



# Meeting of the City Council

4 March 2015

<b>Report title</b>	Capital Programme 2014/15 to 2018/19 quarter three review and 2015/16 to 2019/20 budget strategy  Treasury Management Strategy 2015/16  Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19  Council Tax Formal Resolutions	
<b>Referring body</b>	Cabinet, 25 February 2015	
<b>Councillor to present report</b>	Councillor Roger Lawrence	
<b>Wards affected</b>	All	
<b>Cabinet Member with lead responsibility</b>	Councillor Roger Lawrence Leader of the Council  Councillor Andrew Johnson Resources	
<b>Strategic director</b>	Keith Ireland, Managing Director	
<b>Originating service Contact employee(s)</b>	Strategic Finance Mark Taylor	Director of Finance 01902 556609 <a href="mailto:mark.taylor@wolverhampton.gov.uk">mark.taylor@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Strategic Executive Board Cabinet	10 and 12 February 2015 25 February 2015

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

The Council is recommended to approve:

**Cabinet recommendations from the Capital Programme 2014/15 to 2018/19 quarter three review and 2015/16 to 2019/20 budget strategy:**

1. The revised medium term General Fund capital programme of £221.2 million, an increase of £1.5 million from the previously approved programme, reflecting the latest projected expenditure for the medium term.
2. The projected changes in expenditure for ten existing projects totalling £1.5 million.

**Cabinet recommendations from the Treasury Management Strategy 2015/16 report:**

1. The authorised borrowing limit for 2015/16 as required under Section 3(1) of the Local Government Act 2003 be set at £1,003.5 million (PI 5, page 30).
2. The Treasury Management Strategy Statement 2015/16 as set out in appendix A to the report.
3. The Annual Investment Strategy 2015/16 as set out in appendix B to the report.
4. The Prudential and Treasury Management Indicators as set out in appendix C to the report.
5. The Annual Minimum Revenue Provision (MRP) Statement setting out the method used to calculate MRP for 2015/16 onwards as set out in appendix D to the report.
6. The method used to calculate MRP for 2014/15 as set out in the Annual Minimum Revenue Provision (MRP) Statement approved by Council on 17 December 2014 be amended to the method as set out in appendix D to the report.
7. The Treasury Management Policy Statement and Treasury Management Practices as set out in appendix F to the report.
8. That authority continues to be delegated to the Director of Finance to amend the Treasury Management Policy and Practices and any corresponding changes required to the Treasury Management Strategy, the Prudential and Treasury Management Indicators, the Investment Strategy and the Annual MRP Statement to ensure they remain aligned. Any amendments will be reported to the Cabinet Member for Resources and Cabinet (Resources) Panel as appropriate.

**Cabinet recommendations from the Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19 report:**

1. The net budget requirement for 2015/16 of £224.9 million for General Fund services.
2. The Medium Term Financial Strategy 2015/16 to 2018/19 as detailed in Table 6 of the report.
3. A Council Tax for Council services in 2015/16 of £1,369.64 for a Band D property, being an increase of 1.99% on 2014/15 levels.
4. That £20 million of additional savings for 2016/17 should be identified and reported to Cabinet in June 2015, in order to demonstrate that a balanced budget can be achieved in 2016/17.

**Council Tax formal resolutions for 2015/16:**

The resolutions as follows:

1. That it be noted that the Council Tax base for the year 2015/16 is calculated at £59,103.95 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"), as reported to Cabinet on 14 January 2015.
2. Calculate that the Council Tax requirement for the Council's own purposes for 2015/16 is £80,951,000.
3. That the following amounts be calculated for the year 2015/16 in accordance with Sections 30 to 36 of the Local Government Finance Act 1992 as amended:
  - (a) £697,783,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
  - (b) £616,832,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £80,951,000 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
  - (d) £1,369.64 being the amount at 3(c) above (Item R), all divided by Item T (section 1 above), calculated by the Council, in accordance with Section 31B of

the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

- (e) £0 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £1,369.64 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4. To note that West Midlands Police and Fire Authorities have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

Precepting Authority	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
West Midlands Fire Authority	36.62	42.73	48.83	54.94	67.14	79.35	91.56	109.87
West Midlands Police	71.03	82.87	94.71	106.55	130.23	153.91	177.58	213.10
<b>Total Precepts</b>	<b>107.65</b>	<b>125.60</b>	<b>143.54</b>	<b>161.49</b>	<b>197.37</b>	<b>233.26</b>	<b>269.14</b>	<b>322.97</b>

5. That the Council, in accordance with Sections 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of dwellings.

Billing Authority	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Wolverhampton City Council	913.10	1,065.28	1,217.46	1,369.64	1,674.01	1,978.37	2,282.74	2,739.29
<b>Total Billing</b>	<b>913.10</b>	<b>1,065.28</b>	<b>1,217.46</b>	<b>1,369.64</b>	<b>1,674.01</b>	<b>1,978.37</b>	<b>2,282.74</b>	<b>2,739.29</b>

6. That, having calculated the aggregate in each case of the amounts at (3) (f) and (4) above, the City Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of the Council Tax for the year 2015/16 for each of the categories of dwellings shown below:

Authority	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Total Precepts	107.65	125.60	143.54	161.49	197.37	233.26	269.14	322.97
Total Billing	913.10	1,065.28	1,217.46	1,369.64	1,674.01	1,978.37	2,282.74	2,739.29
<b>Total Council Tax</b>	<b>1,020.75</b>	<b>1,190.88</b>	<b>1,361.00</b>	<b>1,531.13</b>	<b>1,871.38</b>	<b>2,211.63</b>	<b>2,551.88</b>	<b>3,062.26</b>

7. That a notice of the amounts payable in respect of chargeable dwellings in each valuation band for the year commencing on 1 April 2015 be published in at least one local newspaper and that in accordance with Section 3(2) of the Local Government Finance Act 1992, this notice shall also make reference to the National Non-Domestic Rating Multiplier set by the Secretary of State, and specify that the Council Tax and the non-domestic rate demands are annual demands which cover the full financial year.
8. The Council has determined that its relevant basic amount of Council for 2015/16 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.
9. As the billing authority, the Council has not been notified by a major precepting authority that its relevant basic amount of Council Tax for 2015/16 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

### Recommendations for noting:

The Council is asked to note:

### Cabinet recommendations from the Treasury Management Strategy 2015/16 report:

1. That as a result of the revised MRP calculations, the MRP charge for financial years 2014/15 to 2017/18 will be zero increasing to £9.7 million in 2018/19, subject to annual review.
2. That Cabinet (Resources) Panel and Council will receive regular Treasury Management reports during 2015/16 on performance against the key targets and Prudential and Treasury Management Indicators in the Treasury Management Strategy and Investment Strategy as set out in appendices B and C to the report.

3. That legal advice has been sought from leading Counsel on the revised MRP policy and the conclusion was that the proposal is a permissible, reasonable and lawful exercise.
4. That the Director of Finance (Section 151 Officer) considers that this revised approach to MRP is prudent and therefore complies with the Council's statutory duties in respect of MRP.
5. That the Council's external auditor has referred the revised MRP policy to the Audit Commission's Technical Team for an opinion and at the time of writing this report a response is awaited.

**Cabinet recommendations from the Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19 report:**

1. That recasting the projected budget challenge to include pressures that we have become aware of during the last year has resulted in the budget challenge increasing from £123 million to £134 million over the period 2014/15 to 2018/19. The increase is largely due to the rising costs of Looked After Children, pay and pension costs, and continuing Government grant cuts. However, savings totalling £87.8 million have been identified during the 2014/15 and 2015/16 budget setting processes, therefore the remaining projected budget challenge stands at £46.3 million up to 2018/19.
2. That the budget for 2015/16 is in balance without the use of general reserves.
3. That all other aspects of the draft 2015/16 Budget and Medium Term Financial Strategy, previously approved by Cabinet on 22 October 2014, 14 January 2015 and 4 February 2015, remain unchanged.
4. That, in the opinion of the Director of Finance (Section 151 Officer); the 2015/16 budget estimates are robust.
5. That, in the opinion of the Director of Finance (Section 151 Officer), the proposed levels of reserves, provisions and balances is adequate in respect of the forthcoming financial year.
6. That Leading Counsel's opinion on the revised MRP Policy was that it is lawful and that the Director of Finance considers that the revised approach is prudent. At the time of writing, the Council's external auditor has referred the revised policy to the Audit Commission's Technical Team for an opinion; a response is awaited.
7. That after taking account of the £20 million savings target for 2016/17, a further £26 million needs to be identified over the period 2017/18 to 2018/19, in order to address the projected budget deficit over the medium term to 2018/19.
8. That due to the uncertainty surrounding the future of public finances in 2016/17 and beyond, and the existing assumptions concerning the successful delivery of prior year savings amounting to £46 million, the projected additional savings requirement of £46

million over the medium term could change significantly over the coming years as more information becomes available.

9. That having identified significant savings over the last five financial years, the extent of the financial challenge over the medium term continues to represent the most significant that the council has ever faced.
10. That authority to agree a composite employer's contribution rate with the West Midlands Pension Fund was delegated to the Director of Finance (Section 151 Officer) on 4 February 2015.
11. Note that councillors must have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget decisions.

## **1.0 Purpose**

- 1.1 To obtain Full Council approval for the annual capital budget, treasury management strategy and revenue budget, as recommended by Cabinet and to pass the statutory formal Council Tax resolutions.

## **2.0 Background**

- 2.1 The Council's revenue and capital budgets together with the treasury management strategy require approval by Full Council on an annual basis. In addition Full Council has to pass statutory resolutions in respect of Council Tax before the commencement of each financial year.

## **3.0 Reports**

- 3.1 The budget setting information and recommendations from Cabinet are all set out in the relevant reports to Cabinet:
- Capital Programme 2014/15 to 2018/19 quarter three review and 2015/16 to 2019/20 budget strategy – 25 February 2015
  - Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19 – 25 February 2015
- 3.2 Cabinet recommendations in relation to the treasury management strategy are set out in the report to Cabinet:
- Treasury Management Strategy 2015/16 – 25 February 2015
- 3.3 The setting of the Council Tax Base is set out in the report to Cabinet:
- Council Tax Taxbase 2015/16 Approval of NNDR (Business Rates) Net Rate Yield 2015/16 – 14 January 2015
- 3.4 All reports are available on the Council's website and may be accessed via the following link:

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=130&MId=200&Ver=4>

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=130&MId=199&Ver=4>

## **4.0 Financial implications**

- 4.1 The financial implications of all the recommendations are included in the relevant Cabinet reports referenced in this report.

## **5.0 Legal implications**

- 5.1 The legal implications of all the recommendations are included in the relevant Cabinet reports referenced in this report.

## **6.0 Equalities implications**

- 6.1 The equalities implications of all the recommendations are included in the relevant Cabinet reports referenced in this report.

## **7.0 Environmental implications**

- 7.1 The environmental implications of all the recommendations are included in the relevant Cabinet reports referenced in this report.

## **8.0 Human resources implications**

- 8.1 The human resources implications of all the recommendations are included in the relevant Cabinet reports referenced in this report.

## **9.0 Schedule of background papers**

25 February 2015 Cabinet report - Capital Programme 2014/15 to 2018/19 quarter three review and 2015/16 to 2019/20 budget strategy

25 February 2015 Cabinet report - Treasury Management Strategy 2015/16

25 February 2015 Cabinet report - Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19

14 January 2015 Cabinet report - Council Tax Taxbase 2015/16 and Approval of NNDR (Business Rates) Net Rate Yield 2015/16