

<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, Managing Director	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye Tel Email	Director of Finance 01902 550478 claire.nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board	16 July 2019

---

### Recommendations for decision:

The Cabinet is recommended to approve:

1. The draft budget strategy linked to the Five Year Financial Strategy, including the budget reduction and income generation targets, for inclusion in the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, to be reported to Cabinet in October 2019.
2. That work continues between August and October 2019 to further develop the budget reduction and income generation proposals identified in this report, in order to ensure that a balanced budget can be set for 2020-2021.
3. That progress on the development of budget reduction and income generation proposals be reported to Cabinet in October 2019 for approval to proceed to the formal consultation stage of the budget process.

4. That further options are explored between August and October 2019 to address the updated projected budget deficit of £4.9 million for 2020-2021 based on the Council's Five Year Financial Strategy.

### **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 Comprehensive 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 an element of the high-level strategy for 2020-2021 relate to one-off opportunities that can be achieved in 2020-2021.
4. That the updated projected deficit assumes the achievement of budget reduction and income generation proposals amounting to £9.6 million over period 2019-2020 to 2023-2024.
5. That the 2020-2021 budget timetable will, as in previous years, include an updated report presented to Cabinet in October 2019 detailing budget reduction and income generation proposals that will be subject to formal budget consultation during October to December 2019. Further to this, an update on all budget assumptions and the Provisional Local Government Settlement will be presented to Cabinet by January 2020, with the final budget report due to be approved by Full Council in March 2020.
6. That the overall level of risk associated with the 2019-2020 Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024 is assessed as Red.

## **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 £27.3 million in 2020-2021, rising to £40-£50 million over the medium term to 2023-2024.
- 1.2 This is the first 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 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 fund 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 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 Since the 2019-2020 budget was set, work has been ongoing across the Council, including in depth service reviews undertaken by the Deputy Managing Director, to identify opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2020-2021 and future years.
- 2.9 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 Extensive work has been undertaken to develop a Five Year Financial Strategy, which was presented to Full Council in March 2019, to address the deficit over the medium term. The Financial Strategy 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

- 4.1 Since the 2019-2020 budget was set in March 2019, work has been ongoing to identify budget reduction and income generation opportunities to address the projected budget challenge of £27.3 million for 2020-2021, rising to £40-£50 million over the medium-term period to 2023-2024.
- 4.2 2019-2020 is the final year of the Comprehensive Spending Review 2015, which covers the parliamentary period to 2019-2020. At the point of writing, it remains unclear as to whether the Comprehensive Spending Review 2020, and the corresponding reforms to the Fair Funding Formula and Business Rates Retention, will be announced in this financial year in order to provide greater certainty for 2020-2021 and the medium term.

- 4.3 Due to the uncertainty the Council currently faces, it is particularly challenging to project the potential resources that will be available to the Council over the forthcoming Comprehensive Spending Review period.
- 4.4 The Local Government Association and financial research organisations envisage that the Comprehensive Spending Review 2020 will 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 are likely to receive a one-year settlement for 2020-2021 only.
- 4.5 The various opportunities, as detailed in the paragraphs below, may in some instances require further analysis and consideration, which will take place between August and October 2019, prior to being incorporated into the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 report which will be presented to Cabinet for approval in October 2019.

## **5.0 Corporate Resources**

- 5.1 A number of assumptions have been made with regards to the level of resources that will be available to the Council. It is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review. The Budget and Medium Term Financial Strategy (MTFS) 2019-2020 to 2023-2024 presented to Full Council for approval on 6 March 2019 detailed the assumptions on the resources that will be made available to the Council over the medium term. These includes assumptions around the continuation of grants including the Improved Better Care Fund. These assumptions whilst robust do carry an element of risk due to the uncertainties facing the council. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and increase the budget deficit forecast over the medium term. The implementation of these increases will be subject to the Government providing this flexibility.

### **Council Tax assumptions**

- 5.2 In the Autumn Spending Review 2015 the Government announced that it is to allow local authorities with adult social care responsibilities, the power to raise an additional 2% through Council Tax to fund adult social care. The 2% adult social care precept would be in addition to the Council Tax referendum limit and would need to be used for adult social care only.
- 5.3 Further to this, in the 2019 Final Local Government Finance Settlement the Government confirmed that the Council Tax referendum limit for local authorities in 2019-2020 would remain at 3%. This therefore enabled the Council to increase Council Tax by a maximum of 4.99% in 2019-2020; the sum of 2.99% Council Tax increase plus a 2% adult social care precept.

- 5.4 The Budget and MTFS 2019-2020 to 2023-2024 approved by Full Council on 6 March 2019 assumes an increase in Council Tax of 1.99% and zero change in the adult social care precept for 2020-2021. The Government have not yet indicated whether the adult social care precept will be continued or if the existing referendum limit will remain. It is forecast 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 realised. The additional funds generated would support the delivery of key services including Adult and Children's Services. It is therefore proposed that consideration is given to increasing Council Tax by a further 1% in 2020-2021 to 2.99% and increasing the adult social care precept by 2% as part of the 2020-2021 budget consultation process.
- 5.5 The council tax income reflected in Table 1 below assumes that the forecast increase in Council Tax and adult social care precept continues up until 2023-2024. Over that period, additional income totalling £14.3 million would be raised.

### **New Homes Bonus**

- 5.6 In the 2019 Final Local Government Finance Settlement the Government provided illustrative New Homes Bonus allocations to 2022-2023. It was announced at this point that the Government remains committed to incentivising housing growth and will consult with local authorities on how best to reward housing delivery effectively. If the existing methodology were to be rolled forward it is anticipated that additional New Homes Bonus income in the region of £250,000 would be received each year over the medium term from 2020-2021 to 2023-2024, due to housing growth within Wolverhampton. Work will continue over the next few months to further analyse this projected value over the medium term.

### **Adult Social Care Grant**

- 5.7 As detailed above, nationally it is envisaged that the Comprehensive Spending Review 2020 will be delayed due to extension of ongoing negotiations surrounding Brexit and the Leadership election process for a Prime Minister, and therefore local authorities will receive a one-year settlement for 2020-2021 only. Taking this into account, in conjunction with historical trends that the Council has seen over the last few years, it is anticipated that the Government will announce that local authorities receive adult social care winter pressures grant funding in 2020-2021. The resources available to the Council have therefore been revised to incorporate forecast Adult Social Care winter pressures grant totalling £1.4 million in each year over the medium term from 2020-2021 to 2023-2024.

## **Capital Receipts and other one-off funding sources**

- 5.8 In 2016-2017 the Government allowed councils to use new capital receipts from April 2016 to March 2019 to pay for transformation work that is designed to make revenue savings. The 2018 provisional local government finance settlement announced the continuation of this flexibility for a further three years.
- 5.9 The Council's approved General Revenue Account Capital Programme includes assumptions about the level of capital receipts to be generated over the medium term and the use of capital receipts to pay for revenue transformational projects that are designed to make revenue budget reductions.
- 5.10 Following a review of the anticipated level of capital receipts that are likely to be generated over the medium term, it is proposed that capital receipts used to pay for revenue costs of transformational projects designed to make revenue budget reductions are maximised in 2020-2021 and 2021-2022. It is therefore proposed that capital receipts and other one-off funding sources totalling £10 million and £5 million in 2020-2021 and 2021-2022 respectively, are incorporated into the medium term financial strategy as detailed in Table 1.
- 5.11 In maximising capital receipts to fund transformational work, funding assumptions in the Council's approved General Revenue Account Capital Programme will be revised in future reports to Councillors.

## **6.0 Five Year Financial Strategy**

- 6.1 As detailed above, work has been ongoing across the Council, including in depth service reviews undertaken by the Deputy Managing Director, to identify opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2020-2021 and future years.
- 6.2 A summary of some of the proposals being developed are summarised below, whilst a full list of all opportunities being explored can be found at Appendix 1.

### **Reducing Demand**

- 6.3 Wolverhampton has seen significant transformation within its Children's and Adults Services in recent years. Under the Transforming Children's Services Programme, the Council continues to focus on improving outcomes for children and young people so that the right children have the right support at the right time. The Transforming Adult Social Care Programme will focus on promoting independence, reducing demand, identifying efficiencies within services and maximise income opportunities. Directorates will continue to further develop and identify new budget reduction and income generation proposals between August and October towards these targets. The collective target is £3.5 million in 2020-2021.



## **Sustainable Business Models**

- 6.4 A number of proposals are being developed to ensure we deliver the most efficient and effective services within the budget constraints we face. Further efficiencies of £50,000 for 2020-2021 and £150,000 for 2021-2020 have been identified through the review of the administrative process under the Business Support Programme. Proposals are also being developed across Waste Services which include income generation, a review of the Energy for Waste (EfW) contract and Depot review totalling £1.8 million over the medium term. In addition, WV Active will look to develop opportunities to reduce energy and agency costs along with generating more income.
- 6.5 From 28 January 2019 to 15 March 2019 the Council engaged in discussions with Trade Unions on proposals on Employee Terms and Conditions. In March 2019, Cabinet approved the amendments to the terms and conditions as detailed in the Collective Agreement to include mandatory three days unpaid leave and Christmas closure. The Council committed to further engagement regarding the removal of flexi leave and extended flexible working hours from 7am to 7pm. Following feedback from this consultation, the Council has decided not to implement the removal of flexi leave and extension of working hours.
- 6.6 In order to address the deficit and the challenge faced by the Council to enable a terms and conditions offer that is affordable and sustainable the Council need to reduce the pay bill by approximately £1.2 million in both 2020-2021 and 2021-2022. Discussions with Trade Unions to review the package of Terms and Conditions will commence over the coming months.

## **Generating Income**

- 6.7 The Council offer a number of traded services to schools, proposals are being developed to increase income generation by £200,000 through an improved co-ordinated process.

## **Efficiencies**

- 6.8 A number of proposals are being developed to ensure we deliver services in the most cost-effective way by maximising business processes and better using technology. Efficiencies are being developed across services including
- Commissioning Services – efficiencies will be realised following a restructure of the Commissioning Team into three teams.
  - Education and Skills – a number of proposals are being developed that will deliver efficiencies across the services including, a new approach to fund apprentices, use of a national minimum data set to deliver efficiencies within Organisational Development, and a reduction to the Graduate Programme.
  - Finance – efficiencies will be delivered through service reviews, reducing demand and a reduction in bank charges.
  - Human Resources – Proposals will be developed following a business improvement review which will consider all policies, processes, systems and structures.

## Maximising Partnerships and External Income

- 6.9 Working closely with partners we look to secure £400,000 in alternative funding for the Wolves at Work Programme.
- 6.10 Directors and Heads of Service will continue to further develop the budget reduction and income generation opportunities for 2020-2021 and the medium term, in order to ensure that a balanced budget can be set.
- 6.11 Progress on the development of budget reduction and income generation proposals will be reported to Cabinet in October 2019 for approval to proceed to the formal consultation stage of the budget process.
- 6.12 The overall impact of the revisions to the draft budget and medium term financial strategy 2020-2021 to 2023-2024, arising as a result of the items detailed in the paragraphs above, have been reflected in Table 1 below.

**Table 1 – Draft Medium Term Financial Strategy 2020-2021 to 2023-2024**

	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000
<b>Projected Budget Challenge as approved by Council, March 2019</b>	<b>27,327</b>	<b>35,956</b>	<b>40,884</b>	<b>46,498</b>
<b>Resources</b>				
Council Tax	(1,045)	(1,119)	(1,196)	(1,278)
Adult Social Care Precept	(2,090)	(2,301)	(2,528)	(2,771)
New Homes Bonus	(250)	-	-	-
Additional Adult Social Care Grant	(1,400)	-	-	-
Use of Capital Receipts & other one-off funding	(10,000)	5,000	5,000	-
Offset by impact on Treasury Management Costs	-	600	-	-
<b>Financial Strategy</b>				
Reducing Demand	(3,500)	(1,250)	(1,100)	(1,000)
Sustainable Business Model	(1,875)	(2,725)	(700)	(1,700)
Generating Income	(350)	-	-	-
Efficiencies	(1,520)	(1,110)	(950)	(750)
Maximising Partnerships & External Income	(400)	-	-	-
<b>Annual Change</b>	<b>(22,430)</b>	<b>(2,905)</b>	<b>(1,474)</b>	<b>(7,499)</b>
<b>Cumulative Change</b>	<b>(22,430)</b>	<b>(25,335)</b>	<b>(26,809)</b>	<b>(34,308)</b>

<b>Projected Budget Challenge after cumulative impact of Targets</b>	<b>4,897</b>	<b>10,621</b>	<b>14,075</b>	<b>12,190</b>
<b>Projected Annual Change</b>	<b>4,897</b>	<b>5,724</b>	<b>3,454</b>	<b>(1,885)</b>

6.13 Cabinet approval is therefore sought to develop the proposals further and explore other options to incorporate the high-level budget strategy for 2020-2021 into the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, to be reported to Cabinet in October 2019. This report will also seek approval to proceed to the formal consultation stage of the budget process.

6.14 Further options will also be explored between August and October 2019 to address the updated projected budget deficit of £4.9 million for 2020-2021 based on the Council's high level strategy.

## **7.0 Update on Emerging Factors for 2020-2021 and the Medium Term**

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 At the time of writing, emerging pressures within Education Catering Services following an overspend in 2018-2019 as reported to Cabinet (Resources) Panel in June 2019, and cost pressures within Adult Services following a fee review and demographic pressures in 2019-2020, are being kept under review. Service areas will focus on identifying ways to mitigate any pressures that arise.

7.3 In addition, the Council is aware that discussions are ongoing with Trade Unions at a national level to place a claim with regards to the 2020-2021 pay negotiations that would be in excess of the approved inflation of 2% which is included in the MTFS.

7.4 The Council will be consulting with the Trade Unions in the near future on a restructure of Waste and Recycling services. Any restructure where employees are not currently on NJC terms and conditions of employment, could result in them being employed on this basis, this may result in a cost pressure.

## **8.0 Budget Risk Management and Timetable**

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

**Table 2 – Budget Timetable**

Milestone	Deadline
Report to Cabinet	31 July 2019
Intensive work to develop proposals	August – October 2019
Draft Budget and Medium Term Financial Strategy (MTFS) 2020-2021 to 2023-2024 report to Cabinet	16 October 2019
Formal Budget Consultation	21 October – 31 December 2019
Report to Cabinet following the Local Government Financial 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

- 8.2 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.

8.3

**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 services outstretching the available resources. This risk often applies to adults and childrens social care.	Red
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 Comprehensive Spending Review 2020 and the Fair Funding Review.  Risks that might materialise as a result of income being below budgeted levels, claw back, reduction to government grant or increased levels of bad debts.  The risk of successful appeals against business rates.	Red
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 as a result of changes to Government policy including changes in VAT and taxation rules, the impact of exiting the European Union and, in particular, from the Care Bill.	Amber

## 9.0 Evaluation of alternative options

- 9.1 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.

## 10.0 Reasons for decisions

- 10.1 It is recommended that the Five Year Financial Strategy, is approved by Cabinet for further development between August and October 2019. Cabinet will be provided with an update on progress in the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 report which will be presented to Cabinet in October 2019. In approving this strategy, the Council will be working towards identifying options to be able to set a balanced budget for 2020-2021.

## 11.0 Financial Implications

- 11.1 The financial implications are discussed in the body of the report.

[AS/22072019/I]

## 12.0 Legal Implications

- 12.1 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.
- 12.2 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.
- 12.3 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.
- 12.4 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).
- 12.5 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.
- 12.6 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.

- 12.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2020-2021.

[TC/19072019/V]

### **13.0 Equalities implications**

- 13.1 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 in October will include an initial equalities screening for each proposal and, where necessary, a full equalities analysis which will provide for an initial understanding of the equality impact of the draft proposals. All of this will enable Councillors to pay, "due regard" to the equalities impact of their budget decisions at that point in the budget development process. The Council will then 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 in doing so enable Councillors to discharge their duty under Section 149 of the Equality Act 2010.

### **14.0 Environmental Implications**

- 14.1 There are no relevant environmental implications arising from this report.

### **15.0 Health and Wellbeing Implications**

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

### **16.0 Corporate Landlord Implications**

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

### **17.0 Human resources implications**

- 17.1 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 1st 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.

- 17.2 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.
- 17.3 As detailed in the report, budgetary reductions will be made through efficiencies with new and smarter ways of working and transformation initiatives. Income generation will be key.
- 17.4 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.
- 17.5 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. Budget reduction targets 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.
- 17.6 The Council will consult with the recognised Trade Unions on any proposals relating to revisions to NJC terms and conditions of employment. If any of the proposals are agreed these will be implemented on 1 April 2020. A formal consultation process will be followed to ensure that meaningful consultation is undertaken.
- 17.7 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.

## **18.0 Schedule of Background Papers**

Cabinet, 23 January 2019 - [Draft Budget and Medium Term Financial Strategy 2019-2020 – Provisional Local Government Finance Settlement Update](#)

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

Cabinet, 27 March 2019 - [Employee Offer, Pay Model and Collective Agreement](#)

Cabinet (Resources) Panel, 18 June 2019 - [Revenue Budget Outturn 2018-2019](#)

## **19.0 Appendices**

Appendix 1 – Budget Reduction and Income Generation Proposals