

<b>Report title</b>	2024-2025 Budget and Medium-Term Financial Strategy 2024-2025 to 2026-2027	
<b>Decision designation</b>	RED	
<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>	James Howse Tel Email	Interim Director of Finance 01902 556710 James.howse@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board Council	23 January 2024 28 February 2024

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**Recommendations for decision:**

The Cabinet recommends that Council approves:

1. The net budget requirements for 2024-2025 of £332.0 million for General Fund services.
2. The Medium Term Financial Strategy (MTFS) 2024-2025 to 2026-2027 as detailed in Section 9 and the key assumptions underpinning the MTFS as detailed in Appendices 1, 2 and 3 of this report.
3. A Council Tax for Council services in 2024-2025 of £2,004.27 (Council element) for a Band D property, being an increase of 4.99% on 2023-2024 levels, which incorporates 2% in relation to Adult Social Care.
4. The refreshed Reserves Strategy as detailed in Appendix 8.

The Cabinet are recommended to approve:

1. The updated assumptions used in the Budget 2024-2025 and the MTFS 2024-2025 to 2026-2027 as detailed in this report.
2. That £1.7 million is transferred from the Sustainable MTFS Reserve (formally named the Transformation Reserve) and Re-organisation Reserve to the General Fund Reserve in order that it can be maintained at approximately 5% of net budget over the medium term, which is in line with the Reserves Strategy.
3. That authority is delegated to the Director of Finance, to approve the calculation and allocation of growth in the central share of business rates for 2024-2025 and future years to be passported to the West Midlands Combined Authority (WMCA).
4. That authority be delegated to the Cabinet Member for Resources, in consultation with the Director of Finance to allocate budgets from the Corporate Contingency for Budget Growth / Emerging pressures once business cases have been completed.
5. That the Council enter into the Better Care Fund Section 75 Agreement along with the necessary ancillary agreements from the main agreement for 2024-2025 with the Black Country Integrated Care Board, and delegate authority to the Cabinet Member for Resources, Cabinet Member for Adults and Wellbeing, in consultation with the Director of Adult Social Care and the Director of Finance to approve the final terms of the agreement.

## Recommendations for noting:

The Cabinet are recommended to note:

1. The significance of the financial distress in the sector as summarised in Section 3.
2. That the budget for 2024-2025 is in balance without the use of General Fund Reserves.
3. That, in the opinion of the Interim Director of Finance (Deputy Section 151 Officer), the budget estimates and assumptions included in the 24/25 budget (and MTFS) are robust.
4. That, in the opinion of the Interim Director of Finance (Deputy Section 151 Officer), the proposed levels of reserves are adequate in respect of the forthcoming financial year.
5. That, in the opinion of the Interim Director of Finance (Deputy Section 151 Officer), the proposed use of earmarked reserves during 2024-2025 is prudent and proportionate for 2024-2025, but that this is not a sustainable solution to the Council's underlying medium term financial gap.
6. That it is estimated that a further £27.1 million of budget reductions need to be identified for 2025-2026, rising to £32.6 million over the medium term to 2026-2027 in order to address the projected budget deficit.
7. That, due to external factors, in particular the impact of the increasing demand for services, cost of living and inflationary pressures, budget assumptions remain subject to significant change, which could therefore result in alterations to the financial position facing the Council.
8. That there continues to be considerable amount of uncertainty with regards to future funding streams for local authorities over the medium term. 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.
9. That, in recognition of the financial challenges highlighted, and as part of the development of this Medium-Term Financial Strategy, a rigorous programme of work designed to identify and deliver further recurring budget reduction and income generation proposals will be put in place during 2024-2025. Progress against which will be reported back to Councillors.
10. That Councillors must have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget reduction decisions.
11. That the Council continues to engage with residents, businesses and other key stakeholders throughout the year which focuses on understanding people's priorities for Wolverhampton.
12. That, the overall level of risk associated with the Medium Term Financial Strategy to 2026-2027 is assessed as Red
13. The impact of related parties on the Medium Term Financial Strategy.

## **1.0 Purpose**

- 1.1 The purpose of this report is to present a balanced revenue budget for 2024-2025 aligned to the Our City: Our Plan and an update on the Medium Term Financial Strategy (MTFS) for the period 2024-2025 to 2026-2027, for recommendation to Council.

## **2.0 Executive Summary**

- 2.1 The City of Wolverhampton Council has a strong track record of managing its finances and is in a comparably strong financial position (*see Section 3: Background*).
- 2.2 This 2024-2025 Budget and MTFS has been developed against a background of unprecedented levels of financial distress, uncertainty and challenge in the sector where demand for services and inflationary pressures are driving up costs (*see Section 3: Background*).
- 2.3 The Council's strategic approach to the budget is to align resources to 'Our City: Our Plan' which has been refreshed and developed alongside the MTFS. Despite the challenges in the sector, the Council is determined to deliver the priorities that matter most to local people. This includes continuing to be ambitious, creative and innovative about the transformation and regeneration of the city to the benefit of local people (*see Section 4: Our City: Our Plan*).
- 2.4 However, the Council is not immune from the challenges in the sector. Pressures on the Council's 2024-2025 Budget and MTFS are significant and include pay and other inflation related pressures – increases in costs within children's social care being a particular challenge. In addition, there are also cost pressures from the increased demand for services – especially with regard to adults social care and temporary accommodation (*see Section 5: 2024-2025 Budget and Medium Term Financial Strategy - Key Assumptions*).
- 2.5 The Council's net revenue budget for 2024-2025 is £332.0 million (*see Section 6: 2024-2025 Net Budget Requirements*).
- 2.6 The Government's local government financial settlement (announced provisionally on 18 December 2023 and 25 January 2024 and confirmed on 5 February 2024) increased what it refers to as the 'core spending power' for Wolverhampton by 7.2%. The national average increase was 7.5% for the sector. This assumes that we increase our Council Tax to the maximum allowable without a referendum which was confirmed as 4.99% (inclusive of a 2% social care precept) for 2024-2025. This settlement was for one year only and there remains no multi-year settlement (*see Section 7: Local Government Financial Settlement*).
- 2.7 To be able set a balanced budget this report proposes to increase Council Tax for 2024-2025 by a total of 4.99%. It is proposed that up to £300,000 is made available in 2024-2025 to provide a Council Tax Hardship Fund payment support for residents (*see Section 8: Corporate Resources*).

- 2.8 The Council has a balanced budget for 2024-2025, without the need to use General Fund reserves. The Council is required however to use £6.0 million of earmarked reserves to balance the budget and to support corporate priorities in 2024-2025 (see *Section 11: Update on Reserves*).
- 2.9 There is a significant financial challenge over the medium term. The projected deficit for 2025-2026 is £27.1 million, rising to £32.6 million in 2026-2027 (see *section 9: Draft Medium Term Financial Strategy*).
- 2.10 The proposed use of earmarked reserves during 2024-2025 is prudent and proportionate for 2024-2025, but this is not a sustainable solution to the Council's underlying medium term financial gap (see *Section 11: Update on Reserves*).
- 2.11 The overall level of risk associated with the Medium Term Financial Strategy to 2026-2027 is assessed as Red. Further action is required to reduce costs. A rigorous programme of work designed to identify and deliver further recurring savings will therefore be put in place during 2024-2025. Progress against which will be reported back to Councillors (see *Section 10: Budget Risks*).

### **3.0 Background**

- 3.1 The City of Wolverhampton Council has a strong track record of managing its finances well and consistently setting a balanced budget despite reductions in funding. Since 2011 the Council has identified budget reductions of circa £240 million. This representing the aggregate of the budget reduction and income generation targets identified in each of these budget reports over that period. Sound financial management, the alignment of budgets to service priorities, and investing in transformation, has put the Council in a comparably strong financial position.
- 3.2 On 1 March 2023, the Council approved a balanced revenue budget with a net requirement for 2023-2024 of £306.4 million for General Fund services. Council also approved an updated Medium Term Financial Strategy (for the period 2023-2024 to 2025-2026) which at that time noted that the “*extent of the financial challenge over the medium term continues to represent the most significant that the Council has ever faced.*”
- 3.3 Last year the MTFs identified local government funding (in terms of quantum but also levels of uncertainty), inflationary pressures (including energy costs) and demand driven pressures (particularly in relation to social care) as significant issues, across the sector generally and the Council specifically. As a consequence, the MTFs updated and approved last year, projected that the Council would have a budget deficit of £16.4 million in 2024-2025 and £23.1 million in 2025-2026.

- 3.4 The current outlook remains challenging with the level of financial distress across the local government sector continuing to increase:
- Financial pressures in the sector continue – particularly in relation to increasing demand for services and inflationary pressures driving up costs.
  - The Local Government Association (LGA) has estimated that councils in England face a £4 billion funding gap over the next two years.
  - Recent highly publicised cases bring the total number of ‘Section 114’ reports being issued (in the past six years) by local authorities to eight. (Noting that a ‘Section 114 report’ is issued by a council’s Chief Finance Officer in circumstances where expenditure in a financial year will exceed available resources.)
  - A recent survey by the LGA reported that one in five Council Leaders and Chief Executives in England think it is “very or fairly likely” their council will need to issue a ‘Section 114 report’ this year or next.
  - A recent report by the Levelling Up, Housing and Communities (House of Commons) Committee on ‘Financial distress in Local Authorities’ stated that “*local authorities are increasingly reporting concerns about their financial positions and their ability to maintain delivery of their services.*”
- 3.5 Against this challenging context, work has continued on the Council’s budget and MTFS during the past year. In October 2023, it was reported to Cabinet that the underlying deficit for 2024-2025 (including corporately held efficiency targets) was estimated at £9.4 million. Since October, further work has been undertaken to balance the 2024-2025 budget. This includes updating assumptions on budget pressures, particularly in relation to inflation and increased service demand. In addition, budget reduction and income generation opportunities have been identified and validated. The implications of the local government funding settlement (announcements being made on 18 December 2023, 25 January 2024 and 5 February 2024) have also been modelled and incorporated into this Budget and MTFS. The Council’s reserves position (both in terms of its general fund reserve and earmarked reserves) has also been reviewed.
- 3.6 Reserves play a vital role in the financial sustainability of the Council. Section 11 considers reserves further and Appendix 8 provides the refreshed Reserves Strategy. It is important to note that the Council receives assurance from its Director of Finance (Deputy) Section 151 officer with regard to reserves, they having a duty to report on the adequacy of reserves when the Council sets its budget.

## **4.0 Our City: Our Plan**

- 4.1 The Council's strategic approach to the budget is to align resources to Our City: Our Plan which was first approved by Council on 2 March 2022. To ensure that the Council's resources continue to be aligned to the needs and priorities of local people the plan has been refreshed and developed alongside the MTFS.
- 4.2 The refreshed Our City: Our Plan is also scheduled to be considered by Cabinet on 21 February 2024 and Council on 28 February 2024. Despite the challenges in the sector, the Council is determined to deliver the priorities that matter most to local people. This includes continuing to be ambitious, creative and innovative about the transformation and regeneration of the city to the benefit of local people.
- 4.3 Our City: Our Plan sets out how the Council will continue to work alongside its local, regional, and national partners to improve outcomes for local people and is our strategic framework for levelling up.
- 4.4 The plan continues to identify an overarching ambition that 'Wulfrunians will live longer healthier lives' delivered through six overarching priorities:
- Strong families where children grow up well and achieve their full potential
  - Fulfilled lives for all with quality care for those that need it
  - Healthy, inclusive communities
  - Good homes in well-connected neighbourhoods
  - More local people into good jobs and training
  - Thriving economy in all parts of the city
- 4.5 These priorities together with the associated key outcomes, objectives and activity form a framework to improve outcomes for local people and deliver our levelling up ambitions.
- 4.6 Supporting the six overarching priorities are four cross cutting principles.
- Climate Conscious
  - Driven by Digital
  - Fair and Equal
  - Wolverhampton Pound
- 4.7 The refreshed Our City: Our Plan includes the addition of the Wolverhampton Pound as one of our cross-cutting principles. Through the Wolverhampton Pound we want to retain and grow as much local wealth increasing local economic resilience, creating new jobs and opportunities.

## **5.0 2024-2025 Budget and Medium Term Financial Strategy 2024-2025 to 2026-2027 (MTFS) – Key Assumptions**

- 5.1 The assumptions used in the preparation of the 2024-2025 Budget and MTFS remain under constant review.
- 5.2 The budget assumptions used in the preparation of the budget and MTFS are detailed in Appendix 1 to 3 and relate to inflation, demand, budget reduction, income, efficiencies, and corporate resources. These are recommended for inclusion in the 2024-2025 Budget and MTFS.
- 5.3 The financial settlement announced on 5 February 2024 was again for one-year only. It is important to therefore note that whilst this provides some clarity for the forthcoming financial year, the Council continues to face significant uncertainty over the medium term which makes forecasting beyond 2024-2025 particularly challenging.
- 5.4 In order to project the potential budget deficit, a number of assumptions have been made on the level of resources that will be available to the Council, as detailed in this report and Appendix 2. It is important to note that at the point more information becomes available in relation to these assumptions, the financial position facing the Council could be subject to change.
- 5.5 The overall impact of the revisions to the 2024-2025 Budget and MTFS are detailed in Table 6 (Section 9). A full list of all budget reduction, income generation and efficiency targets incorporated in the MTFS are detailed in Appendix 4.
- 5.6 In the opinion of the Interim Director of Finance (Deputy Section 151 Officer), the budget estimates and assumptions included in the 24/25 budget (and MTFS) are robust.

### **Pay Related Pressures**

- 5.7 At the time of writing this report, the pay award for 2024-2025 is not known. The draft budget report presented to Cabinet in October 2023, increase the provision from 2% to 3% in order to be prudent. In the event that the pay award is in excess of the provision built into the budget, and in-year efficiencies cannot be identified in 2024-2025, the Re-organisation Reserve will be called upon to fund the shortfall and the recurrent impact will be built into the MTFS and reported back to Councillors in future reports. Any increase above the 3% currently built into the MTFS could increase the current projected deficit. For every 1% increase in pay award costs is circa £1.8 million.
- 5.8 In March 2019, Full Council approved changes to the Terms and Conditions offer in order to reduce the Council's pay bill. This resulted in the introduction of three days mandatory unpaid leave (MUL) equating to a reduction of 1.15% from employee salaries.



- 5.9 It was reported to Cabinet in December 2023, that the removal of MUL would:
- Ensure fairness and equity for our employees as a response to the Management of Equal Pay Risks Audit Report (2023-2024) as not all employees can access MUL
  - Support our employees with cost of living challenges
  - Respond to a request from Unison for the removal of MUL, following a Unison survey to members.
  - Further support our ‘employee offer’ for recruitment and retention purposes by removing the mandatory deduction applied as part of employee terms and conditions.
- 5.10 The proposed removal of MUL will mean employee’s pay will increase by 1.15% per annum – for some of our lowest paid employees this equates to an additional £257.00 (gross) in their pay packet.
- 5.11 Formal discussions on this proposal have commenced with both the Trade Unions and our employees. The total projected cost of this proposal is in the region of £1.8 million, however, there will still be the option for employees to continue to purchase annual leave.
- 5.12 The projected budget adjustments arising from the combined pay related pressures is detailed in Appendix 1.

### **Budget Pressures**

- 5.13 A number of emerging pressures have been identified throughout the current financial year and in order to be prudent those pressures have been recognised in the 2024-2025 budget and MTFs. The key budget pressures reflected are detailed in the paragraphs below whilst a full list of budget pressures incorporated into the budget and MTFs can be found at Appendix 1.
- 5.14 The Council continues to see significant increases in demand for services as well as increasing costs. As a result, the Council is required to build in £14.1 million into the budget for 2024-2025 rising to £40.7 million over the medium term to address these pressures. The table below summarises the total inflation, demand and development cost. Further detail can be found in the paragraphs below and also in Appendix 1.

**Table 1 – Total Inflation, demand and development**

	<b>2024-2025</b>	<b>2025-2026</b>	<b>2026-2027</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Inflation*	(3,560)	3,022	916
Demand*	15,099	10,538	10,000
Development	2,565	839	1,283
<b>Total</b>	<b>14,104</b>	<b>14,399</b>	<b>12,199</b>

\*some growth relates to both inflationary pressures and increases in demand for these areas – see Appendix 1 for more information.

- 5.15 A recent report by the Levelling Up, Housing and Communities (House of Commons) Committee on 'Financial distress in Local Authorities' summarised the pressures we and others are facing as follows:
- *“For children’s social care, rising demand for residential care placements combined with a poorly functioning market for provision of those placements, has driven significant cost increases.”*
  - *“For adults’ social care, demand has been driven by a changing population with increasingly complex needs – alongside long-term workforce shortages and inflationary pressures – which contributed to unmanageable bills for some local authorities”*
- 5.16 During 2023-2024 the Council has reported budget pressures due to increasing demand and costs for social care. The MTFs reported to Council in February 2023, incorporated significant growth in 2024-2025 totalling £11.7 million for Adult Services. It was reported in October that this growth was considered sufficient but would be kept under review. Current projections indicate that this growth can now be reduced by £1.0 million.
- 5.17 It was also reported that in terms of Children’ Services, the transformation projects and programmes have achieved significant and positive changes to children and young people living and learning in Wolverhampton. For many years, the Council has not built in any significant growth into this Directorate, however, it was reported to Cabinet in November 2023, that the Council was seeing increasing costs of residential placements which is a national trend, resulting from inflation and increasing demand in a provider led market. In addition, the Fostering Services: National Minimum Standards, issued by the Secretary of State under the Care Standards Act 2000, set out the expectations that are placed on foster parents and their fostering service providers. This includes the expectation that foster parents should not be financially disadvantaged because of their fostering role, and they expect that all foster parents receive at least the weekly National Minimum Allowance (NMA), in addition to any agreed expenses. In a letter from the Minister of Children, Families and Wellbeing, local authorities were informed that NMA had been uplifted to 6.88% and that Councils were expected to raise their rates accordingly. It was also stated that funding for fostering services is made available to local authorities through the social care grants (see section 7). The draft budget 2024-2025 reported to Cabinet in October included growth of £1.0 million but stated that this would be kept under review. Updated assumptions now indicate this growth should be increased to £2.5 million.
- 5.18 Cost pressures are also being seen nationally and locally in relation to homelessness. The Kerslake Commission reported in September 2023, that *“the number of households who are homeless and living in temporary accommodation is the highest since records began.”*
- 5.19 As previously reported to Cabinet, the Council is also seeing significant cost pressures due to increased demand for temporary and supported accommodation. In response to

the projected cost pressures for the Council, the budget and MTFs includes budget growth of £1.9 million from 2024-2025.

- 5.20 During 2023-2024, as reported in the Performance and Budget Monitoring reports, additional pressures (due to rising cost and demand) have also emerged across a number of services within the Resident Directorate, such as home to school transport, waste disposal, and Fleet services. The 2024-2025 budget includes growth to support these pressures. Some of this growth will be held corporately, as work is ongoing to fully understand the full financial risk. The associated budget will therefore be released subject to business cases in these areas.
- 5.21 A number of corporate priorities have been identified including Yo! (Youth Opportunities - which provides access to events and services for children and young people), the roll out of the Hydrotreated Vegetable Oil (HVO) pilot project into 2024-2025, and the Events Strategy (reported to Cabinet in October 2023). It is proposed that subject to business cases, these be funded from Our City, Our Plan reserves in 2024-2025, and the continuation of these projects into future years be considered as part of MTFs going forward.
- 5.22 The Council recognises that residents are impacted significantly by increases in the cost of living. It is therefore proposed that up to £300,000 is incorporated into the Council Tax Hardship Fund budget, under the Council Tax Discretionary Discount Scheme. This being funded from Our City, Our Plan reserve.
- 5.23 In order to address the budget challenge over the medium term, all growth currently built into the budget (as set out in Appendix 1) will continue to be reviewed to ensure it is required in full, and where appropriate will be subject to business cases before the growth is released to services. This report therefore seeks approval to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance to allocate these funds as more information becomes available. In the event that this growth is not required in full, the Director of Finance will seek to utilise any underspend to reducing the level of capital receipts flexibility utilised in 2024-2025, and / or transfer funds to the Future Years Budget Strategy, in order to support the projected budget deficit over the medium term.

#### **Revisions to Budget Reduction Targets**

- 5.24 Work has continued to review existing budget reduction proposals to ensure they are deliverable over the medium term. This has been particularly important in light of rising inflation and changes to the environment in which we currently operate. It was reported in October 2023, that it has been determined that £393,000 of savings will not be delivered as originally planned.
- 5.25 As recently reported by our External Auditors "*the Council has a strong history of delivering savings*". However, it is recognised that in more recent years it is becoming more and more difficult to identify and deliver savings on a recurring (as opposed to one-off) basis without impacting services and residents. The distinction is important from a

budgeting perspective as recurring savings reduce budget pressures permanently, while one-off savings do so only temporarily for one year (the underlying budget pressure being built back into future years budgets). It is therefore an important part of accurately identifying the size of the financial challenge over the medium term.

- 5.26 As part of setting this budget and MTFs, budget reduction targets have been reviewed to ensure that a prudent approach is maintained. Budget Reduction targets will be assumed to be one-off in budgetary terms until such time detailed 'delivery plans' are evidenced and corroborated. This will form an important control within the rigorous programme of work to identify and deliver budget reduction targets referenced elsewhere in this report.
- 5.27 It was reported to Cabinet in October 2023, that work had progressed to understand the performance against the £6.2 million efficiency target held corporately for 2023-2024. It was reported that £2.0 million had been allocated on a recurrent basis and £4.2 million on a one-off basis only. In addition, it was reported that the draft budget 2024-2025 and MTFs (at that time) included a further £2.6 million efficiency target for 2024-2025 (making the total for 2024-2025, £6.8 million) and £4.8 million for 2025-2026. In order to be prudent, and in recognition of the cost pressures now facing a number of services across the Council, it is proposed that the £6.8 million is built back into the budget for 2024-2025 and £4.8 million for 2025-2026.
- 5.28 Further detail can be found in Appendix 3 along with a full list of Budget Reduction and Income Generation proposals.

#### **Budget Reduction and Income Generation Proposals**

- 5.29 The budget and MTFs incorporates a number of recurrent budget reduction and income generation proposals. The following paragraphs provide detail of some of these proposals, with a full list at Appendix 4.
- 5.30 As reported to Cabinet in October, additional income is projected within Waste Services, as a result £1.0 million was built into the Budget and MTFs as a working assumption. Following capital investment in the plant, this assumption has been reviewed and as a result increased to £1.5 million.
- 5.31 A number of income generation opportunities have also been explored and in response income targets have been incorporated into the budget for WV Active, events and advertising, and e-services to schools.
- 5.32 In addition, a number of budget efficiencies have also been identified from across services, including reduction to the budget held for furniture replacement, cancelling of subscriptions, and training budgets.

## 6.0 2024-2025 Net Budget Requirements

- 6.1 The net revenue budget requirement for 2024-2025 for General Fund Services is £332.0 million. In the opinion of the Interim Director of Finance (Deputy Section 151 Officer) the 2024-2025 budget estimates are robust. The Council's proposed budget for 2024-2025 does not require the use of general fund reserves in order set a balanced budget. However, earmarked reserves are required to support both corporate priorities and balance the overall budget deficit.
- 6.2 We will continue to monitor the risks associated with the budget, detailed in Table 7, and provide updates to Councillors as part of the quarterly Performance and Budget Monitoring reports.
- 6.3 The Council's budget requirement for 2024-2025 is shown at Table 2. Further details showing the forecast movement between years can be found at Appendix 5.

**Table 2 – 2024-2025 – Net Controllable Draft Budget Requirements**

<b>Directorate</b>	<b>2023-2024 Revised Net Controllable Budget £000</b>	<b>2024-2025 Net Controllable Budget £000</b>
Adult Services	92,100	104,433
Children's Services	51,753	53,509
City Assets	14,830	13,409
City Development	2,163	2,133
Commissioning and Transformation	5,018	4,918
Communications and Visitor Experience	2,585	2,552
Education and Skills	2,882	3,481
Finance	17,650	18,205
Governance	15,646	17,965
Public Health & Wellbeing	6,604	6,546
Resident Services	35,033	35,560
Strategy	13,059	13,326
Corporate Accounts	47,091	55,987
<b>Total Net Budget Requirement</b>	<b>306,414</b>	<b>332,024</b>

## 7.0 Local Government Financial Settlement

- 7.1 The Government announced its provisional local government financial settlement on 18 December 2023. This was followed by additional announcements on 25 January 2024.
- 7.2 On the 5 February 2024, the Secretary of State for Levelling Up, Housing and Communities published a written statement on the final local government financial settlement for 2024-2025. The final settlement is broadly in line with the provisional settlement announcements, referred to herein as the funding settlement. Details are provided in the following paragraphs and Appendix 2.
- 7.3 The funding settlement is for one year only. The details of which have been incorporated into the Budget and MTFs and are outlined in the paragraphs below.
- 7.4 On an annual basis Government calculates what it refers to as ‘the core spending power’ for local authorities. The core spending power is Government’s measure of the resources available to local authorities to fund service delivery, including council tax and locally retained business rates. The funding settlement for Wolverhampton showed an increase of 7.2% in core spending power (the national average was 7.5%). However, it should be noted that the core spending power assumes that Council Tax will increase by 4.99% and that there will also be an increase in the number of properties within Wolverhampton. It also includes social care grants, some of which have conditions attached to them. Social care grant funding is vital to support the increasing costs due to demand and inflationary pressures across both Adults and Children’s Social Care.
- 7.5 The table below summaries the increase in our Core Spending power between 2023-2024 and 2024-2025.

**Table 3 – Core Spending Power**

<b>Core Spending Power</b>	<b>2023-2024</b>	<b>2024-2025</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Core Funding</b>			
Settlement Funding Assessment – net business rates position including relevant grants	108,765	113,934	5,169
Compensation for under-indexing of business rates multiplier	14,080	16,874	2,794
New Homes Bonus	709	15	(694)
Services Grant	3,222	556	(2,666)
Grants rolled in			
<b>Total of Core funding</b>	<b>126,776</b>	<b>131,379</b>	<b>4,603</b>
<b>Council Tax</b>	<b>125,983</b>	<b>133,303</b>	<b>7,320</b>
<b>Social Care Grants</b>	<b>46,887*</b>	<b>56,522</b>	<b>9,635</b>
<b>Total Core Spending Power</b>	<b>299,646</b>	<b>321,204</b>	<b>21,558</b>

\*includes Adult Social Care Market Sustainability and Improvement Fund – Workforce grant announced during 2023-2024 in order to give a year on year comparison

- 7.6 As previously announced, Government have kept the Council Tax referendum limit at the 2023-2024 levels, which is up to 3% for Council Tax and up to 2% adult social care precept for those local authorities with social care responsibilities. It should be noted that when Government publish what funding is available to councils, they include an assumption regarding the raising of council tax – which includes maximising the precept to fund adult social care.
- 7.7 In the Autumn Statement 2023, the Government announced that the small business rates multiplier will be frozen at 49.9p and there will be an increase to the standard rate multiplier of 6.7% (from 51.2p to 54.6p). The approach in applying inflation requires local authorities to be compensated for the inflation increase lost to the small business rates multiplier element to their taxbase through a section 31 grant.
- 7.8 The Council receives a top up grant to ‘top up’ funding as the business rates baseline funding level determined by Government for the Council is greater than the forecast level of business rates that the Council can collect. The funding settlement announced an allocation of £27.3 million, an increase of £1.3 million on the assumptions previously built into the budget and MTFS.
- 7.9 It was reported to Cabinet in July and October 2023, that a number of assumptions had been made with regards to the level of government funding that will be available to the Council. It was noted that a number of scenarios had been modelled reflecting different assumptions around inflationary uplifts on our grants, including the continuation of grants such as Services Grant, Social Care Grants and New Homes Bonus. The following paragraphs detail the announcements made in the funding settlement on these grants and what was confirmed in the final settlement.
- 7.10 It was confirmed that the New Homes Bonus scheme would continue for a further year with no legacy payments. The sum of the funding allocation for 2024-2025 is £15,000 (2023-2024 allocation was £709,000).
- 7.11 In 2022-2023, the Government announced the Services Grant. Nationally this grant has reduced from £483 million in 2023-2024 to £77 million in 2024-2025. The final settlement announced an increase to the national allocation taking it to £87 million. The 2024-2025 draft budget presented to Cabinet in October assumed that the grant would continue at the 2023-2024 level of £3.2 million. The final settlement confirmed that allocation for Wolverhampton would be £556,000, a reduction of over £2.6 million.
- 7.12 Local authorities receive a number of social care grants to support pressures across both Adults and Children’s Social Care, some of which have conditions attached to them. In the provisional settlement, the Governance announced a national increase across these grants of £1,380 million. In addition, as outlined in Appendix 2, additional funding totalling £500 million was further announced on 24 January 2024.

- 7.13 These grants help to mitigate the demand and inflationary pressures forecast across Adults and Children's Social Care. Adult Services are currently undertaking a fee review which was presented for pre-scrutiny decision on 16 February 2024 and is on the agenda for Cabinet (Resources) Panel on 21 February 2024. Current forecasts on potential growth have been required as part of this work. While these grants have helped, a more consistent and sustainable increase in funding is required over the long term to support the cost pressures within social care. The final funding settlement announced these grants at £56.2 million, an increase of £9.6 million from 2023-2024. This is an increase of £4.8 million when compared to the working assumptions built into the draft budget report to Cabinet in October.
- 7.14 On 24 January 2024, the Secretary of State for Levelling Up, Housing and Communities also announced a requirement for local authorities to produce 'productivity plans' setting out how local authorities will improve service performance and ensure every area is making best use of 'taxpayers' money.
- 7.15 The final settlement provided further information regarding the scope of local authority productivity plans, which are required to be published by July 2024.
- 7.16 The Council will produce a productivity plan detailing the positive work that it has undertaken to-date and will continue to be delivered to demonstrate how the Council continues to improve service performance, ensuring value for money in the services it delivers to its residents and businesses. Progress on this plan will be reported back to Councillors in future reports.

### **Improved Better Care Fund**

- 7.17 In addition to the social care grants detail above, local authorities receive Improved Better Care funding (iBCF). Local authorities are required to pool the iBCF allocation in a 'pooled budget' with their Black Country Integrated Care Board (ICB) and have a Section 75 Agreement in place. The Section 75 agreement is a fundamental requirement of the Better Care Fund (BCF) and must be signed by both organisations in order for the pooled fund to be set up and the relevant funding to be received. BCF was first announced in June 2013 and came into effect in full in 2015-2016. The Section 75 Agreement details the level of funds to be pooled by each organisation and any risk sharing arrangements for any over / underspend within the pooled fund. The iBCF grant allocation for 2024-2025 is £14.8 million (no change from 2023-2024). The BCF pooled budget for 2023-2024 is £73.6 million, £27.6 million from the ICB and £46.0 million from the Council.
- 7.18 The details of the BCF pooled budget for 2024-2025 are still to be confirmed with the Black Country ICB. It is therefore proposed that authority be delegated to the Cabinet Member for Resources, Cabinet Member for Adults and Wellbeing, in consultation with the Director of Adult Social Care and the Director of Finance to approve to agree the final terms of the agreement.
- 7.19 Appendix 2 provides further details on forecast Council Resources (funding).



## **8.0 Corporate Resources (Funding)**

8.1 Section 7 along with Appendix 2 provides details some of the grants announced in the funding settlement which form part of the Councils Corporate Resources (funding). The paragraphs below provide further detail in relation to the assumptions built into the budget and MTFs for Council Tax and Business Rates.

### **Collection Fund assumptions**

8.2 On 17 January 2024, Cabinet received a report detailing the estimated outturn on the Collection Fund for 2023-2024 which consisted of a projected cumulative surplus in the region of £546,000 on Council Tax, and a projected cumulative surplus in the region of £3.3 million on Business Rates. It is important to note that both elements include the carry forward of the in-year 2020-2021 deficit, which the Government confirmed could be spread over 3 years from 2021-2022 to 2023-2024.

8.3 As previously reported, the Covid-19 pandemic and the cost of living crisis, has had a significant impact on the Wolverhampton community and economy, and therefore has impacted council tax and business rates collection. Whilst collection performance is now returning to pre-pandemic levels for business rates, partially due to the additional relief granted to certain businesses, collection levels for council tax remain at a lower level.

### **Business Rates**

8.4 The National Non-Domestic Rates Return 1 (NNDR1) was compiled and returned to the Department of Levelling Up, Housing and Communities (DLUHC) by the deadline of 31 January 2024.

8.5 On 17 January 2024, Cabinet approved the Collection Fund Business Rates Net Yield for 2023-2024 at £78.6 million. Following revisions arising as a result of further data becoming available, the Cabinet Member for Resources, in consultation with the Director of Finance approved the revised Business Rates baseline net rate yield from £78.6 million to £79.3 million. Of the £79.3 million net rates yielded by business rates forecast to be collected in 2024-2025, the Council would retain in the region of £78.5 million under the 99% business rates retention scheme. The estimate of net rates payable in 2024-2025 assumes continued pressure on business rates collection, including the potential for further business rates appeals.

8.6 As detailed in Appendix 2, Wolverhampton is a constituent member of the West Midlands Combined Authority (WMCA). One part of the West Midlands Devolution Deal includes the WMCA receiving the real terms growth in the central share of business rates, this was the share that was previously held by central government.

8.7 The growth attributed to the WMCA, in line with the Investment Plan, has been apportioned for each authority pro rata to the aggregate Rateable Value at the start of the year. The 2024-2025 budget includes provision for this payment and is in line with previous years apportionment. However, the calculation of the growth and distribution for

2024-2025 has yet to be formally agreed. It is therefore proposed that authority is delegated to the Director of Finance, to approve the calculation and allocation of growth in the central share for 2024-2025 and future years to be passported to the WMCA.

### **Council Tax and Housing Benefits**

- 8.8 The Council Tax Base and NDR (Business Rates) Net Rate Yield 2024-2025 report was presented to Cabinet on 17 January 2024. Cabinet approved the council tax base for 2024-2025 at 66,645.60 Band D equivalent properties.
- 8.9 As detailed in paragraph 7.4, Government announced that the referendum limit remains at up to 3% for Council Tax from April 2024. In addition, local authorities with Social Care responsibilities will be able raise the adult social care precept by up to 2%. This would therefore enable the Council to increase Council Tax by a maximum of 4.99% in 2024-2025 (the sum of 2.99% council tax plus the 2% adult social care precept). The 2.99% increase along with projected housing growth would levy on average additional income of approximately £4.9 million in 2024-2025. Taking both increases into account the additional income is around £7.6 million in 2024-2025.
- 8.10 Projections in the MTFs beyond 2024-2025 assume that Council Tax will continue to increase by 2.99%, whilst the tax base is anticipated to rise by 1% in each financial year, this generates in the region of £5.2 million per year. Furthermore, the MTFs assumes that the adult social care precept will continue to increase by 2% which generates in the region of £2.9 million per year. Any changes to these assumptions would impact on the projected deficit over the medium term.
- 8.11 The resulting forecast impact on the level of the Council element of Council Tax for a Band D property in 2024-2025 is detailed in the table below.

**Table 4 – Council element of Council Tax for Band D Property in Wolverhampton**

<b>Band D</b>	<b>Draft £</b>
2023-2024 Council Element of Council Tax (including adult social care)	1,909.01
2.99% increase	57.08
2% Adult Social Care Precept	38.18
	<b>2,004.27</b>

- 8.12 It is projected that income from Council Tax will rise in subsequent years, based upon the latest collection rates and tax base.

### **Council Tax**

- 8.13 The net revenue budget, as detailed in this report, is forecast to be £332.0 million. In light of the significant financial pressures highlighted in this report, in order to ensure funding is available for essential services, and to be able set a balanced budget this report proposes to increase Council Tax for 2024-2025 by a total of 4.99%.

- 8.14 It should also be noted that because the Council is subject to referendum limits set by Government, and because the MTFs assumes that Council Tax is annually increased in line with these limits, the impact of not increasing council tax in any one year has a recurring (year in year out) impact on the Council's financial forecasts. Therefore, not increasing Council Tax in 2024-2025 would result in a £6.3 million plus recurring year on year reduction in funding for services (when excluding growth in the base) which would equate (after the compounding effect) to an aggregated reduction in funding for the Council of circa £20 million over three years and circa £79 million over ten years.
- 8.15 The Council recognises however that residents are impacted significantly by increasing costs of living, and through the Financial Wellbeing Strategy, the Council is doing everything it can to support people. The strategy sets out the city's long-term vision to improve lives of residents living in Wolverhampton. The strategy focuses on tackling poverty and improving the financial wellbeing of our residents and closely aligns to the priorities set out in Our City: Our Plan. The principles are to provide a range of support that is both necessary and effective, to always maximise opportunities to promote dignity, choice and autonomy, to utilise a diverse range of channels to reach households most in need, to prioritise equality and diversity ensuring no one is left behind, to incorporate evidence-based approaches to support the implementation of the strategy and to support households on a journey from reliance to resilience.
- 8.16 The Budget and MTFs currently assumes that a number of grants will continue into 2024-2025, including the Household Support Grant. The 2023-2024 allocation from the Household Support Fund was £5.2 million. However, at the time of writing this report no confirmation had been received on this funding continuing into 2024-2025. If this funding was not to continue, this would significantly impact on the Council's ability to provide these services, and therefore in these circumstances options will be reported back to Councillors.
- 8.17 In 2023-2024, Council approved funding to provide specific targeted support with Council Tax payments. It is proposed that this continues into 2024-2025 and approval is sought of up to £300,000 to fund this from Our City: Our Plan Reserve.

### **Local Council Tax Support Scheme**

- 8.18 Since the abolition of the national council tax benefit scheme in 2013, the Council has been responsible for designing its own scheme of council tax support.
- 8.19 There are no changes proposed to the Council Tax Support scheme for 2024-2025, to the scheme agreed by Council 1 March 2023 for 2023-2024.
- 8.20 The full details of the scheme are published on our website, with the current scheme available at: [Council Tax Support Scheme | City Of Wolverhampton Council](#)

## 2024-2025 Budget

8.21 As outlined in paragraph 6.1 and Table 2, the revenue budget requirements for 2024-2025 is £332.0 million. The table details this against the forecast corporate resources (funding) when compared to 2023-2024.

**Table 5 – Budget and Corporate Resources**

<b>Directorate</b>	<b>2023-2024 Revised Controllable Budget £000</b>	<b>2024-2025 Net Controllable Budget £000</b>
Adult Services	92,100	104,433
Children's Services	51,753	53,509
City Assets	14,830	13,409
City Development	2,163	2,133
Commissioning and Transformation	5,018	4,918
Communications and Visitor Experience	2,585	2,552
Education and Skills	2,882	3,481
Finance	17,650	18,205
Governance	15,646	17,965
Public Health & Wellbeing	6,604	6,546
Resident Services	35,033	35,560
Strategy	13,059	13,326
Corporate Accounts	47,091	55,987
<b>Total Net Budget Requirement</b>	<b>306,414</b>	<b>332,024</b>
<b>Corporate Resources</b>		
Council Tax (including Adult Social Care Precept)	(125,983)	(133,575)
Business Rates and grants*	(128,454)	(138,185)
Collection Fund deficit / (surplus)	(3,253)	(3,171)
General Grants	(3,931)	(571)
Social Care Grants	(44,793)	(56,522)
<b>Total Corporate Resources</b>	<b>(306,414)</b>	<b>(332,024)</b>

\*inclusive of Enterprise Zone business rates and section 31 grants and Top up Grant, and net of payment to WMCA

## **9.0 Draft Medium Term Financial Strategy 2024-2025 to 2026-2027**

- 9.1 The financial projections from the draft MTFs are set out in Table 6 below. The MTFs as summarised at Table 6 models the impact of the above (in terms of the financial settlement, council tax, pressures, budget reduction and income generation proposals, other key assumptions etc), and as detailed in the appendices, for the period to 2026-27.
- 9.2 The table details incremental changes to forecast expenditure, starting from the base position of the 2023-2024 budget. The forecast expenditure is then compared with anticipated corporate resources (funding) available to arrive at the projected deficit.
- 9.3 Due to the uncertainty the Council currently faces, it is particularly challenging to establish a MTFs beyond 2024-2025. Expenditure forecasts include estimates of inflationary and demand pressures. These estimates will continue to be reviewed in light of the financial pressures on the council, the 2024-2025 pay award and the continuing uncertainty around future funding streams. Any change to these estimates could have a significant impact on the forecast budget deficit over the medium term.
- 9.4 A number of assumptions have been made with regards to the level of resources (funding) that will be available to the Council. It is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities as the funding settlement was for one year only – 2024-2025. Appendix 2 provides details of the current assumptions.
- 9.5 Taking this into account, the Council is now faced with a projected budget deficit of £27.1 million in 2025-2026, rising to £32.6 million in 2026-2027.
- 9.6 Further action is therefore required to reduce costs. A rigorous programme of work designed to identify and deliver further recurring savings will therefore be put in place during 2024-2025. Progress against which will be reported back to Councillors.
- 9.7 As part of this Programme the approach to the projected budget deficit will be to continue to develop robust, evidenced-based budget reduction and income generation proposals for inclusion in the MTFs. Work will focus on a number of themes, including:
- Identify in-year efficiencies in 2024-2025 including a review of growth already built into the MTFs in order to identify opportunities to deliver efficiencies.
  - (Ongoing) review of Capital Programme and capital funding requirements
  - Procurement and contracts – particularly focused on the Wolverhampton Pound.
  - Income generation (including fees and charges strategy), debt management/recovery.
  - Cost avoidance strategies, e.g. prevention and demand management.
  - Digital and data, including exploring any opportunities of using Artificial Intelligence.

- 9.8 Having identified budget reductions in the region of £240 million since 2011, the extent of the financial challenge over the medium term continues to represent the most significant that the Council has ever faced.
- 9.9 It must therefore be emphasised that given the size of the challenge and the level of stress in the sector (as detailed in this report), it should therefore be expected that some tough decisions about relative levels of priority are inevitable if the Council is to balance its budgets over the medium term, and that service delivery will be impacted.
- 9.10 It is proposed an update on progress on tackling the projected deficit is reported to Councillors in future reports.

**Table 6 – Draft Medium Term Financial Strategy 2024-2025 to 2026-2027**

	2024-2025 £000	2025-2026 £000	2026-2027 £000
Previous Years Net Budget brought forward	306,414	332,024	365,093
Increasing / (Decreasing) Cost Pressures			
- Pay Related Pressures	9,145	5,585	4,200
- Treasury Management	(1,028)	582	(554)
- Budget for Inflation, demand and development	14,104	14,399	12,199
- Budget Reduction, Income Generation & Efficiency targets	3,389	12,503	-
<b>Net Budget (Before Use of Resources)</b>	<b>332,024</b>	<b>365,093</b>	<b>380,938</b>
<b>Projected Corporate Resources</b>			
- Council Tax (including Adult Social Care precept)	(133,575)	(141,644)	(150,199)
- Business Rates (net of WMCA growth payment)	(77,418)	(78,870)	(80,352)
- Enterprise Zone Business Rates	(1,377)	(1,342)	(1,342)
- Section 31 Grant – business rates support	(32,117)	(32,117)	(32,117)
- Collection fund deficit/ (surplus)	(3,171)	-	-
- Top Up Grant	(27,273)	(27,546)	(27,822)
- New Homes Bonus	(15)	-	-
- Services Grant	(556)	-	-
- Improved Better Care Fund	(14,761)	(14,761)	(14,761)
- Social Care Grants	(41,761)	(41,761)	(41,761)
<b>Total projected resources</b>	<b>(332,024)</b>	<b>(338,041)</b>	<b>(348,354)</b>
<b>Projected Budget Annual Change in Budget Deficit</b>	<b>-</b>	<b>27,052</b>	<b>5,532</b>
<b>Projected Cumulative Budget Deficit</b>	<b>-</b>	<b>27,052</b>	<b>32,584</b>

- 9.11 The Interim Director of Finance recommends the MTFs to Cabinet as a reasonable forecast over the medium term but recognises that external factors detailed throughout this report could have a significant impact on these financial forecasts.

## 10.0 Budget Risk

- 10.1 The table below provides a summary of the risks associated with the MTFS, using the corporate risk management methodology. The overall level of risk associated with the MTFS to 2026-2027 is assessed as Red.
- 10.2 In addition to the General Fund Budget Risk detailed below, the Council's Strategic Risk Register also incorporates risks around the MTFS.

**Table 7 – General Fund Budget Risks to 2026-2027**

<b>Risk</b>	<b>Description</b>	<b>Level of Risk</b>
Medium Term Forecasting	Risks that might materialise as a result of the impact of interest rates, energy costs, non-pay inflation and pay awards, and National Living Wage.	Red
Service Demands	Risks that might materialise as a result of demands for statutory services outstretching the available resources. This particularly applies to adults and children's social care, and temporary accommodation	Red
	Risks that might materialise as a result of demands for non-statutory services outstretching the available resources.	Red
Identification of Budget Reductions	Risks that might materialise as a result of not identifying budget reductions due to limited opportunity to deliver efficiencies.	Amber
Budget Management	Risks that might materialise as a result of the robustness of financial planning and management, in addition to the consideration made with regards to the loss of key personnel or loss of ICTS facilities	Green
Transformation Programme	Risks that might materialise as a result of not delivering the reductions incorporated into the budget and not having sufficient sums available to fund the upfront and one-off costs associated with delivering budget reductions and downsizing the workforce.	Amber
Reduction in Income and Funding	Risks that might materialise as a result of a multi-year funding settlement 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.	Amber

	The risk of successful appeals against business rates.	
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.	Amber
	Risk of cost pressures as a result of specific short term grant funding does not continue e.g. household support grant.	Red
	Risks that might materialise as a result of changes to Government policy including changes in VAT, taxation rules and economic measures.	Red

10.3 The overall level of risk associated with the Medium Term Financial Strategy to 2026-2027 is assessed as Red. The ongoing programme of work (referenced in this report) to identify and deliver recurring budget reductions proposals, being critical to the mitigation of this level of risk.

## 11.0 Update on Reserves

11.1 Reserves are resources that the Council has accumulated over time. They are an integral element of our budget setting process, medium-term financial plan. They play a vital role in the financial management and financial sustainability of the Council. We use reserves to help mitigate the risks that we face as well as to fund specific planned expenditure.

11.2 As detailed earlier in this report, the current financial challenges require the Council to use earmarked reserves up to £6.0 million in order to support some council priorities as well as to balance the overall budget for 2024-2025, however the use of reserves is not a sustainable solution. Hence, as reported above in Section 9, the need to identify and deliver further recurring budget reductions as part of the Council's MTFs.

11.3 The Reserves Strategy was approved by Full Council on 1 March 2023. The refreshed Reserves Strategy is provided at Appendix 8 detailing the purposes for which reserves are held and recommending specific reserves for approval. The following table summarises the revenue usable reserves which are the reserves particularly relevant to the budget and MTFs.



**Table 8 - Reserves**

	<b>Balance at 1 April 2023 £000</b>	<b>Forecast balance as at 31 March 2024</b>	<b>Commitments already approved for future years £000</b>	<b>Approvals sought as part of this report £000</b>	<b>Forecast future balance £000</b>
General Fund	(15,321)	(15,321)	-	(1,700)	(17,021)
Risk Management	(16,445)	(12,625)	-	899	(11,726)
Investment	(19,994)	(12,176)	3,000	2,902	(6,274)
Smoothing	(12,634)	(7,562)	-	6,464	(1,098)
<b>Sub Total</b>	<b>(64,394)</b>	<b>(47,684)</b>	<b>3,000</b>	<b>8,565</b>	<b>(36,119)</b>
Restricted	(22,751)	(13,139)	1,234	636	(11,269)
Restricted (Schools)	(15,154)	(13,606)	-	-	(13,606)
<b>Grand Total</b>	<b>(102,299)</b>	<b>(74,429)</b>	<b>4,234</b>	<b>9,201*</b>	<b>(60,994)</b>

\*In addition to the £6.0 million outlined in this report to support the overall budget deficit and priority projects, the 2024-2025 budget also includes the planned use of reserves against services in line with the defined reserve purpose.

- 11.4 The strategy considers the Council's General Fund Balance which currently stands at £15.3 million, approximately 5% of the 2023-2024 net budget. As outlined in the Reserves Strategy, it is the recommendation of the Interim Director of Finance that a General Fund Balance of 5% of the net budget is sufficient for the next 12 months. In order to maintain the reserve at 5% of the net budget over the medium term, it is proposed that £1.7 million is transferred from the Re-organisation Reserve and Sustainable MTFs Reserve (formally the Transformation Reserve).
- 11.5 The 2024-2025 budget incorporates the continuation of the Council Tax Hardship Fund of up to £300,000 funded from Our City, Our Plan reserve in recognition of the significant impact the cost of living has had on our residents.
- 11.6 The Council holds other reserves in order to invest in council priorities and to support the delivery of Our City: Our Plan, such as Yo!, the roll out of HVO fuel and the event strategy. Indicative figures have been built into the budget, however, these will be subject to individual business cases before the reserves are released to support these projects.
- 11.7 The Interim Director of Finance (Deputy Section 151 Officer), is satisfied the proposed use of earmarked reserves during 2024-2025 is prudent and proportionate for 2024-2025, but that this is not a sustainable solution to the Council's underlying medium term financial gap.

11.8 Reserves will be continually monitored throughout the year and will form part of the Council's quarterly Performance and Budget Monitoring Report.

## **12.0 Budget Consultation and Scrutiny**

12.1 The budget engagement process forms part of a continuous process of engagement with residents, businesses and other key stakeholders throughout the year which focuses on understanding people's priorities for Wolverhampton.

12.2 During November to December 2023, individual scrutiny panels were presented with draft budget 2024-2025, performance and strategic risk register for 2023-2024 for the services that fell under their remit. They were asked to scrutinise the budget and how it is aligned to the priorities of the Council. This outcome of this was reported back to Scrutiny Board on 6 February 2024.

12.3 In addition, the 'Your Priorities for Wolverhampton' survey was launched between the 13 December 2023 and 7 February 2024. It received 541 responses online and provided an opportunity for local people to tell us what is most important to them. Key themes from the survey included:

- When asked to select which of the six Our City: Our Plan priorities were most important to them, the top three priorities were:
  - Strong families where children grow up well and achieve their full potential
  - Fulfilled lives with quality care for those that need it
  - Thriving economy in all parts of the city
- When asked which of the three cross cutting principles in Our City: Our Plan was important to them 59.1% said Fair and Inclusive.
- When asked which public services were most important to them Adult Services was the most selected at 44.9%.

12.4 Feedback has been used to shape the refresh of Our City: Our Plan as well as the budget. In addition to this there was community engagement at libraries, community meetings and the city's art gallery.

12.5 We will continue to engage with communities and city partners as we deliver our Council Plan throughout 2024-2025. This will be taken forward as a continuous conversation with our communities and targeted opportunities to co-produce innovative solutions to the City's challenges.

## **13.0 Related Parties**

13.1 The Council has a financial interest in a number of related parties. The financial position of each related party is monitored throughout year. At the end of the financial year the council undertakes a detailed review of each and considers the impact on the balance sheet, in particular in relation to the provision for future losses in respect of loan

repayments, probability of guarantees being called upon and the value of investments held.

- 13.2 During 2022-2023, the Council provided guarantees in respect to the City of Wolverhampton College, however from July 2023, this guarantee was no longer in place. The Council also provides guarantee in respect of the West Midlands Pension Fund.
- 13.3 Yoo Recruit Limited is a wholly owned company of the Council. At the time of writing this report, consideration is being given to if a dividend will be received in 2024-2025. The Budget and MTFs does not currently incorporate this, however, once agreed, updates will be provided future reports to Councillors.
- 13.4 Wolverhampton Homes is the Council's Arms Length Management Organisation. The Performance and Budget Monitoring Report to Cabinet in November 2023 provided an update on the forecast costs pressures in the region of £2.1 million in relation to inflationary and demand pressures. The council provides over 95% of the funding for Wolverhampton Homes through the management fees as reflected in the HRA Business Plan approved by Council on 24 January 2024.
- 13.5 WV Living is a wholly owned company. On 26 April 2023, Cabinet approved the updated business plan for WV living for 2023-2028. The company is currently updating the budget which underpins the business plan and this will be reported back to Cabinet in April 2024.
- 13.6 The Council has equity investment of £8 million in WV Living. There is currently no requirement to impair this investment. The position will be reviewed again at the end of the financial year. The Council also provides loans to WV Living. During 2023-2024, the company were awarded a new loan, all repayments are being made when they fall due.
- 13.7 The Council has an investment in Help to Own. The Treasury Management Strategy report on this agenda identifies the adjustment to the way that the Minimum Revenue Provision (MRP) is calculated in respect to this investment. This adjustment has been reflected in the Treasury management projections detailed in this report.

#### **14.0 Evaluation of alternative options**

- 14.1 In determining the proposed 2024-2025 Budget and Medium Term Financial Strategy 2024-2025 to 2026-2027, 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 2024-2025.

#### **15.0 Reasons for decisions**

- 15.1 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.

## **16.0 Financial implications**

- 16.1 The financial implications are discussed in the body of the report.  
[AS/13022024/W]

## **17.0 Legal implications**

- 17.1 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.
- 17.2 The legal duty to spend with propriety falls under Section 151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the Section 151 Officer as Chief Financial Officer.
- 17.3 This report also sets out the Council's Medium Term Financial Strategy. The Chief Financial officer has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 17.4 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.
- 17.5 The relevant guidance concerning reserves is issued by CIPFA in a number of documents including the Financial Management Code. Whilst the guidance 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).
- 17.6 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '...make a report ... if it appears to them 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.

- 17.7 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to them 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.
- 17.8 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2024-2025.
- 17.9 It is the responsibility of members to ensure the Council sets a balanced budget for the forthcoming year. In setting such a budget members and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both current and future taxpayers in discharging these responsibilities. In essence this is a direct reference to ensure that council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.

[TC/13022024/A]

## **18.0 Equalities implications**

- 18.1 The council's annual budget and medium term financial strategy supports a range of services designed to meet key equalities objectives.
- 18.2 It is important to note, that this report provides a cumulative equality analysis response to the council's efficiency proposals set out within this report.
- 18.3 In the body of the report, we refer to efficiency proposals that are being put forward for approval as part of the Council's MTFS. Those efficiency proposals are one-off and in the main linked to the one-off use of funding, including reserves and grants, or forecast in-year underspends, and therefore have no equality impact on citizens or the communities that the Council serves.
- 18.4 In conclusion, the council continues to make every effort to protect the most vulnerable as far as possible and respond to its duties under the Equality Act 2010. However, this strategic EIA recognises the significant challenge which the financial position presents for Wolverhampton. We will maintain a strong commitment to equality and ensure that EIA's undertaken at each savings proposal helps us to arrive at an informed decisions and to make the best judgement about how to target our resources effectively and fairly.
- 18.5 Councillors must continue to have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget decisions. By considering the equalities evidence contained in the analysis above, in tandem with this report, Councillors will be in a position to comply with the requirements of the Duty and Act as well as their wider responsibilities in terms of setting a budget.

## **19.0 All other Implications**

19.1 Any human resource implications will be managed in accordance with the Council's HR policies and processes.

## **20.0 Schedule of background papers**

20.1 [2023-2024 Budget and Medium Term Financial Strategy 2023-2024 to 2025-2026](#), report to Cabinet on 23 February 2023 and Council 1 March 2023

20.2 [Performance and Budget Monitoring 2023-2024 and Budget Update 2024-2025](#), report to Cabinet on 26 July 2023.

20.3 [Draft Budget and Medium Term Financial Strategy 2024-2025 and Medium Term Financial Strategy](#), report to Cabinet on 18 October 2023

20.4 ['Events City' – a new five-year event strategy for Wolverhampton](#), report to Cabinet on 18 October 2023

20.5 [Removal of Mandatory Unpaid Leave](#), report to Cabinet on 13 December 2023

20.6 [Council Tax Base and Business Rates \(NDR\) Net Rate Yield 2024-2025 and Update on the Provisional Local Government Settlement](#), report to Cabinet on 17 January 2024

20.7 [Collection Fund Estimated Outturn 2023-2024](#), report to Cabinet on 17 January 2024

20.8 [Final Business Rates \(NDR\) Net Rate Yield 2024-2025, Individual Executive Decision Notice](#), 31 January 2024.

20.9 [Minutes of scrutiny panels](#)

## **21.0 Appendices**

21.1 Appendix 1 - Key Assumptions for Budget Growth and Budget Reduction, Income Generation and Efficiency Targets

21.2 Appendix 2 - Key Assumptions on Corporate Resources

21.3 Appendix 3 - Budget Preparation Parameters

21.4 Appendix 4 - Budget Reduction, Income Generation and Efficiency Targets

21.5 Appendix 5 - Budget 2024-2025 by Service

21.6 Appendix 6 - Council Element of Council Tax for 2024-2025 per Band

21.7 Appendix 7 - Collection Fund Estimated Outturn 2023-2024

21.8 Appendix 8 - Reserves Strategy