

Vibrant and Sustainable City Scrutiny Panel Meeting

Thursday, 26 November 2020

Dear Councillor

VIBRANT AND SUSTAINABLE CITY SCRUTINY PANEL - THURSDAY, 26TH NOVEMBER, 2020

I am now able to enclose, for consideration at next Thursday, 26th November, 2020 meeting of the Vibrant and Sustainable City Scrutiny Panel, the following report that was unavailable when the agenda was printed.

Agenda No	Item
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| 5 | <u>Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024</u>
(Pages 3 - 42) |
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Vibrant and Sustainable City Scrutiny Panel

26 November 2020

Report title	Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Steve Evans City Environment	
	Councillor Jacqueline Sweetman City Assets and Housing	
	Councillor Steve Simkins City Economy	
Corporate Plan priority	Confident Capable Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
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Recommendations for decision:

The Panel is recommended to:

1. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council.
2. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024.
3. Approve that the Scrutiny Panel response be finalised by the Chair and Vice Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Panel's feedback on the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council. In addition to this, the Panel's feedback is also sought on the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 that is due to be presented to Cabinet on 11 November 2020.

2.0 Draft Budget and Medium Term Financial Strategy Background

- 2.1 Since 2010-2011 despite the successive cuts in Council resources, which have led to significant financial challenges, the Council has set a balanced budget in order to deliver vital public services and city amenities. Over the last ten years the Council has identified budget reductions in excess of £235 million.
- 2.2 The Budget and Medium Term Financial Strategy (MTFS) 2020-2021 to 2023-2024 was presented to Full Council for approval on 4 March 2020. The Council was able to set a balanced budget for 2020-2021 without the use of General reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £15.5 million in 2021-2022 rising to around £20 million over the medium term to 2023-2024.
- 2.3 It is important to note that the budget was prepared prior to the Covid-19 pandemic. At the time of reporting to Council, the full impact of Covid-19 was not anticipated and the impact on both the finances and operating environment could not have been foreseen.
- 2.4 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council.
- 2.5 Since March 2020, work has been ongoing across the Council to review corporate resources assumptions, growth and inflation assumptions and opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2021-2022 and future years, whilst also detailing the emerging pressures that the Council currently faces in response to the Covid-19 pandemic.
- 2.6 It should be noted that due to external factors, especially surrounding the Covid-19 pandemic and Brexit, budget assumptions remain subject to change. This could therefore result in alterations to the financial position faced by the Council.

3.0 Five Year Financial Strategy

- 3.1 The Council's strategic approach to address the budget deficit continues to be to align resources to Our Council Plan 2019-2024 which was approved by Full Council on 3 April 2019.
- 3.2 Our Council Plan, developed with the people of the City of Wolverhampton at its heart, sets out how we will deliver our contribution to Vision 2030 and how we will work with our partners and communities to be a city of opportunity. The plan includes six strategic

priorities which come together to deliver the overall Council Plan outcome of 'Wulfrunians will live longer, healthier and more fulfilling lives.' Over the medium term, resources will continue to be aligned to enable the realisation of the Council's strategic priorities of achieving:

- Children and young people get the best possible start in life
- Well skilled people working in an inclusive economy
- More good jobs and investment in our city
- Better homes for all
- Strong, resilient and healthy communities
- A vibrant, green city we can all be proud of.

3.3 All of the strategic outcomes will be supported by the 'Our Council' Programme, which will help us drive organisational improvement and development.

3.4 Covid-19 has had a significant international, national and regional impact and will continue to do so over the short and medium term. The pandemic has made the challenges faced in our local economy much harder. Alongside managing the emergency response to the pandemic, the Council has also undertaken extensive planning for recovery which was approved by Cabinet in September. It engaged with around 2,500 people including residents, young people, the voluntary and community sector and other partners, employees, Councillors and businesses across the city. This engagement has shaped the Council's five-point recovery plan, 'Relighting our City'.

3.5 The Financial Strategy, approved by Council in March 2019, consists of five core principles underpinned by eight core workstreams. Using the Core Workstreams as the framework for the Financial Strategy detailed delivery plans are being developed all with a lead director. The core principles are:

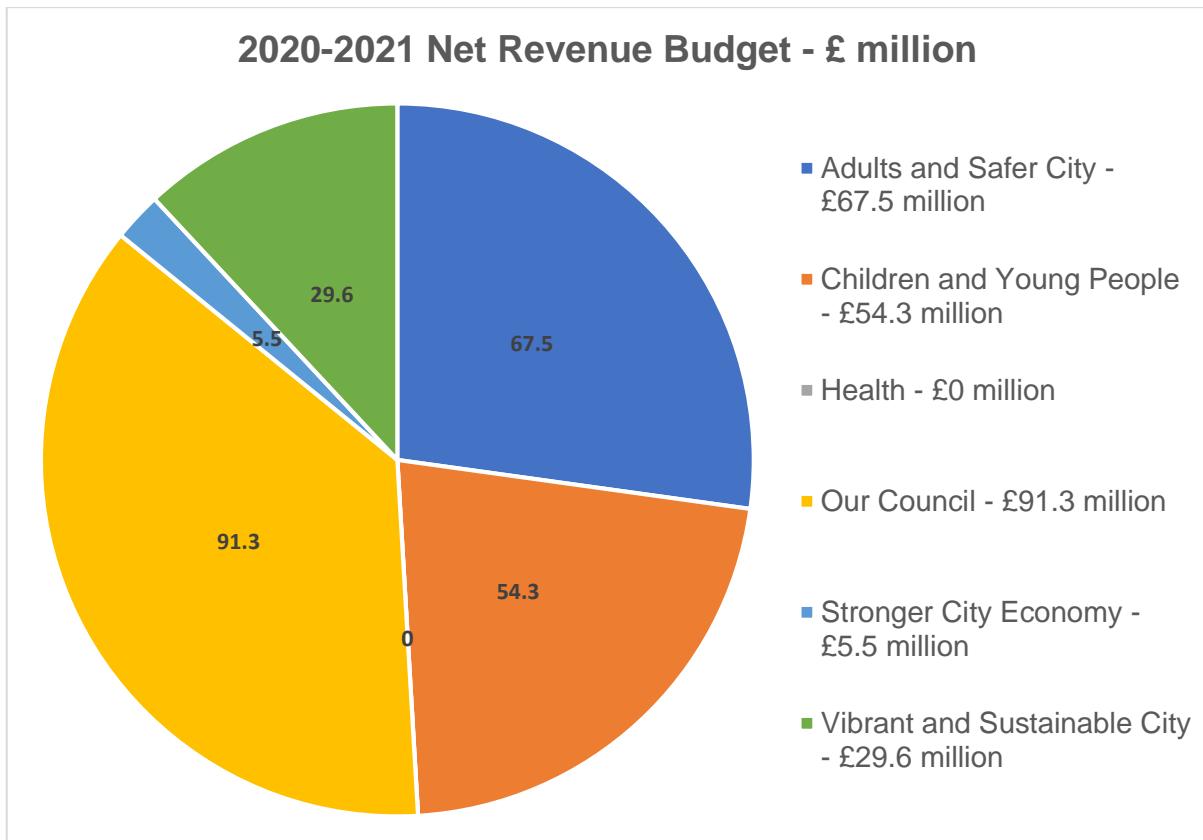
- **Core Principles:**

- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
- **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities to provide an effective and supportive environment.
- **Delivering Inclusive Economic Growth.** We will continue to drive investment in the City to create future economic and employment opportunities.
- **Balancing Risk.** We will ensure we base decisions on evidence, data and customer insight.
- **Commercialising our Approach.** We will boost social value in our City by maximising local procurement spend with people and businesses.

4.0 Budget – Vibrant and Sustainable City Scrutiny Panel remit

- 4.1 As detailed above, when addressing the budget challenge, the Council continues to focus on aligning its resources to strategic outcomes.
- 4.2 The Council holds a net revenue expenditure budget totalling £248.2 million for the 2020-2021 financial year. Of this, services relevant to the remit of the Vibrant and Sustainable City Scrutiny Panel have net revenue expenditure budgets totalling £29.6 million, as can be seen in Chart 1 below.

Chart 1 – Net Revenue Budget 2020-2021



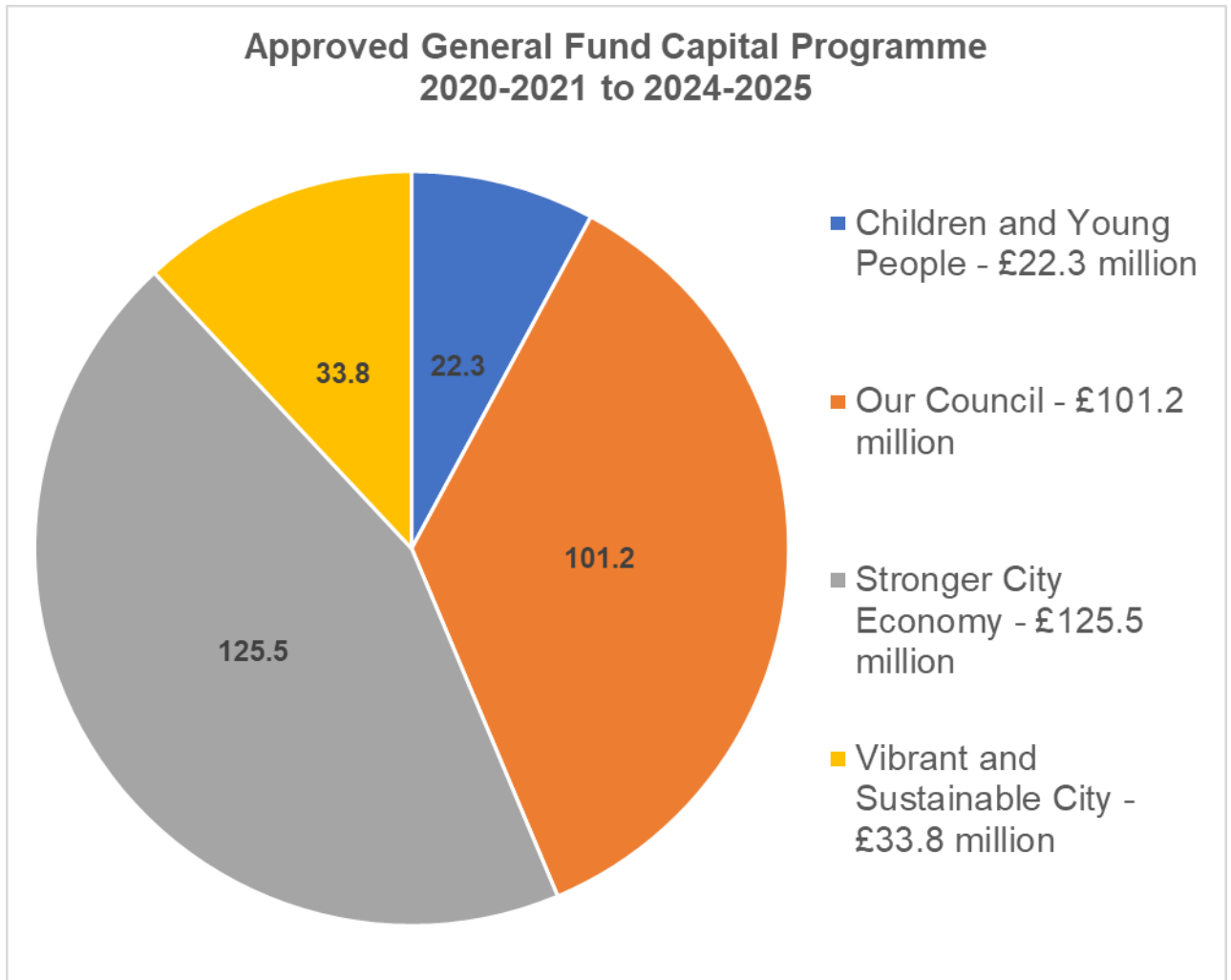
- 4.3 A further breakdown of the net revenue budget for each service relevant to the remit of this Panel is provided in Table 1 below:

Table 1 – Service and Revenue Budget Provision

Service	2020-2021 Gross Expenditure Budget £000	2020-2021 Gross Income Budget £000	2020-2021 Net Revenue Expenditure/ (Income) Budget £000
Bereavement and Coroner Services	1,934	(3,734)	(1,800)
Black Country Transport	155	(123)	32
City Events	1,351	(966)	385
City Planning	2,286	(1,507)	779
Cleaning	158	(162)	(4)
Environmental and Commercial Regulation	8,937	(6,526)	2,411
Environmental Services	7,132	(858)	6,274
Fleet Services	2,965	(1,110)	1,855
Highways Maintenance	2,387	(815)	1,572
Housing	4,172	(3,184)	988
Leisure Services	5,236	(4,475)	761
Markets	1,548	(2,159)	(611)
Operation & Maintenance of Existing Network	3,090	(2,110)	980
Parking Services	2,060	(5,002)	(2,942)
Street Lighting	2,944	(73)	2,871
Transportation	8,436	(2,968)	5,468
Waste and Recycling	17,891	(7,295)	10,596
Total	72,682	(43,067)	29,615

- 4.4 Gross expenditure and gross income relate to the budgets directly in the control of the service area. Overhead costs such as property related expenditure and support services are held separately.
- 4.5 When reviewing the budget, it is important to consider the gross income and gross expenditure for each service. Budget efficiencies can be achieved through reductions in expenditure budgets, in addition to maximising income generation opportunities.
- 4.6 In addition to this, as detailed in Chart 2, services relevant to the Vibrant and Sustainable City Scrutiny Panel remit also have an approved General Fund capital programme budget totalling £33.8 million over the medium term period from 2020-2021 to 2024-2025.

Chart 2 – Approved General Fund Capital Programme Budget 2020-2021 to 2024-2025



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

Table 2 – Capital Programme and Capital Budget Provision

Capital Programme	2020-2021 to 2024-2025 Capital Programme Expenditure £000
Accessing Growth Fund	358
Active Travel Programme	99
Bereavement Services	634
Bowling provision	102
Bowman's Harbour - Former Landfill Sites	101
Cricket provision	2
Disabled Access (rolling programme)	20
Disabled Facilities Grants	5,210
General Waste Service Improvement	44
Highway Improvement Programme	1,151
Highway Structures (bridges, subways, retaining walls)	1,490
Housing General Fund General Schemes - Capitalised Salaries	101
Housing General Fund General Schemes - Empty Properties Strategy	243
Housing General Fund General Schemes - Small Works Assistance (SWA)	475
Housing General Schemes - Affordable Warmth	324
i54 Access and Infrastructure	465
Leisure Centres Enhancement	342
Lighting up the City	93
Maintenance of classified roads	3,030
Maintenance of Non Highway Structures	3
Maintenance of unclassified roads	2,471
Markets Bilston Retail Market	15
Markets W'ton Wholesale Market	10
Network Development - Safer Routes to School	50
Parks Strategy and Open Space	1,841
Raglan Street - Sainsburys S278 works	28
Safety Programme	1,462
Smart and Accessible City	183
Sports Investment Strategy	326
Street Lighting	7,009
Vehicles (Procurement)	5,948
Waste & Recycling Strategy	144
Total	33,774

5.0 Key Strategies and Transformation

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

- **Climate Change** - responsible for the development of the Council's response to the recently adopted Climate Emergency motion and relevant action plan.
- **Waste Transformation Programme** – Managing the Council's statutory waste functions; including the collection and disposal of residential residual, recycling and garden waste, operation of the two Household Recycling Centres, Transfer Station and Commercial Waste collection.
- **Markets Strategy** – Management of the Council's market estate across four sites and the delivery of themed markets across the city.
- **Highways Improvement Programme** – Wolverhampton's Annual Transportation Capital programme was approved by Cabinet on 3 June 2020. The current multi million programme is funded by a mixture of external grants, developer contributions and Council borrowing. The programme delivers a range of highway schemes to develop, maintain and improve the safety and sustainability, of the transportation network, while supporting the development of major schemes such as City Centre Public Realm, Great Spaces and City East gateway to regenerate our city.
- **Street Lighting LED Programme** – From April 2019-March 2022, this project will contribute significantly to the four pillars of Wolverhampton's Sustainability Strategy and Implementation Plan: to support low carbon growth in our city centre economy; reduce energy consumption and promote healthier multi-modal transport choices. Utilising the street lamp network as a basic building block, this project inserts SMART technology via the lighting columns across the city. Wolverhampton would be one of the first cities in the UK to embrace this technology - following in the footsteps of Chicago and Glasgow - to piggyback on the high-density coverage of the existing street light network to install innovative SMART city infrastructure.
- This could deliver, not just energy efficiency, but also live data to "remote control" public services and offer a free open public data platform to enable behaviour change; the much-needed ingredient to achieve a shift towards greater take up of lower carbon transport.
- **Car parks and highway enforcements** – Maintaining the Council's parking assets, both off-street and on-street parking, as well as all relevant highway enforcement functions to ensure we keep the city moving.
- **Commercial Regulation** – This area includes Environment Health, Trading Standards, Licensing and Private Sector Housing. These services deal with premises licensing (alcohol), sex establishments, gambling act and general licensing and compliance, food safety, health protection, food standards, food

fraud, infectious disease, environmental permits, commercial noise complaints, animal welfare inspections, HMO applications, private sector housing standards - feeding into the city housing strategy, local and national private hire licensing.

- **City Events** is focussed on delivering an exciting programme of events across the city in order to change perceptions and build a positive reputation for the city, increase economic benefit and increase social value, jobs volunteering and skills, stimulating vibrant high streets and communities.

This includes delivery of large scale outdoor events, delivering events in partnership, attracting events to the city using our parks and open spaces and delivering events at venues across the city.

- **Environmental and Commercial Regulation** – This area covers Environmental issues such as fly tip investigations, highway issues, travellers, statutory nuisance, consumer scams, vulnerable adults and community engagement across the City. These services collectively deal with over 10,000 service requests a year.
- **Environmental Services** is focused on maintaining the City environment, to deliver the strategic outcome ‘a vibrant, green city we can all be proud of’. Front line operations provide: -
 - Street cleaning programmes to ensure areas are kept predominantly free from litter, detritus, graffiti, fly posting and fly tipping; and respond to emergency calls for dead animals, syringes and RTC’s.
 - Seasonal Grounds maintenance operations to control weeds, cut grass and prune hedgerows, leaf collection; maintain sports pitches and conserve meadow areas and Nature Friendly Zones along the highway and on our parks and green spaces.
 - Four yearly inspection of more than 12,000 highway, Leisure and cemetery trees to maintain the health of the council tree stock and emergency response to fallen/dangerous trees.
 - Management of parks, nature reserves and green open spaces and the sport pitch play provision. Inspect and maintain playground/outdoor fitness equipment and park infrastructure and ensure S106 money is utilised to refurbish existing play areas and adopt new green space/play areas.
 - Provide Rangers support in our park and open spaces and sports venues including open water safety and outdoor paddling pool provision.
 - Landscape and Ecology Practice – provide professional advice and landscape design and ecology
- **Fleet Services** – Support the City’s priorities and Our Council Programme through the provision of a quality, safe and value for money fleet service, this includes provision and maintenance at the Council’s vehicle workshop of a fleet comprised of 600 commercial, specialist vehicles, mobile plant and equipment to the Council and partner organisations.

Bereavement Services - Bushbury Crematorium carries out approximately 2,650 cremations per annum, making it the 17th busiest individual crematorium out of 280 existing crematoria in the UK. Around 500 burials are carried out each year within

the Authority's seven cemeteries, along with a similar number of cremated remains interments.

The Coroners service is also part of the Bereavement Service function. The Mortuary is situated in Wednesfield and has 25 refrigeration and 10 freezer spaces.

- **WV Active** – WV Active's business model has undergone a full review which has included a back to basics approach, looking at the core business operation, membership strategy and operational delivery model.
- **City Housing Strategy 2019-24** – The City Housing Strategy confirms the importance of, and delivery plans to, accelerate housing development and provide greater choice of accommodation to provide for housing needs and the inclusive economic growth for our City. Furthermore, the Strategy focuses on the importance of providing high-quality housing design and property management standards, including private rented accommodation. It is vital we continue to provide enough good quality homes, including new affordable homes and options for seeking to access home ownership, in our City. Post Covid, we are reviewing the suitability of services; including accommodation for people who are homeless (which may include shared facilities and therefore may no longer be suitable) and how, following a period of considerably reduced face-to-face contact, we move forward to new ways of working which embrace technology/online contact but also reintegrate public facing services.

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

- 6.1 Since March 2020, Cabinet have been provided with two further Budget and Medium Term Financial Strategy (MTFS) updates in July and November 2020 to review corporate resources assumptions, growth and inflation assumptions and opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2021-2022 and future years, whilst also detailing the emerging pressures that the Council currently faces in response to the Covid-19 pandemic.
- 6.2 In November 2020, Cabinet were presented with the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 report in which it was forecast that, after taking into account projected changes to corporate resources and emerging pressures, the projected remaining budget deficit for 2021-2022 would be in the region of £4.5 million, rising to £19.6 million over the medium term period to 2023-2024. This assumes the Government will fund Covid-19 pressures over the medium term. As detailed in the Cabinet report appended at Appendix 1, in the event that sufficient grant funding to meet the pressures arising as a result of Covid-19 is not provided by the Government to local authorities, this would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget reductions sufficient enough to set a balanced budget.
- 6.3 Appendix 1 provides a copy of the 'Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024' report for your consideration. Feedback from this and the other

Scrutiny Panel meetings will be reported to Scrutiny Board on 8 December 2020, which will consolidate that feedback in a formal response to Cabinet on 13 January 2021. The feedback provided to Scrutiny Board will include questions asked by Panel members, alongside the responses received. Cabinet will take into account the feedback from Scrutiny Board when considering the final budget setting report in February 2021, for approval by Full Council in March 2021.

7.0 Panel Recommendations

7.1 The Panel are recommended to provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on:

- the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council;
- the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024;
- any other comments.

7.2 The Panel are also recommended to approve that the Scrutiny Panel response be finalised by the Chair and the Vice-Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

8.0 Financial implications

8.1 The financial implications are discussed in the body of the report, and in the report to Cabinet.

[MH/18112020/W]

9.0 Legal implications

9.1 The legal implications are discussed in the report to Cabinet.

[TS/18112020/R]

10.0 Equalities implications

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

11.0 Climate change and environmental implications

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

12.0 Human resources implications

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

13.0 Corporate landlord implications

13.1 The corporate landlord implications are discussed in the report to Cabinet.

14.0 Health and wellbeing implications

14.1 The health and wellbeing implications are discussed in the report to Cabinet.

15.0 Covid implications

15.1 The Covid implications are discussed in the report to Cabinet.

16.0 Schedule of background papers

Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, report to Cabinet, 11 November 2020

Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, report to Cabinet, 29 July 2020

Final Budget Report 2020-2021, report to Full Council, 4 March 2020

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 11 November 2020
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Report title	Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	22 October 2020

Recommendations for decision:

The Cabinet is recommended to approve:

1. The updated draft budget strategy linked to the Five Year Financial Strategy, including changes to corporate resource assumptions and growth and inflation, for inclusion in the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024.
2. That work continues to further develop budget reduction and income generation proposals, in order to ensure that a balanced budget can be set for 2021-2022.
3. That authority be jointly delegated to the responsible Cabinet Member and the Cabinet Member for Resources, in consultation with the responsible Director and the Director of Finance to vary fees and charges in line with key priorities.

4. That authority be jointly delegated to the Cabinet Member for Resources, in consultation with the Director of Finance to establish supplementary revenue budgets funded by grant and approve any virements required to support the costs associated the second national lockdown. As detailed in paragraph 3.8, the Government have announced a number of grants for local authorities in response to the second national lockdown. At the time of writing this report, the full details of these grants were not known.

Recommendations for noting:

That Cabinet is asked to note:

1. That the Council needs the Government to provide confirmation of future years funding as soon as possible and by early December at the latest, in order to ensure that the Council has a clear direction of funding available over the medium term.
2. That, despite austerity since 2010, the Council has a strong track-record of managing money well, planning ahead and delivering excellent services. The financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy.
3. The impact Covid-19 has had and will continue to have a significant financial impact on the 2020-2021 budget and Medium Term Financial Strategy. However, following announcements made by Government it is assumed that sufficient grant funding will be provided to cover the cost pressures arising as a result of the Covid-19 pandemic. Taking this into account, the 2021-2022 projected budget deficit stands at £4.5 million.
4. That, in the event that the Government do not provide sufficient grant funding to meet the cost pressures arising as a result of the Covid-19 pandemic, the 2021-2022 projected budget deficit would be in the region of £23.2 million. This would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget reductions sufficient enough to set a balanced budget.
5. That, a number of assumptions have been made with regards to the level of resources that will be available to the Council as detailed in this report. It is important to note that there continues to be a considerable amount of uncertainty with regards to future income streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.
6. That, due to external factors, budget assumptions remain subject to significant change, which could, therefore, result in alterations to the financial position facing the Council.
7. That the 2021-2022 budget timetable will, as in previous years, include an update on all budget assumptions and the outcome of the Provisional Local Government Settlement will be presented to Cabinet by January 2021, with the final budget report due to be approved by Full Council in March 2021.

8. That the overall level of risk associated with the 2020-2021 Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 is assessed as Red.

1.0 Purpose

- 1.1 The purpose of this report is to provide Councillors with an update to the Draft Budget and Medium Term Financial Strategy (MTFS) 2021-2022 to 2023-2024; the projected financial implications of the Covid-19 pandemic and agree the core principles and next steps that will be taken in order to address the financial pressures faced by the Council over the medium term.
- 1.2 This is the second report of the financial year on the Draft Budget and the Medium Term Financial Strategy (MTFS) for the period of 2021-2022 to 2023-2024.

2.0 Background

- 2.1 The Council has a strong track record over many years of managing its finances well, planning ahead and consistently setting a balanced budget, despite austerity, while maintaining an appropriate level of general balance reserves. Over the last ten years the Council has identified budget reductions in excess of £235 million.
- 2.2 On 4 March 2020, the Council approved the net budget requirement for 2020-2021 of £248.2 million for General Fund services. This was the sixth year running the Council was able to set a balanced budget without the need to make use of general reserves. It was projected that the Council would be faced with finding further estimated budget reductions totalling £15.5 million in 2021-2022 rising to around £20 million over the medium term to 2023-2024. This budget was set prior to Covid-19 being declared a global pandemic and at the time of reporting, the full impact of Covid-19 on both the finances and operating environment could not have been foreseen.
- 2.3 Without the cost pressures arising as a result of the Covid-19 pandemic, it is estimated that the Council would currently be faced with a budget deficit in the region of £4.5 million for 2021-2022, as detailed in section 6, and be on track to deliver another balanced budget. However, the huge costs of dealing with the immediate implications of the pandemic and the likely ongoing costs caused by the resulting economic damage, the Council is faced with significant forecast financial pressures. Without additional government funding, this increases the projected budget deficit to be in the region of £23.2 million in 2021-2022, rising to more than £40 million over the medium term.
- 2.4 It is assumed that the Government will provide sufficient grant funding to cover these pressures following the Secretary of State for Housing, Communities and Local Government stating in a message to council leaders that committed the Government to do “whatever it takes” to ensure that local authorities have the resources needed to do what was being asked of them to help with the pandemic response.
- 2.5 The financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy.
- 2.6 In March 2020, Full Council approved that work started immediately to identify budget efficiencies for 2021-2022 onwards, in line with the Five Year Financial Strategy.

- 2.7 An update on the draft budget strategy, linked to the Five Year Financial Strategy, including changes to corporate resources assumptions and growth and inflation was presented to Cabinet on 29 July 2020. At that point, the revisions in assumptions resulted in the identification of £6.8 million towards the projected budget deficit for 2021-2022. Cabinet approved the incorporation of the draft budget strategy into the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024. Taking this into account, the remaining budget challenge to be identified for 2021-2022 stood at £8.7 million.
- 2.8 It should be noted that due to external factors, especially surrounding the Covid-19 pandemic and Brexit, budget assumptions remain subject to change. This could therefore result in alterations to the financial position faced by the Council.
- 2.9 This report provides an update on the progress towards the budget strategy for 2021-2022 and future years, whilst also detailing the emerging pressures that the Council currently faces in response the Covid-19 pandemic.

3.0 Our role in the crisis

- 3.1 From the earliest days of this national emergency, central government made it clear that councils would have a vital role to play in delivering the pandemic response (<https://www.gov.uk/government/news/robert-jenrick-reaffirms-support-for-councils-in-their-coronavirus-response>). The council, working alongside city partners, residents and businesses, heeded the government call to prioritise helping the most vulnerable in society and to support the local economy.
- 3.2 The Council considered evidence when drawing up a response to the pandemic to ensure that the right response was delivered at the right level to support the residents and businesses of Wolverhampton.
- 3.3 The Council's response included:
- Delivering 1.3 million food parcels to vulnerable people who were shielding.
 - Setting up a 'Stay Safe Be Kind' helpline which had 17,000 contacts with the public seeking help or advice.
 - 209 homeless people - or at risk of becoming homeless - supported with room and a roof.
 - 2.8 million items of PPE sourced and delivered by council to local care providers.
 - £45.2 million in business grants paid.
 - £28.3 million in business rates relief processed.
 - 8,500 calls to the business support phoneline
 - Working alongside schools to achieve an average of 90% attendance when schools went back in September up to October half term

- Continuing business as usual services including emptying 2.7 million household waste and recycling bins and delivering 53,946 Meals on Wheels.
- 3.4 One-off grants have been provided to support the cost implication of the pandemic in 2020-2021, with £25.5 million of general Emergency Covid-19 funding received to date. In addition, Councils can apply for funding to part fund the loss of non-commercial income. This funding is not confirmed and subject to the submission of applications but is currently estimated to be in the region of £5.5 million. In addition to these grants, a number of grants with specific conditions attached have been provided to the Council during the Covid-19 pandemic. The Council has also been responsible for passporting grants to other parties. A full list of grants awarded or anticipated to be awarded can be seen in Appendix 1.
- 3.5 The current projections of the cost implications of Covid-19 in 2020-2021 are detailed in Table 1 below, further detail can be found in Appendix 1.

Table 1 - Projected Financial Implications of Covid-19 in 2020-2021

Category	2020-2021 £000
Expenditure including recovery costs	13,566
Loss of Income	10,416
Budget Reduction and Income Generation targets at risk	1,961
Provision for expenditure on activity to support current and future lockdown measures	6,118
Total potential impact	32,061
Confirmed Government Grant Funding	
Covid-19 Emergency Grant (general)	19,429
Covid-19 Emergency Grant (new allocation)	6,118
Rough Sleepers Grant	198
Emergency Assistance for Food and Essential Supplies Grant	393
Total Confirmed Government Grant Funding	26,138
Potential Shortfall before Sales, Fees and Charges Grant	5,923
Sales, Fees and Charges – claim 1 (April to July)	2,207
Sales, Fees and Charges – estimate of future claims (August to March)	3,392
Potential Government Grant	5,599
Potential Cost Pressure	324

- 3.6 On 31 October 2020, the Prime Minister announced that England would be entering a second national lockdown from 4 November 2020 until 2 December 2020. It has been

announced that local authorities will receive additional funding; the costs associated with this lockdown including, support for additional local test and trace operations, support for businesses and those residents who are clinically extremely vulnerable. Full details of these grants were not known at the time of writing this report, but current announcements indicate that all authorities will now receive tier three level funding which is £8 per head of population to support local test and trace operations. In addition, under a new local shielding framework, areas will receive £14 per clinically extremely vulnerable person to ensure they have access to essential supplies.

- 3.7 Councils have also been asked to distribute business grants worth up to £3,000 for the 28 day anticipated lockdown period to business premises forced to close, under a new local restrictions support grant. In addition, councils will receive £1.1 billion equating to £20 per head of population, for one-off discretionary payments to support businesses that are affected by the lockdown but which are not legally required to close.
- 3.8 The full details of these grants and the actual allocations for Wolverhampton were not known at the time of writing this report. Approval is sought in this report to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to establish supplementary revenue budgets funded by grant and approve any virements to support the costs associated with the second national lockdown.

4.0 Challenges going forward – the Impact of Covid

- 4.1 The costs of dealing with the pandemic extend beyond the immediate support outlined above. It is not yet known how long the pandemic will go on for or what the level of future support required will be. In addition, the economic costs of the pandemic will place additional pressures on the Council's income collected from council tax and business rates for years to come.
- 4.2 As detailed in paragraph 2.4 above, it is assumed that the Government will provide sufficient grant funding to cover the cost of Covid-19 related pressures. Assuming that this is the case, the Council is faced with a budget deficit in the region of £4.5 million for 2021-2022 rising to £19.6 million over the medium term period to 2023-2024. A range of options will be explored to bridge the gap including setting efficiency targets to all Directorates. In the event that the Government does not provide sufficient funding, the Council would be faced with a budget deficit for 2021-2022 in the region of a minimum of £23.2 million, rising to over £40 million over the medium term. The increase in the forecast budget deficit has arisen as a result of the impact that Covid-19 has had on the economy to date and the ongoing impact it is likely to have in future years.
- 4.3 The Government has allocated grant totaling £25.5 million of Covid-19 Emergency grant to support the unprecedented financial situation that the Council finds itself in due to Covid-19. Further funding is required in order to meet the full costs of the pandemic that will be seen over the medium term. If further government funding is not forthcoming, the Council will need to identify significant budget reductions which could impact on service delivery.

5.0 Government Commitment

- 5.1 The Secretary of State for Local Government, Rt Hon Robert Jenrick MP, held a conference call with 300 council leaders from across the country on 16 March and committed the Government to do “whatever it takes” to ensure that local authorities have the resources needed to do what was being asked of them to help with the pandemic response. This was reiterated in an official media release from the MHCLG on the same day which quoted the Secretary of State making the following pledge: “As part of the national effort to keep the public safe and deliver essential public services, this government stands with local councils at this difficult time. My absolute priority is to ensure they are well placed to respond to coronavirus and protect vital services, including social care. Everyone needs to play their part to help the most vulnerable in society and support their local economy, and the government will do whatever is necessary to support these efforts.”
- 5.2 So far, the Government has provided additional funding which will cover the immediate costs to the Council of tackling the pandemic. The Government have periodically reaffirmed their commitment to local authorities. It is now essential that further Government funding is provided to cover the considerable costs the pandemic will continue to have over the medium term.

6.0 Relighting Our City Agenda

- 6.1 Alongside managing the emergency response to the pandemic, the Council has also undertaken extensive planning for recovery which was approved by Cabinet in September. It engaged with around 2,500 people including residents, young people, the voluntary and community sector and other partners, employees, Councillors and businesses across the city. This engagement has shaped the Council’s five-point recovery plan, ‘Relighting Our City’.
- 6.2 Relighting Our City sets out the priorities which will guide the Council’s approach as the organisation and the City starts to transition from the response to the recovery phase of the pandemic:
- Support people who need us most
 - Create more opportunities for young people
 - Support our vital local businesses
 - Generate more jobs and learning opportunities
 - Stimulate vibrant high streets and communities
- 6.3 It is vital that the city has the resources to be able to focus on recovery which will enable the city to address key challenges and assist the government to deliver its ‘levelling up’ agenda and capitalise on new opportunities as the city transitions out of the response phase of the pandemic. If the assumed further Government funding is not forthcoming, meaning the Council would need to make significant reductions to existing budgets and

potentially make use of earmarked reserves in order to balance the budget, this would compromise the Council's ability to deliver its Relighting Our City plan and deliver its priorities.

7.0 Five Year Financial Strategy

7.1 The Council's strategic approach to address the budget deficit is to align resources to Our Council Plan 2019-2024 which was approved by Full Council on 3 April 2019.

7.2 Our Council Plan 2019-2023 sets out how we will deliver our contribution to Vision 2030 and how we will work with our partners and communities to be a city of opportunity. The plan includes six strategic priorities which come together to deliver the overall Council Plan outcome of 'Wulfrunians will live longer, healthier and more fulfilling lives.' Resources will continue to be aligned to enable the realisation of the Council's priorities of achieving:

- Children and young people get the best possible start in life
- Well skilled people working in an inclusive economy
- More good jobs and investment in our city
- Better homes for all
- Strong, resilient and healthy communities
- A vibrant, green city we can be proud of

7.3 Covid-19 has had a significant international, national and regional impact and will continue to do so over the short and medium term. The pandemic has made the challenges faced in our local economy much harder. As detailed in section 6, the Council has developed its five-point recovery plan, 'Relighting Our City' which sets out the priorities which will guide the Council's approach as the organisation and the City starts to transition from the response to the recovery phase of the pandemic.

7.4 The Financial Strategy, approved by Council in March 2019, consists of five core principles underpinned by eight core workstreams. Using the Core Workstreams as the framework for the Financial Strategy detailed delivery plans are being developed all with a lead director. The Core principles and workstreams are:

- Core Principles:

- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
- **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities to provide an effective and supportive environment.
- **Delivering Inclusive Economic Growth.** We will continue to drive investment in the City to create future economic and employment opportunities.
- **Balancing Risk.** We will ensure we base decisions on evidence, data and customer insight.
- **Commercialising our Approach.** We will boost social value in our City by maximising local procurement spend with people and businesses.

- **Core Workstreams:**

- **Promoting Digital Innovation.** Improve access to digital services to empower local people to self-serve at a time and place that suits them whilst reducing 'traditional' operating costs.
- **Reducing demand.** Through early intervention and closer collaboration with local people we aim to reduce demand for services and support greater independence and resilience.
- **Targeted Service Delivery.** Our efforts will be focused in the areas and places that need us the most and where we can deliver the best possible outcomes within the resources available.
- **Sustainable Business Models.** We will develop the most efficient and effective services possible, within the significant financial constraints we face, to meet the needs of local people.
- **Prioritising Capital Investment.** Aligned to our strategic plan, investment will focus on the priorities that deliver the best possible return and outcomes for local people.
- **Generating Income.** Better understanding the markets we operate in will enable us to develop new, innovative income generation opportunities with partners where appropriate.
- **Delivering Efficiencies.** By reviewing our resources, business processes and better using technology, we will deliver services which meet customer needs efficiently and cost-effectively.
- **Maximising Partnerships and External Income.** We will take a much more strategic role, working with our partners, to identify opportunities to collaborate, share resources, reduce costs and seize funding opportunities

8.0 Summary of financial position

- 8.1 Despite austerity since 2010, the Council has a strong track-record of managing money well, planning ahead and delivering excellent services.
- 8.2 The assumptions used in the preparation of the Budget and Medium Term Financial Strategy remain under constant review and update. Appendix 2 provides detail of the changes to corporate resource assumptions and growth and inflation, which are recommended for inclusion in the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024.
- 8.3 In light of the Covid-19 pandemic and confirmation that the Comprehensive Spending Review 2020 would be delayed, further work has been undertaken to assess the potential impact on the Council's 2021-2022 draft budget and Medium Term Financial Strategy.
- 8.4 The overall impact of the revisions to the draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 has been detailed in Appendix 2.

- 8.5 In response to government announcements, the Council assumes that the Government will provide sufficient grant funding to cover the cost of Covid-19 related cost pressures. Without the cost pressures arising as a result of the Covid-19 pandemic, it is estimated that the Council is currently faced with a budget deficit in the region of £4.5 million for 2021-2022, rising to £19.6 million over the medium term period to 2023-2024 and is on track to deliver another balanced budget for 2021-2022.
- 8.6 However, in the event that sufficient grant funding to meet the pressures arising as a result of Covid-19 is not provided to local authorities, this would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget reductions sufficient enough to set a balanced budget. The financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy.
- 8.7 As can be seen in the table below and in further detail at Appendix B, the projected budget deficit for 2021-2022 could rise to a minimum of £23.2 million for 2021-2022, increasing to over £40 million over the medium term. The increase in the forecast budget deficit has arisen as a result of the impact that Covid-19 has had on the economy to date and the ongoing impact it is likely to have in future years. This will be closely monitored, with updates provided in future reports. At this stage it has not been possible to fully quantify the potential impact of Covid 19 over the medium term. It is anticipated that pressures will emerge in many areas particularly in relation to adult social care.

Table 2 – Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 – Covid pressures not funded

	2021-2022 £000	2022-2023 £000	2023-2024 £000
Projected Budget Challenge as at July 2020	8,690	21,828	20,382
Changes to Corporate Resources	10,674	3,326	(1,000)
Changes to Growth and Inflation	3,818	1,530	1,300
Annual Change	14,492	4,856	300
Cumulative Change	-	19,348	19,648
Projected deficit after cumulative impact of revisions	23,182	41,176	40,030

- 8.8 It is important to note that there continues to be a significant level of uncertainty associated with emerging behavioural and operational changes arising as a result of the Covid-19 pandemic. This may have significant ongoing financial implications for services provided by the Council including, but not limited to, adult social care, public health and wellbeing and income generating services.
- 8.9 Work will continue over the coming months to review all assumptions in the Medium Term Financial Strategy and a further update will be presented to Councillors in January 2021.
- 8.10 The Council levies a wide range of fees and charges for many of its services. Some are discretionary and others are either specified or restricted by legislation or Government. Services continue to review their fees and charges policies in line with key priorities. It is therefore proposed that authority be jointly delegated to the responsible Cabinet Member and the Cabinet Member for Resources, in consultation with the responsible Director and the Director of Finance to vary fees and charges in line with key priorities.
- 9.0 Next Steps and Budget Risk Management**
- 9.1 As stated in section 5 above, following announcements made by Government, it is assumed that the Government will provide sufficient grant funding to cover the cost of pressures arising as a result of the Covid-19 pandemic. However, in the event that sufficient grant funding to meet the pressures is not provided to local authorities, this would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget efficiencies sufficient

enough to set a balanced budget. This will be closely monitored, with updates provided in future reports.

- 9.2 It is important to note that the Council needs the Government to provide confirmation of future years funding as soon as possible and by early December at the latest, in order to ensure that the Council has a clear direction of funding available over the medium term.
- 9.3 Work will continue to take place to assess the financial position the Council finds itself in, namely identifying budget efficiencies to meet the anticipated £4.5 million budget deficit in 2021-2022, in order to ensure that a balanced budget can be set in each individual year.
- 9.4 A summary of the 2021-2022 budget setting process timetable is detailed below in Table 3.

Table 3 – Budget Timetable

Milestone	Deadline
Formal Budget Scrutiny	November – December 2020
Report to Cabinet following Local Government Finance Settlement	January 2021
Final Budget Report 2021-2022 to Cabinet	17 February 2021
Full Council Approval of Final Budget 2021-2022	March 2021

- 9.5 The overall level of risk associated with the Draft Budget and Medium-Term Financial Strategy (MTFS) 2021-2022 to 2023-2024 is assessed as Red. The following table provides a summary of the risks associated with the MTFS, using the corporate risk management methodology.

Table 4 – General Fund Budget Risk Register

Risk	Description	Level of Risk
Medium Term Forecasting	Risks that might materialise as a result of the impact of non-pay inflation and pay awards, uptake of pension auto enrolment, and National Living Wage.	Amber
Service Demands	Risks that might materialise as a result of demands for statutory services outstretching the available resources. This particularly applies to adults and childrens social care.	Red

	Risks that might materialise as a result of demands for non-statutory services outstretching the available resources.	Amber
Identification of Budget Reductions	Risks that might materialise as a result of not identifying budget reductions due to limited opportunity to deliver efficiencies.	Amber
Budget Management	Risks that might materialise as a result of the robustness of financial planning and management, in addition to the consideration made with regards to the loss of key personnel or loss of ICTS facilities	Green
Transformation Programme	Risks that might materialise as a result of not delivering the reductions incorporated into the budget and not having sufficient sums available to fund the upfront and one-off costs associated with delivering budget reductions and downsizing the workforce.	Amber
Reduction in Income and Funding	Risks that might materialise as a result of the multi-year Spending Review, and reforms to Business Rates Retention and the Fair Funding Review.	Red
	Risks that might materialise as a result of income being below budgeted levels, claw back of grant, or increased levels of bad debts. The risk of successful appeals against business rates.	Amber
Third Parties	Risks that might materialise as a result of third parties and suppliers ceasing trading or withdrawing from the market.	Amber
Government Policy	Risks that might materialise due to structural uncertainties including the impact of exiting the European Union.	Red

	Risks that might materialise as a result of changes to Government policy including changes in VAT and taxation rules.	Red
Covid-19	Risk that the financial implications of Covid 19 including the Council's recovery will exceed the grant allocations awarded by Government and place further financial pressures on the council financial position over the medium term.	Red

10.0 Evaluation of alternative options

10.1 In determining the proposed Five Year Financial Strategy, consideration has been made to the deliverability of budget reduction and income generation proposals and budget pressures. In the event that sufficient grant funding to meet the pressures arising as a result of Covid-19 is not provided to local authorities, this would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget reductions sufficient enough to set a balanced budget. This may therefore potentially impact upon service provision.

11.0 Reasons for decisions

11.1 It is recommended that the updated draft budget strategy linked to the Five Year Financial Strategy, including changes to corporate resource assumptions and growth and inflation, for inclusion in the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 is approved by Cabinet. Cabinet will be provided with an update on progress in the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 report which will be presented to Cabinet in January 2021. In approving this strategy, the Council will be working towards identifying options to be able to set a balanced budget for 2021-2022.

12.0 Financial implications

12.1 The Financial Implications are detailed throughout this report.

[MH/03112020/Z]

13.0 Legal implications

13.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any budget reduction proposals.

13.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.

- 13.3 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its Council Tax. The Council is required to take this report into account when making its budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon an assessment of all the circumstances considered likely to affect the Council.
- 13.4 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by CIPFA in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFs, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).
- 13.5 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '...make a report ... if it appears to her that the Authority, a committee or officer of the Authority, or a joint committee on which the Authority is represented':
- (a) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful,
 - (b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
 - (c) is about to enter an item of account the entry of which is unlawful.
- 13.6 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 13.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2021-2022.

[DP/02112020/A]

14.0 Equalities implications

- 14.1 The method by which the MTFs for 2021-2022 is developed is governed by the Council Plan priorities described in paragraph 7.2 which itself was guided by consultation and equality analysis. Development of budget reduction proposals for Cabinet's consideration will include an initial equalities screening for each proposal and, where necessary, a full equalities analysis which will provide for an initial understanding of the equality impact of

the draft proposals. All of this will enable Councillors to pay, “due regard” to the equalities impact of their budget decisions at that point in the budget development process. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so enable Councillors to discharge their duty under Section 149 of the Equality Act 2010.

15.0 Climate change and environmental implications

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

16.0 Human resources implications

- 16.1 In line with the Council's statutory duties as an employer under the Trade Union Labour Relations (Consolidation) Act 1992, an HR1 form was issued to the Secretary of State for Business, Innovation and Skills identifying the intention to reduce employee numbers by up to 500 across the Council in the period 1st April 2019 up to 31 March 2020. A further HR1 was scheduled to be issued on 1 April 2020 for the period 1 April 2020 – 31 March 2021, this was postponed due to the COVID19 emergency. A HR1 was issued on 1 August 2020 for the period 1 August 2020 – 31 March 2021. This will identify a further 500 posts. The reductions will be through both voluntary redundancy and budget reduction targets which could result in compulsory redundancies.
- 16.2 The numbers included in an HR1 include posts held by colleagues who, as part of business review, redesign and/or restructure, need to be included, as they will need to be put at risk of redundancy. However, many of these employees will apply for and be offered jobs in the new structure or elsewhere in the organisation and therefore the number of employees leaving the authority is anticipated to be far fewer than the number declared on an HR1.
- 16.3 As detailed in the report, budgetary reductions will be made through efficiencies with new and smarter ways of working, income generation and transformation initiatives.
- 16.4 If any reductions in employee numbers are required, these will be achieved in line with the Council's HR policies. Compulsory redundancies will be mitigated as far as is possible through seeking voluntary redundancies in the first instance, and through access to redeployment. The Exit Payment Regulations 2020 that came into force on 4 November 2020 have necessitated amendments to the Local Government Pension Scheme currently being consulted on by the Ministry of Housing, Communities and Local Government. Following the outcome of consultations CWC will be required to review the current voluntary and compulsory redundancy policies.
- 16.5 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. If any of the budget reduction targets require service delivery to move from direct Council management to private, community or third sector providers, this may

have implications under the TUPE regulations. If TUPE were to apply, appropriate consultation with relevant Trade Unions and affected employees, would take place.

16.6 There is on-going consultation with the trade unions on the impact of the Council's budgetary position and the targets being made to meet the challenges posed by it.

17.0 Corporate landlord implications

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

18.0 Health and Wellbeing Implications

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

19.0 Covid Implications

19.1 The Covid implications are discussed throughout the body of this report.

19.2 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council.

20.0 Schedule of background papers

20.1 [2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024](#), report to Cabinet on 19 February 2020 and Full Council on 4 March 2020

20.2 [Capital Budget Outturn 2019-2020 including Quarter One Capital Monitoring 2020-2021](#), report to Cabinet on 8 July 2020

20.3 [2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024](#), report to Cabinet on 29 July 2020.

21.0 Appendices

21.1 Appendix 1 – 2020-2021 Budget Update.

21.2 Appendix 2 – Budget Strategy 2021-2022 to 2023-2024 – Update on Assumptions.

1.0 2020-2021 Budget Update

- 1.1 Since the 2020-2021 budget was set in March 2020, Covid-19 was declared a national pandemic. At the time of reporting to Council on 4 March 2020, the full impact of the Covid-19 pandemic was not anticipated and the impact on both the finances and operating environment could not have been foreseen. The financial implications of the pandemic have significantly distorted the 2020-2021 budget.
- 1.2 The Government has announced grant funding to help local authorities address the pressures they are facing in response to Covid-19. Wolverhampton's total confirmed funding allocation from the Covid-19 Emergency Grant is £25.5 million. Funding has also been received to support rough sleepers and to provide food and essential supplies to vulnerable residents. In addition to this, the Government have announced a co-payment mechanism for irrecoverable sales, fees and charges income. This funding is conditional upon grant claims and payable in three tranches. The first claim was submitted in September claiming costs of £2.2 million, but at the time of writing this report the actual amount awarded to Wolverhampton had not been confirmed. Based on current forecasts, the total additional grant that could be claimed under this fund is estimated to be in the region of £5.6 million. It is important to note that this is not confirmed income and is subject to change. A full list of grants awarded to the Council prior to the second national lockdown, during the Covid-19 pandemic, with specific conditions attached are detailed in the table below:

Table 1 – Specific Grants

Grant	Allocation £000
General Grants	
Covid 19 Emergency Grant	25,547
Enforcement Surge Funding	174
Grants with conditions / criteria	
Rough Sleepers (2 tranches announced to date)	209
Reopening of the High Street	234
Test and Trace	1,920
Emergency Food and Essential Supplies	393
Wellbeing for Education Return Grant	37
Active Travel Scheme (revenue and capital)	347
Home to School Transport	117
Grants passported to third parties	
Business Grant	53,518
Hardship Fund	3,272
Infection and Prevention	6,228
Business Improvement Districts	34
Test and Trace Support Payments	274
Estimated Allocation – amounts not confirmed.	
Sales, Fees and Charges	5,599
Contain Outbreak Management Fund (based on tier 2)	789

- 1.3 Under the Council’s emergency decision-making powers, a range of short term initiatives have been implemented including: the distribution of food parcels to the city’s most vulnerable residents, temporary accommodation for rough sleepers, additional financial support for adult social care providers and the procurement of additional personal protective equipment for key staff and partners.
- 1.4 All of these short-term new initiatives required additional investment and have been funded to-date by the funding received from Central Government.
- 1.5 In addition to the short-term initiatives, a number of services were suspended in response to Government requirements. Income streams have been adversely affected from the loss of fees and charges for services, such as car parking, leisure and cultural services.
- 1.6 At the time of setting the 2020-2021 budget, new service budget reduction and income generation targets totalling in excess of £10 million were approved. A number of these planned targets are now at risk because resources that would originally have been focussed on transformation programmes have been redirected to enable the Council to respond to the crisis.

- 1.7 The Council has played a proactive, leading role in responding to Covid-19. Some of the new initiatives implemented to support the City's residents may continue to require financial support. As the situation evolves and restrictions continue to ease, some of the new initiatives will cease entirely, ease or will transition into different services which will require financial support.
- 1.8 Our current projections demonstrate that the estimated grant funding for Wolverhampton will be sufficient to meet the immediate revenue cost pressures and loss of income, including the delivery of budget reduction targets, with a small in-year cost pressure.
- 1.9 The current projections of the cost implications of Covid-19 in 2020-2021 are detailed in Table 2 below:

Table 2 - Projected Financial Implications of Covid-19 in 2020-2021

Category	2020-2021 £000
Expenditure including recovery costs	13,566
Loss of Income	10,416
Budget Reduction and Income Generation targets at risk	1,961
Provision for expenditure on activity to support current and future lockdown measures	6,118
Total potential impact	32,061
Confirmed Government Grant Funding	
Covid-19 Emergency Grant (general)	19,429
Covid-19 Emergency Grant (new allocation)	6,118
Rough Sleepers Grant	198
Emergency Assistance for Food and Essential Supplies Grant	393
Total Confirmed Government Grant Funding	26,138
Potential Shortfall before Sales, Fees and Charges Grant	5,923
Sales, Fees and Charges – claim 1 (April to July)	2,207
Sales, Fees and Charges – estimate of future claims (August to March)	3,392
Potential Government Grant	5,599
Potential Cost Pressure	324

- 1.10 In addition to the costs above, Covid-19 has had an impact on development of capital projects. Given the unprecedented circumstances, there has understandably been some delay on capital projects due to the pandemic. The Council continues to assess the potential implications of Covid-19 on the wider capital programme in terms of delivery timescales and increase in costs. Any additional costs on the capital programme will

result in an increase in the Treasury Management revenue budget. The joint meeting of Cabinet and Cabinet (Resources) Panel on 23 June 2020, received a report on the Covid-19 impact on the Capital Programme. In order to be prudent, additional capital budget has been built into the Capital Programme to cover potential risks associated with the Covid-19 pandemic. The potential annual revenue impact could be up to £430,000 per year, the impact of this will not be seen until after 2020-2021.

- 1.11 It is important to note, that the financial implications detailed above are subject to change and do not include the full cost of recovery work or any provision for changes in light of the national lockdown and the new three tier system.
- 1.12 On 31 October 2020, the Prime Minister announced that England would be entering a second national lockdown from 4 November 2020 until 2 December 2020. It has been announced that local authorities will receive additional funding to cover the costs associated with this lockdown including, support for additional local test and trace operations, support for businesses and those residents who are clinically extremely vulnerable. Full details of these grants were not known at the time of writing this report, but current announcements indicate that all authorities will now receive tier three level funding which is £8 per head of population to support local test and trace operations. In addition, under a new local shielding framework, which councils will be asked to put into place by 4 November, areas will receive £14 per clinically extremely vulnerable person to ensure they have access to essential supplies.
- 1.13 Councils have also been asked to distribute business grants worth up to £3,000 for the 28 day anticipated lockdown period to business premises forced to close, under a new local restrictions support grant. In addition, councils will receive £1.1 billion equating to £20 per head of population, for one-off discretionary payments to support businesses that are affected by the lockdown but which are not legally required to close.
- 1.14 The full details of these grants and the actual allocations for Wolverhampton were not known at the time of writing this report.
- 1.15 In addition, there are longer term implications for the Council's operating model, as the scale of the change post-Covid-19 will place new expectations and demands on service delivery in 2020-2021 and future years. At this stage it has not been possible to fully quantify the potential impact of Covid-19 over the medium term. It is anticipated that pressures will emerge in many areas particularly in relation to adult social care, public health and wellbeing and income generating services.

1.0 Budget Strategy 2021-2022 to 2023-2024 – Update on Assumptions

- 1.1 Since the 2020-2021 budget was set in March 2020, work has been ongoing to review corporate resources assumptions, growth and inflation assumptions and to identify budget efficiencies to address the projected budget challenge of £15.5 million in 2021-2022, rising to around £20 million over the medium-term period to 2023-2024, as anticipated at that point. In July 2020, Cabinet received a report which detailed revisions in assumptions which resulted in the identification of £6.8 million towards the projected budget deficit for 2021-2022. Taking this into account, the remaining budget challenge to be identified for 2021-2022 stood at £8.7 million.
- 1.2 The assumptions used in the preparation of the Budget and Medium Term Financial Strategy remain under constant review and update.
- 1.3 The base assumptions built into the MTFs approved by Council in March 2020 including: assumed increases in council tax, pay awards, provision for inflationary growth and demand in social care remain unchanged.
- 1.4 In light of the Covid-19 pandemic and confirmation that the Comprehensive Spending Review 2020 would be delayed, further work has been undertaken to assess the potential impact on the Council's 2021-2022 draft budget and Medium Term Financial Strategy. The following paragraphs provide detail of updated assumptions in a number of areas. Work will continue over the coming months to review all assumptions in the Medium Term Financial Strategy and a further update will be presented to Councillors in January 2021.

Corporate Resources

- 1.5 A number of assumptions have been made with regards to the level of resources that will be available to the Council. It is important to note that there continues to be a considerable amount of uncertainty with regards to the future funding streams for local authorities. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and increase the budget deficit forecast over the medium term.
- 1.6 On 21 October 2020, HM Treasury confirmed that a one-year Spending Review will take place at the end of November 2020 in order to prioritise the Government response to Covid-19. It was stated that the Spending Review will build on support already provided in response to Covid-19 and focus on providing departments with certainty needed to tackle Covid-19, giving public services support to fight the virus and investing in infrastructure. The outcome of the one-year Spending Review will be reported to Councillors in January 2021.

Collection Fund Deficit

- 1.7 On 8 July 2020, Cabinet received a report detailing the final outturn on the Collection Fund for 2019-2020 which consisted of a cumulative deficit in the region of £532,000 on Council Tax and a cumulative deficit in the region of £939,000 on Business Rates. Of the accumulated deficit on the Collection Fund, the Council will retain a deficit in the region of £1.1 million. Due to the timing associated with collection fund accounting, the deficit retained by the Council will impact on the 2021-2022 budget. This has been recognised in the MTFS.
- 1.8 In addition to this, current projections indicate that there will be a significant reduction in the amount of funds that are collected in 2020-2021 from Council Tax and Business Rates; a result of the impact Covid-19 has had on the economy. As stated above, due to collection fund accounting treatment, any Collection Fund losses from 2020-2021 will not impact upon the Council's budget until 2021-2022.
- 1.9 Current working assumptions indicate that there could be a 15% reduction in the collection rate and appeals for remaining business rates, and a 6% reduction in the collection rate on Council Tax. In addition, it is forecast that losses will increase due to the increase in the number of Council Tax Relief cases; there has been a 1,500 increase in the number of working age claimants as at the end of September 2020, when compared to the start of the financial year. In total, the current projected 2020-2021 losses are expected to be in the region of £15.4 million.
- 1.10 The Government have announced that that the repayment of collection fund deficits arising in 2020-2021 can be spread over a three year period (2021-2022 to 2023-2024). Based on current projections this could result in an annual cost of £5.1 million.
- 1.11 Furthermore, it is forecast that losses of the same magnitude will be replicated in future years from 2021-2022 onwards, however the Government have not stated that any future losses could be spread over multiple financial years. The MTFS assumptions have therefore been updated to reflect the potential reduction in resources available to the Council.

One-off Funding Streams

- 1.12 Following a review of the anticipated level of reserves and grant balances, it is proposed that one-off funds totalling £1.1 million be released from the Business Rates Equalisation Reserve to help address some of the pressures detailed above on the Collection Fund.

Fees and Charges

- 1.13 The Council levies a wide range of fees and charges for many of its services. Some are discretionary and others are either specified or restricted by legislation or Government. Services continue to review their fees and charges policies in line with key priorities. It is therefore proposed that authority be jointly delegated to the responsible Cabinet Member and the Cabinet Member for Resources, in consultation with the responsible Director and the Director of Finance to vary fees and charges in line with key priorities.

Changes to Growth and Inflation

Emerging Pressures

- 1.14 In July 2020, Cabinet were informed that options were being explored on identifying efficiencies from potential technical financial transactions. High-level assumptions indicated that one-off efficiencies in the region £5 million could be generated in 2021-2022 reducing to £2 million over the medium term. However, in order to be prudent, the potential financial transaction has been removed from the current MTFS assumptions. Work will continue on these proposals over the next few months, with further reports to Cabinet in due course.
- 1.15 In depth reviews are being undertaken on existing budget reduction and income generation proposals in light of the Covid-19 pandemic and changes to the environment in which we currently operate. Current assumptions indicate that £2.5 million of savings will not be delivered in 2021-2022 as planned. Work is ongoing to ensure that proposals included in the MTFS are deliverable over the medium term. Further details will be reported back to Cabinet in the future reports.
- 1.16 Similarly, reviews are being undertaken on growth and inflation currently built into the MTFS. Current assumptions indicate that there is a net growth and inflationary requirement totalling £348,000 in 2021-2022. It is important to note, that detailed work continues to assess the impact that Covid-19 may have on the assumptions built into the MTFS.

Emerging Opportunities

- 1.17 As part of the detailed budget review, a number of one-off corporate budget efficiencies in 2021-2022 have been identified totalling £2.7 million. These efficiencies are primarily linked to the historic non-requirement of the auto-enrolment pot which has been held for the auto-enrolment of employees into the pension scheme, and other corporate contingencies. In addition to this, it is currently anticipated that the Council could see a net underspend against the 2020-2021 corporate budget. It is therefore proposed that the net underspend in 2020-2021 be transferred into a specific reserve to support the 2021-2022 budget strategy.
- 1.18 In addition to this, a number of one-off efficiencies have been identified totalling £530,000.
- 1.19 The Council has played a proactive, leading role in responding to Covid-19. The overall Covid-19 Emergency grant funding allocation for Wolverhampton to support the unprecedented financial situation that the Council finds itself in due to Covid-19 totals £25.5 million at the point of writing. However, further funding is required in order to meet the full costs of the pandemic that will be seen over the medium term. It is assumed that

the Government will provide sufficient grant funding to cover these pressures following the Secretary of State for Housing, Communities and Local Government stating in a message to council leaders which committed the Government to do “whatever it takes” to ensure that local authorities have the resources needed to do what was being asked of them to help with the pandemic response.

- 1.20 Without the cost pressures arising as a result of the Covid-19 pandemic, it is estimated that the Council is currently faced with a budget deficit in the region of £4.5 million for 2021-2022 and is on track to deliver another balanced budget. A range of options will be explored to bridge the gap including setting efficiency targets to all Directorates.
- 1.21 The overall impact of the revisions to the draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, arising as result of the items detailed in the paragraphs above but with the Government funding the cost of Covid-19 pressures, have been reflected in Table 1 below.

Table 1 - Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 – Covid pressures funded

	2021-2022	2022-2023	2023-2024
	£000	£000	£000
Projected Budget Challenge as at July 2020	8,690	21,828	20,382
Changes to Corporate Resources			
- Reduced Collection Fund forecast	14,674	(674)	(1,000)
- Collection Fund deficit 2019-2020	1,100	(1,100)	-
- One-off Funding Streams	(1,100)	1,100	-
- Government Covid-19 support	(22,733)	1,200	1,000
Changes to Growth and Inflation			
- Potential technical financial transactions	5,000	(3,000)	-
- Revisions to budget reduction targets	2,500	700	300
- Revisions to growth and inflation	348	(200)	-
- Potential underspends and corporate efficiencies	(3,700)	3,700	-
- Treasury Management	200	-	1,000
- One-off efficiencies	(530)	330	-
- Impact of Covid	TBC	TBC	TBC
Annual Change	(4,241)	2,056	1,300
Cumulative Change	-	(2,185)	(885)
Projected deficit after cumulative impact of revisions	4,449	19,643	19,497

- 1.22 Despite austerity since 2010, the Council has a strong track-record of managing money well, planning ahead and delivering excellent services.
- 1.23 However, in the event that sufficient grant funding to meet the pressures arising as a result of Covid-19 is not provided to local authorities, this would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget efficiencies sufficient enough to set a balanced budget. The financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy. As can be seen from the table below, the projected budget deficit for 2021-2022 could rise to a minimum of £23.2 million for 2021-2022, increasing to over £40 million over the medium term. This will be closely monitored, with updates provided in future reports.

Table 2 - Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 – Covid pressures not funded

	2021-2022	2022-2023	2023-2024
	£000	£000	£000
Projected Budget Challenge as at July 2020	8,690	21,828	20,382
Changes to Corporate Resources			
- Reduced Collection Fund forecast	14,674	(674)	(1,000)
- Collection Fund deficit 2019-2020	1,100	(1,100)	-
- One-off Funding Streams	(5,100)	5,100	-
Changes to Growth and Inflation			
- Potential technical financial transactions	5,000	(3,000)	-
- Revisions to budget reduction targets	2,500	700	300
- Revisions to growth and inflation	348	(200)	-
- Potential underspends and corporate efficiencies	(3,700)	3,700	-
- Treasury Management	200	-	1,000
- One-off efficiencies	(530)	330	-
- Impact of Covid	TBC	TBC	TBC
Annual Change	14,492	4,856	300
Cumulative Change	-	19,348	19,648
Projected deficit after cumulative impact of revisions	23,182	41,176	40,030

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