



Cabinet Meeting

25 February 2014

Report title	5 Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19	
Internal decision designation	RED	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Simon Warren, Chief Executive Sarah Norman, Community Keith Ireland, Delivery Tim Johnson, Education and Enterprise	
Originating service	Delivery	
Accountable employees(s)	Mark Taylor Tel Email	Assistant Director Finance 01902 55(6609) mark.taylor@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	14 February 2014

Recommendations for action or decision:

That Cabinet recommend that Council approves:

1. The net budget requirement for 2014/15 of £237.6 million for General Fund services (paragraph 6.5).

2. The implementation of the additional savings proposals detailed at paragraph 5.4, subject to the outcome of appropriate scrutiny, consultation and equality analyses.
3. A Council Tax for council services in 2014/15 of £1,316.72 for a Band D property, being an increase of 1.99% on 2013/14 levels (paragraph 4.6.1).
4. The agreement and arrangements to phase the increased cost of pension contributions to West Midlands Pension Fund, following the results of the 2013 actuarial valuation, over the following six financial years (paragraph 4.3.2).
5. That authority to agree a composite employer's contribution rate with the West Midlands Pension Fund be delegated to the Assistant Director Finance (Section 151 Officer) (paragraph 4.3.3).
6. The formal response to the budget consultation, as detailed at section 10 and in particular the reinstatement of three Neighbourhood Warden posts, which has been reflected in the 2014/15 net budget requirement presented to Councillors for approval.
7. That a minimum of £25 million of additional savings for 2015/16 should be identified and reported to Cabinet in June 2014, in order to demonstrate that a balanced budget can be achieved and that general reserves can be partially replenished (paragraph 2.8).
8. That additional savings for 2014/15 should be identified and reported to Cabinet in June 2014 and then Council in July 2014 in order to revise the 2014/15 budget and reduce the call on general reserves (paragraph 2.9).
9. That a further £35 million of additional savings should be identified, taking the total additional savings to be identified to £60 million, in order to address the projected budget deficit over the medium term to 2018/19 (paragraph 2.8).
10. That due to the extreme uncertainty facing the Council and the potentially significant impact that this has on the accuracy of financial projections the period of the medium term financial strategy should continue to extend to 2018/19 only, for the foreseeable future (paragraph 4.2).
11. That the existing Wolverhampton City Council scheme for awarding Discretionary Rate Relief under Section 47 Local Government Finance Act 1988 be ended on 31 March 2015, in order that a new scheme can be implemented with effect from 1 April 2015 (paragraph 4.7.3).

Recommendations for noting:

That Cabinet recommend that Council notes:

1. That the budget for 2014/15 is in balance after the use of £11.8 million of general balances (paragraph 6.6).
2. The changes to the 2014/15 draft budget for General Fund services, previously approved by Cabinet on 8 January 2014, as detailed at paragraph 6.2.
3. That all other aspects of the draft 2014/15 budget and medium term financial strategy, previously approved by Cabinet on 23 October 2013 and 8 January 2014, remain unchanged.

4. That, in the opinion of the Assistant Director Finance (Section 151 Officer), the 2014/15 budget estimates are robust (paragraph 6.7).
5. That, in the opinion of the Assistant Director Finance (Section 151 Officer), the proposed levels of reserves, provisions and balances is adequate in respect of the forthcoming financial year, noting also that projections indicate that the general balance will fall below the approved minimum of £10 million during 2014/15 and that whilst the policy on the use of reserves permits this, this can only be the case for a short period (paragraph 7.1.3).
6. The Medium Term Financial Strategy as summarised at paragraph 2.2.
7. The work that is in progress on fees and charges for 2014/15, which will be reported to Cabinet (Resources) Panel on 11 March 2014 (paragraph 7.1.4).
8. That due to the uncertainty surrounding the future of public finances in 2015/16 and beyond, and the existing assumptions concerning the successful delivery of savings amounting to £66.7 million, the projected additional savings requirement of £60 million over the medium term could change significantly over the coming years as more information becomes available (paragraph 2.9).
9. That having identified savings in excess of £100 million over the last four financial years, the extent of the financial challenge over the medium term represents the most significant that the council has ever faced (paragraph 6.4).
10. Note that councillors must have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget decisions (paragraph 14.8).

1.0 Purpose

- 1.1** This is the fourth and final report provided to Cabinet on the Budget Strategy for 2014/15 and the Medium Term Financial Strategy for the 5 year period 2014/15 to 2018/19. This incorporates the outcome of the further detailed budget work that has been performed over the last two months, in order to further develop the strategy to address the projected budget deficit, as well as reflecting the impact of the final local government finance settlement announced on 5 February 2014.
- 1.2** The report provides Cabinet with a budget for recommendation to Full Council. This will form the basis of the annual determinations required by statute, and the council's general fund budget for 2014/15.
- 1.3** This report focusses solely on the changes arising since the last report to Cabinet on 8 January 2014. Accordingly, those elements of the budget that remain unchanged since then have not been repeated within this report. This report should therefore be considered in conjunction with the 23 October 2013 and 8 January 2014 Cabinet reports.
- 1.4** The report also provides an update on budget consultation and scrutiny, as well as providing an update on general fund reserves and budget risks.

2.0 Summary

- 2.1** At its meeting on 26 February 2013 Cabinet considered and approved the Budget Strategy 2013/14 and Medium Term Financial Strategy, this included a forecast deficit of £59.2 million by 2017/18. Since that time Cabinet has received the following further reports:
- 24 July 2013 - Draft Budget Strategy for 2014/15 and the Medium Term Financial Strategy for the 5 year period 2014/15 to 2018/19 which provided an initial update and identified the extent of the budget challenge.
 - 23 October 2013 - 5 Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19 which updated the projections and provided detailed savings proposals.
 - 8 January 2014 - 5 Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19 which provided updated projections including the impact of the provisional local government finance settlement.
- 2.2** As a result of the 8 January 2014 report Cabinet approved the adoption of an adapted budget strategy to address the increased budget deficit. This report updates the Budget and Medium Term Financial Strategy for the 5 year period 2014/15 to 2018/19 for changes arising from this adapted strategy, including additional savings proposals, and from further detailed work undertaken on the draft budget. A summary of the changes that have been reflected in the projections since January is provided in Table 1 below, whilst a detailed analysis is provided at Appendix A.

Table 1 - Medium Term Financial Strategy: Analysis of Changes since January 14

	2014/15 to 2018/19 Total £000
Projected Budget Challenge – January	123,020
Changes to:	
Pay related pressures	1,435
Treasury management	(9)
Budget growth	3,494
Net changes in specific grants	(105)
Net total of all savings	(65,523)
Corporate resources	(3,122)
Net Change to Projected Budget Challenge	(63,830)
Projected Budget Challenge – February	59,190

- 2.3** The final Local Government Finance Settlement for 2014 to 2015 was received on 5 February 2014. There was no significant change in the figures from those in the provisional settlement reported to Cabinet on 8 January 2014. In addition the final allocation of the New Homes Bonus for 2014/15 was received and this also was as reported to Cabinet on 8 January.
- 2.4** It remains extremely challenging to predict central government funding beyond the two years that were included in the Provisional Local Government Finance Settlement announcement. Once again in preparing this Medium Term Financial Strategy a proportionate approach has been adopted, however, Councillors should note that there is a significant level of uncertainty beyond 2015/16 due to the lack of detailed information that is available.
- 2.5** Whilst it is very difficult to predict beyond 2015/16 some sources have quoted that by 2017/18 the City Council's Revenue Support Grant could be as low as £25.1 million, approximately £16 million worse off than the resource figures assumed within this report. Current forecasts for Wolverhampton City Council Revenue Support Grant in 2017/18 are:
- Revised medium term financial strategy : £41.0 million
 - Local Government Association : £42.5 million
 - LG Futures : £25.1 million
- 2.6** After taking account of the savings proposals that have been identified, which now amount to £66.7 million over the 5 years, the remaining projected budget deficit stands at £11.8 million in 2014/15 rising to £59.2 million by 2018/19.
- 2.7** It is important to note that this remaining projected budget deficit assumes that all of these savings proposals are approved and implemented. However, the savings

proposals identified since 8 January 2014 remain subject to change where equality analysis is still being undertaken and also where consultation or scrutiny is necessary. Where this is the case the outcome of these exercises will be reported to Cabinet before the savings proposals are implemented. Otherwise the savings will be fully implemented following the approval of the budget by Council on 5 March 2014.

- 2.8** It is also important to note that taking account of the revised projections, including the projected cost of redundancy, the Council's general balances could be exhausted by the beginning of 2015/16. Urgent action is therefore required to identify further significant savings over the coming months and a revised 2014/15 budget and draft 2015/16 budget and medium term financial strategy will be presented to Cabinet in June 2014 and Council in July 2014 (revised 2014/15 budget only).
- 2.9** In order to ensure that general balances can be replenished above the minimum level of £10 million a minimum of £25 million of savings for 2015/16 should be identified by this time, with an aim to accelerate as many of these savings into 2014/15 as possible. A further £35 million of additional savings should be identified, taking the total additional savings to be identified to £60 million, in order to address the projected budget deficit over the medium term to 2018/19. Additionally, due to the extreme uncertainty facing the Council and the potentially significant impact that this has on the accuracy of financial projections the period of the medium term financial strategy should continue extend to 2018/19 only, for the foreseeable future.

3.0 Background

3.1 2013/14 Budget

- 3.1.1** At its meeting on 26 February 2013 Cabinet considered and approved the Budget Strategy 2013/14 and Medium Term Financial Strategy for the period up to 2017/18. This included savings totalling £17.3 million in 2013/14, rising to £25.1 million in 2014/15. However, this still left a forecast deficit of £59.2 million by 2017/18.
- 3.1.2** The 2013/14 approved net General Fund budget is summarised in Table 2 below:

Table 2 – Approved General Fund Budget and Financing 2013/14

	2013/14 Budget £000
Directorate	
Community	161,552
Delivery	42,524
Education & Enterprise	49,201
Office of the Chief Executive	1,684
Corporate Budgets	669
Net General Fund Budget	255,630
Funding	
Government Grant (General)	(178,406)
Council Tax	(73,297)
Collection Fund Surplus	(211)
Total Resources	(251,914)
Budget Deficit	3,716
Budgeted Use of General Balances	(3,716)
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3.2 2013/14 Forecast

- 3.2.1** On 17 December 2013 Cabinet (Resources) Panel received the latest revenue budget monitoring report, which projected a net over spend of £6.8 million (2.65%) against the General Fund net budget requirement of £255.7 million. This projected overspend related largely to the projected over spend against Looked after Children (£4.9 million) and Social Care Commissioning Budgets (£1.8 million).
- 3.2.2** Action is being taken within Directorates to reduce this forecast and the Council has ceased all but essential expenditure, as approved by Cabinet in January, however, for planning purposes it is currently being assumed that the £6.8 million will be required from general balances to fund the in-year overspend.
- 3.2.3** A thorough review of all detailed budgets is now complete, as a result the anticipated ongoing implications of the current years overspend has been built into the projections within this report.
- 3.2.4** It should however be noted that these estimates remain subject to change until the final outturn is achieved.

4.0 Medium Term Financial Strategy – Key Assumptions

- 4.1 Key budget preparation parameters are set out in Appendix D. These parameters form the basis for key cost and resource assumptions within the Medium Term Financial Strategy. Specific assumptions are set out in more detail below.
- 4.2 As with the projected levels of Government grant, projecting these key assumptions over an extended period is particularly challenging and whilst these are based on the best available information, in the end they represent a professional judgement and therefore they remain subject to potentially significant change which could therefore result in significant changes to the overall financial challenge facing the Council. Due to the extreme uncertainty facing the Council and the potentially significant impact that this has on the accuracy of financial projections the period of the medium term financial strategy will continue extend to 2018/19 only, for the foreseeable future.

4.3 Pay Related Pressures

- 4.3.1 The projected increase arising from pay related pressures is detailed in Table 3 below which reflects the estimated impact of pay awards, increases in employer's national insurance and pension contributions and other known pay related pressures. In addition estimates of the cost of actuarial strain, arising from the redundancies that are anticipated over the coming years, have been incorporated into the projections having secured the agreement of the pension fund to spread these costs over three years.

Table 3 – Analysis of Pay Related Pressures

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Pay Award	1,350	1,330	1,330	2,660	3,325	9,995
Essential Car User Allowance	(890)					(890)
Employers Pension	2,091	2,685	4,811	10,156	(534)	19,209
National Insurance	-	-	672	-	-	672
Annual Increments	2,681	1,949	1,248	750	750	7,378
Total	5,232	5,964	8,061	13,566	3,541	36,364

- 4.3.2 The figures in table 3 include the increase in pressure relating to the latest pension deficit recovery agreed in principle with the West Midlands Pension Fund arising from the triennial actuarial valuation that is currently in progress. The deficit recovery plan includes a part deferral of the deficit recovery lump sum payment from 2014/17, being an amount of £5.8 million per annum over the three years, which will be repaid during the three years 2017/20, in addition to the contributions certified by the Fund actuary as a result of the 2016 actuarial valuation. Formal approval of this deficit recovery plan is being sought from Councillors.
- 4.3.3 A composite rate for the employer's contribution to the fund will be agreed with the West Midlands Pension Fund taking into account the future service rate and the deficit recovery over the next three years. Authority to agree this rate will be delegated to the Assistant Director Finance (Section 151 Officer).

4.4 Treasury Management

4.4.1 There is a treasury management cost pressure of £1.8 million reflected in the 2014/15 budget with a total cost pressure of £11.1 million across the five years 2014/19. This is a reflection of the cost of borrowing to fund capital expenditure projects, primarily for regeneration and schools, together with a forecast increase in interest rates over the five year period.

4.5 Budget Pressures and Developments

4.5.1 The following table sets out a summary of budget growth for 2014/15.

Table 4 – Summary of Budget Pressures and Developments 2014/15

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Inflationary Pressures	1,965	2,219	2,416	2,919	2,923	12,442
Demographic & Demand Pressures	11,734	2,637	2,170	2,170	2,170	20,881
Developments	-	400	716	-	-	1,116
Total	13,699	5,256	5,302	5,089	5,093	34,439

4.6 Council Tax

4.6.1 Projected income from council tax is based on the latest calculation of the council tax base combined with a 1.99% increase in Council Tax levels, the first increase for four years. This was confirmed in the final local government settlement as being the maximum permitted increase without triggering a referendum.

4.6.2 The resulting levels of council tax for just the council's element of the council tax bill are detailed in the table below:

Table 5 – Projected Council Tax 2014/15 by Band (Council Element Only)

Band	Number of Properties	Upper value of Property (1991) £	Ratio	Wolverhampton City Council £
A	55,531	40,000	6/9	895.28
B	23,185	52,000	7/9	1,044.49
C	15,852	68,000	8/9	1,193.71
D	6,335	88,000	9/9	1,342.92
E	2,934	120,000	11/9	1,641.35
F	1,658	160,000	13/9	1,939.77
G	894	320,000	15/9	2,238.20
H	118		18/9	2,685.84

4.6.3 Under Chapter 4ZA of the Local Government Finance Act 1992 (which was inserted in 2012), local authorities must hold a referendum of local electors where the ‘relevant basic amount of council tax’ is deemed to be excessive in accordance with the principles determined by the Secretary of State for the year in question. For metropolitan councils, this means that any increase of 2% or more in April 2014 would be deemed excessive, and would therefore trigger a local referendum. In addition the methodology for calculating the increase for referendum purposes has changed such that the increase is simply based upon the Band D council tax; as a result any reduction to the cost of levies, e.g. the West Midlands Integrated Transport Authority, can be treated as a saving against the Council’s budget.

4.6.4 The relevant calculation for 2014/15 is shown below:

Table 6 - Council Tax Increase for Referendum Purposes

Description	Value	Reference
Actual 2013/14 Band D Council Tax	£1,316.72	A
Proposed 2014/15 Band D Council Tax	£1,342.92	B
Increase	£26.20	B – A = C
Percentage Increase	1.99%	C / A

4.7 Localised Business Rates

4.7.1 The forecasts for localised business rates have been developed with input from Revenues, Regeneration and Planning Services and will continue to be refined during the budget setting period. It is important to note that the underlying forecasts for localised business rates reflect a positive increase arising from the regeneration aspirations for the city over the medium term as well as known developments such as Sainsbury’s and Tesco. However, this is set against an average decline in business rates in Wolverhampton of 0.26% per annum over the last six years, after allowing for the inflation increase in the multiplier, this therefore continues to be an ambitious assumption.

4.7.2 The Government announced a number of measures in the Autumn statement to support businesses through measures affecting business rates. These included capping the increase in business rates at 2% (as opposed to the retail price index (RPI)), extending

small business rates relief, a business rate discount for smaller retail premises and the accelerated resolution of outstanding rating appeals. Government confirmed in the business rates information letter issued on 6 February 2014 that local authorities will be fully funded by central government for these changes as has been assumed in the budget.

4.7.3 It is recommended that the existing Wolverhampton City Council scheme for awarding Discretionary Rate Relief under Section 47 Local Government Finance Act 1988 be ended on 31 March 2015, and all recipients notified accordingly. This is to enable a review of the qualification criteria to take place and changes to be made if desired during 2014/15, to enable the implementation of a new scheme from 1 April 2015.

4.8 Revenue Support Grant

4.8.1 As detailed in section 2.3, the final local government finance settlement was in line with the provisional settlement, with the change being an increase of £20,000 in funding.

4.8.2 As set out in section 2.4, whilst it is particularly challenging to predict central government funding, forecasting models suggest that funding will reduce drastically over the medium term. Whilst a proportionate view has been taken at this stage; some forecasters have predicted that the Council's Revenue Support Grant could be as much as £16 million lower than is being projected by 2017/18. These projections therefore remain subject to potentially significant changes until the actual level of grant is notified by the Government in December each year.

4.9 Top up / Tariff and Levy Grants

4.9.1 The council is a top-up authority under the new system. The top up grant is calculated as the sum of money required to bridge the gap between the underlying need of an authority as measured by formula grant and its combination of other grants receivable from central government.

4.9.2 In order to attract a levy payment, from an underlying increase in business rates, the council would have to succeed in generating a significantly greater than historical level of business rates increase. It is not currently expected that the council will be required to make a levy payment in the foreseeable future.

4.9.3 The top up is fixed for a period of up to ten years but rises with in line with the RPI over that time.

4.10 Specific Grants

4.10.1 The following table sets out the anticipated specific grants for each year, it should however be noted that some specific grants are subject to change e.g. the Education Services Grant for in year Academy conversions

Table 7 – Specific Grants

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Specific Grants for previous year	(329,096)	(335,108)	(332,312)	(332,194)	(332,082)
Changes in Specific Grants	(6,012)	2,796	118	112	-
Specific Grants for this year	(335,108)	(332,312)	(332,194)	(332,082)	(332,082)

4.10.2 A detailed schedule of specific grants can be found on the Council's website via the following link <http://www.wolverhampton.gov.uk/budgetsavings>

4.11 Dedicated Schools Grant

4.11.1 On 19 December 2013, the Government announced the Local Authority's Dedicated Schools Grant (DSG) allocation for 2014/15. The City of Wolverhampton's initial allocation was announced as £201.176 million with allocation to individual blocks shown in table 8 below:

Table 8 – DSG Block Allocation

Details	2013/14 £000	2014/15 £000	Basis of calculations
Schools Block	156,405	158,870	£4,286 per pupil
Early Years Block	9,793	9,793	Currently an estimate of £4,201 per pupil
High Needs Block	26,595	27,133	Flat amount subject to change
2 year old offer	3,554	5,682	Based on an hourly rate of £5.09
Allocation for newly qualified teachers	49	49	Notified amount
90% Floor Protection early year	287		Notified amount.
Removal of Carbon reduction commitment from LA responsibility		(351)	Notified amount
Total	196,683	201,176	

4.11.2 A commentary on the individual funding blocks of the DSG shown above can be found on the Council's website via the following link <http://www.wolverhampton.gov.uk/budgetsavings>

5.0 Savings Proposals

5.1 Since reporting to Cabinet in January work has continued to identify, cost and evaluate savings proposals based on the adapted strategy that was approved at that time. This included assessing the impact of the proposals on prior year savings and as a result some of these have been amended or removed where they are now being delivered in

an alternative way under the new proposals. The total change amounted to £3.7 million in 2014/15, reducing to £700,000 from 2015/16 onwards over the five years.

- 5.2** The original 165 savings proposals in the 23 October report have been subject to further detailed review and analysis, including taking in to account the results of consultation and scrutiny and the revised strategy adopted on 8 January 2014 to accelerate savings where possible. These have been amended for the changes arising from the additional work, resulting in acceleration of savings of £1.851 million into 2014/15 but an overall reduction of £3.454 million in savings over the five years. These revised numbers are shown in table 9 below:

Table 9 – Amended original savings proposals by Cabinet Portfolio

Cabinet Portfolio	No.	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Resources	23	1,344	501	376	1,043	1,720	4,984
Leisure and Communities	24	4,020	2,045	512	529	666	7,772
City Services	48	3,187	2,506	1,239	2,911	1,957	11,800
Governance and Performance	16	460	560	315	-	-	1,335
Economic Regeneration and Prosperity	14	1,286	796	176	140	159	2,557
Schools, Skills and Learning	1	1,913	1,427	-	-	-	3,340
Health and Well Being	2	556	650	-	-	-	1,206
Adult Services	29	3,405	6,569	5,850	3,750	4,464	24,038
Children and Families	8	1,948	2,014	-	-	-	3,962
	165	18,119	17,068	8,468	8,373	8,966	60,994

- 5.3** The amendments to the original savings proposals are shown on the Councils website which can be accessed via the following link:
<http://www.wolverhampton.gov.uk/budgetsavings> .

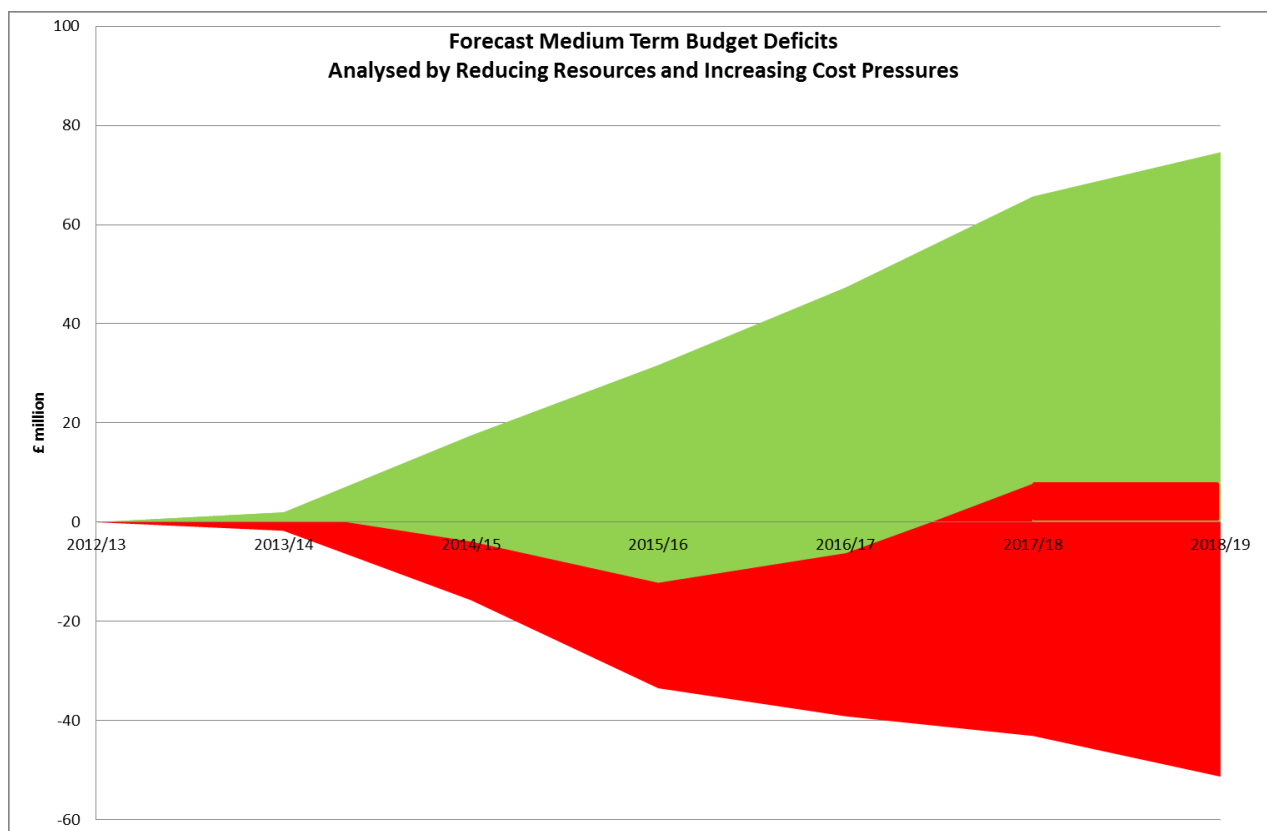
- 5.4** The work undertaken since the 8 January report has identified additional savings of £5.741 million as shown in table 10 below:

Table 10 – Additional savings proposals by Cabinet Portfolio

Cabinet Portfolio	No.	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Resources	5	1,000	70	75	75	-	1,120
Leisure and Communities	5	40	120	-	-	-	160
City Services	8	232	165	-	20	-	417
Governance and Performance	6	60	4,589	1,248	(3,799)	(498)	1,600
Economic Regeneration and Prosperity	5	345	325	(100)	-	-	570
Schools, Skills and Learning	-	-	-	-	-	-	-
Health and Well Being	2	400	-	-	-	-	400
Adult Services	5	493	176	-	-	-	669
Children and Families	4	686	19	-	-	-	705
	40	3,256	5,464	1,223	(3,704)	(498)	5,741

- 5.5** The individual savings proposals are included in Appendix C. Consultation, scrutiny and equality analysis of these proposals will be undertaken as appropriate and implementation will be dependent upon the outcome of this. Where either this has already be undertaken and necessary adjustment made to the proposal or is assessed, after initial screening, as not required, the proposals will be implemented as identified.
- 5.6** The following chart 1 highlights the total savings proposed of £66.7 million (green) and the residual deficit of £59.2 million (red).

Chart 1 – Revised Budget Deficit after Savings



5.7 The level of Governments cuts, both to date and projected, have led to an extremely challenging period for the Council. The level of the remaining deficit, even after the cuts already made and the £66.7 million proposed within this report, means that further significant savings will be required. This is likely to lead to significant additional job losses and cuts to services.

5.8 Redundancy Programme

5.8.1 The savings outlined in paragraphs 5.2 and 5.4 will have a significant impact on the number of staff employed by the Council. At this stage anticipated full time equivalent (FTE) reductions are set out in Table 11. However, it should be noted that these are the reductions arising from the proposals put forward so far, not those required to meet the total budget deficit, which, as identified in paragraph 6.6 is likely to be a much larger number; at least 1,000 by March 2015 and potentially some 1,500 to 2,000 overall. This is in addition to the reduction of more than 600 posts over the last five years.

Table 11 – Estimated reduction in FTE Numbers

Directorate	2014/15 FTE	Total 2014/19 FTE
Community	153	861
Delivery	52	151
Education & Enterprise	86	149
Office of the Chief Executive	4	12
	295	1,173

Note – these are in addition to savings approved in previous years, including the implementation of the FutureWorks Programme.

- 5.8.2** The Council continues to make progress with the voluntary redundancy exercise having sought volunteers for redundancy/early retirement during late 2013 in order to identify new savings and where possible accelerate the proposals. Having received 467 expressions of interest as a result of phase one of the voluntary redundancy programme 262 applications were approved and 41 were deferred for consideration at a later date. Phase two of the scheme closed on 11 November 2013 and a further 311 expressions of interest were received of which 63 applications were approved, 12 were deferred and 71 are yet to be considered.
- 5.8.3** It is the council's policy to avoid making compulsory redundancies wherever it can, but it is now unrealistic to assume that these can be avoided altogether. Therefore phase 3 of the redundancy programme opened on 13 February, with a closing date of 31 March 2014, will be the final opportunity to secure the current redundancy terms. After this time the scheme will be reduced to less generous terms as approved by Cabinet in January 2014.
- 5.8.4** Based on an assumption of 1,137 redundancies over the next 2 years from the original savings proposals reported in October 2013, the likely one-off cost to the Council will be £18.7 million. Although staff reductions at that level may not be achieved during that timescales based on the projected job losses arising from the savings proposals this assumption is being made for planning purposes, and in line with the revised strategy, in order to be prudent. It is however also important to note that the need to identify yet further savings over the coming years is likely to mean that there will be further significant redundancy costs to fund, although the impact of the move to a 'statutory minimum' scheme has not been reflected in the projections, in order to be prudent due to the uncertainty regarding the timing of redundancies, so this may offset some of those costs.
- 5.8.5** As previously reported discussions with West Midlands Pension Fund have concluded and it has been agreed that the Council can spread the cost of "pension fund strain" associated with redundancies over 3 years. It is currently anticipated that the strain element of the cost will be approximately 42% of the total one-off cost associated with redundancies (£7.9 million).
- 5.8.6** The application to the Government to capitalise the cost of redundancies in 2013/14 was approved by the Secretary of State for a value of up to £1.3 million. This allows the

Council to fund these costs from capital and spread the impact on the General Fund over 20 years. This is out of an estimated 2013/14 redundancy cost of £3.8 million, the balance of £2.5 million being charged to the General Fund in 2013/14. The utilisation of this capitalisation direction has been reflected in the figures included in this report.

5.8.7 Representations to fund further redundancy costs from capital are continuing. However, at this stage it has been assumed that further costs (approximately £7.0 million before strain) will have to be funded from general balances next year.

6.0 Updated Budget and Medium Term Forecast

6.1 Due to the extent of the financial challenges facing the Council it is more important than ever to consider next year's budget as part of a Medium Term Financial Strategy. The scale of the projected deficit over the medium term is now such that large scale budget cuts need to be identified, approved and implemented as soon as possible. It is imperative that plans now cover the entire five year period. This is necessary because delivering savings of this magnitude will invariably involve some options that are likely to take several years to develop and implement.

6.2 Compared to the projections reported to Cabinet on 8 January 2014, which stood at £123 million, and after updating the figures as a result of further information and analysis together with the development of savings proposals, the remaining deficit is £59.2 million. A summary of the changes that have resulted in these revised projections is provided below, whilst a detailed analysis is provided at Appendix A:

Table 12 - Medium Term Financial Strategy: Analysis of Changes since 8 January 2014

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£000	£000	£000	£000	£000	£000
Projected Budget Challenge – January	30,793	29,868	20,765	22,862	18,732	123,020
Changes to:						
Pay related pressures	1,035	400	-	-	-	1,435
Treasury management	(1,724)	3,099	(535)	(462)	(387)	(9)
Budget growth	2,846	648	-	-	-	3,494
Net changes in specific grants	(105)	-	-	-	-	(105)
Net total of all savings	(20,256)	(22,346)	(9,784)	(4,669)	(8,468)	(65,523)
Corporate resources	(762)	(2,235)	1,188	(85)	(1,228)	(3,122)
Net Change to Projected Budget Challenge	(18,966)	(20,434)	(9,131)	(5,216)	(10,083)	(63,830)
Revised Projected Budget Challenge - February	11,827	9,434	11,634	17,646	8,649	59,190

- 6.3** It is also important to note that the revised projected budget deficit already assumes the successful delivery of prior year savings amounting to £5.2 million during 2014/15, many of which will be particularly challenging. Should any of these proposals and options not be delivered the revised projected budget deficit will increase by an equivalent sum and alternative savings will have to be identified.
- 6.4** Having identified savings in excess of £100 million over the last four financial years, the extent of the financial challenge over the medium term represents the most significant that the council has ever faced
- 6.5** The Council's proposed budget for 2014/15 and the medium term forecast is shown at Table 13 below:

Table 13 – Medium Term Financial Strategy 2014/15 to 2018/19

	Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Previous Years Net Budget Brought Forward		255,630	249,435	241,230	247,319	261,113
Increasing Cost Pressures:						
Pay Related Pressures	4.3	5,232	5,964	8,061	13,566	3,541
Treasury Management	4.4	1,772	6,442	2,454	197	282
Budget Growth	4.5	13,699	5,256	5,302	5,089	5,093
Full year effect of prior year savings	6.3	(5,208)	(3,459)	(154)	(500)	-
Net change in specific grants	4.10	(315)	124	117	111	-
		15,180	14,327	15,780	18,463	8,916
Savings	5.0	(21,375)	(22,532)	(9,691)	(4,669)	(8,468)
Net Budget		249,435	241,230	247,319	261,113	261,561
Projected Corporate Resources						
Council Tax	4.6	(76,567)	(78,481)	(80,443)	(82,454)	(84,515)
Collection Fund		700	(600)	-	-	-
Revenue Support Grant	4.8	(86,956)	(61,565)	(51,283)	(41,065)	(30,539)
Top Up Grant	4.9	(35,226)	(36,198)	(37,605)	(39,149)	(39,149)
Business Rates	4.7	(36,994)	(39,427)	(40,986)	(43,120)	(43,491)
New Homes Bonus	2.3	(2,565)	(3,698)	(4,107)	(4,784)	(4,676)
		(237,608)	(219,969)	(214,425)	(210,572)	(202,371)
Projected Annual Change in Budget Deficit		11,827	9,434	11,634	17,646	8,650
Projected Cumulative Budget Deficit		11,827	21,261	32,894	50,541	59,190

6.6 The 2014/15 budget for the General Fund is balanced after the use of £11.827 million of general balances and shows a net budget requirement of £249.435 million. A summary of the recommended budget by directorate can be found on the Council's website via the following link: <http://www.wolverhampton.gov.uk/budgetsavings> .

6.7 The Assistant Director Finance (Section 151 Officer) has considered the budget and in his opinion the budget estimates for 2014/15 are robust. It is important to note that this remaining projected budget deficit assumes that all of these savings proposals are approved and implemented. However, the savings proposals identified since 8 January 2014 remain subject to change where equality analysis is still being undertaken and also where consultation or scrutiny is necessary. Where this is the case the outcome of these exercises will be reported to Cabinet before the savings proposals are implemented. Otherwise the savings will be fully implemented following the approval of the budget by Council on 5 March 2014. It should also be noted that taking account of the revised projections, including the projected cost of redundancy, the Council's general balances could be exhausted by the beginning of 2015/16.

Urgent action is therefore required to identify further significant savings over the coming months and a revised 2014/15 budget and draft 2015/16 budget and medium term financial strategy will be presented to Cabinet in June 2014 and Council in July 2014 (revised 2014/15 budget only). In order to ensure that general balances can be replenished above the minimum level of £10 million a minimum of £25 million of savings for 2015/16 should be identified by this time, with an aim to accelerate as many of these savings into 2014/15 as possible. In addition, a further £35 million of additional savings should be identified, taking the total additional savings to be identified to £60 million, in order to address the projected budget deficit over the medium term to 2018/19 and that due to the extreme uncertainty facing the Council and the potentially significant impact that this has on the accuracy of financial projections the period of the medium term financial strategy should continue to extend to 2018/19 only, for the foreseeable future.

7.0 General Fund Reserves

7.1 General Balances

7.1.1 The following table sets out the projected level of general balances at 31 March 2014:

Table 14 – Projected General Balances at 31 March 2014

	£000	£000
Balance at 1 April 2013		(15,928)
Transfers Approved During 2013/14 From:		
Specific Reserves	(7,155)	
Minimum Revenue Provision	(10,000)	(17,155)
Projected Movements in 2013/14		
Budgeted use in 2013/14	3,716	
Quarter 2 Forecast Overspend	6,784	
Direct Contribution of Birmingham Airport Special Dividend Redundancy Programme (after application of capitalisation direction of £1.3 million)	(3,300)	
	2,523	9,723
Projected balance at 31 March 2014		(23,360)

7.1.2 The following table sets out the general balance projections over the medium term and the additional savings now required, over and above the £66.7 million proposed, to maintain the minimum level of £10 million required within the Reserves Policy.

Table 15 – Projected uncommitted General Fund Reserves

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Balance brought forward	(23,360)	(4,512)	16,749	49,643	100,184
Redundancy programme	7,021	-	-	-	-
Revised Projected budget deficit	11,827	21,261	32,894	50,541	59,190
Balance carried forward	(4,512)	16,749	49,643	100,184	159,374
Shortfall against £10 million minimum	5,488	26,749	59,643	110,184	169,374
Additional annual savings required to maintain £10 million minimum	5,488	15,773	11,633	17,647	8,689
Cumulative additional Savings	5,488	21,261	32,894	50,541	59,230

- 7.1.3** The Assistant Director Finance (Section 151 Officer) has considered the aggregate level of the Council's reserves, balances and provisions and is of the opinion that they are adequate in respect of the forthcoming financial year, noting also that projections indicate that the general balance will fall below the approved minimum of £10 million during 2014/15 and that whilst the policy on the use of reserves permits this, this can only be the case for a short period
- 7.1.4** A review of Fees and Charges is currently being undertaken with the intention that revised rates will be in force from 1 April 2014. The outcome of the review will be reported to Cabinet (Resources) Panel on 11 March. Any additional income arising from changes made, along with the cost of redundancies which will be clearer at that time, will be reflected in the revised budget to be reported to Council in July 2014.
- 7.1.5** Further savings opportunities are being actively explored in order to address the budget deficit. These include areas such as opportunities for commercialisation, centralisation and rationalisation, a comprehensive review of all of the Council's assets, its capital programmes and the associated treasury management implications plus looked after children initiatives.
- 7.1.6** The legal comments in paragraph 13 set out the implications for the Council in the event of not being able to set a balanced budget.

7.2 Specific Reserves

- 7.2.1** Specific reserves represent monies set aside by the Council to fund future expenditure plans. Whilst specific reserves have no basis in statute, they are usually established as a matter of prudent financial management. Each specific reserve has its own restrictions on how and when the funds held within it can be spent.
- 7.2.2** As part of the 2014/15 budget process all specific reserves have been reviewed to identify what could be released to the general balance. At the beginning of 2013/14 £44.1 million was held within specific reserves, of this Council approved that £7.155 million be transferred to general balances. The analysis of the specific reserves position reflected in the budget can be found on the Council's website via the following link: <http://www.wolverhampton.gov.uk/budgetsavings>.

8.0 Corporate Priorities

- 8.1** The City Council has strong financial planning and control systems with clear links to the Council's strategic priorities and the service planning framework. The Medium Term Financial Strategy provides a firm foundation from which to determine future patterns of spending on priority areas and programmes. This medium term planning framework:
- Allows changes in demand for services to be highlighted;
 - Allows comparisons to be made between the cost of meeting those demands and the likely level of resources available;
 - Provides for opportunities to highlight the costs of alternative policies or different ways of delivering services, and
 - Provides Councillors with a mechanism for tracking shifts in resources and the impact of these shifts on organisational and service performance.

8.2 The Council's budget determination processes are informed by :

- Corporate priorities;
- Changes in demand levels, often driven by demographic changes;
- The emergence of new local and national priorities;
- Public consultation;
- Assessments of value for money delivered through current service configurations, and
- Levels of current performance and targets for improvement.

8.3 Council resources are continually rebalanced to support Corporate Plan objectives which are:

- **Encouraging Enterprise and Business;**
- **Empowering People and Communities;**
- **Re-invigorating the City, and**
- **Confident Capable Council.**

8.4 The Council's strategic approach to address the deficit is to:

- Stimulate economic activity and private-sector employment by bringing in more business and helping local people develop the skills they need to compete for jobs more effectively. The Council will build on its proven track record of bringing investment into the City through, e.g. Jaguar Land Rover and other companies in order to generate real opportunities for local people, and
- Increase income from business rates and the New Homes Bonus by the stimulation of economic activity and the local housing market, and
- Manage demand for core services by using early intervention to help families in trouble live unsupported, independent lives.
- Identify Invest to Save initiatives e.g. rationalisation of property assets, whereby savings are generated by investment of Council resources.

8.5 The outcome of the budget engagement exercise during 2013 indicated that these are the priorities that local people want us to focus on. Delivering these priorities will not be in addition to 'business as usual' – it is and will be the Council's core business.

8.6 Given the financial and legal background, it will mean that the Council has to look very hard at the other things it does and, if necessary, stop doing those that do not make a direct or significant contribution to our real priorities. It should however also be noted that due to the scale of the projected cuts that are now required over the next five years the ability of the Council to deliver these real priorities is now at significant risk.

9.0 Budget Risk Management

9.1 The following table provides a summary of the risks associated with the Medium Term Financial Strategy, using the corporate risk management methodology.

9.2 The six main areas of risk are summarised below along with the assessed level of risk:

Table 14 – General Fund Budget Risks 2014/15 – 2018/19

Risk	Description	Level of Risk
Financial and Budget Management	Risks that might materialise as a result of the impact of non-pay inflation and pay awards, staff vacancy factors, VAT rules, loss of ICTS facilities, treasury management activity and the impact of single status and budget management failure.	Amber
Transformation Programme	Risks that might materialise as a result of not identifying savings, not delivering the savings incorporated into the budget and not having sufficient sums available to fund the upfront and one-off costs associated with delivering savings and downsizing the workforce.	Red
Income and Funding	Risks that might materialise as a result of income being below budgeted levels, claw back, reduction to government grant or increased levels of bad debts.	Red
Service Demands	Risks that might materialise as a result of demands for services outstretching the available resources.	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 as a result of changes to Government policy including changes in VAT and personal taxation rules and, in particular, from the Care Bill	Red

- 9.3** The overall risk associated with the five year budget and medium term financial strategy for 2014/15 to 2018/19 continues to be assessed as Red.
- 9.4** Details of the risk control measures that are in place in order to manage and mitigate the risks as far as possible have been published on the Council's Website and can be found via the following link <http://www.wolverhampton.gov.uk/budgetsavings>. These risks will be closely monitored and managed throughout the year and regular updates will be presented to councillors as part of the established budget monitoring arrangements.
- 9.5** The Council is planning its budget amidst a high degree of uncertainty, which brings with it risks. As well as specific mitigating actions on individual issues, risks have been addressed in a number of different ways:
- The Assistant Director Finance will work closely with, and where necessary challenge, the Chief Executive, Strategic Directors, Assistant Directors, Heads of Finance and leading councillors throughout the budget process in order that such risks are identified, understood and effectively managed;

- The planning of the budget and service plans are designed to ensure that account can be taken of the need for proper planning of change and of the financial impact in later years of decisions taken now;
- The process of planning the budget will afford the opportunity for services to identify emerging budget pressures, including those related to legislative requirements and demographic changes. Where necessary these will result in new investment, and
- Account will be taken, in planning the budget for future years, of any issues which emerge as part of the process of monitoring the budget during 2013/14.

10.0 Budget Consultation

- 10.1** The results of budget consultation were reported to Cabinet (Resources) Panel on 11 February 2014 which agreed the initial response of Cabinet to the budget consultation.
- 10.2** Further consultation in respect of the further savings proposals as shown at Appendix C will be undertaken as appropriate.
- 10.3** This report provides the final response of Cabinet to the budget consultation, subject to the further consultation to be undertaken as identified in paragraph 10.2.
- 10.4** The Cabinet would like to thank all participants in the consultation process and to pay tribute to the serious and constructive approach adopted. The Cabinet would also like to thank those participants who would be prepared to assist the Council by volunteering to assist within their communities or by offering to work with the Council to find alternative ways of saving money to prevent service cuts.
- 10.5** Replacing Local Neighbourhood Partnerships (LNP) with Community Economic Regeneration Stage 1 and 2 - The Cabinet proposes to retain an earmarked fund designed to enable existing LNPs to put in place arrangements to continue working with their communities and to bid for external funding. The Council's Community Engagement Officer will be transferred to the service, as will be the remaining Voluntary Community Sector Engagement officer. Both of these officers will work with local grassroots organisations and the voluntary community sector to ensure that there is engagement with people who are more difficult to reach.
- 10.6** The Cabinet wishes the Art Gallery, Archives, Bantock House and Bilston Craft Gallery to become commercially viable under new business models designed to maximise revenue income and reduce the Council's subsidy. Where appropriate we will work with partner organisations to achieve this.
- 10.7** Reduction in the Neighbourhood Warden Service - The Cabinet notes that with reduced Council resources it will be important to work in close partnership with the police, who will be increasing the number of Police and Community Support Officers (PCSO) in Wolverhampton. To ensure the remaining wardens are employed effectively, alongside PCSOs, the Council's Community Safety Team has been co-located at Bilston Street Police Station, and the Anti-Social Behaviour Unit at a Wolverhampton Homes site. Also in response to serious concerns in the consultation three warden posts are to be reinstated, which reduces the saving

achievable by £76,000. A virements will be processed in year to effect this change. It should however be noted that this increases the overall budget deficit and therefore the need to identify further savings.

- 10.8** Reconfiguration of Youth Services, centred on targeted youth support - The Cabinet is extremely sympathetic to the concerns expressed in the consultation regarding the closure of all open access youth facilities. We have left in the budget a sum of money available to reprovide some facilities through voluntary sector and community sector organisations. Further, the Council will be continuing to support some targeted work with young people within the own communities. Cabinet will give further consideration to the concerns raised about the practical difficulties, safety aspects and travel costs for young people accessing the Youth Zone.
- 10.9** Focus on Regeneration - Cabinet will continue to support regeneration work by using capital resources available to the Council either through government grant, government supported borrowing, capital receipts or prudential borrowing. There will be continued focus on the regeneration of the City Centre; the Junction 2 area including i54 and the Enterprise Zone as well as a focus on ensuring a supply of quality housing and employment land across the City. This is resulting in increased investment, new homes and employment opportunities for local people as well as increased business rates revenues and new homes bonus grant. Cabinet will have due regard to the revenue implications of any new prudential borrowing which supports further regeneration.
- 10.10** Job Creation - Cabinet will continue to support new jobs and training opportunities across the City. We are working directly with the businesses creating jobs to understand their needs and then developing approaches with our key partners including the College, University and Job Centre Plus to ensure local people get the appropriate support/training to access the jobs.
- 10.11** Reduction in Voluntary Sector Grant - The Cabinet notes concerns raised regarding reduction in Voluntary Sector Grant. Across the Council financial support to the voluntary sector remains considerable and where ever possible these changes have been made in a way that minimises the loss of external funding. The Council also has at its disposal a small earmarked "innovate to save" budget which is designed to create efficiencies and reduce costs in the Voluntary Sector. However due to recent concerns expressed regarding the impact of the cuts in community language teaching previously consulted upon it may be necessary to reserve some of this fund to be used as seed money for alternative provision of mother tongue teaching should sufficient resources not be available through existing approved budgets.
- 10.12** Reduce the number of Councillors - The Cabinet notes the feedback in relation to this proposal and will continue to consider it further in the context of the of the reduction in councillors' allowances that has already been agreed.
- 10.13** Removal of Council Subsidy for Central Baths - Cabinet notes that there is a new commercial operating model being developed which is intended to move all Leisure Centres, including Central Baths to a more commercial footing. The new management team are developing a business model for the delivery of the service that will presented to Cabinet (Resources) Panel on 11 March 2014 for approval. The Cabinet's aspiration is that overall Leisure Centres won't require any subsidy and the Council is therefore looking for ways for the three sites together to at least break even as soon as is commercially possible.

- 10.14** Reduction in library opening hours and introducing charges for internet use - Cabinet notes that the move of Libraries into community hubs will mean that many libraries will continue to be open for book borrowing and return and computer use even when staff are not present. In addition efforts are being made to develop network of volunteers to provide support to community libraries which may support extension to their opening hours.
- 10.15** Other General Comments - Cabinet welcomes the wish of participants to see an increased focus on prevention to ultimately save money. The Council has, for example, invested resources in a new operating model in Children's Services which will ultimately produce cost savings as well as an improved Children's Service. However our ability to make additional investment in preventative measures is constrained by the lack of resources available to the Council. Cabinet will continue to seek savings in administration costs and by seeking partnership arrangements with other public, voluntary or private sector bodies. All other savings ideas suggested by participants will be given serious consideration.

11.0 Budget Scrutiny

- 11.1** During November 2013, each Scrutiny Panel reviewed and scrutinised the relevant budget matters. All of these views and observations were then reported to Scrutiny Board in December; the outcome of this budget scrutiny was reported to and considered by Cabinet on 22 January 2014.
- 11.2** Scrutiny Board considered Cabinet's response to the first round of budget scrutiny together with the updated five year budget and medium term financial strategy (approved by Cabinet on 8 January 2014) at its meeting of 11 February 2014.
- 11.3** The final budget recommendations in this report take into account Cabinet's consideration of the outcome of budget scrutiny.

12.0 Financial implications

- 12.1** The financial implications are discussed in the body of the report.

[NA/17022014/M]

13.0 Legal implications

- 13.1** The Authority'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 savings 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 as Chief Financial Officer
- 13.3** Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Authority when it is making the statutory calculations required to determine its council tax. The Authority 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 Authority.

- 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 Authority's medium term financial strategy, and have regard to the level of risk in budget plans, and the Authority'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 him 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 him 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 2014/15.

[WT/06012014/I]

14.0 Equalities implications

- 14.1** Under the Equality Act 2010, the council has a statutory duty to pay due regard to the impact of how it carries out its business on different groups of people. This is designed to help the council identify the particular needs of different groups and reduce the likelihood of discrimination, the nine equality strands covered in the legislation are:
- Age;
 - Disability;
 - Gender reassignment;
 - Marriage and Civil Partnership (this strand only applies to employment and not to service delivery);
 - Pregnancy and Maternity;

- Race;
- Religion or Belief;
- Sex, and
- Sexual Orientation.

The strands include everyone

- 14.2** In relation to determining the overall revenue budget for the council there is always a difficult balance to be struck in deciding the levels at which to invest, reduce expenditure and raise income set against the often competing needs of different groups within the Wolverhampton community.
- 14.3** In order to address these complex issues the council operates an open and consultative approach to budget and council tax determination. Year-on-year and medium term spending forecasts are provided to every household and business ratepayer within the city as part of the documentation which accompanies the council tax demand.
- 14.4** Budget consultation meetings have been held with the education community, the business community, the voluntary sector, communities of interest and trade unions. The council's budget consultation approach has also included online surveys and a telephone hotline in order to gain feedback on budget and service priorities.
- 14.5** In determining the budget for 2014/15 considerable focus has been placed on the development of savings proposals. All of these proposals have been subject to an equality analysis screening and where necessary a full equality analysis has been conducted.
- 14.6** The Council is facing a particularly challenging short and medium term financial environment in which savings must be generated and a tight control on spending maintained. This means that a greater focus than ever is necessary to ensure that core equalities commitments are met. In determining the 2014/15 budget particular attention has been given to attempts to lessen any adverse impact of proposals on individuals and communities in most need.
- 14.7** In summary the council's annual budget and medium term financial strategy supports a range of services designed to meet key equalities objectives. A cumulative equalities analysis has been conducted on the overall budget proposals, including the overall impact of job losses. This can be found on the Council's website via the following link: <http://www.wolverhampton.gov.uk/budgetsavings>
- 14.8** Councillors should also be aware that under the Equality Act 2010, they must comply with the Public Sector Equality Duty (PSED) when making budget decisions. What this means in practice is that Councillors must consciously think about the three aims of the public sector equality duty as part of the decision making process, the three aims are to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation;
 - Advance equality of opportunity by removing or minimising disadvantages, meet differing needs and encouraging participation, and
 - Foster good relations between people from different groups.

14.9 The Act does not require the council to treat everyone in the same way; sometimes different treatment is required, for example, be making reasonable adjustments to meet the needs of disabled people.

14.10 Consideration of equality issues must influence the decisions reached by public bodies including:

- How they act as employers;
- How they develop, evaluate and review policy;
- How they design, deliver and evaluate services, and
- How they commission and procure from others.

14.11 The Brown Principles, established as a result of a legal case concerning Post Offices closures in 2008, provide an important checklist that should be considered when making decisions:

- Decision makers must be made aware of their duty to have due regard to the identified goals;
- Due regard must be fulfilled before and at the time that a particular decision is being considered, not afterwards;
- The duty must be exercised in substance, with rigour and with an open mind. It is not a question of ticking boxes;
- The duty is cannot be delegated; it must be fulfilled by the organisation in question rather than through the use of an external body to do it to the organisation;
- The duty is a continuing one, and
- It is good practice to keep an adequate record showing that it has considered the identified needs.

15.0 Environmental implications

15.1 Please see the individual savings proposals for details of the environmental implications.

16.0 Human resources implications

16.1 The additional reduction in the financial settlement and the need for greater and quicker job reductions across the Council will create more severe human resources implications than originally anticipated. These will arise from accelerated and increased saving proposals and targets, higher volume redundancies and post reductions, and from an increased requirement to reduce other employee costs.

16.2 In line with the Council's statutory duties as an employer under the Trade Union Labour Relations (Consolidation) Act 1992, an HR1 form has been issued to the Secretary of State for Business, Innovation and Skills identifying the intention to reduce the workforce by up to 1,000 jobs across the Council. The HR1 covers the current voluntary redundancy programme and savings proposals which will result in compulsory redundancies. A further HR1 based on additional proposals may be required at a later date.

- 16.3** The impacts of the savings programme with regard to redundancy programme are set out in Section 5.8 above. Reductions in employee numbers 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. Given the volume and range of savings being proposed, there will be reductions in services and employee numbers which will require fair and due process to be followed regarding consultation, selection and implementation of any compulsory redundancies. The accelerated timetable for achieving savings in the light of the financial settlement is likely to require the Council as an employer to utilise the statutory 45 day and 30 day consultation periods for some service reductions, rather than the best practice position of allowing, where possible, 90 days.
- 16.4** The Council will ensure that appropriate support is made available to employees who are at risk of and selected for redundancy, and will work with partner and external agencies to provide support. Proposals to move service delivery from direct Council management to private, community or third sector providers may have implications under the TUPE regulations.
- 16.5** Ongoing consultation with the trade unions on the impact of the financial settlements and the proposals to face the challenges posed by it will be carried out by the Chief Human Resources Officer.

17.0 Schedule of background papers

Budget Strategy 2013/14 and Medium Term Financial Strategy – Cabinet 26 February 2013

Draft Budget Strategy 2014/15 and Medium Term Financial Strategy – Cabinet 24 July 2013

5 Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19 – Cabinet 23 October 2013

5 Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19 – Cabinet 8 January 2018

Medium Term Financial Strategy: Analysis of Changes since January 2014

	Note	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Projected Budget Deficit before Savings Proposals – January		30,793	29,868	20,765	22,862	18,732	123,020
Growth							
Pay Related	1	1,035	400	-	-	-	1,435
Treasury Management	2	(1,724)	3,099	(535)	(462)	(387)	(9)
Demographic and Demand	3	2,894	600	-	-	-	3,494
Inflationary Pressures	4	(48)	48	-	-	-	-
Net change in specific grants		(105)	-	-	-	-	(105)
		2,052	4,147	(535)	(462)	(387)	4,815
Net Total of all Savings	5	(20,256)	(22,346)	(9,784)	(4,669)	(8,468)	(65,523)
Corporate Resources:							
Council Tax	6	(1,430)	(214)	63	(28)	(30)	(1,639)
Revenue Support Grant	7	(20)	20	-	-	-	-
Localised Business Rates		(42)	(93)	178	311	(1,305)	(951)
New Homes Bonus	8	730	(1,348)	347	(368)	107	(532)
Share of Collection Fund Deficit	9	-	(600)	600	-	-	-
		(762)	(2,235)	1,188	(85)	(1,228)	(3,122)
Net Change to Projected Budget Deficit		(18,966)	(20,434)	(9,131)	(5,216)	(10,083)	(63,830)
Revised Projected Budget Deficit		11,827	9,434	11,634	17,646	8,649	59,190

Notes Regarding the Analysis of Changes since January 2014

1. Pay Related Pressures – these changes reflect an updated calculation of the impact of annual increments on pay costs,
2. Treasury Management – these changes reflect the impact of reprofiling the capital programme together with the associated borrowing requirement and the anticipated impact of lower borrowing costs.
3. Demographic and Demand – the most significant element of this item is the £2.5 million increase in the cost of Looked After Children.
4. Inflationary Pressures – this is a minor reprofiling change
5. Net Total of All Savings – this is the net impact of the additional savings, the original savings as reported in October 2013 as adjusted for acceleration etc. together with the associated impact on the full year effect of prior year savings.
6. Council Tax – this change reflects the final setting of the Council Tax Base
7. Revenue Support Grant – this is the result of the minor variance between the final and provisional local government finance settlements.
8. Localised Business Rates – the change reflects the latest tax base calculations and projections.
9. New Homes Bonus – the change reflects the minor recalculation following the confirmation of the final allocation and is primarily a rephrasing of receipts (net effect over three years being £271,000).

Virements reflected in the 2014/15 Budget

From Service	To Service	Reason	£000
Assistant Director - Children, Young People and Families	Looked After Children	Reorganisation of resources	67

Summary of Additional Savings Proposals 2014-2015 - Resources								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing	Staffing	2015	2016	2017	2018	2019	
	implication	implication	Base	Base	Base	Base	Base	Base
	FTE	FTE	Budget	Budget	Budget	Budget	Budget	Budget
			Saving	Saving	Saving	Saving	Saving	Saving
			£000	£000	£000	£000	£000	£000
Community								
Implement New Scheme with Revised Criteria to Replace the Local Discretionary Grant Scheme (LDGS)	-	-	1,000	(1,000)	-	-	-	-
Community Total	-	-	1,000	(1,000)	-	-	-	-
Delivery								
Delivery Efficiencies	-	2	-	100	-	-	-	100
Refocussing the Risk Based Internal Audit, Risk Management and Counter Fraud Service	-	4	-	-	75	75	-	150
Option 2: Remove the two Business Relationship Manager roles and the two VIP Support Officer Roles	-	4	-	170	-	-	-	170
Delivery Total	-	10	-	270	75	75	-	420
Corporate								
Council Tax Reduction Scheme	-	-	-	800	-	-	-	800
Corporate Total	-	-	-	800	-	-	-	800
Total	-	10	1,000	70	75	75	-	1,220

Summary of Additional Savings Proposals 2014-2015 - Leisure and Communities								
Saving Proposal Title	2014-2015 Staffing implication FTE	2014-2019 Staffing implication FTE	2014- 2015 Base Budget Saving £000	2015- 2016 Base Budget Saving £000	2016- 2017 Base Budget Saving £000	2017- 2018 Base Budget Saving £000	2018- 2019 Base Budget Saving £000	TOTAL Base Budget Saving £000
Community								
Administrative Expenditure Review	-	-	5	-	-	-	-	5
Parks Strategy and Countryside Restructure	1	1	25	25	-	-	-	50
Community Total	1	1	30	25	-	-	-	55
Education & Enterprise								
Reduce Outdoor Events Programme	-	-	-	20	-	-	-	20
Shared Services in the cultural sector across the Black Country	-	-	-	75	-	-	-	75
Further Reduction to the Grand Theatre Grant	-	-	10	-	-	-	-	10
Education & Enterprise Total	-	-	10	95	-	-	-	105
Total	1	1	40	120	-	-	-	160

Summary of Additional Savings Proposals 2014-2015 - City Services								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing	Staffing	2015	2016	2017	2018	2019	
	implication	implication	Base	Base	Base	Base	Base	Base
	FTE	FTE	Budget	Budget	Budget	Budget	Budget	Budget
			Saving	Saving	Saving	Saving	Saving	Saving
			£000	£000	£000	£000	£000	£000
Delivery								
Public Toilets Contract in-sourced to Cleaning Services with a subsequent rationalisation of provision	-	1	-	-	-	20	-	20
Replace Switchboard Function with an IVR Solution	2	2	35	-	-	-	-	35
Increased productivity levels in relation to call answering	1	1	20	-	-	-	-	20
Review of Pest Control Service	1	1	25	-	-	-	-	25
Review of delivery of Christmas lights/decorations	-	-	25	-	-	-	-	25
Catering - increased productivity and efficiency	-	-	100	65	-	-	-	165
Office Cleaning Savings	-	6	-	100	-	-	-	100
Delivery Total	4	11	205	165	-	20	-	390
Education & Enterprise								
Review Graffiti Removal Service	1	1	27	-	-	-	-	27
Education & Enterprise Total	1	1	27	-	-	-	-	27
Total	5	12	232	165	-	20	-	417

Summary of Additional Savings Proposals 2014-2015 - Governance and Performance								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing implication FTE	Staffing implication FTE	2015 Base Budget Saving £000	2016 Base Budget Saving £000	2017 Base Budget Saving £000	2018 Base Budget Saving £000	2019 Base Budget Saving £000	Base Budget Saving £000
Delivery								
Rationalisation of Disclosure and Barring Service (DBS) re-checks	-	-	50	-	-	-	-	50
Reduce number of work station assessments undertaken by external provider.	-	-	5	-	-	-	-	5
Introduce a package of changes to terms and conditions for Council employees	-	-	-	4,549	1,248	(3,799)	(498)	1,500
To reduce the staffing establishment of the Corporate Health & Safety Team from four members of staff to three.	-	1	-	35	-	-	-	35
Meetings cost reductions	-	-	5	-	-	-	-	5
Further reduction in Councillor training budget	-	-	-	5	-	-	-	5
Delivery Total	-	1	60	4,589	1,248	(3,799)	(498)	1,600
Total	-	1	60	4,589	1,248	(3,799)	(498)	1,600

Summary of Additional Savings Proposals 2014-2015 - Economic Regeneration and Prosperity								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing	Staffing	2015	2016	2017	2018	2019	
	implication	implication	Base	Base	Base	Base	Base	Base
	FTE	FTE	Budget	Budget	Budget	Budget	Budget	Budget
			Saving	Saving	Saving	Saving	Saving	Saving
			£000	£000	£000	£000	£000	£000
Community								
Review the method for apportioning the cost of the Housing Support service	-	-	240	-	-	-	-	240
Community Total	-	-	240	-	-	-	-	240
Education & Enterprise								
Highway Management	-	-	-	250	(100)	-	-	150
Development Plan	-	-	80	-	-	-	-	80
Team Black Country	-	-	-	50	-	-	-	50
Reduce Contribution to BCC Ltd	-	-	25	25	-	-	-	50
Education & Enterprise Total	-	-	105	325	(100)	-	-	330
Total	0	0	345	325	(100)	0	0	570

Summary of Additional Savings Proposals 2014-2015 - Health and Well Being								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing	Staffing	2015	2016	2017	2018	2019	
	implication	implication	Base	Base	Base	Base	Base	Base
	FTE	FTE	Budget	Budget	Budget	Budget	Budget	Budget
			Saving	Saving	Saving	Saving	Saving	Saving
			£000	£000	£000	£000	£000	£000
Community								
Healthwatch Contract Efficiencies	-	-	50	-	-	-	-	50
Public Health funding to support service areas that make a positive impact on public health outcomes.	-	-	350	-	-	-	-	350
Community Total	-	-	400	-	-	-	-	400
Total	-	-	400	-	-	-	-	400

Summary of Additional Savings Proposals 2014-2015 - Adult Services								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing	Staffing	2015	2016	2017	2018	2019	Base
	implication	implication	Base	Base	Base	Base	Base	Base
	FTE	FTE	Budget	Budget	Budget	Budget	Budget	Budget
			Saving	Saving	Saving	Saving	Saving	Saving
			£000	£000	£000	£000	£000	£000
Community								
Learning Disability - Commissioning Projects - Winterbourne	2	2	123	-	-	-	-	123
Revising the skills mix in Older Persons Social Work	-	2	50	151	-	-	-	201
Restructure of Welfare Rights, Financial Assessments and Direct Payments	3	3	95	10	-	-	-	105
Cessation of a number of preventative services contracts	-	-	125	15	-	-	-	140
Reduced Spending on Training	-	-	100	-	-	-	-	100
Community Total	5	7	493	176	-	-	-	669
Total	5	7	493	176	-	-	-	669

Summary of Additional Savings Proposals 2014-2015 - Children and Families								
Saving Proposal Title	2014-2015	2014-2019	2014-	2015-	2016-	2017-	2018-	TOTAL
	Staffing	Staffing	2015	2016	2017	2018	2019	
	implication	implication	Base	Base	Base	Base	Base	Base
	FTE	FTE	Budget	Budget	Budget	Budget	Budget	Base
			Saving	Saving	Saving	Saving	Saving	Saving
			£000	£000	£000	£000	£000	£000
Community								
Troubled Families Set Up Costs	2	2	200	-	-	-	-	200
Review of Direct Payments - Children with Disabilities	-	-	20	-	-	-	-	20
Reduction in Early Years Service and Re-alignment of Family Support within Children's Centres	3	3	259	-	-	-	-	259
To make savings on work carried out through the funding of Early Intervention Services (formerly Early Intervention Grant)	-	-	207	19	-	-	-	226
Community Total	5	5	686	19	-	-	-	705
Total	5	5	686	19	-	-	-	705

Budget Preparation Parameters

The following key parameters have been reflected in the budget and medium term projections.

	2014/15 Forecast Budget	2015/16 Forecast Budget	2016/17 Forecast Budget	2017/18 Forecast Budget	2018/19 Forecast Budget
Council Tax Annual Increase (Council element)	1.99%	1.99%	1.99%	1.99%	1.99%
Growth in Council Tax Base	0.5%	0.5%	0.5%	0.5%	0.5%
Pay Awards	1.0%	1.0%	1.0%	2.0%	2.5%
Price Inflation (excl. Gas, Electricity and NNDR)	0.0%	0.0%	0.0%	0.0%	0.0%
Price Inflation (Gas)	5.7%	5.7%	5.7%	5.7%	5.7%
Price Inflation (Electricity)	2.5%	2.5%	2.5%	2.5%	2.5%
Price Inflation (NNDR)	3.9%	3.9%	3.9%	3.9%	3.9%
Borrowing Interest Rate (PWLB 25 year rate)	4.5%	4.8%	5.1%	5.5%	5.5%
Return on Investments	0.3%	0.3%	0.3%	0.3%	0.3%
NNDR Income Annual Increase	3.6%	3.9%	3.0%	3.0%	3.0%
Growth in NNDR Tax Base	0.1%	0.2%	0.2%	0.2%	0.2%
Increase/(Decrease) in Top-Up Grant	1.9%	2.8%	3.9%	4.1%	0.0%
Increase/(Decrease) in Revenue Support Grant	(16.9)%	(29.2)%	(16.7)%	(19.9)%	(25.6)%
Increase/(Decrease) in Specific Grant	As notified assuming any future changes will be neutralised with equal and opposite changes to expenditure budgets				

Note the NNDR annual increase remains at RPI even though now capped at 2.0% as the shortfall is to be made up by the Government.