



Confident, Capable Council Scrutiny Panel

4 February 2015

Time 6.00 pm **Public Meeting?** YES **Type of meeting** Scrutiny

Venue Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Rita Potter (Lab)
Vice-chair Cllr Christopher Haynes (Con)

Labour

Cllr Ian Angus
Cllr Alan Bolshaw
Cllr Craig Collingswood
Cllr Jasbir Jaspal
Cllr Milkinderpal Jaspal
Cllr Jacqueline Sweetman
Cllr Mary Bateman
Cllr Caroline Siarkiewicz

Conservative

Cllr Andrew Wynne
Cllr Arun Photay

Quorum for this meeting is three Councillors.

Information for the Public

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

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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies**
- 2 **Declarations of interest**
- 3 **Minutes of previous meeting** (Pages 3 - 12)
[To approve the minutes of the previous meeting as a correct record]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DISCUSSION ITEMS

- 5 **Budget Update and Review** (Pages 13 - 18)
[To provide an update to the panel to consider the arrangements for ensuring adequate identification and management of budget risks and Budget planning and forecasting for future years.]
- 6 **Independent Review of Process for Medium Term Financial Strategy and Budget (Eugene Sullivan Report) - Implementation of the Action Plan (update)**
(Pages 19 - 30)
[To receive an update on the implementation of the independent review process for medium term financial strategy and budget.]
- 7 **Verbal Update on the Work of the Specific Reserves Working Group**
[To receive a verbal update from the Chief Accountant and the members of the Specific Reserves Working Group.]



Confident, Capable Council Scrutiny Panel

Minutes - 3 December 2014

Attendance

Members of the Confident, Capable Council Scrutiny Panel

Cllr Rita Potter (Chair)
Cllr Alan Bolshaw
Cllr Craig Collingswood
Cllr Jasbir Jaspal
Cllr Milkinderpal Jaspal
Cllr Mary Bateman
Cllr Caroline Siarkiewicz
Cllr Andrew Wynne
Cllr Arun Photay

Employees

Keith Ireland	Managing Director
David Garner	Electoral Services Manager
Adam Hadley	Scrutiny and Transparency Manager
Andrew Harvey	Graduate Management Trainee
Charlotte Johns	Head of Policy
Claire Nye	Head of Finance
Mark Taylor	Assistant Director, Finance

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies**
Apologies were received from Cllr Ian Angus, Cllr Jacqueline Sweetman and Cllr Christopher Haynes. Cllr Siarkiewicz highlighted her apologies for the October 1 meeting had been submitted but not reported.
- 2 Declarations of interest**
There were no declarations of interest.
- 3 Minutes of previous meeting**
The minutes of the previous meeting on 1 October were approved as an accurate record.
- 4 Matters arising**
There were no matters arising

5 **Budget Review - 2015/16 Budget and Medium Term Financial Strategy 2015/16 - 2018/19**

The report was introduced by Cllr Johnson, Cabinet Member for Resources and the Director of Finance, who then invited questions from Councillors on the report.

Cllr Bolshaw said that as the issuer of loans the Council would be the owner of risk, and questioned how the Council will go about negating this and ensuring minimal risk.

Cllr Johnson informed the panel that voluntary groups sometimes own property and one way the Council can minimise the risk is to secure the grants or loans against property or other assets. The panel was also informed that treasury management officers would advise and liaise with external financial services for independent advice.

Cllr Johnson explained the Council benefits from relatively low borrowing rates through the Public Works Loans Board. By making this money available for loans, there is a tangible benefit to the community and a small financial advantage to the Council due to interest rate margins.

Cllr Potter asked for more information regarding the risks of this strategy. The Director of Finance advised the panel that the Council will manage any risk to the best of its ability, though loans cannot be risk free. There is a structure of internal and external support and credit assessments prior to any loan being approved. Any proposed loans will be subject to approval by Cabinet (Resources) Panel.

Cllr Siarkiewicz stated that grants and loans to community and voluntary groups are worthwhile, however there may be some groups who are looking for loans or grants but may have a poor credit reference, and requested more information about the criteria.

Cllr Johnson stated that the criteria are there to minimise risk to the Council and not to exclude anyone from applying for a grant or loan, and the Council would look to minimise risk by securing against assets.

Cllr Photay asked whether additional employees would be needed to manage these applications.

Cllr Johnson stated that current employees would be utilised and in certain cases credit reference agencies would be used.

The Director of Finance added that if the activity could not be managed within existing resources, additional employees would only be appointed if there was a business case demonstrating cost recovery. The Council will look how it can achieve the aims with the least cost.

Sharing Services across the Black Country

Cllr Bolshaw enquired as to whether the saving proposed could be increased.

Cllr Johnson responded by informing the panel that at present the Council cannot enter a wholesale sharing service with other councils in the Black Country due to respective contracts terminating at different times. Cllr Johnson said that waste

management shared across the Black Country has the potential to make a saving for the Council, however he did make the panel aware that all councils in the Black Country including Wolverhampton are committed to existing waste management contracts. Moreover the Council already shares its Head of Audit and VAT advisor with Sandwell Council and is looking at the possibility of sharing more Audit services across the two Councils. Further to this the Council is also looking at the possibility of sharing other financial services.

Advertising Income Generation

Cllr Photay welcomed the inclusion of the advertising proposal stating that it would help improve the City's image, whilst also providing an opportunity to generate revenue and commercial land opportunities on land that is currently derelict.

Cllr Johnson advised the panel that advertising is extremely important and is something the Council has done well historically, however over recent years this had dropped off. The Council is now trying to proactively advertise on its physical assets and website. The provisional revenue estimate is stated as £50,000 although it may be possible to realise more.

Cllr Collingswood stated that it was worth noting that all Directors and the Managing Director had forgone their increments.

Employee car parking fees

Cllr Collingswood queried whether the car parking fees saving figure was correct and also noted his concern that this may penalise those employees with essential car allowances.

Cllr Johnson stated that at present the Council internally recharges parking fees to departments; the proposal is to now charge this out directly to employees.

Cllr Collingswood raised concern that this move could hinder employee morale and motivation and could generate a mood of negativity. Cllr Potter suggested that this did appear as if it would negatively impact employees.

The Managing Director responded by informing the panel that essential car users will not be affected.

The Managing Director also told the panel that people who park underneath the Civic Centre are already charged £800 per annum and park there by choice. The charges will affect the Council owned car parks around the City. It is proposed that prices will start from around £20 a month, and rise according to how close to the city centre the car park is located.

The Managing Director stated that this was the second phase of a car park review, the first having been completed successfully.

Some Councillors asked whether this move was fair or if it raised any equality issues.

The Managing Director explained that there are already criteria in place to enable people who need to park close to the building for reasons of disability or other issues. These will still remain, but access will be reviewed more regularly to ensure fairness. Employees who do not meet the criteria can choose to pay to park or use alternative means of transport. This proposal has been in the medium term financial strategy for some time and implementing it has helped the Council to avoid pay increment freezes or a reduced working week for employees.

Cllr Milkinder Jaspal stated this proposal has been on the agenda for some time, and also highlighted other authorities, such as Walsall MBC, where similar changes have been successfully implemented.

Reduction in the number of payment cards issued

Cllr Potter enquired why residents were still paying via payment cards and whether there were any incentives to pay via direct debit.

The Director of Finance stated that this proposal is to change the practice of setting up payment arrangements so that payment cards are set up by exception rather than default. He explained there are currently no incentives to pay by direct debit, but there is currently a review on debt collection and so this point will be fed in to that review.

Cllr Johnson also informed the panel that the Council's performance on debt was slightly better than the average of other Metropolitan Borough Councils, but that it is an area that is being looked at carefully.

Cllr Potter suggested that universal credit could make debt collection more difficult; Cllr Johnson replied that universal credit was still in its infancy and so there is likely to be little impact on Wolverhampton in the near future.

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.

Cllr Milkinder Jaspal asked how many posts had been deleted under this savings proposal.

The Managing Director informed the panel that the saving in the proposal had been surpassed and stands at £502,000.

The posts that have been deleted are the Chief Executive; Strategic Director – Delivery; Head of Property; Assistant Director Business Change; and two Heads of Service.

Cllr Jaspal enquired whether the savings took into account redundancy pay and the panel was advised that the figure does not include redundancy pay as this is funded corporately from the general reserve, details of which will be published in June 2015.

Review frequency and the support for meetings.

Cllr Bolshaw asked whether there had been any feedback on this proposal.

Cllr Johnson informed the panel that Cllr Sweet and himself had been asked by Cabinet to look at this issue. Cllr Johnson highlighted potential risks to the democratic process, and added that it was important that scrutiny work such as pre-decision scrutiny and scrutiny reviews are not reduced to a level which risks accountability and transparency.

It was suggested that a report detailing any findings or proposed changes should come back to Confident Capable Council Scrutiny Panel so it can scrutinise any proposals that could impact on the democratic process.

Cllr Johnson added that if no savings can be sufficiently identified through reducing meetings then alternative savings will have to be found.

Cllr Potter stated a preference for a smaller scrutiny agenda to enable focussed scrutiny work, rather than fewer meetings with large agendas that did not enable any detailed scrutiny.

Refocusing legal services

Cllr Wynne requested further detail of the options being considered for the refocusing of Legal Services.

Cllr Johnson informed the panel that the Chief Legal Officer has been looking at ways of making Legal Services more efficient, including considering shared services with other councils.

Technical change to the Council's policy for Minimum Revenue Provision

Cllr Johnson informed the panel that the Council was being prudent with its revenue provision debt, and was moving from a straight line to an annuity method. This means there will be savings in the short to medium term as repayments are broadly lower in early years and higher in later years. Based on the current provision the Council stands to benefit over the next 25 years. External auditors have been involved in this process and it has also been adopted by other councils such as Shropshire, Stoke-on-Trent, Sandwell and Birmingham.

Cllr Johnson stated this was another measure that aided the prevention of proposing a reduced working week for employees.

Reduction in West Midlands Integrated Transport Authority Levy

Cllr Siarkiewicz asked for more detail around the reduction in the transport levy.

Cllr Johnson responded by stating this has the agreement of all the West Midlands authorities and equated to a reduction of about 5%. This reduction would mean Centro making savings and mirrors the savings having to be made by each of the seven West Midlands councils.

Occupational Health External Clients

Cllr Potter enquired whether this savings proposal was around bringing those employees on long term sick leave back to work.

Cllr Johnson clarified that this savings proposal was not to do with employees on long term sick leave but was about offering occupational health services out to other external organisations for a small charge. It is proposed that this would create a modest income for the Council.

There was a general consensus that it was important that with any commercial development, the Council does not lose its identity for high quality service provision. Some Councillors stated that the Council should promote itself more. Other Councillors also argued that this was an ideal time for the Council to take advantage of such opportunities, and be dynamic and forward thinking.

Councillors also praised the work that has gone into revitalising and developing the City's leisure offer, moving the framework from service provider to a commercial model that also provided communities with great facilities. Councillors also commented on how the proposed closure of Central Baths was reversed, as the leisure offer takes less resource from the Council and puts more emphasis onto partners.

Resolved:

1. To provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the draft budget and medium term financial strategy 2015/16 to 2018/19, in particular those elements that are relevant to this Scrutiny Panel.
2. To approve that the Scrutiny Panel response be finalised by the Chair and Vice-Chair and forwarded to Scrutiny Board for consideration.

3. To receive an update on the management of financial risks in relation to making community loans.

6 **Budget Update and Review**

The Director of Finance introduced the report, explaining it had also been considered by Cabinet (Resources) Panel. He advised that it included details of any financial risks and how these are managed appropriately. He also explained that section three gave more guidance on the risks related to savings proposals and that the report also detailed quarter two 2014/15 revenue and budget monitoring information.

Cllr Potter asked whether the Council is in the position it wants and needs to be in.

The Director of Finance responded by informing the Panel that, as of June, £25 million of savings had been identified and that with the October update the savings found now stood at £27 million. He highlighted to the panel that these proposals could change as a result of consultation or in their delivery, and identified there could be some risks. Overall the Council is in a reasonable financial position given the prevailing challenges. He identified that there was a modest overspend in the Community directorate due to pressures on the adults' and children's budgets. He explained that budget managers across the Council are seeking to identify in-year savings that could assist with reducing expenditure in 2014/15.

Cllr Bolshaw noted that the overall risk for the financial year (2014/15) was rated as amber and asked why that was the case. The Director of Finance stated that the projected overspend in the Community directorate was behind this and therefore the risk could not be rated green.

Cllr Johnson also added that any further austerity measures in the autumn statement or arising after next year's general election could compromise the Medium Term Financial Strategy. He confirmed that the Council will be keeping a close eye on any updates or changes to funding from central government

Resolved:

To consider the arrangements for:

- a) Ensuring adequate identification and management of budget risks;
- b) Budget planning and forecasting for future years

7 **Progress report on Individual Electoral Registration**

Martyn Sargeant, Head of Democratic Services and David Garner, Electoral Services Manager, introduced the report. The Head of Democratic Services stated that overall the introduction and implementation of Individual Electoral Registration (IER) had gone well over the summer. The unexpected Police and Crime Commissioner by-election had delayed the roll out of IER but lost ground had been recovered in recent months, and the new electoral register had been published on 1 December under the new arrangements.

The Electoral Services Manager, provided Councillors with the most recent information and outlined what the data showed. He highlighted to Councillors the reduction in the electorate and stated that this was mostly due to students not being re-registered. Martyn Sargeant informed Councillors that the Council is working on a data sharing agreement with the University, and had also worked with both the University and Wolverhampton College to encourage student registration, including attendance at fresher's fairs. This will be followed up in 2015, prior to the general election.

The panel was informed that a data match on the July register returned a 90% match, meaning there are currently 10% of the electorate from July that need to re-register and confirm their details. The panel was reassured that this was similar to other councils. The panel was made aware that 375 out of 18,000 people had not renewed their postal vote and will subsequently have to re-apply, and further advised that any electors not confirmed under IER will not be allowed to vote via postal vote or by proxy. The Council will review the situation of postal voters as part of a five year review beginning in January.

Councillors asked whether they would receive an update prior to the election and were assured this could be made available.

Cllr Bolshaw enquired whether any in-year surplus from IER funding could be used for other means or if it was ring-fenced only for IER. The panel was informed that the funding was only for IER purposes and that any surplus would be taken forward for next year's budget. The panel was also informed about the possibility of further ring-fenced funding for the 2015/16 financial year.

Cllr Jaspal asked if it was worthwhile spending resources on students as they are only here to study for three years. The panel was made aware that one objective of IER was to target under-registered groups and Wolverhampton had identified students as such a group in its proposals to the Cabinet Office. The Head of Democratic Services also stated that the Council had a statutory responsibility to encourage participation.

Resolved:

(1) To receive the IER project closure report.

(2) To receive an update on voter registration data prior to the general election.

8 **C3 Programme**

The Managing Director introduced the report and updated the panel that the report before them has been to Scrutiny Board for pre-decision scrutiny and that if Councillors have any feedback or comments on the proposals that they should send this to Charlotte Johns, Head of Policy by Tuesday 9 December.

The Managing Director highlighted that the Council had done some targeted work to improve external communications; however the focus in 2015 will be on internal communications including the introductions of employee briefings in their respective teams.

The Managing Director praised the former marketing strategy and corporate logo, but proposed a new logo and branding of 'City of Wolverhampton' in order to emphasise our status as a city. The managing director brought attention to the fact Wolverhampton is the only city in the Black Country and 19th largest city in England by population. The Managing Director also informed the Panel that the editor of the LGC visited the City recently and that it is important that the profile of the city is kept in the eye of the public. Further to this the regeneration programme for the city was starting to take physical shape with block 11 work starting and Sainsbury's now finished.

The Managing Director also added there was a need for the Council to look professional and throughout the creation of the new corporate logo. The Leader and Deputy Leader were keen to keep the coats of arms and keep both the traditional aspect with the new name when creating the logo.

Cllr M Jaspal agreed stated that a strong corporate identity and good brand name breeds confidence in the Council and the City, however he did note that it is important to also focus on small issues such as officers smoking outside the Civic Centre and other Council buildings as well as things such as dirty pavements and weed or grass overgrowing onto pathways, as these all create a negative impact and undermine the Council's hard work. The Managing Director responded by stating employees have been informed not to smoke close to Council buildings and get one warning before being disciplined, he also told Councillors that extra investment was being put into the cleanliness of the roads and streets of the City.

Cllr Siarkiewicz stated that it is important to get the balance right between the reality and the superficial when it comes to the rebranding and what actually happens and what residents see. The Managing Director replied that the delivery of services is an essential part of the transformation of the Council. The Managing Director highlighted the investment of money and time to transform customer services including reviewing the time people were left on hold and the introduction of ring back software. The Managing Director identified that all stages of transformation are important and that it is essential that we try and simplify everything we do as a Council.

Cllr Siarkiewicz commented that it is essential that these messages and programmes are timed correctly as residents hear about cuts to services and cuts financially and may wonder about the money being spent on rebranding.

Cllr Collingswood noted that he welcomed the report and liked the ideas however he did raise the issue that constituents provide him with negative feedback about how their complaints or issues were dealt with by the Council. He felt that this had also been an issue for himself when chasing up constituents issues and this was endorsed by some other Councillors at the meeting.

Councillors enquired as to the cost implications of the new marketing strategy in terms of corporate branding and printing. The Managing Director informed the panel that the cost implications were minimal, that there will be no more stockpiles of paper, printing will instead be done off of templates. Council staff will also keep their current business cards until they run out when they will be provided with new cards with the new branding, the panel was informed that there is minimal cost associated with signage including the sign at the front of the Civic Centre and main reception which was up for renewal in any case. The Managing Director reminded the panel that this is part of a long term strategy to provide the service we want at front end it is the back office which needs continued investment and improvement.

Councillors enquired as to whether there is a policy on response time to complaints. the Managing Director informed Councillors that the overall aim is to provide ward by ward data which relies on IT systems that are currently not in place or in their infancy and that the Council must continually improve and adapt its IT provision.

Cllr Potter asked whether staff reductions will affect the delivery.

The Managing Director stated that it was about having the right staff and the right systems in place in order to effectively carry out the Council's work. The Managing Director highlighted the tremendous progress made by the customer services department over the last three years and praised their work ethic.

The Managing Director also mentioned the need to have more services at the front end of the Council so that residents were enabled to do things for themselves and self- service for their particular needs. There was also a conversation about reaching critical mass on with customer services which will provide a saving in the long term as the team will reach an optimal level of capacity and size. The Managing Directors also informed Councillors that an optimisation review is currently taking place which is looking at the quality of response; Sue Handy, Head of Customer Services was praised for moving this forward.

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Confident Capable Council Scrutiny Panel

4 February 2015

Report title	Budget Update and Review	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Chief Accountant
	Tel	01902 55(0478)
	Email	claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	N/A	

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Consider the arrangements for:
 - a. Ensuring adequate identification and management of budget risks;
 - b. Budget planning and forecasting for future years.

1.0 Purpose

- 1.1 To bring to the Panel's attention, information about the Council's finances that has recently been reported to the Cabinet and Cabinet (Resources) Panel, including:

Reports relating to the Council's Budget and Medium Term Financial Strategy

- 2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19 – Provisional Local Government Settlement Update
- Fees and Charges Review 2015/16

Reports relating to Monitoring of the Council's 2014/15 Budgets

- Capital Programme 2014/15 to 2018/19 Quarter Two Review
- Treasury Management Activity Monitoring Mid-Year Review 2014/15

Reports relating to the Council's Housing Revenue Account (HRA) Business Plan

- Housing Revenue Account Business Plan (including 2015/16 budget rents and service charges)

Reports relating to the Council's Collection Fund and National Non-Domestic Rates (NDR) accounts

- Collection Fund Estimated Outturn 2014/15
- The Council Tax Taxbase 2015/16 and Approval of NDR (Business Rates) Net Rate Yield 2015/16

2.0 Background

- 2.1 As set out in the Confident Capable Council Scrutiny Panel workplan, regular updates on the budget and medium term financial strategy will be received throughout the year. This is the third report of this nature during 2014/15.

- 2.2 Seven reports focussing on the Council's finances have been received by Cabinet and Cabinet (Resources) Panel as set out below:

Cabinet (Resources) Panel, 9 December 2014

- Capital Programme 2014/15 to 2018/19 Quarter Two Review
- Fees and Charges Review 2015/16
- Treasury Management Activity Monitoring Mid-Year Review 2014/15

Cabinet, 14 January 2015

- 2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19 – Provisional Local Government Settlement Update
- Housing Revenue Account Business Plan (including 2015/16 budget rents and service charges)
- Collection Fund Estimated Outturn 2014/15

- The Council Tax Taxbase 2015/16 and Approval of NNDR (Business Rates) Net Rate Yield 2015/16

In order to minimise printing costs, the Panel Chair has agreed that full versions of the reports will not be circulated again - however it is recommended that Panel members review the reports ahead of the meeting, and are requested to please bring the full versions that were circulated with the relevant Cabinet and Cabinet (Resources) Panel agenda papers to this meeting. Summaries of the relevant reports are shown below.

3.0 Capital Programme 2014/15 to 2018/19 Quarter Two Review

3.1 The Quarter Two Review of the City Council's Capital Programme was presented to Cabinet (Resources) Panel on 9 December 2014. The purpose of the report was:

- to provide the Panel with an update on the financial performance of the General Fund and HRA capital programmes for 2014/15 and the revised forecast for 2014/15 to 2018/19, as at quarter two of 2014/15, and,
- to recommend revised General Fund (£219.7 million) and HRA capital (£239.7 million) programmes to Council for approval for the period 2014/15 to 2018/19.

3.2 The report also made recommendations to:

- approve new capital projects for Heath Town estate redevelopment, the Installation and upgrade of Carelink alarm systems and the programme for Garage demolitions included within the revised HRA capital programme.
- delegate authority to the Cabinet Member for Leisure and Communities and the Cabinet Member for Resources in consultation with the Strategic Director for Community and the Assistant Director Finance (now Director of Finance) to award a grant from the Sports Investment Strategy.
- approve six General Fund virements with a gross transfer value of £2.9 million and the updated schedules of works for various capital projects.
- delegate authority to the Cabinet Member for Resources in consultation with the Assistant Director Finance (now Director of Finance) to approve the allocation of the provision of the Disposals Programme to individual capital schemes.
- approve the HRA virement of £100,000 from the External Works programme to facilitate a new programme for Garage demolitions.

4.0 Fees and Charges Review 2015/16

- 4.1 The annual fees and charges review was presented to Cabinet (Resources) Panel on 9 December 2014. At its appendices, the report sets out a detailed listing of existing fees and charges together with recommended prices for 2015/16.
- 4.2 The report sets out cases where authority should be delegated to the responsible Head of Service to vary prices, for example, to cater for increases in food costs or changes in market conditions.
- 4.3 The report also highlighted certain fees and charges which were not reviewed as the prices are subject to separate arrangements for their approval, for example, general licensing charges.

5.0 Treasury Management Activity Monitoring Mid-Year Review 2014/15

- 5.1 This report included a revision to the upper limits that govern the maturity structure for Council borrowing together with a change to the Council's Annual Minimum Revenue Provision (MRP) Statement for 2014/15. In particular, the latter stipulated an annuity method for calculating the annual MRP charge.
- 5.2 In addition, the report detailed the outcome of a mid-year review of the Treasury Management function and savings against budget for both the General Fund (£4.4 million) and Housing Revenue Account (£6.0 million).

6.0 2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19 – Provisional Local Government Settlement Update

- 6.1 This report provided an update to Cabinet on the provisional local government settlement for 2015/16 which was announced by Central Government on 18 December 2014.
- 6.2 The announcement confirmed that the City Council's 2015/16 provisional settlement shows little change from the "illustrative" settlement that was issued in January 2014. The impact on the existing Medium Term Financial Strategy is, therefore, relatively insignificant.
- 6.3 The council tax referendum limit will again be 2.0% for all authorities, with the freeze grant offer confirmed as 1% of the enhanced tax base.
- 6.4 As a result of the provisional settlement, the headline national reduction in spending power is 1.8%. The government define spending power as general government grants, ring-fenced grants including the Public Health Grant, pooled funding (Better Care Fund), council tax and business rates.
- 6.5 With the exclusion of grants which are ring-fenced for specific use, the reduction in national spending power is 6.1%. Wolverhampton's reduction in spending power is 18.3% which is significantly greater than the national average.

7.0 Housing Revenue Account Business Plan (including 2015/16 budget rents and service charges)

- 7.1 The purpose of this report was to recommend to Cabinet (to recommend to Council) to adopt the Housing Revenue Account (HRA) Business plan including the revenue budget for 2015/16 and the capital programme for 2014/15 to 2019/20.
- 7.2 In addition the report recommended an increase in rents for HRA dwellings of an average of 3.11% with effect from 6 April 2015 together with separate recommendations for garages, service charges, district heating charges, hostel charges and charges levied by Wolverhampton Homes.
- 7.3 The report made reference to the forecast surplus against the 2014/15 HRA budget of £18.9 million against a budgeted surplus of £11.9 million.

8.0 Collection Fund Estimated Outturn 2014/15

- 8.1 The purpose of this report was to inform Cabinet of the estimated outturn for Council Tax and National Non-Domestic Rates (NDR) transactions on the Collection Fund for 2014/15.
- 8.2 For Council Tax, based on an estimated cumulative surplus of £1.1 million, the share due to each precepting authority is:-
- Wolverhampton City Council £980,000
 - West Midlands Police £76,000
 - West Midlands Fire Service £39,000
- 8.3 For NDR based on an estimated cumulative surplus of £124,000, the share due to each precepting authority is:-
- Wolverhampton City Council £61,000
 - Central Government £62,000
 - West Midlands Fire Service £1,000
- 8.4 The report also proposed delegation of authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the above.

9.0 The Council Tax Taxbase 2015/16 and Approval of NDR (Business Rates) Net Rate Yield 2015/16

- 9.1 This report set the 2015/16 estimates for the Collection Fund which the Council manages on behalf of precepting authorities.
- 9.2 In the report, it was recommended that Cabinet set the Council Tax Taxbase at 59,103.95 Band D equivalents and set the NDR net rate yield at £75.8 million.
- 9.3 The report also proposed delegation of authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the above.

10.0 Financial Implications

10.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel
[RT/20012015/O]

11.0 Legal Implications

11.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel
[RB/20012015V].

12.0 Equalities Implications

12.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

13.0 Environmental Implications

13.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

14.0 Schedule of Background Papers

Capital Programme 2014/15 to 2018/19 Quarter Two Review, reported to Cabinet (Resources) Panel 9 December 2014.

Fees and Charges Review 2015/16, reported to Cabinet (Resources) Panel 9 December 2014.

Treasury Management Activity Monitoring Mid-Year Review 2014/15, reported to Cabinet (Resources) Panel 9 December 2014.

2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19 – Provisional Local Government Settlement Update, reported to Cabinet 14 January 2015.

Housing Revenue Account Business Plan (including 2015/16 budget rents and service charges), reported to Cabinet 14 January 2015.

Collection Fund Estimated Outturn 2014/15, reported to Cabinet 14 January 2015.

The Council Tax Taxbase 2015/16 and Approval of NNDR (Business Rates) Net Rate Yield 2015/16, reported to Cabinet 14 January 2015.



Confident Capable Council Scrutiny Panel

4 February 2015

Report title	Independent review of process for medium term financial strategy and budget	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 55(0478) claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Confident Capable Council Scrutiny Panel Audit Committee	17 July 2014 10 September 2014 22 September 2014

Recommendation(s) for action or decision:

The Panel is recommended to review and comment on progress made against the Action Plan which has been developed to address the recommendations arising from an independent review of the Council's medium term financial strategy and budget process.

1.0 Purpose

- 1.1 To review progress made by the Council in response to recommendations arising from an independent review of the medium term financial strategy and budget process.

2.0 Background

- 2.1 During the 2013/14 budget process, there was concern regarding the large deficit that was projected. Strategic Executive Board (SEB), therefore, agreed to commission an independent review of the financial planning and budgeting process.
- 2.2 The Local Government Association (LGA) recommended a suitably qualified independent reviewer, Eugene Sullivan, former Chief Executive of the Audit Commission, who was engaged for the review and produced his final report in July 2014.
- 2.3 The results of the review were positive concluding that:
- The approach to five year planning is as good as those seen anywhere else.
 - There is a thorough approach to identifying assumptions and making reasonable (not optimistic or pessimistic) assumptions for the next five years.
 - The financial reports which go to Cabinet are well constructed, well drafted and make good use of narrative, tables and graphics.
- 2.4 The review did, however, make several relatively minor recommendations for improvement. On 10 September 2014 ([report available via this link](#)) the Confidential Capable Council Scrutiny Panel considered these recommendations and the Council's related Action Plan.

3.0 Action Plan Progress

- 3.1 An update on progress against each recommendation in the Action Plan is attached at Appendix 1 for the Panel's consideration.

4.0 Financial implications

- 4.1 There are no direct financial implications arising from this report although the independent review confirms that the Council's financial planning and budgeting processes are robust and implementing the recommendations will further improve financial control

[RT/20012015/F].

5.0 Legal implications

- 5.1 There are no direct legal implications arising from the report

[KO/26082014/U].

6.0 Equalities implications

6.1 There are no direct equalities implications arising from the report.

7.0 Environmental implications

7.1 There are no direct environmental implications arising from the report.

8.0 Human resources implications

8.1 There are no direct human resources implications arising from the report.

9.0 Corporate landlord implications

9.1 There are no direct corporate landlord implications arising from the report.

10.0 Schedule of background papers

10.1 None.

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Independent review of process for medium term financial strategy and budget Action Plan to implement recommendations

Recommendation	Action	Responsible	Update on Progress	Date
1. A full assurance review of the MTFFS model by Internal or external audit should be undertaken in advance of next year's budget setting process.	Internal audit to undertake assurance review of MTFFS model.	Head of Audit.	<p>The assurance review has been completed by Internal Audit (no issues of concern were raised) and reported back to the Council's Section 151 officer.</p> <p>The annual review has been included in Internal Audit's workplan for future years.</p>	30 September 2014 and then annually.
2. Formal approval of the assumptions, including any future changes when they arise, should include the financial implication of each assumption.	Formal approval of assumption is already sought, this will however be enhanced and included in the October budget report to Cabinet, in order to make even clearer what has changed and what this impact was.	Chief Accountant.	The latest changes to assumptions and their implications will be reported to Cabinet on 4 February and in the final budget report on 25 February.	31 October 2014 and then on-going.

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Recommendation	Action	Responsible	Update on Progress	Date
<p>3. Only one iteration of the five year projections (around October or November) should be reported to Councillors in advance of setting the budget for the coming year (unless there are major changes to the figures which require urgent consideration).</p>	<p>The five year projections will remain under constant review and all reports will make reference to the extent of the challenge over the five year period, the main focus will however be on the following financial year.</p> <p>This will ensure that that Councillors are able to make fully informed medium term focussed decisions.</p> <p>The number of iterations of the five year projections that are reported will depend on the significance of the changes between each reporting period.</p>	<p>Chief Accountant.</p>	<p>Since the last update, two reports have been considered (22 October 2014 and 14 January 2015) by Cabinet, highlighting key changes in assumptions and savings proposals.</p> <p>This approach is considered to be consistent with the significance of changes between the reporting periods, and the associated risk, by the Section 151 officer.</p>	<p>31 October 2014 and then on-going.</p>

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Recommendation	Action	Responsible	Update on Progress	Date
4. In-year monitoring of the financial budget for the current year should also possibly include a future trends paragraph which might alert Councillors to anything material which might affect future plans.	Quarterly monitoring reports will continue to focus upon the current financial year with a future trends paragraph included where and when appropriate.	Chief Accountant.	The quarter 2 budget monitoring report was considered by Cabinet (Resources) Panel on 11 November 2014. This report identified the future impact of current pressures, for example, Looked After Children.	31 July 2014 and then on-going.
5. The financial model should be maintained as a live model for the Section 151 Officer and management purposes.	The MTFS will continue to be maintained as a live model with regular updates provided to the Section 151 Officer.	Chief Accountant.	The MTFS continues to be a working financial model which is regularly maintained and updated between reporting periods.	On-going.

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Recommendation	Action	Responsible	Update on Progress	Date
<p>6. The story and the financial strategy should be told in a way that makes the scale of the challenge clear and unequivocal but achievable with focus and commitment to a common purpose.</p>	<p>Templates for reports and presentations will be reviewed, Communications and Democratic Services colleagues will be consulted as part of this review in order to ensure that the key messages and actions are communicated as clearly as possible.</p> <p>This has already been actioned for the 25 June 2014 Cabinet report.</p>	<p>Chief Accountant.</p>	<p>The October 22 report to Cabinet was reviewed by Communications and Democratic Services colleagues to improve its readability and streamlined to ensure that the message is clearer. This approach will be continued for the February 2015 and future reports.</p>	<p>31 July 2014 and then on-going.</p>

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Recommendation	Action	Responsible	Update on Progress	Date
<p>7. Budget and financial outturn and strategy reports should be shortened and simplified, with financial data and detailed commentary moved to appendices wherever possible to provide greater clarity.</p>	<p>Templates for reports and presentations will be reviewed, Communications and Democratic Services colleagues will be consulted as part of this review in order to ensure that the key messages and actions are communicated as clearly as possible This has already been actioned for the 25 June 2014 Cabinet report.</p>	<p>Chief Accountant.</p>	<p>This has been implemented for the 25 June and 22 October 2014 Cabinet reports and the approach will be continued for future reports.</p>	<p>31 July 2014 and then on-going.</p>

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Recommendation	Action	Responsible	Update on Progress	Date
<p>8. The Finance Department should arrange a suitable and proportionate annual due diligence review (possibly by internal or external audit) to append to its MTFS report to Cabinet.</p>	<p>Due diligence review to be undertaken annually by internal audit to validate methodology and assumptions used.</p>	<p>Head of Audit.</p>	<p>Internal Audit is currently collating the information in order to complete this review. This should be completed by mid-February.</p>	<p>December 2014 and then annually.</p>

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Recommendation	Action	Responsible	Update on Progress	Date
<p>9. For fees and charges there should be:</p> <ul style="list-style-type: none"> • greater modelling and economic focus on not just the charge for a service but also the anticipated level of income that might be raised • an explicit focus on fees and charges/income generation in the MTFS • a determination of the fees and charges for the coming year before or when setting the budget. 	<p>Fees and charges to be set prior to the final budget being reported to Cabinet during February each year. The process will include volume/demand modelling in significant areas as well as consideration of the absolute level of income generated.</p>	<p>Chief Accountant.</p>	<p>The Council's 2015/16 fees and charges were approved by Cabinet (Resources) Panel on 9 December 2014.</p> <p>There is some degree of volume/demand modelling within services as part of this process, particularly for high risk/high income generating areas such as car parking. It is recognised, however, that increased sophistication and improved documentation of evidence and decision making would add further value. This will be considered further during the next round of fees and charges reviews.</p>	<p>December 2014 and then annually.</p>

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Recommendation	Action	Responsible	Update on Progress	Date
<p>10. Current earmarked reserves should be preserved as mitigation against any unforeseen pressures in 2014/15.</p>	<p>At the end of 2013/14 earmarked reserves were higher than had been projected during the year. This will be formally reported to Cabinet in July. Earmarked reserves will continue to be reviewed on a regular basis, including an annual review by Scrutiny, in order to ensure that what is being held is both robust and prudent.</p>	<p>Chief Accountant.</p>	<p>The Council's reserves, provisions and balances held at 31 March 2014 were reported to Cabinet on 23 July 2014.</p> <p>The balances are reviewed for appropriateness on an on-going basis by Finance Officers and the Section 151 officer as part of the budget planning process.</p> <p>A scrutiny review of reserves held by the Council was carried out by the Specific Reserves Working Group on 27 November 2014.</p>	<p>On-going.</p> <p>Report Pages Page 11 of 12</p>

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Recommendation	Action	Responsible	Update on Progress	Date
<p>11. The Council should seek further clarification from the Section 151 Officer and the External Auditor as to the triggers for action under relating to Section 114 and Section 19 powers.</p>	<p>Section 151 Officer and External Auditor to discuss and document the triggers before reporting to Senior Management and Councillors.</p>	<p>Director of Finance.</p>	<p>This was discussed and documented by the Section 151 Officer and External Auditor in the Summer of 2014 in the context of the 2015/16 budget process. Further discussions will take place for 2016/17 and the outcome of these discussions will be documented and reported to Senior Management and Councillors.</p>	<p>31 July 2014 and then annually.</p>