

Meeting:	Cabinet
Meeting date:	Thursday 29 October 2020
Title of report:	2021/22 budget setting and consultation
Report by:	Cabinet member corporate strategy and budget

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

To recommend the approach for consultation to inform the 2021/22 budget and developing the medium term financial strategy (MTFS). Also to recommend an in year review of the capital investment budget.

Cabinet is required to publish its timetable for making proposals to Council for the adoption of the MTFS, its capital budget and setting a revenue budget, and its arrangements for consultation of those initial proposals.

Recommendation(s)

That:

- (a) the proposed timetable for the development and adoption of the Medium Term Financial Strategy and the 2021/22 budget be approved;**
- (b) an in year review of the capital investment budget be approved; and**
- (c) the approach for consulting on budget proposals for 2021/22 be approved.**

Alternative options

1. It is open to Cabinet to propose alternative timetable and consultation arrangements, but in doing so regard must be had to the council's budget and policy framework procedure rules and the legislative requirements for Council to approve a budget.

Key considerations

2. The council intends to adopt a long-term approach to its strategic and financial planning, using the policy directions from the county plan to inform and direct priorities as demonstrated in the current medium term financial strategy (MTFS) agreed by full Council in February 2020.
3. The current MTFS describes the financial direction of the council and outlines the financial pressures over a four-year period, establishing how expected available resources are allocated to services in line with the council priorities as detailed in the council's county plan.
4. The MTFS is a key part of the council's integrated corporate, service and financial planning cycle and is intended to highlight at an early stage where the council may have financial challenges and the level of resources it is likely to have available. This provides greater flexibility and resilience in the development of strategic approaches to resourcing the priority activities and services.
5. Local government are expecting a multi-year spending review (covering 2021-22 to 2023-24) but it is generally accepted that a one-year spending round for 2021-22 seems more likely. There are significant fiscal pressures, some of which are short term (the response to COVID 19) and others are more structural (the potential for an ongoing recession and spending pressures in health and care).
6. For local government, much still remains uncertain, even for 2021-22, for example the future of the New Homes Bonus, confirmation of any 100% business rate pilots, any additional funding for social care and what will happen with respect to business rate reliefs.
7. An in year review of the capital investment budget is recommended to present the current position and opportunities to redirect and refocus spend against priority schemes utilising resources to their optimum overall impact in light of the ongoing budget uncertainties being faced.
8. There is a legal requirement that the council has to set an annual balanced budget that is approved by full Council; Cabinet is responsible for developing and proposing a balanced budget to Council. The budget and policy framework rules require Cabinet to publish a timetable for making proposals to Council for the adoption of the MTFS and budget, and its arrangements for consultation on initial proposals.
9. The council's capital programme is funded through council borrowing, government grants and capital receipts. Capital receipt income is reinvested in capital priority projects and borrowing repayment costs are included within the revenue budget.
10. Having published the timetable for development of the budget proposals, it is a matter for the chairpersons of the scrutiny committees to take steps to ensure that the relevant committee work programmes include any such plan, strategy or budget to enable

scrutiny members to inform and support the process for Cabinet making proposals to Council. This includes providing constructive challenge to the responsible Cabinet member on policy proposals and exploring options for future policy development.

11. The council has a responsibility to consult with residents and businesses on its annual budget. There is a statutory requirement under section 65 of the Local Government Finance Act 1992 to consult with representatives of business ratepayers on the proposed budget before its adoption.
12. It is proposed that initial consultation with focus groups throughout November will shape priorities with an online survey commencing in December being open until early January. This engagement will be conducted in various formats; including face to face engagement hosted online. Where possible, existing groups and meetings will be utilised. These will be led by a member of the Cabinet and supported by officers. The outcome of the public consultation will be shared at the Cabinet meeting on 28 January.
13. The utilisation of an online survey will be open to all and promoted through a mixture of digital and traditional communication channels. This will provide information and context to people and encourage engagement and feedback on the proposed budget and investment priorities. This approach is consistent with previous years.
14. Following engagement the executive will develop a draft budget considering the opinions of the various groups. Chairs of scrutiny committees will be provided with this timetable to enable them to determine how best to build challenge of the Cabinet's proposals into their work programmes. This approach is summarised in the table below:-

Action	When
Consultation with parish and town councils	November 2020
Independently led focus group consultation (this will include businesses)	November 2020
Online survey	19 December 2020 – 8 January 2021
Adults and wellbeing scrutiny	11 January 2021
Children and young people scrutiny	12 January 2021
General scrutiny	15 January 2021
Cabinet – consultation responses, proposed budget, capital and MTFS	28 January 2021
Council – approval of budget, capital and MTFS	12 February 2021
Council – council tax setting	5 March 2021

Community impact

15. Publication of the timetable and the proposals for consultation demonstrate compliance with the principles of the council's adopted code of corporate governance and in particular ensuring openness and comprehensive stakeholder engagement.

Environmental Impact

Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

Whilst this is a proposed timetable and will have minimal direct environmental impacts on its own, the budget setting process will positively contribute to the councils ambitions on the environment.

Equality duty

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Further equality implications will need to be considered alongside pre-existing and continuing consultations on specific service change proposals.
 17. Methodology for engagement and consultation will be proactively considered to maximise the range of audiences; minimising the risk of overlooking opinions of groups of the Herefordshire population with protected characteristics.

Resource implications

18. Costs will be met from existing budgets this includes the outsourcing of consultation as followed last year. Digital engagement and consultation are cost effective mechanisms and utilising existing groups and meetings should minimise any costs.
19. Should Cabinet wish to use external experts to support the consultation around the new priorities and budget, this cost would be less than £20,000, this is based on previous all-encompassing engagement exercises.
20. The proposed timescales will allow the opportunity for the development of a shadow budget by opposition members. This is the same as in previous years.

Legal implications

21. Section 30(6) of the Local Government Finance Act 1992 provides that the council has to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
22. The duty to consult when the budget proposals are at a formative stage is required under statute for non-domestic rate payers and is implied for domestic rate payers as part of the council's duty to act fairly. The scope of the consultation will determine: who should be consulted; how long the consultation should be open for; what questions need to be asked; and how answers should be evaluated so that the outcome of the consultation can be conscientiously taken into account when the ultimate decision is taken. Further consultation exercises may be required alongside pre-existing and continuing consultations on specific service change proposals.
23. The obligation to consult will arise either because of a specific statutory obligation to consult on changes or if proposed savings impact on the council's ability to comply with its PSED responsibilities. Even where there is no express statutory duty to consult the courts may imply a duty to consult as part of a promise/past practice and/or a public's general duty to act fairly.
24. There are now minimum requirements of consultation expected by the courts, which have become known as 'Sedley criteria' endorsed by the Supreme Court involving the London Borough of Haringey in 2014. These are:
 - Consultation must be at a time when proposals are at a formative stage
 - Sufficient information must be given to permit an intelligent consideration and response
 - Adequate time must be given for consideration and response
 - The results of the consultation must be conscientiously taken into account in finalising any proposal.
25. Under s3 Local Government Act 1999 there is an obligation on local authorities to consult widely in order to determine how the Best Value duty should be fulfilled when reshaping services and consultation should provide for interested organisations, service users and wider community to put forward options in response to the council's savings proposals.
26. The type and scale of consultation must be proportionate to the potential impact of the proposal of decision being taken.

Risk management

27. It is a statutory obligation of the council to undertake consultation around its budget and MTFs. It is also a constitutional requirement of the council to propose and publish its timelines for how this is to be undertaken.

28. Not allowing appropriate time for consultation of key documents will increase the risk that the priorities and budget that are not aligned to the views of the public. The proposed timetable above represents an achievable way of gauging public opinions.

29. All budget proposals contain a degree of risk. Whilst the council has a good track record of delivering requisite savings to date, the following are key risks.

- Demand – The further demands on the council's services, at a time when it needs to reduce spending due to constraints on public expenditure.
- Reputation – If stakeholder engagement is not managed effectively, the need for the council to take difficult decisions in response to the contraction of public expenditure will not be understood.
- Delivery – The delivery of the agreed savings proposals will need to be effectively managed to ensure they are realised in practice.

Consultees

30. None.

Appendices

None

Background papers

None identified