

## Cabinet – 11 July 2018

### Budget Framework 2018/19 to 2021/22

<b>Portfolio:</b>	<b>Councillor M. Bird – Leader of the Council</b>
<b>Related Portfolio:</b>	<b>All</b>
<b>Service:</b>	<b>Finance – council wide</b>
<b>Wards:</b>	<b>All</b>
<b>Key decision:</b>	<b>No</b>
<b>Forward plan:</b>	<b>No</b>

#### 1. Summary of report

##### 1.1 *Budget Framework*

The report sets out the process and timeline for the 2018/19 to 2021/22 budget process.

##### 1.2 *Medium Term Financial Strategy*

This report seeks Cabinets 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. Recommendations

2.1 That Cabinet approve the process and timetable for setting the 2018/19 to 2021/22 budget framework.

2.2 That Cabinet approve the amendments to the Medium Term Financial Strategy.

#### 3. Report Detail

##### 3.1 Context

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.

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. Life expectancy is increasing, the population is ageing and adults with long-term health conditions and disabilities are living longer. The Government has tended to provide short term funding via short term of one-off social care grants, whilst overall funding continues to decrease, putting extra strain on this vulnerable and important area of activity.
- Emphasis on joined up working - there will be ongoing pressure for the Authority, local NHS and partners to further integrate services in line with the Government's national agenda.
- Increase in the number of children in care or under child protection measures and increasing numbers of families requiring support, and the associated impact on numbers of social workers, and costs, required to support these children.
- Ongoing changes to the welfare reform system and the interventions and support needed to support families and individuals through these changes.
- Consultation on a "Fairer Funding Formula" nationally for Local Authorities.
- The potential transfer of additional new burdens as part of Government's policy to implement 100% business rate retention.
- Overall funding continuing to be short of "need".
- Continued capping of council tax increases, restricting our flexibility in generating income.

### 3.2. The Medium Term Financial Outlook (MTFO)

Council on 28<sup>th</sup> February 2018 approved the 2018/19 budget, which included the draft MTFO for the period 2017/18 to 2020/21. Draft savings of £31m were published over the period. The next iteration of the MTFO is currently being updated to reflect changes in funding, cost pressures, etc. and will continue to reflect a rolling four year period with a further year, 2021/22, being added to cover the period up to and including 2021/22. 2019/20 is the last year for which the council has available published information from government on estimated funding and therefore it will need to make a number of assumptions in relation to funding in 2020/21 and beyond.

### 3.3. Budget Framework and Timetable

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 Council will only set the council tax bands for 2019/20 in February 2019, 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.

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.

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 2019/20 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.

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 Chief Finance 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.

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 - redirection of existing resources through the implementation and rollout of organisational and service redesigns; identification of efficiencies; and the identification of new or revised income sources.
- IV. Allow for a strategic focus to cross organisational as well as service redesign as part of the refreshed transformation plan post 'stocktake', for how the council will change the way it delivers its services in the future as part of an integrated approach to planning.
- V. Include early and effective engagement, consultation and impact assessment, with our staff, partners, and stakeholders.

- VI. Seek to use knowledge and understanding of our communities and evidence about the impact of service delivery and revisions to that delivery.
- VII. 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.
- VIII. Be aware of and take account of external drivers and be flexible enough to adapt to changes in these.
- IX. Identify key change required and ensure this is adequately resourced and supported by a transformation programme, workforce strategy and appropriate performance systems.

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 2019/20 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’.

In order to do that, the council will need to consider;

- The outcome of the council ‘stocktake’ and impact on the refreshed transformation programme.
- What services are we currently delivering/commissioning to achieve those objectives and how much do they cost?
- How well are these services doing in achieving our objectives and meeting need?

Once options have been produced and proposals put forward, the Corporate Budget Plan will be presented for consultation with the final budget being reported to Cabinet on 13<sup>th</sup> February in 2019 for recommendation to Council. This will be supported by a change programme and organisational development plan, resourced to ensure delivery of the objectives.

The process has commenced. Activity to date has included;

- MTFS updated.
- Capital Strategy under review to meet the requirements of the new prudential code.
- The revenue MTFO is currently being updated.
- Capital project mandates requesting consideration for capital investment for 2019/20 and future years are currently being produced.

The process and key dates to come include:

- Informal briefings to be held with Cabinet and CMT
- Delivery options produced, in consultation with portfolio holders.
- Cabinet meet on 24<sup>th</sup> October 2018 to consider options to balance the 4 year revenue budget and capital programme for consultation.
- Scrutiny of the first draft budget proposals, including the draft capital programme, by overview and scrutiny committees from 25<sup>th</sup> October to 26<sup>th</sup> November 2018, and feedback to Cabinet on 12<sup>th</sup> December 2018.

- 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 2019/20 settlement estimated to be in December 2018, and the final in late January / early February 2019.
- Recommendation of the revenue budget and council tax bands, capital programme and Treasury Management Strategy by Cabinet on 13<sup>th</sup> February 2019 for consideration by Council on 28<sup>th</sup> February 2019.

### 3.4 Changes to Medium Term Financial Strategy (MTFS)

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 Corporate Plan and council priorities.
- Reference to the revised Corporate Risk Management and Policy Statement as approved by Audit Committee on 15<sup>th</sup> January 2018.
- Updates to the national policy, financial context and the medium term financial outlook, following approval of the 2018/19 budget by Council on 28<sup>th</sup> February 2018.
- That carry forward approvals (both revenue and capital) are delegated to the Chief Finance Officer, in consultation with the portfolio holder for Finance. This change is required due to the bringing forward of the statutory deadline for closure of the accounts to 31<sup>st</sup> May (previously 31<sup>st</sup> June).
- Confirmation that Financial Health Indicators and Treasury Management policies will be reported to Cabinet rather than Audit Committee, to better reflect the remits of these Committees, in order to provide assurance to Cabinet on financial governance matters.

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

## 4. **Council Corporate Plan priorities**

- 4.1 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.

## 5. **Risk management**

- 5.1 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.

## **6. Financial implications**

- 6.1 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.

## **7. Legal implications**

- 7.1 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.

## **8. Property implications**

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

## **9. Health and wellbeing implications**

- 9.1 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.

## **10. Staffing implications**

- 10.1 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.

## **11 Reducing inequalities**

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

## **12. Consultation**

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

**Background papers:** Various financial working papers.

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3 July 2018



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3 July 2018