



Confident, Capable Council Scrutiny Panel

14 September 2016

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

Venue Committee Room 2 - 3rd Floor - Civic Centre

Membership

Chair Cllr Rita Potter (Lab)
Vice-chair Cllr Andrew Wynne (Con)

Labour

Cllr Alan Bolshaw
Cllr Jacqueline Sweetman
Cllr Mary Bateman
Cllr Caroline Siarkiewicz
Cllr Dr Michael Hardacre
Cllr Payal Bedi-Chadha
Cllr Louise Miles
Cllr Paula Brookfield
Cllr Ian Brookfield

Conservative

Cllr Udey Singh

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 (29 June 2016)** (Pages 5 - 8)
[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 **Outcome of the Local Government Association Finance Peer Review** (Pages 9 - 28)
[Claire Nye, Chief Accountant, to present report on the outcome of the recent Local Government Association (LGA) Finance Peer Review]
- 6 **Budget Update and Review** (Pages 29 - 36)
[Claire Nye, Chief Accountant, to present report about the Council's finances]
- 7 **Debt Management Update Report** (Pages 37 - 42)
[Tracey Richards, Recovery Manager and Sue Martin, Head of Revenues & Benefits, to jointly present debt management update report]

Confident, Capable Council Scrutiny Panel

Minutes - 28 June 2016

Attendance

Members of the Confident, Capable Council Scrutiny Panel

Cllr Alan Bolshaw
Cllr Mary Bateman
Cllr Caroline Siarkiewicz
Cllr Andrew Wynne (Vice-Chair)
Cllr Rita Potter (Chair)
Cllr Louise Miles

Employees

Earl Piggott-Smith	Scrutiny Officer
Sue Handy	Head of Customer Service
Andy Hoare	Head of Services - ICT
Colin Parr	Head of Governance

Part 1 – items open to the press and public

Item No. *Title*

1 Apologies

Apologies were received from the following members of the panel:

Cllr Dr Michael Hardacre
Cllr Jacqueline Sweetman

2 Declarations of interest

There were no declarations of interest recorded.

3 Minutes of previous meeting (20 April 2016)

That the minutes of the meeting held on 20 April 2016 be approved as a correct record and signed by the Chair.

4 Matters arising

Minute 6: Future Money: Budget Update and Review Report

The panel agreed that Cllr Johnson, Cabinet Members for Resources and Mark Taylor, Director of Finance, be invited to a future meeting present a briefing on the financial implications on the Council's financial modelling work and forecasting work following the vote to leave the European Union.

5 **Future Works - ensuring that we have the right IT infrastructure and business processes**

Andy Hoare, Head of Service, ICT briefed the plan on the use of improved technology to support business change. Head of Service referred to the example in the report on changes to the business process when a member of the public reports that their bin has not be emptied. Head of Service explained how technology could be used to reduce and automate elements in the current lengthy process involved to deliver a better customer service experience. Head of Service commented on the advantages to the Council in making use of new technological developments.

Head of Service that the example cited that refuse collection is possible with good 4G connectivity which would allow someone to match an address to a problem about a collection. Head of Service commented that the Council has technology to give a faster and better customer service experience. Wolverhampton is learning from the experience of other local authorities who are introducing technological solutions to the delivery of the council's business.

The panel had concerns about the intrusive nature of using personal data to contact a resident about a problem with their bin collection. There was also concern about how groups such as elderly people would cope with such a system. Head of Service accepted this was an issue but responded that the Council was following a digital by design rather than digital by default – where the public would not have a choice about how to access a service. The aim of the change is to provide another method for the public, while also supporting people to use the technology, where it would save time.

Head of Service explained that Wolverhampton is catching up with other authorities such as Coventry, Telford & Wrekin in terms of introducing digital services.

The panel queried the planned expenditure of £3.5 million and how the risk of spending money on technology which may become outdated or more costly was being managed. Head of Service explains that the budget includes provision to bring in expertise needed, however the plan is the Council becomes self-sufficient by learning the skills from experts to support the process of change.

Head of Service, accepted the risk and the Council was adopting a major change which would mean less money spent on technology and the use developments such as cloud storage which allow services to adapt to future issues more easily. Head of Service commented on changes in how the Council purchases software licenses to reduce costs.

The panel requested the a briefing paper be presented on the following details

1. The level of digital exclusion in Wolverhampton.
2. The current number of people using new services compared was originally expected.
3. The Council response time to enquiries by email, telephone and social media sites
4. Provide an example of where technological improvements could make a difference to how services are currently delivered.

Head of Service explained that Wolverhampton has good broadband coverage. The level of digital exclusion is estimated to be about 55-65%. Wolverhampton has a high proportion of smartphone users and public has access to the internet through the network of libraries.

Head of Service commented that the public has the option to use web chat to discuss issues with the Council. Sue Handy, Head of Customer Service, explained that employees in the service monitor chat discussion and it also provides useful feedback to find out where people have tried to use an online service but was not successful. The information provided will help identify where changes are needed to make improvements.

Head of Customer Service explained that the email response time depends on the issue. The Council receives 10,000 to 15,000 emails a month and there is work being planned that in the future a percentage of these emails will be sent direct to the service providers, to reduce delays in response.

Head of Service explained that the programme would be delivered in phases. The initial phase is getting the systems working properly before making further changes. The Council is building digital services and developing citizen portals, which are part of the refurbished Civic Centre.

The panel queried how the costs of the programme will be managed to avoid cost overruns. Head of Service explained that problems with IT projects in the past are managing changes in the scope. The programme will be delivered in phases and the budget is monitored closely.

Resolved

The panel welcomed the report and noted the progress of the programme.

The Head of Service to provide a briefing paper to a future meeting with the following information.

1. The level of digital exclusion in Wolverhampton.
2. The current number of people using new services compared was originally expected.
3. The Council response time to enquiries by email, telephone and social media sites
4. Provide another example of where technological improvements could make a difference to how services are currently delivered.

The Head of Service to provide further update report on progress of the digital transformation programme to a future meeting.

6 **Future Customer - improving customer service**

Sue Handy, Head of Customer Service, presented a report on progress against delivery of the Customer Service Transformation Programme.

Head of Customer Service referred to progress since a report was presented to the panel. Head of Customer Service commented on work done with employees of newly

migrated services and review to look at streamlining processes to improve the customer experience.

Head of Customer Services explained the next steps in the process and the plans to migrate other services as detailed in the Migration Wave Plan. Head of Customer Services commented on the work done with employees in adult social care to improve customer service offer. The planned changes include providing people with self-service as part of the future spaces programme in autumn 2016

The panel discussed the public response to ReportIt app. Head of Customer Service commented that there has been a mixed response. The current system needs manual intervention. Head of Service, ICT, explained the app is being redeveloped to make it more automatic and user friendly.

The panel discussed the work done to develop the Draft Family Group Model.

The panel queried the employee changes affected by migration of service and the reference in the report to the restructuring to ensure that the right employees are placed in the right groups. The panel discussed the issue of vacant posts arising from the review and asked for more information about the impact on posts which become vacant.

The panel welcomed the report.

Resolved

The panel asked that a further report on the human resource impact following the migration of employees detailed in the customer service migration plan to a future meeting.

Confident, Capable Council

Scrutiny Panel

14 September 2016

Report title	Outcome of the Local Government Association Finance Peer Review		
Cabinet member with lead responsibility	Councillor Andrew Johnson Cabinet Member Resources		
Wards affected	All		
Accountable director	Mark Taylor, Director of Finance		
Originating service	Finance		
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.nye@wolverhampton.gov.uk	
Report to be/has been considered by	Strategic Executive Board Cabinet	26 July 2016 14 September 2016	

Recommendation for action:

The Panel is recommended to:

1. Review the draft action plan arising from the recommendations within the Local Government Association Finance Peer Review final report.

Recommendations for noting:

The Panel is asked to note:

1. The outcome and issues raised in the Local Government Association Finance Peer Review final report.
2. The workshop with Grant Thornton planned for 9 September to provide an external challenge to the Council's action plan. Any revisions to the action plan will be updated verbally.
3. This report was also considered by Cabinet on 14 September 2016.

1.0 Purpose

- 1.1 The purpose of this report is to inform Confident, Capable Council Scrutiny Panel of the outcome of the recent Local Government Association (LGA) Finance Peer Review and to consider the recommendations and action plan arising from it.

2.0 Background

- 2.1 One of the key challenges facing Councils at present is how to continue to provide and improve services for residents while maintaining a balanced budget. In the current financial climate Councils are increasingly looking for good practice and support to help them manage their overall finances. As part of the process of ensuring we are providing the best service, the City of Wolverhampton Council invited the LGA to carry out a Finance Peer Review which took place on 7, 8 and 9 June 2016.
- 2.2 As part of the process the Peer Team spoke to more than 40 people, including a range of Council staff together with Councillors and external stakeholders. They gathered information and views from more than 20 meetings and additional research and reading, collectively spending more than 150 hours to determine their findings.

Their final report is now complete and is attached as **Appendix 1**.

3.0 Outcome of the Review

- 3.1 The overall conclusion of the Peer Team was that:

'The Council has made major progress in its aim to achieve financial stability. There is strong leadership, prudent financial management and clear evidence of innovation. It is now timely to reflect on and refine the Financial Strategy so it further enables and supports the delivery of the ambitions of the City'.

- 3.2 The overall messages and observations of the Peer Team were:

- There has been significant progress, developments and improvements resulting in a good grasp of the current budgetary position and understanding of the future financial challenge.
- There is visible and well respected leadership –both political and managerial –that provides a clear and consistent message about the scale of the challenge and the imperatives of responding to it.
- The finance function is well regarded and respected by Councillors and managers, and clearly plays an enabling role that supports transformation and the delivery of financial savings across directorates.
- The key governance, processes and systems -including digital capability -that support and enable financial planning, monitoring and management are in place or are being developed.

- The components of the financial strategy –including commercialisation and demand management –are consistent with practice in the sector.
- It is now timely to reflect on the strategy, approach and pace in light of the current position and future aspirations.
- The challenge remains significant and there is no room for complacency. The fundamental requirement to deliver on existing proposals whilst formulating new ones remains.

3.3 The following are the Peer Team's key recommendations to the Council:

- Review and refresh the strategic narrative for addressing the budget deficit so there is further clarity on aspirations, ethos and work streams.
- Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council.
- Review the Medium Term Financial Strategy risk on the Strategic Risk Register.
- Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes.
- Make the approach to capital programming more robust.
- Further consider the balance, emphasis and pace between the different components of the financial strategy going forward.

These have been addressed in a draft action plan shown in **Appendix 2**.

3.4 Grant Thornton (the Council's external auditor) has offered to carry out a free half day workshop for officers to discuss the outcomes of the final LGA report, provide external challenge to the action plan and consider how the recommendations can be progressed. This is due to take place on 9 September.

3.5 This report will also be considered by Cabinet on 14 September 2016.

4.0 Financial implications

4.1 The LGA Finance Peer Review identified that the Council has made major progress in its aim to achieve financial stability. Recommendations arising as a result of the review will enable the Council to further improve upon its financial strategy.

4.2 Updates on the actions arising as a result of those recommendations will be presented to Councillors in the Medium Term Financial Strategy.

[MH/23082016/B]

5.0 Legal implications

- 5.1 There are no direct legal implications arising from this report.
[TS/12082016/A]

6.0 Equalities implications

- 6.1 There are no direct equalities implications arising from this report.

7.0 Environmental implications

- 7.1 There are no direct environmental implications arising from this report.

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

21 March 2016 Arrangements for Local Government Association Finance Peer Review (Leader's meeting).

10 May 2016 Local Government Finance Peer Review (SEB).

23 May 2016 Arrangements for Local Government Association Finance Peer Review (Leader's meeting).

Feedback presentation from the Peer Team 9 June 2016.

Final Feedback Report - Finance Peer Review City of Wolverhampton Council 7th-9th June 2016.



Finance Peer Review

City of Wolverhampton Council

7th-9th June 2016

Feedback Report

1. Executive Summary

It is clear there has been a period of significant and rapid improvement that has helped to put the Council on a better financial footing. A strong and sustained focus on prudent financial management and a track record of delivering savings (£175 million of budget reductions over the past six years) means the Council now has a good grasp of its current budgetary position. An understanding of the future financial challenge has informed a medium term financial strategy and plan that is not simply about managing the decline in funding, but intended to enable investment to realise the longer term vision for the economic growth of the City. The challenge now is to deliver that vision.

The Council benefits from strong, visible and well respected leadership - both political and managerial - that continues to provide a clear and consistent message about the scale of the financial challenge and the imperatives of responding to it. This has helped create a good awareness across the organisation of the projected budget deficit (a revised figure of £54.6 million over the next three years to 2019/20) and an acceptance there will need to be further cuts, transformation and innovation to address that projected deficit. It has promoted a culture of challenge where managers are encouraged to question every pound the Council spends, and think creatively and confidently about alternative approaches.

The finance function is well regarded and respected by councillors and managers. Senior budget managers within service directorates in particular spoke well of the support they receive from Finance. It clearly plays an enabling role that supports service transformation and the delivery of budget reductions across the organisation. Service Directors, budget managers and councillors all spoke highly of the professional and collaborative approach taken by finance officers. The model of embedding finance business partners into directorates is facilitating a culture of mutual understanding and challenge that is enabling the co-production and shared ownership of proposals that deliver savings, efficiencies or income generation.

The key governance, processes and systems - including digital capability - that support, underpin and enable effective financial planning, monitoring and management appear to be in place, or are being further developed and improved. There are relevant opportunities for political challenge throughout the process for budget setting and in-year monitoring, and political oversight of major reviews and projects. There is a clear desire to improve the quality and timeliness of information that inform decisions and to further develop the use of business intelligence, and better integrate financial monitoring information with non-finance performance data and outcomes assessment.

Given both the current position and its future aspirations, it is timely for the Council to take stock and reflect on its overall financial strategy. The approach taken over the last few years – rightly built on cautiousness and focussed on budget reductions – was necessary and has served the Council well. Inevitably the approach will need to evolve and develop to better enable and support the delivery of the wider strategic ambitions set out in Vision 2030 and the Corporate Plan. Attitudes to risk and reserves, and assumptions regarding underspends, income and borrowing will need to be reviewed as the strategy becomes predicated more on commercialisation, digital transformation and demand management. A clearer strategic narrative about commercialisation, digital transformation and demand management being the

ways in which the medium term plan will address the current projected budget deficit may be needed.

Those components look to be consistent with practice and approaches in other councils. As the Council develops the detail of its proposals further it will need to consider and articulate the relative balance between them, ensuring there are realistic expectations about the pace at which savings or income can be achieved. In doing this it will be important for the Council to continue to draw on the learning and challenge from the sector and external expertise – something it has demonstrated a willingness to do through both peer review/challenge and consultancy support.

The Council is confident about its ability to respond to the on-going financial challenge. But there is absolutely no room for complacency. The Council itself has recognised the critical requirement to deliver both on existing proposals whilst formulating new, robust and realistic ideas to deliver the additional medium term savings required. Work is underway on these ideas, but the challenge remains acute, and significant further savings proposals and income generation ideas are required. The commitment, focus and momentum established to date needs to be maintained.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council:

- 1. Review and refresh the strategic narrative for addressing the projected budget deficit so there is further clarity on aspirations, ethos and work streams.** The overall strategic aim of managing the financial position while continuing to invest and grow the local economy is logical as a longer term strategy, but there needs to be a clearer articulation of how the medium term plan (including commercialisation, demand management, digital transformation and outcome based service planning) will address the current projected budget deficit.
- 2. Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council.** It is timely to take stock and review whether assumptions and modelling can be more ambitious and optimistic - particularly regarding business rate tax base, interest on new borrowing, staff increments, reserves strategy, capital programme and approach to under-spends.
- 3. Review the Medium Term Financial Strategy risk on the Strategic Risk Register.** Currently this appears to be articulated on the basis of the main risk of the council being unable to agree its medium term financial strategy. The Council may wish to amend the wording so it focusses less on a risk on non-agreement, and more on the risks of delivering the strategy through the various programme, projects, assumptions and projections.

4. **Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes**, including:
 - Linking the assets, workforce, external funding and financial strategies.
 - Integrating financial monitoring information with non-finance performance data and outcomes measurement.
5. **Make the approach to capital programming more robust.** More accurate profiling is likely to be required in the future to ensure reliable budgeting and a good basis on which to base decisions about the financial impact and implications of the capital programme, as well as deliver the required outcomes from the capital investment.
6. **Further consider the balance, emphasis and pace between the different components of the financial strategy going forward.** The Council should ensure it does not overestimate the potential of commercialisation and income generation, or underestimate the potential of digital transformation, and be realistic on the timeframe for reducing demand on Council services.

3. Summary of the Peer Review approach

The peer team

Peer reviews are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the Council's requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with the Council. The peers who delivered the peer challenge at the City of Wolverhampton Council were:

- Alan Gay – Deputy Chief Executive, Leeds City Council
- Cllr Theo Blackwell (Labour) – Cabinet Member for Finance, Technology and Growth, London Borough of Camden
- Dave Jennings – Financial Services Manager, Redcar & Cleveland Council
- Julie Parker – Independent Consultant
- Paul Clarke – Programme Manager, Local Government Association (LGA)

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Finance Peer Reviews. These are the areas we believe are critical to councils' financial performance and improvement:

1. Financial leadership: Does the authority have plans for its long-term financial sustainability which are owned by its councillors and officer leaders?
2. Financial strategy, planning and forecasting: Does the authority understand its short and long-term financial prospects?

3. Decision-making: Are key decisions taken in the understanding of the financial implications, risks and options?
4. Financial outcomes: Are financial results (including those of the Council's capital investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?
5. Partnership & innovation: Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

The purpose of peer review

It is important to stress that this was not an inspection. Peer reviews and challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The process is not designed to provide a technical assessment or due diligence on financial matters. Neither is it intended to provide prescriptive recommendations. The peer review process intends to provide feedback, observations and insights from experienced practitioners that will help validate, reality check and further develop the Council's current plans, proposals and evolving thinking about the future.

The peer review process

The peer team prepared for the peer review by considering a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent two and a half days onsite at the Council, during which they:

- Spoke to more than 40 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from more than 20 meetings and additional research and reading.
- Collectively spent more than 150 hours to determine their findings – the equivalent of one person spending nearly 4 weeks in City of Wolverhampton Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (7th-9th June 2016). In presenting feedback to the Council, they have done so as fellow local government officers and members, not as professional consultants, auditors or inspectors.

By its nature, the peer review is a snapshot in time. We appreciate that some of the feedback may be about areas the Council is already addressing and progressing.

4. Feedback

4.1 Financial leadership: Does the authority have plans for its long-term financial sustainability which are owned by its councillors and officer leaders?

Political leaders and senior managers have clearly provided robust and respected leadership focussed on prudent financial management, delivery of savings, and rapid improvement that has helped put the Council on a more resilient financial footing. They spoke confidently about the scale of the financial challenge which the Council is facing and the imperatives of responding to it, and displayed a strong corporate ownership of the medium to long term strategy being developed. This, underpinned by good levels of financial literacy, is creating a sound awareness across the organisation of the projected medium term budget deficit, and a consistent understanding and acceptance amongst officers and councillors that there will need to be further cuts, transformation and innovation to address the £54.6 million projected gap over the next three years to 2019/20 (as reported to Cabinet in February 2016, and Council in March 2016).

Regular communications have helped enable a deep understanding of the scale of the challenge. Consistent messaging through a range of channels (including briefings from Leader, Managing Director and Director of Finance) has helped create a strong sense of collective responsibility amongst Service Directors and budget holders. Finance is seen as everybody's business. There is evidently a culture of challenge where managers are encouraged and empowered to question every pound the Council spends, and think creatively, confidently and innovatively about alternative approaches and different ways of working including invest to save opportunities.

The process of formulating, developing and implementing proposals for savings and investment involves, and benefits from, the engagement of Portfolio Holders and Service Directors. Whilst the initial lead is taken by the finance team in terms of setting out the indicative savings challenge and target, it is clear the process that follows is one based on mutual respect and understanding between corporate centre and service. The model of embedding finance business partners into directorates is enabling the co-production and shared ownership of proposals that deliver savings, efficiencies or income generation in the context of the Council's overall strategic ambitions. The strategic finance team are seen as enablers and budget managers feel well supported, enabled and empowered to respond to the targets suggested, as well as to challenge and amend their size, scope, and timing if required.

The strategic narrative for addressing the projected budget deficit may need further clarity. Our observation was that there is potentially some dissonance between the Council's longer term aspirations and the shorter term financial plan required. We appreciate the current strategic narrative and its proposition that improvement in educational attainment and skills, and the creation of more employment opportunities will, over time, have the potential to address the projected budget deficit by reducing reliance and demand on Council services and resources. However, that is likely to occur over a much longer timeframe than the more immediate budget challenge which has been identified.

The overall strategic aim of managing the financial position while continuing to invest and grow the local economy makes sense. But the ethos articulated in the supporting narrative might be better focussed on the components of the strategy to find the savings required – i.e. demand management, commercialisation (and income optimisation), service transformation, outcome-based service planning and digital transformation. The causal link between some of these strands and reducing the projected medium term budget deficit is likely to be more immediate, more readily identifiable by staff and other stakeholders as components of the financial strategy, and have a closer affiliation to the transformation programme.

4.2 Financial strategy, planning and forecasting: Does the authority understand its short and long-term financial prospects?

There has clearly been significant progress in achieving short term financial stability at the City of Wolverhampton. The Council is continuing to deliver vital services and invest in priorities, and was able to set a balanced budget for 2016/17 without the need to call on general reserves. There is an appreciation of the fundamental and critical requirement to deliver on the 2016/17 budget whilst starting to develop new robust and realistic savings and/or income generation proposals for 2017/18 and beyond. The Council has itself identified the extent of the financial challenge over the medium term as representing the most significant the Council has ever faced.

The current projected challenge over the medium term totalling £54.6 million assumes all previously approved budget reductions (totalling £37.4 million) will be delivered on time. Any slippage obviously adds to that figure. That makes for a significant challenge which the Council does not underestimate. The importance of maintaining the focus and momentum established to date cannot be overstated. Work is ongoing, and we noted the recent Cabinet Budget Development session that started to consider future proposals, key risks, assumptions and next steps, and the intention to present a budget report to Cabinet in July. We understand the Council has agreed in principle to pursue the offer from Government of a four-year settlement which obviously has the potential to add a further element of certainty to longer term forecasting and planning.

The focus over the last few years has understandably been on the short term savings challenge and financial prospects. Cautiousness and a focus on budget reductions was necessary and has served the Council well to date. It is now timely and prudent to revisit and review some of the current assumptions and approaches to ensure the medium term financial strategy better aligns to, supports and matches the levels of ambition and future strategic priorities of the Council set out in the Vision 2030 and Corporate Plan. For example:

- The assumptions regarding business rates suggest little growth in the tax base, yet there is a clear strategic ambition to invest in and grow the local economy which, if successful, would presumably increase the tax base. So there may be potential for more ambitious profiling that assumes an increased tax base. This does however need to be considered against the backdrop of the impact of business rates appeals on the tax base.

- Assumed levels of interest for borrowing may be overly prudent. They have been built in on the basis of interest rates for borrowing over 25 years that also appear slightly higher than currently available in the market. In reality borrowing is likely to be done on a shorter term, at lower rates, than the assumptions built in the Medium Term Financial Plan.
- Budgetary inflation has been built in to cover staff increments. But it is likely that in an authority the size of Wolverhampton staff turnover and new appointments lower down the pay scale/grade will balance any increased cost of increments.
- The level of reserves available, given the Council's size, suggests there may be an opportunity to consider whether some of those reserves could be used to support change and transformation, in the form of 'invest to save'. Having utilised net underspends against the Revenue Budget to contribute to reserves over the past two years, current levels appear prudent (total earmarked reserves reported as £59.0 million, plus general fund balance of £10 million, as of 31st March 2016). Notwithstanding the commitment already made to draw on them in future (£4.2 million in 2016/17 and £3.5 million in 2017/18) there may now be an opportunity to make more use of reserves in a phased way to offset budget reduction requirements and fund new ways of working over the next few years – ensuring timeframes for transformation remain realistic.
- The current approach regarding underspends. There appears to be a focus on in-year budget management to achieve underspends where possible. Having a focus on 'making every pound go further' and making savings is obviously positive, and indeed we understand that many underspends to date are a result of the early realisation of planned savings. Nonetheless there is a potential danger that achieving underspends becomes an expectation and assumption. This can of course result in difficulties in understanding the true cost of providing services, and over time it may become more challenging to make decisions about service or staffing reductions, particularly if it appears they may not all be needed due to underspends regularly occurring in service budgets becoming the norm.

4.3 Decision-making: Are key decisions taken in the understanding of the financial implications, risks and options?

We did not have an opportunity to observe decision-making in practice, or carry out a detailed examination of terms of reference, procedure rules, processes and systems. But from what we read and heard the arrangements in place appear to be sound and include the facets one would expect to see – such as regular and timely opportunities for councillor engagement and political challenge, e.g. through regular monitoring of the Revenue Budget by Cabinet (Resources) Panel, and involvement of Scrutiny Panels and the Scrutiny Board in examining savings proposals.

The Audit & Risk Committee has begun to increase its focus on the Council's risk management arrangements and considers the Strategic Risk Register at every meeting, calling in certain risks for more detailed review (e.g. school improvement, Looked after

Children). These processes are also subject to both internal and external audit consideration and evaluation. There is councillor oversight of major reviews and projects – e.g. the libraries review and housing company project – all of which require robust business cases and consideration of risk and longer term financial implications. All reports to councillors include the consideration of financial implications that have to be signed off by the finance team before they progress.

There is a recognition that further work is needed to more systematically link the asset, workforce, external funding and financial strategies and this is being progressed. Given the increased focus on commercialisation and the creation of sustainable income streams, particularly from assets, it will be important that the asset management plan and financial strategy are closely aligned. Similarly, managers will need the skills and support to pursue opportunities to think and operate more commercially if the financial strategy is to be successful. We know that there is work underway to consider the workforce skills needed in the future, and encourage this work to continue at pace.

The Council has clearly made a commitment from the start to have an honest conversation with its public about scale of cuts and tough choices. Whilst this attracted some negative media coverage at the time (caused partly by the way different iterations of the medium term deficit projections were communicated and reported), it now potentially means higher levels of awareness, trust and understanding amongst residents and partners about the financial challenge and the Council's response to it. Going forward, it will be important to ensure there is a clear narrative and explanation about why there are cuts, reductions and changes to some services at a time of significant capital investment in others. The improved outcomes and benefits of investment should be the focus of any communication, rather than a focus on justifying the expenditure.

The Council remains committed to engaging and consulting residents and stakeholders about the financial challenge. The budget development process for 2016/17 for example, included community engagement undertaken via a detailed annual public consultation exercise which included both quantitative and qualitative methodologies such as an online survey and stakeholder meetings. This helped to ascertain views on the 43 proposals for savings, redesign and income generation that were considered by Cabinet and informed the Final Budget presented. As the Council's Digital Transformation Programme (DTP) progresses there is potential to consider more digital means by which engagement and consultation can occur.

The Strategic Risk Register currently lists the Medium Term Financial Strategy (MTFS) as one of three red rated risks. Given the scale of the financial challenge this is unsurprising. However, the wording in the Register might be perceived as identifying some concerns about agreeing the MTFS (i.e. 'if the council is unable to agree and operate within its MTFS....'). However, the risk is more about the deliverability of the programmes, projects and initiatives that will deliver the savings and income required to enable future financial viability and sustainability, as well as some of the unknowns regarding Government policy and unforeseen events. Indeed, the MTFS 2016/17-2019/20 report to Cabinet on 24th February 2016 helpfully breaks down the different elements of the risk and reinforces this. The

Council might therefore wish to consider amending the wording in the Strategic Risk Register to better reflect the true risk.

There may also be a need to further consider the risk appetite given that an increasing focus of the financial strategy is on approaches (demand management and income generation) that are based on prediction rather than a comprehensive evidence of impact or fully proven business case as regards return on investment. On occasion a 'leap of faith' may be required and inevitably there may be failures as well as successes.

4.4 Financial outcomes: Are financial results (including those of the Council's capital investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?

There is a regime of monitoring that enables both officers and councillors to regularly consider and challenge financial performance and outcomes. The independent review of the medium term planning and budget process undertaken in 2014 suggested that reports were generally well constructed, but made some recommendations for further improvement to the monitoring arrangements – such as in-year monitoring reports possibly including a future trends paragraph which might alert councillors to anything material which might affect future plans. There are examples of this now happening (e.g. Looked after Children reports) and there is also more use being made of reporting dashboards to further enhance monitoring. We noted that key councillors and finance officers have oversight of the high risk expenditure areas such as Adult Social Care and Children's Services – e.g. the Director of Finance chairs the monthly Adult Social Care Board with senior managers.

The recent introduction of Agresso (enterprise resource planning system) has been generally welcomed and is helping to provide budget holders with timely information, and increased assurance and confidence. There is recognition that the system, and its ability to deliver real time information, is a vast improvement from what was available to managers previously. However, as with all new systems, there is a recognition by the Council that there is more to do in terms of maximising the use and benefits of the system. Developments are planned and in train.

Similarly, there is a recognition that more can be done to link financial monitoring information with non-finance performance and outcomes so that the wider impact of financial decisions (both budget reductions and additional investment) can better be monitored, challenged and considered – particularly in terms of the impact on delivering the wider strategic ambitions and priorities of the Council, and helping to reduce overall demand and reliance on Council services and resources. Again work is in progress to further develop processes and practice and we encourage that to continue at pace.

Some of the monitoring and outturn information suggested to the peer team that the current approach to capital programming and delivery needs further work in the context of significant underspends. Information presented suggests that in 2014/15 the planned capital budget was only 71% spent, and the 2015/16 quarter 3 position was 43% spent indicating another significant underspend. Whilst it is difficult to profile capital spend, as finances get tighter there is a need to ensure accurate and reliable budgeting – both

revenue and capital – so that there is a rationale for priorities and decisions. There is also the risk that revenue streams that rely on initial capital investment will be delayed, albeit this does not seem to have happened on an unplanned basis to date.

4.5 Partnership & innovation: Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

It is clear the Council is open to pursuing innovative and new ways of working. There are a number of examples that demonstrate a willingness to invest to save, generate income through more commercial approaches and ventures, and prudentially borrow, as a means by which to strengthen the budgetary position of the council and/or deliver improved outcomes in a more cost effective way. The i10 office and retail block, for example, is already virtually fully let and set to realise a revenue stream. The YOO recruitment agency, launched in 2014, has provided savings of more than £200,000 as well as generating net profit. A business case to create a wholly owned housing company has recently been developed.

It is notable that ventures are developed with the involvement and support of the finance team, but are also clearly designed with the delivery of wider strategic outcomes in mind. They are not driven solely by the need to make savings or generate income. For example, WV Active - designed to keep leisure centres in house but run on a more commercial footing - was viewed not only as a way to reduce council subsidy and generate income but to improve facilities and ensure they play a part in enabling local people to lead healthier lifestyles.

Whilst there are clearly some impressive projects and early successes, and the Council is clearly developing a proven ability and confidence to operate more commercially, it should also take care not to become over-reliant on commercialisation and income generation. It is unlikely to be the 'silver bullet' that alone will solve the budget challenge. There will need to be an appropriate balance and emphasis on other elements of the financial strategy too.

For instance, the potential of digital transformation and channel shift - demonstrated by the recent launch of the Digital Transformation Programme - along with the refit and refurbishment of the Civic Centre have potential to generate future savings as well as better outcomes. Service re-design, outcome focussed business planning and a continued focus on securing value for money also remain important facets of the strategy. As the detail of proposals is developed further the relative balance between all of these strands will need considering, ensuring there are realistic expectations about the pace at which savings or income can be achieved.

Whilst some of the service redesign being progressed involves partner organisations, and there are clearly some shared strategic aspirations – particularly in terms of economic growth and social and health care - we were struck by how little mention there was during our discussions with officers and councillors about a specific dialogue or collaboration with partners on the wider budget challenge and financial outlook for the City. It prompted us to pose the question of whether there is a need to begin to consider a financial strategy for the city, not just the council.

The Council has shown a commitment to learn from others, and regularly opens itself up to challenge with a view to test and stretch thinking further through peer review, challenge and

external consultancy support. The independent review of the medium term planning and budget process commissioned in 2014 has informed practice improvements, whilst a series of peer challenges – including an LGA Corporate Peer Challenge in 2014 and a regional Adult Social Care Peer Challenge in 2016 have provided validation and assurance, as well as identify areas for further development and improvement. Most recently an LGA Libraries peer challenge was commissioned to help inform thinking about the £500,000 budget reduction target, and this Finance Peer Review was requested to help strengthen financial planning and management further. All of this is to be commended and we encourage the Council to continue to draw on the learning and challenge from the sector and external expertise.

5. Next steps

We appreciate the Council will want to reflect on these findings and suggestions with the senior managerial and political leadership in order to determine how the organisation wishes to take things forward.

As part of the peer review/challenge process, there is an offer of further activity to support this. The Local Government Association (LGA) is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Helen Murray, Principal Adviser is the main contact between your authority and the LGA. Her contact details are: Tel. 07884 312235 and Email. helen.murray@local.gov.uk

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform ongoing consideration.

Appendix 2

**LGA Finance Peer Review June 2016
Action Plan**

Ref	Recommendations	Detail	Actions	Timescale	Responsibility
1	Review and refresh the strategic narrative for addressing the budget deficit so there is further clarity on aspirations, ethos and work streams.	The overall strategic aim of managing the financial position while continuing to invest and grow the local economy is logical as a longer term strategy, but there needs to be a clearer articulation of how the medium term plan (including commercialisation, demand management, outcome based service planning) will address the current budget deficit.	A budget development day was held on 6 June which addressed these issues with Councillors. The Financial Plan is to be revised and will address these issues and will be submitted to Cabinet in October 2016.	October 2016	Strategic Finance/ Claire Nye
2	Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council.	It is timely to take stock and review whether assumptions and modelling can be more ambitious and optimistic - particularly regarding business rate tax base, interest on new borrowing, staff increments, reserves strategy, capital programme and approach to under-spends.	Strategic Finance to review this in detail over Summer and report to Cabinet in October. Improved management information via the Dashboard will help to understand why underspends occur as well as their impact.	October 2016	Strategic Finance/ Claire Nye

Ref	Recommendations	Detail	Actions	Timescale	Responsibility
3	Review the Medium Term Financial Strategy risk on the Strategic Risk Register.	Currently this appears to be articulated on the basis of the main risk of the council being unable to agree it's medium term financial strategy. The Council may wish to amend the wording so it focusses less on a risk on non-agreement, and more on the risks of delivering the strategy through the various programme, projects, assumptions and projections.	Strategic Finance will address this with Councillor Johnson via the next review of the refresh of the risk register. The review of the risk register is an on-going process but formally it will be updated and reported to SEB and the Audit and Risk Committee at end of Sept/ beginning of October.	October 2016	Strategic Finance/ Claire Nye
4	Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes.	<ul style="list-style-type: none"> • Linking the assets, workforce, external funding and financial strategies. • Integrating financial monitoring information with non-finance performance data and outcomes measurement. 	<p>The on-going outcome based planning project will address these issues (stage 1 complete by September).</p> <p>The Dashboard will bring information from different sources together to address this.</p>	September 2016	Strategic Finance/ Claire Nye
5	Make the approach to capital programming more robust.	More accurate profiling is likely to be required in the future to ensure reliable budgeting and a good basis on which to base decisions about the financial impact and implications of the capital programme, as well as deliver the required outcomes from the capital investment.	Continuing work with Verto and the Dashboard will address this. Leadership teams to address Capital Monitoring and raise the profile and importance.	On-going	Strategic Finance/ Claire Nye

Ref	Recommendations	Detail	Actions	Timescale	Responsibility
6	Further consider the balance, emphasis and pace between the different components of the financial strategy going forward.	The Council should ensure it does not overestimate the potential of commercialisation and income generation, or underestimate the potential of digital transformation, and be realistic on the timeframe for reducing demand on Council services.	This will be addressed through the income generation project led by Grant Thornton. The demand management project will also deal with this recommendation.	December 2016	Strategic Finance/ Claire Nye

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Confident Capable Council Scrutiny Panel

14 September 2016

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 550478
Claire.Nye@wolverhampton.gov.uk

Report to be/has been considered by

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Scrutinise 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 been reported to either the Cabinet and/or Cabinet (Resources) Panel since the last update, including:

Reports relating to Monitoring of the Council's Budgets:

- Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy
- Revenue Budget Monitoring 2016/17
- Treasury Management – Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17
- Revenue Budget Outturn 2015/16
- Reserves, Provisions and Balances 2015/16

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

- Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20

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 second report of this nature during 2016/17.
- 2.2 Since the last update on 20 April 2016, five reports focussing on the Council's finances have been received by Cabinet, as set out below:

Cabinet, 29 June 2016

- Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy

Cabinet, 20 July 2016

- Treasury Management – Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17
- Revenue Budget Outturn 2015/16
- Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20

- Reserves, Provisions and Balances 2015/16

2.3 In addition, since the last update, one report focussing on the Council's finances has been received by Cabinet (Resources) Panel, as set out below:

Cabinet (Resources) Panel, 19 July 2016

- Revenue Budget Monitoring 2016/17

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 the meeting. Summaries of the relevant reports are shown below together with, for each report, a link to the original document.

3.0 Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy

3.1 This report was considered by Cabinet on 29 June 2016 and is [available via this link](#).

3.2 The purpose of the report was to:

- provide Cabinet with the outturn position for 2015/16 and update on the 2016/17 financial performance of the General Fund and Housing Revenue Account (HRA) capital programmes and the revised forecast for 2016/17 to 2020/21 as at quarter one of 2016/17, and
- recommend revised General Fund and HRA capital programmes for the period 2016/17 to 2020/21.

3.3 Cabinet was asked to note the outturn position for 2015/16 which stood at 74.3% of the approved general fund capital budget and the expenditure position for quarter one of 2016/17 which stood at 15.3% of the approved general fund capital budget.

3.4 Cabinet was also asked to note the outturn position for 2015/16 which stood at 80.8% of the approved Housing Revenue Account (HRA) capital budget and the expenditure position for quarter one of 2016/17 which stood at 20.3% of the approved HRA capital budget.

3.5 It was resolved that Cabinet recommends that Council approves the revised medium term General Fund capital programme of £272.6 million and approves additional resources for two new and 62 existing General Fund projects totalling £11.0 million.

3.6 It was also resolved that Cabinet recommends that Council approves the revised medium term HRA capital programme of £249.5 million and approves additional resources for nine existing HRA projects totalling £24.1 million.

- 3.7 Additionally, it was agreed to approve 10 General Fund virements totalling £14.7 million and approve the updated schedules of works for several capital projects which are detailed in the Cabinet Report.
- 3.8 Cabinet also recommended that Council approve the updated capital financial strategy with regards to either reducing the Council's need to borrow to fund the approved capital programme or to applying the receipts on revenue reform projects under the new capital receipt flexibility arrangements.

4.0 Treasury Management - Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17

- 4.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on matters relating to the year-end position with regard to treasury management arrangements and activity and treasury management activity in 2016/17. The report is [available via this link](#).
- 4.2 The report recommended that Cabinet recommends that Council approves an amendment to paragraph 1.4 of the Annual Investment Strategy by lowering the minimum sovereign rating from AA+ to AA with regard to the Council's investment lending list.
- 4.3 Cabinet also recommended that Council note that:
1. Revenue savings of £7.6 million for the General Fund (including a special dividend from Birmingham Airport of £3.6 million) and £1.5 million for the Housing Revenue Account were generated from treasury management activities in 2015/16.
 2. Revenue savings of £886,000 for the General Fund and £254,000 for the Housing Revenue Account are forecast from treasury management activities in 2016/17.
 3. The capital programme figures in the report assumed that the updated requests for capital resources being reported to Cabinet (Resources) Panel on 19 July 2016 and Council on 20 July 2016 are approved. If this were not to be the case revised figures would be provided to Full Council on 21 September 2016.
- 4.4 Cabinet was also asked to note that a total of £1.5 million of the treasury underspend in 2015/16 be transferred into the Treasury Management Equalisation Reserve.

5.0 Revenue Budget Outturn 2015/16

- 5.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on the Council's revenue budget outturn position for 2015/16 compared with approved budgets and targets. The report is [available via this link](#).

- 5.2 It was reported that a net underspend of £9.4 million (-4.20%) was achieved against the net budget requirement of £224.9 million for 2015/16 after taking account of the cost of redundancies during the year totalling £7.8 million. This underspend has arisen largely as a result of:
1. A £3.6 million special dividend receipt from Birmingham Airport in March 2016;
 2. A £3.4 million underspend within the Children & Young People service arising as a result of the success of the early intervention programme which has delivered a reduction in costs due to investment in additional social workers at the at the top end of expectations, in addition to,
 3. The prudent approach to spending adopted by all budget managers to generate budget reductions during 2015/16, which reflects our ethos whereby every budget manager ensures that they spend money wisely - making every pound go further.
- 5.3 Whilst the positive General Fund outturn position during 2015/16 and the resulting adjustments to reserves will help to support the Council's short term financial position, enabling one-off investment to support transformation of the Council, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £54.6 million of budget reduction and income generation proposals over the three year period to 2019/20. Cabinet will be presented with a report at this meeting detailing the progress towards identifying £22.2 million of budget reduction and income regeneration proposals for 2017/18.
- 5.4 A comprehensive review of all services will be undertaken following the positive 2015/16 General Fund outturn position to identify any new budget reduction or income generation opportunities; Cabinet will be provided with an update on progress in the October 2016 budget report.
- 5.5 The General Fund outturn position takes into account a number of proposed transfers to and from reserves and provisions for which approval is sought in the Reserves, Provisions and Balances 2015/16 report to be presented at this meeting.
- 5.6 Schools under the control of the City of Wolverhampton Council drew down £1.3 million net of their reserves during 2015/16, taking the total accumulated reserves to £12.9 million at 31 March 2016.
- 5.7 The Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £19.6 million, compared to a budgeted surplus of £15.7 million.
- 5.8 The net surplus after taxation of £230,000 of Yoo Recruit Limited be retained by the company to enable further business development. The draft financial statements of Yoo Recruit Limited will be subject to external audit.

- 5.9 As a result of recruitment through Yoo Recruit Limited, the Council has been able to avoid fees which would have otherwise have been incurred, including approximately £225,000 in relation to the permanent recruitment of individuals who had been previously employed on a temporary basis through the agency.
- 5.10 The Collection Fund outturned with a £3.6 million deficit during 2015/16; this resulted in an overall deficit of £9.9 million to be carried forward.
- 5.11 The Director Finance has approved the write off of 2,507 debt accounts totalling £1.2 million in value.

6.0 Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20

- 6.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on the progress towards identifying additional budget reduction and income generation targets in order to address the projected £22.2 million budget deficit for 2017/18. The report is [available via this link](#).
- 6.2 The Council has currently identified £21.9 million budget reduction and income generation targets towards the strategy of identifying £22.2 million of budget reduction and income generation targets for 2017/18.
- 6.3 Work is continuing to identify possibilities to deliver the remaining estimated £0.3 million of budget reduction and income generation targets for 2017/18. A further update will be provided to Cabinet in October 2016.
- 6.4 A strategy to address the £32.4 million budget deficit over the medium term to 2019/20 was recommended and approved. It was approved that £18.0 million of budget reduction and income generation proposals be identified within the People Directorate by 2019/20, with the remaining £14.4 million to be identified by the rest of the Council. The outcome being that the People Directorate and the rest of the Council share the £54.6 million projected deficit in equal proportions overall.
- 6.5 It was also recommended that work starts immediately to identify additional budget reduction and income generation targets to address the projected budget deficit in 2018/19, in order to ensure that a balanced budget can be set.

7.0 Reserves, Provisions and Balances 2015/16

- 7.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on the details of the resources held in reserves, provisions and general balances by the Council as at 31 March 2016 taking account of the outturn position for 2015/16. The report is [available via this link](#).
- 7.2 Cabinet were recommended to approve the transfers (to)/from specific reserves, provisions and general balances as detailed in the report. In summary, Specific Reserves

increased by £8.7 million to £59.0 million, Provisions increased by £1,000 to £34.5 million and General Balances decreased by £3.2 million to £27.9 million.

- 7.3 Cabinet was asked to note that the positive General Fund outturn position during 2015/16, and the resulting adjustments to reserves, would help support the Council's short term financial position, enabling one-off investment to support transformation of the Council. However, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £54.6 million of budget reduction and income generation proposals over the three year period to 2019/20.

8.0 Revenue Budget Monitoring 2016/17

- 8.1 The latest revenue budget monitoring report for both General Fund and Housing Revenue account was presented to Cabinet (Resources) Panel on 19 July 2016 and is [available via this link](#).
- 8.2 The overall projected outturn for the General Fund for 2016/17 was reported in line with the approved net budget requirement of £217.4 million.
- 8.3 For the Housing Revenue account (HRA) the forecast outturn position for the year was reported as a surplus of £15.5 million, compared to a budgeted surplus of £14.9 million.
- 8.4 The report also included a number of recommendations for the use of specific reserves, write-off of debts and budget virements.

9.0 Financial implications

- 9.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[RT/05092016/A]

10.0 Legal implications

- 10.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[TS/25082016/A]

11.0 Equalities implications

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

12.0 Environmental implications

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

13.0 Schedule of background papers

Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy, report to Cabinet, 29 June 2016.

Revenue Budget Monitoring 2016/17, report to Cabinet (Resources) Panel, 19 July 2016.

Treasury Management - Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17, report to Cabinet, 20 July 2016.

Revenue Budget Outturn 2015/16, report to Cabinet, 20 July 2016.

Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20, report to Cabinet, 20 July 2016.

Reserves, Provisions and Balances 2015/16, report to Cabinet, 20 July 2016.



Confident Capable Council Scrutiny Panel

14 September 2016

Report title	Debt Management Update Report	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Revenues and Benefits	
Accountable employee(s)	Sue Martin Tel Email	Head of Revenues and Benefits 01902 554772 Sue.Martin@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	16 August 2016

Recommendations for noting:

The Panel is asked to note:

1. The progress that has been made following the transfer of the debt management function to the Revenues and Benefits Service.

1.0 Purpose

- 1.1 The purpose of this report is to enable the Confident Capable Council Scrutiny Panel to review the progress made to improve sundry debt recovery performance including progress with collection of care charges.

2.0 Background

- 2.1. The debt management team transferred into Revenues and Benefits in January 2015 as part of creating a specialist debt recovery unit.
- 2.2. During 2014/15 the in-year collection levels were between 74% and 82%.

3.0 Transformation progress to date

- 3.1 Work to date has focussed on the following:

3.1.1. Improving the effectiveness of the team

- Structured Agresso training for all team members ensuring shared knowledge and expertise shared across the team.
- Team challenges for example targeting the top 100 debts by value, age, customer group etc.
- Collection targets set; performance monitored and shared with the team.
- Access to additional council systems and to credit reference agency data for tracing.

3.1.2. Improving data quality

- Consolidation of duplicate customer records.
- Data matching between Agresso and other systems such as Care First and Northgate Revenues and Benefits.
- Review of deferred debt to establish those where charging orders are actually in place.

3.1.3. Improving processes

- Daily production of reminders and final demands.
- An automated process for payment of schools invoices.
- Review of debt recovery pathways and workflows.
- Implementation of the legal debt recovery module.

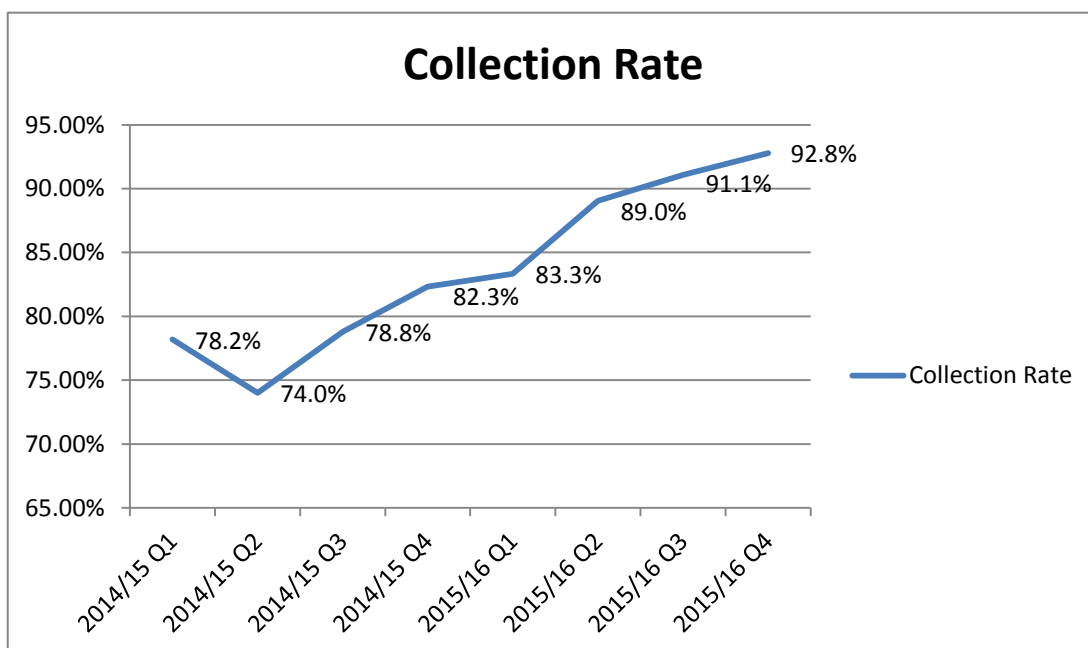
3.1.4. Tackling aged debt

- Allocation of credits.
- Identification of debts for write-off.
- Review and re-activation of debts on hold.
- Use of Commercial Rent Arrears Recovery process for lease charges.

3.1.5 Focus on care debt

- Dedicated officer to liaise with customers for continuity, ensuring that liability in any disputed cases is resolved swiftly so that recovery can continue.
- Pursuing recovery from executors and personal representatives of deceased estates.
- Referral and contribution at safeguarding meetings.
- Regular liaison, case reviews and legal enforcement progression.
- Increased awareness and knowledge for social workers.
- Review historic deferred debt to ensure correctly secured.

3.2. The outcome of this work is improved collection performance as demonstrated in the following chart



3.3. The following table provides a breakdown of the amounts collected in year by category during 2015/16:

	Collectable £,000	Collected £,000	% collected
Care related	18,631	16,794	90.1%
Schools	7,575	7,312	96.5%
Property	1,992	1,873	94.0%
Other e.g. housing benefit overpayments, education, cemeteries, pest control, etc	44,761	41,748	93.3%
	72,960	67,727	92.8%

3.4. In addition, £15,000 of debt was raised during the year that has been secured against an individual's property to be recovered when the property is sold.

4.0 Further transformation work

4.1. On-going and future development work over the next 12 months will focus on the following:

4.1.1. Implementing new recovery pathways

- Segmentation to enable differing recovery pathways that are appropriate to the debt type
- Streamlining the computerised recovery stages
- Review and revision of outgoing correspondence

4.1.2. Improving collection rates

- Adoption of new collection agent for current debt.
- Evaluation of using of an external collection agent for aged debt.
- Use of fast track process for recovery of housing benefits overpayments.

4.1.3. Improving accuracy

- Council wide training for staff raising invoices and budget managers.
- Reporting back on the volume of credit notes as a measure of invoices being raised incorrectly

4.1.4. Improving efficiency

- Development of a set of performance management reports
- Training and development activities for debt recovery officers for example on negotiation skills and assertiveness.
- Use of barcoding on invoices to replace costly payment cards.
- Further work to increase direct debit take-up.
- New processes to time limit invoice dispute resolution.
- Integration of sundry debt and local taxes recovery procedures.
- Use of a mailing company for outgoing post to reduce postage costs.

4.1.5. Policy development

- Refreshed collection enforcement and write-off policies to incorporate council tax, business rates and sundry debt.
- Operational procedures to underpin the policy

5.0 Financial implications

5.1. Given the financial challenge facing the Council it is essential for collection performance to be at the highest possible rate. The actions taken so far and planned for the future are all designed to improve the efficiency and effectiveness of the collection process.

5.2 A bad debts analysis is undertaken each financial year with a full provision made for those debts older than twelve months. This includes all bad debts arising before the implementation of Agresso in April 2014. Anything collected against these debts results in a reduction in the corporate bad debt provision and a reduced cost to the General Fund.

[GE/05082016/D]

6.0 Legal implications

- 6.1. Legal recourse will be undertaken in accordance with the Local Government Act 1972 in respect of sundry debts and in accordance with the Housing Benefit (Recovery of Overpayments) Regulations 1997.
[AS/05082016/U]

7.0 Equalities implications

- 7.1. There are no equalities implications at this stage however development of new or revised policies for collection, enforcement and write-off will be subject to equality analysis.

8.0 Environmental implications

- 8.1. None

9.0 Human resources implications

- 9.1. None

10.0 Corporate landlord implications

- 10.1. None

11.0 Schedule of background papers

- 11.1. None

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