Agenda item 6

Cabinet – 13 January 2010

Medium Term Financial Strategy 2009/10 – 2013/14

Portfolio: Councillor C. Towe, Finance and Personnel

Service: Corporate finance

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary of report

This report seeks Cabinet endorsement of an updated corporate medium term financial strategy (MTFS); the policy framework within which the council's financial planning and management is undertaken. It is good practice to annually review and update this key strategic document and obtain formal Cabinet approval.

2. Recommendations

That Cabinet approve the updated MTFS attached at **Appendix 1**.

3. Background information

Best practice financial management requires an MTFS which is regularly updated to take into account the changing environment in which we work. The council's MTFS has been recommended as best practice by the Audit Commission.

4. Resource and legal considerations

The MTFS is the strategic framework and policy document within which the council's finances are constructed and managed. It is part of a suite of policy documents that together comprise the council's approach to effecting sound governance and good practice. It aims to be the translation of our vision, aims and objectives into a financial plan, which thereby facilitates delivery of these through the service planning process.

5. Citizen impact

The MTFS enables decisions to be made within a strategic and objective framework that ensure resources are targeted to priority areas and that resulting activity contributes to a longer term vision.

6. Community safety

None directly associated with this report.

7. Environmental impact

None arising directly from this report, although financial decisions clearly impact on the wider environment.

8. Performance and risk management issues

8.1 The MTFS is an integral part of the council's integrated planning and performance framework (CIPPF) and risk framework and the policy framework within which the council's capital and revenue financial planning and management is undertaken. The document is key in bringing together the level of available resources with the demands for service delivery and investment, facilitating sound financial and service risk and opportunity management. It also links to the impact on the council's capital resources and external funding opportunities.

8.2 The MTFS is the overarching corporate financial policy, sitting below the sustainable community strategy and corporate plan and above the other elements of the financial cycle. It is a driver for all other financial activity, which is aligned with service planning and performance management activities within the CIPPF. Below the MTFS sit the other financial strategies; the capital strategy and the treasury management strategy. The treasury management strategy will be reported to cabinet and Council alongside the draft budget in February 2010.

8.3 The strategy is a key corporate document in terms of linking financial resources to the council's vision and priorities and ensuring it supports the delivery of service plans

9. Equality implications

None arising directly from this report.

10. Consultation

The strategy is prepared in consultation with relevant managers and executive directors. Budget consultation will take place more widely via scrutiny and key stakeholders.

Background papers
Various financial working papers

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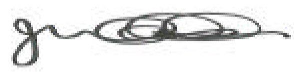
Rory Borealis – Executive Director (Resources)
30 December 2009

Councillor Chris Towe
Finance & Personnel
17 December 2009



James Walsh - Chief Finance Officer
17 December 2009

Appendix 1

Walsall Council	**Medium Term Financial Strategy (MTFS)**

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1. INTRODUCTION

This is the tenth edition of the Council's medium term financial strategy (MTFS). The main objectives of the strategy are to set 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.

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, capital strategy 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:

- The corporate integrated planning and performance framework (CIPPF).
- The financial framework within the CIPPF.
- Our key financial objectives.
- The principles adopted in strategically planning our finances.
- The principles used in setting and managing our budget.
- The national policy and financial context.
- The local policy and financial context.
- The current baseline and outlook for the future.
- The identification and management of risk.
- The impact of joint plans with other stakeholders
- The contribution of the MTFS to corporate aims and vision
- The resulting medium term financial plan

The principles are intended to remain relatively constant thus providing a robust and consistent approach that places and maintains the council on a sound and stable footing, whilst enabling organisational improvement and transformation. Although intended to remain broadly constant, these principles will continue to be reviewed and refreshed each year to reflect our evolutionary development.

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.

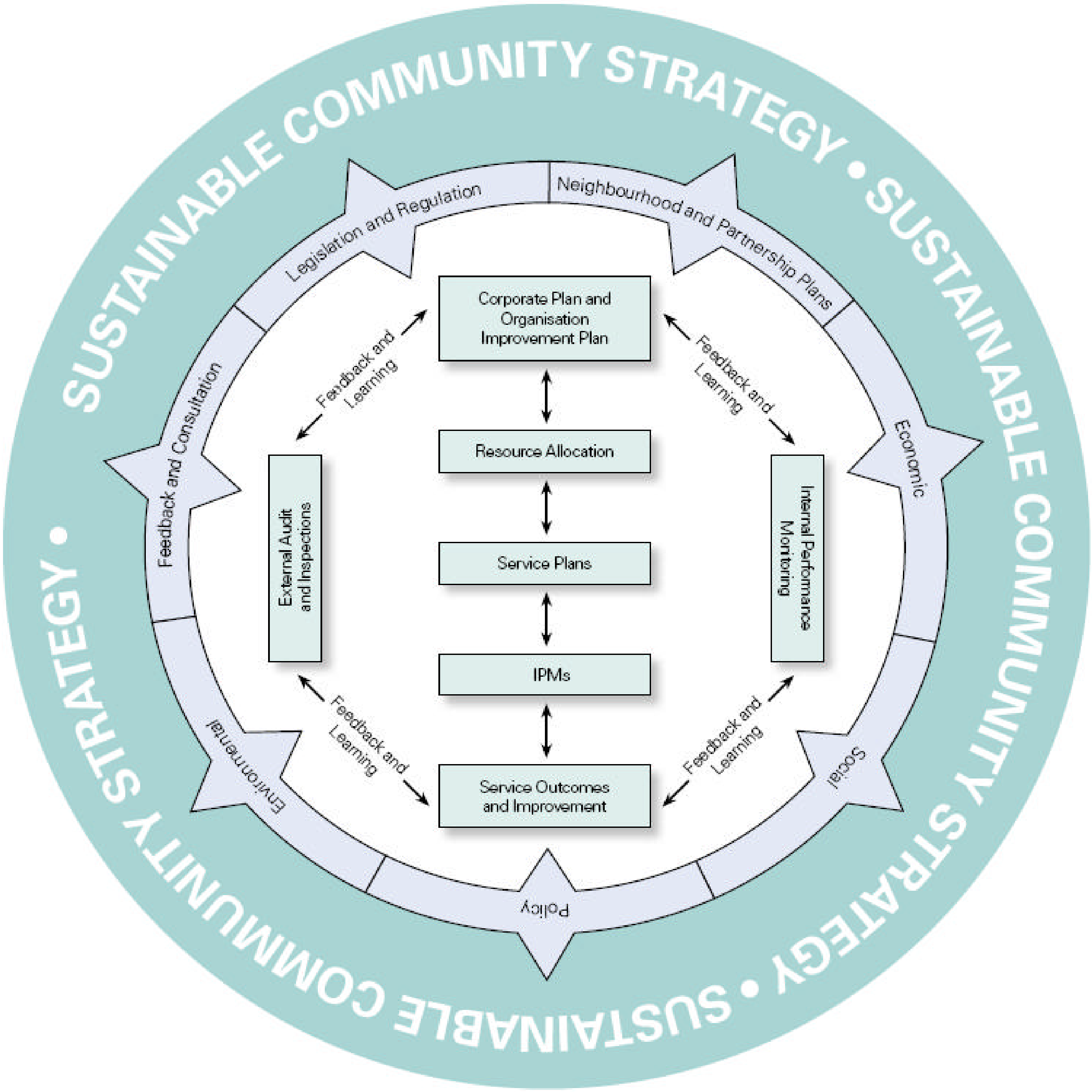
Councils increasingly operate within the wider local, sub-regional, regional and national communities; working with a range of partners and other stakeholders to deliver joint aims and objectives, most notably those in the local Sustainable Community Strategy (SCS). It is essential, therefore, that the 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 plan (MTFP). This effectively translates the strategy into a practical plan of action for the council.

2. CORPORATE INTEGRATED PLANNING & PERFORMANCE FRAMEWORK (CIPPF)

The CIPPF sets out how the various planning processes interlink and jointly demonstrate how services and resources are managed. It is the framework within which the council operates and is underpinned by functional frameworks that provide guidance and protocols. The CIPPF exists to embed performance management and continuous improvement into our normal business activities. It connects the following:

- Sustainable Community Strategy
- Corporate Plan, vision, pledges and values
- Service planning (of all levels) of the council and its partners
- Financial planning (of all levels)
- Local Neighbourhood Plans
- Individual Performance Management (IPM)

All of which take place in an environment of stakeholder influence, audit and inspection, internal control and monitoring in order to develop continuously improving services. The diagram below shows the major components of the CIPPF.



3. THE FINANCIAL FRAMEWORK WITHIN THE CIPPF

The financial framework is an integral part of the CIPPF 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 IPM.

The key aspects of the financial framework are as follows:

<table>
<tr><th colspan="6">THE FINANCIAL FRAMEWORK WITHIN THE CIPPF</th></tr>
<tr><th>CATEGORY</th><th>OVERALL</th><th>REVENUE</th><th>CAPITAL</th><th>TREASURY MANAGEMENT</th><th>RISK MANAGEMENT</th></tr>
<tr><td rowspan="2">Strategies</td><td colspan="5">MTFS</td></tr>
<tr><td colspan="2"></td><td>Capital Strategy</td><td>Treasury Management (TM) Strategy</td><td>Risk Management Strategy</td></tr>
<tr><td>Guidance</td><td>CIPFA & technical guidance</td><td>Budget Guidelines</td><td>Capital Guidelines</td><td>CIPFA Code of Practice for TM</td><td>Risk Management Toolkit</td></tr>
<tr><td>Plans</td><td>MTFP</td><td>Annual Budget</td><td>Capital Programme & Asset Management Plan</td><td>Treasury Policy Statements</td><td>Risk Management Action Plans</td></tr>
<tr><td rowspan="3">Governance</td><td>Constitution</td><td colspan="2">Budget Management & Control Manual & Annual Governance Statement</td><td>Prudential Indicators & Annual Report</td><td>Risk Register reporting and regular review</td></tr>
<tr><td colspan="4">Contract & Finance Procedure Rules</td><td>Audit Committee Reports & Annual Report</td></tr>
<tr><td colspan="5">Internal & External Audit Plans and our response to inspection and audit</td></tr>
</table>

A table setting out the people responsible for the development, maintenance and approval of these documents, a summary of what they contain, and the timing of their approval/ publication appears at **Appendix A.**

4. KEY FINANCIAL OBJECTIVES

The main objectives for the council relate to maintaining good underlying financial health, adoption of a longer-term perspective and a desire to deliver good quality, value for money services which are modern, efficient, effective, and fit for purpose. This requires a framework that delivers both transformation and core strength.

The council has a policy-led, medium term approach to financial planning and management. We seek to ensure our budgets are clearly linked to our vision, aims and objectives and are committed to maintaining financial stability and delivering value for money through effective and efficient services.

Our eight key objectives are to ensure that:

1. Our financial planning and management contributes to the transformation, development and improvement of the organisation through policy-led resource allocation, the use of options appraisal, income maximisation, and the creation of headroom through savings and efficiency.

2. Our budget is set to enable delivery of the Council's defined priorities, ensuring that resources are allocated according to the corporate vision, aims, objectives and pledges.

3. Our financial standing is stable and sustainable, so we are able to meet our expenditure commitments throughout each financial year and end each financial year with the working balance broadly intact.

4. Our financial planning and budgeting is undertaken on a medium-term, policy led basis, to ensure that the impact of decisions of one year are reflected in the future outlook, and that future developments with financial implications are proactively identified and managed.

5. We seek to deliver value for money in what we do, consider this within the various aspects of our corporate planning, identifying efficiencies and improvement and demonstrating this in measurable ways.

6. We adopt a mixed economy of service provision, where partnership, joint ventures and commissioning, outsourcing, in-house provision, consortia and all other options for service delivery are explored, appraised, and implemented with the aim of delivering good services, value for money and continuous improvement.

7. We work with our external partners, (including but not restricted to: health, police, third sector) to share and optimise resources, improve services, and deliver value for money.

8. Our budget is linked to performance measures so we can assess the effectiveness of resource allocation by using a combination of performance indicators, trend analysis, benchmarking and year on year comparison.

The principles within which we will work to deliver our aims and objectives are described below.

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. There are 33 strategic principles within 10 themes.

A: LEVELS OF RESERVES AND CONTINGENCIES

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

A1 The Council will establish opening general reserves of between 2.25% and 5.00 % of the total net general fund revenue budget each year (the precise level within this range being informed by the risk assessment) with no opening working balance ever being set below the lower threshold in any individual year.

A2 General reserves above that required by the MTFS will be appropriately and prudently earmarked in-year or at year-end by the Chief Finance Officer (CFO), in consultation with the cabinet member with responsibility for finance.

A3 A generic central contingency of between 0.25% and 0.3% of the year's net general fund budget will be established for each financial year. In addition, specific earmarked contingencies will be established as required.

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 over the forthcoming year.

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 of the council.

D2 Within the remit of D1 above, resources will be further allocated through an options appraisal process, which has regard to: current and future required levels of 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 achieve value for money by critically examining services, benchmarking and seeking the most cost effective ways of providing good quality services.

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.

E: ACCOUNTABILITY

CONTEXT: The council requires managers to formally sign up to 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, 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. This will be a key performance target in all managers' annual individual performance assessments.

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, and is within any capping levels imposed by central Government.

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 We will publish indicative increases for future years where this is required, and if not required, where this is possible and appropriate.

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 approved treasury management 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 at least quarterly to Cabinet.

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, employee representatives and other stakeholders will be consulted on the annual budget and the presentation of financial information.

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 mainstream funds available for capital investment and therefore will focus on use of matchfunding 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 prevailing approved capital strategy, and aligned with the corporate property strategy and the asset management plan.

I2 Borrowing limits must be in line with the advice of the CFO and the treasury management strategy approved by 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 We will re-affirm the Local Code of Governance approved in 2008.

J2 We will maintain at least an adequate internal control environment.

J3 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. We 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.

J4 We 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.

J5 We 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 we will conduct our day to day business in financial terms. This section has 35 principles under 10 headings.

K: CALLS ON RESERVES AND CONTINGENCIES

K1 The central contingency will be allocated under the delegated authority of the Head of Corporate Finance 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 occasion 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”.

L: WORKING WITH PARTNERS

L1: 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, reporting, internal control are set out in the council’s Constitution and budget management and control manual, and council employees are required to adhere to the principles set out within that document.

M2 The annual budget process will be governed by the annual budget framework and guidelines.

N: INCOME GENERATION

N1 Each service will undertake 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.

N2 Each review will be undertaken within the requirement of a total cost recovery approach.

N3 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.

O: COMPARATIVE SPEND & PERFORMANCE

O1 Comparative spend per head, performance indicators, and benchmarking will all be used to inform the budget setting process, the demonstration of value for money, and scope the potential for efficiency gains and budget realignment to reflect the council’s priorities.

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 The capital programme for each year will include a prudent capital central contingency to accommodate unforeseen expenditure.

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 provided that funds are guaranteed to be available and that the allocation aligns with the council's defined priorities.

P9 Reserve list items, as 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 USB 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.

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 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 or service cut will be formally allocated to a named individual who is accountable for the planning, implementation and delivery of that budget reduction in the timescale required.

Q5 Once Council has approved a budget reduction that decision cannot be reversed unless it is subsequently determined that implementation would be illegal or due to a change in policy by the controlling administration.

Q6 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.

Q7 Any proposed investment funding will be fully financially and operationally appraised and risk assessed before approval.

Q8 All approved investment funding will be implemented according to a pre-determined implementation plan.

Q9 All approved investment funding will formally be allocated to a named individual who is accountable for its planning, full implementation and post implementation review in the timescale required.

Q10 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.

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. Approval for under/over spend carry forwards rests with Cabinet, on the advice of the head of corporate finance or assistant director of finance, within a corporate context.

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.

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 will 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.

T: PERFORMANCE MANAGEMENT

T1 The delivery of required service outputs and the achievement of financial performance targets 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, IPMs and performance boards.

T2 The principles outlined throughout this document will be used as objective measures of managers' performance.

7. NATIONAL POLICY AND FINANCIAL CONTEXT

CSR2007

Settlement 2010/11

The main driver for determining future revenue resources available is formula grant allocation. From Formula Grant Walsall Council will receive £133.294 million in 2009/10. As this is the last second year of CSR2007, we have been advised of a provisional figure for 2010/11, which is £137.243 million, an increase of 3%. Formula Grant is a combination of two sources: Revenue Support Grant and National Non-Domestic Rates.

The Budget announcement included the following headlines:

- Public borrowing at £606 billion over 5 years.
- A cut in planned growth in real spending from 1.2 % to 0.7% from 2011, a fall from 48% of national income to 39%.
- Net public debt to rise to 79% of GDP by 2013.
- An announcement of additional efficiency targets of £5 billion in 2010/11, (CSR £30 billion to £35 billion) and rising to £9 billion by 2013/14 (drawn from procurement, ICT, back office functions, etc).
- 2010/11 formula grant increases nationally by 2.5%, with no indication of increases beyond this.

- Capital investment changes from £44 billion to £22 billion for 2013, a 50% reduction.
- A promise of a guaranteed job for all 18-24 year olds who reach 12 months unemployment.
- And for the environment, a legally binding 34% reduction in emissions by 2020.

20010/11 is the last year of the 3 year settlement for years 2008/09 to 2010/11. The Comprehensive Spending Review (CSR) expected in 2009 has been deferred by Government and therefore, whilst advice is that the formula grant for 2010/11 of £137.243m will be honoured, there is no guarantee that Government will not seek to reduce resources to local government, for example by reducing specific grants such as area based grant.

The following factors will always have an effect on the amount of formula grant we can ultimately expect and this will not be fully known until the final settlement in January/February 2010:

- Net effect of transfers to and from formula grant and to/from specific grants
- The operation of floors and ceilings.
- Data changes.
- Further methodology changes.

Overview of how the Four Block System works to Derive our Formula Grant Allocation

The settlement for 2006/7 introduced a new mechanism to distribute funds to local government known as the four block model. The system is based upon 4 blocks of cash:

- **RELATIVE NEEDS AMOUNT**; this takes account of a council's individual circumstances by modeling local data such as population and road lengths.
- **RELATIVE RESOURCES AMOUNT**; assesses a council's ability to raise income locally from its council tax payers.
- **CENTRAL ALLOCATION;** after taking account of relative needs and resources there is still an amount of money left in the overall grant pot for distribution to local authorities.
- **FLOOR DAMPING;** safeguards authorities receiving less than the minimum grant (floor) increase. It is funded from within the pot by scaling back increases (damping) to those above the floor in order to fund those authorities not receiving the minimum floor guarantee.

Whilst Walsall's grant increase was above the national average in 2009/10 at 3.52% as opposed to a national metropolitan average of 2.9% (2.8% for England), and the indicative 2010/11 similarly is above the national average at 3.0% compared to 2.50% nationally, the use of floor damping means our 2010/11 grant will be reduced by £5.03m (in addition to £7.3m in 2008/09 and £6.13m in 2009/10). Over the three year CSR period to 2010/11 this equates to a loss of £18.46m. The indications are that this 'dampening' method will continue to be used. The Formula Grant allocation for Walsall CSR2007 is set out in Table 1 and Walsall's increases compared to the met average in Table 2.

Table 1: Formula Grant	2008/09 £m	2009/10 £m	2010/11 £m
A basic needs allowance of £397.86 per resident	100.9	103.6	106.0
A deduction for estimated local tax resources	-12.0	-12.7	-13.5
Central allocation – a ‘top up’ per head	47.25	48.5	49.7
Total grant - £m	**136.1**	**139.4**	**142.2**
A deduction for our contribution to the floor safety net - £m	-7.3	-6.1	-5.0
Total grant (adjusted for damping)	**128.8**	**133.3**	**137.2**
Formula grant (adjusted) - £m	128.8	128.8	133.3
Grant increase (adjusted) - £m	6.0	4.5	4.0
Grant increase (adjusted) - %	**4.92%**	**3.52%**	**3.0%**

Table 2: Increase in Formula Grant					
	2006/7	**2007/8**	**2008/9**	**2009/10**	**2010/11**
Walsall	2.4%	4.1%	4.9%	3.5%	3.0%
Metropolitan Borough Average	2.6%	3.5%	3.7%	2.9%	2.5%

Capping

The Government continues to reserve the right to use its reserve capping powers if council tax increases in 2010/11 are above the level they consider acceptable, currently a council tax increase above 5% and/or a net budget requirement increase of more than 5%. Capped councils have to reset their council tax using a more appropriate increase, resulting in adverse publicity and increased costs due to the need for rebilling. The capping level for 2010/11 is not yet known, but is expected to be broadly in line with that set in 2009/10.

Local Area Agreement (LAA)

Walsall Partnership (WP) is a non-statutory organisation which brings together, at a local level, the public, private and community and voluntary sectors. The Partnership operates at a level which enables strategic decisions to be taken and is close enough to individual neighbourhoods to allow actions to be determined at community level. WP can be described as the place where community and economic regeneration meet.

The LAA is the delivery plan of the Sustainable Community Strategy (SCS). It contains up to 35 indicators and targets which are agreed with Government. Government measures us on progress against these targets and we will receive reward grant for success in achieving the basket of LAA indicators. The Walsall LAA contains 26 main indicators and 5 local indicators chosen through extensive consultation with Partners. Each has three year targets agreed with Government.

The Council and partners are expected to align mainstream activity to deliver the indicators and priorities identified in the LAA in support of the vision and ambitions for

Walsall which are contained in the Sustainable Community Strategy. There is over £1bn of mainstream funds within the partners that could be contributing to the SCS.

Part of the Area Based Grant is also closely aligned to activity to deliver certain indicators and targets identified in the LAA.

Area Based Grant

Prior to 2007/08 the funding process for the work of the WP was that pooled and aligned funds within the LAA were used to deliver on a number of strategic partnership priorities. Under the Area Based Grant (ABG) regime many new grants have been transferred from direct grant, and certain elements of the LAA have ceased.

The ABG is a non-specific revenue grant, un-ring fenced in its entirety. Local authorities are free to use the totality of their non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas, including the achievement of LAA targets. Therefore the ABG will be used to deliver priorities for the area, which may or may not be in the LAA.

It has been stated by the Department of Communities and Local Government representatives that the ABG is the preferred route for all future grant funding as it affords an increased level of flexibility to the authority to manage the area's priorities.

The Efficiency Agenda
The Government's Gershon Efficiency Review introduced a requirement for councils to achieve efficiency savings of 2.5% annually over a three year period 2005/6 to 2007/8. The target for Local Authorities from 2008/9 was even more challenging, with 3% fully cashable savings being built into CSR assumptions. Nationally, the release of resources and productivity improvements to front-line services is estimated to be equivalent to £4.9b savings by 2010/11, expected to be achieved through:

- business process improvements and joint working initiatives (£1.8b)
- smarter procurement (£2.8b) with significant investment to support this
- better asset management (£0.3b)

The current phase of the efficiency agenda has been significantly more challenging as we have moved from a 1.25 % cashable to 3% and given more recent budget announcements, is expected to get yet more challenging.

8. LOCAL POLICY AND FINANCIAL CONTEXT

Sustainable Community Strategy (SCS)

Walsall's SCS covers the period 2008 – 2021 and its purpose is to:

- Be the over-arching document influencing all strategy and plans of partners across the Borough
- Provide a shared vision for Walsall in 2021
- Agree shared priorities and aspirations for the next five years
- Inform our Local Area Agreement for the next three years
- Link key National, Regional and Sub Regional Strategy
- Tell the story of Walsall – A story of the future

Its vision for Walsall in 2021 is that:

Walsall will be a great place to live, work and invest, where:

- people get on well with one another
- people can get around easily and safely
- people support and look after one another
- there are more and better jobs for local people
- people can live an independent and healthy life
- there is a wide range of facilities for people to use and enjoy
- people consider the impact of what we do now on future generations
- there exist high quality distinctive design of buildings and spaces
- growing up is as good as it can be and young people fulfil their potential
- people are our strength and have the skills and attitude required by employers
- everyone has the chance to live in a home fit for their purpose and fit for the future
- people feel proud to live,

All organisations leading change are working together as the Walsall Partnership (WP). The SCS both informs and draws upon the strategies of all partner organisations and draws together the hopes and aspirations of each of them. The WP co-ordinates the relationship between partners involved in the regeneration of the Borough. The council is represented on the WP Board by the Leader of the Council, who is currently the Chair of the Board, and by the Chief Executive, and on the three Executive Committees for People, Place and Prosperity by a cabinet member and executive. The SCS is being achieved through the delivery of a Local Area Agreement (LAA). The council remains the accountable body for the work of the WP.

Corporate Plan

Our corporate plan is refreshed each year. The 2009/10 plan 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, and seeks to deliver these within the context of our corporate values of respect, integrity, equality, listening and excellence. The plan includes the council's vision for the borough which is shared with our partners and is that highlighted above in the SCS. To underpin this work and ensure the council focuses its resources on the new vision, a new outcomes framework including seven key organisational drivers for the council have been developed and adopted, built around seven citizen outcomes, each focussed ton action to ensure that citizens are:

- Healthy
- Safe and secure
- Aspiring and achieving
- Enjoying a high quality of life – clean, green and mobile
- Active – contributing to their communities
- Financially and materially secure – achieving economic well-being
- Free from discrimination or harassment

These citizen outcomes are customer facing, and are backed up by three internal drivers to provide the momentum to deliver the council's commitment to the SCS, the shared vision, and our citizen outcomes. These are

- Effective use of resources
- Delivering quality services and meeting customer expectations
- Taking forward the transformation agenda

Each year, a series of specific pledges are identified to support each of our citizen outcomes, targeted at improving services and delivering the overall vision. The priorities reflected in our outcomes framework are used to drive our financial decision making, whereby our revenue and capital investment choices are assessed according to the contribution they will make to the delivery of the vision and improvement in services, all within the context of achieving the financial objectives set out earlier in this document. Any resourcing requirements for pledges are identified within the budget process.

Financial Context

The council continues to be financially stable in the normal local government context, however it is experiencing, as other local authorities are, a challenging financial position. The 2009/10 budget was set using our long standing policy-led, medium term approach, which delivered a balanced budget with a modest council tax increase. The budget was set to support continuous service improvements, maintain financial health and release funding for further investment and modernisation. Inflation and pay awards were provided for. Opening general reserves were increased and an appropriate index-linked central contingency established. A detailed financial risk assessment was undertaken to appraise and manage the potential impact of various demands on the budget.

Statement of Accounts
Grant Thornton is expected to issue an unqualified opinion on the council's 2008/9 statement of accounts.

Medium term outlook
In line with the rest of local government, the medium term financial outlook is challenging. 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. Particular issues for us are single status and the potential costs arising from job evaluation, demographic changes leading to service cost pressures, capital investment requirements, pressures arising from unfunded legislative changes and Government targets such as recycling, ongoing commitments relating to current contractual arrangements in respect of street lighting PFI, the financial implications of future white papers, and pump priming one-off pressures to deliver customer facing and back office services and transformational change in services across the board.

The above pressures will be reflected, where appropriate, in our budgets and as in the previous three years, general reserves above the amount required by the MTFS will be prudently and appropriately earmarked to fund these liabilities.

9. BASELINE AND OUTLOOK FOR THE FUTURE PLANNING HORIZON

Spending Levels 2010/11

The starting point is the approved 2009/10 base budget and provisional estimates for all years to 2013/14 identified as part of the 2009/10 budget process approved by Council in February 2009. 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 DSG.
- Prudent provisions and contributions in 2010/11 including implementation of job evaluation, fall out of grant, demographic cost pressures and income shortfalls.
- Council tax collection rates assumed to be 98.5%.
- Full year effect of 2009/10 approved investment and savings approvals are funded.
- Contribution to balances of £2.5m ensuring minimum opening reserves in line with the MTFS

Beyond 2010/11

The draft medium term financial outlook is currently being finalised. It is anticipated that the revised draft settlement 2010/11 will be received in late November/December. The level of Formula Grant and income to be generated via council tax informs the level of overall efficiencies and investments required to deliver a balanced budget.

The outlook from 2010/11 to 2013/14 and potential pressures include:

- The budget announcement confirmed Walsall's formula grant increase for 2010/11 only at 3%.
- Walsall's share of the additional efficiency targets is estimated to be a further 1% or £2.92m in 2010/11, rising to £8m by 2013/14.
- A 0% increase in formula grant in 2011/12 would equate to an annual reduction of £4m.
- Further pressures on capital financing per annum. This will be further exacerbated when Government support for public sector capital investment falls by 50% in 2013.
- A merit assessment is currently being undertaken in respect of equal pay claims, and there will be a need to manage further pressures arising from this in the medium term in respect of capitalisation payments.
- Some demographics growth, fall out of grant, and loss of income projections were built into the 2010/11 budget. However, there is likely to be further unknown pressures, such as legislative changes, further fall out of grant, potential impacts arising from recent child protection issues, and further demographic pressures. A best estimate at this stage is around £2m rising to £3m.
- BSF affordability is being assessed. Should the gap not be closed, or education capital receipts are insufficient to cover this, in order to proceed, borrowing may need to be undertaken, incurring additional debt charges.

Work is ongoing in respect of the medium term financial outlook. It is estimated that savings in the region of £40m will be required over the next few years in order for the council to set a balanced budget. Further work will be needed to achieve council tax increases below 5% in 2011/12 onwards based on latest projections. A budget framework with targets will be issued in the coming months to all services to commence the process for 2011/12 onwards.

10. 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.

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

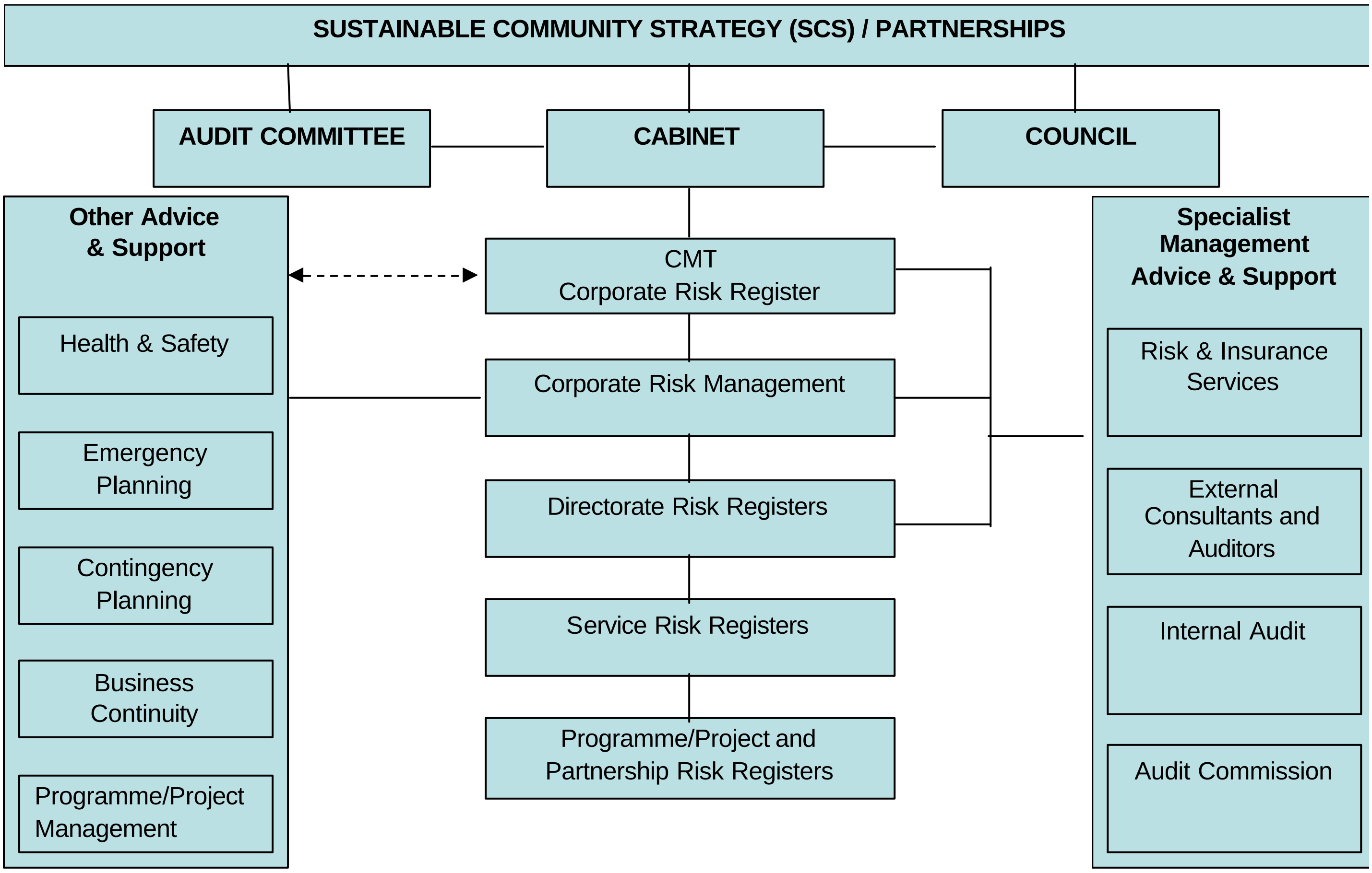
- Providing objective information to decision makers;
- Reducing health, safety and environmental risks as far as reasonably practicable;
- Minimising financial and reputational losses;
- Maximising opportunities;
- Identifying cost effective risk treatment options.

This will enable us to:

- Achieve planned financial targets;
- Achieve a high level of customer satisfaction in our service delivery;
- Maintain a safe and supportive working environment for staff;
- Optimise the competence of our management teams
- Enhance our reputation;
- Ensure compliance with legal and regulatory frameworks.

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. The responsibility for ensuring that the council meets its statutory requirements as stipulated in the Account and Audit Regulations 2006 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.

Risk is managed at all levels and there is a support mechanism in place to assist this process. The table below identifies the way in which risk is embedded throughout the organisation.



A comprehensive 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) Audit Committee and Directorate Leadership team	Quarterly Quarterly
Directorate Risk Registers	Directorate Leadership Teams/ CMT	Quarterly
Service Risk Registers	Service Management Teams/ Performance Boards	As required
Programme/Project Risk Registers	Project/Programme Boards/CMT/Performance Boards	but at least
Partnership Risk Register	Partnership Boards/Directorate Leadership Team	quarterly

CMT receive quarterly risk management reports which are updated and new corporate risks considered. Risk management action plans are developed to manage these risks. The Corporate Risk Register is reported to the next available Audit Committee who select risks for further scrutiny. Audit Committee also receive risk awareness training and have identified the risks to them achieving their objectives.

Directorate risks are reviewed and discussed at 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. Service plans are risk assessed and registers and matrices are posted with the service plan.

The project management guidance – Walsall Project Approach (WPA) incorporates risk management within programmes and projects with risk audits being undertaken and reported to CMT and cabinet.

The partnership governance protocol requires that all partnerships undertake a risk assessment of the risks to the partnership achieving its aims and objectives. A partnership register has been developed and will be used to record risk management activity within the partnership.

The Core Risk Champions Group (CRCG) meets on a regular basis to discuss best practice, new initiatives and new and emerging risks. They assist in providing strategic direction and leadership for the management of risk and ensure that risk management is being adequately progressed within directorates.

Financial Strategy

Risks which have been identified that are currently judged to impact on the financial strategy are outlined below.

- Influence led services (looked after children, adult social care)
- Equal pay and job evaluation
- The prevailing economic climate, including cost pressures and increased demand for services
- Lack of exit strategies for some external grant funded services
- Value of capital receipts does not match expectations.

These risks are evaluated both within regular monitoring reports to Cabinet and CMT and within the annual budget report to Cabinet and Council as appropriate. Many of them have also been identified as corporate risks and are owned by the CMT. The Chief Finance Officer uses this risk assessment to inform his decision on the appropriate levels of general reserves, central contingency and specific reserves.

11. JOINT PLANS WITH OTHER STAKEHOLDERS UPDATE

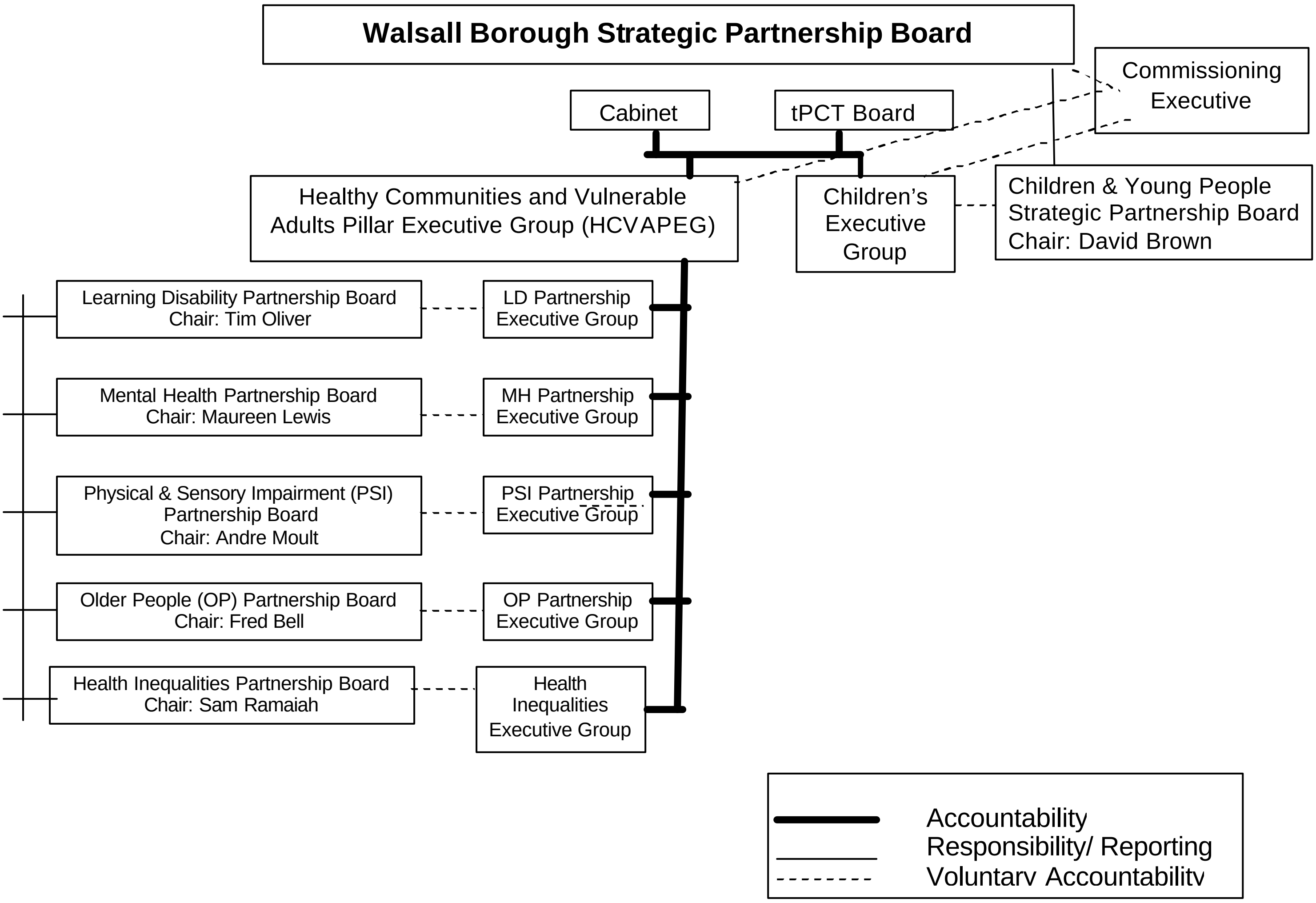
The overarching sustainable community strategy provides the main driver and link to the various plans of ourselves and our partners. In addition some key specific examples of joint plans include:

- Walsall Regeneration Company
- New Deal: New Deal horizons
- Health and Social Care Partnership.

<u>Health and Social Care Partnership plans and governance</u>

A robust governance structure has been set up within the health and social care theme of the WP to manage our partnership strategies. We have clear lines of accountability through 'Executive Groups' which comprise only officers acting within their delegated powers. The diagram below shows the structure. They have Joint Commissioning Strategies for each user group, developed in consultation with their Partnership Board. Each Partnership Executive Group is then held to account by the Pillar Executive Group (PEG) or Children's Executive Group for the delivery of this strategy; examples are the Learning Disability Joint Strategy and the Children and Young People's Strategy. They also report on delivery to their Partnership Board in the spirit of voluntary accountability. These feed into the LAA through the Healthy Communities & Vulnerable People PEG.

In addition each partnership board has, or is developing; a broader Joint Strategy which is linked to the Sustainable Community Strategy. The Partnership Executive groups also manage the s75 Pooled Budgets such as Learning Disability and the Integrated Community Equipment service.



Walsall Regeneration Company (WRC)

WRC was formed in March 2004 to spearhead urban regeneration within a designated area of the Borough. The company is a powerful partnership driven by Walsall Council, Advantage West Midlands and English Partnerships, alongside the private sector and other public sector organizations. WRC is focused on attracting more than £600m of public and private sector investment over the next 10 to 15 years, creating 15,000 jobs and remediating 125 hectares of brownfield land.

Working closely with the Council and sponsors, WRC's main objectives are to:

- Provide a unified vision and framework for regeneration that raises aspirations and makes a real and lasting difference to the economy and people of Walsall
- Remove the obstacles and barriers to regeneration and development
- Raise the profile of Walsall regionally and nationally and generate confidence in the town as a place to invest, work and live
- Make a genuine difference by securing commitment from investors, both public and private, through a clear resonance with central Government initiatives for creating sustainable communities and urban renaissance

- Encourage high quality urban design within a framework for sustainable development

New Deal for Communities (New Deal: New Deal Horizons)
Walsall was one of 22 local authorities invited by the Office of the Deputy Prime Minister to develop proposals for phase 2 of the New Deal for Communities Programme. An area within Blakenhall, Bloxwich East and Leamore was selected under the programme and awarded £52 million over a period of 10 years, 2001 – 2011.

Walsall's New Deal for Communities (NDC) Vision is:

'to make the New Deal area one in which the community leads in making the area an even better one, where people of all ages are proud to live, work and play; and their health, wealth, education and happiness are improved by agreeing actions and doing them'

In order to achieve the vision a number of core values and objectives have been agreed which will guide NDC work:

- Put residents and tenants first,
- Create sustainable communities,
- Create joined up services,
- Work in partnership,
- Be new, better, different by creating a culture of innovation and continuous improvement.

In 2009/10 the New Deal for Communities partnership formally became a Community Enterprise. They will become the successor body when the grant ceases on 31 March 2011. This is the first of a number of changes which will result in the Community Enterprise being self funding and able to continue the work begun by the grant in the New Deal area. Walsall MBC ceases to be the accountable body on 31st March 2011 but will continue to have a presence on the board in an advisory capacity. It will be obliged however, to ensure that all grant closure requirements are met. The succession strategy for the NDC is due to be accepted by cabinet and submitted to the Department for Communities and Local Government (DCLG) by the end of 2009/10.

12. THE CONTRIBUTION OF THE MTFS TO THE COUNCIL'S VISION, AIMS & OBJECTIVES

The council operates on a principle of medium term, policy-led budgeting. This strategy sets out the framework in which our financial and service plans are developed and it's continued implementation has resulted in a considerable degree of connection between the vision, aims and objectives of the organisation and decisions made in setting the annual and medium term budget. In particular, any new investment is considered in the context of how it will contribute to the council's vision and performance improvement more generally. Conversely, decisions to stop, reduce or reshape services are made in full knowledge of the impact and contribution to overall objectives.

The use of a MTFS has also enabled key principles to be embedded into our way of working including financial stability, prudence and the ability of the financial framework to directly support service improvement and transformation. There are many examples of how this approach has directly contributed to the delivery of the council's vision. Some are listed below with the vision elements they support identified in brackets.

Corporate impact

- A co-ordinated plan to increase balances to a higher level, informed by a comprehensive risk assessment to embed financial stability (*Effective use of resources*).
- Annual savings and efficiencies of £14.532m proposed in 2010/11 and £14.116m in 2009/10 to realign resources to fund growth and investment of £9.500m in 2010/11 and £5.563 in 2009/10.
- All investment being assessed according to its contribution to delivery of our vision.

Service impact

- Use of the prudential code to invest £3 million to transform back office functions within the council (taking forward the transformation agenda);
- Full passporting of the schools funding increase every year (aspiring and achieving)
- Some examples of revenue investments in 2009/10 are:
    - Funding of the Welfare Rights team following fall out of grant funding £0.235m (financially and materially secure – achieving economic well-being);
    - Funding of litter hot squad following fall out of grant funding £0.075m (to ensure that citizens are enjoying a high quality of life – clean, green and mobile);
    - Enhancement of burial service to include Sunday and bank holidays £0.060m (delivering quality services and meeting customer expectations);
    - Looked after children £0.578m (delivering quality services and meeting customer expectations);
    - Social Care Adults £1.130m due to increase demand (delivering quality services and meeting customer expectations)

Further examples are set out in the annual budget report to Cabinet in February 2009.

In addition, the council has used its options appraisal to divest and/or reduce/increase investment in services, for example:

- The LSVT of housing stock to independent trusts to bring significant investment to the improvement of homes.
- Outsourcing of highways maintenance
- Housing 21 – Older peoples services has entered into a PPP arrangement with housing 21 for 30 years to provide extra care housing facilities, improved and increased day care provision, detention care and rehabilitation support. This includes investment of £46m of capital into the borough.
- All land/property sales are subject to option appraisal prior to approval.

13. THE MEDIUM TERM FINANCIAL PLAN (MTFP)

The MTFP is the practical means by which the above strategy is translated into reality. In essence, this is the detailed budget paper that is approved by Cabinet in February of each year, for onward transmission to full Council for approval and includes:

- the detailed revenue budget for the following financial year, and indicative budgets for the two years after that, and
- the capital programme for a similar time period,

Both are set in the context of the medium term financial outlook and represent the translation of the strategy into a practical grounded plan.

KEY DOCUMENTS – RESPONSIBILITIES
APPENDIX A

DOCUMENT	BRIEF DESCRIPTION	DETAILED DRAFTING	OFFICER APPROVAL	MEMBER APPROVAL	DATE	REVIEW FREQUENCY
CIPPF	Sets out how the various planning processes interlink and jointly demonstrate how services and resources are managed.	HCPM	Executive Director - Resources	Audit Committee	As required	Annual
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.	HCF	CFO	Cabinet	Autumn	Annual
Capital Strategy	The council's intentions for its capital income and expenditure to deliver the organisation's aims and objectives.	HCF	CFO	Cabinet	Autumn	Every 2/3 years
Treasury Management Strategy and Policy Statement	The council's overarching strategy and operational procedures in the management of it's debt portfolio and investments	TM	HCF in consultation with CFO	Cabinet	Strategy: Mar Policy Statement - Sept	Annual
Risk Management Strategy	The council's approach to managing risks to avoid unnecessary cost and reduce liability, whilst still maximising opportunities available.	RM	HCF in consultation with CFO and ED - Resources	Audit Cttee	Winter	Annual
Budget Guidelines	Guidance to practitioners on the construction of the annual revenue budget.	HCF in consultation with HSF	HCF in consultation with CFO	N/A	Summer	Annual
Capital Guidelines	Guidance to practitioners on the construction of the annual capital programme.	HCF in consultation with HSF	HCF in consultation with CFO	N/A	Summer	Annual
CIPFA guidance	• Annual Governance Statement • Best Value Code of Practice • Prudential Code	CIPFA	Implementation HCF	N/A	Various	As required

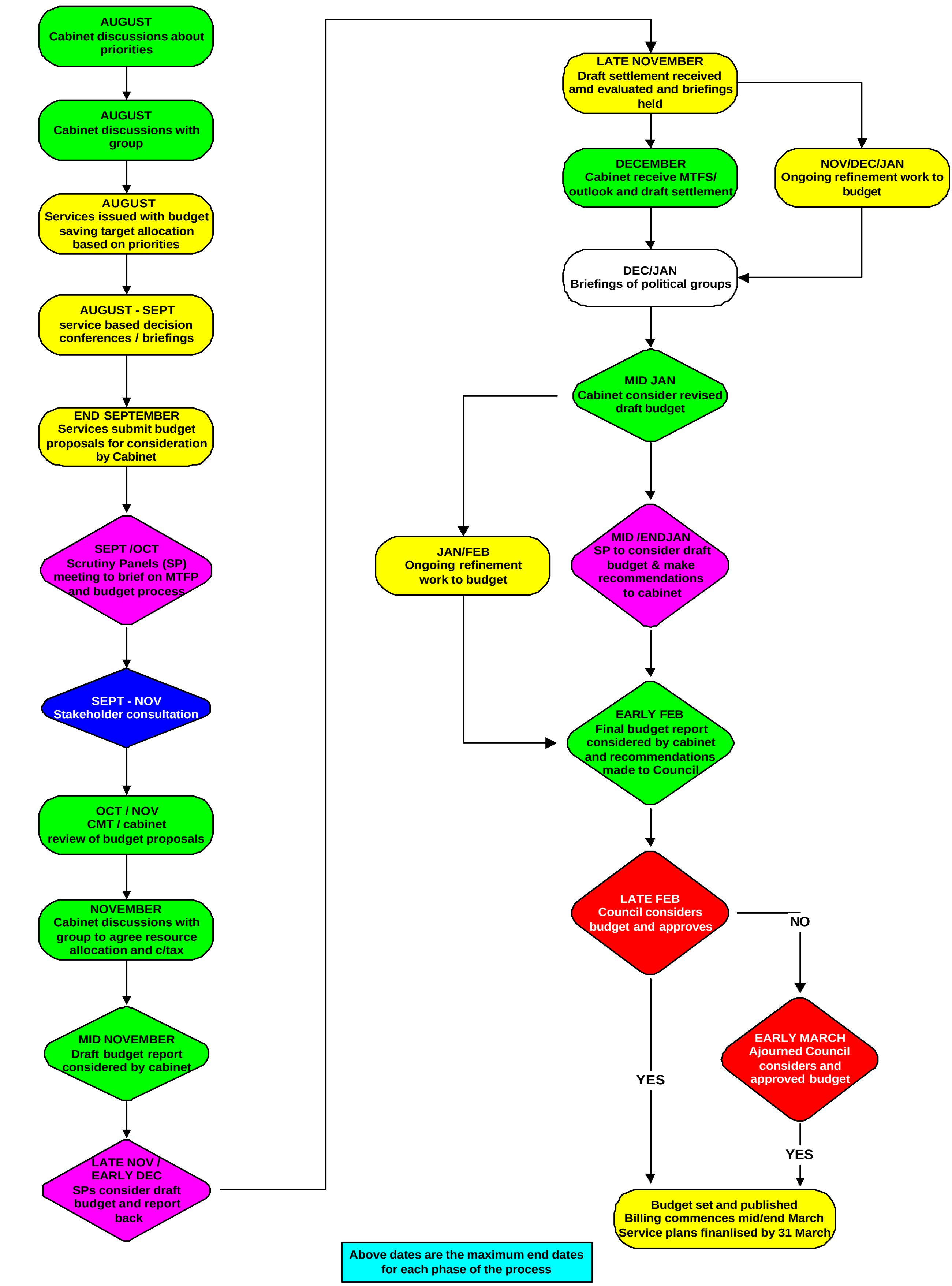
Medium Term Financial Plan (MTFP)	The annual budget and capital programme paper as submitted to cabinet for onward transmission to full Council for approval.	HCF	CFO	1. Cabinet 2. Council	February February/March	Annual
Budget Management & Control Manual	Detailed guidance for practitioners on the management and control of budgets and allied activities.	HCF	CFO	N/A	Spring	Annual
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 and ADL in conjunction with HCF and CIA	CEO	Audit Cttee	June and September with Statement of Accounts	Annual
Revenue Budget	See MTFP	HCF	CFO	1. Cabinet 2. Council	February February/March	Annual
Capital Programme	See MTFP	HCF	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 and Assistant Director of Regeneration / Corporate Property Group	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 Procedure Rules (CPRs) & Finance Procedure Rules (FPRs)	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	CIA	CFO in consultation with Executive Director - Resources	1. Cabinet 2. Council	As required	Annual/ as required

ADL – Assistant Director of Law & Constitutional Services/Monitoring Officer
CIA – Chief Internal Auditor
CFO - Chief Finance Officer/S151 Officer
CEO – Chief Executive Officer
ED – Executive Director

HCF - Head of Corporate Finance
HCPM – Head of Corporate Performance Management
RM – Risk Manager
TM – Treasury Manager

FLOWCHART OF BUDGET PROCESS

APPENDIX B



KEY	Scrutiny activity	Political group	Stakeholder activity
Cabinet activity	Full council	Officer activity	

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, only 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.
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 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 under and overspends are carried forward between financial years to either reward good financial management and penalise services that overspend.
Central contingency	A small budget set aside each year to cover unforeseen items of expenditure.
CIPPF	The corporate integrated planning and performance framework. The mechanism by which this council undertakes all of its financial, service, performance and risk management and planning.
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.
Community plan	The plan supports the strategies of all partner organisations and draws together the hopes and aspirations of each of those organisations.
Corporate plan	Our corporate plan is refreshed each year. The current one covers the 2005/6 financial year 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. The plan includes the council's vision
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.

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.
Formula grant distribution system (FGDS)	A central government mechanism of dividing up resources allocated in the government spending review. It is not a measure of how much a council should spend but a way of allocating grant according to councils' relative circumstances.
Formula spending share (FSS)	An individual authority's allocation from the FGDS.
General fund	The main revenue account of the council which brings together all income and expenditure other than that recorded in the collection fund or housing revenue account. (Following large scale voluntary transfer of its housing stock in March 2003, Walsall no longer maintains a separate housing revenue account).
Individual Performance Management (IPM)	The process for reviewing the performance management 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.
I-procurement	A system where goods and services are purchased electronically rather than through manual ordering systems which is intended to generate longer term savings through economies of scale and a paperless office environment.
Internal control	Mechanisms and systems to ensure that the arrangements for financial management are adequate.
Investment bids / strategic choices	The process by which the council establishes its changing needs and priorities for the coming year. It starts with managers submitting bids for additional funding above that included in the base budget. The submissions then go through a rigorous challenge process including director and councillor appraisal before successful bids are approved by members when the budget is set in March.
Levies	Charges made upon Walsall Council by other organisations which serve several authorities (eg: 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 at 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 planning	Consideration and forward planning of the council's finances over a period of at least three years and usually a longer term (eg: 5 – 15 years).

National non-domestic rates	A tax levied on business properties, also referred to as business rates. NNDR poundage is set annually by the Government. Rates based on properties' rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central Government as a grant to local authorities according to population.
Neighbourhood renewal fund (NRF)	Government initiative introduced from 2001/2 to assist local authorities in deprived areas to deliver better outcomes for their most deprived communities.
Net budget requirement	The amount of council spending needed to be financed, following the receipt of specific grants and use of reserves, to be met from revenue support grant, national non-domestic rates and council tax.
Net revenue expenditure	The amount of council spending needed to be financed, following the receipt of specific grant, to be met from reserves, revenue support grant, national non-domestic rates and council tax.
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.
Recharges	A charge made between services within the council.
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 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, determined by an authority's FSS. 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 management tool kit	A set of guidance on putting risk management into practice.
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.

Subjective analysis	An analysis of expenditure by type of expenditure e.g. employees and premises.
Supported borrowing	Borrowing where interest and repayment costs are supported by government revenue grants.
Transfer payments	Payments to individuals for which no goods or services are received in return by the local authority e.g. care for the elderly.
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	Borrowing where interest and repayment costs are not supported by government revenue grants but are funded from within the council's revenue budget.