

Cabinet – 17 July 2019

Budget Framework 2019/20 to 2022/23

Portfolio: Councillor M. Bird – Leader of the Council

Related Portfolio: All

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Aim

- 1.1 To set out the process and timeline for the 2019/20 to 2022/23 budget process and amendments to the Medium Term Financial Strategy and Tax Strategy.

2. Summary

2.1 *Budget Framework*

The report sets out the process and timeline for the 2019/20 to 2022/23 budget process.

2.2 *Medium Term Financial Strategy*

This report seeks Cabinet approval of changes to the Medium Term Financial Strategy (MTFS); the framework within which the council's financial planning and management is undertaken. It is good practice to regularly review and update key strategic documents and obtain formal Cabinet approval.

2.3 *Tax Strategy*

This report seeks Cabinet approval of changes to the Tax Strategy and governance arrangements which form part of the financial framework.

3. Recommendations

- 3.1 That the process and timetable for setting the 2019/20 to 2022/23 budget framework be noted and approved.
- 3.2 That the amendments to the Medium Term Financial Strategy be noted and approved.
- 3.3 That the amendments to the Tax Strategy and governance arrangements be noted and approved.

- 3.4 To approve the use of general reserves of £773k to fund the extension to the dry mixed recycling contract for 2019/20 as detailed in section 4.5 of the report.
- 3.5 To approve the earmarking of £110k of reserves to fund a 3-month extension to the trial of extended opening hours of the household waste recycling centres (from July 2019 to September 2019), as detailed in section 4.5 of the report.

4. Know

Context

- 4.1 The future financial environment continues to be challenging for councils. We are uncertain on the direct funding implications for the years beyond 2019/20. 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.
- 4.2 The following summarises national and local issues that have and will continue to have financial implications for the council over the coming years:
- Increases in demand from an ageing population is putting strain on both the NHS and Local Authority systems both in financial and operation terms.
 - Emphasis on joined up working - for the Authority, local NHS and partners to further integrate services in line with the Government's national agenda.
 - Increase in demand and complexity for looked after children and the associated impact on numbers of social workers, and costs, required to support these children.
 - Implementation of a "Fairer Funding Formula" nationally for Local Authorities, which is expected to be introduced as part of, or following, the next Spending Review.
 - The expected unringfencing of Public Health grant and potential transfer of additional new burdens as part of Government's policy to implement 100% business rate retention.
 - Continued capping of council tax increases, restricting our flexibility in generating income.
- 4.3 In considering resource allocation, funding for the development of services will need to be met from the redirection of existing resources, reducing existing spend and the identification of new or revised income sources. The council will need to, do things differently and do different things, and in some case stop doing things that are not in line with corporate priorities.

The Medium Term Financial Outlook (MTFO)

- 4.4 Council on 28th February 2019 approved the 2019/20 budget, which included the draft plan for the period 2018/19 to 2021/22. Savings of £20.08m were published for 2019/20. Directorate cash limits were issued for 2020/21 and 2021/22 to meet the overall funding envelope, including indicative savings requirements of £15.12m in 2020/21 and £9.5m in 2021/22.

4.5 Following approval of the 2019/20 budget on 28th February 2019, there are two recommended changes, requiring formal approval to vary the cash limit, as detailed below;

- An extension to the trial of the revised opening hours of the household waste recycling centres for a further period from July 2019 to September 2019. The original trial to help reduce fly tipping for the period April 2019 to June 2019 was approved by Cabinet on 24th October 2018. The cost of the extension of the revised opening hours of £110k is to be met from earmarking of reserves.
- Extension to the dry mixed recycling contract at an additional cost of £773k to be funded from general reserves for 2019/20, whilst a new contract is procured.

Both of the above amendments have been discussed with the Portfolio Holder and the S151 Officer to ensure funding is available and confirmation has been provided that that general balances will remain within the thresholds required by the MTFS as approved by Council.

4.6 The MTFO reflects a rolling four year period and since the budget was set in February, a further year, 2022/23, has been added to the MTFO. The table below summarises the position reported to Council in February, amended to include a further year, and subsequent changes to cover further known cost pressures and uncertainty over funding predictions.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23* £m	Total £m
Savings required per Council February 2019	20.08	15.12	9.50		44.70
Provision for cost pressures / shortfall in funding		4.88	5.50	15.00	25.38
Adjusted savings required	20.08	20.00	15.00	15.00	70.08
Savings identified	(20.08)				(20.08)
Savings to be identified		(20.00)	(15.00)	(15.00)	(50.00)

**New year in rolling 4-year plan*

4.7 An indicative split of these savings by Directorate, based on a pro-rata allocation against 2019/20 gross expenditure figures included within the budget report for that year, is shown below.

Indicative Savings Figures 2020/21 to 2022/23 by Directorate			
Directorate	2020/21 £m	2021/22 £m	2022/23 £m
Adult Social Care	(6.34)	(4.76)	(4.76)
Resources & Transformation	(3.39)	(2.54)	(2.54)
Economy & Environment	(4.92)	(3.69)	(3.69)
Children's Services	(5.35)	(4.01)	(4.01)
Total	(20.00)	(15.00)	(15.00)

N.B. Excludes Housing Benefits, DSG and central areas

4.8 Should the approved savings for 2019/20 not be fully delivered, and/or 2019/20 not outturn on budget, the gap for future years would of course increase.

Budget Framework and Timetable

- 4.9 Resources are allocated and budgets are set within a framework of protocols and guidelines, in particular the Corporate Plan and Medium Term Financial Strategy (MTFS). Decisions will need to be made about how to achieve a balanced budget, in the context of the needs of the Borough and also to ensure that we continue to care for the most vulnerable in our communities. Whilst it is recognised that Full Council will only set the council tax bands for 2020/21 in February 2020, the budget will continue to take a four year view (current year plus three), allowing for a more strategic focus to service re-design and savings aligned to the longer term priorities of the council.
- 4.10 The council is committed to adopting a holistic and collaborative approach, and there is strong consensus that this approach will produce better results than taking a traditional perspective on the financial challenges facing the council. By taking this collaborative approach, using knowledge and understanding of our communities and evidence about the impact of service delivery, proposals will be developed that will be designed to make best use of all of our resources and to make the optimum impact that we can for the residents and businesses of Walsall.
- 4.11 The Budget Framework is intended to:
- Provide a framework to ensure successful delivery of the council's corporate vision and priorities.
 - Maintain a financially sustainable position over the 4-year planning period and set a legally balanced 2020/21 budget.
 - Allocate limited and reducing resources to those activities that contribute most to improved outcomes.
 - Continue the focus on the need to deliver ongoing efficiency savings.
- 4.12 In considering resource allocation, funding for the development of services will need to be met from the redirection of existing resources and the identification of new or revised income sources. The council will need to be a leaner, more focussed organisation. The process needs to consider:
- The council's priorities – what does it want to do, to what standard and what results does it want to achieve and at what cost
 - The methods of service delivery that will deliver value for money (e.g.: in-house, partnerships, outsourcing).
 - The organisational structure that is needed to support the above.
 - The level of council tax increases (subject to Government direction and referendum levels) and what this means for the council's overall budget.
 - Income that can be generated (through the charging policy, increased charges, new charges, new grants, etc.).
 - The levels of reserves and contingencies required for financial prudence and to proactively manage the council's risks (set out by the S151 Officer).
 - The use of unringfenced grant – it is assumed that all unringfenced grant be pooled to support the corporate good, unless Cabinet approve otherwise during the budget process.
 - Stakeholder consultation and lobbying.
- 4.13 Our approach to resource allocation will:

- I. Be first and foremost focussed on purpose and objectives – the Corporate Plan. This will drive service delivery.
- II. Follow a minimum four-year approach.
- III. Fit the financial envelope available and allow for a strategic focus to cross organisational as well as service redesigns as part of the Walsall Proud Programme, for how the council will change the way it delivers its services in the future as part of an integrated approach to planning. This will involve redirection of existing resources through the implementation and rollout of organisational and service transformations; identification of third party spend reductions and efficiencies; and the identification of new or revised income sources.
- IV. Include early and effective engagement, consultation and impact assessment, with our staff, partners, and stakeholders.
- V. Seek to use knowledge and understanding of our communities and evidence about the impact of service delivery and revisions to that delivery.
- VI. Make best use of all of our resources (including partner resources) and to make the optimum impact that we can for the residents and businesses of Walsall.
- VII. Be aware of and take account of external drivers and be flexible enough to adapt to changes in these.
- VIII. Identify key change required as part of the Walsall Proud Programme, and ensure this is adequately resourced and supported by the council's workforce strategy and appropriate performance systems.

4.14 The council's Walsall Proud Programme (WPP) has 3 key benefits:

- Better customer experience
- Better employee satisfaction
- Financial savings, through improved service efficiency and productivity and additional income

4.15 Walsall Proud Programme and delivery plan is expected to be reported to Cabinet in September 2019. This delivery plan is expected to outline the key outcomes of each theme of the programme, and the timing of when proposed changes can be implemented to address future shortfalls in the MTFO. There are 6 initial workstreams within phase 1, tranche 1 of the programme, each of which will contribute to the above benefits. These are:

- Designing the ways of working
- Outcomes, service levels and delivery models
- Perform Plus
- Third party spend
- Income generation and cost recovery
- Culture and behaviours

4.16 Whilst it is anticipated that the WPP will need to contribute a substantial proportion of the savings required over the MTFO period, other change activity will also be needed to contribute to delivering the necessary savings. Current activity (at various stages of development) includes:

- Integration of intermediate care services and the wider integration of health and social care,
- Resilient communities – reviewing how we commission and provide early intervention and prevention services across Walsall; what outcomes that we

currently achieve and if we can deliver better outcomes and value for money through a more collaborative approach.

- Efficiency and other savings currently identified through the budget process as set out in this report.

- 4.17 The process will provide a framework for officers and members to work collaboratively, within a defined timetable, to ensure that as well as providing the goal of achieving a 4 year organisational delivery plan, it will ensure that a balanced “budget” is set for 2020/21 as required by Statute. This will require assessing current service delivery against Corporate Plan priorities and providing options to vary these to better meet purpose and objectives, within the reduced financial envelope. In formulating these delivery options, intelligence and data will be used to inform the most appropriate options to put forward for member consideration. The overall purpose of this is to identify ‘What services we can stop doing; do more of; do differently or more efficiently/effectively’.
- 4.18 The Corporate Budget Plan will be presented to Cabinet on 12th February 2020 for recommendation to Council on 27th February 2020. This will be supported by a change programme and organisational development plan, resourced to ensure delivery of the objectives.
- 4.19 The process has commenced. Activity to date has included;
- MTFS updated.
 - The revenue MTFO is currently being updated.
 - Walsall Proud Programme outline business cases being developed.

The process and key dates to come include:

- Informal briefings to be held with Cabinet and CMT.
- Delivery options produced for 2020/21 onwards, in consultation with portfolio holders.
- Review of the 4 year draft capital programme.
- Report on Walsall Proud Programme and draft delivery plan to Cabinet on 4th September 2019.
- Draft revenue budget options to Cabinet 23rd October 2019.
- Scrutiny of the first draft budget proposals, by overview and scrutiny committees from 24 October to 25th November 2019, and feedback to Cabinet on 11th December 2019.
- Cabinet consider recommendations of overview and scrutiny committees on first draft budget and make any amendments.
- Budget briefings for political groups and independent members through the year.
- Consultation with the public on proposals for future service delivery, and formal employee and trade union consultation.
- Receipt of the draft 2020/21 settlement estimated to be in December 2019, and the final in late January / early February 2020.
- Recommendation of the revenue budget and council tax bands, capital programme and Treasury Management Strategy by Cabinet on 12th February 2020 for consideration by Council on 27th February 2020.

The proposed budget timeline is shown at **Appendix 1**.

Changes to Medium Term Financial Strategy (MTFS)

- 4.20 Best practice financial management requires an MTFS that is regularly updated to take into account the changing environment within which we work. The MTFS has been updated to reflect the following:

- Reference to the refreshed Walsall Plan: Our Health and Wellbeing Strategy 2019/2021 as approved by Council on 28th February 2019.
- Updates to the national policy, financial context and the medium term financial outlook, following approval of the 2019/20 budget by Council on 28 February 2019.

The revised MTFS is included on the Council's Committee Management Information System webpage (underneath the electronic link to this report) should members of the public and elected members wish to refer to the full document.

Changes to the Tax Strategy and governance arrangements

- 4.21 It is best practice to regularly review and update the Tax Strategy and governance arrangements to account for both internal changes and legislative changes. The Tax Strategy and governance arrangements has been updated for the following:

- To include the new requirements on tax evasion outlined in the Criminal Finances Act 2017. These new requirements mean that the council also needs to have a prevention of tax evasion policy in place.

The revised Tax Strategy and governance arrangements is included on the Council's Committee Management Information System webpage (underneath the electronic link to this report) should members of the public and elected members wish to refer to the full document.

Council Corporate Plan priorities

- 4.22 The Budget Framework ensures that the allocation of resources is aligned to the council's priorities as set out in the Corporate Plan. The Corporate Plan is the driver for all service activity.

Risk management

- 4.23 Managers are required to deliver service and improvement targets on time, to standard and within budget. The resource allocation process is governed by the overarching Medium Term Financial Strategy. Risk management is an integral part of this activity and is embedded in budget preparation, monitoring and forecasting to enable potential variances and risks to be identified early and addressed.

Financial implications

- 4.24 The council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council will take a medium term policy led approach to all decisions on resource allocation.

Legal implications

- 4.25 The council will have due regard to its statutory responsibilities in proposing any changes to service provision and its statutory responsibilities in relation to setting a balanced budget.

Procurement Implications / Social Value

- 4.26 These are considered alongside proposed changes to service provision.

Property implications

- 4.27 Effective use and management of property related assets is integral to service delivery.

Health and wellbeing implications

- 4.28 The health and wellbeing of communities in Walsall have direct implications on the resources required within the council and the wider public sector, and how resources are allocated.

Staffing implications

- 4.29 None directly associated with this report, however there will be staffing implications in relation to resource allocation and service delivery changes and these will be assessed and consulted on as proposals emerge.

Reducing inequalities

- 4.30 None directly associated with this report. Equality impact will be an integral part of the budget setting process.

Consultation

- 4.31 The report is prepared in consultation with the s151 Officer, relevant managers and directors. Comprehensive consultation will be undertaken during the budget process and feedback used to inform final decisions.

5. Decide

- 5.1 To agree on the process and timetable for setting the 4 year financial plan for the period 2019/20 to 2022/23, as outlined in this report.

6. Respond

- 6.1 To ensure all key stakeholders are aware of the agreed budget process and timeline to enable budget reports to be produced to achieve our statutory responsibilities.

7. Review

- 7.1 Budget proposals will be presented to Cabinet, and implemented following approval of the budget by Full Council in February 2020.

Background papers: Various financial working papers.

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James T Walsh
Executive Director / s151 Officer
9 July 2019



Councillor M. Bird
Leader of the Council
9 July 2019

Appendix 1 - Outline budget timeline

<u>Date</u>	<u>Activity</u>
To 17 July	Review of MTFO
17 July	Cabinet – Budget Framework 2019/20 – 2022/23
Summer	Work on: Liaison with Directorates concerning published saving proposals and cost pressures updates Walsall Proud Programme outcome and timing of current workstream activity Savings options to be submitted by services for 2020/21
4 Sept	Cabinet – Walsall Proud Programme report and draft delivery plan
23 October	Cabinet – Revised 2019/20 and Draft 2020/21 revenue and capital budget for consultation – including consultation and impact assessment on 2020/21 proposals, with link to Walsall Proud Programme delivery plan
24 October	Consultation – general statutory duty to consult. Formal employee / trade union consultation
Oct / Nov	Draft budget proposals to Overview and Scrutiny Committees
7 December	Consultation closes
11 Dec	Cabinet – Draft grant settlement and budget consultation feedback to date (Scrutiny)
Dec / Jan'20	Further update to Overview and Scrutiny Committees (if required)
12 Feb '20	Cabinet - Formal corporate budget plan, treasury management and investment strategy for recommendation to Council
27 Feb '20	Council – Final approval of 2020/21 Council Tax and Statutory Determinations, along with indicative plan for 2021/22 and 2022/23