



## Report to Overview and Scrutiny Management Committee

**Report of:** Eugene Walker - Executive Director of Resources

**Subject:** Budget Setting and Consultation Process for 2020/21

**Author of Report:** Dave Phillips, Head of Strategic Finance (35872)

**Summary:**

This report updates Overview and Scrutiny Committee on the context and background information relating to the financial position for the Council as it approaches setting its revenue and capital budget for 2020/21. It also outlines the suggested process for consultation on budget proposals.

**Type of item:** The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	
Other	<b>X</b>

**The Scrutiny Committee is being asked to:**

Consider the proposals and provide views, comments and recommendations on the budget setting and consultation approaches for 2020/21.

**Background Papers:**

List any background documents (e.g. research studies, reports) used to write the report. Remember that by listing documents people could request a copy.

**Category of Report:** OPEN

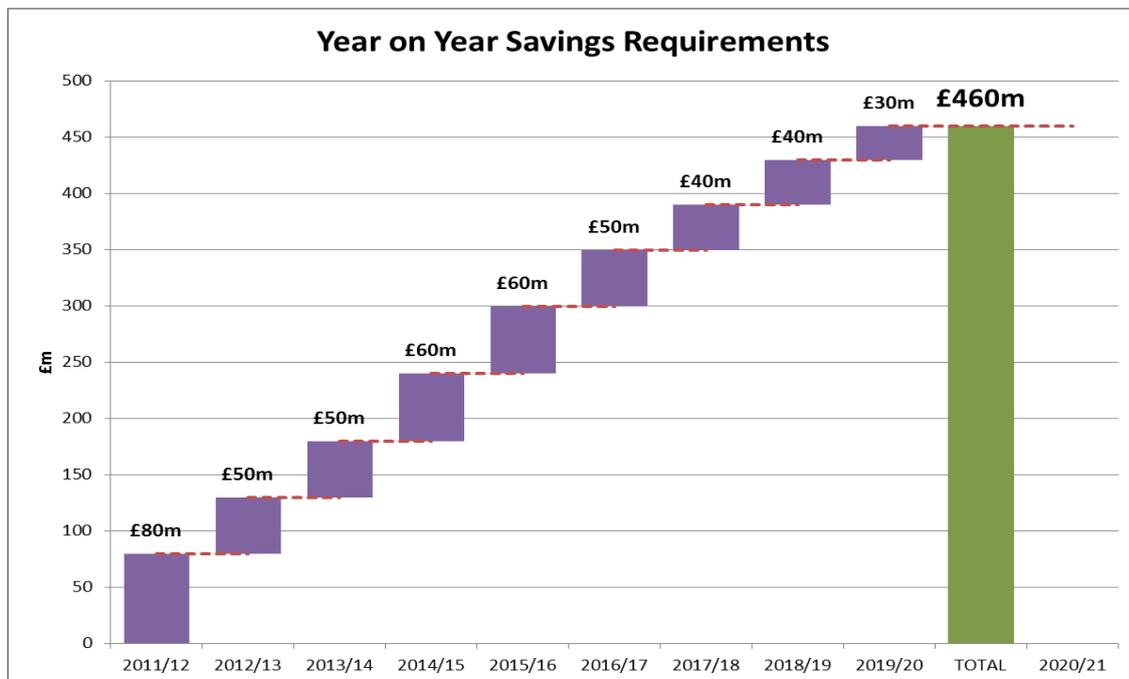
# Report of the Director of Finance and Commercial Services

## Budget Setting and Consultation Process for 2020/21

### 1. Introduction

This report sets out the context and background information relating to the financial position for the Council as it approaches setting its budget for 2020/21. Overview and Scrutiny requested this report to enable it to consider the background and proposed process for setting the 2020/21 budget.

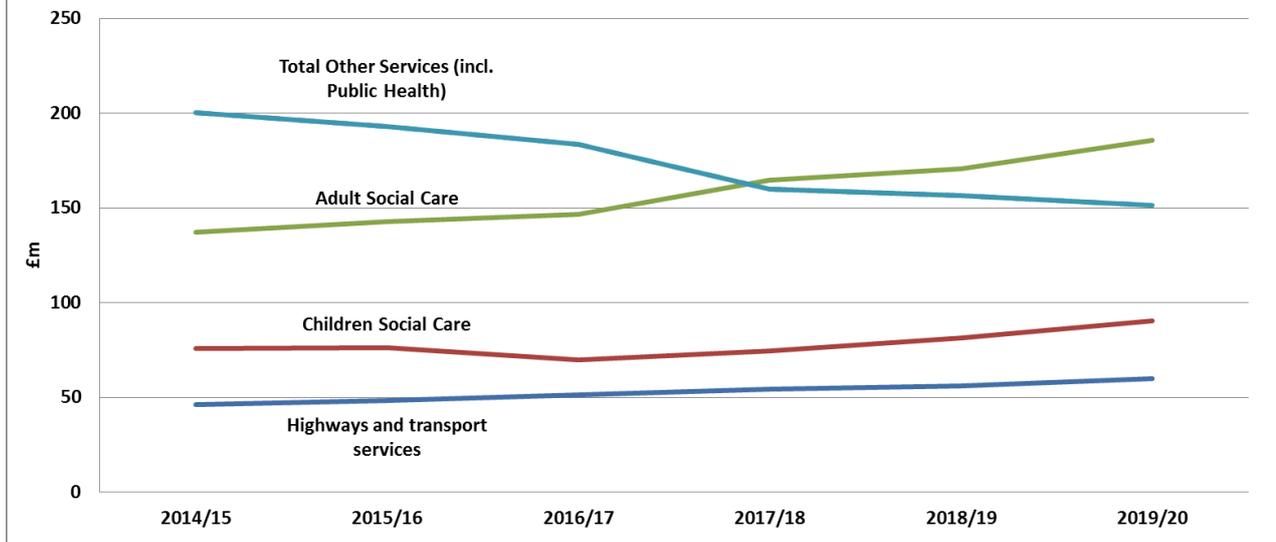
Since the current Government's austerity programme began in 2010/11, SCC has seen its central funding cut by over £200m. These cuts coupled with increasing service and inflationary pressures have resulted in SCC having to approve over £460m worth of savings proposals as set out below.



A significant proportion of these pressures have resulted from increases in demand for Adults and Children's Social Care services. SCC has prioritised these services over the last few years with investments totalling over £35m in the last two years alone. Below is a trend graph that highlights the changes in spend since 2013/14.

## Analysis of net expenditure by area

Source: MHCLG Revenue Budget (RA) Data.



Place based and 'back-office' services ('other services' in the graph) have reduced to free up vital resources to support social care spending. The increase in spend on Highways services is due to the programme of investment in the City's roads.

Unfortunately the trend of demand and inflationary pressures for the social care sector look set to continue into the medium term, with forecast pressures to 2023/24 totalling nearly £89m. When all the other pressures are added to the aforementioned £89m social care problem, the total demand for additional funding is £73m. This total includes pressures in Place of £14m and £3m in Resources, with an offsetting anticipated contribution from Corporate budgets of approximately £33m.

This requirement for additional funding will have to be resourced by cessation of some non-statutory services, efficiency savings within existing services, increased income generation through charging and applying to external sources, and an assumed increase in local taxation such as council tax and business rates.

Medium term thematic approaches to support the delivery of year on year balanced budgets have been well documented and approved in prior years. These cover areas such as Social Care Recovery Plans, Place Change Programme and the Corporate Functions Review. These approaches will continue to be reviewed and updated throughout the budget process.

Current forecast of pressures for 2020/21 highlight that the level of savings to be identified within portfolios totals nearly £48m, including £16m of pressures from previous years not resolved on a recurrent basis. This is split between portfolios as follows:

- People – approx. £43m
- Place – approx. £4m
- Resources and PPC – approx. £1m

The delivery of a balanced budget is a legal requirement for the Council. Therefore setting out a robust approach and accompanying policies to business planning is paramount to addressing the funding requirements highlighted above, and also in dealing with uncertainties around Government funding allocations.

This approach also includes a significant and layered engagement and consultation period where citizens, partners and statutory consultees (VCF and business) can consider and influence our budget decision making. A proposal for this budget engagement is set out below.

## **2. Approach and policy for setting the 2020/21 budget**

As aforementioned the level of savings and additional income required to balance the 2020/21 budget currently stands at approximately £48m. This figure is likely to change pending the result of the Government's one year Spending Review due to be announced on 4<sup>th</sup> September.

SCC intends to continue its policy of asking portfolios to develop proposals to meet their own pressures. However given the magnitude of the People pressures and level of investment required over the last few years, alternative approaches are likely to be needed.

In order for portfolios to meet the pressures facing their services, a continuation of the wider thematic approach will be adopted and updated. For the People portfolio this will mean pursuing the prior approved activity on Social Care Recovery Plans, including prevention and intervention strategies, improving independence and inclusion, developing a more sustainable provider market, fairer charging, and improved mental health services to ensure long term sustainability of the services.

In the 19/20 Business Planning exercise, Place portfolio proposed savings of over £17m for the four year period to March 2023 based on themes such as renegotiation of major contracts, reviewing fees and charges and uplifting by inflation, efficiency improvements in service provision, and the extension and development of initiatives approved in prior years.

The Resources portfolio is supporting the delivery of the above programmes through the provision of technical advice on Finance, HR, Legal, and ICT as part of the portfolio's programme projects teams. Through the principles agreed as part of the Corporate Functions Review (CFR) and programme delivery supervision of the Council's SCC 2020 initiative, it is ensuring there is no duplication of effort and resources are optimally utilised.

In addition to the broader themes, portfolios will have to identify further areas across all services to reduce service provision, deliver efficiencies and / or improve income generation to offset emerging pressures and general inflation not yet covered by existing proposals.

## Consultation and engagement

We are committed to representing the needs and views of Sheffielders across all the city's neighbourhoods and communities. The city continues to have major decisions to make both now and over the coming years, including:

- how we continue to deliver the range of services that Sheffielders need;
- how we can find solutions to the challenges facing some of our most vital public services, such as health and social care;
- how we manage the huge financial challenges faced by the council due to the budget cuts by Government which impacts on services used by every person in the city;
- how we invest to enable the city to grow in a way that works for all Sheffielders, so that people from every part of the city have the best life chances and opportunities.

As part of our approach to setting the budget, we have statutory duties to consult the business community and voluntary, community and faith sector on our proposals and also seek to engage Sheffielders in a wider conversation about how our budgets are spent.

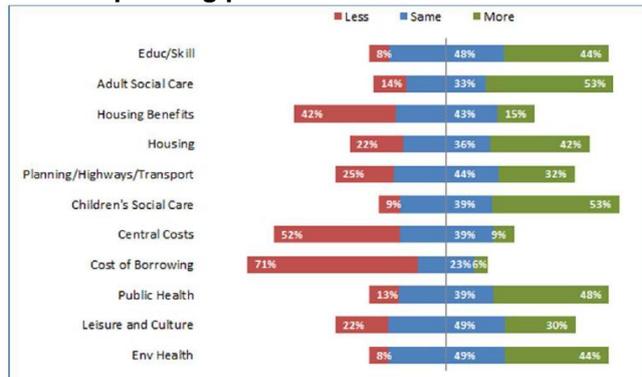
Further, as specific budget proposals are developed, services and portfolios across the council are required to produce Equality Impact Assessments (EIAs) on their budget proposals. This ensures that services have fully considered any potential implications for their proposals for people in Sheffield (particularly the protected characteristics covered by the Equality Act 2010) and explain any mitigations that are necessary to avoid any unlawful discrimination that may result from the proposed changes.

We have undertaken different approaches to engagement on the budget in recent years, including large scale public events in the Town Hall and neighbourhood-based events for citizens to discuss our budget decisions with Cabinet Members and senior officers. However, the most consistent approach we have taken combines:

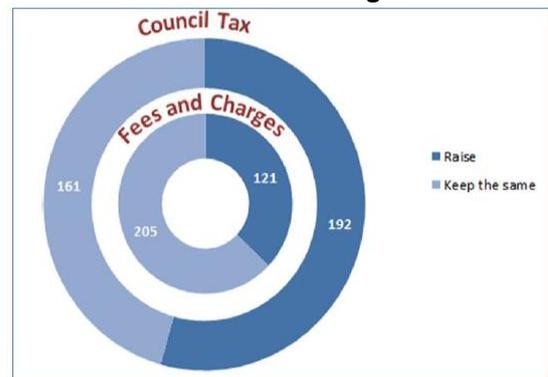
- **Population survey on budget themes and issues** – using our Citizenspace consultation hub we have undertaken online surveys to enable citizens to give their views on key budget issues such as priorities for budget investment; capital investment; and the proposed Council Tax level. The surveys are widely promoted across our key channels (website, social media, newsletters, networks).
- **Engagement and consultation with citizens and service users on specific proposals** – services and teams consult service users on specific proposals relating to a particular service. This consultation forms an important part of Equality Impact Assessments.
- **Wider engagement** – including with VCF organisations, businesses (e.g. through City Growth Board) and SCC Overview and Scrutiny.

In 2018/19, the budget survey ran for six weeks between December and January, receiving 361 responses from citizens who gave a range of views on their priorities for investment. There is a summary of the key messages from the 2018/19 survey in the 2019 Budget Report (see para. 199 onwards on p90 of the report pack here: <http://democracy.sheffield.gov.uk/documents/g7011/Public%20reports%20pack%20Wednesday%2006-Mar-2019%2014.00%20Council.pdf?T=10>).

**Citizen spending priorities 2018/19**



**Council Tax & fees and charges 2018/19**



### Proposals for consultation in 2019/20

As part of our commitment to increase involvement and engagement in decision making, we always look at alternative approaches to increase engagement in our budget setting. This year, we are proposing to undertake two phases of activity, starting earlier in autumn 2019 in order to enable citizens and partners to consider the council's medium term financial position with a more detailed focus on the service specific proposals later in the autumn/winter.

This approach is set out below we would welcome the Committee's views and comments on the proposals.

#### Phase 1 – early autumn 2019

This is more about the strategic direction of the council's finances and an opportunity to look at the strategic priorities for the coming years, rather than just the specifics for the 2020/21 budget. It is an opportunity to engage citizens and partners in the strategic investment and public service challenges facing the city over the coming years.

Focus	Detail
<b>Setting the strategic context and direction</b>	<ul style="list-style-type: none"> <li>Use the Medium Term Financial Strategy (MTFS) to frame a conversation about the city council's finances over the coming years and our budget strategy.</li> <li>Accompanying online and face to face consultation asking for views on the broad budget strategy, rather than individual proposals</li> <li>Strategic engagement on budget with key strategic partners (CCG, STH)</li> </ul>

Focus	Detail
	<ul style="list-style-type: none"> <li>• Opportunity for some joint activity with local media (eg. Q&amp;A events)</li> </ul>
<b>Overview and Scrutiny Management Committee</b>	<ul style="list-style-type: none"> <li>• OSMC session in September consider our budget position and budget strategy.</li> </ul>
<b>Partner 'deep-dive' sessions</b>	<ul style="list-style-type: none"> <li>• Structured events focusing on some key specific opportunities / issues / challenges each year, bringing together key partners</li> <li>• These would be shared sessions with key partners, potentially through existing forums</li> <li>• For example, this could focus on adult social care and we could then focus on different theme areas each year, developing citywide perspectives on key public service challenges.</li> </ul>
<b>Shared campaign for change</b>	<ul style="list-style-type: none"> <li>• Continue to make the case to Government for a fairer resource settlement for Sheffield, focusing on Fair Funding Review, proposed Spending Review in 2020, Social Care funding, and school funding.</li> <li>• Build greater public awareness of the financial challenges and decisions faced by the city</li> <li>• Demonstrate our coherent approach to delivering solutions (ie. reform/improve core services; support fairer economic growth)</li> </ul>
<b>Portfolio-led engagement on proposals</b>	<ul style="list-style-type: none"> <li>• Portfolios and services in SCC identify consultation requirements as part of their developing budget proposals and start to undertake consultation activity with clients and service users alongside EIAs.</li> </ul>

Phase 2 – late autumn / winter (Nov – Jan)

In the second phase, we will focus more heavily on the specific proposals in the 2020/21 budget.

Focus	Detail
<b>Rigorous portfolio/service-led consultation on specific budget proposals</b>	<ul style="list-style-type: none"> <li>• The role of <b>service-level consultation on specific budget proposals</b> is a critical part of our budget setting approach. This approach includes: <ul style="list-style-type: none"> <li>– Pre-proposal dialogue with those likely to be affected by budget cuts if they can be specifically tied into a proposal</li> <li>– An EIA of the full budget and specific EIAs of contentious/risky areas. These need to be before Full Council at decision making time.</li> <li>– Services need to be alert to specific duties to consult</li> </ul> </li> </ul>

Focus	Detail
	which they may individually have. Early consideration of whether to consult in accordance with those duties needs to take place
<b>Formal survey focused on our 2020/21 budget proposals</b>	<ul style="list-style-type: none"> <li>• Formal 'budget' survey to consult Sheffields on: <ul style="list-style-type: none"> <li>– The broad shape of our emerging budget</li> <li>– Council Tax levels</li> <li>– Fees and charges</li> </ul> </li> <li>• Targeted at key groups / those potentially impacted on by service / budget changes</li> <li>• An essential part of our engagement approach in order to reach out to the wider population.</li> <li>• Support from Communications to promote the survey via SCC's key communication channels.</li> </ul>
<b>Budget Scrutiny with OSMC</b>	<ul style="list-style-type: none"> <li>• Dedicated budget scrutiny session in early February which will enable OSMC to make recommendations on the budget to Cabinet before the budget is considered at the February Cabinet meeting.</li> </ul>

As in previous years, there will be an overview of the engagement activity and the views of citizens in the full budget report but we could provide an update on the consultation for the Committee later in the year if Members would find it useful.

### **3. Process and Timetable for Savings Approvals**

As highlighted above the broader themes have already been approved and will only be subject to re-approval where the level of savings / investments significantly alter or the underlying policy supporting its original approval changes.

Any additional savings, disinvestments, or investments where appropriate, will be developed by officers following a Member led session, at which, the Council's priorities will be discussed and guidance for officers issued.

Following this session, officers will formulate budget savings proposals using the Council's Business Planning systems and processes prior to presenting the information to Lead Cabinet Members for approval. These proposals will be subject to the relevant ongoing consultation and equality impact assessments. This part of the business planning process is timetabled for completion during October, November and early December.

Approved proposals will be presented to the Labour Group and Executive during November and December for further discussion and agreement. Fully approved proposals will form part of the 2020/21 budget report presented to this Committee on 6<sup>th</sup> February 2020, prior to being made public on the 10<sup>th</sup> February 2020

Should insufficient savings be identified to balance the budget, as was the case during the 2019/20 process, the Executive Director of Resources and Section 151 Officer will review the reserves requirement and assess the sustainability of any use before allowing the budget to be set by Full Council.

## **Capital**

The Council has successfully developed its urban space, built additional council housing and built several new schools or extensions over the past decade, transforming the look of the City Centre in particular. The Council is keen to continue this momentum.

Through Strategic Commissioning Cabinet members have identified key projects (existing and new) with Lead officers.

Initial proposals were received in July, with further clarifications throughout August. Further consultation on cross-portfolio issues, revenue budget implications, feedback and initial prioritisation is required (process to facilitate this to be agreed), so there is a session with Leader in late September. The capital process will align to the Revenue process thereafter.

## **4 What does this mean for the people of Sheffield?**

Equality Impact Assessments (EIA) have been completed in relation to the elements of the budget already approved as part of the thematic approach and continue to be updated to reflect the impact upon Sheffield citizens. Any new savings / income generation proposals will be presented with accompanying EIA's when approved.

As set out above, we have a planned programme of engagement in autumn and winter 2019/20 which will create a range of opportunities for citizens and partners to engage in our budget decision making for both the medium term and the immediate.

The current forecast budget gap for 2020/21 is around £17m and therefore a Council Tax increase is inevitable to sustain services. SCC acknowledges the financial impacts this can have on the City's residents and will therefore increase the Hardship Fund to support those least able to afford any increase.

## **5. Recommendations**

The Committee is asked to:

- a) provide its views on the suitability of approach to pursuing a balanced budget as per the process set out above;
- b) discuss and comment on the proposed budget engagement approach;

confirm the date for next Committee meeting to review the Budget Report as the 6<sup>th</sup> February 2020.

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