

HEALTH SCRUTINY AND PERFORMANCE PANEL

**Agenda
Item No. 7**

DATE: 05 October 2010

Budget Setting Framework and Timetable 2011/12 – 2014/15

Ward(s) All

Portfolios: Cllr McCracken – Social Care & Health

Summary of Report:

The Cabinet report attached at Appendix 1 sets out the budget setting framework for the budget for 2011/12 to 2014/15, as reported to Cabinet on 15 September 2010.

Recommendations:

The panel are requested to note the budget framework and timetable for 2011/12 to 2014/15, including key reporting dates as referred to in Appendix 1 of the Cabinet report.

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Cabinet – 15 September 2010

Budget Setting Framework and Timetable 2011/12 - 2014/15

Portfolio: Councillor C Towe - Finance and Personnel

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Summary of report

- 1.1 The final revenue and capital budget will be presented to Cabinet on 9 February 2011 for recommendation to full Council. This report sets out the framework for setting the budget for 2011/12 to 2014/15 and the associated timetable for budget activity.

2. Recommendations

- 2.1 That Cabinet agrees the budget framework and timetable for 2011/12 to 2014/15.

3. Background information

3.1 Budget Framework 2011/12 – 2014/15

- 3.1.1 Officer input to the budget process takes place within a framework of protocols and guidelines. In particular, the medium term budget process for 2011/12 to 2014/15 will follow the medium term financial strategy approved by Cabinet and Council. The overall aim is to maintain and improve the policy-led medium term budget developed over previous years.

- 3.1.2 The budget process will be delivered as part of the resource allocation project stream of the council's working smarter programme.

The objectives for Working Smarter are:

1. Take out waste and spend less
2. Improve customer service
3. Change the way we do our business.

3.1.4 The resource allocation project is one of 5 strands of the working smarter programme, which are:

1. Asset management 2010
2. Council system redesign
3. Area partnerships
4. Service redesign
5. Resource allocation project (RAP).

3.1.5 RAP has been devised to include a financial summary of budgeted activity for the council, alongside detailed financial, personnel and performance data for all services, and including customer perception and whether the service is mandatory or discretionary. The purpose is to have a model of integrated performance data which will inform the resource allocation process and set the council budget.

3.1.6 The model is to be used to promote and encourage cost leadership (increased efficiency and value for money) and is linked to Cabinet priorities. It is being used to compare the performance of Walsall services against those of other Metropolitan councils. This allows for a more in depth review of service budgets, unit costs and performance versus outcomes, and includes identifying detailed efficiency options, budget and investment pressures for the next four years, and the working up of detailed budgets based on current priorities and plans, underlying demographic trends and cost pressures. The budget will focus on a 4 year outcome, and will integrate capital and revenue budgets.

3.1.7 It is envisaged that there will be limited or no headroom for new investment, unless financial capacity is liberated from existing financial resources. This is due to the cost pressures being higher than the additional resources that will be received in additional income to the council via the Government settlement and expected cap on council tax increases. As such, funding realignments will need to be made, from implementing service savings and efficiencies, and the identification of new income sources. The Government have already announced that they intend to 'offer a deal to local authorities in England who keep their cost increases low, to help freeze council tax for one year from April 2011' which Cabinet have endorsed. Government have not announced the practicalities of how this will be governed.

3.1.8 Budgets are set within the medium term financial strategy (MTFS). The settlement for 2011/12 is expected to be challenging given the current economic climate. Funding for the development and start of new

services will need to be met from the redirection of existing resources. The budget process will consider:

- The council's priorities – what does it want to do, to what standard and what results does it want to achieve (i.e. what services will it fund, what can it afford).
- The level of council tax increases (subject to Government direction) 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 balances required for financial prudence and to proactively manage the council's risks.
- The methods of service delivery that will deliver value for money (e.g.: in-house, partnerships, outsourcing).
- Stakeholder consultation and lobbying.

3.1.9 Budget decisions must deliver a balanced budget for the following financial year with an acceptable council tax increase (subject to Government/member guidance). In recent years central Government has capped the level of council tax rises. For 2010/11 this was capped at a maximum of 4.5% for council tax increases and a maximum net budget requirement increase of 3.5%. Some form of cap is expected, however it is not expected to continue in its current form. Government is currently consulting on *“Local Referendums to Veto Excessive Council Tax Increases”*. The council's approach seeks to include the above points, including that:

- All budgets are required to be linked to corporate and service priorities and resource allocation will be made in accordance with the working smarter programme principals;
- A rolling four year medium term financial framework and strategy exists.
- Efficiencies are required from all services and work is underway to identify options. Service redesign is taking place in 8 priority areas to drive cost leadership and improvements.
- Service investment, developments and pressures are appraised against council priorities and available resources.
- Reviews of charges taking place.

- The budget will include a strategy for funding the full implications of all known future liabilities; including inflation, pay award, contractual obligations etc.
- Budget consultation, through a combination of briefings, focus groups, and facilitated sessions with key stakeholders, councillors, business groups and residents.

3.2 Budget Timetable

3.2.1 The budget setting process starts in the early summer of each year. The key dates for the 2011/12 budget process are summarised at **appendix 1**. Activity to date includes;

- Production of the resources allocation model – summarising financial data and performance by service. This was to give Cabinet information in order inform their priorities in terms of seeking efficiencies and savings proposals.
- Budget briefings held with Cabinet and CMT.
- Publication of guidelines in respect of the process for 2011/12+, including submission of efficiency/savings options.
- Update of the medium term financial plan to assess the current financial environment.

3.2.2 For this year, further activity includes:

- All directors will further test the working smarter 4 level prototype operating model, involving portfolio holders, and report progress through the Working Smarter Programme Board and Cabinet.
- This roll out will be done on a flexible and variable basis in accordance with what works best for each service area.
- Directors have been tasked with all services achieving at least average cost performance within 2 years (or earlier) and striving to achieve best in class cost performance within 4 years, in accordance with Finance Service benchmarks.
- Service re-design is the mechanism by which large scale Council operations are re-shaped to fit into the new Council System Design. 8 service redesigns have been agreed as follows:
 1. Children's Specialist Services
 2. Corporate customer contact and demand management
 3. Streetscene - public realm
 4. Structural maintenance

5. Adult Services
 6. Regeneration and Economic development
 7. Asset Management 2010-non property savings
 8. New operating model for support services.
- Asset Management 2010 will identify stand alone/quick win cost savings to meet immediate budget needs, and help to size and scope potential service re-design projects.
 - Major service redesign will not be the only vehicle to achieve service improvements and cost savings. Other efficiency and improvement activity will be supported and visibility of this will be maintained through the programme.
 - CMT challenge and validation of draft proposals at CMT decision conference and meetings in October.
 - Budget consultation with stakeholders, residents, users etc between September and January
 - Budget meetings with Cabinet in November over several days.
 - Scrutiny of the draft service budget proposals by scrutiny and performance panels.
 - Receipt of the Comprehensive Spending Review in October and receipt of the draft settlement late November/ early December.
 - Budget briefings for political groups.
 - Approval of the budget by Cabinet on 9 February 2011 and by Council on 24 February 2011.

4. Resource considerations

4.1 Financial:

- 4.1.1 Our medium term, policy led approach to financial planning enables focus on the council's priorities, funding them accordingly and making objective decisions on the allocation of scarce resources. The budget process takes place within a framework of financial protocols and guidelines, and within the council's working smarter programme. To make this approach optimally successful, service planning will take place alongside financial planning and is managed within a robust performance management framework.
- 4.1.2 It is good practice to consider 4 year budgets and council tax levels. Cabinet will need to consider the actual budget and council tax levels

for 2011/12 and indicative figures for 2012/13 to 2014/15 in making their recommendations to full Council.

4.2 Legal:

4.2.1 Under the Local Government Act, an authority must set a council tax and balanced budget, giving 14 day notice of the council tax level prior to the date of billing. Walsall bills from the 1st April of each year.

4.3 Staffing:

4.3.1 There are no direct implications from this report.

5. Citizen impact

5.1 There are none directly related to this report.

6. Community safety

6.1 There are none directly related to this report

7. Environmental impact

7.1 There are none directly related to this report

8. Performance and risk management issues

8.1 Risk:

8.1.1 The budget process is governed by the overarching medium term financial strategy, which is part of the CIPPF. This includes identifying revenue and capital budget efficiencies and investment bids for the medium term, and the working up of detailed budgets based on current and future priorities and plans, underlying demographic trends and inflation. Risk management is an integral part of this activity.

8.2 Performance management:

8.2.1 The draft settlement for 2011/12 will not be known until later November / early December 2010, although an early indication of funding is likely through publication of the CSR in October 2010. Based on the Government announcement that they intend to reduce public spending by up to 25% over the next 4 years, we have included a 5% reduction in our formula grant each year. Given that inflation is currently running at 3.2%, with the prediction in the short term that this will increase with the impact of the VAT rise, but after this inflation is expected to fall back towards the government's 2% target by the end of calendar year 2011, then this increases the funding gap for future years. Therefore

there will be a continued need for efficiencies and for existing resources to be reallocated to fund priority services and outcomes.

9. Equality implications

9.1 There are none directly related to this report

10. Consultation

10.1 Consultation is an integral part of the budget process and arrangements are in hand to consult with a wide range of stakeholders (i.e.: councillors, residents, service users, business sector, voluntary and community organisations, etc.).

Background papers

Various financial working papers.

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Rory Borealis
Executive Director
2 September 2010



Cllr Chris Towe
Finance and Personnel
13 August 2010



James Walsh
Chief Finance Officer
13 August 2010

Budget Process 2011/12 onwards – Key dates

20 October 2010

Government Spending Review

26 November 2010 to 6 December 2010

Scrutiny Panels – to consider budget framework and financial outlook

9 December 2010

Corporate budget panel decision conference event

15 December 2010

Cabinet – Update on draft revenue / capital budget proposals

Budget consultation feedback

Draft formula grant settlement

12 January 2011

Cabinet - Draft revenue / capital budget proposals

Budget consultation update

Medium Term Financial Strategy

14 January 2011 to 28 January 2011

Scrutiny Panels – to consider Cabinets draft budget proposals

9 February 2011

Cabinet – Final Budget Plan and Treasury Management & Investment

Strategy 2011/12 report for recommendation to Council

Final recommendations from Scrutiny panels

24 February 2011

Council – to approve budget and Council Tax levels