

CITY OF  
WOLVERHAMPTON  
COUNCIL

## Our Council Scrutiny Panel

20 November 2019

**Time** 6.00 pm **Public Meeting?** YES **Type of meeting** Scrutiny

**Venue** Committee Room 3 - Civic Centre

### Membership

**Chair** Cllr Paula Brookfield (Lab)

**Vice-chair** Cllr Jane Stevenson (Con)

#### Labour

Cllr Alan Bolshaw  
Cllr Caroline Siarkiewicz  
Cllr Milkinderpal Jaspal  
Cllr Susan Roberts MBE  
Cllr Dr Paul John Birch J.P.  
Cllr Roger Lawrence  
Cllr Hazel Malcolm  
Cllr Stephen Simkins  
Cllr Alan Butt

#### Conservative

Cllr Payal Bedi-Chadha  
Cllr Simon Bennett

Quorum for this meeting is three Councillors.

### Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

**Contact** Earl Piggott-smith

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# Agenda

## Part 1 – items open to the press and public

*Item No.*     *Title*

### MEETING BUSINESS ITEMS

- 1            **Apologies**
- 2            **Declarations of interest**
- 3            **Minutes of previous meeting (4 September 2019)** (Pages 3 - 8)  
[To approve the minutes of the previous meeting as a correct record]
- 4            **Matters arising**  
[To consider any matters arising from the minutes]

### DISCUSSION ITEMS

- 5            **Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024**  
(Pages 9 - 60)  
[Alison Shannon and Michelle Howell to present report]
- 6            **Medium Term Financial Strategy – Growth and Inflation Assumptions** (Pages 61  
- 66)  
[Alison Shannon, Chief Accountant, to present report]
- 7            **Our Council Scrutiny Panel Draft Work Programme 2019/20** (Pages 67 - 68)  
[Earl Piggott-Smith, Scrutiny Officer, to present report]

# Our Council Scrutiny Panel

Agenda Item No: 3

Minutes - 4 September 2019

## Attendance

### Members of the Our Council Scrutiny Panel

Cllr Alan Bolshaw  
Cllr Milkinderpal Jaspal  
Cllr Jane Stevenson (Vice-Chair)  
Cllr Susan Roberts MBE  
Cllr Dr Paul John Birch J.P.  
Cllr Paula Brookfield (Chair)

### In Attendance

Cllr Louise Miles

Cabinet Member for Resources

### Employees

Tim Johnson  
Earl Piggott-Smith  
Alison Shannon  
Claire Nye  
Julia Nock  
Kate Martin

Chief Executive  
Scrutiny Officer  
Chief Accountant  
Director of Finance  
Head of Assets  
Director of City Assets & Housing

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## Part 1 – items open to the press and public

*Item No.*      *Title*

### 1      **Apologies**

Apologies were received from the following:

Cllr Simon Bennett  
Cllr Payal Bedi-Chada  
Cllr Caroline Siarkiewicz

### 2      **Declarations of interest**

There were no declarations recorded.

### 3      **Minutes of previous meeting (12 June 2019)**

That the minutes of the meeting held on 12 June 2019 were approved as a correct record, and signed by the Chair.

**4 Matters arising****5. Enforcement Agents Council Tax**

Scrutiny Officer advised that a report on the findings from the HMRC pilot project has been added to the panel work programme for March 2020. The issue of the general indebtedness and business rates collection has been added to the future work programme. Tracey Richards, Recovery Manager, to present the report.

**7. Customer Services Update**

Cllr Brookfield advised the panel that new posts had been created in Customer Services Team and suggested that a report should be presented to a future meeting to allow time to have an impact on the performance of the service. Lisa Taylor, Head of Customer Services, to be invited to present a report to a future meeting of the panel.

The Scrutiny Officer advised that a report on the new customer information system will be presented to the panel meeting on 20 November 2019.

**5 Cllr Louise Miles, Cabinet Member for Resources - Portfolio Holder Session**

Cllr Louise Miles, Cabinet Member for Resources, briefed the panel on key priorities and service delivery challenges within her portfolio responsibility.

Cllr Miles advised the panel that a major challenge to the Council is delivering a legal balanced budget at end of each year, while also continuing to manage a reduction of over £220 million in Government funding since 2010. This was highlighted as the most significant challenge facing the Council.

Cllr Miles briefed on the panel on the range of work done to drive out inefficiencies needed to achieve the annual savings target. The current level of uncertainty about future Government funding after April 2020 has made it difficult to plan ahead with confidence and one-off rather than sustained funding from Government has added to the challenge in trying to plan and budget effectively.

Cllr Miles commented that the biggest area of concern is funding for adult social care and children's services. The Council is working with local authorities across the region to develop creative solutions to help manage the costs in this area.

Cllr Miles commented on the work done to improve council tax collection rates.

The panel discussed the operation of the providers of children and adult care services and the impact of increases in provider costs. Cllr Miles advised the panel that work is being done with other local authorities to agree a West Midlands position to help manage the level of fees for adult and children care services.

The panel queried alternatives to the current provision of adult social care and whether the experience of neighbouring authorities could help to improve the situation and the level of scrutiny of different options.

The panel discussed the merits of bringing services previously delivered by the Council back into the control to reduce costs and deliver improvements. Cllr Miles commented that national policy direction is not aimed at bringing services back in house.

The panel suggested that the concerns about the funding challenges facing the service could be either be referred to Adults and Safer City Scrutiny Panel or Scrutiny Board to consider adding it to their respective work programme.

Claire Nye, Director of Finance, commented that colleagues in finance use benchmarking information when looking at the costs of services in order to enable them to be appropriately challenged. The Director of Finance added that the issue of quality and delivering value are also factors to be considered when looking at provision of services. The panel were reassured that that funding decisions are not made solely on the basis of cost.

The panel queried the financial implications for the Council of the recent decision to declare a climate change emergency.

Cllr Miles advised the panel that Cllr McGarrity had recently been appointed Climate Change Champion and suggested it might be useful to invite her to brief the panel at a future meeting. Cllr Miles advised the panel that Directors have signed up to the climate emergency declaration and will be looking at how resources are used in future spending priorities and plans. Cllr Miles offered to share work on this issue with the panel in due course.

Tim Johnson, Chief Executive, added that the Council faces major decisions about replacing its vehicle fleet and the need to balance the long-term costs of acting to respond to climate change against the short-term costs in investing in alternative provision and technology. The panel suggested that this issue could be referred to the Vibrant and Sustainable City Panel or the Sustainability Advisory Group to consider the climate change and cost implications of Council decisions.

Resolved:

1. The panel welcomed the presentation and thanked the Cabinet Member for attending the meeting.
2. The Scrutiny Office to suggest to Vibrant and Sustainable City Panel or the Sustainability Advisory Group to consider the climate change and cost implications of Council decisions. The findings to be shared with the panel.
3. The panel agreed to consider topics to be considered in the panel work programme.

## 6 **Strategic Asset Plan 2018-23 - progress report**

Julia Nock, Head of Assets, gave a presentation to update the panel on the progress of the Strategic Asset Plan Action Plan since January 2019, when the previous report was considered. The Head of Assets briefed the panel on key principles intended to inform the delivery of the priorities in the action plan.

The Head of Assets advised the panel of the key achievements at strategic and operational levels and details of future work detailed in the Forward Plan. The Head of Assets commented on the work being done to manage specific properties and projects listed in the appendix to the main report.

The panel were invited to comment on the report. The panel queried the merits of the Council being involved in Wolverhampton Public Sector Asset Management Board and sharing information about Council owned assets with other organisations.

The Head of Assets responded that the value of the work of the group is the opportunity to share information with colleagues, which is invaluable particularly as the organisations represented have similar property management responsibilities across Wolverhampton.

The Head of Assets added that at the first meeting of the group in January 2019, there was a discussion about the idea of jointly locating Council services with West Midlands Fire Service (WMFS). WMFS explained that they were looking to re-locate their service in an area that the Council was also looking for a site to deliver services, which led to a discussion about developing shared facilities on the same site that could be included in the overall development.

The proposed scheme has the potential to reduce costs and improved efficiency in the management of both organisations' respective property portfolios. The Council would have not been aware of this opportunity if this meeting had not happened.

The panel queried whether the Council would be expected to fund the project. The Head of Assets advised the panel that a feasibility study is nearing completion for a Health and Social Care Hub. The feasibility study would look at different options for delivering and funding of any proposed scheme to co-locate services with WMFS.

The panel queried the reference in the report to creating small /medium housing infill sites. Kate Martin, Director of City Assets and Housing, commented that the reference describes the size of land offered for housing developments which are surplus to Council needs, but agreed to review the wording to make this clearer.

The panel queried the implications of the climate change declaration when considering the impact of green space and the balance to deliver the principal of optimising the financial return and commercial opportunities from the rationalisation and disposal of land and buildings. The Head of Assets advised the panel that the issue of reducing the carbon impact is considered as part of current and future building developments.

Cllr Miles commented on discussion with colleagues in WM Living to consider the impact on the environment and specific issues such as using 'grey water' in new housing developments. The panel discussed the cost implications of retro fitting existing older buildings to respond to the challenge of climate change and the strategy of effectively managing the maintenance of Council owned land and buildings. Kate Martin, Director of City Assets and Housing, advised the panel the climate change implications are considered in the development of new homes by WV Living and also future legislation.

The panel discussed the Council's policy of land disposal and the priority between housing and commercial developments in terms of maximising business or domestic rates. The Director of City Assets and Housing advised the panel that the future use of a site will be determined by planning classification. The Director Head of Assets commented that the Council has been successful in achieving its reserve price when land is sold at auctions.

The Director Head of Assets commented on the consideration given to developments such as I10 and I11 and future developments such as I9, while also seeking to maximise financial return.

Resolved:

The panel agreed to note the report. The panel welcomed the progress of the action plan.

**7 Treasury Management-Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020**

Alison Shannon, Chief Accountant, presented the Treasury Management Annual Report and quarterly monitoring activity report. The Chief Accountant highlighted areas that would be of interest in the reports to the panel. The Chief Accountant commented on discussions with the Council's treasury management advisers to consider future interest rates changes and the financial implications depending on different outcomes for current Brexit discussions.

The Chief Accountant commented on main findings and the panel were invited to comment on the reports.

The panel queried the reasons for submitting the report to the panel which had previously been shared with Councillors in other meetings. The Director of Finance commented that the panel has specific responsibility within the regulations to assure itself that the Council is complying with its financial obligations. The Director of Finance also explained that the comments from the panel on these reports will be fed into future developments of the treasury management strategy.

The Director Finance commented on the treasury management training session and how it would contribute to better understanding of the information presented to the panel. The Director of Finance welcomed comments from the panel on the training session.

The panel discussed the Council's cash flow balances and the average cash balances figures detailed in the report.

Resolved:

1. The panel agreed to note the report.
2. The panel was satisfied that the Council is operating within the approved Prudential and Treasury Management Indicators and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2018-19.

**8 Review of the assumptions in the MTFs in relation to Corporate Resources**

Claire Nye, Director of Finance, explained the background to presenting the briefing paper for review and comments on the financial assumptions about corporate resources that help inform the budget planning process. The Director of Finance explained that this paper was in response to a request by the panel to be involved at a much earlier stage of budget planning cycle.

The panel discussed the financial assumptions detailed in the briefing paper.

The panel queried the level of external borrowing. Cllr Louise Miles, Cabinet Member, advised the panel that current borrowing levels are significantly below the limit set by Council and the figure is closely monitored.



The panel discussed the frequency of monitoring of the Council's cash balance figure. The Director of Finance advised the panel that the treasury management team monitor the cash balance and cashflow forecasts on a daily basis.

The Cabinet Member advised the panel that key treasury management data is presented to Cabinet Members and Directors for information regularly.

The panel discussed the use of reserves. The Cabinet Member advised the panel that good use is made of specific and earmarked reserves. The Council has general reserves of £10 million and Directors are challenged about the level of reserves and their appropriateness. The Cabinet Member commented on the important work of the Specific Reserves Working Group. The panel supported the prudent and low risk approach taken by the Council during a period of financial uncertainty. The Director of Finance welcomed the contributions of the panel and any questions that would help to better understand the financial assumptions detailed in the paper and improve the content.

The panel suggested that the adult social care budget is a topic that could be added to the panel work programme.

Resolved:

1. The panel agreed to note the report and agreed to receive further presentations assumptions in the MTFS from the Director of Finance.
2. The issue of adult social care budget to be added to the panel work programme.

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#### **Our Council Panel - Draft Work Programme 2019 20**

Earl Piggott-Smith, Scrutiny Officer, presented the report. The panel were briefed on changes to the draft work programme. The panel were invited to suggest topics for the future. The Chair invited nominations for members of the Specific Reserves Working Group – the following Councillors accepted the invitation:

Cllr Paula Brookfield  
Cllr Jane Stevenson  
Cllr Alan Bolshaw

The meeting closed at 19:50





## Our Council Scrutiny Panel

### 20 November 2019

<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  Councillor Peter Bilson City Assets and Housing	
<b>Corporate Plan priority</b>	Confident Capable Council	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All	
<b>Accountable Director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Alison Shannon Tel Email	Chief Accountant 01902 554561 Alison.shannon@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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#### Recommendations for decision:

The Panel is recommended to:

1. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council.
2. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024 including budget proposals that are relevant to the remit of this Panel.
3. Approve that the Scrutiny Panel response be finalised by the Chair and Vice Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

## **1.0 Purpose**

- 1.1 The purpose of this report is to seek the Panel's feedback on the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council. In addition to this, the Panel's feedback is also sought on the Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024 that was presented to Cabinet on 16 October 2019 including budget proposals relevant to the remit of this Panel.

## **2.0 Draft Budget and Medium-Term Financial Strategy Background**

- 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 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.
- 2.3 Since then, work has been ongoing across the Council 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 emerging pressures and potential resources available to the Council, following the Spending Round 2019 announcement on 4 September 2019.

## **3.0 Our Council Plan 2019-2024**

- 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, developed with the people of the City of Wolverhampton at its heart, 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 strategic 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 All of the strategic outcomes will be supported by the 'Our Council' Programme, which will help us drive organisational improvement and development.

3.4 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 are:

- **Core Principles:**

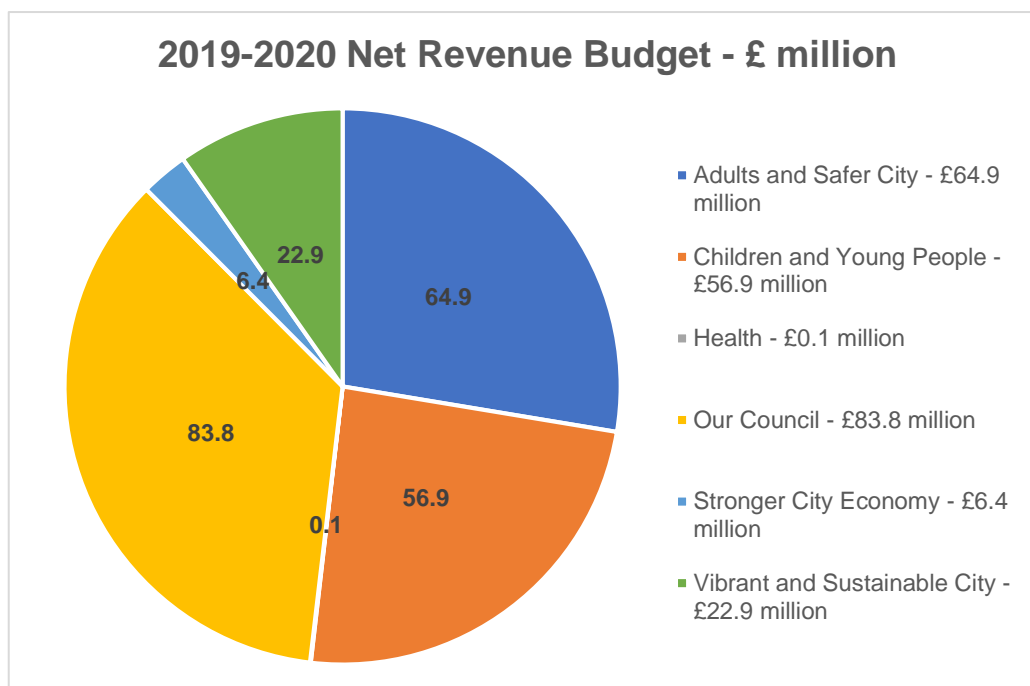
- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
- **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities 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.

#### **4.0 Budget – Our Council Scrutiny Panel remit**

4.1 As detailed above, when addressing the budget challenge, the Council continues to focus on aligning its resources to strategic outcomes.

4.2 The Council holds a net revenue expenditure budget totalling £234.9 million for the 2019-2020 financial year. Of this, services relevant to the remit of the Our Council Scrutiny Panel have net revenue expenditure budgets totalling £83.8 million, as can be seen in Chart 1 below.

**Chart 1 – Net Revenue Budget 2019-2020**



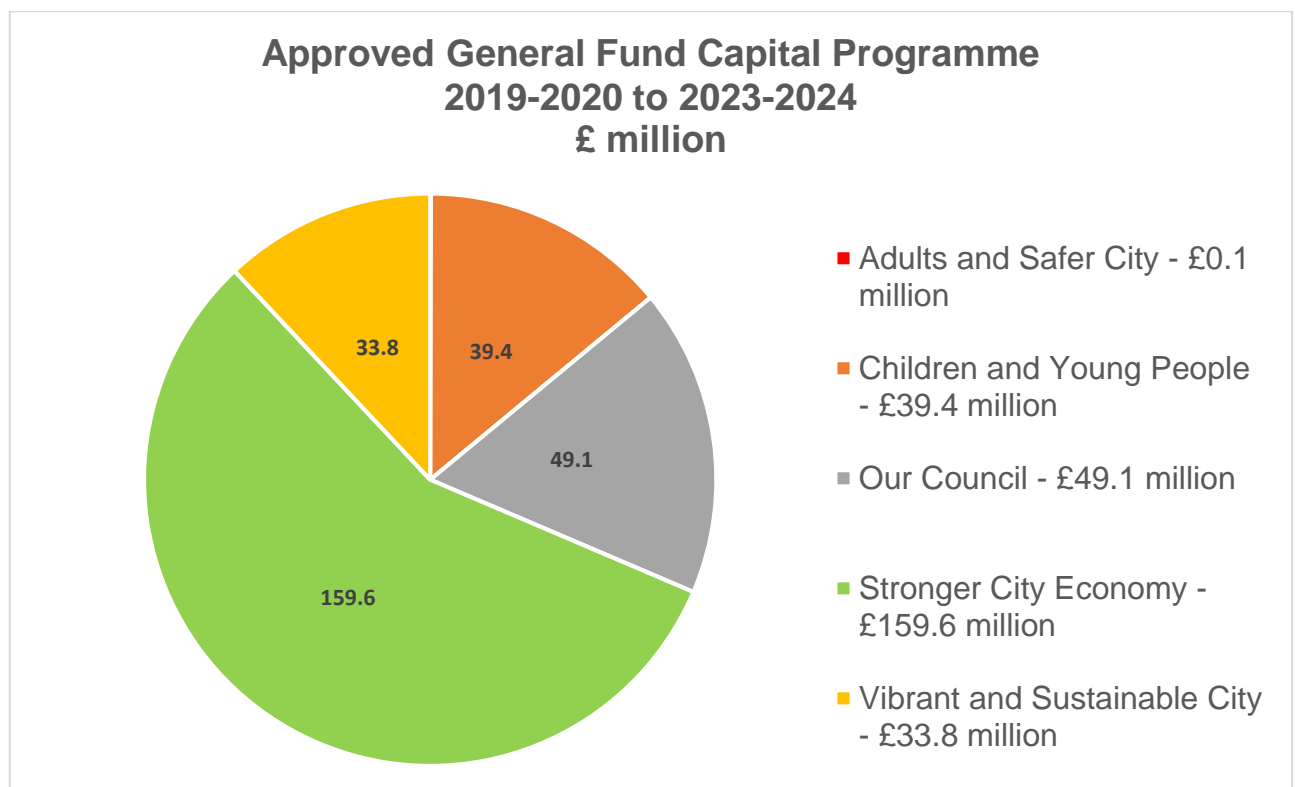
- 4.3 A further breakdown of the net revenue budget for each service relevant to the remit of this Panel is provided in Table 1 below:

**Table 1 – Service and Revenue Budget Provision**

<b>Service</b>	<b>2019-2020 Gross Expenditure Budget £000</b>	<b>2019-2020 Gross Income Budget £000</b>	<b>2019-2020 Net Revenue Expenditure/ (Income) Budget £000</b>
Finance Director	159	-	159
Audit Services	4,312	(2,440)	1,871
Strategic Finance	3,385	(805)	2,580
Revenues & Benefits	98,142	(95,782)	2,360
The Hub	2,380	(646)	1,734
Central Corporate Budgets	6,979	(2,789)	4,190
Commercial Services	177	(65)	111
Procurement Services	1,110	(717)	394
Corporate Accounts	52,149	(10,406)	41,743
Director of Governance	196	-	196
Governance Services	4,940	(673)	4,268
Legal Services	3,091	(924)	2,167
Ward Funds	200	(200)	-
Business Continuity & Emergency Planning	129	(125)	4
Chief Executive	177	-	177
Communications	1,157	(64)	1,093
Strategy	1,103	(7)	1,096
Deputy Chief Executive	248	-	248
Business Change	1,401	-	1,401
Human Resources	2,016	(195)	1,821
ICTS	8,183	(2,114)	6,069
Digital Transformation Programme	88	-	88
Service Improvement	94	-	94
Customer Services	2,368	(325)	2,044
Register Office	397	(449)	(51)
Catering	6,775	(6,864)	(89)
Cleaning	4,437	(2,973)	1,464
Capital Programme	1,415	(1,614)	(200)
Corporate Asset Management	7,713	(74)	7,639
Corporate Landlord Support	504	-	504
Estates and Valuations	386	(4,726)	(4,340)
Facilities Management	2,319	(1,442)	877
Head of Corporate Landlord	113	-	113
Maintenance Programme	2,195	(198)	1,997
<b>Total</b>	<b>220,438</b>	<b>(136,617)</b>	<b>83,822</b>

- 4.4 Gross expenditure and gross income relate to the budgets directly in the control of the service area. Overhead costs such as property related expenditure and support services are held separately.
- 4.5 When reviewing the budget, it is important to consider the gross income and gross expenditure for each service. Budget efficiencies can be achieved through reductions in expenditure budgets, in addition to maximising income generation opportunities.
- 4.6 In addition to this, as detailed in Chart 2, services relevant to the Our Council Scrutiny Panel remit also have an approved General Fund capital programme budget totalling £49.1 million over the medium-term period from 2019-2020 to 2023-2024.

**Chart 2 – Approved General Fund Capital Programme Budget 2019-2020 to 2023-2024**



- 4.7 Within the capital programme budget relevant to this panel, the following capital programmes are being delivered:

**Table 2 – Capital Programme and Revenue Budget Provision**

<b>Capital Programme</b>	<b>2019-2020 to 2023-2024 Capital Programme Expenditure £000</b>
Corporate Asset Management	1,975
Disposals Programme (Non-Strategic)	372
Energy Efficiency Measures	569
Remedial Works	36
Full Fibre Network	4,971
ICT Desktop Refresh	1,484
ICT Disaster Recovery	193
ICT General Programme	3,078
Service Led ICT Projects	462
Digital Transformation Programme Software	1,433
Capitalisation Directives	3,000
Corporate Contingency	1,643
WV Living Phase 1 Loans	29,850
<b>Total</b>	<b>49,066</b>

## **5.0 Key Strategies and Transformation**

5.1 The revenue and capital budgets allocated enable the following key services and transformation work:

- **Facilities Management** - During 2019-2020 we are reviewing the Catering, Cleaning and Facilities Management services to ensure there is a medium-term plan for future service delivery. These reviews will consider partnership working as well as operational efficiencies, such as process improvement, training and ICT enabled opportunities.
- **City Assets** - The management of our buildings and properties is a key Council Plan priority linked to the Our Council – Our Assets programme review commenced in 2019. There are income and growth pressures in this area which place challenges on the real estate portfolio for the future. The review considers the Council's property requirements (as a landlord) until 2025, as well as responding to the National Building Safety Programme.
- **HRA Housing Services** - In 2018-2019 the Council set out a 3 Year Business Plan for its landlord services (council housing and assets) as part of its 30-Year HRA Business model. The Annual Budget Monitoring Report is presented to Cabinet in Q4 2019-2020 and will set out future requirements for housing capital investment, new council development and estate redevelopments and neighbourhood housing



services. During 2020-2021 and beyond, future planning for Better Homes Investment (decent homes), asset management and the continued response to the National Building Safety Programme will be considered as part of planning for future housing management services, currently managed by Wolverhampton Homes and Tenant Management Organisations.

- **Finance** – Within the Finance Directorate, Strategic Finance, Commercial Services, Audit Services and Procurement Services are focussed on providing advice, support and challenge to services across the Council in order to enable the delivery of core principles within the Financial Strategy, which will help to support the budget challenge faced by the Council in 2020-2021 and over the medium term. Work continues to identify improvements in technology to deliver efficiencies in service delivery.
- **Customer Services** – Customer Services provides customers with a single point of contact dealing with all types of enquires across a variety of channels (telephone, email and face to face) and aims to deliver a timely, efficient service by providing access for our customers to all Council Services. There is currently a demand led approach being undertaken to continue the transformational review of all services, channels and systems to ensure that the customer journey and experience continues to be the focus of Customer Services.
- **Corporate Budgets** – Corporate Budgets contains various centrally held budgets including treasury management expenditure, such as interest and provision for repayment of borrowing, linked to the delivery of the Council's capital programme and levies such as Environment Agency and West Midlands Combined Authority Transport Levy.
- **WV Living** - The Council established a Housing Company to develop affordable and desirable new homes within Wolverhampton for rent and sale after identifying a need in the City for housing. This was a targeted and careful intervention by the Council to unlock sites and ensure that the City is a place where people want to work and live. The strategic response to address the housing need generates a commercial return for the Council that will contribute to the MTFS, however whilst beneficial in supporting the financial strategy this is the secondary objective. WV Living has a Board of Directors, which include Council Directors, who keep the Business Plan under constant review to ensure security of funds.
- **Register Office** - The Register Office provides statutory registration services and is overseen by the General Registration Office. Services provided by the Register Office include legal preliminaries for marriage and civil partnerships, conducting marriage and civil partnership services, statutory registration of all marriages, birth and deaths and celebratory services including citizenship ceremonies. The service also provides additional celebratory and non-statutory services such as naming ceremonies and renewal of vows.

- **Human Resources** - HR are the first point of contact through the designated support desk for all HR queries. Basic queries are responded to, through the support desk, but if more complex information is required, this is obtained from a team of HR Advisors who continue to provide advice, guidance and support on a range of matters including disciplinary, grievance and capability. In addition, managers and employees are supported with management of attendance, recruitment, retention, restructuring and redundancy matters. HR Policy Development including all consultation and implementation is also undertaken by the HR advisory team.

A pay and reward team ensure compliance with the Single Status collective agreement and keep the benefits portal updated. The Occupational Health team support managers and employees with referrals to the Occupational Health physician and physiotherapy service as well as undertaking pre employment assessments and preventative campaigns. HR act as an intermediary between the Council and YOO Recruit; the Council's wholly owned recruitment agency.

- **ICT** – ICT are an enabler of change, supporting the Authority to deliver against the Council Plan, Strategic Outcomes and Strategic Values. Critical deliverables for ICT to drive forward, include but are not confined to:
  1. Keeping the Authorities Infrastructure and data safe – avoiding data theft, cyber-attacks and similar, keeping abreast of new technologies
  2. Keeping the Authorities infrastructure, software and hardware current – ensuring that investment continues at an appropriate level, therefore reducing failure and building resilience.
  3. Preparing for the future – working with ICT suppliers and consultants and the internal wider customer base to understand future requirements and prepare accordingly.
  4. Delivery and enablement of strategic projects and programmes – working with Governance, budget and timeframes.

## **6.0 Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024**

- 6.1 Since March 2019, Cabinet have been provided with two further Budget and Medium-Term Financial Strategy (MTFS) updates in July and October 2019 to identify opportunities in line with the Five-Year Financial Strategy to support the budget strategy for 2020-2021 and future years.
- 6.2 In October 2019, Cabinet were presented with the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 report in which it was forecast that, after taking into account projected changes to corporate resources and emerging pressures, the projected remaining budget deficit for 2020-2021 would be in the region of £3.9 million, rising to £20 million over the medium term period to 2023-2024.

- 6.3 The MTFS provides for general inflation increases and growth for specific known pressures. A further report also on this agenda provides greater detail about the assumptions built into the MTFS.
- 6.4 Appendix 1 provides a copy of the 'Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024' report for your consideration. Appendix 2 provides details of specific budget proposals relevant to this panel. Feedback from this and the other Scrutiny Panel meetings will be reported to Scrutiny Board on 17 December 2019, which will consolidate that feedback in a formal response to Cabinet on 22 January 2020. The feedback provided to Scrutiny Board will include questions asked by Panel members, alongside the responses received. Cabinet will take into account the feedback from Scrutiny Board when considering the final budget setting report in February 2020, for approval by Full Council in March 2020.

## **7.0 Panel Recommendations**

- 7.1 The Panel are recommended to provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on:
- the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council;
  - the Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024 and budget proposals relevant to the remit of this Panel;
  - any other comments.
- 7.2 The Panel are also recommended to approve that the Scrutiny Panel response be finalised by the Chair and the Vice-Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

## **8.0 Financial implications**

- 8.1 The financial implications are discussed in the body of the report, and in the report to Cabinet.  
[MH/12112019/B]

## **9.0 Legal implications**

- 9.1 The legal implications are discussed in the report to Cabinet.  
[TS/11112019/T]

## **10.0 Equalities implications**

- 10.1 The equalities implications are discussed in the report to Cabinet.

## **11.0 Environmental and climate change implications**

- 11.1 The environmental and climate change implications are discussed in the report to Cabinet.

## **12.0 Human resources implications**

- 12.1 The human resources implications are discussed in the report to Cabinet.

## **13.0 Corporate landlord implications**

- 13.1 The Corporate Landlord implications are discussed in the report to Cabinet.

## **14.0 Health and wellbeing implications**

- 14.1 The Corporate Landlord implications are discussed in the report to Cabinet.

## **15.0 Schedule of background papers**

Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 16 October 2019.

Draft Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 31 July 2019.

2019-2020 Budget and Medium-Term Financial Strategy 2020-2021 to 2023-2024, report to Full Council, 6 March 2019

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>16 October 2019</b>
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<b>Report title</b>	<b>Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024</b>	
<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 Tel Email	Director of Finance 01902 550478 claire.nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board Health Scrutiny Panel Vibrant and Sustainable City Scrutiny Panel Adults and Safer City Scrutiny Panel Our Council Scrutiny Panel Stronger City Economy Scrutiny Panel Children and Young People Scrutiny Panel Scrutiny Board	2 October 2019 7 November 2019 7 November 2019 12 November 2019 20 November 2019 25 November 2019 27 November 2019 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**



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](#)

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# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	Communication Services Review
<b>Cabinet member with lead responsibility</b>	Councillor Ian Brookfield Leader of the Council
<b>Accountable Director</b>	Ian Fegan, Director of Communications and External Relations
<b>Originating service</b>	Communications and External Relations
<b>Accountable Employee</b>	Ian Fegan, Director of Communications and External Relations Tel: 01902 554286 Email: <a href="mailto:Ian.Fegan@wolverhampton.gov.uk">Ian.Fegan@wolverhampton.gov.uk</a>

### 1.0 Description of proposal

Consideration will be given to reducing pay and non-pay budgets and to generating greater levels of income.

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	100	50	50	0	200
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	0	0	0	0	0

## 3.0 Communications Strategy Implications

3.1 There are some Communications Strategy Implications arising from this proposal. The communication strategy will ensure all stakeholder are engaged.

## 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

## 5.0 Customer Implications

5.1 There are some Customer Implications arising from this proposal. Customers will be fully engaged in any changes as a result of this proposal.

## 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

## 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

## 8.0 Equality Implications

8.1 An Initial Equalities Analysis (IEA) has been completed and will be reviewed to determine whether a full Equalities Analysis is required before budget proposals are implemented.

## 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

## 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.

### **11.0 Human Resource Implications**

11.1 There are some Human Resource Implications arising from this proposal. Reductions in pay costs will be managed, as far as possible, to minimise the impact upon employees and service delivery. This will involve efficiencies, re-prioritisation and not filling vacant posts. Any employees affected by changes within the team will be supported through the Council's established HR practices.

### **12.0 Legal Implications**

12.1 There are no Legal Implications arising from this proposal.

### **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

### **14.0 Procurement Implications**

14.1 There are no Procurement Implications arising from this proposal.



# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	Efficiencies through Contract Procurement and Management
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources
<b>Accountable Director</b>	Claire Nye, Director of Finance
<b>Originating service</b>	Finance
<b>Accountable Employee</b>	Claire Nye, Director of Finance Tel: 01902 550478 Email: Claire.Nye@wolverhampton.gov.uk

### 1.0 Description of proposal

The Procurement and Commercial team will work across the organisation to drive improvements in contract procurement and management.

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	250	250	250	250	1,000
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	0	0	0	0	0

## 3.0 Communications Strategy Implications

3.1 There are some Communications Strategy Implications arising from this proposal. The communications strategy will ensure that all stakeholders are engaged with contract procurement and management.

## 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

## 5.0 Customer Implications

5.1 There are no Customer Implications arising from this proposal.

## 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

## 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

## 8.0 Equality Implications

8.1 An Initial Equalities Analysis (IEA) has been completed and will be reviewed to determine whether a full Equalities Analysis is required before budget proposals are implemented.

## 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

## 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.

## 11.0 Human Resource Implications

11.1 There are no Human Resource Implications arising from this proposal.

## **12.0 Legal Implications**

12.1 There are some Legal Implications arising from this proposal. Some contracts may be reviewed as part of this budget proposal.

## **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

## **14.0 Procurement Implications**

14.1 There are some Procurement Implications arising from this proposal. Contracts will be reviewed as part of this budget proposal. Procurement regulations will be followed for any re-procurement of services.





# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	Finance Efficiencies
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources
<b>Accountable Director</b>	Claire Nye, Director of Finance
<b>Originating service</b>	Finance
<b>Accountable Employee</b>	Claire Nye, Director of Finance Tel: 01902 550478 Email: <a href="mailto:Claire.Nye@wolverhampton.gov.uk">Claire.Nye@wolverhampton.gov.uk</a>

### 1.0 Description of proposal

Efficiencies through service reviews, management restructure within the Hub and Revenue and Benefits Teams as a result of reducing demand, and from a reduction in bank charges.

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	500	150	150	150	950
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	2.9	0	0	0	2.9

### 3.0 Communications Strategy Implications

3.1 There are no Communications Strategy Implications arising from this proposal.

### 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

### 5.0 Customer Implications

5.1 There are no Customer Implications arising from this proposal.

### 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

### 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

### 8.0 Equality Implications

8.1 An Initial Equalities Analysis (IEA) has been completed and there are no equalities implications. A full Equality Analysis is not required.

### 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

### 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.

### 11.0 Human Resource Implications

11.1 There are some Human Resource Implications arising from this proposal. The human resources implications are minimal at this stage.

## **12.0 Legal Implications**

12.1 There are no Legal Implications arising from this proposal.

## **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

## **14.0 Procurement Implications**

14.1 There are no Procurement Implications arising from this proposal.



# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	Governance - Efficiencies
<b>Cabinet member with lead responsibility</b>	Councillor Sandra Samuels OBE Governance
<b>Accountable Director</b>	Mark Taylor, Deputy Chief Executive
<b>Originating service</b>	Governance
<b>Accountable Employee</b>	Tracey Christie, Head of Legal Service Tel: 01902 554925 Email: Tracey.christie@wolverhampton.gov.uk

### 1.0 Description of proposal

Proposals will be developed in conjunction with the new Director of Governance, with the focus on identifying efficiencies and new income generation opportunities.

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	100	100	100	100	400
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	0	0	0	0	0

### 3.0 Communications Strategy Implications

3.1 There are no Communications Strategy Implications arising from this proposal.

### 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

### 5.0 Customer Implications

5.1 There are no Customer Implications arising from this proposal.

### 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

### 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

### 8.0 Equality Implications

8.1 An Initial Equalities Analysis (IEA) will be completed to determine whether a full Equalities Analysis is required before the budget proposals are fully implemented.

### 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

### 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.

### 11.0 Human Resource Implications

11.1 There are no Human Resource Implications arising from this proposal.

### 12.0 Legal Implications

12.1 There are no Legal Implications arising from this proposal.

### **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

### **14.0 Procurement Implications**

14.1 There are no Procurement Implications arising from this proposal.



# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	HR Business Improvement Review
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources
<b>Accountable Director</b>	Mark Taylor, Deputy Chief Executive
<b>Originating service</b>	Human Resources
<b>Accountable Employee</b>	Denise Pearce, Head of Human Resources Tel: 01902 554515 Email: Denise.Pearce@wolverhampton.gov.uk

### 1.0 Description of proposal

The Business Improvement team have been assigned to work alongside HR staff with an aim to promote and allow more self-serve, digital solutions, better processes, procedures and systems and a view to better management accountability. All of this should improve the customers experience and reduce the amount of support that Managers require from the HR team.

The £100,000 savings for 2020-2021, will be made when the improvements have been undertaken. These will come in the first instance from not filling vacant hours and other efficiencies.

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	100	200	100	0	400
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	0	0	0	0	0

## 3.0 Communications Strategy Implications

3.1 There are no Communications Strategy Implications arising from this proposal.

## 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

## 5.0 Customer Implications

5.1 There are some Customer Implications arising from this proposal. The customer will see improvements to the service.

## 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

## 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

## 8.0 Equality Implications

8.1 An initial Equalities Analysis (IEA) has been completed and will be reviewed to determine whether a full Equalities Analysis is required before budget proposals are implemented.

## 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

## 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.



## **11.0 Human Resources Implications**

11.1 The human resources implications will be dealt with in line the Council's policies. If any restructuring was required, it will be undertaken in accordance with the City of Wolverhampton Council's Restructure Policy and Procedures, including consultation with trade unions.

## **12.0 Legal Implications**

12.1 There are no Legal Implications arising from this proposal.

## **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

## **14.0 Procurement Implications**

14.1 There are no Procurement Implications arising from this proposal.



# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	Organisational Development Review
<b>Cabinet member with lead responsibility</b>	Councillor Dr Michael Hardacre Education and Skills
<b>Accountable Director</b>	Richard Lawrence, Director of Regeneration
<b>Originating service</b>	Skills
<b>Accountable Employee</b>	Paula Warrilow, Head of Organisational Development and Apprenticeships Tel: 01902 552756 Email: Paula.Warrilow@wolverhampton.gov.uk

### 1.0 Description of proposal

In utilising training approved by the Workforce Development fund, the Council will be able to access external funding to cover training for staff within Adult's services which is currently met from budgets within the Skills service.

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	30	0	0	0	30
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	0	0	0	0	0

## 3.0 Communications Strategy Implications

3.1 There are no Communications Strategy Implications arising from this proposal.

## 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

## 5.0 Customer Implications

5.1 There are no Customer Implications arising from this proposal.

## 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

## 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

## 8.0 Equality Implications

8.1 An Initial Equalities Analysis (IEA) has been completed and there are no equalities implications. A full Equality Analysis is not required.

## 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

## 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.

## 11.0 Human Resource Implications

11.1 There are no Human Resource Implications arising from this proposal.

## **12.0 Legal Implications**

12.1 There are no Legal Implications arising from this proposal.

## **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

## **14.0 Procurement Implications**

14.1 There are no Procurement Implications arising from this proposal.



# Cabinet

16 October 2019

## Budget Proposal

<b>Report Title</b>	Staff Terms and Conditions
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources
<b>Accountable Director</b>	Mark Taylor, Deputy Chief Executive
<b>Originating service</b>	Human Resources
<b>Accountable Employee</b>	Denise Pearce, Head of Human Resources Tel: 01902 554515 Email: Denise.Pearce@wolverhampton.gov.uk

### 1.0 Description of proposal

Consultation to take place with recognised Trade Unions to review a number of proposals that contribute to saving £1.2 million each year 2020-2021 and 2021-2022 (total £2.4 million).

## 2.0 Financial Proposal

	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000	Total
Budget Proposal	1,200	1,200	0	0	2,400
	FTE	FTE	FTE	FTE	FTE
Staffing implications for Full Time Equivalents (FTE)	0	0	0	0	0

## 3.0 Communications Strategy Implications

3.1 There are significant Communications Strategy Implications arising from this proposal.

## 4.0 Corporate Landlord Implications

4.1 There are no Corporate Landlord Implications arising from this proposal.

## 5.0 Customer Implications

5.1 There are some Customer Implications arising from this proposal.

## 6.0 Economic Implications

6.1 There are no Economic Implications arising from this proposal.

## 7.0 Climate Change and Environmental Implications

7.1 There are no Climate Change and Environmental Implications arising from this proposal.

## 8.0 Equality Implications

8.1 An Initial Equalities Analysis (IEA) has been completed and will be reviewed to determine whether a full Equalities Analysis is required before budget proposals are implemented.

## 9.0 Financial Implications

9.1 The Financial Implications are detailed in the proposal above.

## 10.0 Health Implications

10.1 There are no Health Implications arising from this proposal.

## 11.0 Human Resource Implications

11.1 There are significant Human Resource Implications arising from this proposal.

## **12.0 Legal Implications**

12.1 There are some Legal Implications arising from this proposal.

## **13.0 Policy and Corporate Plan Implications**

13.1 There are no Policy and Corporate Plan Implications arising from this proposal.

## **14.0 Procurement Implications**

14.1 There are no Procurement Implications arising from this proposal.

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## Our Council Scrutiny Panel

### 20 November 2019

<b>Report title</b>	Medium Term Financial Strategy – Growth and Inflation Assumptions	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Wards affected</b>	All	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Claire Nye Tel Email	Chief Accountant 01902 554561 alison.shannon@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

---

#### Recommendation(s) for action or decision:

The Scrutiny Panel is recommended to:

1. Review and provide feedback on the growth and inflation assumptions built into the Medium -Term Financial Strategy (MTFS).

## **1.0 Purpose**

- 1.1 The purpose of this report is to allow Scrutiny Panel to review and comment on the assumptions built into the Medium-Term Financial Strategy (MTFS) for growth and inflation.

## **2.0 Background**

- 2.1 The MTFS is a multi-year financial plan which sets out the Council's forecast income and expenditure. A potential budget deficit (gap) is identified where the forecast expenditure exceeds income (Council Resources).
- 2.2 There are two main reasons for a deficit; successive cuts in Government grant support which have reduced the Council's resources at the same time substantial increase in demand for council services, increasing the cost of providing services.
- 2.3 The Budget and MTFS 2019-2020 to 2023-2024 presented to Full Council in March 2019 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.
- 2.4 In order to address the budget deficit, the Council look at identifying opportunities in line with the Five-Year Financial Strategy to support the budget strategy 2020-2021 and future years, whilst also analysing emerging pressures and growth required to support the delivery of vital services.
- 2.5 In September, Our Council Scrutiny Panel received a report detailing the assumptions in the MTFS about the main sources of income for the Council.
- 2.6 The MTFS also provides for general inflation increases, such as pay inflation, price related increases for utilities and changes to interest and investment rates. In addition, specific growth is built into the MTFS to cover emerging cost pressures which become evident during the year, as well as cost pressures due to increased demand for services. Any increase in these assumptions increases the forecast deficit.

## **3.0 General Inflation**

- 3.1 The MTFS provides for general inflation increases, such as pay inflation and increases in utility costs. The table below details some of the assumptions currently built into the MTFS.

**Table 1 –General Inflation Assumptions**

<b>Inflation</b>	<b>Description</b>	<b>Approved Assumptions March 2019</b>
Pay related Pressures	The Council's staffing establishment stands around 3,600 full time equivalent employees. On an annual basis the cost of this establishment increases due to a combination of pay award, annual increments, changes to employer's national insurance and pension contributions along with any other pay related pressures.	<p>The estimated annual increase for pay related pressures is in the region of £4.9 million in 2020-2021, rising to over £5 million in subsequent years.</p> <p>This increase assumes an annual pay award of 2%. If the pay award is in excess of this, this will result a further cost pressure.</p>
Price Inflation – Gas and Electricity	The Council own a number of buildings. As with other utility users the Council sees an annual increase in the cost of gas and electricity. Utility costs are projected based on the Council's asset portfolio, annual usage and estimated inflation. This is reviewed on an annual basis.	<p>The estimated annual increase for both gas and electricity for 2020-2021 is £350,000.</p> <p>This is based on an increase of 15% for Gas and 6% electricity.</p>
Price Inflation – NNDR	The Council also has a responsibility to pay business rates on the properties it owns. Business Rates are set by Government and are uplift each year by inflation.	The estimated annual increase of 2% is built into the MTFS
Treasury Management Activity	Treasury Management activities include the management of the Council's borrowing, investments and cash flows. The Council has undertaken borrowing to support the Capital Programme. The Council's strategy is to use cash balances to finance capital expenditure rather than carry out new external borrowing. However,	<p>The borrowing interest rate currently assumed at an average of 3.35% in 2020-2021 rising to 3.6% in 2023-2024.</p> <p>The return on investment is forecast at 0.6% over the medium term.</p>

Inflation	Description	Approved Assumptions March 2019
	<p>any cash surplus are invested in order to generate a return.</p> <p>The MTFS forecasts the borrowing interest rate and the potential return on investment over the medium term.</p>	

#### 4.0 Specific Growth

- 4.1 In addition to general inflation, the MTFS includes growth to support specific services such as demographic growth, increased demand for services, loss of income and growth required to finance the capital programme. The table below details some of the main areas of growth included in the MTFS.

**Table 2 – Specific Growth Assumptions**

Growth	Description	Approved Assumptions March 2019
Adult Social Care – Demographic Growth and increased costs	<p>The Council has a duty to provide support to meet the needs of adults requiring social care as assessed under a nationally set eligibility criteria. The growing demand for support due to the age profile of our City and complex needs see these costs increasing on an annual basis. Detailed financial and activity modelling is carried out and reviewed on a regular basis to forecast the potential cost pressures over the medium term.</p>	<p>The MTFS assumes growth to support costs pressures and demographic growth of £6.2 million in 2020-2021. This is offset by the reversal of a one-off grant of £1.4 million. Growth of £3.2 million has currently been built into subsequent years.</p>

Growth	Description	Approved Assumptions March 2019
Children and Young People in Care	Whilst the number of children and young people in care has reduced significantly over recent years, the cost of external placements has increased resulting in cost pressures within the service. Again, detailed financial and activity modelling in carried out and reviewed on a regular basis to forecast the potential cost ensures over the medium term.	The MTFS assumes growth of £1.5 million in 2020-2021, £700,000 in 2021-2022 and £100,000 in 2022-2023.
General Demographic Growth	The MTFS also makes provision for general demographic growth for pressures identified within other services due to the City's growing population.	The MTFS assumes growth of £500,000 each year from 2020-2021 to 2023-2024.
Treasury Management	The Council Capital programme is funded from a combination of funding sources such as grants, external contribution, capital receipts and prudential borrowing. Growth is built into the MTFS for any changes to the borrowing requirement of the capital programme and the impact of the Minimum Revenue Provision (the minimum amount that the Council must set aside to repay borrowing).	The MTFS assumes growth of £1.8 million in 2020-2021, £1.6 million in 2021-2022 and £277,000 in 2022-2023

## 5.0 Panel Recommendations

- 5.1 The Panel are recommended to review and comment on the assumptions included in the MTFS for inflation and growth.

## 6.0 Financial implications

- 6.1 The financial implications are discussed in the body of the report.  
[RP/12112019/H]

## 7.0 Legal Implications

- 7.1 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.
- 7.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangement for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.  
[TS/12112019/Q]

## **8.0 Equalities implications**

- 8.1 There are no relevant equalities implications arising from this report.

## **9.0 Environmental and climate change implications**

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

## **10.0 Human resources implications**

- 10.1 There are no relevant human resources implications arising from this report.

## **11.0 Corporate landlord implications**

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

## **12.0 Health and wellbeing implications**

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

## **13.0 Schedule of background papers**

Review of the assumptions in the MTFs in relation to Corporate Resources, briefing note to Our Scrutiny Panel 4 September 2019.

**Our Council Scrutiny Panel – Draft Work Programme 2019-2020**

Agenda Item No: 7

The Panel has responsibility for Scrutiny functions as they relate to, Strategic Financial Services, Revenues and Benefits, Strategic Procurement, The HUB, Audit, Human Resources, Corporate Administration, Democracy, Corporate Landlord, Transformation and ICT

<b>Date of Meeting</b>	<b>Item Description</b>	<b>Lead Report Author</b>	<b>Notes</b>
20 November 2019	<ul style="list-style-type: none"> <li>Draft Budget and Medium-Term Financial Strategy 2020 -2021</li> <li>Review of assumptions in the MTFS about growth and inflation'</li> </ul>	Alison Shannon and Michelle Howell  Claire Nye, Director of Finance	
9 January 2020	<ul style="list-style-type: none"> <li>Specific Reserves Working Group (date to confirmed)</li> </ul>	Claire Nye, Director of Finance	<ol style="list-style-type: none"> <li>To receive a detailed report on specific reserves.</li> <li>To review and scrutinise the balances and movements of the council's specific reserves to ensure that they are appropriately established and required.</li> <li>To make recommendation or comment to Cabinet on matters arising from the review and scrutiny of specific reserves.</li> </ol>
15 January 2020	<ul style="list-style-type: none"> <li>Digital Printing Service – update</li> </ul>	Gail Rider – Head of ICT	<ol style="list-style-type: none"> <li>Review the opportunities and competitiveness of providing print services outside of the local authority,</li> </ol>

	<ul style="list-style-type: none"> <li>Treasury Management Activity Monitoring - Mid Year Review 2019-2020</li> </ul>	Claire Nye, Director of Finance	<p>operating on a commercial basis</p> <ol style="list-style-type: none"> <li>Put in place mechanisms to secure all internal printing requirements are provided in-house, removing the opportunity for staff to commission print work outside of the authority</li> <li>Improve the kitchen facilities for DPS in line with the rest of the authority's amenities</li> </ol> <p>Budget scrutiny overview</p>
11 March 2020	<ul style="list-style-type: none"> <li>Treasury Management</li> </ul>	Claire Nye, Director of Finance	

#### Future Items – dates tbc

1. Assessment and evaluation of the Smart Working Policy Denise Pearce, Head Community Asset Transfer: Policy and Strategy Review: Julia Nock, Head of Assets – due to be presented to Cabinet on 7.2.20.
2. Briefing on Universal Credit – update on transition - Heather Clarke, Service Development Manager
3. Rapid Development Platform/Update on Customer Services - Jai Ghai ICT Senior Business Service Manager/ Lisa Taylor, Head of Service Improvement (Customer Services) (Briefing on the system, current progress and the benefits of the platform and next steps and why) – date to be confirmed when schedule of council meetings 2020/21 agreed