

CABINET

12 NOVEMBER 2019

Budget 2020-21 and Medium Term Financial Plan 2020-2023

Report of Alison Elsdon, Service Director Finance and Interim Section 151 Officer

Cabinet Member: Nicholas Oliver, Portfolio Holder for Corporate Services and Cabinet Secretary

Purpose of report

This report provides an update on the development of the 2020-21 Budget and the Medium Term Financial Plan covering the period 2020 to 2023. This report also details budget proposals for 2020-21 to meet the budget gap, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement 2020-21 in December 2019.

Recommendations

Members are requested to:

- 1. Note the revisions to the assumptions within the 2020-21 Budget.**
- 2. Approve the budget balancing measures for 2020-21 totalling £9.800 million, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement 2020-21.**
- 3. Note that further work is required to refine the Medium Term Financial Plan and that there are still budget balancing measures required to be identified over the term of the Medium Term Financial Plan.**

Link to Corporate Plan

The Council's budget and Medium Term Financial Plan are aligned to the priorities outlined in the Corporate Plan 2018-21 "A Council that Works for Everyone".

Key issues

1. Local government is operating in a period of financial uncertainty brought about by a combination of significant budget pressures in social care; special educational needs; disability services; and, other pressures arising from demographic changes and pay and price inflation. This is making financial planning extremely challenging and complex and requires the Council to be flexible and adaptable.
2. The Government was expected to publish its Spending Round (SR) in summer 2019 covering a three year period. However, the Government announced on 8 August 2019 that the SR will be delayed until 2020 with another one year settlement for local government for 2020-21. The Medium Term Financial Plan therefore contains a number of assumptions in terms of financial settlements for local government in the future and how available funding will be distributed between local authorities.
3. It was also expected that the outcome of the Fair Funding Review (FFR) including the move to 75% Business Rate Retention would be published during 2019. In line with the delay to the SR it is now expected that the outcome of the FFR will also be published in 2020.
4. There is also a lack of clarity currently in relation to both the SR and FFR, as well as future council tax referendum levels; the Improved Better Care Fund; delays in the publication of the Social Care Green Paper; short term funding provided to local authorities in 2019-20 and 2020-21 for adult and children's social care pressures; and, funding for the High Needs Dedicated Schools Grant, as well as how climate change pressures are to be financed. However, the strong financial position of the Council will ensure that the Council is well placed to react effectively to any outcome. However planning with this level of uncertainty is not conducive to effective long term decision making.
5. In line with previous practice the Budget for the next year and the Medium Term Financial Plan model has been reviewed. Savings of £9.800 million have been identified to balance the budget for 2020-21.
6. To ensure the Medium Term Financial Plan can be developed effectively and savings targets delivered in time to produce a balanced budget, it is important that a robust plan and timetable is agreed and followed.
7. The current Medium Term Financial Plan forecast that the Council agreed on 20 February 2019 covered the three year period 2019-20 to 2021-22. It is recommended at this stage that the Medium Term Financial Plan once again covers a three year period 2020-21 to 2023-24 and this will be presented to full Council in February 2020. Planning across the medium term in this way ensures that decisions can be made in the knowledge of the likely financial position of the Council and provides a basis for effective decision making whilst taking account of the best estimates of income and expenditure.

8. Due to the announcement that there will be a one year financial settlement for local government, work is continuing on the Medium Term Financial Plan which will be presented to full Council in February 2020.
9. This report sets out budget proposals totalling £9.800 million identified for 2020-21. Work will continue to identify proposals over the following two years of the Medium Term Financial Plan.
10. Savings proposals have been and will continue to be developed to fill the gap using the following principles:
 - a) Setting a balanced budget over the life of the Medium Term Financial Plan whilst maintaining modest and sustainable increases in Council Tax.
 - b) Investing to save; recognising that one-off resources can be used to generate future savings that will pay back the investment.
 - c) Ensuring that service and financial planning is fully aligned with the Corporate Plan.
 - c) Continuously reviewing services in order to keep reductions to front line services to a minimum.
 - d) Maintaining the Council's strong financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of outcomes.
 - e) Maintaining a commercial focus and maximising income generation while at the same time managing risk.
 - f) Ensuring the Council can demonstrate value for money in the delivery of its priorities.

Background

1. Medium Term Financial Plan 2019-20 to 2021-22

- 1.1. The Medium Term Financial Plan was presented to Council on 20 February 2019 when the budget was set for 2019-20. The report set out a number of assumptions and identified a gap of £36.383 million from 2019-20 to 2021-22.
- 1.2. The Medium Term Financial Plan is currently being updated to cover the period 2020-21 to 2022-23. Savings of £9.800 million have been identified to balance the budget for 2020-21 and in total savings over the medium term of £16.580 million have so far been identified.
- 1.3. The plan will continue to be updated to reflect changing circumstances and a revised Medium Term Financial Plan will be presented to the Cabinet as the budget process develops.

2. Savings

- 2.1 Directorates were asked to assess the deliverability of agreed savings for both the current year (2019-20) and 2020-21. The assessment was carried out using the following principles:
 - a) Original permanent planned savings for 2019-20 will be achieved or an alternative must be delivered on an on-going basis in 2020-21;
 - b) Savings originally identified and verified as deliverable for 2020-21 will be achieved. Alternative savings will need to be identified by Directorates where a proposal has become unviable.
- 2.2 Work is ongoing to develop delivery plans for those savings that have not yet been realised, and Directors have been asked to identify alternative proposals where necessary.
- 2.3 In order to fill the budget gap work has commenced on identification and development of additional savings proposals. The recommended framework and Medium Term Financial Plan principles surrounding the development of these plans is shown on page 3.
- 2.4 The following paragraphs give a brief description of the savings proposals:

Adults, Wellbeing and Health

Priorities will also be examined in order to maximise funding, alongside the assessment of further efficiencies in telecare, operational staffing and in-house services and a review of care. These proposals are expected to deliver savings of £3.014 million in 2020-21 and £3.250 million in 2021-22.

Children's Services

The Council will continue to manage staff budgets in relation to turnover and vacancies in order to generate savings. The Council will also be seeking appropriate contributions from partners in relation to children with ongoing health needs. A number of services will be reviewed, including adoption and

children's centres, in order to develop better models of delivery. These proposals are expected to deliver savings of £3.042 million in 2020-21, and £1.392 million has been identified so far in relation to the following two years.

Economic Development

The substantive budget for regeneration and economic development will continue to sit with Advance Northumberland. There are no proposals to change this.

Culture, Arts and Leisure

The Council will be working with partners to develop efficiencies in service delivery and ensure that the fee to Active Northumberland for providing services is reduced over the medium term.

In relation to libraries, savings will be achieved through a consolidated, more sustainable, network of buildings, increased collaborative provision and a wider digital offer.

These proposals are expected to deliver savings of £0.300 million in 2020-21 and £0.660 million in 2021-22.

Planning, Housing and Resilience

The Council will be proposing to maximise income in relation to services provided on behalf of third parties in housing operations.

The Fire and Rescue Service will develop operational efficiencies in the short term, with a longer term exercise being developed in relation to how the Council's Fire and Rescue service can deliver services more efficiently.

The proposals identified in this portfolio are expected to deliver savings of £0.146 million in 2020-21 and £0.142 million in 2021-22.

Environment and Local Services

The management and service structure in the Place Directorate will be reviewed (this includes Housing and Planning), and where services have received significant investment, the Council will be expecting that investment to translate into operational efficiencies. Income opportunities in relation to energy from waste will be explored, and income generation and fee optimisation will continue to be developed across all service areas. These proposals are expected to deliver savings of £1.929 million in 2020-21 and savings of £0.365 million have been identified so far for 2021-22.

An alignment of transport budgets and a cross directorate review of all transport services will take place and it is envisaged that this will deliver savings of £0.890 million in 2020-21 and a further saving of £0.300 million in 2021-22.

Resources

The removal of a vacant post, centralisation of the training budgets and a renewal of a finance contract will deliver savings totalling £0.329 in 2020-21 and £0.241 million in 2021-22.

Corporate and Cross Directorate Initiatives

A One Council programme and a series of service reviews are in the process of being developed which will look at savings from the following areas:

- Executive and Management Structures;
- Centralisation of common functions across Directorates; and,
- Commercial income generation opportunities.

In addition, a project will be developed to optimise operational budgets and reduce expenditure on:

- Printing and photocopying;
- Telephones;
- Mail and postage;
- Training;
- Subscriptions;
- Car Mileage; and,
- Agency Staff

These proposals were expected to deliver savings of £0.410 million in 2019-20, £0.150 million in 2020-21 and £0.430 million in 2021-22. Although the savings have not been delivered in their entirety in 2019-20; non-recurrent savings are being delivered which fill the gap. The newly formed Transformation Board will oversee a programme of work which will deliver these savings recurrently going forward.

- 2.5 Whilst the savings proposals are not sufficient currently to address the total funding gap for 2021-22 and 2022-23, the budget planning process is a continuing and iterative process. Work is ongoing to identify further savings but it may be necessary for the Council to consider utilising some of its reserves non-recurrently to fund any gap. This position will be reviewed and Members will be updated in February 2020.

3. **Budget Consultation Strategy**

3.1 The Council recognises that consultation is an important part of planning and delivering services that meet people's needs. This is set out in the Corporate Plan:

".. we know that we still face tough decisions that will not be universally popular. We will not take these lightly and pledge that we will pay attention and act on your concerns."

3.2 The purpose of the general budget consultation with residents and stakeholder groups is to communicate the budget challenge; ascertain an understanding of people's views on the way we plan to meet this challenge; and, determine whether views differ for different groups. This will be used to help guide and inform the annual budget setting process. Where proposals will potentially have greater impact on the public or on groups protected by equality law, services will carry out their own consultation on the detailed proposals and work closely with our most vulnerable residents to help them understand what changes to services may mean for them.

3.3 Budget consultation will commence and will run for seven weeks to allow for full discussion and debate at local area councils; parish and town councils; and, with staff and the unions.

3.4 Service areas will consult on their budget proposals directly with individual services users, partners and key stakeholders.

3.5 Feedback on budget consultation will be online.

3.6 Consultation will be promoted primarily through local and social media channels, linking through the Council's budget website.

Implications

Policy	This is the third year of this Administration's Medium Term Financial Plan; and, it fully supports the priorities outlined in the Corporate Plan 2018-21 - A Council that Works for Everyone.
Finance and value for money	The financial implications of the 2020-21 Budget and the Medium Term Financial Plan are detailed within this report. 2020-21 and beyond will continue to be challenging.
Legal	The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. The Act also states that the Council has got to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
Procurement	There are no specific Procurement implications within this report.
Human Resources	The size of the financial challenge will have an impact on staffing levels across the Council. The Council will continue to try and mitigate this impact by the management of vacancies and voluntary redundancy wherever possible.
Property	The individual proposals will carefully consider the impact with regard to property requirements.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> <input type="checkbox"/>	<p>All individual budget savings proposals for 2020-21 are being, or will be, screened for potential equality implications, and where potential equality impacts are identified, specific impact assessments are being, or will be, carried out unless the final decision on whether to proceed with the saving will be taken after the budget round. In those cases, impact assessments will be carried out before final decisions are taken, and could potentially lead to decisions that some savings should not be made in their currently-proposed form, but should be achieved in other ways. An assessment of the equality impacts of the budget proposals as a whole is in preparation; this will be updated as work on the budget proceeds, including taking account of the outcome of consultations on elements of the savings proposals. A final version will be presented to the Council alongside the final budget proposals in February 2020.</p> <p>At this stage, the amounts indicated for 2021-22 and 2022-23 are simply initial savings that are expected to be required, based on current information and assumptions. As proposals are developed to achieve the overall savings for these years, they will be screened for potential equality considerations and, where potential impacts are identified, specific impact assessments will be carried out before final decisions are taken.</p>
Risk Assessment	The risks associated with the budget proposals will continue to be reviewed up to and including implementation of the detailed proposals.

Crime & Disorder	There are no specific Crime & Disorder implications within this report.
Customer Consideration	The individual proposals will carefully consider the impact upon both customers and residents of Northumberland.
Carbon reduction	The budget makes financial provision for the carbon taxes levied by the Government and the Council has implemented and continues to develop proposals concerning the management of energy.
Health & Wellbeing	The Council's budget is founded on the principle of promoting inclusivity.
Wards	All wards.

Background papers:

Cabinet report: 12 February 2019 Medium Term Financial Plan 2019-22 and Budget 2019-20

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

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