Agenda item 11

# Cabinet – 8 November 2006

# Medium Term Financial Strategy 2006/7 – 2011/12

**Portfolio:** Councillor John O'Hare, Resources

**Service Area:** Corporate finance

**Wards:** All

**Key decision:** No

**Forward Plan:** No

## 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. A major update and revision of the MTFS was undertaken in 2005 and it is good practice to annually review and update this key strategic document and obtain formal Cabinet approval.

## Recommendations

To approve the updated MTFS attached at **Appendix 1**.

## Resource and legal considerations

The MTFS is a 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.

## Citizen impact

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

## Community safety

None directly associated with this report.

## Environmental impact

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

**Equality implications**

None arising directly from this report.

**Consultation**

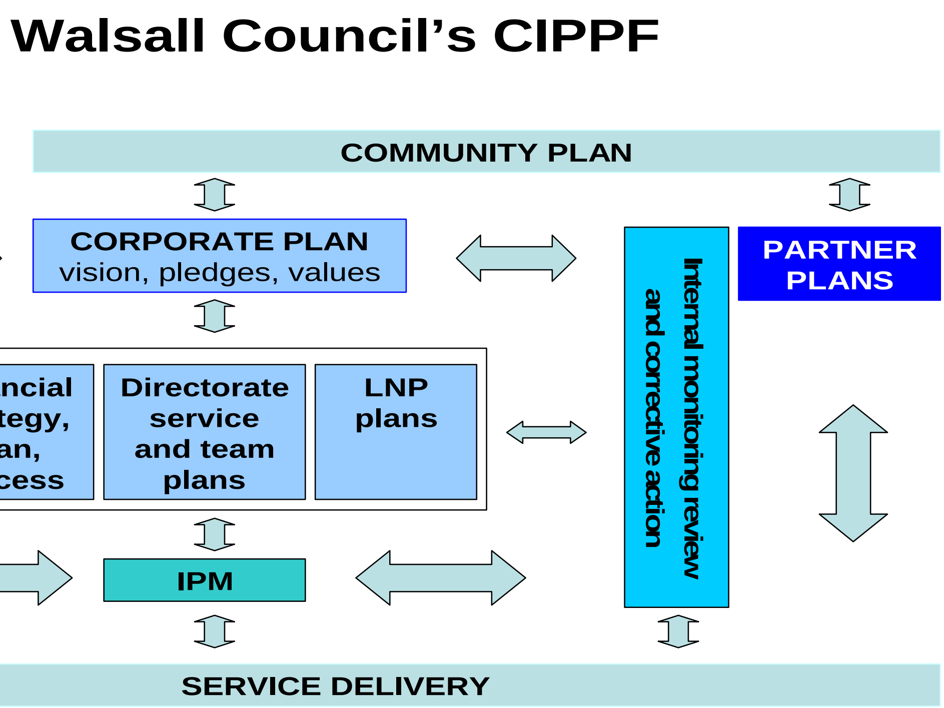
The strategy is prepared in consultation with relevant managers and directors. Budget consultation will take place more widely via scrutiny and key stakeholders. The 2005 MTFS fundamental review was led by the Executive Director (CFO).

**Performance and risk management issues**

The strategy is an integral part of the council's integrated planning and performance framework (CIPPF) and is the policy framework within which the council's financial planning and management is undertaken. It is a key document 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.

A major review and update of the MTFS was undertaken and endorsed by Cabinet in November 2005. The 2006 update includes further strengthening of the operating principles governing the council's day to day financial management; in particular the capital programme and budget realignment.

The diagram below shows how the financial strategy is integrated into our CIPPF.




The diagram overleaf shows the relationship between the various components of the financial framework. The MTFS is the overarching corporate financial policy. It sits below the corporate plan and above the other elements of the financial cycle. The MTFS is the 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.

<table>
<tr><th colspan="6">FINANCIAL STRATEGY, PLAN, PROCESS WITHIN THE CIPPF</th></tr>
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</table>

**Vision 2008**

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.

**Background papers**

Various financial working papers

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**Signed:**

**Executive Director: Carole Evans**

**26 October 2006**

**Signed:**

**Cllr John O'Hare – Deputy Leader**

**26 October 2006**

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## 1. INTRODUCTION

This is the seventh 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 Community Plan. 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.

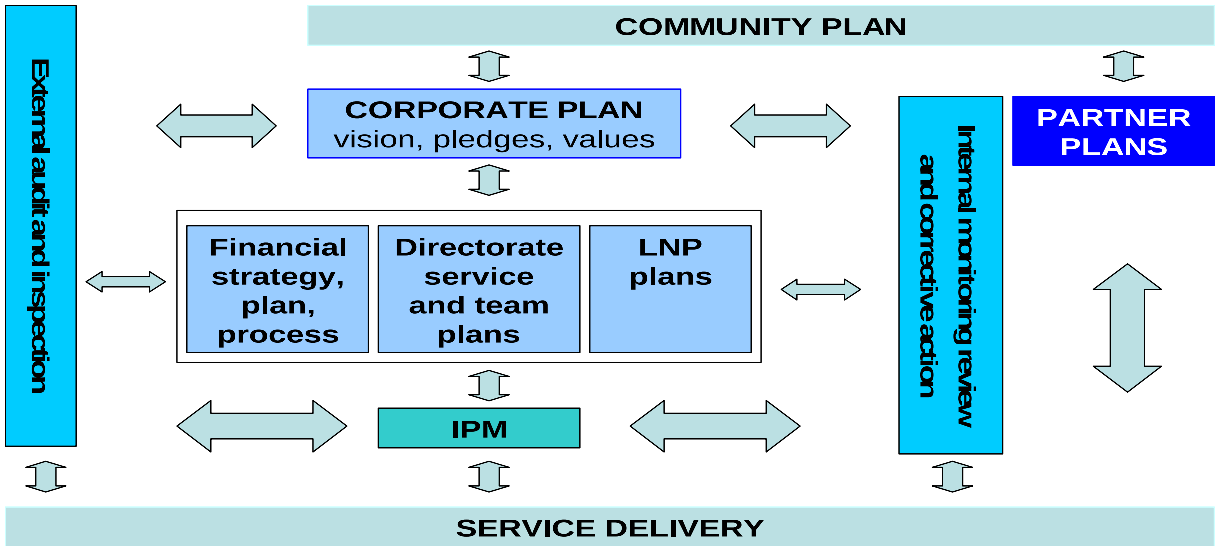
## 2. CORPORATE INTEGRATED PLANNING & PERFORMANCE FRAMEWORK (CIPPF)

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:

- Community Plan
- 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.

**Walsall Council's 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>
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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.

For several years the council has adopted 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. Having successfully stabilised our finances in 2003 after more than a decade of significant and continuously worsening challenges, we 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, Education Walsall, 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 27 strategic principles within 10 themes.

### A: LEVELS OF RESERVES AND CONTINGENCIES

**CONTEXT**: The council has had a longstanding aim to have a prudent level of general reserves, and to incrementally increase them to get to an acceptable level. Now this has been achieved, the level of general reserves, 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 risk assessment.

A1 The Council will establish opening general reserves of between 2% and 2.25 % 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 central contingency of at least 0.2% of the previous year's net general fund budget will be established for each financial year.

A4 The level of general reserves, specific earmarked reserves and central 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 has for some time embraced 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.

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

D1 Resources will be allocated according to the vision, aims, objectives, and pledges 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 continues to require 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 assessment.

E3 The council (through the CFO) will regularly review its financial management arrangements to ensure they remain fit for purpose.

**F: LOCAL TAXATION**

**CONTEXT:** A significant increase in council tax was a conscious policy decision of 2003/4, as part of a comprehensive package to secure financial standing and pump prime investment for recovery and improvement. The intention was to subsequently have lower percentage increases. Our aim, over time, is to see that our council tax will not be in the upper quartile for metropolitan and/or unitary councils, whilst ensuring it provides an income stream adequate to support the provision of good quality council services.

F1 The council will establish and maintain local tax at a level that ensures adequate ongoing income sufficient to support planned levels of expenditure.

F2 In setting the local tax level each year, the council will ensure that the annual increase is sufficient to ensure adequate resources are available to provide both the current and planned levels of service provision reflected in the annual budget and adequate specific and general reserves in the context of the medium term.

F3 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 Appropriate use will be made of the prudential code for capital investment within approved prudential indicators and subject to medium term affordability.

## H: CONSULTATION

**CONTEXT:** The council has consulted with stakeholders for many years in advance of the budget being set. Our approach has become increasingly sophisticated in recent years, and we now have comprehensive consultation facilitated by an external partner, 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 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.

## J: INTERNAL CONTROL AND REPORTING

**CONTEXT:** The maintenance of a sound internal control environment is paramount, and the council has worked hard to restore and 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 maintain at least an adequate internal control environment.

J2 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.

J3 We will publish, each year an annual report that provides stakeholders with a clear statement of the operating and financial performance of the council compared to targets.

## 6. OPERATIONAL PRINCIPLES

Our operational principles relate to how we will conduct our day to day business in financial terms. This section has 32 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 & Strategic Finance in accordance with prevailing designated criteria set out in the budget management & 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 & 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 each financial year, according to the corporate framework outlined in the budget management & control manual.

N2 Each review will be undertaken within the requirement of, at minimum, 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 at the same time as 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 using a grid based on 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 small capital central contingency to accommodate unforeseen expenditure.

P4 As an incentive, a small proportion of newly identified non-ringfenced capital receipts (i.e.: up to 10%) 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 (i.e. playing fields) 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 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 capital funding within years is subject to cabinet approval and is permitted provided that additional funds are guaranteed to be available and that the allocation aligns with the council's defined priorities.

P9 Prudential or USB can be used in the following circumstances:

- For schemes of strategic importance to the council
- To cover temporary cash flow requirements in advance of a capital receipt (.i.e. library modernisation)
- To support one-off invest to save schemes

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.

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 review 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 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* underspends and/or achieved 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. Approval for carry forwards rests with the head of corporate & strategic 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 un-required excess 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 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 he budget was set and beyond the control of the individual manager or the directorate management team, and where the directorate had made 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

### The Lyons Inquiry

On 20 July 2004, the Deputy Prime Minister and the Chancellor of the Exchequer commissioned Sir Michael Lyons to undertake an independent inquiry to consider the case for changes to the present system of local government funding in England and make recommendations, including on the reform of council tax. On 20 September 2005 the Government announced an extension to the Inquiry's terms of reference to cover questions relating to the function of local government and its future role as well as how it is funded. The inquiry is expected to report in December 2006.

### Settlement 2007/8

The main driver for determining future revenue resources available is formula grant allocation. Central Government in its Spending Review 2004 (published July 2004 and known as SR04) set the control totals for the public sector for the 3 years 2005/6, 2006/7 and 2007/8. Central Government has published provisional allocations of grant to authorities for 2007/8. Once the Government has published its future spending intentions in the next comprehensive spending review due in the summer of 2007 then the medium term financial plan can be updated with more certainty. Formula grant requires a wider view of government spending plans since it is not wholly driven by local data.

Previous years' MTFS took on board issues from the SR04. The key spending issues arising from that review that are still relevant and will be reflected in the provisional settlement 2007/8 as global additions to the 'funding pot for local government' rather than as previously, indications of service spending are:

- Investment in public services continues at a rate greater than inflation, which Government proposes to be funded by efficiency drives rather than tax increases.
- The predicted 6% increase for education together with the new Dedicated Schools Grant (DSG) will put additional pressure on council tax and other service budgets if funding for other services is squeezed as a consequence.

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 2007:

- 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 can not be ruled out.
- Underlying need to fund DSG at 100%

<u>Overview of how the Four Block System works to Derive our Formula Grant Allocation</u>

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.

From formula grant Walsall Council will receive £113.151 million in 2006/7. Moving towards 3-year settlements, the Government has advised a provisional figure of £117.009 million for 2007/8. Formula Grant is a combination of two sources: Revenue Support Grant (c 18%) and National Non-Domestic Rates (c 82%)

Capping

The Government continues to reserve the right to use its reserve capping powers if council tax increases in 2007/8 are above the level they consider acceptable. In recent years, a number of councils have been capped. Several councils were capped in 2006/7 as a result of approving a council tax increase above 5% and/or a net budget requirement increase of 6%. Capped councils have to must 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 2007/8 is not yet known, but expected to be broadly in line with that set in 2006/7.

Neighbourhood Renewal Fund (NRF)

The NRF aims to enable England's most deprived local authorities, in collaboration with their Local Strategic Partnership (LSP), to improve services; narrowing the gap between deprived areas and the rest of the country. NRF is a targeted grant that can be spent in any way that will tackle deprivation in the most deprived neighbourhoods. The grant is intended as time-limited funding to facilitate more effective, long-term targeting of mainstream resources in relation to the floor targets, local targets identified in the Local Neighbourhood Renewal Strategy or broader Community Strategy and other deprivation-related Government targets, agreed by each LSP.

Walsall has received a total of £30.5m of NRF since 2001. In the SR04 the Government committed a further £525m for each of the years 2006/7 and 2007/8, with Walsall being allocated £6.4m and £5.7m respectively. This funding was previously allocated by the Walsall Borough Strategic Partnership's (WBSP's) Commissioning Executive using an outcome-based commissioning model. This body has now been refocused and re-titled as the Executive Committee and a Target Action Plan based approach is being used, delivering outcomes within a robust performance management framework.

The Government's NRF strategy sets out their vision for narrowing the gap between deprived neighbourhoods and the rest of the country so that within 10 to 20 years no one should be seriously disadvantaged wherever they live. Whilst there no indications of specific funding beyond 2007/8 it can be assumed that the scheme is to continue as it is or in another guise following the publication or the Lyons review which looks at the whole of local government funding.

WBSP - Local Area Agreement (LAA)

The WBSP is the over arching partnership of partnerships in Walsall working to deliver our LAA. The primary objective of LAAs is to deliver genuinely sustainable communities through better outcomes for local people. LAAs also have secondary outcomes of:

- Improving central and local government relations
- Enhancing efficiency
- Strengthening partnership working
- Offering a framework within which local authorities can enhance their community leadership role.

The first LAAs were piloted in 2004/05. Walsall was in the second round that followed and we completed our LAA on 23 March 2006. Our LAA comprises over 140 targets which, over the next 3 years, are aimed at closing the gap between our performance and that of the average across all local authorities. Some of the targets are 'stretched' where we aim to achieve performance above the national average, in return for up to £8.75m of reward grant. LAA funding is distributed through 4 pillars:

- Children and Young People
- Healthier Communities and Vulnerable Adults
- Safer and Stronger Communities
- Economic Development and Enterprise

The Council is the accountable body for all 'pooled' funding within the LAA. Increasingly, the Government is demanding that more funds are pooled within the LAA on a mandatory basis. For example, NRF, Children's Services Grant, School Development Grant and Local Enterprise Growth Initiative are amongst 25 funds from government sources now required to be pooled within the LAA. Pooled funding in our LAA currently amounts to c £115m.

A white paper setting out the future of LSPs and LAAs is anticipated to be available in October 2006. It is anticipated that increased pooling of funding will follow.

<u>The Efficiency Agenda</u>
The Government's Gershon Efficiency Review introduced a requirement for councils to achieve efficiency savings of 2.5% annually over a three year period beginning 2005/6. Nationally, the release of resources and productivity improvements to front-line services is estimated to be equivalent to £6.45bn by 2007/8. Efficiencies are anticipated from: 40% through schools, 10% through policing, 35% through procurement in other services e.g.: adult social care and social housing. Each authority must identify 2.5% of efficiencies, of which 1.25% must be cashable (and therefore able to be released for reinvestment back in front line services) and 1.25% non-cashable (productivity improvements, providing the same level of outputs for less inputs). The target for Walsall is £6.63m per annum. This council has a history of delivering efficiencies, and therefore this is part of our mainstream activity.

## 8. LOCAL POLICY AND FINANCIAL CONTEXT

**Community Plan**
Walsall's current community plan covers the period for 2005 – 2010. The plan is the blueprint for Walsall's transformation, intended to build on the work already undertaken to meet the 2008 vision to ensure our locality is more vibrant, stronger, safer, cleaner greener

and economically developed. The plan was developed together with partners to face a period of rapid change and development and having regard to the next 15 years.

All organisations leading change are working together as the WBSP. The plan supports the strategies of all partner organisations and draws together the hopes and aspirations of each of them. The plan specifically notes the improvements made by Walsall Council and supports our corporate plan and vision 2008. The WBSP co-ordinates the relationship between partners involved in the regeneration of the Borough. All the previous activities directed by the WBSP were validated by the Commissioning Executive, which commissioned projects on behalf of partner organisations. The council has been represented on the WBSP through the chairmanship of the Leader of the Council, and an Executive Director who chaired the Commissioning Executive. Walsall Council is the accountable body. Under the new arrangements for 2005/6, this work is being achieved through the delivery of a LAA. This process concentrates activities around the four pillars, which are:

- Children and young people.
- Safer and stronger communities
- Healthier communities and older people
- Enterprise and economic development.

The council remains the accountable body, and continues to be represented both on the Board and through the chairmanship and other membership on the Executive Committee.

**Corporate Plan**

Our corporate plan is refreshed each year. The current one covers 2006/7 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, 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 2008; developed in 2004 following extensive and detailed consultation. The vision is of a Borough that is prosperous, forward-looking, self confident and optimistic – a place where individuals can thrive and develop. These aims are linked to those in the community plan and are focussed into the specific themes the council will deliver. Strategic priorities to 2008 are:

- Ensure a clean and green Borough.
- Make it easier for people to get around.
- Ensure all people are safe and secure.
- Make our schools great.
- Make Walsall a health and caring place.
- Encourage everyone to feel proud of Walsall.
- Make it easier to access local services.
- Strengthen the local economy.
- Listen to what local people want.
- Transform Walsall into an excellent local authority.

Each year, a series of specific pledges are identified within each of the ten priorities, targeted at improving services and delivering the overall vision. These priorities 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.

We are currently working on developing our longer-term vision to take us from 2008 and beyond. This is again being undertaken in conjunction with partners and stakeholders to maximise authenticity, relevance and ownership. This will continue to drive our corporate planning, and financial and performance management.

**Financial Context**

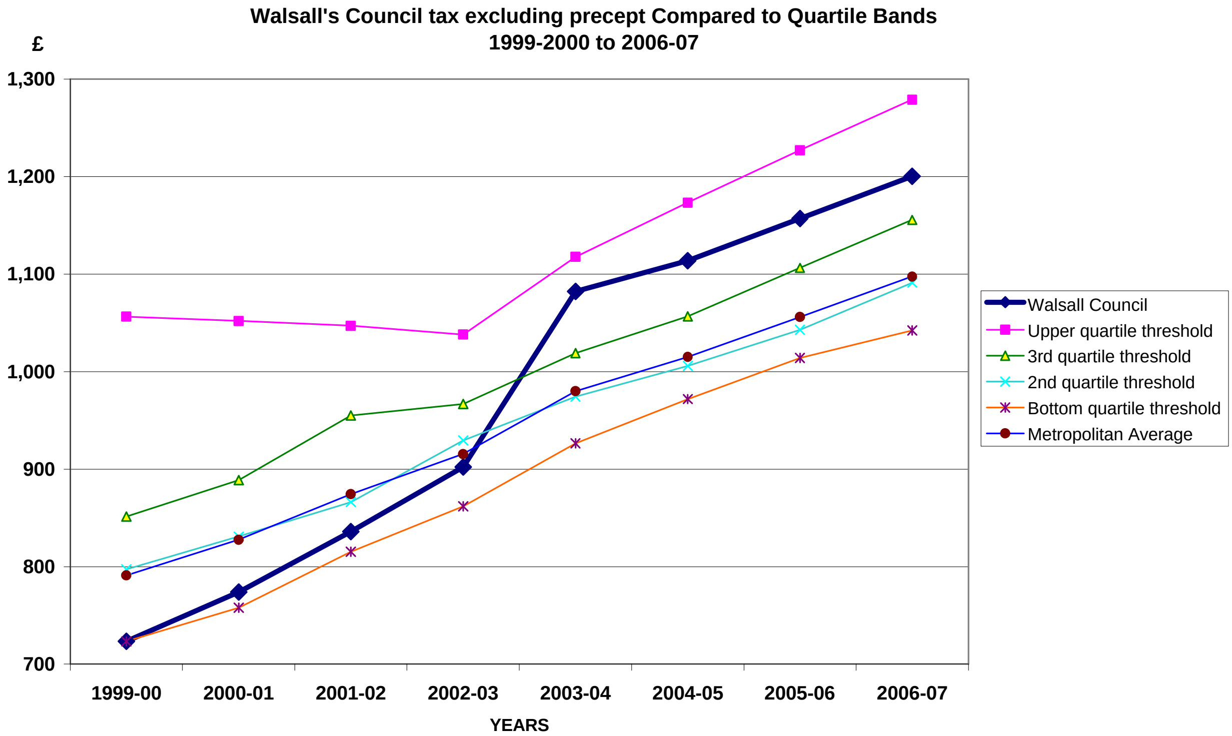
The council continues to be financially stable in the normal local government context. The 2006/7 budget was set using our long standing policy-led, medium term approach, which delivered a balanced budget with a modest council tax increase. The budget was set to support continuous service improvements, maintain financial health and release funding for further investment and modernisation. Inflation and pay awards were provided for. Opening general reserves were increased to £4.6m 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

The Audit Commission issued an unqualified opinion on the council's 2005/6 statement of accounts following the Audit Committee meeting on 29.09.06.

Local taxation

The council's strategy in 2002/3 was to make good the challenges created by over a decade of low taxation and the resultant under-investment by significantly increasing council tax as part of a complex and comprehensive package designed to pump prime recovery, bring financial stability and introduce policy-led budgeting. The strategy included an intention over time to have lower council tax increases and bring our council tax level closer to the metropolitan average. This approach has been largely successful, with the council back in mainstream local government, with a higher positive profile, vastly improved inspection and audit outcomes and an absolute council tax level becoming closer to the metropolitan average as illustrated by the graph below.




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, and action is underway to seek to outturn broadly within budget.

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 equal pay claims and single status, capital investment requirements, further anticipated fall out of grant, pressures arising from preparatory work needed in relation to the new education contract, ongoing commitments relating to current contractual arrangements in respect of street lighting PFI, and pump priming one-off pressures arising from the approved strategic transformation agenda to deliver customer facing and back office services and transformational change in services across the board. Following the decision not to pursue the putting the citizen first project, a strategic transformation project has been established, seeking the transformation of a wide range of back office functions to deliver improved support to front line services, whilst delivering significant ongoing efficiency improvements. The programme is delivering on its year 1 targets.

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

The council's approach to outsourcing seeks to bring additional investment and faster service improvement than would have been possible through retaining the services in house. Walsall council has outsourced a number of its key services, most notably housing and education. The current approach of options appraisal, within the transformation programme, saw a mixed economy approach being adopted for the revenues and benefits service, with core business retained in-house and specific activities being outsourced. Whilst it is early dates, there are encouraging signs that this particular service is seeing improvements with previous backlogs of work having been successfully tackled.

## 9. BASELINE AND OUTLOOK FOR THE FUTURE PLANNING HORIZON

**Spending Levels 2007/8**

The starting point is the approved 2006/7 base budget and provisional estimates for all years to 2010/11 identified as part of the 2005/6 budget process approved by Council in March 2005. These are currently being updated to reflect currently available information. In particular the following assumptions are used:

- Provision for full 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.
- No planned capitalisation.
- Prudent provisions and contributions in 2007/8 including changes to the commutation grant, contractual energy related pressures in street lighting, pump priming the strategic transformation programme to ensure efficiencies are delivered into the future.
- Council tax collection rates assumed to be 98.4%.
- Full year effect of 2006/7 approved investment and savings approvals are funded.

The following table shows general assumptions, as set out in the detailed budget guidelines, which are updated annually.

| COST INCREASE ASSUMPTIONS WITHIN DRAFT MTFP | | | | | |
|---|---|---|---|---|---|
| Year<br>**Assumption** | **2007/8** | **2008/9** | **2009/10** | **2010/11** | **2011/12** |
| Pay awards | 3% | 3% | 3% | 3% | 3% |
| Contract related cost increases | As per contract | | | | |
| Water increases | 2.1% | 1.8% | 1.2% | 1.2% | 1.2% |
| Energy increases | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |
| General inflation | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| FSS | 3.4% | 3.0% | 3.0% | 3.0% | 3.0% |

The draft medium term financial outlook is currently being finalised. It is anticipated that the draft settlement 2007/8 will be received in late November/early 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. Directorates are currently finalising efficiency and investment options for cabinet.

## 10. THE IDENTIFICATION AND MANAGEMENT OF RISK

We recognise the benefits of a coherent and mainstreamed approach to the identification and management of risk, and have embraced and embedded risk management into our CIPPF. We will continue to use the risk management framework to identify, analyse and manage the risks associated with our activities with the objectives of:

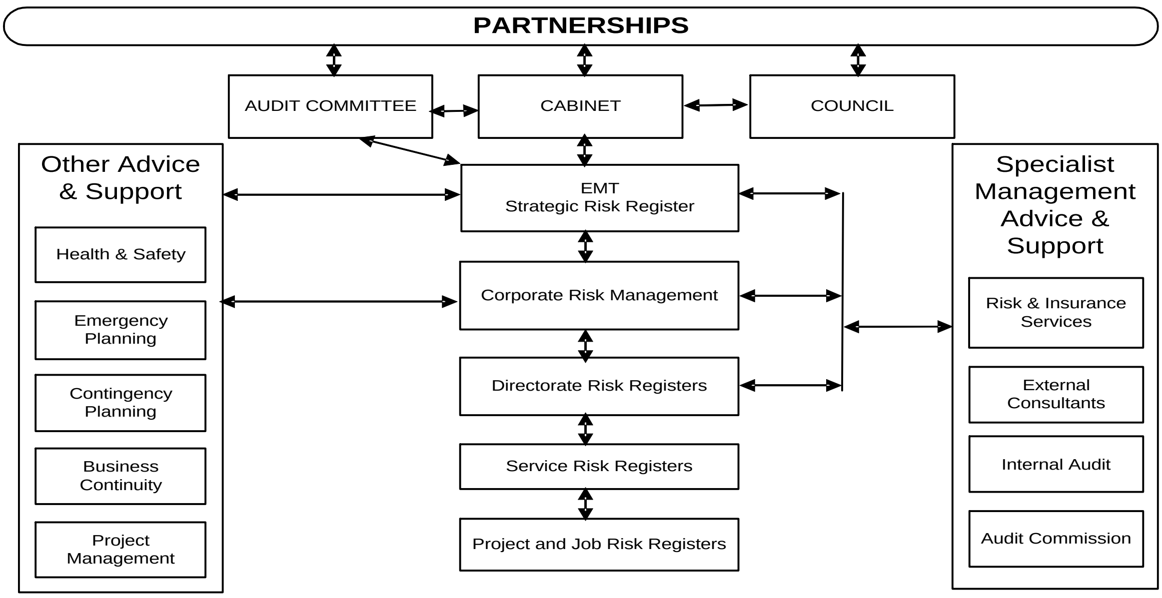
- Providing objective information to decision makers;
- Reducing health, safety and environmental risks as far as reasonably practicable;

- 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 management competence;
- Enhance our reputation;
- Maintain compliance with legal and regulatory frameworks.

Our approach to risk management will be governed by the risk management strategy. Risk management is governed by the Audit Committee. Risk is currently managed within the organisation as follows:




**Currently identified risks**
We maintain a comprehensive risk register, which lists all currently identified risks. This is structured as follows:

| ELEMENT | REPORTED TO | FREQUENCY |
|---|---|---|
| Strategic Risk Register | Cabinet/Council<br>EMT<br>Audit Committee | Annually<br>Quarterly<br>Quarterly |
| Directorate Risk Registers | Directorate Leadership Teams | Quarterly |
| Service Risk Registers | Service Management Teams | As required but at least quarterly |
| Project Risk Registers | Project Boards | |
| Partnership Risk Register | Partnership Boards | |

The currently identified risks that are currently judged to impact on the financial strategy are outlined below.

- Demand led services (looked after children, adults services home care ),
- Equal pay and job evaluation,

These risks are evaluated both within regular monitoring reports to cabinet and EMT and within the annual budget report to cabinet and Council as appropriate. The Chief Finance Officer uses this risk assessment to inform her decision on the appropriate levels of general reserves, central contingency and specific reserves.

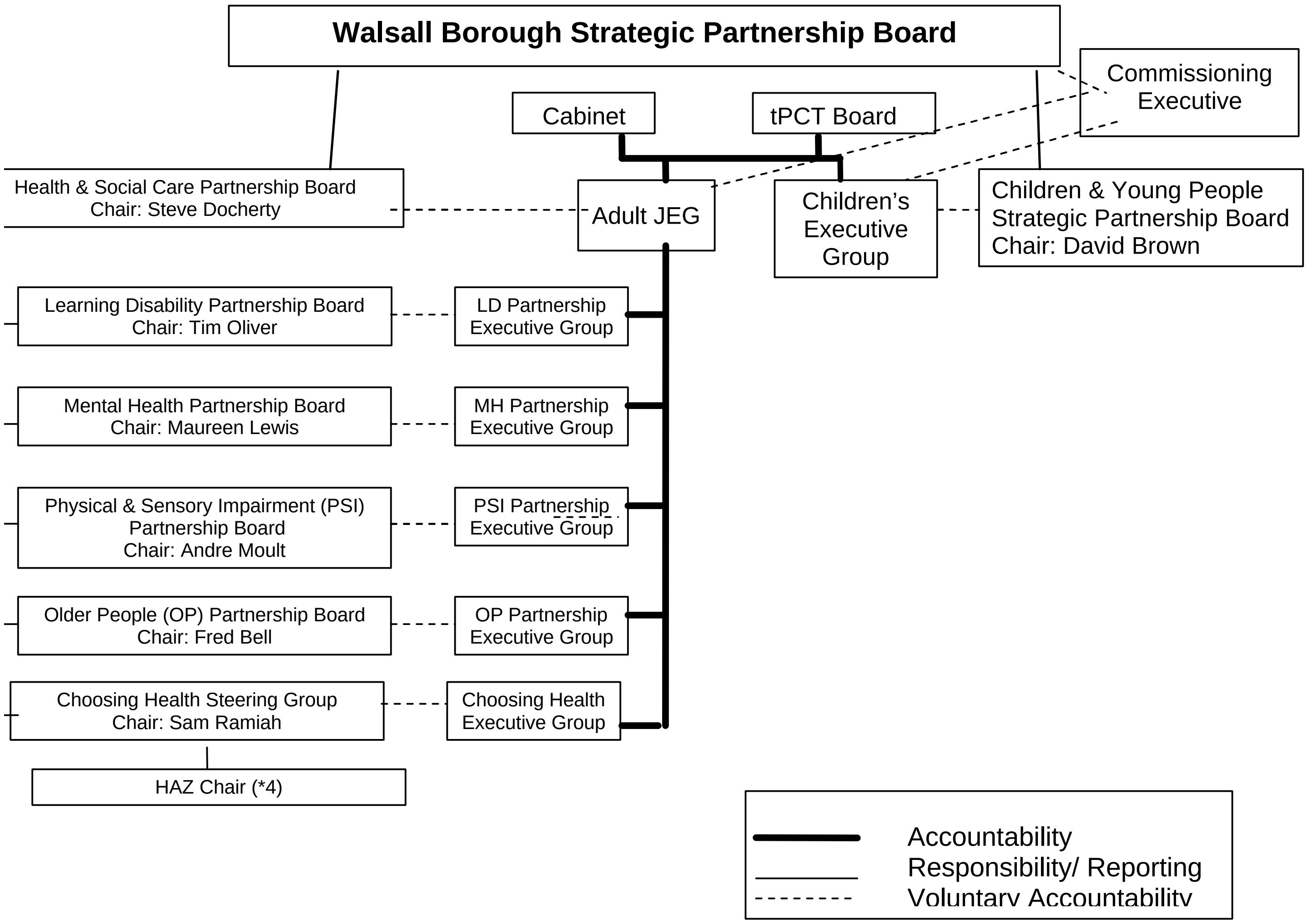
## 11. JOINT PLANS WITH OTHER STAKEHOLDERS

The overarching community plan 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 for Communities
- Health and Social Care Partnership.

Health and Social Care Partnership plans and governance

A robust governance structure has been set up within the health and social care theme of the WBSP 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 Joint 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. The LAA will be incorporated in to these strategies. In addition each partnership board has, or is developing; a broader Joint Strategy which is linked to the community plan. The Partnership Executive groups also manage the s31 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 £600 m 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 Housing Strategy

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 Blakenall, 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.

The NDC Housing Strategy is aimed at contributing to the achievement of the NDC vision, core values and objectives.

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

In recent years, the council has operated on a principle of medium term, policy-led budgeting. This 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. This process is badged "strategic choices" and operates on the basis of a stop > start > continue model of service evaluation, as follows:

| START A SERVICE | DO MORE OF A SERVICE | STAY THE SAME AS NOW | DO LESS/A DIFFERENT SERVICE | STOP A SERVICE |
|---|---|---|---|---|
| Something new to meet changing priorities or meet new demand or improve customer service | Grow a service to meet increased demand or improve or change for the better | Do nothing - but we will need to consider carefully the opportunity cost of “no change”. | Do it differently, to a lower level, prioritise differently, perhaps with a partner or outsource | Total divestment/ cessation |
| INVESTMENT SCOPE | | CONTINUITY | SAVINGS SCOPE | |

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 (*excellent council*).
- Annual savings and efficiencies of £8.1m (2006/7); £6.2 m (2005/6); £4.9m (2004/5) and £4.6m (2003/4) which were reinvested in service development and modernisation of £3.2m (2006/7); £6.8 m (2005/6); £6.41 m (2004/5) and £6.7m (2003/4), realigning investment with our priorities (*excellent council*).
- All investment being assessed according to its contribution to delivery of our vision.

Service impact

- Use of the prudential code to invest £5 million over two years in the repair and maintenance of highways (easier to get around);
- Use of the prudential code to invest £5 m in the repair and maintenance of schools, linked to the removal of surplus places (great schools);
- Full passporting of the schools funding increase every year (*great schools*);
- Some examples of revenue investments in 2006/7 are:
  - Household waste recycling centres £0.300m (*clean and green*)
  - Maintenance of traffic signals £0.025m (*easier to get around*)
  - Town centre management £0.050m (*strong local economy)*
  - Local neighbourhood partnerships £0.100m (*listening council)*
  - Walsall markets £0.110m (*pride in Walsall*)
  - Learning disabilities care packages £0.350 m (*healthy and caring*)
  - Children’s carers £0.150 m (*safe and secure*)

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

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

- The LSVT of housing stock to independent trusts to bring significant investment to the improvement of homes.
- Closure of Reedswood golf course.
- Cessation of the cesspit emptying service.
- 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** **MTFS – APPENDIX A**

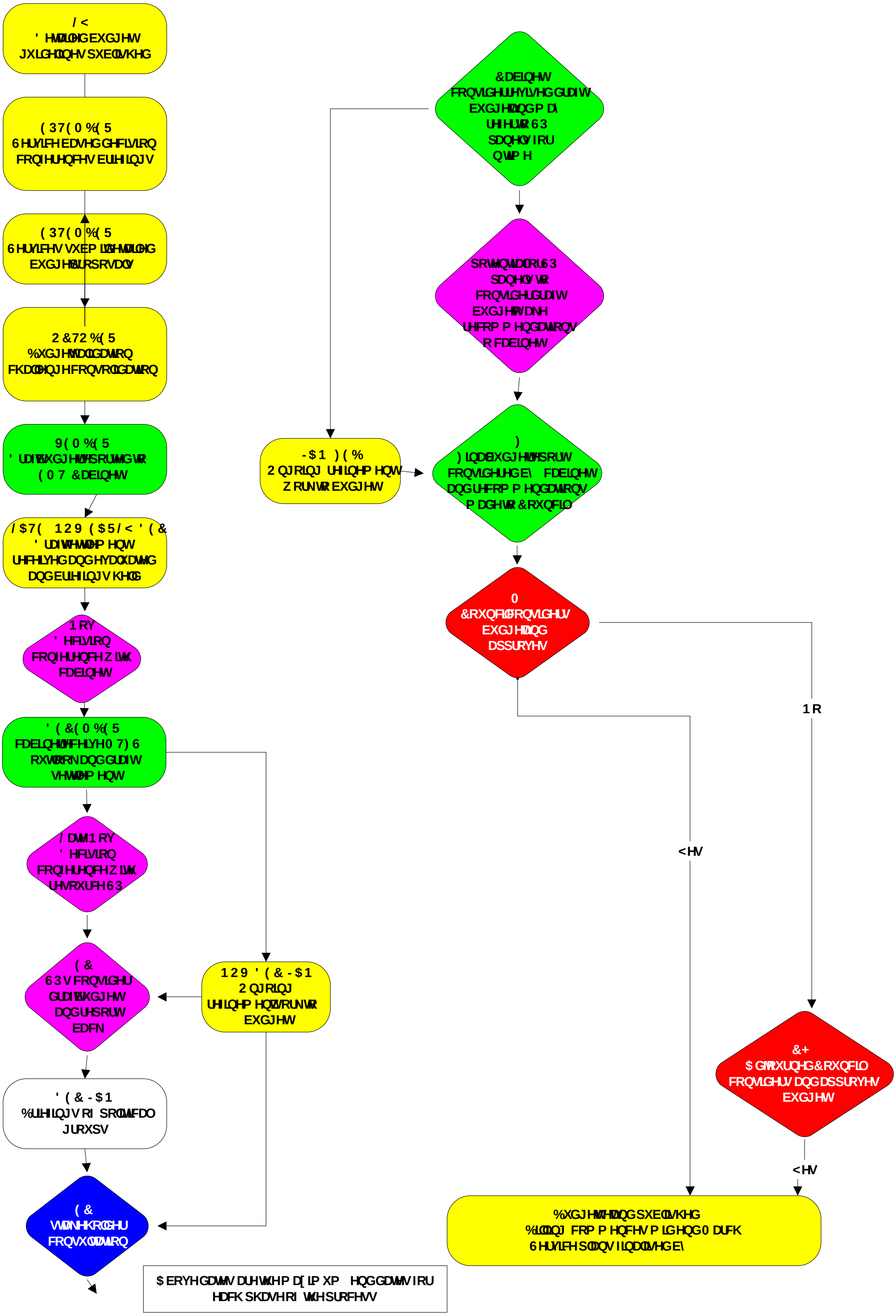
| DOCUMENT | BRIEF DESCRIPTION | DETAILED DRAFTING | OFFICER APPROVAL | MEMBER APPROVAL | DATE | REVIEW FREQUENCY |
|---|---|---|---|---|---|---|
| **CIPPF** | Sets out how the various planning processes interlink and jointly demonstrate how services and resources are managed. | HCPM | CFO | Audit Cttee | 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. | CFO in consultation with HCSF | EMT | Cabinet | Autumn | Annual |
| **Capital Strategy** | The council's intentions for its capital income and expenditure to deliver the organisation's aims and objectives. | HCSF | CFO | Cabinet | Autumn | Annual |
| **Income Generation Strategy** | How the council will maximise its income and use this to improve services in line with its aims and objectives. | HCSF | ADF in consultation with CFO | Cabinet | Autumn | Annual |
| **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 | HCSF in consultation with CFO | Cabinet | Strategy: Mar Policy Statement - Nov | Annual |
| **Risk Management Strategy** | The council's approach to managing risks to avoid unnecessary cost and reduce liability, whilst still maximising opportunities available. | RM | HCPM in consultation with CFO | Audit Cttee | Winter | Annual |
| **Budget Guidelines** | Guidance to practitioners on the construction of the annual revenue budget. | HCSF in consultation with HOFs | HCSF in consultation with CFO | N/A | Summer | Annual |
| **Capital Guidelines** | Guidance to practitioners on the construction of the annual capital programme. | HCSF in consultation with HOFs | HCSF in consultation with CFO | N/A | Summer | Annual |
| **CIPFA guidance** | • Statement of Internal Control<br>• Best Value Code of Practice<br>• Prudential Code | CIPFA | Implementation HCSF | 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. | HCSF with input from HOFs | CFO | 1. Cabinet<br>2. Council | February<br>February/March | Annual |
| **Budget Management & Control Manual** | Detailed guidance for practitioners on the management and control of budgets and allied activities. | HCSF | CFO | N/A | Spring | Annual |
| **Statement of System on Internal Control (SIC)** | Statement setting out the council's approach to implementing and reviewing internal control mechanisms in order to ensure the financial management of the council is adequate, including the reduction of financial risk. | HCSF in consultation with CIA | CFO | Audit Cttee | Autumn (with Statement of Accounts) | Annual |
| **Revenue Budget** | See MTFP | HCSF with input from HOFs | CFO | 1. Cabinet<br>2. Council | February<br>February/March | Annual |
| **Capital Programme** | See MTFP | HCSF with input from HOFs | CFO | 1. Cabinet<br>2. Council | February<br>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 | Assistant Director of Built Environment / Corporate Property Group | Cabinet | Autumn | Annual |
| **Constitution** | The overarching document setting out the council's governance arrangements | ADL (MO) | EMT | 1. Cabinet<br>2. Council | As required | Annual/ as required |
| **Consultation Strategy** | The document setting put the overall strategy in relation to undertaking consultation with residents, service users, partners 7 other key stakeholders. | Policy Officer | EMT | Cabinet | Autumn | Annual |
| **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 ADF HCSF and HOFs | 1. Cabinet<br>2. Council | As required | Annual/ as required |

**ADF** – Assistant Director of Finance
**ADL** – Assistant Director of Law & Constitutional Services/Monitoring Officer
**CIA** – Chief Internal Auditor
**CFO** - Chief Finance Officer/S151 Officer
**CFPH -** Cabinet Finance Portfolio Holder
**HCSF** - Head of Corporate & Strategic Finance
**HOFs** – Heads of finance in directorates
**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). |

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| **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. |

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| **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. |