



Confident, Capable Council Scrutiny Panel

22 April 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

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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 - 6)
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

PRE-DECISION

- 5 **Future Practice - Procurement Strategy Principles** (Pages 7 - 14)
[To provide a report to the panel to carry out pre-decision scrutiny and consider the principles on which the Procurement Strategy 2015 to 2018 will be based]

DISCUSSION

- 6 **Budget update and Review** (Pages 15 - 22)
[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.]



Confident, Capable Council Scrutiny Panel

Minutes - 4 February 2015

Attendance

Members of the Confident, Capable Council Scrutiny Panel

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

Employees

Andrew Harvey	Graduate Management Trainee
Claire Nye	Chief Accountant
Mark Taylor	Director of Finance

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies**
Apologies were received from Cllr Haynes.
- 2 Declarations of interest**
There were no declarations of interest.
- 3 Minutes of previous meeting**
Resolved:
That the minutes of the meeting held on 3 December 2014 were approved as a correct record and signed by the Chair.
- 4 Matters arising**
There were no matters arising.

5 **Budget Update and Review**

The report was introduced by Mark Taylor, Director of Finance, which included all financial reports which had been presented to Cabinet and Cabinet (Resources) Panel since the last meeting of Confident Capable Council Scrutiny Panel.

Cllr Potter enquired whether the Council is in the financial situation it wants to be given the difficulties.

The Director of Finance stated that the current financial situation is reflective of the reductions in funding, and additional pressures the Council is facing but that the Council was on target to meet its statutory requirement to achieve a balanced budget for 2015/16. The Director of Finance also made Councillors aware that significant challenges lie ahead and that the Council needs to find a further £40 million worth of spending reductions in the coming years.

Resolved:

(1) That the budget update and review be noted.

(2) To receive further update reports in order to ensure adequate identification and management of budget risks.

6 **Independent Review of Process for Medium Term Financial Strategy and Budget (Eugene Sullivan Report) - Implementation of the Action Plan (update)**

Mark Taylor, Director of Finance introduced the report, which included an update on the progress of the eleven point action plan implemented after the Eugene Sullivan Report. The Director of Finance reminded Councillors that the majority of the recommendations from the Eugene Sullivan report were low level risk.

Cllr Bolshaw highlighted the positive comments in paragraph 2.3 of the report and praised the work of Council employees in making sound financial decisions in the tough economic climate that the Council finds itself in.

The Director of Finance indicated to Councillors that the majority of recommendations from the action plan had either been implemented or are about to be implemented.

Cllr Sweetman brought attention to point six of the reports appendix, and referred to a previous discussion around how the Council can illustrate its narrative in financial reports to residents in an increasingly user friendly way. Cllr Sweetman enquired what progress had been made in relation to this issue. The Director of Finance stated that work had been ongoing with the Communications team and Democratic Services team and that reports are now increasingly streamlined and only contain essential information. The Director of Finance reminded Councillors that links to specific reports are available via the Council website for residents and the Council needs to be transparent with its financial data.

Cllr Sweetman asked whether there had been any move toward using infographics as a way of representing data.

The Director of Finance, stated that infographics had been used to demonstrate cuts in central government grants, but added that it is important for infographics to be used in an appropriate way. Councillors discussed and agreed that infographics could demonstrate the problems the Council is facing in a user friendly way to residents and would like to receive information on how this could be progressed.

The Director of Finance agreed that infographics could be developed where relevant and that it might be possible to incorporate infographics into the next significant budget update in June or July.

Cllr Jaspal queried why the report identified no financial implications.

The Director of Finance stated that was the case as no extra resource is required to implement the action plan.

Cllr Bolshaw questioned point nine of the report appendix, relating to annual increases in fees and charges. Cllr Bolshaw asked if the Council was moving away from rises across the Council to individual rises based on need. The Director of Finance confirmed that the Council has moved away from wholesale rises. The Director of Finance stated that the aim is to ensure full cost recovery and that increases would occur unless this would be counterproductive.

Cllr Bolshaw questioned if Agresso had made any difference. The Director of Finance indicated that Agresso will enable budget holders to more easily manage their own budgets and that therefore the Council will require fewer accountants.

Councillors asked for an update on outstanding Agresso payments. The Director of Finance reminded Councillors that the Council will never be totally up to date due to disputes and other factors. The main issue that departments had faced was the lack of order numbers on invoices, however good progress is being made on this issue.

Councillors highlighted that there would always be issues when implementing new systems and that it was vital that any serial offenders who do not supply order numbers whether internal or external should be engaged with. Councillors enquired whether training on Agresso was on-going. The panel were assured that Agresso training was still a continuing process.

Cllr Bolshaw said that small businesses may not be able to wait for payments, and asked what the standard period was for payment. The Director of Finance stated that the standard terms and conditions for payments is 30 days, but that the Council can vary this and endeavours to pay as soon as possible if given prior notice.

Resolved:

- (1) To note the action plan and steps taken to deliver the recommendations of the Eugene Sullivan as outlined.
- (2) To receive an update on the strategy for including infographics within reports.
- (3) To include infographics in future Budget Update reports.

- 7 **Verbal Update on the Work of the Specific Reserves Working Group**
Cllr Potter, provided the verbal update as chair of the Specific Reserves Working group, and quantified that all reserves had been committed or earmarked.

Cllr Bolshaw reiterated the point that all reserves were earmarked or committed. The Director of Finance advised Councillors that this was still an important process to go through, as Councillors need to be confident that reserves are being managed appropriately.

Cllr Sweetman enquired as to whether or not a reserve for the combined authority had been established. The Director of Finance indicated that there was not a reserve for the combined authority but that £50,000 had been committed from the transformation reserve. The Director of Finance stated that this was not currently reflected in the Medium Term Financial Strategy but that it is being monitored.

The Director of Finance indicated future reports would come forward to Cabinet and that these may also be subject to pre decision scrutiny if there was to be any impact on the structure and strategy of the Council.

Resolved:

- (1) To note the update from the Specific Reserves Working Group.
- (2) To receive updates and reports regarding to the combined authority that may impact on the structure or organisation of the Council.



Confident, Capable Council Scrutiny Panel

22 April 2015

Report title	Future Practice – Procurement Strategy Principles	
Cabinet member with lead responsibility	Councillor Andrew Johnson	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Procurement	
Accountable employee(s)	Andy Moran	Head of Procurement
	Tel	01902 554132
	Email	andy.moran@wolverhampton.gov.uk
Report to be/has been considered by	See Section 5.0 Consultation and Approval Programme	

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Consider the principles that will be the basis of the Procurement Strategy and provide comments to Cabinet.

Recommendations for noting:

The Panel is asked to note:

1. The proposed programme for consultation and approval for the Procurement Strategy.
2. This item is being considered as pre-decision scrutiny and will therefore not be available to call-in once a decision is made by the Executive.

1.0 Purpose

1.1 This report carries out pre-decision scrutiny and sets out the principles on which the Procurement Strategy 2015 to 2018 will be based. The principles will ensure that;

- We are clear on how what we spend with third parties is allocated and how this offers value for money.
- How our spend with third parties maximises the impact of each pound in contributing to delivering our City Strategy of;
 - Encouraging Enterprise and Business
 - Empowering People and Communities
 - Re-invigorating our City
- We will listen to what customers and communities tell us about services delivered by third parties and act upon what they tell us.
- We will ensure that performance of third parties is actively managed and that the realisation of benefits is monitored.

2.0 Background

2.1 Commissioning, Procurement and Contract Management

The Procurement strategy covers the procurement and contract management parts of the Commissioning Cycle. Directorates and Service teams are responsible for the Commissioning strategies.

2.2 The process for commissioning, procurement and contract management is set out in the Commissioning Cycle diagram below.



2.3 Definition of Commissioning

Commissioning is a whole system process from researching and analysing needs of residents to developing commissioning strategies and work programmes. It entails working with providers and customers to develop, stimulate and redesign through co-produced specifications. This enables services to be designed and commissioned that reflect current and future needs of a population and also determines how public bodies decide to spend available resources to achieve the best possible outcomes for local people.

2.4 Definition of Procurement

Procurement is the process of acquiring goods, works and services from third parties. The process spans the whole life cycle from identification of needs, through to the end of a contract or the end of the useful life of an asset.

2.5 Definition of Contract Management

Contract management is the management of provider relationships to ensure their compliance with contract obligations and to understand and control the financial and risk implications of any change. Contract management also includes the performance monitoring and quality assurance of the provider.

3.0 How we will work to the principles

3.1 We are clear on how what we spend with third parties is allocated and how this offers value for money:

We will establish three year plans for each category of spend which will identify:

- The areas where performance needs to improve;
- Initiatives and plans that optimise the outcomes identified in the Commissioning Strategies whilst providing the most effective use of our resources and demonstrating value for money;
- Potential gaps in future service provision and where we need to build capacity and capabilities to meet forecast demand;
- Develop and implement work programmes that clearly set out milestones and timescales for each activity;
- We will consider both the design of the service and the procurement process itself to ensure we deliver value for money through the sourcing process.

3.2 We will listen to what customers and communities tell us about services delivered by third parties and act upon what they tell us:

- Through consultation and active engagement we will encourage customers and communities to be involved in the sourcing process. Where services are key to a

group of customers or a community we will offer the opportunity to take part in deciding the performance priorities and in the evaluation of providers' proposals:

- We will provide open and easy ways that customers can provide feedback to us and we will show what we and the providers have done in response.

3.3 How our spend with third parties maximises the impact of each pound in contributing to delivering our City Strategy:

The Council is facing a period of intense change, with an increasing demand for services, a reduction of funding and a challenging policy environment. The Council is working with public, private and voluntary sector organisations to develop a City Strategy approach to public services. We will work with organisations in identifying the use of similar resources and where we deliver similar services, we will collaborate to realise better value for money, return on investment and service outcomes.

- We will develop a Wolverhampton Charter that organisations will be encouraged to agree to which will set out how they will contribute to making the City the very best it can be for local people;
- We will work with our public sector partners to collaborate and co-ordinate our procurement activity;
- We will engage with local suppliers, in particular Small and Medium Enterprises (SMEs), voluntary, community and social enterprise (VCSE) organisations, to keep them updated on procurement related issues such as changes in legislation, where to find opportunities and upcoming contracts;
- We will offer training on our e-tendering system and guidance on what a good tender submission should be. This will ensure that local organisations are able to compete for opportunities both within Wolverhampton, nationally and the EU;
- We will include requirements in our major contracts that the sourcing of subcontract opportunities from the local market that supports local employment is encouraged to be the first choice;
- We will develop a consistent measure of the social, economic and environmental value delivered through our spend with third parties.

3.4 We will ensure that performance of third parties is actively managed and that the realisation of benefits is monitored:

- We will use a Performance Management Framework approach based on outcomes to monitor the quality of services we contract for;
- Incorporate best practice and continuous improvement benchmarking to ensure value for money is being achieved;

- Ensure that risks are identified, managed and appropriately mitigated;
- Ensure positive outcomes and experiences for customers and communities.

4.0 Procurement Vision

4.1 Competitive markets and a variety of service provision options are key to supporting value for money and choice for customers. This requires an increased focus on market development and supply chain management to ensure a sustainable mix of suppliers from all sectors.

4.2 The Procurement Vision is;

“To secure demonstrable value for money and maximise the benefits from spend with third parties, supporting delivery of innovative, cost effective and high quality services for the people of Wolverhampton, meeting the highest standards of legal and procurement practice and undertaking such activities in the most efficient manner possible.”

4.3 Equal Treatment and Fairness

Suppliers are treated in a fair and equal manner to enable them to bid on a level playing field, having access to relevant and necessary information.

4.4 Transparency and Openness

Procurement processes are conducted in a way that is fair and competitive, with all relevant non-commercially sensitive information being shared openly and in a timely manner.

4.5 Value for Money

Balancing the appropriate degree of quality and scope of requirements with the whole-life cost of the goods services or works, to meet customer needs at the best value possible.

4.6 On-going Commercial Management

Effective contract management processes are applied across the Council to ensure the effective management of commercial arrangements.

4.7 Partnerships and Collaboration

The Council recognises that collaboration and co-operation between local authorities and other public, private and voluntary sector organisations provides more flexible and cost effective services, and we will collaborate with external bodies to consult, share good practice, learn from experiences and develop good working relationships to enhance service provision.

4.8 Stakeholder Engagement

Customers and communities are engaged in developing service delivery requirements and their views on delivery performance are taken into account and acted upon.

4.6 Market Engagement

Tendering opportunities attract sufficient market interest to establish a competitive number of quality bids as a result of pre-procurement market engagement. We work with

suppliers to understand local supply chains and develop subcontracting opportunities for local companies and support local employment.

4.7 Regulatory Compliance and Governance

Spending public money requires high levels of probity and accountability, supported by a framework of mechanisms to ensure that standards are met. The Contract Procedure Rules provide a robust framework that governs the process for sourcing from third parties and protects the Council from exposure to challenge or legal action by clearly determining the accountabilities and responsibilities of officers involved in procurement activity and by monitoring and enforcing compliance with those responsibilities.

4.8 Risk Management

Contracts are written in a manner that protects the Council from risk and adverse movements in inflation, legislation, or developments in technology. Contracts remain flexible enough to take into account changes in the commissioning strategy.

4.9 Technology & Efficiency

Efficiency requires us to achieve the same or more with less, and technology will play a major role in achieving this. Streamlining of processes will be required, in addition to elimination of unnecessary activity and innovative approaches to structuring contracts and delivering services. The use of technology, such as e-tendering, improves the procurement process and reduces the costs of sourcing and tendering. Technology will improve access to procurement information for officers, customers and suppliers, and to support the transparency of our processes.

5.0 Consultation and Approval Programme

Date	Activity
22 April	Confident Capable Council Scrutiny Panel, for pre-decision scrutiny
May	Draft strategy to Strategic Executive Board
9 June	Final draft strategy complete
16 June	Draft strategy in public domain for Cabinet
24 June	Draft strategy at Cabinet, seeking approval to consult by Cabinet
1 July	12 weeks consultation starts
22 July	Confident Capable Council Scrutiny
23 Sept	End of 12 week consultation
October	Final strategy for approval by Cabinet

6.0 Financial implications

6.1 Councillors are requested to endorse the principles underpinning the proposed procurement strategy. This has been designed with the intention of maximising the value of spend with third parties in pursuit of the objectives outlined in the City Strategy.

[GE/09042015/V]

7.0 Legal implications

7.1 The relevant legislation that applies to public sector procurement will be taken into account when developing the Procurement Strategy including;

- EU Procurement Directive (Public Sector) 2014/24/EU
- EU Procurement Directive (Concessions) 2014/23/EU
- Public Contracts Regulations 2015
- Social Value Act 2012
- Local Government Acts in relation to non-commercial considerations
- Cabinet Office Guidance
- Equality Act 2010

[TS/09042015/G]

8.0 Equalities implications

8.1 An initial equality screening shows that a full equality analysis is required as there are equality implications that need to be taken into account prior to and throughout the development of this Procurement Strategy.

9.0 Environmental implications

9.1 The approach to sustainable procurement is being developed in conjunction with the Procurement Strategy

10.0 Human resources implications

10.1 None.

11.0 Corporate landlord implications

11.1 None.

12.0 Schedule of background papers

12.1 None.

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Confident Capable Council Scrutiny Panel

22 April 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 Tel Email	Chief Accountant 01902 55(0478) claire.nye@wolverhampton.gov.uk
Report to be/has been considered by		

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.
2. Note that infographics will be used to enhance the updated Financial Plan.

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 – 4 February 2015
- Treasury Management Strategy 2015/16
- Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19 – 25 February 2015
- Capital Programme 2014/15 to 2018/19 Quarter Three Review and 2015/16 to 2019/20 Budget Strategy

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

- Capital Programme 2014/15 to 2018/19 Quarter Three Review and 2015/16 to 2019/20 Budget Strategy
- Quarter Three Treasury Management Activity Monitoring
- Revenue Budget Monitoring 2014/15

2.0 Background

- 2.1 As set out in the Confident Capable Council Scrutiny Panel work plan, regular updates on the budget and medium term financial strategy will be received throughout the year. This is the first report of this nature during 2015/16.
- 2.2 Six reports focussing on the Council's finances have been recently received by Cabinet and Cabinet (Resources) Panel, as set out chronologically below:

Cabinet, 4 February 2015

- 2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19

Cabinet (Resources) Panel, 10 February 2015

- Quarter Three Treasury Management Activity Monitoring

Cabinet, 25 February 2015

- Capital Programme 2014/15 to 2018/19 Quarter Three Review and 2015/16 to 2019/20 Budget Strategy
- Treasury Management Strategy 2015/16
- Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19

Cabinet (Resources) Panel, 24 March 2015

- Revenue Budget Monitoring 2014/15

In order to minimise printing costs, the Panel Chair has agreed that full versions of the reports will not be circulated again. It is recommended, however, 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 2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19

- 3.1 The purpose of this report, which was presented to Cabinet on 4 February 2015, was to provide an update on the 2015/16 Budget and the Medium Term Financial Strategy for the period 2015/16 to 2018/19. This was the third report to Cabinet on the 2015/16 Budget and the Medium Term Financial Strategy for the period 2015/16 to 2018/19.
- 3.2 The Budget and Medium Term Financial Strategy for the period 2014/15 to 2018/19 was approved by Council on 5 March 2014, with a budget deficit of £11.8 million projected for 2014/15 rising to £59.2 million by 2018/19.
- 3.3 A budget strategy to address the projected budget deficit was approved by Council at that meeting, and throughout the first seven months of 2014/15 significant work took place to identify new savings proposals to achieve the strategy for 2015/16.
- 3.4 Extensive budget preparation work has been on-going in recent months for the 2015/16 budget. This detailed work, in conjunction with adjustments arising as a result of changes in assumptions was incorporated into this update to the Budget and Medium Term Financial Strategy.
- 3.5 The report stated that the Council faced finding further savings totalling £40.6 million over the next four years, with an immediate focus on identifying as much of the projected £3.5 million deficit for 2015/16 as possible. The budget position reported to Cabinet in October identified that savings totalling £36.7 million were required over the medium term period to 2018/19; the budget adjustments increased the budget deficit by £3.9 million over the medium term, largely due to additional Treasury Management budget of £3 million required as a result of increasing interest costs as well as pressures arising from a reduction in projected Birmingham Airport dividends and compliance with Deprivation of Liberty Safeguarding.

- 3.6 If the Council were to use £3.5 million of general reserves to balance the budget in 2015/16, this would breach the Council's policy of maintaining a minimum of £10 million in general reserves.
- 3.7 In order to address this issue, the report stated that further detailed technical work would continue prior to the next update to Cabinet on 25 February 2015, with the aim of identifying additional savings to reduce the projected budget deficit in 2015/16 and therefore reduce the call on general reserves.

4.0 Capital Programme 2014/15 to 2018/19 Quarter Three Review and 2015/16 to 2019/20 Budget Strategy

- 4.1 The purpose of this report was to provide Cabinet with an update on the financial performance of the General Fund capital programme as at quarter three of 2014/15, the budget strategy for 2015/16, and to recommend a revised General Fund capital programme for the period 2014/15 to 2019/20.
- 4.2 The report recommended variations to the approved programme totalling an increase of £1.5 million, bringing the total revised capital programme to £221.2 million. The projected increase of £1.5 million reflects additional expenditure of £377,000 not already assumed in the approved capital programme requiring Council approval, and the inclusion of projected Private Sector Housing budgets for the 2019/20 financial year of £1.1 million.
- 4.3 The approved General Fund capital budget for the financial year 2014/15 amounts to £122.7 million and expenditure to the end of quarter three 2014/15 totalled £52.8 million, representing 43.0% of the approved budget.

5.0 Treasury Management Strategy 2015/16

- 5.1 This report set out the Council's Treasury Management Strategy for 2015/16 for approval by Full Council. The strategy incorporates six elements, which are detailed in six separate documents, appended to the original report. The content of these documents is summarised below at 5.2 to 5.7.
- 5.2 Treasury Management Strategy - This has been prepared in accordance with the CIPFA Treasury Management Code, and fully reflects the requirements of the Code. It summarises in strategic terms the approach the Council will take in performing its treasury management activities during 2015/16. It also highlights some of the key current risks and issues relating to treasury management that will be monitored over the course of the year.
- 5.3 Annual Investment Strategy - This builds on the Treasury Management Strategy by focussing in greater detail on investment activities. It sets out in detail the conditions under which the Council will place investments. This represents the Council's approach to managing a number of risks inherently associated with investment. These are discussed in greater detail in the Strategy itself.

- 5.4 Prudential and Treasury Management Indicators - The Prudential Code requires authorities to set and observe a range of prudential and treasury management indicators, and to keep these under review. The indicators set out in the appendix to the Treasury Management Strategy report are the minimum required by the Code and associated guidance.
- 5.5 Minimum Revenue Provision (MRP) Statement - The Council adopted the equal instalment method of calculating MRP from 1 April 2008, but revised its approach to calculating MRP on an annuity basis from 1 April 2014 with the agreement of its auditors. It was considered that this revision was both more prudent and fairer than the previous method.
- 5.6 Disclosure for Certainty Rate - This rate enables eligible councils to access cheaper borrowing rates of 20 basis points below the standard rate across all loan types and maturities from the Public Works Loan Board.
- 5.7 Treasury Management Policy Statement and Practices – The updated version of the Council’s treasury management policy statement and practices, as required by the CIPFA Code of Practice on Treasury Management, was attached to the report for Cabinet to recommend approval by Council.
- 6.0 Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19**
- 6.1 This was the fourth and final report to Cabinet (25 February 2015) on the 2015/16 Budget and the Medium Term Financial Strategy for the period 2015/16 to 2018/19. The report provided Cabinet with a budget for recommendation to Full Council.
- 6.2 At its meeting on 4 February 2015, Cabinet were provided with an update on the 2015/16 Budget and Medium Term Financial Strategy for the period 2015/16 to 2018/19. At that point in time, the Council needed to identify £3.5 million of savings to balance the 2015/16 budget, rising to £40.6 million by 2018/19. At that meeting, Cabinet were informed that further detailed work would continue prior to this meeting, with the aim of reducing the call on general reserves as much as possible to ensure that the Council’s policy of maintaining a minimum of £10 million in general reserves is not breached.
- 6.3 This fourth report updated the 2015/16 Budget and Medium Term Financial Strategy for the period 2015/16 to 2018/19 for changes arising from the further detailed work undertaken. This work, including revision of the MRP Policy, has resulted in the Council being able to propose a budget for 2015/16 which is balanced without calling upon general reserves.
- 6.4 Recasting the projected budget challenge resulted in the gap increasing from £123 million to £134 million over the period 2014/15 to 2018/19. The increase is largely due to the rising costs of Looked After Children, pay and pension costs, and continuing Government grant cuts. However, against this, savings totalling £87.8 million have been identified during the 2014/15 and 2015/16 budget setting processes.

- 6.5 The Council is now faced with finding further savings totalling £46.3 million over the next four years. The budget position reported to Cabinet on 4 February 2015 identified that savings totalling £40.6 million were required over the medium term period to 2018/19; the budget adjustments therefore have resulted in an additional pressure of £5.7 million over the medium term.
- 6.6 The report identified that work must start immediately to identify £20 million of additional savings to address the projected £14.8 million budget deficit for 2016/17. A savings target in excess of the projected budget deficit for 2016/17 is necessary due to the increased uncertainty of future government funding. This would give the Council choice over the implementation of those savings in the event that grant funding is in line with current projections. It was proposed that an update on progress will be reported to Cabinet in June 2015.
- 6.7 Further to this, additional savings totalling £26 million need to be identified, taking the total additional savings to be identified to £46 million, in order to address the projected budget deficit over the medium term to 2018/19.
- 6.8 It is important to note that the updated projected budget deficit assumes the achievement of prior year savings proposals amounting to £46 million over the four year period to 2018/19. Having identified significant savings over the last five financial years, the extent of the financial challenge over the medium term continues to represent the most significant that the council has ever faced.

7.0 Quarter Three Treasury Management Activity Monitoring

- 7.1 This report provided a monitoring and progress report on treasury management activity for the third quarter of 2014/15, in line with the Prudential Indicators approved by Council in March 2014 and December 2014.
- 7.2 Savings of £4.5 million for the General Fund and £6.0 million for the Housing Revenue Account were forecast in the report, from treasury management activities in 2014/15.
- 7.3 The average rate of interest payable by the Council is estimated to fall from 3.97% to 3.70% for 2014/15 in the report.

8.0 Revenue Budget Monitoring 2014/15

- 8.1 The purpose of this report was to provide Cabinet (Resources) Panel with a projection of the likely revenue outturn position, compared with the Council's approved revenue budgets for 2014/15.
- 8.2 A net underspend of £9.2 million (-3.72%) was projected against the General Fund net budget requirement of £247.6 million. This combined with the receipt of an additional Business Rates support grant totalling £2.7 million in 2014/15 will result in a forecast contribution of £1.9 million to general balances during the year, rather than drawing down almost £9.9 million of general fund reserves to balance the budget in 2014/15 as originally approved.
- 8.3 The Council continues to be faced with a challenging projected financial position over the medium term, and significant savings are required in order to achieve a robust financial position.

The Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19 approved by Full Council on 4 March 2015 identified that the Council is now faced with finding further savings totalling £46.3 million over the next four years. It is important to note that the updated projected budget deficit assumes the achievement of prior year savings proposals amounting to £46.0 million over the four year period to 2018/19.

8.4 During the first seven months of 2014/15, significant work was undertaken to identify new savings proposals to achieve the approved budget strategy for 2015/16 and identifying £25 million of savings, with the aim of accelerating as many of those savings as possible into 2014/15, to reduce the call on general balances. The budget shown in the report reflects the acceleration of existing and additional 2014/15 savings proposals equating to £1.9 million, approved by Cabinet on 22 October 2014. These savings will reduce the call on general fund reserves this financial year.

8.5 In order to support the savings programme in rebuilding general reserves, Cabinet approved in October that expenditure during the remainder of 2014/15 be restricted where possible to generate savings during the year to offset projected overspends in some areas.

8.6 An update on the General Fund budget risks was provided in the report. Overall the risk for 2014/15 was assessed as amber.

8.7 Projected redundancy costs of £6.0 million were included in the forecast outturn, and will be funded by a contribution from the Efficiency Reserve. The projected costs are subject to change, dependent upon the actual redundancies approved by the year end.

9.0 Use of Infographics

9.1 At the meeting of the Confident, Capable, Council Scrutiny Panel on 4 February 2015, it was agreed that the use of infographics would be used to enhance financial reporting. Work has been undertaken to identify appropriate opportunities to use infographics to enhance budget reporting. The Financial Plan, which was first published in December 2013, is prepared for the citizens and businesses of Wolverhampton and outlines the medium term financial challenges and plans. This document will be updated shortly and it is proposed that the next update of the Financial Plan is enhanced with the use of infographics.

10.0 Financial Implications

10.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel [RT/23032015/K].

11.0 Legal Implications

11.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel [TS/07042015/V].

12.0 Equalities Implications

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

13.0 Environmental Implications

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

14.0 Schedule of Background Papers

2015/16 Budget and Medium Term Financial Strategy 2015/16 to 2018/19, Cabinet 4 February 2015.

Capital Programme 2014/15 to 2018/19 Quarter Three Review and 2015/16 to 2019/20 Budget Strategy, Cabinet 25 February 2015.

Treasury Management Strategy 2015/16, Cabinet 25 February 2015.

Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19, Cabinet 25 February 2015.

Quarter Three Treasury Management Activity Monitoring, Cabinet (Resources) Panel 10 February 2015.

Revenue Budget Monitoring 2014/15, Cabinet (Resources) Panel, 24 March 2015.