



Cabinet Meeting

22 October 2014

Dear Councillor

Cabinet - Wednesday, 22 October, 2014

I enclose, for consideration at next Wednesday, 22 October, 2014 meeting of the Cabinet, the following report that now includes the headings for the tables in Appendix A and B to the report that somehow were corrupted.

Agenda No Item

- 5 **2015/16 Budget and Medium Term Financial Strategy 2015/16 - 2018/19**
(Pages 1 - 26)
[To approve the budget strategy, to be used as a basis for budget consultation]

If you have any queries about this meeting, please contact the democratic support team:

Contact Dereck Francis

Tel 01902 555835

Email dereck.francis@wolverhampton.gov.uk

Address Democratic Support, Civic Centre, 2nd floor, St Peter's Square,
Wolverhampton WV1 1RL

Encs

This page is intentionally left blank



Cabinet Meeting

22 October 2014

Report title	2015/16 Budget and Medium Term Financial Strategy 2015/16 – 2018/19	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director Sarah Norman, Community Tim Johnson, Education and Enterprise	
Originating service	Delivery	
Accountable employee(s)	Mark Taylor	Assistant Director Finance 01902 55(6609) mark.taylor@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	09 October 2014

Recommendation(s) for action or decision:

That Cabinet is recommended to:

1. Approve the budget and medium term financial strategy for the four year period 2015/16 to 2018/19 for general fund services as the basis of budget consultation.
2. Approve the key budget assumptions set out in section 4, including budget parameters such as inflationary increases.

3. Approve that expenditure during the remainder of 2014/15 be restricted to that which is essential to enable the Council to undertake its planned level of services.
4. Approve that authority be delegated to the Cabinet Member for Resources in consultation with the Assistant Director Finance to approve the final budget consultation arrangements.

Recommendations for noting:

That Cabinet is asked to note:

1. That due to the uncertainty surrounding the future of public finances in 2015/16 and beyond, the variability inherent in forecast assumptions and the difficulties in achieving the successful delivery of significant levels of challenging savings, the projected additional savings requirement in each of the next four financial years could still change significantly as more information becomes available.
2. That due to the current level of uncertainty medium term financial planning has been restricted to a four year period in the Medium Term Financial Strategy.
3. That the assumption regarding pay awards is subject to particular uncertainty with recent proposals by the Local Government Association still being discussed.
4. That whilst the savings proposals identified are sufficient to rebuild general reserves to the minimum £10 million level in 2015/16, it is projected that general fund balances would be exhausted in 2016/17 (see paragraph 2.8). This represents progress against the council's agreed budget strategy but work must continue in order to achieve the further £35 million savings under that strategy to ensure that general fund balances are maintained in the medium term.

1. Purpose

- 1.1 This is the second report to Cabinet on the budget for 2015/16 and identifies additional savings proposals to achieve the £25 million savings target agreed by Council in March 2014. The report requests approval from Cabinet to use the budget proposals as the basis for consultation.
- 1.2 The report provides an update to the Medium Term Financial Strategy and presents the base assumptions to Cabinet for approval.

2. Summary

- 2.1 In order to tackle the substantial budget deficit that followed the drastic reduction in financial resources available to the Council arising from successive cuts in government grant support the budget strategy approved by Council in March 2014 included the following:
- 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.
 - 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.
 - 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.
- 2.2 Substantial progress against this strategy was reported to Cabinet in June 2014 and work has continued to ensure that savings targets agreed are achieved. Table 1 below sets out the position against the target at June 2014 and the current position:

Table 1 – Overarching savings strategy

Directorate	June Target	June Identified	Revised Target	October Identified	Difference
	£m	£m	£m	£m	£m
Community	17.0	15.3	15.0	15.0	0.0
Education & Enterprise	1.5	0.7	1.9	1.9	0.0
Delivery (inc. Corporate)	4.0	2.1	7.7	9.8	2.1
Office of the Chief Executive	0.2	0.0	0.4	0.4	0.0
To be allocated	2.3	0.0	0.0	0.0	0.0
Total	25.0	18.1	25.0	27.1	2.1

- 2.3 The June target of £25.0 million included £2.3 million of savings target yet to be allocated. The entire £25.0 million target has now been allocated and, in addition, £2.0 million that was originally allocated to the Community directorate for 2015/16 has been deferred to be a 2016/17 target.
- 2.4 The significant additional work that has been undertaken since June has resulted in the identification of a total of £9.0 million of additional savings proposals bringing the total to £27.1 million. There has been a further £2.0 million identified to meet the additional deferred Community directorate target referred to above.
- 2.5 The assumptions and projections underlying the MTFS have been reviewed and adjusted where necessary (section 4). This review has resulted in adjustments to income from government grant income, expenditure and historic savings proposals. The impact of the 2013/14 outturn as reported to Cabinet (Resources) Panel in July 2014 has also been incorporated in the revised projections. The cumulative impact on the projected deficit is shown in table 2 below.
- 2.6 While this represents progress against the Council's agreed budget strategy, work will continue to deliver the agreed strategy to address the projected budget deficit; namely to identify a further £35 million of savings for 2016/17. The projected position after taking account of the savings that are identified within this report (section 3) and amendments to the MTFS projections (section 4) is summarised in table 2 below:

Table 2 – Projected remaining budget deficit

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Projected remaining budget deficit (cumulative)	(11,827)	(21,261)	(32,894)	(50,541)	(59,190)
Savings proposals identified	1,885	25,169	4,716	(1,015)	(765)
MTFS Adjustments	0	(8,889)	(2,416)	(3,209)	547
Revised projected remaining budget deficit (cumulative)	(9,942)	(3,096)	(12,429)	(27,882)	(36,749)

- 2.7 Table 3 below sets out the projected uncommitted General Fund balance after taking account of the savings identified to date and the revised MTFS assumptions and projections:

Table 3 – Projected uncommitted General Fund balance

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Projected surplus (deficit) as at March 2014	4,512	(16,749)	(49,683)	(100,184)	(159,374)
Cumulative effect of savings proposals identified	1,885	28,939	60,709	91,514	121,554
Cumulative effect of MTFS adjustments	7,548	(1,341)	(12,646)	(20,742)	(28,291)
Revised projected surplus (deficit)	13,945	10,849	(1,620)	(29,462)	(66,211)
Shortfall against £10 million minimum	-	-	11,620	39,462	76,211

- 2.8 As can be seen, whilst the savings proposals identified are sufficient to rebuild general reserves to the minimum £10 million level in 2015/16, work must continue in order to avoid exhausting general fund balances in 2016/17.
- 2.9 In order to support the savings programme in rebuilding general reserves it is proposed that expenditure during the remainder of 2014/15 be restricted to that which is essential to enable the Council to undertake its planned level of services.
- 2.10 It should also be noted that the projected general fund balance is subject to change as a result of any variations in the outturn for 2014/15. These will continue to be monitored on a quarterly basis and the projections updated where necessary.
- 2.11 It is proposed that the 2015/16 budget and medium term financial strategy 2015/16 - 2018/19 (MTFS) as outlined in this report and incorporating the savings and MTFS adjustments shown in sections 3 and 4 respectively are approved as the basis for the 2015/16 budget consultation.
- 2.12 It is proposed that authority be delegated to the Cabinet Member for Resources in consultation with the Assistant Director Finance to approve the final budget consultation arrangements.

3. Savings Proposals

3.1 Savings proposals that have been identified are summarised in table 4 below:

Table 4 – Savings Proposals Summary

	2014/15 £000	2015/16 £000	Later Years* £000
Savings proposals identified at June 2014	1,684	16,418	(1,171)
Adjustments to June Proposals	150	(823)	1,815
New proposals	51	9,574	(708)
	1,885	25,169	(64)

* figures reported in brackets represent a reduction to previously approved savings proposals in later years due to these being accelerated and implemented in earlier years.

3.2 Savings proposals that were approved in June, subject to the outcome of appropriate consultation and scrutiny and equality analysis, have been subject to further refinement and quantification with the necessary adjustments made. These have largely been amendments to the timing of implementation but have also included increases in the value of savings achievable.

3.3 The details of the June 2014 savings proposals as amended are provided in appendix A. Where appropriate further details on individual savings proposals are available on the Council's website using the following link
<http://www.wolverhampton.gov.uk/budgetsavings>.

3.3 New proposals identified since June are summarised in table 5 below:

Table 5 – New Savings Proposals

Cabinet Portfolio	No.	2014/15 £000	2015/16 £000	Later Years* £000
Resources	13	-	6,683	(714)
Governance and Performance	2	-	35	-
Leisure and Communities	1	-	35	(35)
Leader of the Council	2	-	400	-
City Services	7	-	807	-
Economic Regeneration and Prosperity	6	-	916	50
Learning and Achievement	1	-	100	(100)
Adult Services	1	51	298	91
Children and Families	2	-	300	-
	35	51	9,574	(708)

* figures reported in brackets represent a reduction to previously approved savings proposals in later years due to these being accelerated and implemented in earlier years.

- 3.4 Details regarding the savings in table 5 are provided in appendix B. Where appropriate further details on individual savings proposals are available on the Council's website using the following link <http://www.wolverhampton.gov.uk/budgetsavings>.
- 3.5 The most significant new proposal is a technical accounting change to the policy on calculating the Council's Minimum revenue Provision (MRP) which will generate an annual saving of approximately £4.4 million. This is an area that a number of councils have been reviewing and, whilst the new annuity basis of calculation is seen as less prudent traditionally, the resulting provision is still assessed as sufficiently prudent overall by the Section 151 Officer and agreed by the Council's external auditors. This policy change will require separate approval by Cabinet and Council.

4. MTFS Assumptions and Projections

- 4.1 The major assumptions used in the preparation of the MTFS are provided at appendix C. These have been adjusted where necessary based upon the latest available information. However it should be noted that, as is the nature of forecasts, these are subject to change in the light of new information.
- 4.2 Given the level of uncertainty in the outlook for local government finance at present the planning horizon for the current MTFS has been restricted to four years. If the current level of uncertainty persists it is intended that this will be further reduced to three years from 2016/17.
- 4.3 The cumulative impact of the changes to the MTFS is shown in table 6 below:

Table 6 – Cumulative Impact of Changes to MTFS

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Cumulative effect of MTFS adjustments	7,548	(1,341)	(12,646)	(20,742)	(28,291)

- 4.4 Further detail of the changes made to the MTFS is provided at Appendix D.
- 4.5 It should be noted that the pay award assumption, which has been revised is subject to particular uncertainty with recent proposals by the Local Government Association still being discussed.

5. Budget Risk Management

- 5.1 The overall level of risk associated with the five year budget and MTFs for 2015/16 to 2018/19 continues to be assessed as Red. The six main areas of risk are summarised in the table at appendix E.

6. Financial Implications

- 6.1 The financial implications are discussed in the body of the report

[NA/08102014/B]

7. Legal Implications

- 7.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any savings proposals.
- 7.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.
- 7.3 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its council tax. The Council is required to take this report into account when making its budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon an assessment of all the circumstances considered likely to affect the Council.
- 7.4 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by CIPFA in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFs, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).
- 7.5 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.

- 7.6 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.
- 7.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2015/16.

[KO/13102014/U]

8. Equalities Implications

- 8.1 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

- 8.2 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.
- 8.3 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.

- 8.4 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.
- 8.5 In determining the budget for 2015/16 considerable focus has been placed on the development of savings proposals. All of these proposals will be subject to an equality analysis screening and where necessary a full equality analysis will be conducted.
- 8.6 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 2015/16 budget particular attention has been given to attempts to lessen any adverse impact of proposals on individuals and communities in most need.
- 8.7 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 will be conducted on the overall budget proposals, including the overall impact of job losses. This is will be made available on the Council's website.
- 8.8 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.
- 8.9 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.
- 8.10 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.
- 8.11 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.

9. Environmental Implications

- 9.1 Environmental implications will be addressed on a case by case basis as part of individual savings proposals.

10. Human Resources Implications

- 10.1 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 in the period up to December 2014. The HR1 covers the current voluntary redundancy programme and savings proposals which will result in compulsory redundancies. A further HR1 based on additional proposals will be required from December 2014.
- 10.2 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.
- 10.3 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.

10.4 There is ongoing consultation with the trade unions on the impact Council's budgetary position and the proposals being made to meet the challenges posed by it.

11. Corporate Landlord Implications

11.1 Corporate landlord implications will be addressed on a case by case basis as part of individual savings proposals.

12. Schedule of Background Papers

12.1 Report to Cabinet 25 June 2014 – Managing the Budget Cuts – The Next Phase

Updated June Savings Proposals by Cabinet Portfolio

Adult Services

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Promoting Independence- Disabilities (Residential / Nursing Placements)	Community	-	1,003	-
Promoting Independence - Disabilities (Day Care)	Community	-	129	-
Promoting Independence - Disabilities (Domiciliary Support Plans)	Community	-	570	-
Promoting Independence - Disabilities (High Cost Placements)	Community	-	638	-
Promoting Independence - Disabilities (Supported Living Placements)	Community	-	340	-
Promoting Independence - Disabilities (Transition)	Community	-	320	-
Promoting Independence - Older People	Community	-	512	1,000
Promoting Independence - Mental Health (Resettlement from Long Term Care into Independent Living)	Community	-	200	-
Promoting Independence - Mental Health (Transition)	Community	-	125	-
Promoting Independence - Mental Health (High Cost Residential Placements)	Community	-	175	-
Efficiency Savings in staff from the implementation of the Care Act	Community	-	1,000	(350)
To remodel existing Adult Short Breaks services and contract out to an external provider.	Community	-	100	-
To close the Old Tree Nursery (OTN) in a managed fashion by October 2014 giving appropriate support to the employees who have a disability.	Community	-	199	-
In-house Provision – Supported Employment	Community	-	97	-
To transfer services out of Oxley Day Centre over the next 2 years and in to better quality community settings.	Community	-	50	-

Updated June Savings Proposals by Cabinet Portfolio

Adult Services (continued)

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Commissioning – Bring forward 18/19 savings*	Community	-	38	(38)
Increase and introduce charges for the Council's Carelink Service	Community	-	219	-
More Efficient Use of Very Sheltered Housing	Community	-	500	-
Reduce the total number of care home placements	Community	-	500	-
To Gain Further Efficiencies from External Market Day Service Block Contracts	Community	-	50	-
Single Carer Project	Community	150	338	-
Reduce the number of domiciliary care hours	Community	-	450	-
Housing Support Social Inclusion Savings	Community	81	203	-
Other statutory recharge from HRA	Community	150	-	-

* These savings are joint with Children and Families Services

Children and Families

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Children's Short Breaks administration	Community	19	19	-
Wolverhampton Youth Zone	Community	-	350	(150)
Special Educational Needs Reform Grant Efficiencies	Community	140	(140)	-
Looked After Children	Community	-	5,000	1,000
Commissioning – Bring forward 18/19 savings*	Community	-	53	(53)
Additional Savings - The Haven	Community	-	84	-

* These savings are joint with Adult Services

Updated June Savings Proposals by Cabinet Portfolio

Leisure and Communities

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Removal of subsidy for Blakenhall Community & Healthy Living Centre	Community	-	100	-
Deletion of Neighbourhood Wardens Service	Education & Enterprise	-	480	-
Acceleration of reconfiguration of internally delivered Cultural Services	Education & Enterprise	-	220	(220)
Accelerated Savings From Grand Theatre Grant	Education & Enterprise	-	15	(15)

City Services

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Migration of services into the Contact Centre and streamlining existing Customer Service functions	Delivery	-	152	-
Acceleration of saving proposal 0037 (Highways Maintenance)	Delivery	-	400	(400)
Reduction in the level of management in the waste service	Delivery	-	40	-
Acceleration of saving proposal 0041 - reconfiguration of the waste service	Delivery	-	230	(230)

Updated June Savings Proposals by Cabinet Portfolio

Economic Regeneration and Prosperity

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
New combined Housing service	Education & Enterprise	-	100	-
Further merged and shared transportation services.	Education & Enterprise	-	25	(25)

Health and Wellbeing

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Improving health outcomes across the wider determinants of health	Community	150	350	500

Resources

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Revenues & Benefits Restructure	Delivery	100	100	-
Council tax benefit overpayments one-off/short-term benefit (collection fund)	Delivery	-	50	(50)
Advertising Income Generation	Delivery	-	50	-
Sharing Services Across the Black Country	Delivery	-	50	50
Treasury Management technical changes	Delivery	100	-	-
Treasury Management commercial loans opportunities	Delivery	-	50	-
Treasury Management savings from capital programme review and impact of 2013/14 outturn	Corporate	900	(14)	(300)
Internal Audit - Acceleration of previously identified savings	Delivery	-	75	(75)

Updated June Savings Proposals by Cabinet Portfolio

Governance and Performance

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Chief Officers' Annual Increments Voluntarily Forgone	Office of the Chief Executive	8	-	-
	Delivery	16	-	-
	Community	11	-	-
	Education & Enterprise	9	-	-

Further details on the savings proposals are available on the Council's website via the following link <http://www.wolverhampton.gov.uk/budgetsavings>

Additional Savings Proposals by Cabinet Portfolio

Children and Families

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Children, Young People and Families Voluntary Redundancies.	Community	-	200	-
Review Workforce Need and Capabilities within the Safeguarding and Quality Service	Community	-	100	-

Adult Services

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Reduction in the Direct Payment rate related to Personal Assistants	Community	51	298	91

City Services

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Efficiency Savings Arising from the Corporate Landlord Model	Delivery	-	192	-
Staffing review of the Markets Service	Delivery	-	25	-
Reduction in waste disposal costs (landfill)	Delivery	-	100	-
Reduction of the winter service budget	Delivery	-	50	-
Removal of the historical contract growth costs for landfill tax	Delivery	-	140	-
Employee car parking fees	Delivery	-	300	-

Additional Savings Proposals by Cabinet Portfolio

Economic Regeneration and Prosperity

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Highways Maintenance - Reduction in Borrowing for Treasury Management	Education & Enterprise	-	38	-
Efficiency savings across the Directorate	Education & Enterprise	-	78	-
Additional New Homes Bonus through the Empty Homes Council Tax data cleanse	Education & Enterprise	-	400	-
Capitalisation of staff revenue costs associated with development schemes	Education & Enterprise	-	50	(50)
Savings from the restructuring of senior management in order to deliver the Council wide target, of a minimum of £350,000, approved by Full Council on 17 September 2014.	Education & Enterprise	-	100	100
Housing Revenue Account Shops Portfolio	Education & Enterprise	-	250	-

Learning and Achievement

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Review Adult Education funding arrangements	Education & Enterprise	-	100	(100)

Leisure and Communities

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Review of Community Safety Service	Education and Enterprise	-	35	(35)

Additional Savings Proposals by Cabinet Portfolio

Resources

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Refocusing Legal Services	Delivery	-	177	-
Refocusing of Internal Audit Services	Delivery	-	72	-
Technical change to the Council's policy for Minimum Revenue Provision	Delivery	-	4,400	-
Reduction in West Midlands Integrated Transport Authority Levy	Delivery	-	723	-
Acceleration of Existing Savings both from Efficiencies and the restructuring of senior management in order to deliver the Council wide target, of a minimum of £350,000, approved by Full Council on 17 September 2014.	Delivery	-	274	(274)
Acceleration of existing saving proposal - reduction in contribution to bad debt provision	Delivery	-	175	(175)
Preliminary estimate of banking charges procurement savings; to be revised when procurement exercise concludes	Delivery	-	40	(40)
Reduction in the number of payment cards issued	Delivery	-	10	-
Penalties for failure to supply information relating to council tax recovery	Delivery	-	5	-
One-off saving from Government grant.	Delivery	-	225	(225)
Treasury Management - additional investment income and further reduction in borrowing costs	Delivery	-	205	-
On-going restructuring of the ICT Service and capitalisation of ICT Capital Programme activity	Corporate	-	317	-
Review frequency and the support for meetings.	Delivery	-	60	-

Additional Savings Proposals by Cabinet Portfolio

Governance and Performance

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Annual Travel Card Scheme Expenditure	Delivery	-	25	-
Occupational Health External Clients	Delivery	-	10	-

Leader of the Council

Description of Saving	Directorate	2014/15 £000	2015/16 £000	Later Years £000
Additional savings from Communications restructure (026).	Office of the Chief Executive	-	200	-
Savings from the restructuring of senior management in order to deliver the Council wide target, of a minimum of £350,000, approved by Full Council on 17 September 2014.	Office of the Chief Executive	-	200	-

Further details on the savings proposals are available on the Council's website via the following link <http://www.wolverhampton.gov.uk/budgetsavings>

Budget Preparation Parameters

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

	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%
Growth in Council Tax Base	0.5%	0.5%	0.5%	0.5%
Pay Awards	1.5%	2.0%	2.0%	2.5%
Price Inflation (excl. Gas, Electricity and NNDR)	0.0%	0.0%	0.0%	0.0%
Price Inflation (Gas)	5.1%	5.1%	5.1%	5.1%
Price Inflation (Electricity)	6.0%	6.0%	6.0%	6.0%
Price Inflation (NNDR)	2.0%	2.0%	2.0%	2.0%
Borrowing Interest Rate (PWLB 25 year rate)	4.8%	4.8%	4.9%	5.0%
Return on Investments	0.3%	0.3%	0.3%	0.3%
NNDR Income Annual Increase	3.0%	3.0%	3.0%	3.0%
Growth in NNDR Tax Base	0.2%	0.2%	0.2%	0.2%
Increase/(Decrease) in Top-Up Grant	2.8%	3.9%	4.1%	0.0%
Increase/(Decrease) in Revenue Support Grant	(29.2)%	(16.7)%	(19.9)%	(25.6)%

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.

MTFS Adjustments (Cumulative Impact)

Description		2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
1	Primary Schools Expansion Programme	-	-	(400)	(400)	-	(800)
2	Education Services Grant Cut	-	(1,450)	(150)	(150)	(150)	(1,900)
3	Amendments to Terms and Conditions savings including removal of reduced hours proposal	-	(4,299)	(1,098)	3,799	498	(1,100)
4	Adjustment to Redundancy costs projection	(479)	(250)	-	-	250	(479)
5	Additional Business Rates appeals costs	-	(250)	-	-	-	(250)
6	2013/14 and 2014/15 outturn adjustments and amendments to deliverability and timing of historic savings	8,027	(1,975)	575	-	-	6,627
7	Pay award Increase	-	(665)	(1,343)	(40)	(51)	(2,099)
	Total Annual Impact on General Balance	7,548	(8,889)	(2,416)	3,209	547	(1)
	Total Cumulative Impact on General Balance	7,548	(1,341)	(12,646)	(20,742)	(28,291)	

1. Additional treasury management costs in respect of additional capital expenditure to fund the expansions in primary schools places
2. Cut in the value of the Education Services Grant received from Government together with the impact of the loss of funding from schools transferring to Academy status.
3. Amendment to proposals for changing staff terms and conditions which includes the removal of the proposals to reduce hours from 37 to 35 per week and to freeze increments.
4. Redundancy projections have been reassessed in the light of current costs and savings proposals.
5. National and local experience of rates appeals results since the implementation of localisation of business rates in 2013/14 indicates that the additional costs will result from outstanding appeals

6. Amendment to the MTFS was required for the outturn for 2013/14 and the projected outturn for 2014/15 as reported to Cabinet in July 2014. Further changes have been made in respect of the 2014/15 impact of the proposal for a technical to change the MRP policy, for minor changes to inflation assumptions, and for adjustment to historic savings proposals.
7. The projected pay award has been increased in the light of the most recent information in order to keep a prudent position in the MTFS.

General Fund Budget Risks 2015/16 – 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

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>.

This page is intentionally left blank