

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>16 October 2019</b>
--	--

<b>Report title</b>	Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All Wards	
<b>Accountable director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye	Director of Finance
	Tel	01902 550478
	Email	claire.nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board	2 October 2019
	Health Scrutiny Panel	7 November 2019
	Vibrant and Sustainable City Scrutiny Panel	7 November 2019
	Adults and Safer City Scrutiny Panel	12 November 2019
	Our Council Scrutiny Panel	20 November 2019
	Stronger City Economy Scrutiny Panel	25 November 2019
	Children and Young People Scrutiny Panel	27 November 2019
	Scrutiny Board	10 December 2019

**Recommendations for decision:**

The Cabinet is recommended to approve:

1. The updated draft budget strategy linked to the Five Year Financial Strategy, including the budget reduction and income generation proposals and one-off funding opportunities.
2. That further options are explored between October 2019 and January 2020 to address the updated projected budget deficit of £3.9 million for 2020-2021 and the medium term, based on the Council's Five Year Financial Strategy.

3. That authority be delegated to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve the final budget consultation arrangements.

**Recommendations for noting:**

The Cabinet is recommended to note:

1. That, a number of assumptions have been made with regards to the level of resources that will be available to the Council as detailed in section 5 of this report. It is important to note that there continues to be a considerable amount of uncertainty with regards to future income streams for local authorities over the forthcoming multi-year Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.
2. That, due to external factors, budget assumptions remain subject to significant change, which could, therefore, result in alterations to the financial position facing the Council.
3. That the projected remaining budget deficit for 2020-2021 will be in the region of £3.9 million, rising to £20 million over the medium term period to 2023-2024.
4. That it is anticipated that the additional adult and children's social care grant will be sufficient to meet the projected remaining budget deficit in 2020-2021 and therefore enable the Council to set a balanced budget in that year.
5. That due to the uncertainty over the medium term, the overall level of risk associated with the 2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 is assessed as Red.
6. That an element of the high-level strategy for 2020-2021 relate to one-off opportunities that can be achieved in 2020-2021.
7. That the updated projected deficit assumes the achievement of previously approved budget reduction and income generation proposals amounting to £9.6 million over period 2019-2020 to 2023-2024.
8. That the 2020-2021 budget timetable will, as in previous years, include an update on all budget assumptions and the Provisional Local Government Settlement which will be presented to Cabinet in January 2020, with the final budget report due to be approved by Full Council in March 2020.

## **1.0 Purpose**

- 1.1 The purpose of this report is to provide Councillors with an update on progress towards identifying additional budget reduction proposals in order to address the projected budget deficit of £4.9 million in 2020-2021 and budget challenge over the medium term to 2023-2024.
- 1.2 This is the second report of the financial year on the Draft Budget and the Medium Term Financial Strategy (MTFS) for the period of 2020-2021 to 2023-2024.

## **2.0 Background and Summary**

- 2.1 Since 2010-2011 despite the successive cuts in Council resources, which have led to significant financial challenges, the Council has set a balanced budget in order to deliver vital public services and city amenities. Over the last eight years the Council has identified budget reductions in excess of £220 million. The extent of the financial challenge over the medium term continues to represent the most significant challenge that the Council has ever faced, with reducing resources, growing demand for services and significant cost pressures.
- 2.2 In order to respond to this financial challenge and the growing demand for services, the Council has developed a Five Year Financial Strategy to address the projected deficit over the medium term which is detailed in section 3 of this report.
- 2.3 The Council's General Fund Balance stands at £10 million, which is the minimum balance as determined in the Council's Reserves and Balances Policy. In addition, the Council holds specific reserves which are set aside to fund future planned expenditure. It is vital the Council continues to hold these reserves to mitigate the risk of uncertainty of any potential future expenditure and therefore it is not an option to use the funds to meet the budget deficit.
- 2.4 The Budget and Medium Term Financial Strategy (MTFS) 2019-2020 to 2023-2024 was presented to Full Council for approval on 6 March 2019. The Council was able to set a balanced budget for 2019-2020 without the use of General Fund reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £27.3 million in 2020-2021 rising to £40-£50 million over the medium term to 2023-2024.
- 2.5 It is important to note that the updated projected budget deficit assumes the achievement of previously approved budget reduction and income generation proposals amounting to £9.6 million over the five-year period from 2019-2020 to 2023-2024. Having identified budget reductions in excess of £220 million over the previous eight financial years, the extent of the financial challenge over the medium term continues to represent the most significant challenge that the Council has ever faced.

- 2.6 In March 2019, Full Council approved that work started immediately to identify budget reductions and income generation proposals for 2020-2021 onwards, in line with the Five Year Financial Strategy, and for progress to be reported to Cabinet in July 2019.
- 2.7 It should be noted that due to external factors, budget assumptions remain subject to change. This could therefore result in alterations to the financial position faced by the Council.
- 2.8 An update on the draft budget strategy, linked to the Five Year Financial Strategy, including the budget reduction and income generation targets to address the projected budget challenge of £27.3 million for 2020-2021 and future years was presented to Cabinet on 31 July 2019. At that point, various opportunities including: anticipated grant income arising as a result of a one year spending announcement, council tax income, adult social care precept, capital receipts and other one-off funding streams and budget proposals linked to the Financial Strategy resulted in the identification of £22.4 million towards the projected budget deficit for 2020-2021. Cabinet approved the incorporation of high-level budget strategy for 2020-2021 into the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024. Taking this into account, the remaining budget challenge to be identified for 2020-2021 stood at £4.9 million.
- 2.9 Work has continued during the second quarter of this financial year to identify opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2020-2021 and future years, whilst also analysing the potential resources available to the Council following the Spending Round 2019 announcement on 4 September 2019.
- 2.10 This report provides an update on progress towards the budget strategy for 2020-2021 and future years, whilst also detailing emerging pressures that the Council currently faces.

### **3.0 Five Year Financial Strategy**

- 3.1 The Council's strategic approach to address the budget deficit continues to be to align resources to Our Council Plan 2019-2024 which was approved by Full Council on 3 April 2019.
- 3.2 Our Council Plan 2019-2024 sets out how we will deliver our contribution to Vision 2030 and how we will work with our partners and communities to be a city of opportunity. The plan includes six strategic priorities which come together to deliver the overall Council Plan outcome of 'Wulfrunians will live longer, healthier and more fulfilling lives.' Over the medium term, resources will continue to be aligned to enable the realisation of the Council's priorities of achieving:
- Children and Young People get the best possible start in life
  - Well skilled people working in an inclusive economy
  - More good jobs and investment in our city
  - Better homes for all
  - Strong, resilient and healthy communities
  - A vibrant, green city we can all be proud of.

3.3 The Financial Strategy, approved by Council in March 2019, consists of five core principles underpinned by eight core workstreams. Using the Core Workstreams as the framework for the Financial Strategy detailed delivery plans are being developed all with a lead director. The Core principles and workstreams are:

- **Core Principles:**

- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
- **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities to provide an effective and supportive environment.
- **Delivering Inclusive Economic Growth.** We will continue to drive investment in the City to create future economic and employment opportunities.
- **Balancing Risk.** We will ensure we base decisions on evidence, data and customer insight.
- **Commercialising our Approach.** We will boost social value in our City by maximising local procurement spend with people and businesses.

- **Core Workstreams:**

- **Promoting Digital Innovation.** Improve access to digital services to empower local people to self-serve at a time and place that suits them whilst reducing 'traditional' operating costs.
- **Reducing demand.** Through early intervention and closer collaboration with local people we aim to reduce demand for services and support greater independence and resilience.
- **Targeted Service Delivery.** Our efforts will be focused in the areas and places that need us the most and where we can deliver the best possible outcomes within the resources available.
- **Sustainable Business Models.** We will develop the most efficient and effective services possible, within the significant financial constraints we face, to meet the needs of local people.
- **Prioritising Capital Investment.** Aligned to our strategic plan, investment will focus on the priorities that deliver the best possible return and outcomes for local people.
- **Generating Income.** Better understanding the markets we operate in will enable us to develop new, innovative income generation opportunities with partners where appropriate.
- **Delivering Efficiencies.** By reviewing our resources, business processes and better using technology, we will deliver services which meet customer needs efficiently and cost-effectively.
- **Maximising Partnerships and External Income.** We will take a much more strategic role, working with our partners, to identify opportunities to collaborate, share resources, reduce costs and seize funding opportunities.

## **4.0 Budget Strategy 2020-2021 to 2023-2024**

### **Spending Round 2019**

- 4.1 On 31 July 2019, Cabinet were asked to note the uncertainty regarding future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At that point, it was unclear as to whether the Comprehensive Spending Review 2020, and the corresponding reforms to the Fair Funding Formula and Business Rates Retention, would be announced in this financial year in order to provide greater certainty for 2020-2021 and the medium term.
- 4.2 Cabinet were also informed that the Local Government Association and financial research organisations envisaged that the Comprehensive Spending Review 2020 would be delayed due to the extension of ongoing negotiations surrounding Brexit and the Leadership election process for a new Prime Minister, and therefore local authorities would be likely to receive a one-year settlement for 2020-2021 only.
- 4.3 On 4 September 2019, the Government announced the Spending Round 2019 which set out the Government's spending plans for 2020-2021 only.
- 4.4 As anticipated, it was confirmed that the full multi-year Spending Review will take place in 2020 for funding post 2020-2021. The review will take into account the nature of Brexit and set out further plans for long term reform. It is envisaged that the Fair Funding Review and Business Rates Retention reforms will be addressed as part of the multi-year Spending Review.
- 4.5 The report to Cabinet on 31 July 2019 clarified that a number of assumptions had been made with regards to the level of resources that will be available to the Council. Whilst there continues to be a considerable amount of uncertainty regarding future funding streams for local authorities over the medium term, the following paragraphs detail the Spending Round 2019 announcements which impact on the Council's Medium Term Financial Strategy.

## **5.0 Corporate Resources**

### **Council Tax assumptions**

- 5.1 The Draft Budget and Medium Term Financial Strategy (MTFS) 2020-2021 to 2023-2024 report presented to Cabinet on 31 July 2019 indicated that additional funds in the region of £1.0 million could be realised in 2020-2021 if council tax were to be raised by an additional 1% to 2.99%. Furthermore, if the adult social care precept were to be increased by 2% in 2020-2021 additional funds in the region of £2.1 million would be available to support the delivery of key Adult Services.
- 5.2 In the Spending Round 2019, the Government announced that they will consult on providing local authorities with adult social care responsibilities the power to raise an additional 2% via the adult social care precept in 2020-2021. Should this power be granted, it would enable councils to raise further funding to support adult social care. As

detailed in paragraph 5.1, the additional 2% adult social care precept is in line with the Council's assumptions.

- 5.3 In addition to this, the Government are consulting on a core council tax referendum limit of 2% for 2020-2021. As detailed in paragraph 5.1, the MTFS currently assumes that total council tax income in the region of £100.1 million would be available to the Council if a 2.99% council tax increase were approved for 2020-2021. In order to be prudent, it is proposed that the Council's MTFS assumptions be revised downwards to reflect a 1.99% increase in council tax in 2020-2021; therefore, resulting in a budget pressure totalling £1.0 million in 2020-2021.
- 5.4 In line with Cabinet approval of the draft budget strategy in July 2019, the Council will continue to consult with residents on increasing council tax up to 2.99% and increasing the adult social care precept by 2% in 2020-2021. This will therefore enable the Council to consider increasing council tax and adult social care precept should additional flexibility be granted during the 2020-2021 Local Government Finance Settlement. A review of the council tax base, that is the number of properties in the city, will be presented to Cabinet as part of the 'Council Tax Base and Business Rates Net Rate Yield' report in January 2020.

#### **Social Care Grants**

- 5.5 The Government announced that additional grant funding totalling £1 billion would be made available to local authorities in 2020-2021 for adults and children's social care, to support the rising demand on the social care system. At this stage, the proposed formula for distribution of the grant and indicative funding allocations have been released for consultation by the Ministry of Housing, Communities and Local Government (MHCLG). The outcome of the consultation will be confirmed in the provisional settlement in December.
- 5.6 This additional funding is in addition to the existing adults and children's social care grants that have been received in 2019-2020; which the Government have now confirmed will be rolled forward into 2020-2021.
- 5.7 The Government have stated that they remain committed to putting adult social care on a fairer and more sustainable footing and will bring forward proposals in due course.
- 5.8 The Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 presented to Cabinet on 31 July 2019 assumed that the Government would announce that local authorities receive adult social care winter pressures grant funding in 2020-2021 and each year over the medium term totalling £1.4 million annually.
- 5.9 The incorporation of the roll forward of one-off grants that have been received in 2019-2020 but not previously assumed in the MTFS for 2020-2021 totals £4.3 million.

### **Public Health Grant**

- 5.10 The Government have confirmed a real term increase to the Public Health grant budget in 2020-2021 to ensure local authorities can continue to provide prevention and public health interventions. The additional funds will support the provision of public health and wellbeing across the City.

### **Business Rates**

- 5.11 Furthermore, the Government have also confirmed that business rate baseline funding levels will increase in line with inflation, which is in line with our assumptions in the MTFs. The September consumer price inflation rate has not yet been released, however it is forecast that the business rates multipliers will increase by 2%.

### **Other funding announcements**

- 5.12 In addition to the funding announcements detailed above which have a direct impact on the Council's MTFs, there were other Spending Round 2019 announcements which will provide benefits to the residents of Wolverhampton.
- 5.13 The Government has committed to increase funding for education and skills nationally over the period to 2022-2023 by £7.1 billion, when compared to 2019-2020 funding levels. The additional funding includes an allocation to support children and young people with special educational needs and further education funding. At this stage, the announcement has been made at a national level and we are therefore not aware of the specific grant allocation that will be made available for Wolverhampton.
- 5.14 Furthermore, the Government have also announced an increase in funding to help reduce homelessness and rough sleeping. Similarly, this has been announced at a national level and therefore we are not currently aware of the allocation for Wolverhampton.
- 5.15 Whilst the Spending Round 2019 announcement has provided some clarity for 2020-2021, it is important to note that the Council continues to face significant uncertainty over the medium term and it is particularly challenging to project the potential resources that will be available to the Council over the forthcoming multi-year Spending Review period. It is important to note that, any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.

## **6.0 One-off funding sources**

- 6.1 Work has continued during the second quarter of this financial year to identify one-off funding opportunities to support the budget strategy for 2020-2021 and future years. The various opportunities are detailed in the paragraphs below.
- 6.2 On 18 June 2019, Cabinet (Resources) Panel received a report detailing the final outturn on the Collection Fund for 2018-2019 which consisted of a cumulative surplus in the region of £1.4 million on Council Tax and a cumulative deficit in the region of £539,000 on Business Rates. Of the accumulated surplus on the Collection Fund, the Council will

retain a surplus of £960,000. When forecasting the estimated outturn on the Collection Fund for 2018-2019, it was projected that the Council would retain a deficit of £34,000. It is therefore proposed that the additional benefit arising from the positive outturn on the Collection Fund be recognised in the MTFS.

- 6.3 In addition to this, it is proposed that one-off funds totalling £1 million be released from the Job Evaluation reserve in 2020-2021. This reserve was created to fund legal costs associated with Job Evaluation. A review of the anticipated future costs indicates that this reserve can be reduced.
- 6.4 Furthermore, following the review of the anticipated costs of Job Evaluation, it is also proposed that £500,000 be released from the Equal Pay Provision in 2020-2021. The Equal Pay Provision was created to provide for any potential Equal Pay claims that could arise in the six year period post implementation of Single Status; which was on 1 April 2013. Whilst there are some claims which are yet to be resolved, it is anticipated that the remaining provision will not be required in its entirety.

## **7.0 Update on Emerging Factors and the Budget Challenge for 2020-2021**

- 7.1 The assumptions used in the preparation of the budget and Medium Term Financial Strategy (MTFS) remain under constant review and update.
- 7.2 In July 2019, Cabinet were informed of emerging pressures within Adult Services following a fee review and demographic pressures in 2019-2020.
- 7.3 In addition to this, potential cost pressures within the Waste and Recycling Service were highlighted if a restructure within the service were to take place where employees not currently on NJC terms and conditions of employment could result in them being employed on this basis; item 12 - 'Waste Transformation Programme - Future Service Delivery Arrangements' on the agenda for this meeting provides further details on the proposals.
- 7.4 These service areas continue to be kept under review, however in order to be prudent, it is proposed that budget pressures in the region of £4.7 million prevalent in 2020-2021 are recognised, therefore increasing the projected budget deficit in that year as detailed in Table 1 overleaf.
- 7.5 In July, Cabinet approved that alternative funding sources would be sought to fund the Wolves at Work Programme to reduce the cost to the Council whilst protecting this successful initiative. At this time alternative funding has not been secured however work will continue and updates will be brought to Cabinet in the next budget report. If alternative funding is not found this will increase the deficit position for 2020-2021.
- 7.6 Taking into account the forecast changes to corporate resources and emerging pressures, detailed in the paragraphs above, it is anticipated that the projected remaining budget deficit for 2020-2021 will be in the region of £3.9 million, rising to £20 million over the medium term period to 2023-2024.

**Table 1 – Draft Budget Strategy 2020-2021**

	<b>2020-2021 £000</b>
<b>Projected Budget Challenge as at July 2019</b>	<b>4,897</b>
<b>Changes to Corporate Resources</b>	
Council Tax – reduced to 1.99%	1,045
Adult Social Care Grant (Improved Better Care Fund)	(1,947)
Additional Adult and Children’s Social Care Grant	(2,351)
Collection Fund Surplus	(960)
Use of Job Evaluation Reserve	(1,000)
Release of Equal Pay Provision	(500)
<b>Potential Pressures</b>	<b>4,700</b>
<b>Revised Budget Challenge as at October 2019</b>	<b>3,884</b>

7.7 As detailed in paragraph 5.5, the Government have announced that additional grant funding totalling £1 billion will be made available to local authorities in 2020-2021 for adults and children’s social care, to support the rising demand on the social care system. The Local Government Finance Settlement 2020-21 technical consultation, issued by the Ministry of Housing, Communities and Local Government (MHCLG), provides the proposed formula for the distribution of the grant and indicative local authority allocations of the additional unringfenced grant funding. It is anticipated that the additional adult and children’s social care grant will be sufficient to meet the projected remaining budget deficit in 2020-2021 and therefore enable the Council to set a balanced budget in that year. It is important to note however, that there is no certainty around the level of funding at the point of writing. Any reduction in the Government’s allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term. It is hoped that further clarity is provided in the provisional local government settlement 2020-2021, which it is anticipated will be announced in December 2019.

7.8 Due to the uncertainty about the additional adult and children’s social care grant funding work will continue to identify efficiencies in order to reduce the budget deficit over the medium term and mitigate the reliance on one-off funding.

7.9 Due to external factors, budget assumptions remain subject to significant change, which could, therefore, result in alterations to the financial position facing the Council. At the point of writing, the negotiations surrounding Brexit are ongoing and there continues to be speculation around Parliamentary changes; the announcements made in the Spending Round 2019 therefore hold an element of risk.

7.10 **Pension deficit**

Work is being undertaken by the West Midlands Pension Fund through the triennial valuation process to determine the employer contributions that will be required over the medium term. At this stage, the MTFS reflects the forecasts based on the previous valuation in 2016. Updates will be provided to Cabinet in future reports.

#### 7.11 Pay Award

The MTFS assumes an average pay award of 2% per annum. National pay negotiations are likely to take a number of months to conclude. Any increase above an average of 2% will place additional pressure on the MTFS.

### 8.0 Budget Proposals for 2020-2021

8.1 In July 2019, a number of proposals were presented to Cabinet for approval to address the projected budget deficit for 2020-2021 and the medium term. Since the last update to Cabinet, further detailed work has continued to take place to develop the proposals reported to Cabinet at that point in time. As a result of this detailed work, it is anticipated that there could be potential revisions to the phasing of some budget proposals over the medium term. This will be kept under review over the forthcoming months and in the event that rephasing of proposals are required, they will be presented in future reports to Cabinet.

8.2 Where proposals have a 2020-2021 budget reduction or income generation target, further details for individual proposals are available on the Council's website using the following link [www.wolverhampton.gov.uk/financialstrategy](http://www.wolverhampton.gov.uk/financialstrategy)

8.3 For those proposals which do not impact on the 2020-2021 budget, further details for individual proposals will be made available in future reports to Councillors.

8.4 Directors and Heads of Service will continue to develop budget reduction and income generation opportunities for the medium term, in order to ensure that a balanced budget can be set in each individual year.

### 9.0 Budget Risk Management and Timetable

9.1 A summary of the 2020-2021 budget setting process timetable is detailed in the Table 2.

**Table 2 – Budget Timetable**

<b>Milestone</b>	<b>Deadline</b>
------------------	-----------------

Draft Budget and Medium Term Financial Strategy (MTFS) 2020-2021 to 2023-2024 report to Cabinet	16 October 2019
Formal Budget Consultation and Scrutiny	21 October – 31 December 2019
Report to Cabinet following the Provisional Local Government Finance Settlement	22 January 2020
Final Budget Report 2020-2021 to Cabinet	19 February 2020
Full Council Approval of Final Budget 2020-2021	4 March 2020

- 9.2 As detailed above the budget consultation process will take place from 21 October to 31 December 2019. This consultation process is the start of continuous engagement with the community throughout the year through community events. The Council will explore the use of digital tools to widen community engagement, however the focus will be on priorities for the City.
- 9.3 Cabinet approval is sought to delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance, to approve the final budget consultation arrangements.
- 9.4 The overall level of risk associated with the Draft Budget and Medium Term Financial Strategy (MTFS) 2020-2021 to 2023-2024 is assessed as Red. The following table provides a summary of the risks associated with the MTFS, using the corporate risk management methodology.

**Table 3 – General Fund Budget Risks 2020-2021 to 2023-2024**

Risk	Description	Level of Risk
Medium Term Forecasting	Risks that might materialise as a result of the impact of non-pay inflation and pay awards, uptake of pension auto enrolment, and National Living Wage.	Amber
Service Demands	Risks that might materialise as a result of demands for statutory services outstretching the available resources. This particularly applies to adults and childrens social care.	Red
	Risks that might materialise as a result of demands for non-statutory services outstretching the available resources.	Amber
Identification of Budget Reductions	Risks that might materialise as a result of not identifying budget reductions due to limited opportunity to deliver efficiencies.	Amber

Budget Management	Risks that might materialise as a result of the robustness of financial planning and management, in addition to the consideration made with regards to the loss of key personnel or loss of ICTS facilities	Green
Transformation Programme	Risks that might materialise as a result of not delivering the reductions incorporated into the budget and not having sufficient sums available to fund the upfront and one-off costs associated with delivering budget reductions and downsizing the workforce.	Amber
Reduction in Income and Funding	Risks that might materialise as a result of the multi-year Spending Review, which is due to be announced in 2020-2021, and reforms to Business Rates Retention and the Fair Funding Review.	Red
	Risks that might materialise as a result of income being below budgeted levels, claw back of grant, or increased levels of bad debts.  The risk of successful appeals against business rates.	Amber
Third Parties	Risks that might materialise as a result of third parties and suppliers ceasing trading or withdrawing from the market.	Amber
Government Policy	Risks that might materialise due to structural uncertainties including the impact of exiting the European Union.	Red
	Risks that might materialise as a result of changes to Government policy including changes in VAT and taxation rules, and in particular, from the Care Bill.	Red

## 10.0 Evaluation of alternative options

10.1 In determining the proposed Five Year Financial Strategy, consideration has been made to the deliverability of budget reduction and income generation proposals and budget pressures. If we were to not implement the budget strategy as proposed in this report, alternative options would need to be identified in order for the Council to set a balanced budget for 2020-2021. This may therefore potentially impact upon service provision.

## 11.0 Reasons for decisions

11.1 It is recommended that the budget strategy for 2020-2021, including changes to corporate resources assumptions, emerging budget pressures and budget reduction and income generation opportunities, as set out in this report, is approved by Cabinet for budget consultation and scrutiny where necessary. Cabinet will be provided with an update following formal budget consultation and scrutiny in the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 report which will be presented to Cabinet in February 2020. In approving this strategy, the Council will be working towards identifying options to be able to set a balanced budget for 2020-2021.

## 12.0 Financial Implications

12.1 The financial implications are discussed in the body of the report.

[MH/08102019/W]

## 13.0 Legal Implications

13.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any budget reduction proposals.

13.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.

13.3 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its Council Tax. The Council is required to take this report into account when making its budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon an assessment of all the circumstances considered likely to affect the Council.

13.4 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by CIPFA in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFS, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).

13.5 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '**...make a report ... if it appears to her that the Authority, a**

**committee or officer of the Authority, or a joint committee on which the Authority is represented':**

- a. has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful,
- b. has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
- c. is about to enter an item of account the entry of which is unlawful.

13.6 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

13.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2020-2021.  
[TS/07102019/Q]

**14.0 Equalities implications**

14.1 The method by which the MTFs for 2020-2021 is developed is governed by the Council Plan priorities described in paragraph 3.2 which itself was guided by consultation and equality analysis. The further development of the various budget proposals for Cabinet's consideration will include an initial equalities screening for each proposal and, where necessary, a full equalities analysis.

14.2 The Council will publish details of its income generating and budget reduction proposals as part of its public consultation around the 2020-2021 budget. No proposal will be approved until the details of the responses to public consultation have been analysed for their impact on equalities. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and will include any relevant details from the consultation work findings. The final report will enable Councillors to discharge their duty under Section 149 of the Equality Act 2010.

**15.0 Climate change and environmental implications**

15.1 There are no relevant climate change and environmental implications arising from this report.

**16.0 Health and Wellbeing Implications**

16.1 There are no relevant health and wellbeing implications arising from this report.

**17.0 Corporate Landlord Implications**

17.1 There are no relevant corporate landlord implications arising from this report.

## **18.0 Human resources implications**

- 18.1 In line with the Council's statutory duties as an employer under the Trade Union Labour Relations (Consolidation) Act 1992, an HR1 form was issued to the Secretary of State for Business, Innovation and Skills identifying the intention to reduce employee numbers by up to 500 across the Council in the period 1 April 2019 up to 31 March 2020. The reductions will be through both voluntary redundancy and budget reduction targets which could result in compulsory redundancies.
- 18.2 The numbers included in an HR1 include posts held by colleagues who, as part of business review, redesign and/or restructure, need to be included, as they will need to be put at risk of redundancy. However, many of these employees will apply and be offered jobs in the new structure or elsewhere in the organisation and therefore the number of employees leaving the authority is anticipated to be far fewer than the number declared on an HR1.
- 18.3 A new HR1 will need to be issued with effect from 1 April 2020 to 31 March 2021, on the same basis as the previous one.
- 18.4 Many of the budgetary reductions will be made through efficiencies with new and smarter ways of working and transformation initiatives. Income generation will also be key.
- 18.5 If any reductions in employee numbers are required, these will be achieved in line with the Council's HR policies. Compulsory redundancies will be mitigated as far as is possible through seeking voluntary redundancies in the first instance, and through access to redeployment.
- 18.6 The Council will ensure that appropriate support is made available to employees who are at risk of and selected for redundancy. The Council will work with partner and external agencies to provide support. If any of the budget reduction targets are to move service delivery from direct Council management to private, community or third sector providers may have implications under the TUPE regulations. If TUPE were to apply, appropriate consultation with relevant Trade Unions and affected employees, would take place.
- 18.7 The Council will consult with the recognised Trade Unions on any proposals relating to revisions to NJC terms and conditions of employment.
- 18.8 There is on-going consultation with the trade unions on the impact of the Council's budgetary position and the targets being made to meet the challenges posed by it.

## **19.0 Schedule of Background Papers**

This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

Cabinet, 31 July 2019 - [Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024](#)

Full Council, 6 March 2019 - [Final Budget Report 2019-2020](#)

This page is intentionally left blank