

Schools

It should be noted that the Council has not received an indicative settlement amount for Schools. The Department for Education has announced that they will be confirming allocations by the end of January 2013 because of a change in allocation formula. Hence, estimates are currently included within the MTFS based on last year's allocation, reducing the capital maintenance element to take in to account the reduced number of schools, because academies will receive this funding direct in the future.

Communities and Infrastructure – New Schemes

Cinderford Northern Quarter – Spine Road £10.93 million

A budget of £10.93 million has been entered for the above scheme funded by grant and an estimate of developer contributions. The estimated £2.78 million of developer contributions has not yet been identified therefore the above budget is an indicative figure at this point in time.

Elmbridge Major Transport Scheme - £16.5 million

In December 2011, the Department for Transport (DfT) informed GCC that 'Programme

Entry' approval had been given, with DfT funding £14.1m of the £16.5m total cost of the Elmbridge Major Transport Scheme. This funding is subject to GCC gaining planning permission, purchasing the required land, and achieving 'Full Approval' status from DfT.

Planning consent is being obtained via the Planning Inspectorate, as it is classed as a Nationally Significant Infrastructure Project under the Planning Act 2008. The scheme includes major junction improvements at Elmbridge Court Roundabout, bus priority measures around Arle Court Roundabout in Cheltenham and a 1,000 space park and ride at Elmbridge Court.

This scheme has now been included in the Capital forecast although the budget is indicative until the funding approval has been confirmed by DfT.

Investment in ICT - £2.5 million

In order to maximise the efficiencies in how we occupy office space an investment strategy in ICT is fundamental. The emerging ICT Roadmap 2013-16 has identified four themes which underpin how the business operates and ways of working, these are, Shared & Partnership Working, Compliance & Security, Flexible, Mobile & Efficient Workers and Strong Infrastructure. In order to deliver these priorities a number of risk critical investments are required which will impact upon security and compliance with government codes relating to data management if not delivered.

Optimisation of office accommodation - £3.6 million

As part of the Meeting the Challenge Programme a target of £45 million in capital receipts was set through the rationalisation and disposal of property. A fundamental part of this is the optimisation of office space in order to maximise occupancy and reduce the associated overhead costs, such as, energy, maintenance and repairs. To date a total of £16 million in capital receipts has been realised.

This has resulted in over 300 staff being relocated into the Shire Hall complex, however, in order to continue this programme of optimisation an investment in essential building maintenance and space configuration is required.

The ICT and Optimisation of office accommodation investments are closely linked to the asset disposals, capital financing and building related revenue savings detailed in annex 3 in the MTFS. These investments will be fully funded from capital receipts in 2013/14 and 2014/15, whilst at the same time fully delivering the revenue savings under the £45 million disposals plan included within the MTFs covering the financial years 2011/12 to 2014/15.

Borrowing

- 53 Total borrowing outstanding at the end of 2012/13 is forecast to be £401.3 million, a reduction of £14.7 million compared with the £416.0 million outstanding at the end of 2011/12.
- 54 External borrowing is primarily 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 is £45 million by the end of 2014/15, which will be used to repay debt and/or finance capital expenditure to avoid new borrowing. A Disposal Schedule will be considered by Cabinet in February in line with the Disposal Strategy.

M Prudential Code

55 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).

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

57 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.

58 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.

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

The Council complies with the Prudential Code:

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

N Treasury Management

60 The Treasury Management Strategy Statement and Annual Investment Strategy (AIS) are shown in Annex 10 to this report.

Annex 10 provides details of:

- Treasury Management Strategy for 2013/14 including, borrowing, debt

rescheduling, and investments.

- Prudential Indicators.
- Minimum Revenue Provision (MRP) Statement.
- Policy on the use of Financial Derivatives.
- Specified and Non Specified Investment for use by the Council.

61 During June 2012 a number of UK Banks were downgraded by the rating agencies. Despite this the majority still remained within our approved rating criteria, however Royal Bank of Scotland was removed from the counter party lending list as the short term rating criteria fell below that specified within our approved strategy.

62 In strict accordance with recommendations made by our Treasury Management Advisors, we are proposing the following key changes in relation to counterparty and credit risk.

- Removal of the short term credit rating criteria for counterparties. The reason for this is that the long term rating is a better indicator of credit quality as it shows the longer term stability of the bank.
- Maximum duration for all new term deposits increased to 2 years, with lower durations adhered to when advised by our Treasury Management Advisors.

In addition under non specified investments now included are, “investments with Banks/Building Societies that do not meet specified investment criteria (on the advice of the Council’s Treasury Management advisors) with the approval of the Strategic Finance Director and Lead Cabinet member and/or the Leader of the Council”.

The Audit Committee approved the strategy on 24 January, for recommendation to Council, and Cabinet are now also asked to approve the Treasury Management Strategy for submission to Council.

O Risk Management Strategy

63 Risk Management is one of the key principles of good governance which is underpinned by public sector legislation. To ensure the Council continues to manage the risks and opportunities associated with the Council’s service delivery, a revised Risk Management Policy Statement and Strategy, has been developed to align with the Council’s New Operating Model and based on national Risk Management Standards and positives already achieved. This strategy is provided in Annex 11.

The Strategy recognises that the next few years will present unprecedented challenges for the Council in delivering its services and corporate priorities. The strategy therefore requires risk management principles to be fully integrated into the Council’s strategic and operational management arrangements. The strategy is supported by a suite of detailed guidance and toolkits.

The key change in the revised strategy is that it proposes that the Council’s overriding attitude is not to avoid risks but to operate in a culture of creativity and innovation to manage risks. To enable this, the key change is the formal introduction to “risk appetite” i.e.

the development of a framework which helps managers to assess how much risk they are prepared to accept and to help them determine the level of control they need to put into place.

The Audit Committee approved the strategy on 24 January, for recommendation to Council, and Cabinet are now also asked to approve the Risk Management Strategy for submission to Council.

O Attached Annexes

| | |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Annex 1 | Detailed narrative by Commissioning Service Area showing achievements in 2012/13, detailed 2013/14 Budget Proposals and forecasts for future years |
| Annex 2 | Financial Summary of the proposed 2013/14 budget by Service Area |
| Annex 3 | Financial Summary Cost Increase Proposals |
| Annex 4 | Financial Summary of Cost Reduction Proposals |
| Annex 5 | Medium Term Financial Planning Framework |
| Annex 6 | Revenue Financial Position 2012/13 |
| Annex 7 | Reserves and Balances Analysis |
| Annex 8 | Revenue Budget Forward Projections |
| Annex 9 | Capital Programme |
| Annex 10 | Treasury Management Strategy 2013/14 |
| Annex 11 | Risk Management Strategy 2013/14 |

ANNEX 1.1 : COMMISSIONING INTENTIONS – CHILDREN AND FAMILIES

Context

The Council has wide ranging responsibilities for children's services; this includes leading and coordinating all local partners to ensure outcomes for children and young people improve. In 2012/13 the total budget for children's services excluding Dedicated Schools Grant was £105.2 million; this included other grants and funding from formula/Council Tax. This represented a 5.9% reduction on budgets available in 2011/12. 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 clear focus on improving outcomes for the most vulnerable. Performance of children's services is improving, with continued high educational standards for the majority of pupils, low levels of youth offending but a need to do more to ensure consistency of some services for the most vulnerable, including safeguarding, children in Care and young people at risk of becoming NEET (not in education, employment or training).

Meeting the Challenge 2012/13

A number of projects have been undertaken to meet the required budget reductions and enable crucial front line services to be maintained where possible. Savings targets for this year have focused on the full implementation of projects commenced in 2011/12, all focused on ensuring the most vulnerable children and young people continue to receive the support they need. Savings have been realised in youth support services which is now targeted on those young people most at risk, a continued reduction in spend in expensive placements for Looked After Children and continued savings in the cost of home to school transport as policy changes are rolled out. The council has agreed new contracts in respect of youth support and children's centres which will drive more efficient and effective service delivery in local areas. The youth Support contract includes a new service to manage transitions between adult and children's services. The council has responded to central government proposals for reform of school funding, in particular by reducing centrally provided services where funding will now be directed to individual schools.

Looking Forward

The proposed budget for 2013/14 requires savings of £6.6 million to be achieved in council children's services. This includes some savings identified through Meeting the Challenge, reductions resulting from the shift in education funding from central LA services to schools and academies and a reduction in the Early Intervention Grant (EIG) as it transfers into formula funding. Although the combined impact of these changes is a reduction in central council budgets for children and families of £9.4 million the government has announced funding of £4 million to provide free entitlement to nursery education for 2 years olds from lower income families; this will be included in the Dedicated Schools Grant. Of the £9.4 million reduction it should be noted that £2.8m will be transferred to schools and academies so that the funding will still be available in the county. This will result in centrally run services such as the Pupil Referral Service becoming independent from April 2013, and a new service for vulnerable pupils being put in place replacing current teams supporting attendance and exclusions.

The MtC savings include further reductions in expensive placement budgets for LAC, planned reductions in home to school transport budgets resulting from new policies, a move from grant to evidence based commissioning and a continued focus on targeted youth support rather than universal provision. Additional savings will be needed to accommodate the reduction in EIG and changes in school funding.

These additional savings will be achieved by reducing uncommitted commissioning and contingency budgets, renegotiating contracts, reducing capacity for school intervention as schools convert to academies, changes in funding for vulnerable pupils (already subject of Cabinet decisions) and deleting staff posts held vacant.

These proposals are based on the following principles:

1. Spending reduce in areas subject to government grant reductions or changes
2. The capacity to intervene early wherever possible should be protected
3. The council must be able to discharge its core responsibilities in relation to vulnerable children in the education system and social care
4. Areas which have already been subject to significant budget reductions to be protected wherever possible for 2013/14.

Needs Analysis

There are 129,757 children and young people under 19 in Gloucestershire, 22% of the population. The majority do well at school (62.5% achieved 5 A* - C at GCSE in 2010-11); they report that they are confident or quite confident about the future (88% from the Online pupil survey OPS 2012); more children are 'feeling safer from crime', though a just over a quarter still feel unsafe from crime (OPS 2012). A significant minority do not have the same positive life chances as their peers – the gap in achieving 5 A* - C including English and Maths at GCSE, between children eligible for free school meals and those with SEN, and the rest, has marginally improved but is still a larger than statistical neighbours and England (24,137 children).

For the most vulnerable children there is a need to focus our efforts e.g. only 8% of LAC achieved 5 A* - C GCSEs including English and Maths for the academic year 2011-12; LAC in education, employment and Training EET levels are fairly stable but at the low level of 69% at the end of September 2012; 442 children were subject to a CP plan at the end of November 2012, of which 46% (204) were under 5yrs and, for them, the most common issues are long term neglect combined with parental substance/ alcohol misuse and domestic abuse. Secondary children report having seen, heard or been a victim of domestic abuse quite often or most days (6% OPS 2012).

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. 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 Children and Young People's Plan is part of the developing local Health and Well Being Strategy, this 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; change programmes need to include the development of an 'early help' offer, ensuring there is a good range of targeted interventions and high quality specialist support for the most vulnerable groups. All of this will require workforce development across the sector to ensure that families receive a joined up service. The Gloucestershire Children's Safeguarding Board will 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

Achieving improved outcomes in the financial context will require fundamental reshaping of services across partners so that we can:

- 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

Change programmes are already in place to deliver intensive support to the most vulnerable families, through the Families First programme (Troubled Families) and the Turn Around Team (an Early Years specialist service including a new Family Drugs and Alcohol Court).

Commissioning activity will focus on:

- Developing an early help offer to reduce demand for specialist services
- Programmes providing intensive interventions to parents/carers and children including families where domestic abuse or homelessness is an issue
- Improving corporate parenting and developing a strategy which sets permanence for children as a priority
- Determining core education support services in the light of academy conversions
- Responding to government legislation in respect of children and young people with disabilities and Special Educational Needs

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

ANNEX 1.2 : COMMISSIONING INTENTIONS – ADULT SERVICES

Context

Adult social care has a current (2012/13) net budget of £147m, 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. We support 24% more people in the community than we did 5 years ago, with significant numbers of carers receiving a service too, but we need to improve our use of technology (telecare and telehealth) and facilitate more personal support plans and individual budgets.

Strategic Direction

Our strategic ambition is to support people to live independently. The national policy is about "Putting People First" and to implement this locally means an increasing focus on community support and involvement, early intervention, prevention and reablement services. 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.

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 or so. Projections suggest that this will double to an annual increase of around 3,000 people on average in the short and medium term, increasing to 3,300 people 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 2010-2035. The County's ageing demographic is further underlined by the projected decline of its working-age population and the very modest growth of its child population which contrasts with England where both age groups are forecast to continue to increase over the same period.

In particular, the number of people aged 75 and over, the ages at which GCC adult services are most likely to be required, is projected to increase by an annual average of 1,500 between 2010 and 2020, and by 2,300 between 2020 and 2035. The fastest rate of growth will be amongst those aged 85 and older, most noticeably in the longer term.

The geographical distribution of older people is also expected to spread. In 2010, 41 wards in the county contained at least 1,000 older people aged 65+. By 2015, the number of such wards could grow to 60 (i.e. 4 in 10 wards), spreading across urban and rural areas of the county. An estimated 40% to 65% 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.

Currently an estimated 38,000 older people are living on their own in the county. The number is projected to rise by about 1,000 a year between 2010 and 2020, and then by 1,300 in the longer term. Between two-thirds and three quarters of single pensioners will be aged 75+, and among these 70-80% are women.

Dementia is also an increasingly common condition. In Gloucestershire, there are estimated to be 8,395 people living with dementia. That number is expected to almost double over the next 20 years to 15,151.

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 2012/13

We have 14 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 – developing a model of reablement, working in multidisciplinary teams, commissioning differently, listening to our service users and improving the customer journey. Others have addressed processes – improved recovery of debt.

Achievements in year one of Meeting the Challenge include reducing long term dependency through improved targeting of our reablement service and developing a partnership approach to tackling cost pressures from within the independent sector..

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.

Looking Forward

The proposed budget for 2013/14 requires us to reduce our costs by £9.27m in order to live within our means.

We intend to achieve financial balance in adult services by:

- fully implementing reablement
- 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 support discharges from hospital and to 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

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: COMMISSIONING INTENTIONS – COMMUNITIES AND INFRASTRUCTURE

Context

Communities and Infrastructure covers a wide range of services and functions, including highways, transport, planning, economic development, waste, fire and rescue, trading standards, carbon reduction, police contract, community offer and libraries.

Strategic Direction

The strategic direction is to create greater integration between the delivery functions within the commissioning portfolio with the aim of:

- Helping communities to help themselves, targeting resources where necessary and expanding the big community offer into a variety of other areas where the community has demonstrated it can deliver
- Building good physical and social infrastructure that enables links between and within communities
- Supporting the creation of good quality, safe and functioning places
- Contributing to a strong public sector presence in localities, able to deliver services in a co-ordinated and effective way
- Stimulating economic growth and contributing to the national recovery effort

Needs Analysis

The specific needs analysis varies for each area of delivery. There are 3 key areas of over-arching need that are driving change within communities and infrastructure:

- Changing role of the state - through policy and legislative changes, the need for ever more active communities is crucial (e.g. big community offer, libraries).
- Public sector funding reductions – redesigning services to meet statutory responsibilities (e.g. planning, trading standards, police contract, fire and rescue) and to minimise the financial risks and cost pressures faced by the Council (e.g. highways, transport, carbon reduction, waste)
- Economic recovery – using all of the resources available to the Council and its partners to promote economic growth (e.g. economic development, planning)

What is becoming clear is that expenditure on Communities & Infrastructure will increasingly be squeezed from two directions – firstly, the continued reduction in government funding – secondly, the upward pressure from social care, where demand is increasing. In responding there are a number of key issues that will be addressed by commissioners:

- Meeting expenditure targets through the right balance of service reductions and demand management;

- Clearly defining what individual services are being resourced for and therefore what service standards can be expected e.g. to meet minimum statutory requirements, to exceed statutory requirements but for a clearly understood local priority (e.g. flood alleviation) or discretionary spend for a clearly understood local priority (e.g. economic growth)
- Engaging communities and stakeholders in understanding the need for change and managing demand, including building on successful initiatives such as 'Highways – Your Way';
- Continuing to develop the partnerships necessary to manage key local issues, such as economic growth; and,
- Reducing net revenue expenditure as far as possible by developing long term income streams and maximising returns from services able to generate income.

Meeting the Challenge

There are 6 main programmes of MTC activity focused on meeting basic needs, living within our means and helping communities to help themselves. Year 2 (2012/13) savings have largely been delivered, the exception being libraries and information where only 40% of the target is expected to be achieved. The following summarises the main on-going areas of activity for each of the main programmes.

- Highways – restructuring of service areas; back office efficiency gains through streamlining processes; adopting a new service standard for highways; launching the highways big community offer; letting a new highways contract
- Buses and Parking – redesigning the subsidized public bus network; introducing new on street parking schemes within the main settlements in the County
- Economy and Environment – restructuring planning and development; rationalising funding of the Local Enterprise Partnership (Gfirst Ltd); introducing parking charges at some countryside sites; reducing grants to outside bodies; outsourcing the provision of gypsy and traveller and countryside sites.
- Fire and Rescue – services changes resulting from a new Integrated Risk Management Plan, including reductions in fire fighter numbers and removal of full-time crewing of specialist appliance; opening of new stations with associated crewing and operational changes; reductions in preventative and protective services
- Libraries and information – following judicial review decision develop and implement a revised library strategy.
- Regulatory services – restructuring of trading standards; reduction in preventative activity.

There are also a number of non-MTC projects, such as the procurement of a residual waste treatment solution, that have significant financial implications for the Council. There are also some areas of increasing cost pressure where the Council is obligated to meet need (e.g. concessionary fares) or has to take inflationary increases into account in order to continue delivering effectively (e.g. rising energy and carbon costs).

Looking Forward

Some of the changes identified above will allow the 2013/14 budget to be reduced by 6.12% to just under £85m. At the same time that revenue budgets are reducing capital budgets and the availability of external funding, including developer contributions is reducing. There will need to be a renewed focus on clearly identifying community need and ensuring scarce resources are deployed in enabling vital infrastructure provision. This will need to include creative investment in new economic growth building blocks, such as next generation broadband, forward funding stalled development and identifying new ways of generating long term income streams for the Council (e.g. renewable energy generation). An effective partnership with the Local Enterprise Partnership will be essential as the Council takes on new Accountable Body duties.

Delivering Change

The scale and pace of change is unprecedented. Commissioners will maintain an on-going focus for redesigning services to effectively meet community needs and reduce costs. As the state pulls back ever more creative approaches will need to be found to unlock the resources necessary to invest in the physical and social infrastructure needed to ensure that communities and the local economy are resilient and operate effectively.

Annex 1.4 Commissioning Intentions – Public Health

Context

Under the Health and Social Care Act, three domains of public health; health improvement; health protection and health care public health, will become part of Local Government's public health function. Gloucestershire County Council will have a new statutory duty to *promote* the health of their population, and responsibility for commissioning specific public health services, supported by a new ring fenced grant. The ring fenced Public Health grant allocations for Gloucestershire are £21,126 million in 2013/14 and £21,793 for 2014/15. This represents a significant uplift from previous years' expenditure on public health and is based on a new national formula linked to health inequality and health need.

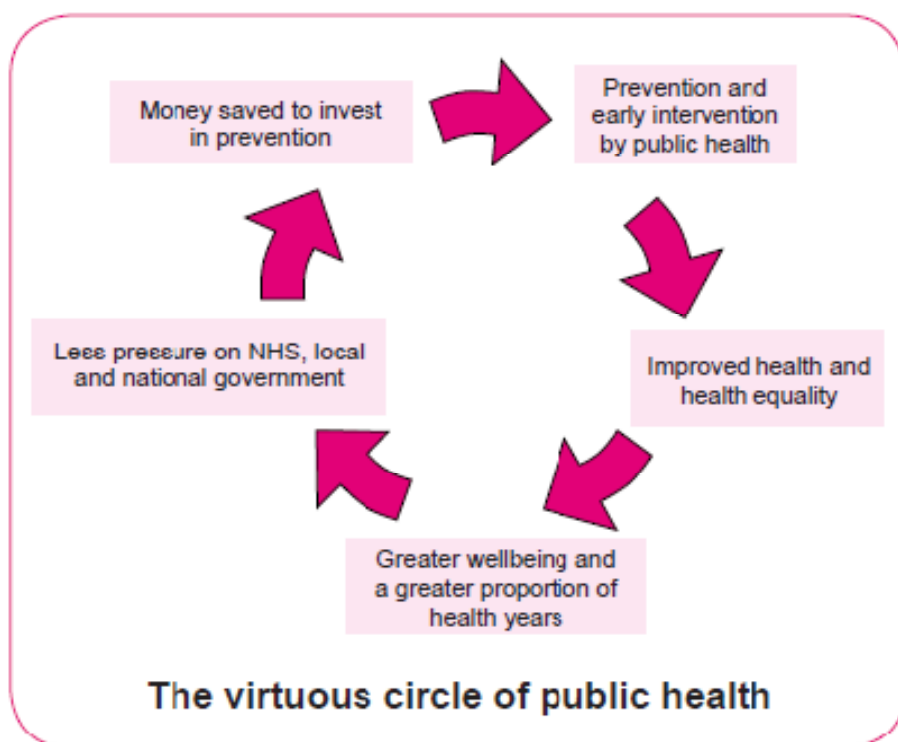
The intention is for the grant to be spent on activities whose main or primary purpose is to positively impact on the health and wellbeing of the local population, with the aim of reducing health inequalities in local communities. Those activities include:

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

Strategic Direction

Nationally, the strategy for Public health in England was laid out in the Government's White *Paper Healthy Lives, Healthy People (2010)*.ⁱ 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 which 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 and is illustrated below.



Source LGA: From transition to transformation in public health, Resource sheet 2: Understanding 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, 5.3 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. Life expectancy in Gloucestershire is increasing, but healthy life expectancy is not improving at the same rate – and certainly not for all groups of the population. On average, a man can expect to live the last 15 years of his life, and a woman the last 13 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.

Meeting the challenge

The Public Health allocation is a ring fenced grant and the expectation is that it will be fully spent. Given the financial context and identified needs, we will integrate prevention across Gloucestershire County Council and support the Council to discharge its responsibilities in relation to children and families and adult services to ensure outcomes are improved in these areas with a strong focus on prevention, for example, working with Commissioning Directors around 'troubled families' and reablement. Helping people to stay healthy and live independently for longer is a major contributor to reducing cost pressures in the medium and longer term.

This is the first year that GCC has received this grant and the Director of Public Health is committed to fully integrating public health into the Council. We already commission a range of public health programmes and services aimed at protecting and improving health, preventing illness and reducing health inequalities in line with County priorities.

Commissioning priorities for 2013/14 and 2014/15 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.

Looking Forward

The public health grant allocations were published by the Department of Health on 10th January 2013. A large amount of the public health grant is already committed to existing public health service provision. We have only recently received the grant allocation, which was a significant uplift from what we were expecting. Therefore the budget allocation is provisional. We are working closely with Council colleagues and the Health and Wellbeing Board on the process of agreeing public health priority areas for improvement in 2013/14. Potential areas for investment include:

- Support delivery of the **Health and Wellbeing Strategy** across the life course to **Promote health lifestyles** and **reduce health inequalities**
- 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**
- Delivery of **core mandated public health services**
- More **local action** in line with the principles of the Health and Wellbeing Strategy.

Delivering Change

In a climate of financial constraints it is more important than ever that we work together, to make public health everybody's business. We will work internally and externally, through the Health and Wellbeing Board, and other key partnerships, to inform and influence commissioning and delivery plans that contribute to improving health and wellbeing and reducing inequalities.

The Council is ideally placed to take on this new duty to improve health. A broad range of issues impact on health and lots of organisations in Gloucestershire, through their daily work, already contribute to health and wellbeing. Everyone has a role to play in improving health and we expect everyone to play their part including individuals and communities as well as the public, private and voluntary sectors.

We will work collaboratively to support the Council's priorities, including those that promote integration across health and social care to achieve efficiency and quality services for the community. The Health and Wellbeing Board is the key vehicle through which change will be delivered. We will continue the cycle of reviewing and recommissioning services that started under the NHS. We will focus action on areas where there is a strong evidence base for effectiveness and cost-effectiveness to ensure that we maximise the value that we can achieve with our resources. Where evidence is lacking, we will seek new and innovative ways of delivery.

Annex 2

| Medium Term Financial Strategy – 2013/14 Budget – Overall Summary | | | | | | | | | |
|-------------------------------------------------------------------|-------------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|--------------------------------------|
| Budget Area | 2012/13 Revised Base Budget Base | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease | Percentage Increase / Decrease |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | % |
| Programme Budget Areas | | | | | | | | | |
| Adults (Breakdown below) | 151,658 | 318 | 2,681 | 245 | -9,270 | 6,700 | 152,332 | 674 | 0.44% |
| Children and Families (Breakdown below) | 103,804 | 279 | 137 | 257 | -6,600 | 757 | 98,634 | -5,170 | -4.98% |
| Communities and Infrastructure (Breakdown below) | 90,155 | 439 | 872 | 150 | -7,972 | 1,550 | 85,194 | -4,961 | -5.50% |
| Other Budget Areas | | | | | | | | | |
| Strategy & Challenge, Enabling & Transition, & Strategic Finance | 22,171 | 202 | 110 | 131 | -1,217 | 0 | 21,397 | -774 | -3.49% |
| Technical and Cross Cutting (incl Economic Stimulus) | 57,442 | 33 | 0 | 1,592 | -10,140 | 3,300 | 52,227 | -5,215 | -9.08% |
| Total GCC | 425,230 | 1,271 | 3,800 | 2,375 | -35,199 | 12,307 | 409,784 | -15,446 | -3.63% |
| Public Health | | | | | | | 21,126 | | |
| Total GCC with Public Health | 425,230 | 1,271 | 3,800 | 2,375 | -35,199 | 12,307 | 430,910 | | |

Medium Term Financial Strategy – 2013/14 – Services commissioned by the Commissioning Director : Adults

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|------------------------------------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Commissioning Director : Adults | 27 | | | | | | 27 | 0 |
| Older People – Long Term Placements externally purchased | 27,133 | 0 | 1,599 | 0 | -1,682 | 600 | 27,650 | 517 |
| Physical Disabilities – Long Term Placements externally purchased | 3,258 | 0 | 0 | 0 | -344 | | 2,914 | -344 |
| Older People- Care Packages (Including Personal Budgets) | 14,424 | 0 | 0 | 0 | -2,120 | 250 | 12,554 | -1,870 |
| Physical Disabilities- Care Packages (Including Personal Budgets) | 6,961 | 0 | 0 | 0 | -444 | 1,650 | 8,167 | 1,206 |
| Respite Care Services for older people – externally purchased | 1,191 | 0 | 0 | 0 | | | 1,191 | 0 |
| Respite Care Services for people with physical disabilities – externally purchased | 83 | 0 | 0 | 0 | | | 83 | 0 |
| Safeguarding | 1,003 | 5 | 0 | 4 | | | 1,012 | 9 |
| Carers Services | 1,478 | 0 | 0 | 0 | | | 1,478 | 0 |
| Assessment & Care Management for people with learning disabilities | 928 | 9 | 0 | 6 | -200 | | 743 | -185 |
| Enablement services for people with learning disabilities | 815 | 8 | 0 | 6 | | | 829 | 14 |
| Respite Care Services for people with learning disabilities | 210 | 0 | 0 | 0 | | | 210 | 0 |
| Long Term Placement for people with learning disabilities - internally provided | 4,955 | 41 | 0 | 32 | -500 | | 4,528 | -427 |
| Long Term Placement for people with learning disabilities - externally purchased | 25,748 | 0 | 0 | 0 | -2,680 | 1,200 | 24,268 | -1,480 |
| Care Packages (Including Personal Budgets) | 18,472 | 0 | 0 | 0 | | 2,300 | 20,772 | 2,300 |

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|----------------------------------------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Other LD Budgets | 440 | 1 | 1,008 | 1 | | | 1,450 | 1,010 |
| Assessment & Care Management for older people and people with physical disabilities | 8,510 | 94 | 0 | 48 | -1,050 | | 7,602 | -908 |
| Reablement services for older people and people with physical disabilities | 7,859 | 71 | 0 | 78 | | | 8,008 | 149 |
| Telecare | 2,323 | 1 | 0 | 0 | | | 2,324 | 1 |
| Occupational Therapy | 2,798 | 0 | 0 | 0 | | | 2,798 | 0 |
| Long Term Placements for older people – internally provided | 1,086 | 10 | 0 | 8 | | | 1,104 | 18 |
| Long Term Placement for people with physical disabilities - internally provide | 1,341 | 13 | 0 | 10 | | | 1,364 | 23 |
| Community Meals | 366 | 0 | 0 | 0 | | | 366 | 0 |
| Other services for Adults | 521 | 2 | 0 | 2 | | | 525 | 4 |
| Mental Health | 6,484 | 0 | 74 | 0 | -230 | 200 | 6,528 | 44 |
| Administrative and Support Services | 1,078 | 8 | 0 | 6 | | | 1,092 | 14 |
| Advocacy | 270 | 0 | 0 | 0 | | | 270 | 0 |
| GIS | 179 | 12 | 0 | 10 | | | 201 | 22 |
| Financial Assessment & Benefits Team | 467 | 4 | 0 | 4 | | | 475 | 8 |
| Village Agent | 201 | 0 | 0 | 0 | | | 201 | 0 |
| Customer Services | 1,543 | 15 | 0 | 11 | | | 1,569 | 26 |
| Unallocated Budgets | 9,506 | 24 | 0 | 19 | -20 | 500 | 10,029 | 523 |
| Total Commissioned by the Commissioning Director for Adults | 151,658 | 318 | 2,681 | 245 | -9,270 | 6,700 | 152,332 | 674 |

Medium Term Financial Strategy – 2013/14– Services commissioned by the Commissioning Director : Children and Families

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|-------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Commissioning Director : Children and Families | | | | | | | 0 | 0 |
| Early Years | 9,337 | 0 | 0 | 0 | -1,688 | | 7,649 | -1,688 |
| Early Intervention | 1,510 | 0 | 0 | 0 | -376 | | 1,134 | -376 |
| • Child Protection Teams | 8,842 | 61 | 0 | 45 | -76 | | 8,872 | 30 |
| • Looked After Children | 11,618 | 18 | 0 | 14 | -764 | | 10,886 | -732 |
| • In-house Fostering & Adoption | 8,166 | 18 | 137 | 14 | | | 8,335 | 169 |
| • Children with Disabilities | 4,697 | 20 | 0 | 14 | 12 | | 4,743 | 46 |
| • Co-ordination and Support to Localities | 3,832 | 24 | 0 | 18 | -339 | 150 | 3,685 | -147 |
| • SEN | 966 | 9 | 0 | 7 | 65 | | 1,047 | 81 |
| • Support to Schools & Academies | 1,445 | 14 | 0 | 11 | -297 | 200 | 1,373 | -72 |
| • Targeted Intervention for Schools | 637 | 4 | 0 | 3 | -245 | | 399 | -238 |
| • Quality, inc Safeguarding | 1,725 | 12 | 0 | 8 | 17 | | 1,762 | 37 |
| • Access, inc Home to School Transport | 15,343 | 6 | 0 | 5 | -800 | | 14,554 | -789 |

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|---------------------------------------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Young People's Support | 9,288 | 23 | 0 | 13 | 150 | | 9,474 | 186 |
| Supporting People | 17,120 | 0 | 0 | 0 | -1,500 | | 15,620 | -1,500 |
| Mental Health | 650 | 0 | 0 | 0 | | | 650 | 0 |
| Lifelong Learning | 29 | 7 | 0 | 1 | | | 37 | 8 |
| Schools Support | 4,232 | 45 | 0 | 92 | | 107 | 4,476 | 244 |
| Commissioning Function | 4,367 | 18 | 0 | 12 | -759 | 300 | 3,938 | -429 |
| Total Commissioned by the Commissioning Director for Children and Families | 103,804 | 279 | 137 | 257 | -6,600 | 757 | 98,634 | -5,170 |

Medium Term Financial Strategy – 2013/14– Services commissioned by the Commissioning Director : Communities and Infrastructure

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|----------------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Commissioning Director : Communities and Infrastructure | | | | | | | 0 | 0 |
| Parking | -1,762 | 1 | 0 | 1 | -700 | | -2,460 | -698 |
| Strategic Planning | 801 | 5 | 0 | 4 | -30 | | 780 | -21 |
| Economic Development | 753 | 4 | 0 | 3 | | 550 | 1,310 | 557 |
| Flood Alleviation | 1,107 | 1 | 0 | 1 | | | 1,109 | 2 |
| Sustainability | 219 | 1 | 0 | 0 | | | 220 | 1 |
| Business Development | 2,001 | 15 | 0 | 11 | | | 2,027 | 26 |
| Gloucestershire Highways | 20,881 | 39 | 740 | 27 | -3,150 | | 18,537 | -2,344 |
| Network and Traffic Management | 808 | 6 | 0 | 4 | | | 818 | 10 |
| Integrated Transport Unit | 9,708 | 10 | 132 | 8 | -300 | | 9,558 | -150 |
| Development Control | 717 | 12 | 0 | 9 | | | 738 | 21 |
| PROW, Countryside Parks, & Travellers Sites | 1,020 | 6 | 0 | 4 | -30 | | 1,000 | -20 |
| Waste Management | 24,061 | 6 | 0 | 5 | | 1,000 | 25,072 | 1,011 |
| Unallocated Budgets | 614 | 1 | 0 | 0 | | | 615 | 1 |
| Planning Management | 101 | 0 | 0 | 0 | | | 101 | 0 |

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fire & Rescue Service (incl Emergency Man Service) | 19,248 | 270 | 0 | 25 | -1,283 | | 18,260 | -988 |
| Road Safety Partnership | 950 | 7 | 0 | 5 | -125 | | 837 | -113 |
| Trading Standards | 1,083 | 13 | 0 | 9 | | | 1,105 | 22 |
| Registration Service | 168 | 12 | 0 | 7 | -206 | | -19 | -187 |
| Coroners Service | 1,105 | 4 | 0 | 3 | | | 1,112 | 7 |
| Equalities | 94 | 1 | 0 | 0 | | | 95 | 1 |
| Police Contract | 2,148 | 0 | 0 | 0 | -2,148 | | 0 | -2,148 |
| Community Safety Team | 92 | 0 | 0 | 0 | | | 92 | 0 |
| Libraries | 4,238 | 25 | 0 | 24 | | | 4,287 | 49 |
| Total Commissioned by the Commissioning Director for Communities and Infrastructure | 90,155 | 439 | 872 | 150 | -7,972 | 1,550 | 85,194 | -4,961 |

Medium Term Financial Strategy – 2013/14– Services commissioned by the Commissioning Director : Public Health

| Directorate | 2012/13 Base | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Total 2013/14 |
|---------------------------------------------------------|-----------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Director Of Public Health | | | | | | | |
| Sexual Health | N/A | | | | | | 3,554 |
| NHS Healthcheck | N/A | | | | | | 869 |
| Health Protection | N/A | | | | | | 30 |
| Public Health; Children 5-19 | N/A | | | | | | 1,878 |
| Improving Healthy Lifestyles | N/A | | | | | | 1,258 |
| Adult Substance Abuse | N/A | | | | | | 6,855 |
| Tobacco Control & Smoking Cessation | N/A | | | | | | 759 |
| Public Health Information Unit | N/A | | | | | | 309 |
| Miscellaneous Public Health Services | N/A | | | | | | 3,699 |
| Public Health Leadership | N/A | | | | | | 1,258 |
| Public Health Business Support Costs | N/A | | | | | | 377 |
| Public Health Advice (to Clinical Commissioning Group) | N/A | | | | | | 280 |
| | | | | | | | - |
| Total : Public Health | N/A | 0 | 0 | 0 | 0 | 0 | 21,126 |

Medium Term Financial Strategy – 2013/14– Strategy and Challenge, Enabling & Transition, Strategic Finance

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|--------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Directors for Strategy & Challenge, Enabling and Transition, Strategic Finance | | | | | | | | |
| Strategy and Challenge (includes Executive Office) | 3,878 | 44 | 0 | 32 | | | 3,954 | 76 |
| Enabling and Transition | 15,059 | 106 | 110 | 64 | -927 | | 14,412 | -647 |
| Strategic Finance | 3,234 | 52 | 0 | 35 | -290 | | 3,031 | -203 |
| Total :- Directors for Strategy & Challenge, Enabling and Transition, and Strategic Finance | 22,171 | 202 | 110 | 131 | -1,217 | 0 | 21,397 | -774 |

Medium Term Financial Strategy – 2013/14 – Technical and Cross Cutting (incl Economic Stimulus)

| Budget Area | 2012/13 MTFS Revised Base Budget | Pay Inflation Costs | Prices Inflation Costs | Pension Inflation Costs | Cost Reductions | Cost Increases | Proposed 2013/14 Budget | Cash Increase / Decrease |
|--------------------------------------------|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Technical & Cross Cutting | | | | | | | | |
| Corporately Controlled Budgets | 5,491 | 19 | 0 | 0 | -1,840 | | 3,670 | -1,821 |
| County Council Contingencies | 3,203 | 13 | 0 | 1,591 | | | 4,807 | 1,604 |
| Capital Financing | 41,210 | 0 | 0 | 0 | -2,000 | 3,300 | 42,510 | 1,300 |
| Members and Elections | 1,338 | 1 | 0 | 1 | -100 | | 1,240 | -98 |
| Economic Stimulus Package | 6,200 | | | | -6,200 | | 0 | -6,200 |
| Total : Technical and Cross Cutting | 57,442 | 33 | 0 | 1,592 | -10,140 | 3,300 | 52,227 | -5,215 |

Proposed Cost Increases 2013/14 – Adults

| Proposed increase | Cost £000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| <p>Additional investment in services for Older People and vulnerable adults.</p> <p>This additional investment in social care will benefit all client groups.</p> <p>Not only will it provide for the full costs of demographic growth relating to services for Older People and Adults with Physical Disabilities or Learning Difficulties, it will also support the transfer of care costs from the Supporting People Programme to Learning Disabilities Social Care. Although savings will be achieved via this transfer the dependency level of these individuals means that additional care costs will need to be picked up by this Service.</p> <p>The additional investment will also support the additional costs following in and out of county provider decisions to de-register from residential homes to supported living provision and to meet the Authorities legal obligations to pay costs of placements where ordinary residence is claimed</p> <p>Finally It will also support post discharge from hospital activity and strengthen community support as well as improving access to reablement. It will promote community based activity, support carers and promote self-care.</p> | 6,200 |
| <p>Additional transitional funding to stimulate a range of activities to pump prime projects, which will result in service changes. This will include improving the Commissioning of Services, extending the Q360 (quality) initiative beyond Learning Disabilities and implementing the social work reform board standards.</p> | 500 |
| Total Proposed cost increases re Adults | 6,700 |

Proposed Cost Increases 2013/14 – Children and Families

| Proposed increase | Cost £000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| <p>Targeted Support Teams</p> <p>This will support targeted support teams in localities, maintain funding for school intervention in maintained schools and address pressures on social care teams.</p> | 650 |
| <p>Pension Costs</p> <p>To address inflation pressures regarding historic pension costs</p> | 107 |
| Total Proposed cost increases re Children and Families | 757 |

Proposed Cost Increases 2013/14 – Communities and Infrastructure

| Proposed increase | Cost £000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Waste Waste costs are increasing, driven by the continued increase in landfill tax, an additional £8/tonne bringing landfill tax to £72/tonne for every tonne of waste sent to landfill in 2013/14. | 1,000 |
| Additional Economic Stimulus Measures Additional funding of £0.55 million to facilitate the extension of the Local Authority Mortgage Scheme, provide support for local businesses and fund a Community Infrastructure Grants Scheme. | 550 |
| Total Proposed cost increases re Communities and Infrastructure | 1,550 |

Proposed Cost Increases 2013/14 – Technical and Corporate

| Proposed increase | Cost £000 |
|-----------------------------------------------------------------|---------------|
| Capital Financing Provision for debt redemption | 3,300 |
| Total Proposed cost increases re Technical and Corporate | 3,300 |
| Total of all proposed cost increases | 12,307 |

Proposed Cost Reductions 2013/14 – Adults

| Proposed cost reductions as part of the MtC programme | Cost £000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Improved commissioning of services (Commenced during 2011/12) The impact of demographic changes and increases in demand provides opportunities for improved commissioning. Regional work continues to underpin this with the highlighting of good practice and where interventions are working well. Contracts will be re-negotiated and/or re-tendered as a result of this work. In addition demographic factors and increased choice for individuals, as Personal Budgets are available to all existing and new services users, will also have an impact. | -3,000 |
| Controls and Service redesign (Commenced during 2011/12) Linked in with improved commissioning of services the way that social care continues to dramatically change as people are given much more choice and control over the way that they are supported. The number of people receiving a personal budget is increasing and services are being redesigned to support these changes. | -6,000 |
| Restructuring (Commenced during 2011/12) The Integration Programme continues to develop the locality and management structures for the provision of front line support and services for Older People and People with a Physical Disabilities. This will remove boundaries for service users as they will received support from a multi-disciplinarily team setting. | -270 |
| TOTAL ADULTS | -9,270 |

Proposed Cost Reductions 2013/14 – Children & Families

| Proposed cost reductions as part of the MtC programme | Cost £000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p>Supporting People</p> <p>The Supporting People's Strategy aims to shift investment into developing more flexible, generic services that will be responsive to changes in the pattern of needs; reduce reliance on accommodation-based services and put more emphasis on maintaining independence and/or moving people into employment, education and training as well as promoting health and well being. This will support broader adult social care objectives of promoting independent living and reablement.</p> | -1,500 |
| <p>Targeted Young People's Services (Commenced during 2011/12)</p> <p>As part of the MtC project commenced in 2011/12, the Council is focusing its resources on young people who are in greatest need and those at risk of not making a successful transition into adulthood. To achieve this, a complete redesign of Young People's services has been undertaken including the Connexions Service, Youth Service, Outdoor and Environmental Education, Youth Offending Service and Post 16 Service. The redesign takes account of changes in Government policy including a focus on early intervention and transfer of responsibility for careers advice, support and guidance to schools. Savings both mainstream and grant will be released from the change in focus and redesign of the service with a new contract in place April 2013</p> | -600 |
| <p>Right First Time (Commenced during 2011/12)</p> <p>The aim of this programme has been to reduce and divert the demand for high cost, high dependency (acute) services through the effective targeting of services and a greater emphasis on preventative work</p> <p>This will be delivered through 3 routes:</p> <ul style="list-style-type: none"> • Restructuring of the services • Reducing the demand for high cost, high dependency services • Improving quality of practice and thereby reducing the additional work created by not getting it right first time. <p>Main savings will be achieved by reducing spend on high cost placements for Looked After Children.</p> | -900 |
| <p>Home to School Transport Policy Changes (Commenced during 2011/12)</p> <p>The council provides free home to school transport to 10% of Gloucestershire's pupils and students at an annual cost of approximately £14 million. In 2011/12 the council approved a policy to reduce the support to discretionary home to school travel on a phased basis. Entitlements did not change for existing pupils and have only changed for new secondary aged pupils from September 2012, which means that savings are incremental.</p> <p>The services which have stopped on a phased basis include:</p> <ul style="list-style-type: none"> • Free transport for catholic children to catholic schools • Free transport to selective schools <p>For joint catchment areas transport is only provided to the nearest school and this includes post 16 provision as well. In other areas of the policy rules have been clarified to ensure the policy is applied consistently.</p> | -800 |

| Proposed cost reductions as part of the MtC programme | Cost £000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Recovery against Grants (Commenced during 2011/12) On a phased basis over a three year period savings have been identified in grant funding and have been appropriately targeted against existing services releasing mainstream funding. | -500 |
| Service Redesign following reductions in Early Intervention Grant and changes in education funding In 2012/13 the total Early Intervention Grant (EIG) is £21million. EIG funds services such as children centres, youth services (both currently being put out to contract) disabled children's services, family support and specialist early years services. The government has confirmed that it will transfer an element of the grant to the Dedicated Schools Grant to fund the new offer to 2 year olds, and apply a significant reductions of 26% to the EIG, with the remaining element being routed through the local authority funding formula. In addition a number of changes to education funding mean a reduction in central budgets. To release the significant savings required to meet the grant reductions all future commitments against the grant and education spend have been reviewed. As a consequence commissioning plans have been revised, some existing services will be redesigned or reduced, and there will be no continuation of temporary/one off funding; all contingencies will be released. | -2,300 |
| TOTAL CHILDREN AND FAMILIES | -6,600 |

Proposed Cost Reductions 2013/14 – Communities and Infrastructure

| Proposed cost reductions as part of the MtC programme | Cost £000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Fire and Rescue Redesign As detailed in the Integrated Risk Management Plan, the Fire and Rescue Service intends to achieve budget reductions in 2013/14 by changing the way specialised appliances are mobilised and crewed. Staffing within the control room has been reviewed and corporate, preventative and enforcement services have been rationalised in order to achieve the required savings. | -1,283 |
| Termination of Police Contract Termination of contract with the Police for the provision of additional Police Officers | -2,148 |
| Future-Proofing Gloucestershire Registration Service Full year effect of restructuring, rationalisation of offices and opening times, and taking back some calls from the contact centre | -206 |
| Road Safety Partnership Review of service and income generation | -125 |
| Highways (Commenced during 2011/12) Service level changes – new Transport Asset Management Plan agreed September 2011 with focus on continuing to meet basic, essential services including serious road repairs, gully cleaning, winter maintenance and street lighting. The Big Community Offer 'Highways – Your Way' was launched in October with 3 elements of additional bespoke services: Community Action, Community Match, and Community Top-up. Staff restructuring to focus on maintaining visible, front-line services, reduce back-office costs, introduce efficiencies in working practices and align with new organisational design principles. Continue the procurement process for a new highways maintenance contract to supersede the current contract with Atkins which ends in 2014. | -3,150 |
| Transport and Parking (Commenced during 2011/12) Transport – full year effect of Community Transport Services introduced in 2012/13 Parking – generating income and efficiency savings through reviewing charges, new parking schemes, smarter procurement and a new countywide enforcement contract. | -1,000 |
| Economy & Environment (Commenced during 2011/12) Full year effect of 2011/12 reductions and restructurings in Planning and Economic Development. Redesign of the management of countryside sites, and gypsy and traveller services. | -60 |
| TOTAL COMMUNITIES AND INFRASTRUCTURE | -7,972 |

Proposed Cost Reductions 2013/14 – Support Services

| Proposed cost reductions as part of the MtC programme | Cost £000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Finance (Commenced during 2011/12) Deletion of posts and reprioritisation of workloads for remaining staff. | -290 |
| Occupational Health & Safety (Commenced during 2011/12) Reduced costs and increase in income. | -40 |
| Human Resources (Commenced during 2011/12) Remodelled service including reduction in numbers and the use of a neutral vendor training provider. | -293 |
| Business Services Centre (Commenced during 2011/12) Staff savings, cost reductions and additional income. | -104 |
| ICT (Commenced during 2011/12) Increased efficiency through the centralisation of ICT system support staff and the continued rationalisation of application licences and contracts. | -450 |
| Legal and Democratic Services Deletion of posts and reprioritisation of workloads for remaining staff. | -40 |
| TOTAL: SUPPORT SERVICES | -1,217 |

Proposed Cost Reductions 2013/14 – Technical and Cross Cutting

| Proposed cost reductions as part of the MtC programme | Cost £000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Asset Disposals / Capital Financing / Buildings Related Revenue Savings During the period 2011/12 to 2014/15 it was planned that capital receipts in the order of £45 million will be generated, with achievement of this target still being forecast. Target receipts for 2013/14 are £20 million. These receipts will be used for debt repayment and Revenue Contributions to Capital. In addition running costs will be reduced resulting in £0.3 million of revenue savings. In total £2 million of revenue savings will be generated net of the funding of capital infrastructure and ICT investment costs. Any slippage on disposals will temporarily be funded from Reserves. | -2,000 |
| Customer Programme The Customer Programme is a Council wide programme which is currently looking at our contact strategy. The aim is to deliver cost effective channels that manages demand | -350 |
| Rationalisation of Staff Benefits (Commenced during 2011/12) Negotiations on Phase 1 in March 2011 and 500k savings achieved in 2011/12. Negotiations completed in November 2012 for Phase 2. | -500 |
| Review of Transport MTC project identifying cross cutting savings from Adult care transport, Education transport, public transport and staff travel. | -500 |
| Deletion of Excess Budgets Budget reductions relating to the budgets for Carbon Reduction, Vehicle Leases and External Audit Fees. | -490 |
| Members Allowance Savings Savings to members allowances and associated support budgets following the reduction in the number of County Councillors from 2013-14. | -100 |
| Economic Stimulus Funding As per the agreed MTFS, the year two costs of £4.3 million relating to the £10.5m economic stimulus package are funded from the new Economic Stimulus Reserve, hence all of the 2011/12 base budget provision of £6.2 million can be removed from the budget. | -6,200 |
| TOTAL: TECHNICAL AND CROSS CUTTING | -10,140 |
| TOTAL OF ALL PROPOSED COST REDUCTIONS | -35,199 |

Forward Planning 2013/14 to 2015/16**Introduction***Context*

The purpose of the Medium Term Financial Strategy (MTFS) is to give financial expression to the Corporate 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 under which grants fall by 4.9% in 2013/14 and a further 9% in 2014/15.

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, which will continue to be required in the future.

To support the Council's planning process and inform financial decisions going forward, the Council has developed its MTFS planning process, and has recently enhanced it with the MtC programme introduced in 2011/12. This new 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, and has generated savings of £36 million in 2011/12, £30 million in 2012/13, and is forecast to deliver a further £36 million of savings in 2013/14.

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

As set out in the MTFS, during 2012/13 all reserves have been examined in detail and a number of movements are proposed as set out in Annex 7.

Financial Strategy*Context*

Gloucestershire has a growing and ageing population and has also experienced a significant growth in the numbers of vulnerable children coming into care. This will significantly affect the demand for services. The Council needs to manage this demographic growth, 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 significant levels of additional resources being again proposed for 2013/14 in relation to the care of older and vulnerable adults, thereby protecting funding in this area.

The Council's financial strategy for 2013/14 to 2015/16, contributes particularly to the specific strategic goals of:

- Living within our means
- Providing the basics
- Helping communities to help themselves

Preparation & Links

The Council's MTFS is prepared annually, and now covers the three year period 2013/14 to 2015/16 even though the recently announced finance settlement only covers the first two of these years. It links decisions on resource allocation with decisions on policy priorities, as set out in the Council's Strategy. The first year of the updated MTFS covers the budget for the forthcoming financial year 2013/14.

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 2013/14 a Council Tax freeze, following a similar freezes in 2012/13 and 2011/12.
- Recognises risk and ensures an adequate level of financial protection against risk by maintaining a prudent level of financial reserves.
- Secure understanding of sources of potential finance.
- Builds financial capacity for organisational change via the Transformation Reserve.
- 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 next three years.
- Aligns on-going financing resources with on-going spending commitments.
- To transfer one-off funding sources to the Capital Fund for capital investment purposes and/or debt redemption.

Revenue Outturn 2012/13 : Forecast Position

1. The current year-end revenue position, based on forecasts made in January 2013, is a forecast under spend of around £4 million. Details of the forecast outturn position, analysed by service area, is provided below.

| Service Area | 2012/13 Budget | Forecast Outturn | Forecast Variance | Variance % | Forecast variance reported to Cabinet and Scrutiny in January | Change in variance |
|----------------------------------------|----------------|------------------|-------------------|--------------|---------------------------------------------------------------|--------------------|
| | £000 | £000 | £000 | % | £000 | £000 |
| Adults | 147,283 | 148,203 | 920 | 0.6% | 1,900 | -980 |
| Children & Families | 91,549 | 86,740 | -4,809 | -5.3% | -3,784 | -1,025 |
| Communities & Infrastructure | 95,696 | 96,794 | 1,098 | 1.1% | 978 | 120 |
| Support Services, Strategy & Challenge | 22,328 | 21,820 | -508 | -2.3% | -560 | 52 |
| Economic Stimulus | 6,200 | 6,200 | 0 | 0 | 0 | 0 |
| TOTAL FOR SERVICES | 363,056 | 359,757 | -3,299 | -0.9% | -1,466 | -1,833 |
| Technical & Cross Cutting | 30,516 | 29,750 | -766 | -2.5% | -566 | -200 |
| TOTAL | 393,572 | 389,507 | -4,065 | -1.0% | -2,032 | -2,033 |

Main reasons for the forecast revenue outturn positions are as follows:

Adults

The forecast outturn position for Adult Services is an over spend of £0.9 million. The forecast is comprised of the following main areas of overspend totalling £4.1 million;

- £0.9 million Learning Disabilities
- £2.5 million Physical Disabilities
- £0.7 million Fairer charging income shortfall

This £4.1 million gross forecast over spend is then reduced to a net £0.9 million following mitigating actions as outlined below;

- Gloucestershire Industrial Services (GIS) £0.6 million
- Care Services – Service Level Agreement £0.4 million
- Adult Social Care Unallocated budgets £1.1 million
- Customer Services under-spend of £0.3 million
- Other under-spends across Adult Social Care £0.8 million

This position continues to be after the full utilisation of the £5.004 million which Cabinet approved in April 2012 should be transferred to reserves in 2011/12 to be released and fully utilised in 2012/13, to address the significant risks in Adult Social Care.

It continues to be envisaged that this sum can be managed, but further work is required and ongoing, to evaluate the options and their potential effects on future years' savings.

The net £0.9 million forecast over spend is around £1.0 million lower than reported to Cabinet in January 2013.

The main movements in the budget position are as a result of the following:

- The overall Older People and Physical Disabilities External Care budget forecast over spend has increased by a net £0.1 million (no change for clients with physical disabilities and £0.1 million to Older People).

- The Learning Disabilities External Care budget over spend forecasts have reduced by a net £0.7 million (from £1.6 million to £0.9 million), which reflects a decrease in the provisions for ordinary residence, joint funding pressures and children's transitions which are now lower than previously forecast.
- Other minor overspends in other areas within Adult Care have increased by a net £0.4 million.

The four significant risks within the Adult Care budget previously reported remain as follows:

Ordinary Residence issues: Where service users from 'out of county' become resident in Gloucestershire and therefore GCC pick up the costs relating to their care. This occurs when a residential provider de-registers the Home and become a provider of supported living arrangements. Operational and Legal challenges continue within this area.

Young People in Transitions to Adult Services: Transitions impact on the learning disabilities budgets in terms of numbers of individuals, and they also tend to be higher cost cases. Although the numbers of young people in transition to Adult Services from Children's Services are included within the 2012/13 budget figures, some young people with physical disabilities within Gloucestershire education establishments are currently not supported by GCC. If such young people decide to remain within Gloucestershire when they finish their education, Gloucestershire County Council becomes responsible for their on-going care.

The developing multi-disciplinary team working and the provision of a Reablement Service continues to be key within the Integration Programme and the Customer Journey Project. MTFS savings rely on an effective Reablement Service to reduce long term commitments within the External Care budgets for Older People and People with Physical Disabilities.

Decisions made by NHS Gloucestershire continue to have an impact on the commitments for Adult Social Care particularly around the major review of Learning Disabilities and Mental Health joint funded cases.

Children & Families

The current forecast of the year end revenue position for non-DSG funded services is an under-spend position of £4.8 million, equivalent to 5.3% of the budget. DSG funded services are forecast to under-spend by £1.4 million.

The non-DSG under-spend has increased between forecasts by £1 million. There have been a number of changes to forecasts in the month due to future commitments being clarified across a number of budget headings, continuing lower entitlements in home to school transport and further staff vacancies.

The areas of under spend relating to Children and Families are:

- Providing good quality school places: Home to school transport under-spend of £1.99 million (13.1% of budget). The variance reflects last year's under-spend, a review of routes from September and a reduction in pupil entitlements resulting in the reported under-spend. The effective management of this budget will enable savings for 2013/14 to be achieved from the beginning of the year.
- Early Years: Commissioning of early years services under-spend of £0.47 million (4.6% of budget). The variance is due to the tendering and set up timescales for services which means that only part of the spend will occur this year and also there have been other under-spends against early years programmes.
- Commissioning function: the under-spend against contingencies has increased to £0.47 million and reflects funding held to offset the impact of future Academy adjustments and the release of unallocated funds which were not committed due to anticipated cuts in the early intervention grant in 2013/14.
- Looked After Children and regulated services: the fall in the number of high cost external agency foster care placements have been offset by a rise in the number of lower cost in-house placements resulting in an over-spend of £0.27 million against foster care allowances. This over-spend has been offset by the under-spend against external agency residential and foster care placements of £0.42 million.
- Disabled children & young people – an under spend of £0.19 million is due to staff vacancies at the residential homes where the current staffing establishment is meeting the service requirements and uncommitted funding against the facilities grant.
- Safeguarding – an under-spend of £0.22 million. The cost pressure of agency staff covering social work vacancies is more than offset by lower management costs and savings from combining two teams to form the Diversion and Placement Support team.

- Young people's support: an under-spend of £0.38 million includes additional income, staff savings from unfilled posts as well as lower than anticipated expenditure against young people's expenses.
- Improving outcomes in schools and academies – an under-spend of £0.19 million is due to staff savings from a number of vacancies across education, performance and intervention.
- Minor under spends in other budget areas totalling £0.74 million.

Community and Infrastructure

The forecast outturn position for Community and Infrastructure is an over spend of £1.1 million, following additional expenditure on flood related works approved by Cabinet in January 2013. This overspend is mainly comprised of:

- The under delivery of the Libraries savings target of £0.4 million, as previously agreed by Cabinet.
- An under spend on Waste Management of £0.35 million, primarily due to phased District service changes, meaning that the pump priming, project and communications support will not be incurred in this financial year.
- An additional £1 million spend on remedial work on the highway following a needs assessment of the damage to the network from flooding in December, which would be allocated to address immediate priorities.
- An over spend of £0.1 million on Trading Standards

Strategy & Challenge, Support Services

The forecast position is a £0.5 million under-spend primarily due to the early delivery of Meeting the Challenge savings and vacancy management. This under spend is after the utilisation of £0.46 million to enable the delivery of activity outlined within the ICT Roadmap 2013-2016, in respect of the themes relating to infrastructure and compliance & security. This will provide the development of the replacement telephony solution and adequate planning for the implementation as outlined within the ICT Roadmap.

Technical and Corporate budgets

The Technical & Corporate year end forecast position is a net under-spend of £0.77 million. This under spend relates primarily to the interest credits budget and general contingencies generating a £1.6 million under spend, offset by additional debt redemption.

Reserve movements

| | Balance at 31st March 2012 | Transfers Out 2012/13 | Transfers In 2012/13 | Balance at 31st March 2013 | Notes |
|----------------------------------------|----------------------------------|-----------------------------|----------------------------|----------------------------------|-----------|
| | £'000 | £'000 | £'000 | £'000 | |
| Earmarked Reserves | | | | | |
| Capital Fund | 15,655 | -901 | | 14,754 | 1 |
| Insurance Fund | 10,067 | -5,110 | 5,718 | 10,675 | 2 |
| Supporting People | 1,558 | -1,558 | 1,590 | 1,590 | |
| County Elections | 490 | | 151 | 641 | |
| Vehicle & Plant Replacement | 110 | | | 110 | |
| Fire Service Pensions | 227 | | | 227 | |
| Strategic Waste Reserve | 12,577 | | 1,000 | 13,577 | 3 |
| Corporate Initiatives | 487 | -437 | | 50 | |
| Fire Joint Training Centre | 1,089 | | | 1,089 | |
| Invest to Save | 4,826 | -338 | 220 | 4,708 | 4 |
| Transformation Reserve | 16,040 | -3,469 | 810 | 13,381 | 5 |
| Impairment Reserve | 3,237 | -2,045 | | 1,192 | 6 |
| Economic Stimulus Reserve | 3,965 | | 4,828 | 8,793 | 7 |
| Fire PFI Reserve - GFRS | 201 | | | 201 | |
| Revenue Grant Reserves | 9,068 | -7,741 | 4,000 | 5,327 | 8 |
| Rates Retention Reserve | 0 | | 1,900 | 1,900 | 9 |
| Academies Reserve | 0 | | 1,000 | 1,000 | 10 |
| Other Reserves | 520 | | | 520 | |
| | 80,117 | -21,599 | 21,217 | 79,735 | |
| | | | | | |
| Schools Related | | | | | |
| School Balances | 15,142 | -396 | | 14,746 | 11 |
| Dedicated Schools Grant Reserve | 5,802 | | | 5,802 | 12 |
| Standards Fund | 1,393 | | | 1,393 | |
| Other Schools Related | 511 | -313 | | 198 | |
| | 22,848 | -709 | 0 | 22,139 | |
| | | | | | |
| Total | 102,965 | -22,308 | 21,217 | 101,874 | |
| | | | | | |
| General Fund Balances | 18,497 | - | 1,224 | 19,721 | 13 |
| | | | | | |
| Capital Grant Unapplied Reserve | 2,721 | -94 | 73 | 2,700 | |
| | | | | | |
| Total Useable Reserves | 124,183 | -22,402 | 22,514 | 124,295 | |

The above forecasts assume a balanced outturn position on the revenue budget for 2012/13

Notes on Reserves

1. The Capital fund balance assumes that £0.9m will be used to finance the capital programme in 2012-13, avoiding the need for additional borrowing. The remaining balance available is required from 2013/14 to support the capital programme to avoid additional borrowing and also fund debt redemption in line with Council Strategy. £4.8 million of external debt is due to mature in 2013/14 and there are also £41 million Lender Option Borrower Option Loans at risk of being called for repayment during 2013/14. In summary the capital fund is fully committed to funding liabilities associated with the capital programme.
2. The Insurance Fund's estimated balance as at 31st March 2013 is forecast to increase by £0.5m to support 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 Strategic Waste Reserve's estimated balance as at 31st March 2013 is 13.6 million, following a budgeted transfer of £1m from revenue and the consolidation of the waste fee reserve. The strategic waste reserve is fully committed to fund a £13m capital contribution to the proposed waste facility and a residual liability associated with Landfill Allowance trading, as approved by Cabinet in September 2012.
4. The Invest to Save reserve supports projects that are designed to deliver on-going savings in the future by providing "pump priming" funding.
5. The Transformation reserve was set up in 2009/10 to fund liabilities associated with the MtC programme. The reserve has been used to fund costs associated with redundancies etc. The reserve has also benefited from additions due to the early delivery of MtC projects resulting in the current forecast balance. Two transfers have been made out of this reserve to establish the Rates Retention (£0.3 million from the Transformation Reserve) and the Academies Reserve (£1 million from the Transformation Reserve).
6. The Impairment Reserve was established during 2009/10, to meet any potential losses from investments in Icelandic banks. It has now been confirmed that the Council is a priority creditor, so this reserve will be reduced as money is received back. Currently the recommended impairment provision for Iceland is £1.2m, with the remaining £1.6m within the reserve being transferred to create a new Rates Retention reserve.
7. 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 e.g. Rural Broadband.
8. Reserve established for specific unapplied revenue grants where conditions related to the grant have been fully met
9. The way that the Council is funded will change from 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 £19.7 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% of the funding baseline (£66.1 million), meaning that our collected Business Rates would need to fall by £4.9m before the safety net would become payable. As a result of this potential funding gap a reserve will be created to help offset any loss in Business Rate income. This has been set at 10% of the rates exposure at £1.9 million.
10. The Academies 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 years budget, ie if a school transfers to Academy status mid year the council's budget will be top-sliced mid year.

- 11.** The reduction in school balances reflects those schools being awarded academy status and net use of balances held by schools.
- 12.** The forecast position for DSG under-spends including the carry forward from 2011/12 is estimated to £5.8 million at 31st March 2013. It was agreed that unspent funds from 2011/12 would be retained until the likely impact of the school funding reforms were known. This represents 1.6% of DSG. Schools Forum will be considering how to use these balances at its meeting on the 9th January 2013.
- 13.** General reserves are increasing by £1.2 million, as per the approved in 2012/13.

Annex 8 – Revenue Draft Budget Forward Projections

MTFS 2013/14 – 2015/16 – Forecast draft budgets based on funding assumptions

| Service Area | 2012/13 £m | 2013/14 £m | 2014/15 £m | 2015/16 £m |
|------------------------------------------|---------------|---------------|---------------|---------------|
| Adults | | 152.3 | 148.1 | 147.6 |
| Children and Families | | 98.6 | 95.9 | 95.6 |
| Communities and Infrastructure | | 85.2 | 83.0 | 82.7 |
| Public Health | | 21.1 | 21.8 | 21.2 |
| Strategy and Challenge, Support Services | | 21.4 | 21.4 | 20.7 |
| Technical/Cross Cutting | | 52.3 | 50.9 | 50.7 |
| Total | 446.4 | 430.9 | 420.5 | 418.5 |

Summary of forecast 3 year changes

| | £m | £m |
|--------------------------------|-------|--------------|
| 2012/13 adjusted budget | | 446.4 |
| Inflation | 24.0 | |
| Demand Increases | 20.0 | 44.0 |
| Savings | | |
| Adults | -19.0 | |
| Children and Families | -15.0 | |
| Communities and Infrastructure | -15.0 | |
| Business Support | -3.0 | |
| Technical and Cross Cutting | -19.9 | -91.9 |
| Total | | 418.5 |

The above forecasts require further analysis following the recent autumn statement and settlement.

Annex 9 Capital Programme

Capital Programme December Forecast 2012

| | Actual | Actual | Forecast | | | | | | | | | | | |
|--------------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|------------------------|-----------------------|-----------------|---------------|--------------------|---------------------|
| Scheme Name | Prior Years | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | Forecast Total £'000 | External Grant £'000 | External Contrib £'000 | Revenue Contrib £'000 | Borrowing £'000 | General £'000 | Un supported £'000 | Funding Total £'000 |
| Summary | | | | | | | | | | | | | | |
| Adults | 18,551 | 2,488 | 913 | 3,857 | 1,723 | 0 | 8,981 | 5,365 | 444 | 1,904 | 0 | 937 | 331 | 8,981 |
| Children & Families | 184,055 | 42,689 | 26,481 | 30,027 | 16,278 | 10,289 | 125,764 | 82,844 | 18,083 | 15,295 | 3,789 | 5,753 | 0 | 125,764 |
| | | | | | | | | | | | | | | |
| Communities & Infrastructure: | 220,101 | 40,808 | 33,079 | 44,735 | 40,749 | 36,444 | 195,815 | 135,820 | 13,181 | 29,333 | 7,433 | 10,047 | 0 | 195,815 |
| C&I - Infrastructure | 200,791 | 37,622 | 29,705 | 42,093 | 39,775 | 35,599 | 184,795 | 129,313 | 12,980 | 28,240 | 5,132 | 9,130 | 0 | 184,795 |
| C&I - Libraries | 7,611 | 209 | 339 | 283 | 20 | 22 | 873 | 0 | 192 | 485 | 72 | 125 | 0 | 873 |
| C&I - Safety | 11,699 | 2,976 | 3,034 | 2,359 | 955 | 822 | 10,147 | 6,507 | 9 | 609 | 2,230 | 792 | 0 | 10,147 |
| | 422,707 | 85,985 | 60,472 | 78,619 | 58,750 | 46,733 | 330,560 | 224,030 | 31,708 | 46,532 | 11,222 | 16,737 | 331 | 330,560 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| OSJ Estate Strategy | 1,325 | 2,017 | 0 | 0 | 0 | 0 | 2,017 | 2,017 | 0 | 0 | 0 | 0 | 0 | 2,017 |
| Locality Hub The Beeches | 77 | 1 | 80 | 1,301 | 335 | 0 | 1,717 | 0 | 436 | 1,281 | 0 | 0 | 0 | 1,717 |
| Gloucester LD Reprovision Scheme | 133 | 0 | 75 | 770 | 0 | 0 | 845 | 0 | 8 | 42 | 0 | 539 | 256 | 845 |
| PSS Grant 2012-13 | 0 | 0 | 599 | 0 | 0 | 0 | 599 | 599 | 0 | 0 | 0 | 0 | 0 | 599 |
| Locality Hub - Cheltenham | 71 | 132 | 60 | 146 | 0 | 0 | 338 | 0 | 0 | 206 | 0 | 132 | 0 | 338 |
| Schemes under £300,000 | 16,945 | 337 | 99 | 279 | 0 | 0 | 715 | 0 | 0 | 375 | 0 | 265 | 75 | 715 |
| | 18,551 | 2,488 | 913 | 2,496 | 335 | 0 | 6,233 | 2,617 | 444 | 1,904 | 0 | 937 | 331 | 6,233 |
| | | | | | | | | | | | | | | |
| New Starts 2013/14 PSS Grant | 0 | 0 | 0 | 1,360 | 0 | 0 | 1,360 | 1,360 | 0 | 0 | 0 | 0 | 0 | 1,360 |
| New Starts 2014/15 PSS Grant | 0 | 0 | 0 | 0 | 1,388 | 0 | 1,388 | 1,388 | 0 | 0 | 0 | 0 | 0 | 1,388 |
| | 0 | 0 | 0 | 1,360 | 1,388 | 0 | 2,748 | 2,748 | 0 | 0 | 0 | 0 | 0 | 2,748 |
| | | | | | | | | | | | | | | |
| Adult Total | 18,551 | 2,488 | 913 | 3,857 | 1,723 | 0 | 8,981 | 5,365 | 444 | 1,904 | 0 | 937 | 331 | 8,981 |
| | | | | | | | | | | | | | | |
| Children and Families | | | | | | | | | | | | | | |
| Capital Maintenance Programme | 0 | 4,185 | 3,490 | 445 | 0 | 0 | 8,120 | 4,495 | 0 | 3,625 | 0 | 0 | 0 | 8,120 |
| Coopers Edge, new primary school | 648 | 5,717 | 560 | 168 | 0 | 0 | 6,445 | 0 | 6,445 | 0 | 0 | 0 | 0 | 6,445 |
| St. Peters Primary, new school (PCP) | 2,482 | 5,112 | 545 | 115 | 0 | 0 | 5,773 | 2,438 | 3,000 | 0 | 0 | 335 | 0 | 5,773 |
| Sandford, relocation | 0 | 12 | 170 | 2,498 | 2,782 | 208 | 5,671 | 5,671 | 0 | 0 | 0 | 0 | 0 | 5,671 |
| Alderman Knight, replacement school | 48 | 1,819 | 3,683 | 150 | 0 | 0 | 5,652 | 5,652 | 0 | 0 | 0 | 0 | 0 | 5,652 |

Annex 9 Capital Programme

| Scheme Name | Prior Years | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | Forecast Total £'000 | External Grant £'000 | External Contrib £'000 | Revenue Contrib £'000 | Borrowing £'000 | General £'000 | Un supported £'000 | Funding Total £'000 |
|--------------------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|------------------------|-----------------------|-----------------|---------------|--------------------|---------------------|
| Language Immersion Centre | 2,543 | 4,117 | 454 | 202 | 0 | 0 | 4,774 | 4,374 | 0 | 0 | 0 | 400 | 0 | 4,774 |
| Cheltenham Academy | 22,112 | 3,404 | 462 | 140 | 0 | 0 | 4,006 | 3,381 | 23 | 0 | 0 | 602 | 0 | 4,006 |
| Brockworth School, improve accommodation | 0 | 1,527 | 2,200 | 220 | 0 | 0 | 3,946 | 0 | 3,946 | 0 | 0 | 0 | 0 | 3,946 |
| Post 16 SEN provision | 0 | 0 | 100 | 2,000 | 1,800 | 0 | 3,900 | 3,572 | 0 | 328 | 0 | 0 | 0 | 3,900 |
| Maidenhill School, refurbish main block | 0 | 37 | 1,307 | 2,304 | 192 | 0 | 3,840 | 3,840 | 0 | 0 | 0 | 0 | 0 | 3,840 |
| Watermoor Primary, replacement | 0 | 0 | 50 | 2,750 | 700 | 0 | 3,500 | 2,200 | 1,300 | 0 | 0 | 0 | 0 | 3,500 |
| St. James Primary, Chelt Primary Review | 0 | 197 | 2,612 | 170 | 42 | 0 | 3,021 | 2,148 | 245 | 430 | 0 | 197 | 0 | 3,021 |
| Swindon Village Primary, remodelling | 58 | 2,135 | 700 | 77 | 0 | 0 | 2,912 | 27 | 0 | 750 | 0 | 2135 | 0 | 2,912 |
| Oakwood Primary, new school (PCP) | 5,707 | 1,883 | 140 | 72 | 0 | 0 | 2,096 | 2,096 | 0 | 0 | 0 | 0 | 0 | 2,096 |
| Cheltenham Academy, ICT provision | 0 | 1,711 | 84 | 207 | 0 | 0 | 2,001 | 2,001 | 0 | 0 | 0 | 0 | 0 | 2,001 |
| Shrubberies, specialist classroom | 0 | 2 | 75 | 1,842 | 75 | 0 | 1,995 | 1,995 | 0 | 0 | 0 | 0 | 0 | 1,995 |
| Kingsway, contribution to new primary | 0 | 4 | 270 | 789 | 492 | 0 | 1,554 | 1,035 | 0 | 515 | 0 | 4 | 0 | 1,554 |
| Kingsway, Early Years | 0 | 0 | 220 | 310 | 11 | 0 | 541 | 0 | 0 | 541 | 0 | 0 | 0 | 541 |
| Yorkley Primary, remodelling | 28 | 704 | 546 | 20 | 0 | 0 | 1,270 | 45 | 0 | 521 | 0 | 704 | 0 | 1,270 |
| Tewkesbury School, all weather pitch | 66 | 1,152 | 41 | 0 | 0 | 0 | 1,193 | 461 | 333 | 280 | 78 | 41 | 0 | 1,193 |
| Belle Vue PRU | 21 | 8 | 1,082 | 89 | 0 | 0 | 1,179 | 1,000 | 0 | 171 | 0 | 8 | 0 | 1,179 |
| Woodmancote Primary, expand to 2FE | 0 | 0 | 120 | 500 | 403 | 0 | 1,023 | 30 | 993 | 0 | 0 | 0 | 0 | 1,023 |
| Amberley Ridge, relocate day provision | 0 | 429 | 120 | 151 | 0 | 0 | 700 | 700 | 0 | 0 | 0 | 0 | 0 | 700 |
| AHDC Short Breaks for Disabled Children | 0 | 0 | 50 | 596 | 0 | 0 | 646 | 646 | 0 | 0 | 0 | 0 | 0 | 646 |
| Heron Primary, remodelling | 21 | 587 | 24 | 0 | 0 | 0 | 610 | 0 | 0 | 0 | 586 | 24 | 0 | 610 |
| Uplands Primary, remodelling | 22 | 513 | 35 | 46 | 0 | 0 | 594 | 17 | 0 | 42 | 458 | 77 | 0 | 594 |
| Bream Primary, replace temps | 9 | 322 | 0 | 189 | 0 | 0 | 511 | 8 | 0 | 184 | 0 | 319 | 0 | 511 |
| Shrubberies, PMLD provision | 0 | 0 | 10 | 490 | 0 | 0 | 500 | 500 | 0 | 0 | 0 | 0 | 0 | 500 |
| Sufficiency Schemes 2012/13 | 0 | 0 | 0 | 500 | 0 | 0 | 500 | 500 | 0 | 0 | 0 | 0 | 0 | 500 |
| Short Breaks for Disabled Children 2012/13 | 0 | 0 | 0 | 645 | 0 | 0 | 645 | 645 | 0 | 0 | 0 | 0 | 0 | 645 |
| Shrubberies, replacement classrooms | 253 | 419 | 20 | 33 | 0 | 0 | 472 | 0 | 0 | 53 | 0 | 419 | 0 | 472 |
| Locality Hubs | 239 | 41 | 127 | 200 | 100 | 0 | 467 | 0 | 0 | 427 | 0 | 41 | 0 | 467 |
| Severn Vale, new technology block | 3,707 | 437 | 18 | 7 | 0 | 0 | 462 | 0 | 462 | 0 | 0 | 0 | 0 | 462 |
| Schools Energy Programme 12/13 | 0 | 0 | 424 | 0 | 0 | 0 | 424 | 391 | 0 | 32 | 0 | 0 | 0 | 424 |
| Rednock School, BSF Pathfinder | 39,149 | 376 | 32 | 0 | 0 | 0 | 408 | 0 | 0 | 32 | 0 | 376 | 0 | 408 |
| Milestone, specialist classroom | 0 | 99 | 270 | 26 | 0 | 0 | 395 | 300 | 0 | 75 | 0 | 20 | 0 | 395 |
| Oakwood Primary, equipment & ICT | 0 | 362 | 16 | 0 | 0 | 0 | 379 | 379 | 0 | 0 | 0 | 0 | 0 | 379 |
| Kings Stanley Primary, PCP scheme | 2,736 | 265 | 69 | 0 | 0 | 0 | 334 | 282 | 0 | 0 | 0 | 52 | 0 | 334 |
| Dinglewell Junior Remodelling | 0 | 121 | 208 | 0 | 0 | 0 | 329 | 147 | 0 | 182 | 0 | 0 | 0 | 329 |
| Dunalley Primary, remodelling | 0 | 68 | 236 | 12 | 0 | 0 | 316 | 287 | 0 | 6 | 23 | 0 | 0 | 316 |

Annex 9 Capital Programme

| Scheme Name | Prior Years | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | Forecast Total £'000 | External Grant £'000 | External Contrib £'000 | Revenue Contrib £'000 | Borrowing £'000 | General £'000 | Un supported £'000 | Funding Total £'000 |
|-------------------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|------------------------|-----------------------|-----------------|---------------|--------------------|---------------------|
| Calton Junior various works | 0 | 0 | 281 | 24 | 0 | 0 | 305 | 287 | 0 | 18 | 0 | 0 | 0 | 305 |
| Whitminster Endowed Primary Replace temp | 0 | 0 | 30 | 270 | 0 | 0 | 300 | 270 | 0 | 30 | 0 | 0 | 0 | 300 |
| Schemes under £300,000 | 102,696 | 4,923 | 5,599 | 1,640 | 0 | 0 | 12,163 | 2,617 | 430 | 6,472 | 2,643 | 0 | 0 | 12,163 |
| | 182,545 | 42,689 | 26,481 | 19,895 | 6,597 | 208 | 95,871 | 54,435 | 17,178 | 14,715 | 3,789 | 5,753 | 0 | 95,871 |
| New Starts 2013/14 | | | | | | | | | | | | | | |
| St. White's replacement school | 0 | 0 | 0 | 3,000 | 3,000 | 0 | 6,000 | 5,425 | 575 | 0 | 0 | 0 | 0 | 6,000 |
| Autumn Statement 2012 Grant (U 2's Nursery) | 0 | 0 | 0 | 810 | 0 | 0 | 810 | 810 | 0 | 0 | 0 | 0 | 0 | 810 |
| Capital Maintenance Programme | 0 | 0 | 0 | 1,800 | 0 | 0 | 1,800 | 1,500 | 0 | 300 | 0 | 0 | 0 | 1,800 |
| Suitability Programme | 0 | 0 | 0 | 1,000 | 980 | 0 | 1,980 | 1,800 | 0 | 180 | 0 | 0 | 0 | 1,980 |
| Hempsted Primary expansion | 0 | 0 | 0 | 250 | 1,000 | 100 | 1,350 | 1,020 | 330 | 0 | 0 | 0 | 0 | 1,350 |
| Tuffley C & I Centre replacement | 0 | 0 | 0 | 200 | 800 | 100 | 1,100 | 1,100 | 0 | 0 | 0 | 0 | 0 | 1,100 |
| Sufficiency, additional places | 0 | 0 | 0 | 1,275 | 0 | 0 | 1,275 | 1,275 | 0 | 0 | 0 | 0 | 0 | 1,275 |
| Health & safety/minor works | 0 | 0 | 0 | 675 | 0 | 0 | 675 | 675 | 0 | 0 | 0 | 0 | 0 | 675 |
| Norton Primary replace temporary buildings | 0 | 0 | 0 | 282 | 0 | 0 | 282 | 282 | 0 | 0 | 0 | 0 | 0 | 282 |
| Energy Reduction Programme | 0 | 0 | 0 | 600 | 0 | 0 | 600 | 500 | 0 | 100 | 0 | 0 | 0 | 600 |
| Christ Church Cheltenham C&I Centre improve | 0 | 0 | 0 | 190 | 0 | 0 | 190 | 190 | 0 | 0 | 0 | 0 | 0 | 190 |
| Great Rissington FF&E | 0 | 0 | 0 | 50 | 0 | 0 | 50 | 50 | 0 | 0 | 0 | 0 | 0 | 50 |
| | 0 | 0 | 0 | 10,132 | 5,780 | 200 | 16,112 | 14,627 | 905 | 580 | 0 | 0 | 0 | 16,112 |
| New Starts 2014/15 | | | | | | | | | | | | | | |
| Grant funding used against 2013/14 new starts | 0 | 0 | 0 | 0 | -5,780 | -200 | -5,980 | -5,980 | 0 | 0 | 0 | 0 | 0 | -5,980 |
| Grant funding (to be confirmed & not allocated) | 0 | 0 | 0 | 0 | 9,681 | 200 | 9,881 | 9,881 | 0 | 0 | 0 | 0 | 0 | 9,881 |
| | 0 | 0 | 0 | 0 | 3,901 | 0 | 3,901 | 3,901 | 0 | 0 | 0 | 0 | 0 | 3,901 |
| New Starts 2015/16 | | | | | | | | | | | | | | |
| Grant funding (to be confirmed & allocated) | 0 | 0 | 0 | 0 | 0 | 9,881 | 9,881 | 9,881 | 0 | 0 | 0 | 0 | 0 | 9,881 |
| | 0 | 0 | 0 | 0 | 0 | 9,881 | 9,881 | 9,881 | 0 | 0 | 0 | 0 | 0 | 9,881 |
| Children and Families Total | 182,545 | 42,689 | 26,481 | 30,027 | 16,278 | 10,289 | 125,764 | 82,844 | 18,083 | 15,295 | 3,789 | 5,753 | 0 | 125,764 |

Annex 9 Capital Programme

| Scheme Name | Prior Years | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | Forecast Total £'000 | External Grant £'000 | External Contrib £'000 | Revenue Contrib £'000 | Borrowing £'000 | General £'000 | Un supported £'000 | Funding Total £'000 |
|------------------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|------------------------|-----------------------|-----------------|---------------|--------------------|---------------------|
| Infrastructure | | | | | | | | | | | | | | |
| Elmbridge Major Scheme Bid | 396 | 173 | 1,134 | 1,610 | 1,410 | 13,030 | 17,357 | 15,790 | 1,400 | 108 | 0 | 59 | 0 | 17,357 |
| Rural Broadband | 0 | 0 | 290 | 2,000 | 2,460 | 2,750 | 7,500 | 0 | 0 | 7,500 | 0 | 0 | 0 | 7,500 |
| Minor Struct Maint Works from Revenue | 6,006 | 2,265 | 3,100 | 0 | 0 | 0 | 5,365 | 3,701 | 0 | 1,664 | 0 | 0 | 0 | 5,365 |
| Street Lighting - General | 0 | 782 | 1,000 | 0 | 0 | 0 | 1,782 | 782 | 0 | 218 | 0 | 782 | 0 | 1,782 |
| Merrywalks Canal Bridge 07/08 | 2,452 | 1,215 | 5 | 0 | 0 | 0 | 1,220 | 0 | 1,220 | 0 | 0 | 0 | 0 | 1,220 |
| Flood alleviaton projects | 0 | 0 | 1,026 | 0 | 0 | 0 | 1,026 | 0 | 0 | 1,026 | 0 | 0 | 0 | 1,026 |
| Investment in composting facilities | 8,504 | 331 | 1 | 665 | 0 | 0 | 997 | 0 | 0 | 1 | 0 | 996 | 0 | 997 |
| Kingshill South Footbridge | 156 | 926 | 60 | 0 | 0 | 0 | 985 | 0 | 985 | 0 | 0 | 0 | 0 | 985 |
| Cinderford Northern Quarter Spine Road | 24 | 170 | 361 | 417 | 0 | 0 | 947 | 15 | 932 | 0 | 0 | 0 | 0 | 947 |
| A40 Improvements Over to Highnam | 2,396 | 2 | 819 | 0 | 0 | 0 | 821 | 1 | 0 | 816 | 2 | 2 | 0 | 821 |
| Salt Domes - Stroudwater | 60 | 769 | 1 | 0 | 0 | 0 | 770 | 698 | 0 | 57 | 15 | 0 | 0 | 770 |
| Cambridge to Claypits (& Slimbridge Rbt) | 0 | 3 | 541 | 0 | 0 | 0 | 544 | 3 | 251 | 287 | 0 | 3 | 0 | 544 |
| Improvements to Tewkesbury Road Corridor | 0 | 0 | 43 | 497 | 0 | 0 | 540 | 0 | 540 | 0 | 0 | 0 | 0 | 540 |
| Traffic Signal LED Refit | 975 | 523 | 0 | 0 | 0 | 0 | 523 | 522 | 0 | 0 | 1 | 0 | 0 | 523 |
| Avening Slip near Longford Mill (GCC) | 223 | 421 | 7 | 0 | 0 | 0 | 428 | 428 | 0 | 0 | 0 | 0 | 0 | 428 |
| Smartcards | 0 | 0 | 245 | 170 | 0 | 0 | 415 | 256 | 159 | 0 | 0 | 0 | 0 | 415 |
| Salt Domes - Cannop | 3 | 396 | 3 | 0 | 0 | 0 | 399 | 399 | 0 | 0 | 0 | 0 | 0 | 399 |
| High Street, Tewkesbury | 97 | 176 | 221 | 0 | 0 | 0 | 396 | 0 | 298 | -4 | 0 | 102 | 0 | 396 |
| Match funding for LSTF and s106 etc | 0 | 0 | 19 | 359 | 0 | 0 | 378 | 378 | 0 | 0 | 0 | 0 | 0 | 378 |
| Bigsweir Bridge Painting | 641 | 360 | 4 | 0 | 0 | 0 | 364 | 4 | 360 | 0 | 0 | 0 | 0 | 364 |
| GHURC link 1 - Quays to Southgate Street | 5,071 | 323 | 32 | 0 | 0 | 0 | 355 | 355 | 0 | 0 | 0 | 0 | 0 | 355 |
| Newent Town Centre Regeneration | 217 | 283 | 70 | 0 | 0 | 0 | 352 | 0 | 352 | 0 | 0 | 0 | 0 | 352 |
| On street parking (Cotswold MT ex Ciren) | 0 | 0 | 27 | 220 | 93 | 0 | 341 | 341 | 0 | 0 | 0 | 0 | 0 | 341 |
| Kilkenny to Colesbourne via Lower Hilcot | 0 | 338 | -3 | 0 | 0 | 0 | 334 | 334 | 0 | 0 | 0 | 0 | 0 | 334 |
| On street pay & display (Cheltenham P2) | 0 | 284 | 42 | 0 | 0 | 0 | 327 | 42 | 0 | 261 | | 23 | 0 | 327 |
| Flood & Water Management Act | 0 | 0 | 0 | 316 | 0 | 0 | 316 | 0 | 316 | 0 | 0 | 0 | 0 | 316 |
| Cinderford Bridge Junction | 2 | 295 | 18 | 0 | 0 | 0 | 313 | 0 | 313 | 0 | 0 | 0 | 0 | 313 |
| Vatch Lane & Toadsmoor Hill Chalford | 0 | 310 | 0 | 0 | 0 | 0 | 310 | 310 | 0 | 0 | 0 | 0 | 0 | 310 |
| B4008 Stonehouse Town Centre | 14 | 286 | 23 | 0 | 0 | 0 | 310 | 0 | 310 | 0 | 0 | 0 | 0 | 310 |
| Promenade (op municipal build)Cheltenham | 0 | 22 | 282 | 0 | 0 | 0 | 304 | 0 | 0 | 260 | 22 | 22 | 0 | 304 |
| A46 Coopers Hill Landslip (GCC) | 1,733 | 266 | 37 | 0 | 0 | 0 | 303 | 303 | 0 | 0 | 0 | 0 | 0 | 303 |
| Capitalised Salaries Budget - IT | 0 | 0 | 300 | 0 | 0 | 0 | 300 | 300 | 0 | 0 | 0 | 0 | 0 | 300 |
| Salt Domes - Cirencester | 0 | 8 | 10 | 277 | 5 | 0 | 300 | 292 | 0 | 0 | 8 | 0 | 0 | 300 |
| Growing Places | 0 | 0 | 0 | 3,855 | 4,000 | 0 | 7,855 | 7,855 | 0 | 0 | 0 | 0 | 0 | 7,855 |

Annex 9 Capital Programme

| Scheme Name | Prior Years | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | Forecast Total £'000 | External Grant £'000 | External Contrib £'000 | Revenue Contrib £'000 | Borrowing £'000 | General £'000 | Un supported £'000 | Funding Total £'000 |
|-----------------------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|------------------------|-----------------------|-----------------|---------------|--------------------|---------------------|
| Capital Maintenance | 922 | 73 | 100 | 345 | 400 | 250 | 1,168 | 0 | 0 | 1,022 | 73 | 73 | 0 | 1,168 |
| Accommodation | 108 | 103 | 888 | 148 | 0 | 0 | 1,139 | 0 | 0 | 1,036 | 0 | 103 | 0 | 1,139 |
| Shire Hall Optimisation of Space | 0 | 0 | 491 | 0 | 0 | 0 | 491 | 0 | 0 | 491 | 0 | 0 | 0 | 491 |
| Various Carbon Reduction Schemes | 34 | 213 | 150 | 223 | 50 | 0 | 636 | 0 | 0 | 210 | 213 | 213 | 0 | 636 |
| Health & Safety Works | 53 | 97 | 100 | 100 | 100 | 88 | 485 | 0 | 0 | 291 | 97 | 97 | 0 | 485 |
| Rural Nitrate Farms Programme | 21 | 213 | 103 | 0 | 0 | 0 | 315 | 125 | 0 | 0 | 88 | 103 | 0 | 315 |
| Schemes under £300,000 | 170,683 | 25,995 | 18,156 | 2,939 | 363 | 408 | 47,861 | 26,424 | 3,364 | 12,996 | 4,613 | 464 | 0 | 47,861 |
| | 200,791 | 37,622 | 29,705 | 14,141 | 8,881 | 16,526 | 106,876 | 59,659 | 10,802 | 28,240 | 5,132 | 3,043 | 0 | 106,876 |
| New Starts 2013/14 | | | | | | | | | | | | | | |
| Highways Block Maintenance Grant | 0 | 0 | 0 | 14,974 | 0 | 0 | 14,974 | 14,974 | 0 | 0 | 0 | 0 | 0 | 14,974 |
| ICT | 0 | 0 | 0 | 900 | 1,600 | 0 | 2,500 | 0 | 0 | 0 | 0 | 2,500 | 0 | 2,500 |
| Additional Funding Autumn 2012 Grant | 0 | 0 | 0 | 2,708 | 0 | 0 | 2,708 | 2,708 | 0 | 0 | 0 | 0 | 0 | 2,708 |
| Optimisation of office space | 0 | 0 | 0 | 2,100 | 1,487 | 0 | 3,587 | 0 | 0 | 0 | 0 | 3,587 | 0 | 3,587 |
| Cinderford Northern Quarter Spine Road | 0 | 0 | 0 | 3,628 | 7,300 | 0 | 10,928 | 8,750 | 2,178 | 0 | 0 | 0 | 0 | 10,928 |
| Integrated Transport Grant | 0 | 0 | 0 | 3,642 | 0 | 0 | 3,642 | 3,642 | 0 | 0 | 0 | 0 | 0 | 3,642 |
| | 0 | 0 | 0 | 27,952 | 10,387 | 0 | 38,339 | 30,074 | 2,178 | 0 | 0 | 6,087 | 0 | 38,339 |
| New Starts 2014/15 | | | | | | | | | | | | | | |
| Highways Block Maintenance Grant | 0 | 0 | 0 | 0 | 13,952 | 0 | 13,952 | 13,952 | 0 | 0 | 0 | 0 | 0 | 13,952 |
| Additional Funding Autumn 2012 Grant | 0 | 0 | 0 | 0 | 1,434 | 0 | 1,434 | 1,434 | 0 | 0 | 0 | 0 | 0 | 1,434 |
| Integrated Transport Grant | 0 | 0 | 0 | 0 | 5,121 | 0 | 5,121 | 5,121 | 0 | 0 | 0 | 0 | 0 | 5,121 |
| | 0 | 0 | 0 | 0 | 20,507 | 0 | 20,507 | 20,507 | 0 | 0 | 0 | 0 | 0 | 20,507 |
| New Starts 2015/16 | | | | | | | | | | | | | | |
| Highways Block Maintenance Grant - Estimate | 0 | 0 | 0 | 0 | 0 | 13,952 | 13,952 | 13,952 | 0 | 0 | 0 | 0 | 0 | 13,952 |
| Integrated Transport Grant - Estimated | 0 | 0 | 0 | 0 | 0 | 5,121 | 5,121 | 5,121 | 0 | 0 | 0 | 0 | 0 | 5,121 |
| | 0 | 0 | 0 | 0 | 0 | 19,073 | 19,073 | 19,073 | 0 | 0 | 0 | 0 | 0 | 19,073 |
| Infrastructure Total | 200,791 | 37,622 | 29,705 | 42,093 | 39,775 | 35,599 | 184,795 | 129,313 | 12,980 | 28,240 | 5,132 | 9,130 | 0 | 184,795 |
| Communities - Libraries & Archives | | | | | | | | | | | | | | |
| Book Issuing | 0 | 109 | 120 | 56 | 0 | 0 | 285 | 0 | 0 | 176 | 0 | 109 | 0 | 285 |
| Schemes under £100,000 | 7,611 | 100 | 219 | 228 | 20 | 22 | 589 | 0 | 192 | 309 | 72 | 16 | 0 | 589 |
| Communities - Libraries & Archives Total | 7,611 | 209 | 339 | 283 | 20 | 22 | 873 | 0 | 192 | 485 | 72 | 125 | 0 | 873 |

Annex 9 Capital Programme

| Scheme Name | Prior Years | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | Forecast Total £'000 | External Grant £'000 | External Contrib £'000 | Revenue Contrib £'000 | Borrowing £'000 | General £'000 | Un supported £'000 | Funding Total £'000 |
|------------------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|------------------------|-----------------------|-----------------|---------------|--------------------|---------------------|
| Communities - Safety | | | | | | | | | | | | | | |
| Mortuary Project Build | 1,544 | 2,011 | 106 | 0 | 0 | 0 | 2,117 | 0 | 0 | -40 | 2,011 | 146 | 0 | 2,117 |
| Control Room Equipment | 0 | 0 | 1,350 | 350 | 0 | 0 | 1,700 | 1,700 | 0 | 0 | 0 | | 0 | 1,700 |
| Fire Vehicles 11/12 | 0 | 242 | 901 | 320 | 132 | 0 | 1,595 | 348 | 0 | 601 | 0 | 646 | 0 | 1,595 |
| Fire Vehicles 12/13 | 0 | 0 | 438 | 861 | 0 | 0 | 1,299 | 1,299 | 0 | 0 | 0 | | 0 | 1,299 |
| Schemes under £300,000 | 9,609 | 259 | 240 | 5 | 0 | 0 | 505 | 229 | 9 | 47 | 219 | 0 | 0 | 505 |
| | 11,699 | 2,976 | 3,034 | 1,537 | 132 | 0 | 7,680 | 4,040 | 9 | 609 | 2,230 | 792 | 0 | 7,680 |
| New Starts 2013/14 onwards | | | | | | | | | | | | | | |
| Grant funding Fire (2015-16 estimated) | 0 | 0 | 0 | 822 | 822 | 822 | 2,467 | 2,467 | 0 | 0 | 0 | 0 | 0 | 2,467 |
| | 0 | 0 | 0 | 822 | 822 | 822 | 2,467 | 2,467 | 0 | 0 | 0 | 0 | 0 | 2,467 |
| Communities - Safety Total | 11,699 | 2,976 | 3,034 | 2,359 | 955 | 822 | 10,147 | 6,507 | 9 | 609 | 2,230 | 792 | 0 | 10,147 |
| | | | | | | | | | | | | | | |
| Communities & Infrastructure: | 220,101 | 40,808 | 33,079 | 44,735 | 40,749 | 36,444 | 195,815 | 135,820 | 13,181 | 29,333 | 7,433 | 10,047 | 0 | 195,815 |

Capital Programme Forecast - December 2012

MEDIUM TERM CAPITAL PROGRAMME - COUNTY COUNCIL SERVICES FINANCING STATEMENT

| | Actual | Forecast | | | | |
|--------------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Total 5 Yrs |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| GROSS PAYMENTS | | | | | | |
| Adults | 2,488 | 913 | 3,857 | 1,723 | 0 | 8,981 |
| Children & Families | 42,689 | 26,481 | 30,027 | 16,278 | 10,289 | 125,764 |
| | | | | | | 0 |
| Communities & Infrastructure: | 40,808 | 33,079 | 44,735 | 40,749 | 36,444 | 195,815 |
| C&I - Infrastructure | 37,622 | 29,705 | 42,093 | 39,775 | 35,599 | 184,795 |
| C&I - Libraries | 209 | 339 | 283 | 20 | 22 | 873 |
| C&I - Safety | 2,976 | 3,034 | 2,359 | 955 | 822 | 10,147 |
| sub-total | 85,985 | 60,472 | 78,619 | 58,750 | 46,733 | 330,560 |
| AVAILABLE RESOURCES | | | | | | |
| Borrowing: | | | | | | |
| Prudential Code (from 1 April 2004) | | | | | | |
| Supported borrowing - general | 11,222 | 0 | 0 | 0 | 0 | 11,222 |
| Prudential borrowing | 331 | 0 | 0 | 0 | 0 | 331 |
| Government capital grant - general | 39,919 | 40,364 | 58,138 | 47,095 | 38,513 | 224,030 |
| Capital contributions | 17,013 | 5415 | 8598 | 660 | 22 | 31,708 |
| Revenue contributions | 8,385 | 14,593 | 7,448 | 7,908 | 8198 | 46,532 |
| Capital Receipts & Fund | 9,115 | 100 | 4,435 | 3,087 | 0 | 16,737 |
| Total Resources (ex receipts) | 85,985 | 60,472 | 78,619 | 58,750 | 46,733 | 330,560 |
| less PAYMENTS as above | 85,985 | 60,472 | 78,619 | 58,750 | 46,733 | 330,560 |
| Surplus/deficit (-) before receipts | 0 | 0 | 0 | 0 | 0 | 0 |

**Treasury Management Strategy Statement
and Investment Strategy 2013/14 to 2015/16**

Gloucestershire County Council

Contents

1. Background
2. Capital Financing Requirement
3. Interest Rate Forecast
4. Borrowing Strategy
5. Sources of Borrowing and Portfolio Implications
6. Debt Rescheduling
7. Annual investment Strategy
8. Investment Strategy
9. Policy on the use of Financial Derivatives
10. Minimum Revenue Provision (MRP)
11. Other Items

Appendices

- A. Existing Portfolio Projected Forward
- B. Prudential Indicators
- C. Economic and Interest Rate Forecast
- D. Specified Investments for use by the Council
- E. Non- Specified Investments for use by the Council
- F. MRP Statement 2013/14

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also includes the Annual Investment Strategy as required under the Communities and Local Governments's (CLG) Investment Guidance.
- 1.2 As per the requirements of the Prudential Code, the Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 24th February 2010.
- 1.3 The purpose of this Treasury Management Strategy Statement is to approve:
- Revisions to the Treasury Management Strategy for 2012/13
 - Treasury Management Strategy for 2013/14
 - Annual Investment Strategy for 2013/14
 - Prudential Indicators for 2013/14, 2014/15 and 2015/16
 - 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. Capital Financing Requirement

- 2.1 The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management activity.
- 2.2 The Council's currently has £328.301m of external borrowing and £216.062m of investments. This is set out in further detail at Appendix A.
- 2.3 **Money Borrowed in Advance of Spending Need:** The Council is able to borrow funds in excess of the current level of its CFR up to the projected level in 2015/16. 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.
- 2.4 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 Analysis

| | 31/03/2013 Estimate £m | 31/03/2014 Estimate £m | 31/03/2015 Estimate £m | 31/03/2016 Estimate £m |
|-----------------------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| CFR | 401.270 | 380.899 | 361.293 | 342.380 |
| Less: Existing Profile of Borrowing | 328.301 | 323.438 | 318.575 | 313.712 |
| Less: Other Long Term Liabilities | 22.373 | 21.941 | 21.479 | 20.942 |
| Cumulative Maximum External Borrowing Requirement | 50.596 | 35.520 | 21.239 | 7.726 |
| Usable Reserves | 124.295 | 125.519 | 126.743 | 127.967 |
| Cumulative Net Borrowing Requirement / (Investments) | -73.699 | -89.999 | -105.504 | -120.241 |

3. Interest Rate Forecast

- 3.1 The Arlingclose interest rate forecast continues its theme of the last few years, that is, that interest rates will remain low for even longer. Indeed, the forecast is for official UK interest rates to remain at 0.5% until 2016 given the moribund outlook for economic growth and the extension of austerity measures announced in the Chancellor's Autumn Statement. Until there is a credible resolution of the problems that stalk the Eurozone – and that resolution requires full-scale fiscal union which faces many significant political hurdles – then the UK's safe haven status and minimal prospect of increases in official interest rates will continue to combine and support the theme within the forecast.
- 3.2 The economic and interest rate forecast provided by the Council's treasury management advisor is attached at Appendix C. The Council will reappraise its strategies from time to time in response to evolving economic, political and financial events.

4. Borrowing Strategy

- 4.1 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.
- 4.2 As indicated in Table 1, the Council has a gross borrowing requirement of £35.520m in 2013/14. The Council will hold this debt internally and will adopt a flexible approach to any requirement to borrow in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:
- Affordability;
 - Maturity profile of existing debt;
 - Interest rate and refinancing risk;
 - Borrowing source.

5. Sources of Borrowing and Portfolio Implications

- 5.1 In conjunction with advice from Arlingclose Ltd, the Council will keep under review the following borrowing sources:
- Internal
 - PWLB
 - Local authorities
 - European Investment Bank (*NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB's specific criteria*)
 - Leasing
 - Structured finance
 - Capital markets (stock issues, commercial paper and bills)
 - Commercial banks.
- 5.2 The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Council's exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference or spread between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered.

- 5.3 Total borrowing requirement at the end of 2012/13 is forecast to be £403.370m (equivalent to the CFR). This includes external borrowing of £328.301m, PFI lease liability of £22.377m and internal borrowing of £52.696m. 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 2012/13 £5.0m of maturing debt has been repaid through voluntary repayment.
- 5.4 The Council has £41.05m LOBO loans (Lender's Options Borrower's Option) all of which are currently in, or will be in, their call period in 2013/14. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the lender's discretion.
- 5.5 Any LOBOs called will be discussed with the treasury advisers prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

6 Debt Rescheduling

- 6.1 The Council's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.
- 6.2 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring, although occasional opportunities do arise. The rationale for undertaking any debt rescheduling would be one or more of the following:
- Reduce investment balances and credit exposure via debt repayment
 - Align long-term cash flow projections and debt levels
 - Savings in risk adjusted interest costs
 - Rebalancing the interest rate structure of the debt portfolio
 - Changing the maturity profile of the debt portfolio
- 6.3 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.

7. Annual Investment Strategy

- 7.1 In accordance with Investment Guidance issued by the CLG and best practice this Council's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Council's investments is secondary, followed by the yield earned on investments which is a tertiary consideration.
- 7.2 The Council and its advisors remain on a heightened state of alert for signs of credit or market distress that might adversely affect the Council.
- 7.3 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.
- 7.4 The types of investments that will be used by the Council and whether they are specified or non-specified are as follows:

Table 2: Specified and Non-Specified Investments

| Investment | Specified | Non-Specified |
|-----------------------------------------------------------|-----------|---------------|
| Term deposits with banks and building societies | ✓ | ✓ |
| Term deposits with other UK local authorities | ✓ | ✓ |
| Investments with Registered Providers | ✓ | ✓ |
| Certificates of deposit with banks and building societies | ✓ | ✓ |
| Gilts | ✓ | ✓ |
| Treasury Bills (T-Bills) | ✓ | ✗ |
| Bonds issued by Multilateral Development Banks | ✓ | ✓ |
| Local Authority Bills | ✓ | ✗ |
| Commercial Paper | ✓ | ✗ |
| Corporate Bonds | ✓ | ✓ |
| AAA-Rated Money Market Funds | ✓ | ✗ |
| Other Money Market and Collective Investment Schemes | ✓ | ✓ |
| Debt Management Account Deposit Facility | ✓ | ✗ |
| Investments with other organisations | ✗ | ✓ |

Further details can be found in Appendix D & E.

- 7.5 Registered Providers (RPs) have been included within specified and non-specified investments for 2013/14. Investments with RPs will be analysed on an individual basis and discussed with Arlingclose prior to investing.
- 7.6 Investments with other organisations have been included as a non-specified investment category for 2013-14. This would include investment opportunities with small and medium sized enterprises (SMEs) and other businesses across the UK. Because of the higher perceived credit risk of SMEs, such investments may provide considerably higher rates of return. An external credit assessment will be undertaken and advice from the Council's adviser will be sought (where available) before any investment decision is made.
- 7.7 The minimum credit rating for non-UK sovereigns is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent). As detailed in non-specified investments in Appendix E, the Director of Finance will have discretion to make investments with counterparties that do not meet the specified criteria on advice from Arlingclose.

The other credit characteristics, in addition to credit ratings, that the Council monitors are listed in the Prudential Indicator on Credit Risk.

Any institution will be suspended or removed should any of the factors identified above give rise to concern. Specifically credit ratings are monitored by the Council on a daily basis. Arlingclose advises the Council on ratings changes and appropriate action to be taken.

The countries and institutions that currently meet the criteria for investments are included in Appendix D.

- 7.8 **Council's Banker** – The Council banks with HSBC. At the current time, it does meet the Councils minimum credit criteria. Even if the credit rating falls below the Councils minimum criteria within the financial year it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

8 Investment Strategy

- 8.1 With short term interest rates low for some time, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.
- 8.2 In order to diversify a portfolio largely invested in cash, investments will be placed with approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.
- 8.3 Money market funds (MMFs) will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Council will also seek to mitigate operational risk by utilising at least two MMFs. The Council will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs, the Council will ensure exposure to each Fund does not exceed 2% of the net asset value of the Fund.

Investments managed externally:

Collective Investment Schemes (Pooled Funds):

- 8.4 The Council has evaluated the use of Pooled Funds and determined the appropriateness of 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.
- 8.5 Investments in pooled funds are undertaken with advice from Arlingclose Ltd. The Council's pooled funds are managed by Investec Asset Management Ltd, as listed in Appendix E. The performance and continued suitability in meeting with Councils investment objectives are regularly monitored.

9 Policy on Use of Financial Derivatives

- 9.1 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.
- 9.2 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 will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 9.3 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.
- 9.4 The local authority will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

10. 2013/14 MRP Statement

- 10.1 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 F of this report.

11. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

- 11.1 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.

10. 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.

EXISTING PORTFOLIO PROJECTED FORWARD

| | Current Portfolio £m | Average Rate % | 31 Mar 13 Estimate £m | 31 Mar 14 Estimate £m | 31 Mar 15 Estimate £m | 31 Mar 16 Estimate £m |
|-----------------------------------------------------------------|-------------------------|-------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| External Borrowing: | | | | | | |
| Fixed Rate – PWLB | 272.251 | 5.465 | 272.251 | 267.388 | 262.525 | 257.662 |
| Fixed Rate – Market | 41.050 | 4.317 | 41.050 | 41.050 | 41.050 | 41.050 |
| Variable Rate – PWLB | 15.000 | 0.580 | 15.000 | 15.000 | 15.000 | 15.000 |
| Variable Rate – Market | - | | - | - | - | - |
| Total External Borrowings | 328.301 | 5.104 | 328.301 | 323.438 | 318.575 | 313.712 |
| Other long-term liabilities | 22.373 | - | 22.373 | 21.941 | 21.479 | 20.942 |
| Total Gross External Debt* | 350.674 | - | 350.674 | 345.379 | 340.054 | 334.654 |
| Investments: | | | | | | |
| <i>Managed in-house</i> | | | | | | |
| - Short Term Deposits and monies on call and Money Market Funds | 195.932 | 0.65 | 195.932 | 191.069 | 186.206 | 181.343 |
| - Long term investments (Over 12 months) | - | | - | - | - | - |
| <i>Managed externally</i> | 20.130 | 0.74 | 20.174 | 20.323 | 20.474 | 20.625 |
| Total Investments* | 216.062 | - | 216.106 | 211.392 | 206.680 | 201.968 |
| Net Debt | (134.612) | - | (134.568) | (133.987) | (133.374) | (132.686) |

*note that the Council has the following predicted liability for internal borrowing. This is not shown in the table above as this is reducing our current external debt, but also reducing the amount available for investment, therefore the net position is as shown above.

| | Current Portfolio £m | 31 Mar 13 Estimate £m | 31 Mar 14 Estimate £m | 31 Mar 15 Estimate £m | 31 Mar 16 Estimate £m |
|---------------------------------|-------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total Internal Borrowing | 50.596 | 50.596 | 35.520 | 21.239 | 7.726 |

Prudential Indicators 2013/14 – 2015/16

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.

2. Gross Debt and the Capital Financing Requirement:

- 2.1 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.
- 2.2 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.
- 2.3 The Strategic Finance Director reports that the Council had no difficulty meeting this requirement in 2012/13, 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.

3. Estimates of Capital Expenditure:

- 3.1 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.

| | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|---------------------|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Capital Expenditure | 75.845 | 60.472 | 78.619 | 58.750 | 46.733 |

- 3.2 Capital expenditure is expected to be financed as follows:

| Capital Financing | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|------------------------------------|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Capital receipts | 0.000 | 0.100 | 4.435 | 3.087 | 0.000 |
| Government Grants | 48.761 | 40.364 | 58.138 | 47.095 | 38.513 |
| Revenue contributions | 3.500 | 14.593 | 7.448 | 7.908 | 8.198 |
| Capital Contributions | 8.279 | 5.415 | 8.598 | 0.660 | 0.022 |
| Capital Reserve | 13.902 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total Financing | 74.442 | 60.472 | 78.619 | 58.750 | 46.733 |
| Supported borrowing | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Unsupported borrowing | 1.403 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total Funding | 1.403 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total Financing and Funding | 75.845 | 60.472 | 78.619 | 58.750 | 46.733 |

4. Ratio of Financing Costs to Net Revenue Stream:

- 4.1 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.
- 4.2 The estimate for interest payments in 2012/13 is £16.967m and for interest receipts is £1.5m. 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.

| | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|-------------------------------------------------------|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Ratio of Financing Costs to Net Revenue Stream | 9.70% | 10.01% | 8.71% | 8.45% | 8.17% |

5. Capital Financing Requirement:

- 5.1 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.

| | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|--------------------------------------|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Capital Financing Requirement | 403.096 | 401.270 | 380.899 | 361.293 | 342.380 |

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 31/03/2012 | £m |
|----------------------------------------------|----------------|
| Borrowing | 333.301 |
| Other Long-term Liabilities | 10.565 |
| Total | 343.866 |

7. Incremental Impact of Capital Investment Decisions:

- 7.1 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 | 2012/13 Approved £ | 2013/14 Estimate £ | 2014/15 Estimate £ | 2015/16 Estimate £ |
|-----------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Increase in Band D Council Tax | 0.12 | 0.00 | 0.00 | 0.00 |

- 7.2 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, and that any increase in the underlying need to borrow is supported through the Revenue Support Grant system.

8. Authorised Limit and Operational Boundary for External Debt:

- 8.1 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.
- 8.2 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.
- 8.3 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.
- 8.4 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 | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|-------------------------------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Borrowing | 523.439 | 502.627 | 503.059 | 503.521 | 504.058 |
| Other Long-term liabilities | 1.561 | 22.373 | 21.941 | 21.479 | 20.942 |
| Total | 525.000 | 525.000 | 525.000 | 525.000 | 525.000 |

- 8.5 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.
- 8.6 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 | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|-----------------------------------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Borrowing | 493.439 | 472.627 | 473.059 | 473.521 | 474.058 |
| Other Long-term liabilities | 1.561 | 22.373 | 21.941 | 21.479 | 20.942 |
| Total | 495.000 | 495.000 | 495.000 | 495.000 | 495.000 |

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 The Council's existing level (on internal investments) of fixed interest rate exposure is 80% and variable rate exposure is 20%.

| | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|-------------------------------------------------|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Upper limit for Fixed Interest Rate exposure | 450.0 | 450.0 | 450.0 | 450.0 | 450.0 |
| Upper limit for Variable Interest rate exposure | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 |

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 | Existing level at 31/03/2012 % | Lower Limit for 2013/14 % | Upper Limit for 2013/14 % |
|---------------------------------------------------|---------------------------------------|----------------------------------|----------------------------------|
| Under 12 months | 11.0 | 0 | 25 |
| 12 to 24 months | 3.0 | 0 | 25 |
| 2 to 5 years | 4.4 | 0 | 50 |
| 5 to 10 years | 18.9 | 0 | 75 |
| 10 to 20 years | 15.7 | 0 | 100 |
| 20 to 30 years | 11.9 | 0 | 100 |
| 30 to 40 years | 26.0 | 0 | 100 |
| 40 to 50 years | 9.1 | 0 | 100 |
| More than 50 years | 0.0 | 0 | 100 |

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.

| | 2012/13 Approved £m | 2012/13 Revised £m | 2013/14 Estimate £m | 2014/15 Estimate £m | 2015/16 Estimate £m |
|-------------------------------------------------------------|----------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| Upper Limit for total principal sums invested over 364 days | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |

Arlingclose's Economic and Interest Rate Forecast

| | Mar-13 | Jun-13 | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | | | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Downside risk | | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 3-month LIBID | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Central case | 0.40 | 0.40 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.50 | 0.55 | 0.55 | 0.55 | 0.60 | 0.60 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 1-yr LIBID | | | | | | | | | | | | | |
| Upside risk | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Central case | 0.90 | 0.90 | 0.95 | 0.95 | 1.00 | 1.00 | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 5-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Central case | 0.80 | 0.90 | 0.90 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.20 | 1.20 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 10-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 |
| Central case | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.20 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 20-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Central case | 2.80 | 2.80 | 2.80 | 2.80 | 2.90 | 2.90 | 2.90 | 2.90 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 50-yr gilt | | | | | | | | | | | | | |
| Upside risk | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 |
| Central case | 3.30 | 3.30 | 3.30 | 3.40 | 3.40 | 3.40 | 3.50 | 3.50 | 3.50 | 3.50 | 3.60 | 3.60 | 3.60 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |

Underlying Assumptions:

- UK growth is unlikely to return to above trend for the foreseeable future. Q3 GDP was strong at 0.9% but this momentum is unlikely to be sustained in Q4 or in 2013. The rebalancing from public-sector driven consumption to private sector demand and investment is yet to manifest, and there is little sign of productivity growth. Further contraction in the Eurozone, including Germany's powerful economy, and slower forecast growth in the emerging economies (Brazil/Mexico/India) are exacerbating the weakness.
- Consumer Price Inflation has fallen to 2.7 % from a peak of 5.2%. Near term CPI is likely to be affected by volatility in commodity prices and its decrease towards the 2% target is expected to be slower than previously estimated. Real wage growth (i.e. after inflation) is forecast to remain weak.
- The fiscal outlook for bringing down the structural deficit and stabilise debt levels remains very challenging. Weakened credibility of the UK reining its levels of debt poses a risk to the AAA status, but recent history (US, France) suggests this may not automatically result in a sell-off in gilts.
- In the absence of large, unexpected decline in growth, QE is likely to remain on hold at £375bn for now. The availability of cheaper bank borrowing and subsequently for corporates through the Funding for Lending Scheme (FLS) is a supporting factor.

- The US Federal Reserve's shift in its rate guidance from a date-based indication to economic thresholds (6.5% unemployment, inflation 1 – 2 years out projected to remain below 2.5%, longer term inflation expectations remain well anchored) is likely to increase market uncertainty around the highly volatile US employment data releases.
- The Eurozone is making slow headway which has curtailed some of the immediate risks although peripheral countries continue to struggle. Fully-fledged banking and fiscal union is still some years away.
- In the US, the issues of spending cuts, reducing the budget deficit and raising the country's debt ceiling remain unresolved. A failure to address these by March 2013 could lead to a similar showdown and risks a downgrade to the US sovereign credit rating by one or more agencies.
- A reversal in market risk sentiment from current "risk on" to "risk off" could be triggered by economic and/or political events – impending Italian and German elections, US debt ceiling impasse, difficulty surrounding Cyprus' bailout, and contagion returning the haunt the European peripheral nations – could inject renewed volatility into gilts and sovereign bonds.

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
- meets the “high credit quality” as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community Authority.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
 - Deposits with UK local authorities
 - Deposits with banks and building societies
 - *Certificates of deposit with banks and building societies
 - *Gilts: (bonds issued by the UK government)
 - *Bonds issued by multilateral development banks
 - Treasury-Bills (T-Bills)
 - Local Authority Bills (LA Bills)
 - Commercial Paper
 - AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
 - AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
 - Other Money Market Funds and Collective Investment Schemes i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.
1. * Investments in these instruments will be on advice from the Councils Treasury Advisor.
 2. The use of the above instruments by the Councils Fund Manager will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

For credit rated counterparties, the minimum criteria will be the lowest equivalent long-term ratings by Fitch, Moody’s and Standard & Poor’s (where assigned).

UK Ratings:

| | Long-term |
|----------------|------------------|
| Fitch | A- |
| Moody’s | A3 |
| S&P | A- |

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

Specified investments will be made within the following limits:

| Instrument | Country/ Domicile | Counterparty | Maximum Counterparty / group Limits £m | E.g. note this list is not extensive |
|------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term Deposits | UK | DMADF, DMO | No limit | |
| Term Deposits/Call Accounts | UK | Other UK Local Authorities | No limit | |
| Term Deposits/Call Accounts/CDs | UK | Counterparties rated at least A- Long Term | £30m CP / £45m group limit (max 22.5% of portfolio) | |
| Term Deposits/Call Accounts/CDs | Non-UK | Counterparties rated at least A- Long Term in select countries with a Sovereign Rating of at least AA+ | £20m | |
| Gilts | UK | DMO | No limit | |
| T-Bills | UK | DMO | No limit | |
| LA-Bills | UK | Other UK Local Authorities | No limit | |
| Bonds issued by multilateral development banks | | (For example, European Investment Bank/Authority of Europe, Inter-American Development Bank) | £30m overall | <i>EIB; CoE; IADB Bonds</i> |
| AAA-rated Money Market Funds | UK / Ireland / Luxembourg domiciled * | CNAV MMFs | £10m per CP for CNAV funds, £50m overall* | <i>Deutsche Bank; State Street; HSBC; Goldman Sachs; Prime Rate; RBS; Ignis etc.</i> <i>Investec Liquidity Fund</i> |
| Other MMFs and CIS | UK/Ireland/ Luxembourg domiciled * | Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value) | £15m per CP** £10m per CP for VNAV funds, £50m overall* | <i>Payden & Rygel;</i> <i>Aviva, Federated Prime Rate VNAV MMF</i> <i>Investec Short Bond Fund</i> |

Note:

Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

*All MMFs are separate ring fenced legal entities, independent and registered with a regulatory body. Despite being domiciled in Ireland (or Luxembourg) they do not have exposure to Irish bank debt or Irish sovereign securities. All MMFs on our counterparty list have zero exposure to Irish investments. The maximum invested with a single MMF will be no more than 0.5% of that MMF's assets in order to contain risk.

**This limit excludes funds held by the Councils Fund Manager, Investec.

Councils Bank Account The Council banks with HSBC. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. Even if the credit rating falls below our minimum criteria within the financial year it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Approved counterparties (limits are per table above):

| Instrument | Country/ Domicile | Counterparty | Currently used |
|-------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------|
| Term Deposits / Call Accounts / CDs | UK | Santander UK Plc (Banco Santander Group) | ✓ |
| | | Bank of Scotland (Lloyds Banking Group) | ✓ |
| | | Lloyds TSB (Lloyds Banking Group) | ✓ |
| | | Barclays Bank Plc | ✓ |
| | | HSBC Bank Plc | ✓ |
| | | Nationwide Building Society | ✓ |
| | | NatWest (RBS Group) | S |
| | | Royal Bank of Scotland (RBS Group) | S |
| | | Standard Chartered Bank | ✓ |
| | | | |
| | Australia | Australia and NZ Banking Group | ✓ |
| | | Commonwealth Bank of Australia | ✓ |
| | | National Australia Bank Ltd (National Australia Bank Group) | - |
| | | Westpac Banking Corp | |
| | Canada | Bank of Montreal | - |
| | | Bank of Nova Scotia | |
| | | Canadian Imperial Bank of Commerce | |
| | | Royal Bank of Canada | |
| | | Toronto-Dominion Bank | |
| | Finland | Nordea Bank Finland | - |
| | France | BNP Paribas | - |
| | | Credit Agricole CIB (Credit Agricole Group) | |
| | | Credit Agricole SA (Credit Agricole Group) | |
| | | Société Générale | |
| | Germany | Deutsche Bank AG | - |
| | Netherlands | ING Bank NV | - |
| | | Rabobank | |
| | | Bank Nederlandse Gemeenten | |
| | Sweden | Svenska Handelsbanken | - |
| | Switzerland | Credit Suisse | - |
| | US | JP Morgan | - |
| Gilts | UK | DMO | - |
| T-Bills | UK | DMO | - |
| LA-Bills | UK | Other UK Local Authorities | - |
| Bonds issued by multilateral development banks | | (For example, European Investment Bank/Authority of Europe, Inter-American Development Bank) | - |
| AAA-rated Money Market Funds | UK / Ireland / Luxembourg domiciled * | CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value) | ✓** |
| Other MMFs and CIS | UK/Ireland/ Luxembourg domiciled * | Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments | ✓*** |

Notes:

- This list could change if, for example, a counterparty / country is upgraded, and meets our other creditworthiness tools. Alternatively if a counterparty is downgraded, this list may be shortened. Current suspended counterparties are shown as “S”.
- Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.
- All non-UK banks restricted to a maximum exposure of £40m.
- The Councils full list of current counterparties, in accordance with these criteria, is held in the Council Treasury Management Policies.
- For institutions within a group the Council executes a limit of 1.5 times the individual limit of a single bank within that group.

* All MMFs are separate ring fenced legal entities, independent and registered with a regulatory body. Despite being domiciled in Ireland (or Luxembourg) they do not have exposure to Irish bank debt or Irish sovereign securities. All MMFs on our counterparty list have zero exposure to Irish investments. The maximum invested with a single MMF will be no more than 0.5% of that MMF's assets in order to contain risk.

** VNAV funds currently used by the Council Fund Manager, Investec.

*** Currently used by the Council Fund Manager, Investec.

Non-Specified Investments

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Councils use:

| Instrument | In-house use | Use by fund managers | Maximum maturity (yrs) | Max % / £ of portfolio | E.g. |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------|-------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------|
| Deposits with banks, building societies & local authorities | ✓ | ✓ | 2 | £10m/CP | |
| CDs with banks and building societies | ✓ | ✓ | 2 | £10m/CP | |
| Investments with Banks/Building Societies that do not meet specified investment criteria (on the advice of the Council's Treasury Management advisors) with the approval of the Strategic Finance Director and Lead Cabinet member and/or the Leader of the Council" | ✓ | na | 3 mts | £10m/CP, £30m in total | |
| Gilts | ✓* | ✓ | 10 | 20% | |
| Bonds issued by multilateral development banks | ✓* | ✓ | 10 | 20% | <i>EIB Bonds, Authority of Europe Bonds etc.</i> |
| Money Market Funds and Collective Investment Schemes | ✓* | ✓ | These funds do not have a defined maturity date | £50m | <i>Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&G Global Dividend Growth Fund</i> |
| Corporate and debt instruments issued by corporate bodies purchased from 01/04/12 onwards | ✓ | ✓ | 10 | 20% | |
| Collective Investment Schemes (Pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573** | ✓* | ✓ | These funds do not have a defined maturity date | 20% | <i>Way Charteris Gold Portfolio Fund; Lime Fund</i> |

*Use of this instrument will be on the advice of the Treasury Advisor

** Use of this instrument is classified as capital expenditure

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 use of the above instruments by the Councils Fund Manager will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

3. 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.
4. The Council will be placing funds with Funding Circle, which is a Local Authority Partnership Programme. These funds will be used to support the Business community of Gloucestershire and will be in addition to the current lending limits specified above.

MRP Statement 2013/14

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 2013/14: 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 2013/14 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.

RISK MANAGEMENT STRATEGY 2013/14

Contents

| | |
|------------------------------------------------------------------------------------|-------------------------------------|
| Foreword by the Chief Executive | 5 |
| Risk Management Policy Statement | 6 |
| Risk Management Strategy | 7 |
| ➤ Introduction | 7 |
| ➤ What are the real benefits of managing risk? | 7 |
| ➤ What are our Strategic Risk Management Objectives? | 8 |
| ➤ What is GCC's Risk Appetite? | 8 |
| ➤ How are our objectives going to be met? | 9 |
| ➤ Monitoring and Review of Risk Management Activities (minimum requirements) | 9 |
| Appendix 1 - Risk Management Accountabilities, Roles and Responsibilities | 10 |
| Appendix 2 - Risk Management Governance Structure . | Error! Bookmark not defined. |
| | Bookmark not defined. |

Document Version Control

| Revision | Description | Changed By | Date |
|----------|-------------------|------------------|---------------|
| v1-0 | Original document | Theresa Mortimer | August 2007 |
| v2-0 | Updated Version | Theresa Mortimer | February 2009 |
| v3-0 | NOM Updates | Theresa Mortimer | November 2012 |

Document Information

| | |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Author: | Theresa Mortimer - Finance Manager: Internal Audit, Risk Management & Insurance Services |
| Owner: | Theresa Mortimer - Finance Manager: Internal Audit, Risk Management & Insurance Services |
| Team/Section: | Risk Management & Insurance Services |
| Create Date: | November 2012 |
| Review date: | March 2014 |
| Approval (when appropriate): | To be completed |
| Equalities Impact Assessment Completed (when appropriate): | To be completed |
| Version: | 3-0 |
| Disposal: | Once superseded retain for 6 years then offer to archives |
| Subject: | Risk Management Strategy |
| Classification: | UNCLASSIFIED |
| File Name: | Risk Management Strategy 2013-2014 v3-0 |

Foreword by the Chief Executive



With a change of government in May 2010, and both policy and financial announcements since, we know that we need to be a very different organisation, and to change quickly. We already know that by 2014 we have a funding gap of about 30% with which to provide services to the community. We also know that to take this level of resource out of the organisation will mean that we need to develop a very different model for local government. One that is smaller, delivers less itself and more through commissioned services or with partners and, looks at alternative ways of empowering our communities to live independent lives.

In April 2011, we launched a new Council Strategy and embarked on an ambitious four year programme of change under the Meeting the Challenge initiative. This initiative has been extremely effective with £65 million of savings being delivered in 2011/12 and 2012/13, which means that, with the level of savings likely to be delivered via “Meeting the Challenge” projects in 2013/14, over £100 million of savings will have been delivered over a three year period.

For many of us, moving to a very different approach to providing services over this period and into the future involves unprecedented levels of change, whilst this creates opportunities; this also creates significant 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 and opportunity 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 Corporate Social Responsibility 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;
- 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.

Our aim is to develop a framework to enable risk judgements to be more explicit, transparent and consistent. By enhancing our approach to determining risk appetite we will be 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.

The development of the framework will consider 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.

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

Managers

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

Staff/Other Stakeholders

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

Corporate Risk Management Team:

Strategic and Operational Risk

- Lead on the development and manage the implementation of an integrated risk management framework, strategy and process on behalf of the Council;
- Undertake an annual review of the Council's Corporate Risk Management Strategy and update accordingly, presenting any revisions to COMT for approval;
- Spread the ethos and, promote the effectiveness of good risk management throughout the Council;
- Facilitate the review and update of the Strategic Risk Register;
- Identify and address cross cutting risks and risk management issues;
- Support the development of the Council's service, 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 Group

The above Group is made up of senior officers within the following:

- Corporate Risk Management;
- Performance & Need;
- Health & Safety;
- Emergency Management;
- Risk/Insurance Services;
- Asset Management & Property Services, and
- Service area risk champions (Commissioning and Delivery).

The key aims of the 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.

ⁱ http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_127424.pdf