

Cabinet – 26 October 2016

Walsall Council Efficiency Plan 2016/17 to 2019/20

Portfolio: Councillor S. Coughlan

Related portfolios: All

Service: Finance

Wards: All

Key decision: No

Forward plan: No

1. Summary

- 1.1 As part of the December 2015 Local Government Finance Settlement, the Secretary of State for Communities and Local Government made an offer to councils to take up a four-year funding settlement for the period 2016/17 to 2019/20. This offer is conditional upon the preparation and publication of an Efficiency Plan by 14 October 2016. The Leader and Cabinet members were briefed on the contents of the Plan prior to publication. This report confirms that the offer is accepted in order to give greater certainty and to enable longer term financial planning. The Efficiency Plan is contained at Appendix 1

2. Recommendations

- 2.1 That Cabinet note and endorse the publication of the Council's Efficiency Plan (attached as Appendix 1).
- 2.2 That Cabinet accepts the four-year settlement for the period 2016/17 to 2019/20.
- 2.3 That Cabinet notes the increased flexibility in the use of capital receipts described in paragraph 3.6.

3. Report detail – Four Year Funding Offer

- 3.1 Local Authorities have experienced significant and sustained reduction in government funding since 2010. Financial planning for these reductions has been made more difficult because of the volatility and uncertainty around the timing of these reductions.
- 3.2 When the financial settlement was announced in December 2015 the then Secretary of State, Greg Clarke, made an offer to any council to accept a four-year funding agreement for the years 2016/17 to 2019/20. The settlement would

cover revenue support grant, transitional funding and rural services development grant. Confirmation of this offer was received in writing on 10 March 2016.

- 3.3 In order to accept this offer each council has to produce an efficiency plan covering the settlement period and that plan must be a published document.
- 3.4 The Secretary of State for Communities and Local Government announced the final local government finance settlement to the House of Commons on 8 February, formal notification of Walsall's allocation came through on the 9 February. An element of this is covered by the four-year settlement offer:
- Revenue Support Grant
 - Transitional Grant, and
 - Rural Services Delivery Grant.

Walsall's allocations over the settlement period are as follows:

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Revenue Support Grant	45,759	33,757	25,687	17,551
Transitional Grant	0	0	0	0
Rural Services Delivery Grant	0	0	0	0

- 3.5 In addition, tariffs and top-ups for those accepting the agreement will not be changed in 2017/18, 2018/19, and 2019/20, for reasons related to the relative needs of local authorities.

Flexible use of Capital Receipts

- 3.6 As part of the settlement the government announced greater flexibility in how councils can make use of capital receipts. Currently capital receipts finance only a small proportion of the capital programme, the vast majority being financed via capital grants. Previously councils were only allowed to spend capital receipts on capital works, but now capital receipts can be used to fund the revenue costs of transformation projects which are designed to generate ongoing revenue savings in the delivery of public services and/ or to transform service delivery in a way that reduces costs or demand for services in the future.
- 3.7 This relaxation in the use of capital receipts suggests that a flexible use of capital receipts strategy be included in the efficiency plan, and that any planned use be reported to Council. The budget and treasury management strategy reported to Council on 23 February 2016 did not anticipate this relaxation to the rules during 2016/17. However, given the scale of the transformation programme required going forward it is likely that this flexibility will be required in the future.
- 3.8 The intended use of any capital receipts in this way will be included in the Treasury Management Strategy and included in updates to the Council's Efficiency Plan.

Other Options

- 3.9 Should the council not take up this offer this would mean that it would then be subject to the existing yearly process to determining the local government finance settlement. Allocation for those councils who do not accept the offer could be subject to additional reductions dependent on the fiscal climate. At the time of writing this report it is not anticipated that further multi-year settlements will be offered over the life of this parliament.

4. Risk management

- 4.1 The acceptance of this settlement and the publication of the Efficiency Plan is anticipated to reduce the financial risk faced by the council over the four-year period.

5. Financial implications

- 5.1 The acceptance of this settlement and the publication of the Efficiency Plan will give a greater degree of financial certainty to Walsall and will enable longer term planning.

6. Legal implications

- 6.1 None.

7. Procurement Implications/Social Value

- 7.1 None.

8. Property implications

- 8.1 None.

9. Health and wellbeing implications

- 9.1 None.

10. Staffing implications

- 10.1 None.

11. Equality implications

- 11.1 None.

12. Consultation

- 12.1 The Leader and Cabinet members were consulted on the provisional plan before it was reported to Cabinet.

Background papers

None.

Contact

James T. Walsh, Chief Finance Officer, ☎ 65 2322, ✉ james.walsh@walsall.gov.uk



James Walsh
Chief Finance Officer
11 October 2016



Councillor Sean Coughlan
Leader of the Council
11 October 2016

Rebalancing the Budget: Efficiency Plan 2016-2020

October 2016

1. Financial Planning and Management: Matching Resources to the Vision

- 1.1 The Council's budget is a financial representation of the organisation's plans for the forthcoming financial year and beyond. Therefore, the budget is constructed as an integral part of the council's planning processes and aligned to its priorities and objectives and specifically the Council's Corporate Plan. The Corporate Plan, which can be accessed here, Corporate Plan 2016 - 2020, (attached as an Appendix to this report) is the key driver of resources allocation. The way in which the Council manages its finances now and in the future to ensure delivery of the Council's vision, aims and objectives and the core financial principles in which it operates, is set out in the Council's medium term financial strategy, MTFS June 2016 (attached as an Appendix to this report).
- 1.2 Walsall Council exists to serve the people and communities of Walsall, by representing and working with them to protect and improve the quality of life for all, particularly the most vulnerable. Walsall Council will provide strong, fair, open and honest leadership for the borough and its people and work with all organisations willing to work in the best interests of Walsall. We do this with limited resources and so must always work to ensure that public money is targeted to where it is most needed and used in the most efficient way possible. We are led by the communities we serve who help shape the services we provide and we help those communities to make a positive difference to their own lives through active civic engagement and cooperation.
- 1.3 In 2019 the council will be a key enabler of improvements to Walsall and its' Districts as a place to live, learn and work; working innovatively and collaboratively with strong and resilient communities, public sector partners, schools and businesses to shape services that deliver real and sustainable improvements to people's lives. The council will by necessity be smaller, doing fewer things, and those services that we continue to provide will be delivered in a very different way to how they are now. Our efforts will be focussed on protecting the most vulnerable: ensuring people are safe, and narrowing the gap in life chances by helping them to lead healthy and fulfilling lives, increasing aspirations and remaining independent for as long as possible.

Our Financial Challenges

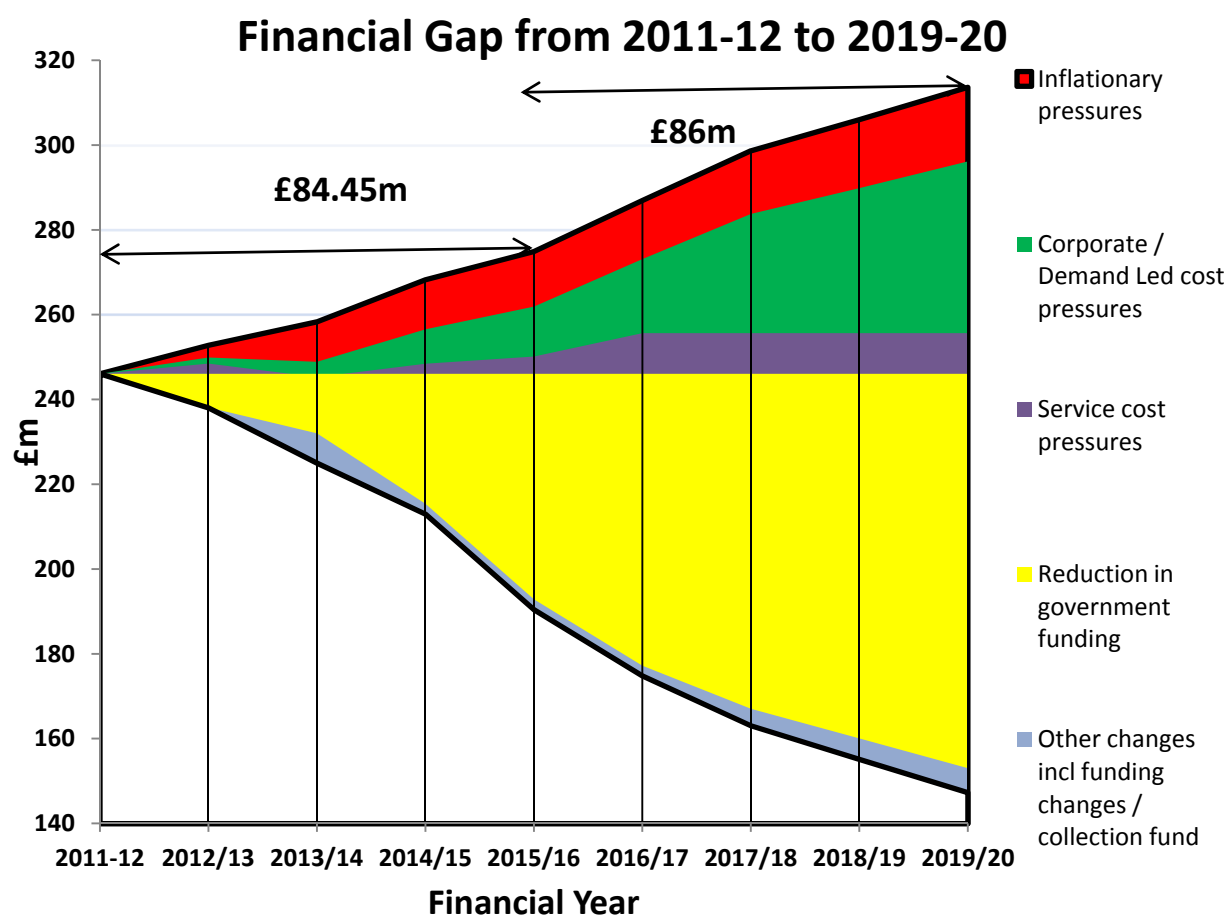
- 1.4 This medium term financial outlook (MTFO) and Efficiency Plan details the financial challenges facing Walsall, and how Walsall has balanced its 2016/17 budget and plans to deliver balanced budgets across the medium term to 2020. Following national and local changes since the 2016/17 budget was set in February 2016, the four year forecast to 2020 has been reviewed and updated.
- 1.5 Local authorities continue to face severe financial pressures for the foreseeable future. Over the last five years (2011/12 – 2015/16) the Council has reduced its spending by approximately £85m with a further £86m required over the four year period 2016 to 2020. The graph overleaf illustrates the projected widening gap in finances, as a combination of reducing funding and increasing costs. It is clear that funding for key priorities will be significantly diminished and the Council will not be able to sustain services at the current level.
- 1.6 Like all other public sector bodies, Walsall has seen government grant funding reduce since the Emergency Budget of 2010 when the Government set out its initial plans to

reduce the overall Government deficit, quoting a 28% reduction in funding to local authorities. This has continued in consecutive Spending Reviews in 2010 and 2013 and 2015. Between 2011/12 and 2015/16, reductions have totalled in the region of 38% with a further 28% expected by 2020.

1.7 Current financial modelling undertaken by the Chief Finance Officer, using all available knowledge, anticipates an increase in costs of c£50million for the period 2016 to 2020. This would be challenging enough on its own but the CFO also anticipates a reduction in core government funding of £36million over the same period, as the Government tries to reduce both the deficit and the national debt. Although the previous government policy of targeting a budget surplus by 2020 has been dropped, the downgrading of growth predictions following the Brexit vote and continued economic uncertainty, suggest that the public sector will continue to face financial pressure.

1.8 More specifically the council is expecting to manage:

- Continued reductions in core government grant funding
- Increased demand for services, including significant demand in adult social care
- Limited scope to increase council tax and fees and charges
- Increased corporate costs, including in relation to pay and pensions



2. Medium Term Financial Outlook

- 2.1 The medium term financial outlook has been constructed using known and estimated pressures, and best professional judgements. It is recognised that these assumptions may change and assumptions are reviewed frequently, robustly risk assessed and updated as appropriate. These assumptions are underpinned by a set of core financial principles (as set out in the MTFS) which include:
- A. Our financial planning will be inextricably linked to the council's strategic and corporate planning process. Our financial plans will reflect the councils' key strategic priorities
 - B. A longer term approach to financial planning and budget setting, allowing for a more strategic focus to service re-design and savings aligned to the longer term priorities of the council
 - C. A focus on the need to deliver significant efficiencies savings over the four year period
 - D. A prudent assessment of future resources and cost pressures, provisions and reserves required to mitigate future liabilities
 - E. Maximisation of income and external funding and prompt collection of income
- 2.2 Key financial planning assumptions within the current MTFO include:
- Core government funding as published in February 2016, for the four year period, adjusted for actual growth in business rates retention for 2016/17
 - Business rate income assumed to be inflated broadly in line with CPI, flexed each year
 - A council tax increase of 3.99% in 2016/17 and in each of the three years to 2019/20
 - 2% of the above ring-fenced to adult social care
 - An annual increase in the council tax base, subject to council tax support
 - Council tax collection rate of 98%
 - Benchmarked increases in fees and charges, flexed for local conditions
 - Full cost recovery of traded services
 - Inflationary increases for contractual inflation, in line with contract terms and conditions
 - Full provision for pay, living wage and pension costs, including increases arising from the 2016 pension valuation and government pay policy and changes
 - Provision for investment in key services, including significant provision for increasing demand in adult social care services
 - Opening general reserves in line with the council's medium term financial strategy
- 2.3 The latest medium term financial outlook (MTFO) to 2020 identifies a financial gap of approximately £86m for the four years to 2020, as follows;

Financial Gap					
	2016/17 Original £m	2016/17 Revised £m	2017/18 £m	2018/19 £m	2019/20 £m
Annual Financial Gap	25.37	6.00	30.56	14.39	9.23

Cumulative Gap	25.37	31.37	61.93	76.32	85.55
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- 2.4 Savings of £25.37m were identified and approved by Council on 25 February 2016, resulting in a balanced budget for 2016/17 (see [Corporate Budget Plan 2016/17](#)). During 2016/17, however, a number of new ongoing cost pressures have arisen, resulting in a revised budget requirement for 2016/17 of a further £6m.
- 2.5 The current capital programme was approved in February. An updated programme will be reported to October Cabinet. Current capital programme spend is detailed below.

Capital Programme Spend				
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Capital Spend	72.33	59.80	32.27	34.23

- 2.6 Reserves will be managed to support the MTFS and Council priorities. In summary, reserves will be used to meet one-off expenditure where it is appropriate to do so, and not to fund ongoing commitments. A prudent level of general reserve will be maintained, taking into account the overall level of risk faced by the authority, as assessed and reported by the Chief Financial Officer. Earmarked reserves will only be held where there is a clear, identifiable purpose for them, such as to meet a known or potential liability. In the context of this MTFO, reserves may be used to smooth peaks in financial spend over the short term only.

Local Government Finance Settlement - Core Funding

- 2.7 On 8 February 2016, the Secretary of State announced the final Local Government Finance Settlement for 2016/17, which provided details of the core government grants, including revenue support grant, top up grant and new homes bonus. In addition, the Government provided each authority with indicative core government grant allocations for 2017/18 to 2019/20.
- 2.8 In order to secure the four year settlement from 2016/17 to 2019/20, the Council must publish an Efficiency Plan. The Secretary of State confirmed that Councils would have until 14 October 2016 to consider and respond to the offer of a four year settlement.
- 2.9 The provision of four year settlement information, to some extent, enables greater certainty in medium term financial planning, and therefore is welcome. There remains some uncertainty as to the treatment of certain other grants and it is not yet clear how the potential transfer of responsibilities will impact on core funding.
- 2.10 2016/17 is the fourth year of the business rates retention scheme, whereby local authorities retain 50% of locally collected rates, the remainder being returned to government to use to fund revenue support and other specific grants. The scheme introduced significant risk to local authorities, and in particular backdated appeals has had a significant detrimental impact on the council's collection fund income levels. Appeals are one element of the current scheme that the government is reviewing. The level of appeals continues to be of concern in estimating collection fund income.

- 2.11 The government grant allocation for Walsall is set out overleaf for 2016/17 and the following three years, indicating a further 28% reduction overall in core funding over the period.

Draft Government Settlement funding Assessment				
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	45.76	33.76	25.69	17.55
Business Rates Baseline	35.00	31.01	31.53	32.06
Top Up Grant	33.42	34.08	35.08	36.21
Total Draft Government Settlement	114.18	98.85	92.30	85.82
Adjusted Settlement Funding Assessment	128.60*	114.18	98.85	92.30
Grant increase/-decrease (adjusted) - £m	(14.42)	(15.33)	(6.55)	(6.48)
Grant increase/-decrease (adjusted) - %	-11.2%	-13.4%	-6.6%	-7.0%

**Adjusted to include rolled in grants*

- 2.12 The Autumn Statement published on 25 November 2015 also announced consultation on changes to the local government finance system to pave the way for the implementation of 100% business rate retention by the end of the parliament. The revenue support grant will then be phased out by 2020/21. The government has confirmed that there will remain an adjustment to business rates distributions to reflect need, however the detail of how this will work is not yet determined. Additionally, government is consulting on transfers of funding responsibilities such as public health, as part of the changes. There is therefore considerable uncertainty about the overall financial impact of these changes.
- 2.13 In advance of 2020, a number of pilots are in train in relation to 100% retention, of which Walsall is a part. Government has confirmed that this pilot should be undertaken at no detriment to the participating authorities.

Local Government Settlement – Other Key Grants

The following planning assumptions have been built into the MTFO. As a major source of funding to the council (and NHS partners in the case of BCF), any reductions other than those stated will result in significant financial risk, which would require a remodelling of the current MTFO and Plan.

2.14 New Homes Bonus (NHB)

The NHB scheme provides local authorities with an unring-fenced grant (equal to the national average for the council tax band) on each additional property built in its area or brought back into use. Under the existing scheme, the grant is paid annually over a 6 year period. From 2017/18, the number of years over which it is paid will be reduced (from 6 to 4). Walsall's 2016/17 allocation is £6.2m, and any further reductions from those already anticipated and included in the MTFO would cause additional pressures.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
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Baseline NHB	6.204	5.113	4.3660	4.256
Reduction	-	-1.091	-0.747	-0.110

2.15 Better Care Fund (BCF)

This pooled budget is intended to support the integration of health and care services within Walsall and currently stands at £21.7m, rising to £32m by 2020, as published in the Spending Review 2015. 25% of this £10.3m increase is assumed to be spent on new burdens. The intention is to utilise BCF to continue to focus on and fund core adult social care services. The Council and NHS are required to agree how to spend the funding and for this to be agreed by the Health and Wellbeing Board.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Baseline BCF	21.713	21.713	21.713	21.713
Annual Increase per Spending Review	0.000	0.918	5.954	10.309
Revised BCF	21.713	22.631	27.667	32.022

2.16 Public Health

Public health grant is ring-fenced. 2016/17 grant is £18.58m, with reductions expected annually of 2.5%, 2.6%, and 2.6% over the next three years. Government are currently consulting on the transfer of funding responsibility for public health as part of the 100% localisation of business rates. The exact impact of this on the level of grant and the ring-fence is unclear at this point.

	2017/18 £m	2018/19 £m	2019/20 £m
Estimated Grant	18.113	17.642	17.183
Grant reduction	-0.464	-0.471	-0.459

2.17 Council tax Support

In 2013, council tax benefit grant was replaced with a localised council tax reduction scheme to be administered by local authorities. The funding also transferred from grant to revenue support grant, and at the same time, a 10% reduction was applied. The cost of providing this is reflected in a reduced council tax base and this therefore reduces the level of income collectable from council tax. The scheme represents a significant cost to the council, which is currently consulting on options for a revised scheme, effective from 1 April 2017.

The Collection Fund (Council Tax)

- 2.18 The council tax base is required to be set by 31 January 2017 and calculations will be made in December. The MTFO currently assumes council tax increases of 1.99% per year plus a further 2% to fund adult social care over the four year settlement period. The

current expected surplus on the fund for 2016/17 is £2.89m, with a deficit predicted of £3.4m for 2017/18. This has been included in the MTFO.

Budget Pressures and Key Spending Assumptions

- 2.19 Key pressures relate to pay, contractual inflation and demand. Spending assumptions are included as set out in the table and are based on best professional estimates. The impact of pension auto-enrolment, increases in national employers contributions following government policy changes, and the national living wage are incorporated into the MTFO, along with assumptions around the tri-annual employer pension contributions, based on the latest valuation information.
- 2.20 Inflationary pressures include contracts and utilities. There is no specific provision made for general inflation and service areas are required to manage this within existing budgets. Demand mainly relates to adult and children's social care. Corporate includes levies relating to the new charge of 0.5% of the pay bill, payable to government, to contribute to the cost of training apprenticeships and a levy to be paid in relation to the Combined Authority. Changes to grant/income reflect the fall out of grants or reduction in fees and charges.
- 2.21 The following table summarises the main changes over the four years which create the overall funding gap, including cost and income changes and government funding reductions.

Council Tax requirement 2016/17 – 2019/20				
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Council tax Requirement	93.70	100.99	135.90	154.81
<i>Cost Pressures:</i>				
Contractual / Living Wage	0.83	2.28	2.23	2.17
Pay / Pensions	3.90	9.34	4.13	4.16
Demand / Demographic	19.58	11.58	6.04	1.11
Other service cost pressures	1.39	1.70	0.09	0.18
Corporate pressures	(0.84)	1.82	3.38	1.50
Base budget adjustment	(5.45)	0.00	0.00	0.00
Savings approved for 2016/17 (Feb 16)	(25.11)	0.00	0.00	0.00
Investment to deliver savings	1.39	0.00	0.00	0.00
Changes to Grant / Income	1.30	(6.27)	(5.78)	(1.67)
<i>Funding changes:</i>				
Revenue Support Grant	15.02	12.00	8.07	8.14
Business Rates	(0.29)	3.99	(0.52)	(0.53)
Top Up grant	(0.28)	(0.66)	(1.00)	(1.13)
Collection fund surplus	(2.89)	3.40	0.00	0.00
Use of reserves	(1.26)	(4.27)	2.27	0.00
Revised Council Tax Requirement	100.99	135.90	154.81	168.74
Funding available		105.34	109.87	114.57
Cumulative Funding Gap	-	30.56	44.94	54.17
Annual Funding Gap	-	30.56	14.38	9.23
Council Tax Increase – General	1.99%	1.99%	1.99%	1.99%
Council Tax Increase – Adult Social Care	2.00%	2.00%	2.00%	2.00%

Capital Programme

- 2.22 Capital investment plays an important role in improving economic opportunities across all parts of the borough. Whilst some investments contribute directly to Corporate Plan priorities, all have an indirect economic impact, for example, by providing a much needed stimulus to the economy, creating employment opportunities, supporting skills development, etc. However, capital programme resources are limited. The financing for capital expenditure on new investments is reliant on external funding opportunities, grants and other funding received from the government. The success that Walsall has had in securing a wide range of external funding may be harder to achieve as many of the sources of funding may stop or reduce, however the authority is working collaboratively with its West Midlands colleagues to secure funding opportunities.
- 2.23 The remaining flexibility is currently through capital receipts and borrowing. Capital receipts projections however are limited, and fully dependent on when council assets are sold. In the Spending Review 2015, the government announced that to support local authorities to deliver more and sustainable services, it would allow authorities to spend up to 100% of their capital receipts on the revenue costs of reform projects. In order to qualify, a "Flexible use of Capital Receipts Strategy" should be produced and reported to Council for approval. It should list each project that plans to make use of the capital receipts flexibility, and, on a project by project basis, details of the expected savings/service transformation. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years. Consideration will be given to Walsall's use of this approach and a Strategy reported to Council accordingly in February 2017 as part of the Budget setting papers.
- 2.24 Prudent borrowing is used, specifically where there is a defined business case and proven return on investment. Despite the limit to resources, significant investment is planned over the four years 2016/17 to 2019/20. The council is able to fund all existing commitments and is planning, through prioritisation of bids and resources and sound treasury management, to be able to support new investment into key services, and areas of capital investment need. The following table identifies resources and spend and work is ongoing to maximise funding sources.

Draft Capital Programme 2016/17 – 2019/21				
<u>Anticipated Capital Resources</u>	<u>2016/17</u> <u>£m</u>	<u>2017/18</u> <u>£m</u>	<u>2018/19</u> <u>£m</u>	<u>2019/20</u> <u>£m</u>
Council resources as shown in table 9	11.74	7.60	6.96	6.94
External Funding	60.23	15.72	12.92	11.92
<i>Total capital resources</i>	<i>71.97</i>	<i>23.32</i>	<i>19.88</i>	<i>18.86</i>
<u>Capital Bids</u>				
Prior Year Approvals	2.98	0.24	0.17	0.15
Rolling Programme Schemes	5.74	5.76	5.75	5.75
New capital bids	3.02	4.43	2.89	1.50
<i>Total council funded schemes</i>	<i>11.74</i>	<i>10.43</i>	<i>8.81</i>	<i>7.40</i>
Externally funded schemes	60.23	15.72	12.92	11.92
Total draft capital programme	71.97	26.15	21.73	19.32
Funding to be identified	0.00	2.83	1.85	0.46

Reserves and Risk

- 2.25 The Council's strategy is to continue to demonstrate financial stability and ensure council and service wide financial pressures are well managed. The Chief Finance Officer (CFO) advises on this in accordance with best practice, professional opinion and the council's MTFS. The Government is reviewing the funding of local government, which increases the financial risk to the council. Reserves as at 1 September 2016 are c£7m, just above the minimum level required by the MTFS. This is primarily due to the need to fund in year cost pressures in relation to adult and children's social care.
- 2.26 It is prudent for councils to maintain an adequate level of general reserves. A risk assessed approach is used to determine the required level of general and earmarked reserves, contingencies and provisions. The level of general reserves is index linked to the level of the gross revenue budget and continues to be informed by an annual risk assessment. The Council plans to have opening general reserves as required by the MTFS; the precise level determined by risk assessment. The financial risk assessment undertaken is expected to recommend that the level of general reserves is set at or around the maximum (c£12.5m) given the current pressures in the system and future uncertainty around remaining funding streams.
- 2.27 As such, Cabinet and Council will require reserves to be replenished from the current level of £7m and work is underway to deliver this.
- 2.28 In recommending an adequate level of reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of reserves and balances and compares these to the benefits accrued from having such reserves. The opportunity cost of maintaining a specific level of reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements. In assessing this it is important to consider that reserves can only be used once. Therefore, any use of general reserves above the lower minimum threshold is only ever used on one-off items of expenditure. The level of reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" which adequately protects the council (a complex and multi-disciplinary metropolitan district local authority) against potential unforeseen and therefore unbudgeted costs.

3.0 Savings and Our Approach: 2016-2020

- 3.1 A four year settlement offers a degree of increased certainty in a time of continuing financial challenges; providing benefits in relation to planning for and maintaining financial stability and managing financial risk; and providing some guarantee as to the minimum level of grant expected, as published in the Autumn Statement 2015 and subsequent final settlement provided in February.
- 3.2 The financial context has been set out in section 1 and 2 above. The achievement of further significant efficiency savings over the period of this plan is a key component of our strategy. The table below summarises the savings required over the Efficiency Plan period.

Financial Savings

	2016/17 Original	2016/17 Revised	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
Annual Financial Savings	25.37	6.00	30.56	14.39	9.23
Cumulative Savings	25.37	31.37	61.93	76.32	85.55

3.3 As indicated in section 2, savings of £25.37m were approved by Council in February 2016 for 2016/17. Work has been ongoing to identify the remaining £60.18m of savings required to ensure a balanced four year budget. The £6m of additional cost pressure in 2016/17 has arisen primarily as a result of the following:

- Increases in placement costs of looked after children (LAC) being supported. This has impacted not only on the existing LAC budget but also the ability to deliver in year savings associated with reducing looked after children costs.
- Ongoing costs pressures in adult social; care placement and package costs arising from the increasing ageing population and the pressure from hospital admissions

3.4 This £6m will be covered from reserves in 2016/17 and the ongoing pressures have been reflected in the updated MTFO, leaving £54m of ongoing savings to be identified.

3.5 To date, £67m of revenue options have been identified and these will be reported to Cabinet in October for consideration and onward consultation and equality impact assessment, prior to consideration for inclusion in the draft budget. Our approach is as set out in the Corporate Plan, seeking to maximise resources, reduce costs and target those reduced resources at those most in need of support.

3.6 Walsall recognises that difficult decisions will have to be made in how we allocate these reduced resources. The Strategy has been to deliver the efficiency savings required to close the financial gap through a transformational agenda, incorporating the following:

- **Demand management (c£10m of options)** – reducing and eliminating as far as possible, unavoidable demand (caused by the council not doing something or not doing it right) and delivering better outcomes to residents and communities by better targeting support and services to where they are most needed and developing residents' independence and community resilience, with a further benefit of saving money through achieving operational and financial efficiencies by:
 - Removing duplication and waste
 - Enabling customers to serve themselves
 - Targeting resources, and aligning supply more closely to demand
- **Channel shift (c£6m)** – through use of digital technology, with a decreasing dependence on face to face service contact (other than for the vulnerable) and a roll out of digital solutions for contact and transacting with the council. This will be delivered alongside a consolidation of custom contact centres to support the provision of accessible, efficient contact at reduced cost.
- **Review and redesign of services (c£14m)** – this is aimed at rebalancing the relationship between the council and its citizens, so the council can target its scarcer resources on the most vulnerable. Partnership working, and the voluntary

and community sector are key to this. This element of the programme also includes building on emerging locality models across services.

➤ **Reducing costs –**

1. either through efficiencies (**c£19m**) or
2. stopping or decommissioning certain non-statutory services and functions (**c£8m**) or through
3. Back office savings (**c£2m**)

It is however recognised that the council can no longer provide universal services to all and some services must be targeted to those most in need, meaning in some instances, the council will no longer provide some services by 2019 or will provide them in a different way.

- **Income maximisation (c£8m)** – through fees & charges, an increased commercial approach to traded services, growth dividends (increasing Business Rates, New Homes Bonus through stimulating regeneration in the economy), traded services, better use of assets, through both investment and divestment of assets.

3.7 Partnership working is key to delivering differently. Since the mid 1990s, Walsall has increasingly collaborated with its neighbouring local authorities of Dudley, Sandwell and Wolverhampton across the 'Black Country' footprint. There is recognition that our individual economy histories and future fortunes are closely bound together and transcend local authority boundaries, and that by working collaboratively with public, private and voluntary partners at a sub-regional level there is the potential to create multiple benefits and increase the effectiveness of economic regeneration initiatives for all four areas. Over the last 25 years, Black Country collaboration has organically developed, matured and been formalised and the sub region continues to reap the benefits of this strength and consistency in political leadership.

3.8 The council is part of a number of key partnerships, including;

- The *Association of Black Country Authorities* (ABCA), established in 2008 by the four Black Country local authorities to formalise previous informal arrangements and in particular to provide a forum for discussion of matters of common interest to member authorities to coordinate joint action and working, a route for consulting and liaising with other bodies on matters of joint interest and representing the collective views of the Black Country authorities.
- The business-led *Black Country Local Enterprise Partnership* (LEP), established in 2011, building further on the history of collaboration between business, local authorities and public sector partners and continuing the delivery of the 2033 vision. The strong business focus to the LEP enables businesses to collaborate together and jointly address the barriers to growth with the public sector. There is now an openness in public/ private collaboration and a growing level of trust and understanding.
- The *West Midlands Combined Authority*, providing Walsall with the opportunity to work with its partners across the region to maximise regeneration and transport investment, as well as deliver more efficient regional services.
- *Better Care Fund pooled budget*, working towards further integration of health and care services across the borough. With the financial uncertainty and

pressures facing both sectors, partnership working is ever more key to successful delivery of these services.

- *Walsall Together* – A partnership involving Walsall Clinical Commissioning Group, Walsall Metropolitan Borough Council, Walsall Healthcare NHS Trust and Dudley and Walsall Partnership NHS Trust - as the main commissioners and providers of health and care services for the people of Walsall – to working together to meet the significant challenges facing health and care in Walsall. The partnership's aim is to strategically plan to transform health and care in Walsall in order to meet the triple aim of improving the health and well-being of the local population, improving the quality of care and achieve financial sustainability. The Partnership will deliver a programme of transformation projects to achieve these improvements, including Integrated Health and Care Teams, Intermediate Care, Access and Healthy Resilient communities

- 3.9 The increased certainty of a four year settlement will provide a further opportunity to continue to work with partners to transform services and to develop integrated approaches to service delivery.

Summary

- 3.10 A four year settlement offer provides some level of certainty to assist forward financial planning and that is welcome, albeit there remains considerable uncertainty as to how 100% retention of business rates will impact Walsall, a council judged (Indices of Deprivation in England, released September 2015 by DCLG) the 33rd most deprived local authority nationally (out of 326), and how and indeed whether it's relatively high needs will be accommodated in the funding review. Walsall will need to make some difficult decisions to meet this financial challenge. However, the Council is well on its way to delivering this. This Efficiency Plan sets out the significant financial challenges facing Walsall over the period 2016 to 2020 and its strategy for meeting these challenges.

Corporate Plan 2016-2020



Walsall Council

Foreword by the Leader of the Council

Walsall is a wonderful place. As a resident and as someone involved in the community for many years I see some great people, communities and organisations that make Walsall a great place to live, learn, work and invest. The diversity of communities from Aldridge to Willenhall has led to a borough with a unique identity. This identity is underpinned by the many and varied backgrounds and cultures within our borough. However, I also recognise the challenges that the Council has to meet, the main challenge being a financial pressure placed on this Council which forces us to make tough decisions. I make no apology, within an environment of reducing budgets we have an obligation, and it is a key principle of this administration, to ensure we deliver services at a scale and intensity proportionate to the degree of need. Both parties to the Coalition will work tirelessly to meet this objective and I will demand from my cabinet and officers that they too keep this principle at the forefront of our thinking.

Since the last time I was in office the deep cuts have got deeper, we will have a balanced four year budget and there will be a golden thread leading from this corporate plan all the way through to service delivery. Whilst our budgets have reduced by over £84m in the last four years I do not see the financial situation improving over the next four; indeed it will probably get worse and it is anticipated that a further £86m of savings will need to be found over the next four years. I will not stand by and cut services indiscriminately. We will apply our thinking across the Council and the region to protect the most vulnerable. We will use the many and varied resources to be found in our wonderful communities to help restore pride in Walsall.

This corporate plan identifies the Coalition's priorities. In short we will be focused on reducing inequalities and maximising potential. If at the end of my period of office I can say I have delivered that, I will have succeeded.

Our commitment to delivering our services at a scale and intensity proportionate to the degree of need applies to all the people of Walsall. It is not dependant on age, ethnicity, sexual orientation, faith, disability, gender or race. However, the young people of Walsall are our future and deserve the opportunity to grow up in a safe, clean and caring environment. We will not let them down.

My Cabinet and I will continue to find new and better ways of doing things to ensure we deliver the maximum output from our limited resources. We will work with our partners locally and across our region to continually improve what we do and how we do it. This corporate plan will be followed by an action plan which will produce the detail of how we will deliver a transformation in terms of our relationship with residents. We will listen to all our wonderful communities and they will have the opportunity to play a role in continuing to make Walsall a wonderful place to live and work.

We are now very close to becoming a Combined Authority; this will give us many new opportunities to work with our neighbours at a different strategic level and have a greater influence over strategic decisions within the region. The priorities I set out here will be our priorities within the Combined Authority.



Councillor Sean Coughlan
Leader of the Council

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Our Purpose

Walsall Council exists to serve the people and communities of Walsall, by representing and working with them to protect and improve the quality of life for all, particularly the most vulnerable. Our purpose is to:

Reduce inequalities and maximise potential

By working to reduce health, social and economic inequalities the potential of the area, local businesses, communities and people will be maximised, making Walsall Wonderful.

We do this with limited resources and so must always work to ensure that public money is targeted to where it is most needed and used in the most efficient way possible.

We are led by the communities we serve who help shape the services we provide and we help those communities to make a positive difference to their own lives through active civic engagement and cooperation.

Walsall Council in 2020

In 2020 the Council will be a key enabler of improvements to Walsall, its Districts and the region, working innovatively and collaboratively with strong and resilient communities, public sector partners, voluntary organisations, schools and businesses to shape services that deliver real and sustainable improvements to people's lives.

The Council will by necessity be smaller and so do fewer things. Services that will continue to be provided will be delivered in a very different way to how they are now. Our efforts will be focused on reducing inequalities and maximising potential, ensuring people are safe, and narrowing the gap in life chances by helping them to lead healthy and fulfilling lives, increasing aspirations and remaining independent for as long as possible. In doing this we will support active civic engagement and cooperation.

Our Values

Our values will help us to achieve the Council's purpose and objectives. They will help to deliver our priorities and shape how we as a Council will work in our local and regional communities. Our values underpin the way we operate as an organisation. They influence our choices and our behaviours - they are the thread running through everything we do.

Honesty and integrity

For our residents and staff to respect and value the things that we do, we must act with honesty and integrity in all that we do. This includes being open and transparent in order to build trust and ensure accountability that drives improvement.

Fairness and Equality

We will take people's different needs into account valuing diversity and challenging discrimination. We will ensure, wherever we can, that our decisions protect those who experience discrimination or exclusion and whose needs are greatest.

Value for Money

We have to live within our means and, as guardians of public money, we must ensure that every penny spent is used effectively and efficiently, whether we deliver directly or commission externally to ensure good quality services.

Innovation and Collaboration

We will not be constrained by organisational barriers or traditional ways of working but proactively seek out new and innovative ideas and work in cooperation with others to create more seamless, cost effective and customer friendly services.

Listening and Responding

We will empower staff and communities, and listen to their views ensuring there is active, two way engagement that puts communities at the heart of all that we do.

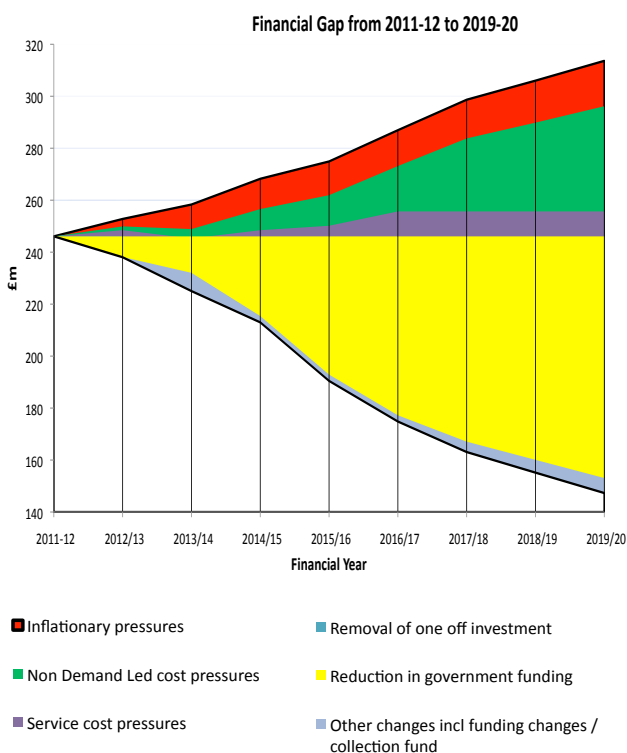
Finances

The Council, as recognised by our external auditors, has been well run financially across a number of years, continuing to balance the books and meet tough savings targets, whilst largely protecting front line services. Like other local authorities, however, we continue to face exceptional budgetary pressures, driven by increases in demand and unprecedented cuts to public services.

The Government's July 2015 Budget confirmed a continued commitment to austerity as well as a raft of measures in welfare and housing that are likely to push up demand still further. This has left Local Government struggling to find solutions to the new financial environment.

Reducing grant funding from central government, and rising costs, means a projected £86 million gap in finances, which needs to be closed over the next four years. The scale of this reduction means that radical changes need to be made. This is in addition to £100 million reductions we have already found in the previous 5 years to 2016/17.

The graph below illustrates the extent of our financial challenge.



The Borough of Walsall



Walsall has a rich history, with a market dating back to 1220, the 'town of a hundred trades' maintains a high degree of innovation amongst local companies and adds to the vibrancy of our communities.



The Borough benefits from extensive countryside particularly in the east of the borough incorporating attractive green spaces such as Barr Beacon, Pelsall Common and Brownhills Common; a number of attractive urban parks notably Walsall Arboretum with its new visitors centre, Willenhall Memorial Park and Palfrey Park.



Our central location within the UK provides access to a large market for companies and a wide range of job opportunities for residents, whilst the central position on the motorway network provides an opportunity to develop attractive employment locations to attract new investment and employment.



There has been significant investment in the borough, with over £376 million over the last 6 years in the town centre alone, including £11m Business and Sports Hub at Walsall College, £32m HQ for Jhoots Pharmacy, £12m cinema development at Walsall Waterfront and £7.8m Primark and Co-op project as part of redevelopment of the Old Square Shopping Centre.



Walsall had the fifth fastest growing economy in the country between 2009 -2013 for the value of goods and services it produces and the Council is committed to supporting businesses to thrive and helping local people into work.



Walsall has a number of successful visitor attractions, including the award winning New Art Gallery and Leather Museum.

Our Communities

Local Communities

Walsall is a town of many districts and many communities. We recognise and value the diversity across the town and in our local communities from Brownhills to Darlaston, Willenhall to Aldridge and Bloxwich to Caldmore and Pleck, to name just a small number.

The Council is just one of the organisations in the borough that has a role in meeting the needs of local people. We work collaboratively on a day to day basis with our partners to provide vital services to residents.

Whenever it makes sense, we will always look to work in partnership. True partnership is not activity for its own sake, it is a collective commitment to improve Walsall, grounded in the realisation that we can achieve more together than we can alone.

Our relationship with the voluntary and community sector is particularly important and will become increasingly so as we strive to design services around local need.

Walsall's role in the region

Walsall has an established track record of collaborating with partners across the Black Country and the West Midlands to achieve progress in areas of key strategic importance for both Walsall and the region, such as:

- Greater economic growth
- Better job prospects and skills training
- Access to funding opportunities
- Transport improvements

Walsall has always worked closely with its neighbouring Black Country local authorities through ABCA (The Association of Black Country Authorities), and this important relationship was further strengthened and formalised with the establishment of the Black Country Local Enterprise Partnership (LEP) which provides opportunities for business communities and the public sector to work effectively together to drive economic improvement. This led to a successful award of some

£160m of Local Growth Funding in 2015 aligned to outcomes in the Black Country Strategic Economic Plan. Walsall is enjoying significant investment from this fund over the coming years, including M6 Junction 10 improvements.

Regional collaboration has been taken further by the establishment of a West Midlands Combined Authority which Walsall signed up to in March 2016. As a core, constituent member of the WMCA alongside our Black Country LEP membership, Walsall is in a strong position to contribute to and benefit from the establishment of the Combined Authority and Government's proposed Devolution Deal, which, taken together with other funding and financing mechanisms, might see up to £8bn invested in improving the economic prospects of the West Midlands over the coming decades.

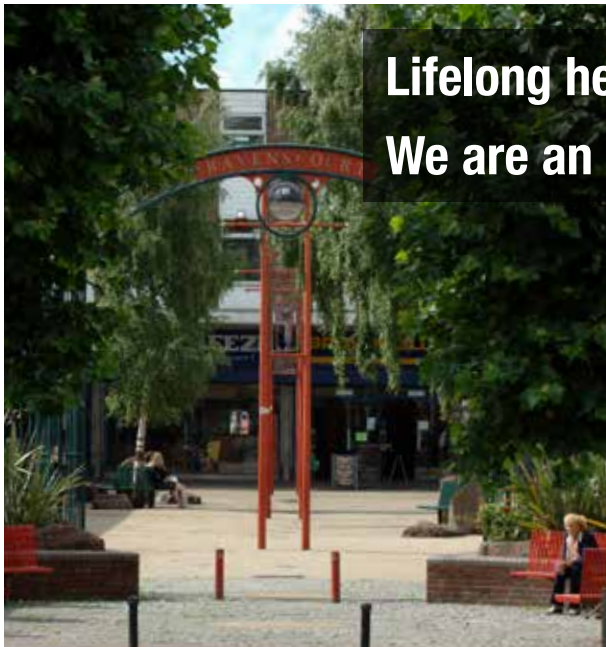
Some key policies and strategies:

- Walsall Strategic Economic Framework
- Black Country Strategic Economic Plan
- Walsall Health and Wellbeing Strategy
- WM Strategic Transport Plan – 'Movement for Growth'
- WMCA Employment and Skills Strategy

What will Walsall do to continue to play its part in the region?

- Continue to be a key player in the Black Country LEP, acting as accountable body for its Growth Funding
- Contribute to the work towards a formal WMCA devolution deal
- Develop projects and programmes for funding that will assist the economic improvement of the Borough
- Ensure that Walsall's best interests are strongly represented and investment enhances the towns, communities and neighbourhoods of the Borough as a whole

Our Priorities



**Lifelong health, wealth and happiness
We are an efficient and effective council.**

**Sustainable change and
improvement for all
Our communities are
engaged and sustainable.**



**Safe, resilient and prospering communities
Staff are empowered and quick to adapt.**

Lifelong health wealth and happiness

Creating jobs and improving educational achievements will both help residents ensure they have the right skills and confidence to find suitable, sustainable employment that helps them achieve greater financial stability and reduce reliance on short term high interest loan providers and the state.

Continuing to promote health and well being and enabling residents to find suitable opportunities to be active through the range of services provided will help people live independent, healthy and active lives.

Developing healthy and sustainable places and communities and continuing to tackle all inequalities will help to strengthen and empower our diverse communities.

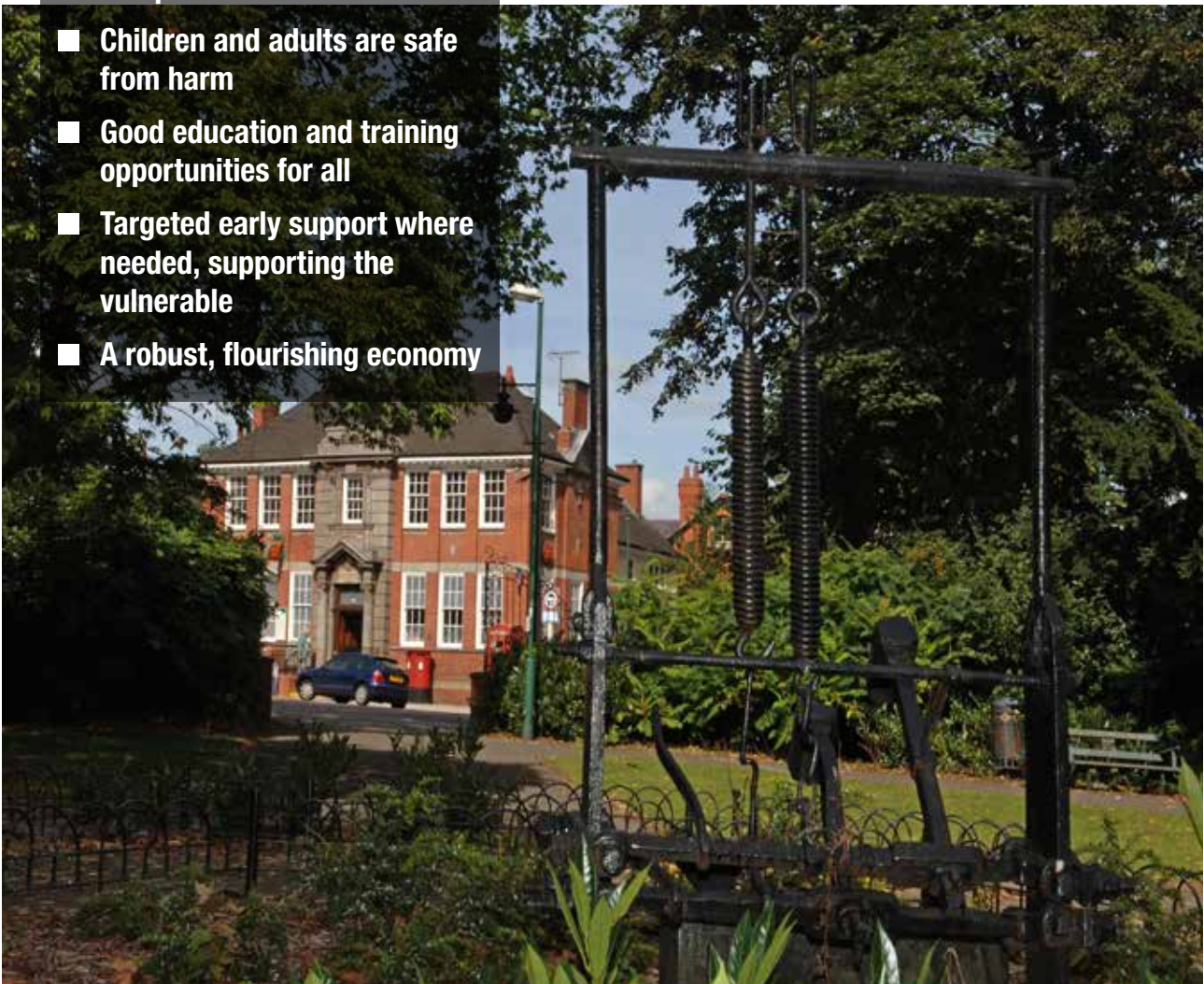
- Preventing and tackling ill-health, supporting greater independence

- Children and adults are safe from harm

- Good education and training opportunities for all

- Targeted early support where needed, supporting the vulnerable

- A robust, flourishing economy



Safe, resilient and prospering communities

Our communities represent the history of our borough and remain the focus of all that we do. Walsall has a proud history of being the 'town of a hundred trades' and the diversity in our communities is a continuation of our history with strong cohesion and pride evident across the borough.

Moving forward we will champion all development opportunities that will strengthen and build capacity within our communities, empower them and celebrate our diversity and cohesion.

To empower communities we need to listen and putting Walsall residents and businesses at the heart of decision making, more integrated work with all partners and identifying opportunities for greater integration of community assets will improve access to key services. A cooperative approach, tailored to local need and demand, can help us deliver more with less as existing assets and potential become fully utilised.

- **Our work with communities, businesses, voluntary organisations and in district centres is co-ordinated and they feel supported and championed**
- **Strengthening community pride and cohesion, empowering residents and celebrating our neighbourhoods.**
- **Creating more local and sustainable employment opportunities for local people; supporting business growth.**
- **Increased local volunteering and community managed facilities.**

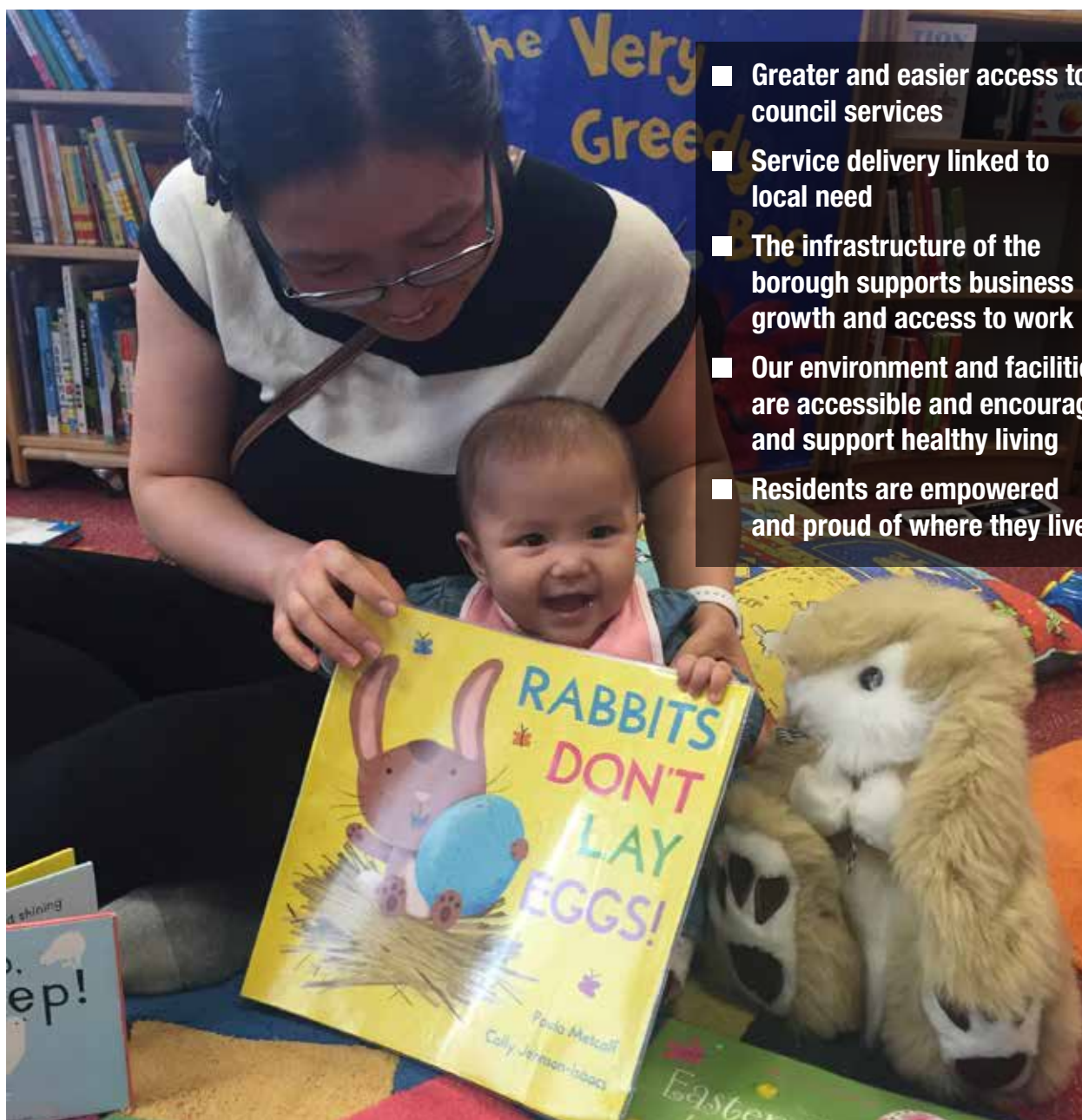


Sustainable change and improvement for all

The continuing financial challenge that the council faces means we have to look at what services we provide and how we deliver them whilst continuing to prioritise reducing inequalities.

We will seek ways of improving access to services for those that need them by maximising the potential in electronic access to services (digital platforms) and in our community assets.

We will work with and empower our local communities to keep the borough clean and tidy and maximise the use of parks and green spaces to support healthy living and protect the environment.



- Greater and easier access to council services
- Service delivery linked to local need
- The infrastructure of the borough supports business growth and access to work
- Our environment and facilities are accessible and encourage and support healthy living
- Residents are empowered and proud of where they live

Delivering this plan

This plan sets out our priorities and ambition for Walsall from a strategic view. It is supported by a comprehensive plan of activity and a number of performance measures that will be regularly monitored. It is important that we closely check how delivery of priorities is progressing so we can if necessary take corrective action.

Every member of cabinet plays an important role in championing these priorities on behalf of our communities and in monitoring delivery and performance.

The importance of the council's workforce in delivering the ambitions of this plan is recognised, as is their professionalism and commitment to delivering quality services in increasingly challenging financial circumstances. It is important therefore that we continue to identify and deliver efficiencies and that staff feel empowered in their roles so they can adapt to meet the needs of our communities.

If you would like this document in another language or format contact please contact

Change and Governance

Phone 01922 653732

Text 01922 654000

Email BusinessChangeProgrammeOffice@walsall.gov.uk

Change & Governance

Walsall Council

Council House

Lichfield Street

Walsall

WS1 1TP

Tel: 01922 653733

Email: BusinessChangeProgrammeOffice@walsall.gov.uk

Web: www.walsall.gov.uk



Walsall Council

Medium Term Financial Strategy (MTFS)

Updated : June 2016

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1. INTRODUCTION

The council has been operating a medium term financial strategy (MTFS) since 1999. The main objectives of the strategy are to set out how the council will structure and manage its finances now and in the future and to ensure this approach facilitates delivery of the council's vision, aims and objectives.

In practice the MTFS is very much a part of the council's mainstream activity, and whilst this document seeks to bring together in one place the major components of the strategy, in practice elements of it are evident in a range of council documents such as the corporate plan, and monitoring reports, and of course in our activities, processes and culture. The MTFS document considers a wide range of issues, under the following headings:

- Our key financial objectives
- The principles adopted in strategically planning our finances
- Our operational principles
- The identification and management of risk
- The impact of joint plans with other stakeholders
- The resulting medium term financial plan

The principles are intended to remain relatively constant thus providing a robust and consistent approach that maintains the council on a sound and stable footing, whilst enabling us to deliver better outcomes for our citizens, take out waste and radically change the way we deliver our services. Although intended to remain broadly constant, these principles will continue to be reviewed and refreshed each year to reflect our learning and our adaptation to the changing demands of our citizens.

The national and local context elements will vary more frequently and influence the baseline position and future outlook. For those reasons, these elements of the MTFS will change more substantially each year, whilst remaining true to the principles established.

Risk will be managed using our established best practice principles. Prevailing risks will be identified and managed within that framework and updated regularly, according to the nature of each risk. We also use this process to identify and maximise opportunities.

Councils increasingly operate within the wider local, sub-regional, regional and national communities; working with a range of partners and other stakeholders to deliver joint aims and objectives, most notably those in the Walsall Local Compact (an agreement between Walsall Council, the local NHS, Walsall Partnership and the Voluntary and Community Sector). It is essential, therefore, that the financial implications of joint work are considered and addressed, demonstrating how the MTFS has contributed to the delivery of the council's own vision, and those of

partners and stakeholders either collectively or individually. All the above components inform the production of a medium term financial outlook (MTFO). This effectively translates the strategy into a practical plan of action for the council. The MTFO for 2017/18 – 2020/21 is currently under construction.

2. INTEGRATED PLANNING & PERFORMANCE

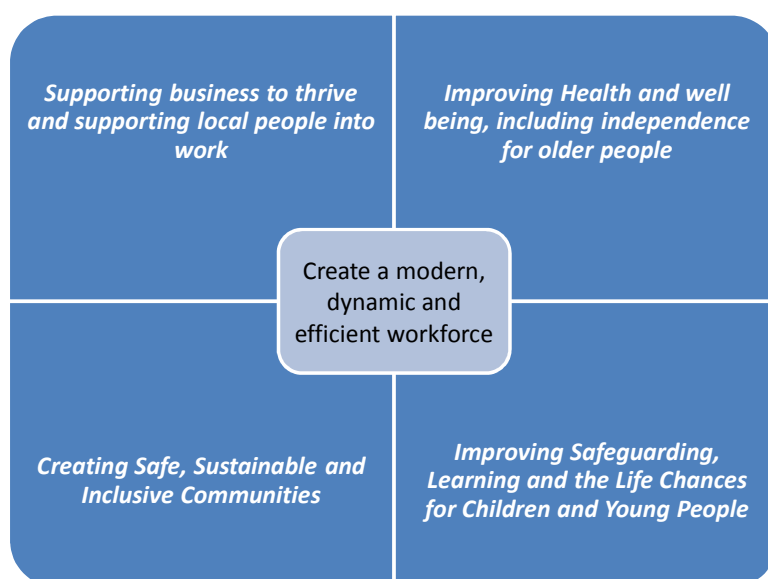
The Walsall Corporate Plan serves as a support or guide for the delivery and improvement of services to ensure the appropriate level of governance is maintained.

The Council exists to benefit the public, responding to their needs to ensure the delivery of effective local services. We do this with limited resources and so must always work to ensure that public money is targeted to where it is most needed and used in the most efficient way possible. This means we need to listen to the demand coming from local people and build up a thorough understanding of how we can better serve them by equipping our staff with the skills, knowledge and freedom to respond. It also means we need to look outside our own organisation and work with partners in the public, private and voluntary sectors.

The plan will be achieved through the Council working more smartly in the way it operates through an ambitious change programme that attempts to bring this about through taking out waste and spending less, improving customer service and changing the way we do our business. The way the council does its business will be underpinned by good governance and upholding high standards of conduct. But as well as a specific programme of change, this is also a culture that will become embedded within the council, underpinned by five key priorities:

Our vision, objectives and priorities, underpinned by our values are expressed in the Corporate Plan 2016-2020, as approved by Council on 25 February 2016, and summarised in **figure 1** below.

Figure 1- our priorities



3. THE FINANCIAL FRAMEWORK

The financial framework is an integral part of our planning process and comprises a series of documents and processes which together facilitate our strategic financial planning and operational financial management. The financial framework does not exist in isolation; it is inextricably entwined with other planning processes, most notably the various levels of service planning, risk management and employee performance.

The key aspects of the financial framework are as follows:

THE FINANCIAL FRAMEWORK					
CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	RISK MANAGEMENT
	Medium Term Financial Strategy				

Strategies			Capital Strategy	Treasury Management (TM) Strategy	Risk Management
Guidance	CIPFA and technical guidance	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	Risk Management Toolkit
Plans	MTFP	Annual Budget	Capital Programme and Asset Management Plan	Treasury Policy Statements	Risk Management Action Plans
Governance	Constitution	Budget Management and Control Manual and the Annual Governance Statement		Prudential Indicators & Annual Report	Risk Register reporting and regular review
	Contract and Finance Rules				Audit Committee Reports and Annual Report
	Internal and External Audit Plans and our response to inspection and audit				

4. KEY FINANCIAL OBJECTIVES

A main objective for the council is to maintain good long-term financial health. Achieving this allows us to deliver good quality, value for money services, shaped by our customer demand. Services that are modern, efficient, effective, and fit for purpose. This requires a framework that delivers both continuous, adaptive improvement and core strength.

How we will achieve this is through:

1. Financial Governance and Leadership
2. Financial Planning
3. Finance for Decision Making

4. Financial Forecasting and Monitoring
5. Financial Reporting

1 Financial Governance and Leadership

1. Our top management will be financially literate and able to understand fully the financial environment in which the council and our partners operate. Senior management and budget holders will operate within the approved financial framework at all times.

2 Financial Planning

1. Our financial planning will be inextricably linked to the council's strategic and corporate planning process. Our financial plans will reflect the councils key strategic priorities.
2. The council will take a longer term approach to financial planning and budget setting, allowing for a more strategic focus to service re-design and savings aligned to the longer term priorities of the council. This annually updated medium term financial plan will integrate current expenditure plans and investment programmes with cash-flow and balance sheet projections, developed in the context of a longer-term strategy, which supports the council's corporate plan.

3 Finance for Decision Making

1. In developing our strategic and corporate plans we will consider the value for money achieved by allocating resources to different activities.
2. We will understand the financial implications of current and potential alternative policies, programmes, and activities.
3. We will analyse our cost profiles and cost drivers and how they will behave under different circumstances
4. We will understand the whole-life costs associated with capital investment.

4 Financial Monitoring and Forecasting

1. Top management will assure itself that financial performance to date and forecast financial outturns are accurate and in line with the plan, including cash-flow and balance sheet projections.
2. Variances will be identified as soon as possible, so that management can either take corrective action to manage unfavourable variances or apply any favourable variances to corporate priorities.
3. The underlying costs of the organisation's key activities and how these are profiled over time will be monitored and reviewed.
4. Financial information will be integrated with non-financial performance and activity information. Together, such information forms the basis for financial forecasts and enables value for money to be monitored.

5. The financial information used both for setting the budget and internal accountability, monitoring and forecasting throughout the year is derived from the same systems that are used to generate the results reported externally in the organisation's statutory financial statements.

5 Financial Reporting

1. To run the organisation effectively, top management will have up-to-date financial and non-financial performance information on a timely basis.
2. Reports will be presented in a form that is tailored to user needs, are easy to understand and highlight the key financial issues that they need to be aware of.
3. For its part, top management needs to provide timely, accurate and balanced information about its stewardship and use of resources and its non-financial performance to the organisation's different stakeholders. Such information will be presented in a form tailored to meet their needs.

The principles within which we will work to deliver our aims and objectives are described in the next section.

5. STRATEGIC PRINCIPLES

Our strategic principles relate to how we will deliver our overarching objectives, ensure good governance, a strong control environment and consistently adopt a longer-term perspective in all aspects of financial planning.

A: LEVELS OF REVENUE RESERVES AND CONTINGENCY FUNDS

CONTEXT: The council shall maintain a prudent level of general reserves, which, in the same way as central revenue contingency, will be index linked to the level of the gross revenue budget and continue to be informed by a financial risk assessment. A prudent central capital contingency will also be established.

- A1 The council will establish opening general reserves of between 1% and 2% of the gross revenue budget approved by Council each year.
- A2 A central revenue contingency of between 0.1% and 0.15% of the year's gross revenue budget will be established for each financial year. In addition, specific earmarked reserves and provisions will be established as required, on the advice of the CFO.
- A3 The precise level at A1 and A2 being informed by risk assessment and set by the Chief Finance Officer (CFO).
- A4 The level of general reserves, specific earmarked reserves and central revenue and capital contingency will be reviewed each year by the CFO and reported to Cabinet, informed by a comprehensive risk assessment and consideration of the opportunity costs of maintaining reserves at certain levels.

B: MANAGEMENT OF FINANCIAL RISK AND OPPORTUNITY

CONTEXT: The council embraces the concept of risk and opportunity management, taking a proactive approach to the identification and management of risk to ensure we are best placed to seize the opportunities that we have.

- B1 Financial activity will take place within the principles set out in the risk management strategy.
- B2 In constructing and assessing the annual budget for the forthcoming year, a comprehensive financial risk assessment will be undertaken for all parts of the budget, including sensitivity analysis and active steps will be taken to manage identified risks.
- B3 We will not be risk averse, and will seek to seize and maximise opportunities by the appropriate identification and management of risk.

C: INCOME

CONTEXT: The council has a good track record in securing external grant funding. This will be embraced within a wider inclusive income generation strategy that seeks to maximise income in accordance with our priorities and receive all types of income as promptly as possible.

- C1 We will develop and maintain an overarching income generation strategy and charging policy.
- C2 We will seek to maximise income in accordance with the council's priorities.
- C3 We will seek to promptly receive and recover all income due to us.

D: RESOURCE ALLOCATION

CONTEXT: The council will allocate resources in line with council priorities and with regard to our statutory obligations.

- D1 Capital and revenue resources will be allocated according to the vision, aims, objectives, and priorities approved by Cabinet.
- D2 Within the remit of D1 above, resources will be allocated through an options appraisal process, which has regard to: current and future required levels of service delivery and delivery methods and performance, investment needs to secure service improvement and/or invest to save, legislative changes, best practice development, affordability tests and whole life costing where appropriate, in order to demonstrate value for money.
- D3 The council will demonstrate value for money by critically examining services that meet citizen demand and how they meet quality cost and delivery metrics.
- D4 All Government funding intended for schools will be passed through to schools unless there is a clear objective policy decision to do otherwise.
- D5 No other predetermined earmarking of revenue funding will occur i.e. unringfenced grant will be pooled centrally to meet priorities, unless approved otherwise by Cabinet.

E: ACCOUNTABILITY

CONTEXT: The council requires senior managers to formally acknowledge they recognise their responsibilities to deliver services to the required standard within budget, and to implement any savings and investment allocated to their areas.

Relevant members and managers are required to participate fully in all aspects of the financial processes.

- E1 All senior managers (i.e.: chief executive, executive directors, assistant directors, heads of service, budget holders, etc) and members of the Cabinet are required to participate fully in budget setting and management processes.
- E2 Managers are personally accountable for delivering their planned service outputs within the cash limited budget allocated to them.
- E3 The council (through the CFO) will regularly review its financial management arrangements to ensure they remain fit for purpose.

F: LOCAL TAXATION

CONTEXT: Our aim is to see that our council tax is appropriate to support the provision of good quality, value for money council services.

- F1 The council will establish and maintain local tax at a level that ensures adequate ongoing income sufficient to support planned levels of expenditure.
- F2 In setting the local tax level each year, the council will ensure that the annual increase is sufficient to ensure adequate resources are available to provide both the current and planned levels of service provision reflected in the annual budget and adequate specific and general reserves in the context of the medium term.
- F3 The council will publish indicative increases for future years where this is required, and if not required, where this is possible and appropriate.
- F4 The use of future funding mechanisms such as Tax Incremental Financing (TIF), Enterprise Zone business rate uplifts, etc. will require full analysis and approval before adoption.

G: TREASURY MANAGEMENT

CONTEXT: We have a successful track record of effective treasury management, securing low cost borrowing to fund capital investment. Our aim is to continue to do so within the requirements of the prevailing policies and Codes of practice.

- G1 All borrowing and/or investment activity will be carried out in accordance with the Prudential Code, the Code of Practice for Treasury Management, the council's approved Treasury Strategy and treasury policy statements and within approved prudential indicators, having the highest regard for prudence, affordability and sustainability in the longer term.
- G2 The overriding investment strategy will be to protect the principal, ensuring liquidity, whilst minimising risk. Maximising yield will always be subsequent to these.

- G3 Appropriate use will be made of the Prudential Code for capital investment within approved prudential indicators and subject to medium term affordability and sustainability.
- G4 The treasury management panel, chaired by the CFO will oversee this and report on performance regularly to Cabinet. This will include prudential indicators, financial health indicators, borrowing and investment performance and outturn against budget.

H: CONSULTATION

CONTEXT: The council consults with stakeholders in advance of the budget being set. Our approach has become increasingly sophisticated in recent years, and we now have comprehensive consultation, the outcomes of which are used to inform the final budget.

- H1 Residents, service users, business ratepayers, employees' and their representatives, and other stakeholders will be consulted on the budget and the presentation of financial information.
- H2 An equality impact assessment will be conducted both for individual service policy and organisational structure changes prior to submission of the budget to full Council for approval.

I: CAPITAL PROGRAMME

CONTEXT: The capital programme represents, in financial terms, the council's capital investment priorities. This is a complex, regulated area and is governed by a defined Capital Strategy and guidance. The council has comparatively limited council funds available for capital investment and therefore will focus on use of external and match funding to maximise a range of funding sources and the use of the Prudential Code, where appropriate and affordable, to deliver the council's objectives.

- I1 The capital programme will be constructed in accordance with the principles outlined in the council's approved Capital Strategy, and aligned with the corporate property strategy and the asset management plan.
- I2 Borrowing limits will be in line with the advice of the CFO and the Treasury Management Strategy approved by full Council.

J: INTERNAL CONTROL AND REPORTING

CONTEXT: The maintenance of a sound governance framework and internal control environment is paramount, and the council has worked hard to embed good corporate governance. Within the prevailing internal and external protocols and guidance we will strive to deliver best practice in this important arena.

- J1 The council will re-affirm the Local Code of Governance.
- J2 The council will maintain at least an adequate overall internal control environment.
- J3 The council will maintain a fit for purpose overarching financial governance framework as set out in this MTFS and ensure it is kept up to date as appropriate, to reflect the changing financial environment and best practice.
- J4 The Head of Internal Audit will provide an annual opinion to those charged with governance, on the overall internal control environment and this will be used to inform the Annual Governance Statement (AGS). The AGS will report on the overall effectiveness of the internal control environment, including any areas for improvement and plans to address these.
- J5 Financial monitoring and reporting will be undertaken in accordance with the budget management and control framework and in line with the published corporate financial monitoring and reporting timetable. The council will report on the current and estimated year-end financial position, including progress against investment, efficiency and savings targets at regular intervals to both members and management.
- J6 The council will publish each year an annual statement and summary accounts that provide stakeholders with a clear statement of the operating and financial performance of the council compared to targets.
- J7 The council will publish on a quarterly basis a set of financial health indicators that are readily available to all stakeholders.

6. OPERATIONAL PRINCIPLES

Our operational principles relate to how the council will conduct its day to day business in financial terms. These are set out below:

K: CALLS ON RESERVES AND CONTINGENCIES

- K1 The central revenue and capital contingency will be allocated under the delegated authority of the CFO (or deputy in his/her absence), in accordance with prevailing designated criteria set out in the budget management and control manual.
- K2 Services are required in the first instance to accommodate unforeseen expenditure and/or income shortfalls from within their cash limited budgets in any particular year, only seeking allocations from general reserves and contingencies where this is proven to be impossible.
- K3 If general reserves are committed during a financial year, alternative savings will be identified and implemented in order to both mitigate the impact and replenish the general reserves in-year as much as possible.
- K4 Any use of general reserves in a particular year by an individual service that is not replenished in that year of account will be paid back in the following financial year, by the identification and implementation of savings and efficiencies. It is recognised that on occasions this will be achieved over more than one financial year; this will be permitted only on the prior agreement of the CFO and be referred to as a "licensed deficit".
- K5 Any calls on the use of general reserves which will take reserves below the minimum level required in the MTFS are required to be reported to Council for consideration and approval.
- K6 Calls on general reserves above the minimum but below the maximum level required in the MTFS (A1 under Strategic Principles) can be allocated by Cabinet, following written confirmation from the CFO that the intended use is appropriate and subject to K2-K4 above.
- K7 General reserves above that required by the MTFS will be appropriately and prudently earmarked in-year or at year-end by the CFO, in consultation with the Cabinet member with responsibility for finance.

L: WORKING WITH PARTNERS

- L1 The MTFO will reflect partnerships and other arrangements to give an overall picture of funding.
- L2 That any one-off and/or ongoing council contributions to the funding of and/or support in kind to partnership working will always be on the basis of:
 - a clear policy decision to do so rather than by default.

- the existence of a formally agreed service level agreement (SLA) and (where appropriate) agreement to the accountable body protocol.
- the existence of a clear, robust and achievable exit strategy at the point of consideration for approval of any funding and/or support. The council will not automatically undertake to fund any ongoing additional costs at the end of any time-limited external funding of any kind.

M: BUDGET AND FINANCIAL MANAGEMENT PROCESSES

- M1 The detailed principles applying to all aspects of financial management, including monitoring, operation of virement rules, reporting, internal control are set out in the council's Constitution and budget management and control manual. Council managers and employees are required to adhere to the principles set out within these.
- M2 The annual budget process will be governed by the annual budget framework and guidelines approved by Cabinet.

N: INCOME

- N1 When acting as accountable body for grant funding, the council will at all times operate in accordance with its agreed practices, including complying with the grants manual and accountable body protocol.
- N2 A detailed policy-led review of fees and charges at least once every two years, according to the corporate framework outlined in the budget management and control manual.
- N3 Each review will be undertaken within the requirement of a total cost recovery approach or as determined by statute or regulations i.e. building control income.
- N4 Any requests by services for use of surplus income will be considered using the councils existing windfall protocol and carry forward protocol and will be subject to a council wide outturn within budget.
- N5 All one-off, unplanned "windfall" income will be returned to the corporate centre and pooled for the "corporate benefit" and will not be utilisable by the service. It's use will be determined by the windfall protocol, the details of which are set out in the budget management and control manual.
- N6 The windfall protocol requires windfall income to be pooled centrally. A proportion of the resulting fund is transferred at year end (subject to the council outturning within budget) to the project reserve. The remaining proportion is to be utilised to manage volatile areas of spend and/or new pressures in year. The exact proportion within each is to be determined by a risk assessment and set by the CFO in consultation with the portfolio holder for finance. The detailed arrangements for managing and utilising this to be set out in the budget management and control manual.

O: COMPARATIVE SPEND & PERFORMANCE

- O1 Comparative spend and benchmarking data will be used to inform the budget setting process. The demonstration of public value and value for money will be from a quality, cost and delivery matrix.

P: CAPITAL PROGRAMME

- P1 The annual capital programme will be approved alongside the revenue budget and all known revenue costs arising out of capital spend will be included in the revenue budget.
- P2 The capital programme will be compiled using bids submitted by services, with the bids being prioritised and approved according to the council's vision and priorities and within the context of the council's capital strategy.
- P3 In addition to the annual capital programme, a prudent capital central contingency will be set, not exceeding 10% of the annual council funded element of the capital programme requirement, to accommodate unforeseen / unbudgeted expenditure (i.e. where, due to the level of uncertainty, the financial impact is not certain at the time of setting the programme). The exact level of the capital contingency is to be determined by a risk assessment and set by the CFO in consultation with the portfolio holder for finance. The contingency will be funded from an annual revenue contribution to capital outlay from the project reserve.
- P4 As an incentive, a small proportion of newly identified usable (non-ringfenced and/or not subject to secretary of state approval) capital receipts (i.e.: up to 10% of the usable/non-ringfenced element only) are permitted to be recycled to projects either within the geographical area or service from which the receipt arises, with approval for any such earmarking being sought in advance from Cabinet.
- P5 Where there is a statutory obligation to ring-fence receipts (e.g. playing fields or allotments) for a specific purpose, these receipts will be treated as specific, earmarked receipts. The spending allocation for these receipts will be required to be approved by Cabinet.
- P6 In exceptional circumstances, earmarking may occur where there is a specific proven business case, approved in advance by Cabinet.
- P7 Other than P4, P5 and P6 above, no other earmarking or underwriting of capital receipts is permitted in the interests of prudent corporate financial management and to enable corporate allocation using our policy-led medium term principles and in accordance with the capital strategy.
- P8 Reallocation of existing capital funding within years is permitted, subject to compliance with the Constitution, Finance Rules, and CFO delegations and as set out in the budget management and control manual, provided that funds are guaranteed to be available and that the allocation aligns with the council's defined priorities.

- P9 Where applicable, reserve list items approved by Cabinet and in priority order, are permitted to be started should funds become available, for example, by services reporting underspends and returning these back to the corporate centre.
- P10 Prudential or unsupported can be used in the following circumstances:
- For schemes of strategic importance to the council, approved in advance by Cabinet and where a defined revenue stream is identified to fund the repayment of principal and interest.
 - To cover temporary cash flow requirements in advance of a capital receipt, approved by Cabinet in advance.
 - To support one-off invest to save schemes where there is an identifiable net saving to be gained, with an acceptable payback period.
- P11 Borrowing under P10 and the Council's borrowing limits must be in line with the advice of the CFO and the prevailing guidance in the treasury management strategy and policy statements.

Q: BUDGET REALIGNMENT

- Q1 All budget realignment will be undertaken within the medium-term policy-led framework identified throughout this strategy document.
- Q2 All potential budget reductions will be fully financially and operationally appraised and risk and impact assessed before approval and any one off delivery costs identified and reported alongside the reduction.
- Q3 All approved budget reductions will be implemented according to a pre-determined implementation plan.
- Q4 Each approved budget reduction will be allocated to a named individual who is accountable for the planning, implementation and delivery of that budget reduction in the timescale required.
- Q5 Where it is determined in-year that a budget reduction cannot be fully implemented, the accountable manager will implement a corrective action plan and, where required, seek alternative offsetting reductions.
- Q6 Any proposed investment funding will be fully financially and operationally appraised and risk assessed before approval.
- Q7 All approved investment funding will be implemented according to a pre-determined implementation plan.
- Q8 All approved investment funding will be allocated to a named individual who is accountable for its planning, full implementation and post implementation review in the timescale required.
- Q9 The investment will be held centrally until implementation has commenced. Where it is determined in-year that a budget investment cannot be fully implemented, the investment will be returned to the corporate centre in the year

that it occurs, except where this is due to genuine slippage, as determined by the CFO.

- Q10 Revenue and capital budget realignments in year can be undertaken subject to compliance with the Council's Constitution, Finance rules (virements) and CFO delegations.

R: CONSULTATION

- R1 This will be achieved using the most appropriate methods, which may include opinion polls, questionnaires, focus groups, residents panels, presentations, the website and other methods and media, in accordance with the council's consultation strategy.

S: CARRY FORWARD PROTOCOL

- S1 A carry forward protocol will be used to reward sound budget management, by allowing the carry forward of *planned* revenue underspends and/or achieved revenue savings, up to a maximum of 50% of said underspend/saving, excluding the use of windfalls/ unplanned underspends/savings. This is dependent on achievement of planned service delivery targets/ outcomes and no overspends appearing elsewhere within the service and a balanced position council wide at year end.
- S2 Where it is proven that expenditure originally planned to fall in the previous year will now fall into the next year for sound operational reasons, up to 100% (dependent on requirements) will be permitted to be carried forward. This will be permitted to be spent on that item only and any excess not required will be returned to corporate reserves.
- S3 Where it is clearly demonstrated that an overspend has occurred for any operational service reason and/or financial management reason, between 25% and 75% of the overspend may be carried forward into the following year. The percentage will depend on the ability to recoup, the nature of the service, the track record of the relevant service, and the reason for the overspend. This would not be applied where it can be clearly demonstrated that the expenditure was unforeseeable at the time the budget was set and beyond the control of the individual manager or the directorate management team, and where the directorate had made robust attempts to mitigate its impact.
- S4 For capital projects, 'carry forward' is a means for carrying forward budgets from one year to another to cover definable commitments that have moved from one year to another, and not a means to carry forward underspends.
- S5 Any carry forward request, both revenue and capital, needs to be agreed with the CFO in consultation with the portfolio holder for finance, and evidence will need to be presented on what the defined commitment is. Approval for under/over spend carry forwards rests with Cabinet, on the advice of the CFO, within a corporate context.

T: PERFORMANCE MANAGEMENT

- T1 The delivery of required service outcomes and the achievement of financial performance will be reviewed by line managers as an integral part of the council's performance management framework through various mechanisms including but not restricted to: service plan reviews, EPR's and performance boards.
- T2 The principles outlined throughout this document will be used as objective measures of managers' performance.

7. THE IDENTIFICATION AND MANAGEMENT OF RISK

Walsall council has long embraced risk management as an integral and important part of its business processes. The concept and practices are a key element in the management of the council and it is an integral part of our governance culture.

The principles of corporate governance apply as much (if not more) in the public sector as they do in the private sector in exercising our community leadership role, working with a wide range of partners, providing diverse and sensitive services and making decisions that impact on the lives of residents, visitors, businesses and other stakeholders.

The council will continue to use the risk management framework to identify, analyse and manage the risks associated with our activities with the objective of:

- Providing objective information to decision makers;
- Reducing health, safety and environmental risks as far as reasonably practicable;
- Minimising financial and reputational losses;
- Maximising opportunities;
- Identifying cost effective risk treatment options.

The councils approach to risk management is set out in its corporate risk management strategy (CRMS) which designates responsibility for the management of risk across all members and officers of the council and was updated and approved by Audit Committee in April 2016.

The responsibility for ensuring that the council meets its statutory requirements as stipulated in the Account and Audit Regulations 2011 rests with the Audit Committee together with the responsibility for reviewing the mechanisms for the management and assessment of risk; giving assurance about the process and ensuring that corporate business risks are being identified and actively and effectively managed. A set of risk registers is maintained which are structured and reported as follows:

ELEMENT	REPORTED TO	FREQUENCY
Corporate Risk Register (CRR)	Corporate Management Team (CMT)	Twice a year
	Audit Committee and Directorate Leadership team	Twice a year
Directorate Risk Registers	Directorate Leadership Teams	Quarterly
Service Risk Registers	Service Management Teams/ Performance Boards	As required

The CRR is reported to Audit Committee which selects risks for further scrutiny. Directorate risks are reviewed and discussed at directorate management teams/performance boards. Directorate risk registers are obtained quarterly and CMT

receive details of all of the directorates' top risks and consider any for evaluation onto the corporate risk register.

Risks are evaluated both within regular monitoring reports to Cabinet and CMT and within the annual budget report to Cabinet and Council. The CFO uses this risk assessment to inform his decision on the appropriate levels of general reserves, central contingency and specific reserves.

8. NATIONAL POLICY, FINANCIAL CONTEXT AND MEDIUM TERM FINANCIAL OUTLOOK

Financial Context

The council continues to be financially stable in the normal local government context, however it is experiencing, as other local authorities are, an extremely challenging financial position. The 2016/17 budget was set using our long standing policy-led approach which delivered a balanced budget with a council tax increase of 3.99% (2% of which relates to a precept for Adult Social Care as announced in the Autumn statement in November 2015). A detailed financial risk assessment was undertaken to appraise and manage the potential impact of various demands on the budget.

Spending Review

Spending reviews set government departmental budgets over several years. It is then up to departments to decide how best to manage and distribute this spending within their areas of responsibility.

In the spending review 2010, DCLG announced a 28% reduction in funding to local government.

- A two year settlement was announced in 2010. In 2011/12 and 2012/13, Walsall experienced reductions in formula grant of £26.6m and a further reduction in specific grants of £12.2m, the total overall reduction therefore being £38.8m. This equated to a 7% reduction in total funding compared to the councils opening net budget for 2011/12.
- A further two year settlement was announced on 4 February 2013 for 2013/14 and 2014/15. The settlement for 2013/14 represented a reduction of £6.1m, but together with a 10% reduction in council tax support grant, fall out of the 2012/13 council tax freeze grant, and changes to funding of academies, the total funding reduction for Walsall was £13.9m (7.7%). For 2014/15, Walsall received a further reduction of £16.6m.

A Spending Round was announced on 26 June 2013 for 2015/16. The final grant allocation announced on 3 February 2015, results in a further reduction of £22.53m for Walsall (15.1%). This spending round is similar to a spending review, but allocates spending for one year rather than multiple years.

The 2016/17 finance settlement of £114.18m, received on 8 February 2016, represents a further £14.4m or 11.2% reduction in funding.

Total reductions in central Government funding for the seven years from 2010/11 to 2016/17 for Walsall equate to c45%.

Future Funding and Walsall's Medium term outlook

The council produces and regularly updates a medium term financial outlook, which integrates current expenditure plans and investment programmes with cash-flow and balance sheet projections, and which supports the council's corporate plan.

The future financial environment continues to be challenging for councils. We are uncertain of the direct funding implications for the years beyond 2016/17, although assumptions have been made in our medium term financial outlook around overall reductions in Government spending for this period. One of the major thrusts has been that local authorities can now keep a share of the business rates generated within the area rather than pooling for national redistribution, however this benefit is limited by other parts of the funding mechanism, such as Government top slicing of funds to meet new burdens, safety net authorities, national capitalisation targets, etc.

The Autumn Statement published on 25 November 2015 announced that the Department for Communities and Local Government will consult on changes to the local government finance system to pave the way for the implementation of 100% business rate retention by the end of the parliament. The revenue support grant, which represents less than a quarter of local government total resources, will then be phased out by 2020/21.

As stated, beyond 2016/17, funding allocations still remain uncertain but the government have issued local authorities with indicative figures for 2017/18 – 2019/20. DCLG announced on 17 December 2015 the opportunity for councils to apply for a 4 year multi-year settlement to aid their future budget setting plans. To do this, they have announced that council's need to apply to accept the offer by 5pm on Friday 14 October 2016 and include a link to their published efficiency plans. Such offer of multi-year settlements will still be subject to change to take account of future events such as transfers of functions and responsibilities, mergers and any other unforeseen event. No decision has been made by Walsall as to whether it intends to take up this offer as the benefits of this are as yet highly uncertain. Indicative projections show further reductions in funding of 9.8% for 2017/18, 6.3% for 2018/19 and 6.5% for 2019/20.

The medium term outlook is currently being re-assessed, with a number of planning scenarios being undertaken. Work is underway to establish a Four Year Budget Framework 2017/18-2020/21 to deliver the required level of savings.

Our latest monitoring reflects many national and regional spending patterns. As with all councils and public sector organisations, there are pressures in current and future years that need to be funded. A particular issue for us is the Government funding reductions mentioned above, alongside the as yet not fully known impact of recent and future expected Welfare Reforms. Alongside this, the implementation of the referendum requirement and a reduced income yield available from council tax restricts our ability to generate income overall to offset cost pressures.

The starting point for the MTFO is the approved 2016/17 base budget and provisional estimates for future years. These are currently being updated to reflect currently available information. In particular the following assumptions are used:

- A focus on a policy-led budget setting approach using corporate priorities established by Cabinet
 - Provision for inflation, contractual inflation and pay awards to all services.
 - PTE/environmental agency levies are based on up to date soundings.
 - All education schools spend and resulting budget pressures are to be funded via dedicated schools grant and other specific education grants where applicable.
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- Business rates local share retained continues at the current rate, although there is no guarantee that existing income levels will be maintained.
 - Account will be taken of changes to the council tax base and collection rates. Council tax collection rates are assumed to be 98%.
 - Full year effect of 2015/16 approved savings approvals are achieved.
 - Sensitivity analysis will be conducted on our key activities and the impact, if any, on the outlook.

The medium term outlook is currently being re-assessed, with a number of planning scenarios available. The most up to date information suggests savings of c£86m will be required over the next four years beyond 2016/17, based on a 3.99% percent council tax increase each year (the maximum level prior to triggering a referendum).

KEY DOCUMENTS – RESPONSIBILITIES
APPENDIX A

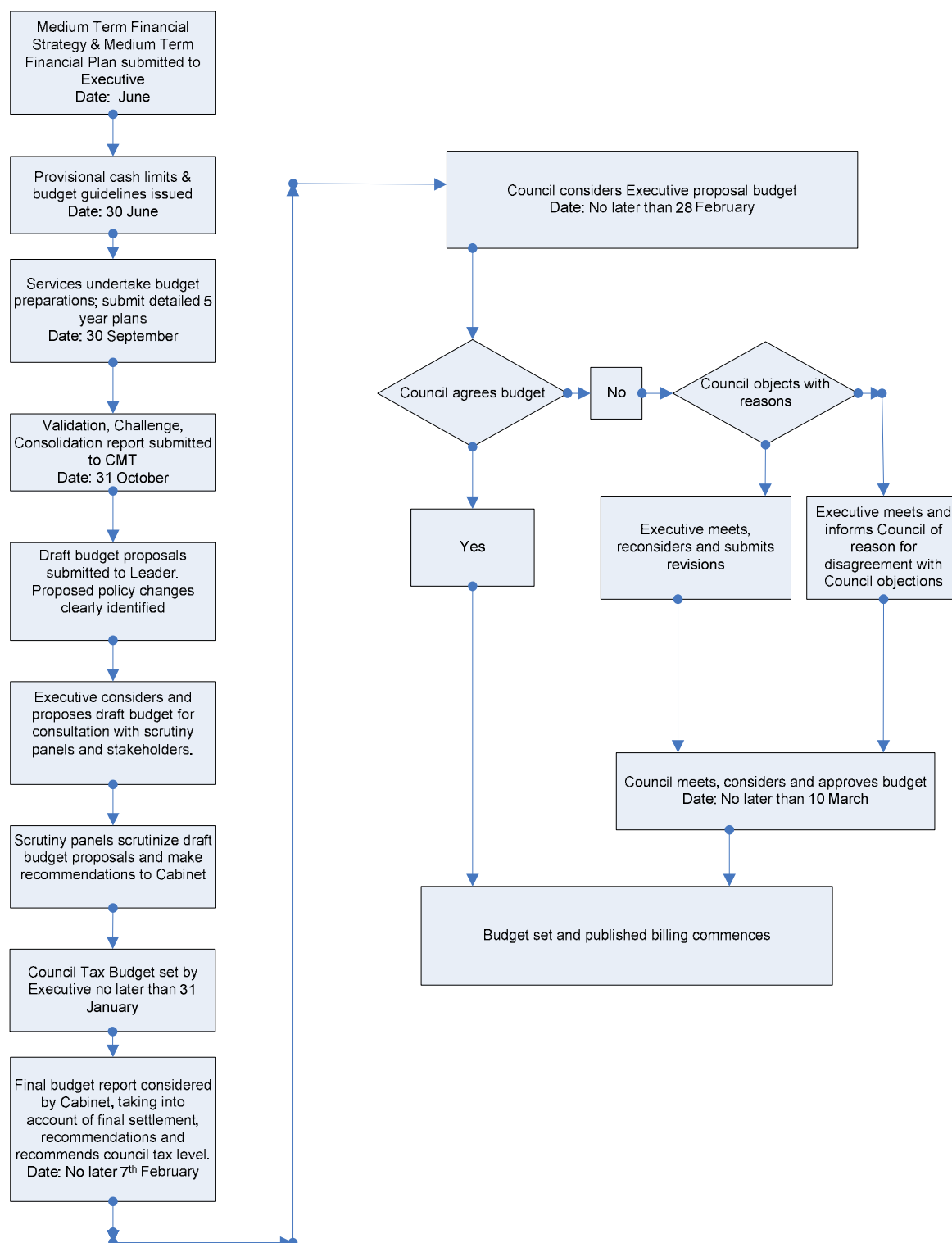
Document	Brief Description	Detailed Drafting	Officer Approval	Member Approval	Date	Review Frequency
Medium Term Financial Strategy (MTFS)	Sets out how the council wishes to structure and manage its finances now and in the future and to ensure this approach facilitates delivery of the council's vision, aims and objectives.	HF	CFO	Cabinet	Summer	Annual
Capital Strategy	The council's intentions for its capital income and expenditure to deliver the organisation's aims and objectives.	HF	CFO	Cabinet	Summer	Annual
Treasury Management Strategy and Policy Statements and Annual Report	The council's overarching strategy and operational procedures in the management of its debt portfolio and investments. Annual report on performance.	TM	CFO	Cabinet Cabinet Audit Committee	Strategy: Feb/Mar Policy Statement – Sept/Oct Annual Report – Summer/Early Autumn	Annual
Risk Management Strategy	The council's approach to managing risks to avoid unnecessary cost and reduce liability, whilst still maximising opportunities available.	HF/SFM	CFO	Audit Cttee	Spring	Annual
Budget Framework	Guidance to practitioners on the construction of the annual revenue budget and capital programme.	HF	CFO	N/A	Summer	Annual
CIPFA guidance	<ul style="list-style-type: none"> Annual Governance Statement Codes of Practice 	CIPFA	Implementation - HF/CFO/HIA	N/A	Various	As required

	• Prudential Code					
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Document	Brief Description	Detailed Drafting	Officer Approval	Member Approval	Date	Review Frequency
Medium Term Financial Outlook (MTFO)	The annual 5 year revenue budget plan.	HF	CFO	Cabinet	Summer (with MTFS)	Annual
Budget Management and Control Manual	Detailed guidance for practitioners on the management and control of budgets and allied activities.	FM/HF	CFO	N/A	Spring	Every 2/3 years or as required
Annual Governance Statement (AGS)	Statement setting out the council's approach to implementing and reviewing governance procedures, including internal control mechanisms in order to ensure the management of the council is adequate, including the reduction of risk.	- CFO/MO/ HF/HIA	Approval - CEO Implementation – CEO/EDs/ CFO/MO/ HF/HIA	Leader and Audit Committee	September with Statement of Accounts	Annual
Revenue Budget	The annual budget used for setting the council tax and the allocation of financial resources to the services	HF	CFO	1. Cabinet 2. Council	February February/March	Annual
Capital Programme	The annual capital programme	HF	CFO	1. Cabinet 2. Council	February February/March	Annual
Asset Management Plan (AMP)	The overall plan setting out the council's approach to managing its asset base and securing value for money in their deployment	Asset Manager	Executive Director - Regeneration / CMT	Cabinet	Summer/Autumn	Annual
Constitution	The overarching document setting out the council's governance arrangements	ADL (MO)	CMT	1. Cabinet 2. Council	As required	Bi-Annual/ as required
Contract Rules (CRs) & Finance Rules (FRs)	Detailed guidance setting out procedures to follow in procuring goods and service, securing value for money and ensure the financial management of the council is adequate and safeguarded	HIA/HF/HL	MO / CFO	Consultation: 1. Audit Committee 2. Cabinet 3. Approval: 4. Council	As required	Annual/ as required
ADL / MO – Assistant Director of Legal & Constitutional Services (Monitoring Officer) CFO - Chief Finance Officer/S151 Officer CEO – Chief Executive Officer ED – Executive Director			HF - Head of Finance, SFM – Senior Finance Manager RM – Risk Manager TM – Treasury Manager CMT – Corporate Management Team			

HIA – Head of Internal Audit	HL – Head of Legal (non-contentious)
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Budget Process



APPENDIX C - GLOSSARY OF TERMS

Accountable body	Responsible body for finance and governance purposes, accountable for ensuring financial and governance arrangements are adequate.
Base budget	The amount required for services to continue at their current level, adjusted from the previous year's budget for inflationary pressures, not changes in service levels provided.
Baseline	The starting point for financial planning. The current position taking into account all currently known financial issues.
Benchmarking	The process by which a council service, process and/or cost is compared with that of other councils, organisations, prices and/or functions.
Billing authority	Walsall Council is the billing authority responsible for the collection of the council tax and non-domestic rates which includes amounts from the local precepting authorities – the West Midlands Fire and Civil Defence and Police Authorities.
Business rate retention	A new funding scheme for local government implemented in 2013/14 to replace the previous Formula Grant funding scheme.
Capital expenditure	Expenditure on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.
Capital grants	Specific targeted grants to cover capital expenditure.
Capital programme	The annual plan of capital spending and how it is funded, approved by full council each February/March.
Capital receipts	Money received from the sale of council assets e.g. land.
Capital strategy	The council's intentions for its capital income and expenditure to deliver the organisation's aims and objectives.
Carry forward protocol	The process by which annual underspends are carried forward between financial years to either reward good financial management.
Central contingency	A small budget set aside each year to cover unforeseen items of expenditure.
Collection fund	A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of council tax, NNDR and residual community charge accounts.
Corporate plan	Our current corporate plan covers the period 2011/12 -2014/15 and sets out the main objectives the council will be pursuing to improve services and make Walsall a better place. The plan looks at our priorities now and in the future.
Council tax	The tax levied on domestic properties, which depends on the 'band' of value for the property based on estimated property values at 1 April 1991.
Council tax base	The total number of band D equivalent properties upon which the council tax can be levied.
Council tax support localisation	New local scheme of council tax discounts to replace council tax benefits abolished from April 2013.
Earmarking	The process of setting aside a specific sum of money for a specific activity, liability or incident.
Financial standing	The council's financial health and solvency.

Financial strategy	The policy whereby the council establishes the financial principles upon which it builds its revenue and capital budgets.
Employee Performance Review (EPR)	The process for reviewing the performance of individuals, which translates the priorities from directorate, service and team plans into individual targets. It demonstrates how each person contributes to service priorities and the council's vision.
Governance	The arrangements in place to ensure that the council fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.
Internal control	Mechanisms and systems to ensure that the arrangements for financial management are adequate and public money is safeguarded.
Levies	Charges made upon Walsall council by other organisations which serve several authorities (e.g.: Passenger Transport Authority)
Licensed deficit	A specific permission (given in advance) for a service to overspend and for that overspend to be temporarily funded from general reserves. Any such overspend would have to be for a particular reason to a predetermined level. Any such permission is given on the basis of an agreement to pay it back in full over a defined period, usually the following financial year.
Medium-term financial outlook (MTFO)	Consideration and forward planning of the council's finances over a period of at least three years.
Medium term financial strategy (MTFS)	The main objectives of the strategy are to set out how the council will structure and manage its finances now and in the future and to ensure this approach facilitates delivery of the council's vision, aims and objectives.
National non-domestic rates (NNDR)	A tax levied on business properties, also referred to as business rates. NNDR poundage is set annually by the Government. A new Business Rates Retention scheme introduced in 2013/14 whereby local authorities retain 50% actually collected, with the remaining passed to government to be reallocated to councils in the form of a top up grant.
Net council tax requirement	The amount of council spending needed to be financed by council tax, following the receipt of central Government formula grant, other specific grants, use of reserves and external fees and charges.
Options appraisal	The process by which several possible courses of action are assessed against a range of objective criteria to determine the best way forward.
Policy led budgeting	A system of budgeting where resources are linked to council priorities to ensure that projects with the highest priority receive the funding necessary to implement them.
Precepting authority	An authority e.g. police and fire which sets a 'precept' on billing authorities, who collect it on their behalf.
Prudent	The minimum the council has to do to ensure financial health, manage financial risks and deliver services.
Reserves	The total level of funds the authority has accumulated over the

	years. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves (also known as balances) arise from an accumulation of previous years' surpluses and deficits and are available to support one-off revenue expenditure.
Revenue expenditure	Expenditure on the day-to-day running costs of services e.g. employees, premises, furniture and equipment.
Revenue support grant (RSG)	The main central government grant paid to each authority to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.
Ring fenced	This refers to the statutory requirement for certain funds to be separately maintained.
Risk management	A systematic and proactive way of evaluating potential risks and identifying practical ways in which those risks can be reduced or eliminated so that the objectives of the council can be achieved without interruption.
Risk register	A comprehensive list of risks to the delivery of services at a project, service, directorate or corporate level.
Service plans	A document setting out what a service plans to do for a specified time period. It gives clear direction about priorities and targets and sets out how they will be delivered and resourced.
Tariffs and Top Ups	Calculated by comparing an individual authority business rates baseline against baseline funding levels.
Treasury management	The proactive management of the council's loans portfolio and cash flow, seeking to minimise interest on borrowing whilst maximising funds for capital expenditure to deliver the council's objectives.
Unsupported borrowing / Prudential borrowing	Borrowing where interest and repayment costs are not supported by government revenue grants but are funded from within the council's revenue budget.

