

City of Wolverhampton Council's Financial Plan

Reflecting **local priorities**
as we plan for the future

1. Foreword

Welcome to the City Council's recently refreshed Financial Plan which sets out the latest position of our finances in the midst of the most severe financial challenge faced by local government in its history.

This Plan seeks to explain to our residents and businesses the impact of the challenges we face and the steadfast yet constructive approach that the council has adopted to tackle the problem. It also sets out in detail our latest four year plan to deal with the unprecedented cuts in Government grant. In addition, it details our capital investment strategy.

Despite Government cuts, we remain firmly committed to investing in local housing, schools, roads and town centres and to use our resources efficiently and effectively to make Wolverhampton a better place to live, work and visit.



A handwritten signature in black ink that reads "Roger Lawrence". The signature is written in a cursive, flowing style.

Councillor Roger Lawrence
Leader of the Council



The council's Financial Plan complements our new Corporate Plan and the City Strategy which together set out our combined vision, ambition and priorities for Wolverhampton. It's also a key part of our Confident, Capable Council transformation programme aimed at transforming the way we work. This Financial Plan has been updated to reflect the huge progress that we have made over the last two years in our journey to address significant cuts to our

funding, at a time when demand for our services is unprecedented. By its very nature, the scale of the financial challenge facing us remains dynamic - our projected *budget deficit* has risen from £123 million to £134 million during this period in part because the cost of our Looked After Children has not reduced as much as we had planned. We have, however, made significant progress in rising to this challenge by identifying approximately £88 million worth of savings to date.

We remain 100% focused on our ambition to deliver these savings as well as finding the additional £46 million that we require in the medium term to balance the books. Despite the very significant challenges we face, we are continuing to invest in services which you have identified as being a priority. The council is determined to invest in our city to stimulate growth and inward investment and our Financial Plan reflects this intent.

Keith Ireland
Managing Director

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2. Executive Summary

General Services Revenue Budget

On 4 March 2015, the City Council approved the latest version of the general services revenue budget and medium term financial strategy (MTFS).

The general services revenue budget covers the cost of all day-to-day council services except Housing and is met through *Government grants, Council Tax, Business Rates* and fees and charges raised by the council. The council's latest MTFS sets out the authority's planned income and expenditure over the medium term and shows a forecast budget *deficit* - a gap between the council's income and expenditure - of £46 million by 2018/19.

There are two main reasons for this *deficit*:

- successive cuts in Government grant support and a *Council Tax* freeze until 2014/15 have reduced the council's financial resources
- at the same time, increased demand for council services, has left the council facing greater cost pressures.

Throughout 2014/15, the council continued to identify budget savings while at the same time focusing on achieving its corporate priorities and investment aspirations.

These priorities were set by residents, community groups and local businesses during the council's budget engagement campaign earlier in the year.

Respondents to our budget consultation exercise stated that the top three services that should be protected from cuts were:

- Protecting children from harm
- Caring for and protecting the elderly and vulnerable adults
- Ensuring there are enough school places for the city's children.

So far, the council has identified net savings of £88 million over the five years between 2014/15 and 2018/19. Based on latest projections this still leaves the council £14.8 million short of its 2016/17 savings target - and if nothing more is done, the budget *deficit* will rise to £46 million by 2018/19.

To address this, the council has agreed that £20 million of additional savings will be identified and reported to *Cabinet* in June 2015. This leaves £26 million to be found over the period 2017/18 to 2018/19.

On current projections, which include the cost of the council's redundancy programme, the general balances - those not set aside for specific purposes - could be exhausted during the 2016/17 *financial year*. This means that urgent action is needed to find further savings before the 2016/17 budget is set by Councillors in March 2016.

Capital Budget

Despite the financial challenges it faces, the council is committed to supporting the city's economic growth and encouraging job creation and investment through its *capital programme*.

Major investments over the medium-term include:

- **Improving the city's housing offer, including adaptations for people with disabilities:**
£11.2 million investment between 2015/16 and 2019/20 - approximately 49% of this capital project is funded by *capital grant*.
- **Primary Schools Expansion Programme:**
£26.2 million investment between 2015/16 and 2018/19.
- **Regenerating the city and boosting commercial development:**
£14.4 million investment between 2015/16 and 2018/19.
- **Redevelopment of the Civic Halls and Grand Theatre through the Black Country Growth Deal:**
£10.1 million investment between 2015/16 and 2018/19 – approximately 61% of this capital project is funded by *capital grant*.

Housing Budget

The *Housing Budget* is expected to have sufficient resources available over the next 30 years to fund the £1.7 billion of capital works that will be needed as well as meeting its management and maintenance obligations.

3. Financial Plan Context and Development

The Financial Plan brings together the council's vision, priorities, approved budgets, financial strategies and business plans. It is a key part of our ambitious transformation programme focused on delivering a confident, capable council.

It provides a rounded view of the council's finances, the challenges it faces and, perhaps most importantly, how it plans to respond to those challenges.

By law, the council must work out annual revenue budgets for its General Services and Housing Accounts. This is why the coming year's *Council Tax* and housing rents are calculated in the February and March before the *financial year* begins in April.

Despite this fixed annual timetable, many of the council's priorities have to be planned for over several years. The environment in which the council works is also constantly changing.

The Financial Plan tries to anticipate those changes and put the council in the best possible position to respond to them.

The Financial Plan not only reflects the council's corporate priorities, but also plays a critical role in shaping the council's vision, providing a framework within which decisions about future services can be made.

The Financial Plan provides a financial interpretation of the council's vision and priorities for the city



The Financial Plan in context

The council's latest Financial Plan has been influenced by three key factors:

1. Economic conditions

The UK economy has generally seen weak performance since the 'credit crunch' of 2007/08 although there are now signs of recovery. In addition, price inflation in the UK has also been generally high during this period although this has reduced steadily since its peak in the autumn of 2011.

The consequences of this have included:

- a reduction in the council's spending power
- lower borrowing costs, although this has also led to a poorer return on the council's cash investments
- a significant reduction in the council's income
- an increase in demand for council services.

Uncertainty about future economic conditions makes financial planning even more challenging for the council.

2. Government spending cuts and controls

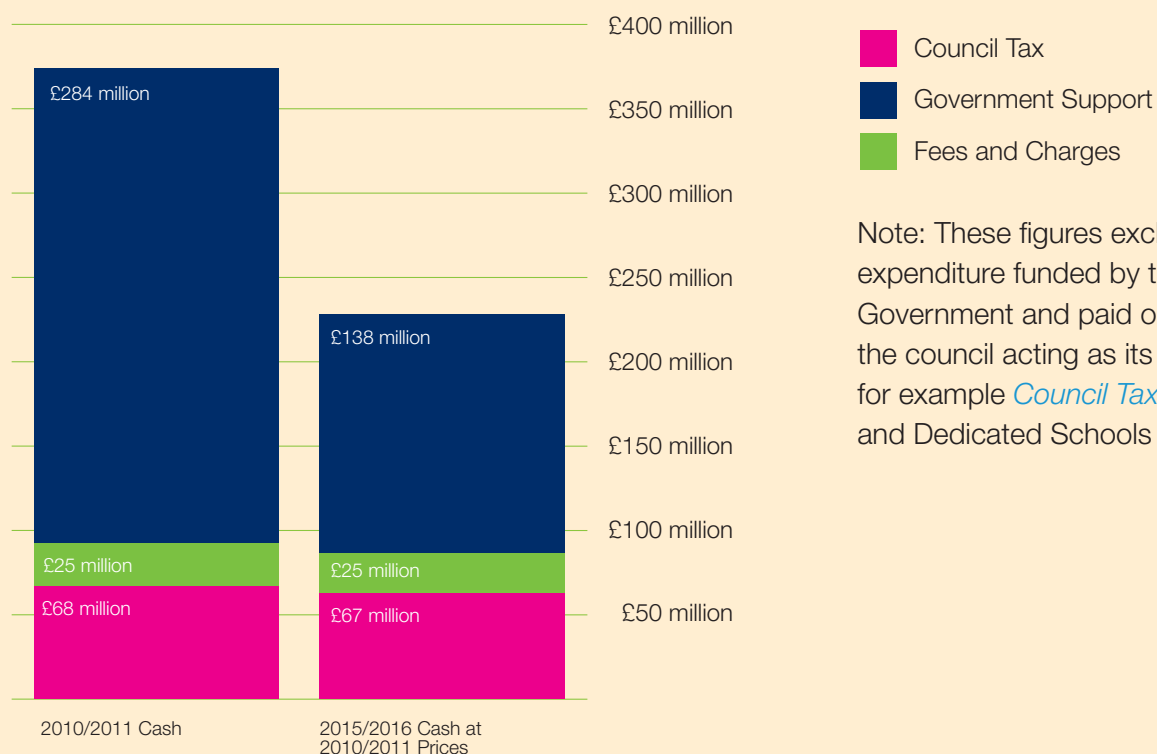
Since the economic downturn took hold, the Government's priority has been to reduce public sector borrowing. This has resulted in funding cuts in local government that would have been inconceivable just a few years ago. The new government's fiscal policies will be a key determinant of the shape of local government in the medium term.

Over the last five years, the value of general grants awarded to Wolverhampton City Council by central Government has reduced by over 50% in real terms leaving the council with over £147 million less to spend in 2015/16 than in 2010/11 in cash terms.

At the same time as making cuts to grants, the Government has continued to make efforts to restrict *Council Tax* increases, including paying a one-off grant to councils that freeze their *Council Tax*.

Wolverhampton City Council decided to increase its *Council Tax* by 1.99% for 2015/16. The Financial Plan is based on the assumption that in 2015/16 and beyond, *Council Tax* will increase by 1.99% each year. Any actual increases in *Council Tax* will be agreed on an annual basis.

Chart 1: Loss of Resources 2010/11 to 2015/16 - Wolverhampton City Council



In 2010/11, 75p in every pound that we spent on core services came from central government in the form of grants. Whilst the last five years has seen drastic cuts in the value of grants awarded to us, for 2015/16 we estimate that 60p out of every pound that we spend will still come from central government with only 29p in the pound being paid for by *Council Tax* contributions. This is reflected in chart 1 on page 6.

3. Social and demographic factors

Wolverhampton is one of the most densely populated local authority areas in England, with 249,470 people living in 26.8 square miles. The city’s demographic profile is also changing, as it attracts new residents and becomes increasingly diverse.

The latest Indices of Deprivation from 2010 show that since 2007, Wolverhampton has declined from the 28th most deprived out of 326 councils to the 20th most deprived. Deprivation in the city is also concentrated in a number of areas.

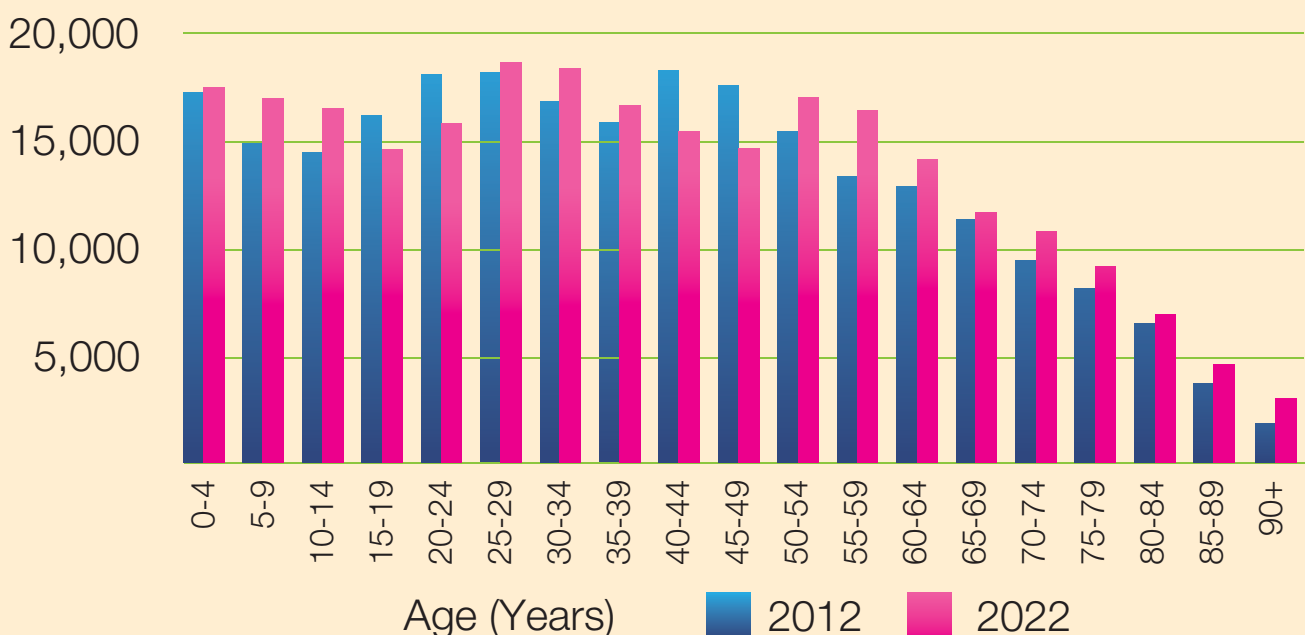
Wolverhampton’s population is projected to increase by about 8,400 (3.3%) between 2012 and 2022. This growth rate is below the national, regional and Black Country averages, suggesting that if population remains a dominant factor for the distribution of Government grant then Wolverhampton will continue to receive a declining share of those resources.

The chart below shows Wolverhampton’s population by five-year age bands in 2012 and 2022.

The projected population increase, in particular an increase in the numbers of both younger and older people, will mean increased demand for services to support families and individuals. As a result, it is likely that the council’s expenditure on these services will increase.

Other significant local factors include relatively high levels of unemployment and worklessness, which also increase demand for council services.

Chart 2: Wolverhampton’s Population Projections; 2012 and 2022





Development of the Financial Plan

Though the council works to an annual budget cycle, work on the Financial Plan goes on throughout the year.

The Housing and General Services revenue budgets are approved by the *Full Council* in February and March of each year, on the basis of recommendations from the council's *Cabinet*.

In 2015, the council sought an independent, accredited opinion of its medium term financial planning and budgetary process. The purpose of this was to ensure that a suitably qualified reviewer provided an independent opinion on the robustness of the council's processes.

The outcome of the review was extremely positive and concluded that "the approach to financial planning is as good as those seen elsewhere" and "there is a thorough approach towards identifying assumptions".

Consultation and equalities

The council carries out extensive *stakeholder* consultation as part of the budget development process. The budget proposals are also considered by the council's scrutiny board and scrutiny panels.

The council has a legal duty to consider equality implications when making budget decisions. *Equality analysis* is carried out throughout the budget process.

The outcome of the consultations, scrutiny and *equality analysis* is taken into account by the *Cabinet* when making its recommendations to *Full Council*.

Budget development principles

To make sure that it is taking a long-term, strategic approach to budget development, the council usually plans its budgets to cover a five year period. Given the significant uncertainties surrounding the funding of local government in the medium-term, the council is currently projecting over a four year period.

The council manages its budgets corporately – in other words, it will redirect money from one service to another in order to match limited resources to the council's highest priorities.

Unavoidable, unplanned expenditure and increases in spending on growth items are funded by savings from elsewhere in the council.

Up to now, the council has tried to safeguard those services that it considers to be highest priority. However, no council service can be exempt from the need to find savings. All managers have been required to find more efficient means of delivering their services as well as increasing income generation opportunities.

Due to the scale of the challenges the council has faced, it has been necessary to reduce the level of service provision in some areas.

Annual Budget Setting Cycle

April

Previous year's accounts are closed.

May

Corporate Plan Priorities are considered within the context of the Medium Term Financial Strategy (MTFS).

June

Update on assumptions and delivery against the MTFS, to be reported to *Cabinet* in July.

July

Previous year's Outturn is reported to *Cabinet*.

Cabinet and Confident, Capable Council Scrutiny Panel consider the Draft Budget Report (1 of 4).

Previous year's Outturn is reviewed to identify ongoing savings.

Savings proposals developed by Senior Management.

August

Savings proposals continue to be developed.

September

Update on assumptions and delivery against the MTFS to be included in September Cabinet Report.

Consider implications of new savings proposals.

Cabinet consider Fees and Charges Report.

October

Cabinet considers the Draft Budget Report (2 of 4).

Detailed scrutiny of budget proposals by all Scrutiny Panels.

Formal Budget Consultation starts.

November

Confident, Capable Council Scrutiny Panel consider the Draft Budget Report (2 of 4).

Review assumptions in MTFS for inclusion in December Cabinet report.

Calculate forecasts for *Council Tax* and *Business Rates* income.

December

Cabinet and Scrutiny Panel consider the Draft Budget Report (3 of 4).

Cabinet note Forecast Collection Fund Outturn.

Cabinet approves tax base.

Scrutiny Board provides the outcome of the first round of scrutiny.

January

Cabinet receives outcomes of Budget Consultation.

Senior Management work with Cabinet to finalise proposals for presentation to Council.

Scrutiny Board provide the outcome of the second round of scrutiny.

February

Cabinet receives and comment on the outcomes of scrutiny.

Cabinet approves the Final Budget Report.

March

Full Council votes on Budget and *Council Tax*.

4. General Services Budget

During 2014/15 we have been working for you by providing a variety of services. As an example, in Wolverhampton on average we...



empty

44,000

bins | caddies
per day

at an annual cost of
£8.2 million



clear and dispose of

11,000kg

of litter and debris from
our streets per day

at an annual cost of
£2.6 million



support

834

over 65's in
residential and
nursing care per day

at an annual cost of
£9.5 million



have

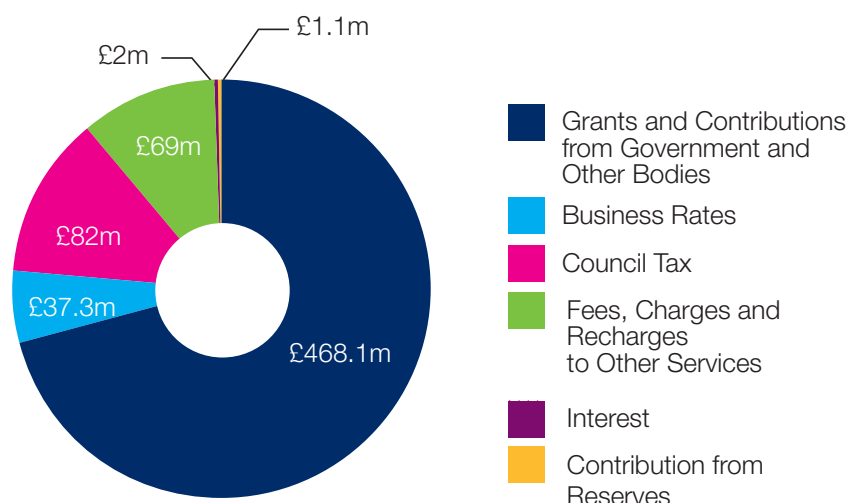
2,547

leisure centre
visitors per day

at an annual cost of
£1.3 million

The on-going funding pressures mean that the council has had to make tough decisions about where to spend money - some of the services provided in the past will either change or be withdrawn during 2015/16.

Chart 3: Where the budget comes from 2015/16



For 2015/16, the council has continued to build on its recent strong record of identifying and achieving the necessary savings enforced by central government and has set a budget to spend over £600 million gross on General Services for the year as shown in chart 3. Unlike chart 1 earlier this includes monies funded by the Government and paid out by the council acting as its agent, such as *Council Tax benefit* and Private Tenant Housing Benefit. This was approved at the meeting of the *Full Council* on 4 March 2015 along with the 2015/16 to 2018/19 Medium Term Financial Strategy.

The council has clearly identified priorities and any decisions about where to spend money will be guided by these and consultation with you and our partners. The council's priorities are:

-  *A stronger economy*
-  *Stronger communities*
-  *A confident capable council*

The latest approved budget was shaped by these priorities and by the council's budget consultation. During this, respondents stated that the top three services out of the thirteen service areas that should have **total protection** from the latest proposed savings were:

- Protecting children from harm
- Caring for and protecting from harm the elderly and vulnerable adults
- Ensuring there are enough school places for the city's children

Further to this, the top three services respondents stated should have **some protection** from the proposed savings were:

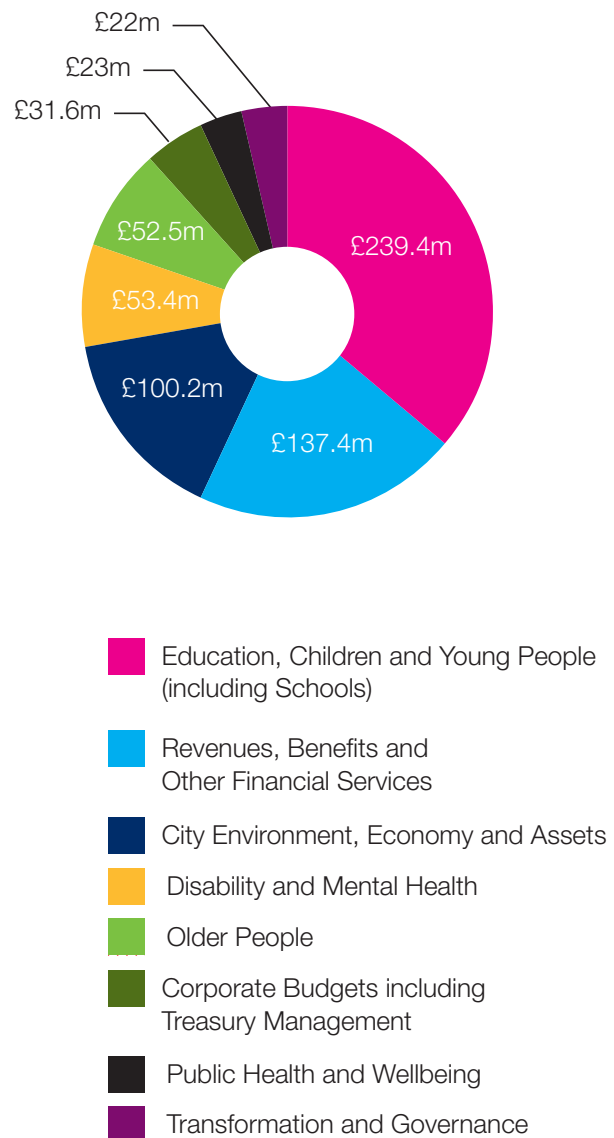
- Keeping streets and open spaces clean
- Library Services
- Leisure Centres

Finally, the top three services respondents stated should have **no protection** from the proposed savings were:

- Neighbourhood Services
- Cultural Services
- Leisure Centres

The council's budget for 2015/16 reflects these locally identified priorities and continues to make the most vulnerable in our city its priority for services and investment. The key areas of spend are reflected in chart 4 below.

Chart 4: Where the budget is spent 2015/16



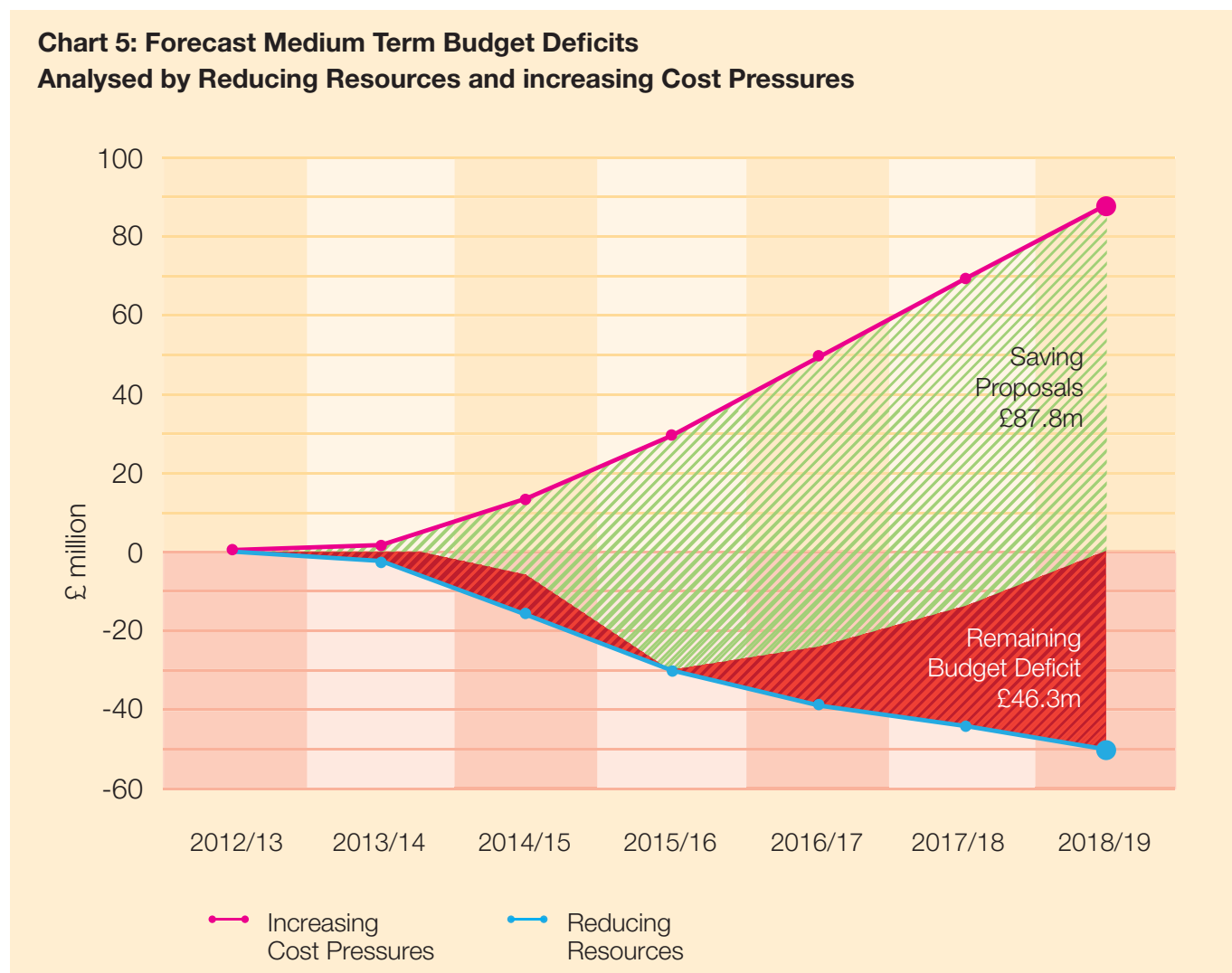
5. General Services Medium Term Projections

Since 2011/12, the council has identified savings totalling over £160 million. Despite this, the latest projections in the Financial Plan show that there is still a gap between the council's projected spending levels and the money it believes will be available to it. As table 1 below shows, this gap is currently projected to grow to £46 million by 2018/19.

Table 1: General Services Financial Plan Projections 2015/16 to 2018/19

	2015/16	2016/17	2017/18	2018/19
	£ thousands			
Previous Years Net Budget Brought Forward	247,550	224,875	230,108	240,610
Increasing Cost Pressures	(22,675)	5,233	10,502	10,245
Net Budget	224,875	230,108	240,610	250,855
Projected Corporate Resources	(224,875)	(215,308)	(210,797)	(204,572)
Projected Deficit	-	14,800	29,813	46,283

The council's financial challenge has arisen because of the reduction in funding combined with increases in costs and greater demand for services. Chart 5 below illustrates the excellent progress that the council has made in securing savings to date (shaded green) together with the scale of the remaining challenge (shaded red).



Balances and Reserves

The council has balanced its 2015/16 budget without having to use any of its general reserves.

Revenue budget monitoring undertaken towards the end of 2014/15 also indicated an in-year underspend of approximately £1.9 million.

The use of existing *balances and reserves* will help smooth the impact of the savings the council has to make as a result of timing differences between

income and expenditure. However, the council's policy stipulates that a minimum of £10 million should be maintained in reserve. Taking account of this required minimum level of balances, a strategy of funding the projected budget *deficit* by drawing on reserves is not a viable option. Based on current projections, it would see those available reserves depleted during 2016/17. This clearly demonstrates that using reserves can only ever be successful in the very short-term and will not resolve medium-term funding issues.

The Future Budget Strategy

The council recognises that having achieved over £160 million worth of savings over the past five years, it is unlikely that any further major savings can be made purely through efficiencies. Table 2 below illustrates the savings approved as part of the 2014/15 and 2015/16 budget settings processes.

Work has progressed over the summer of 2014 to identify further areas where budget savings can be

achieved, ensuring that focus is placed on corporate priorities.

This work is cyclical and work has begun to identify further savings as part of the 2016/17 budget setting process.

The council's objective is to deliver universal services as efficiently and cost effectively as possible, while delivering maximum benefit to individuals, families and communities.

Table 2: Savings previously approved as part of the 2014/15 and 2015/16 budget setting processes

	No. of proposals	2015/16	2016/17	2017/18	2018/19	Total
		£ thousands				
Efficiency	108	25,570	5,921	3,572	5,012	40,075
Growth Avoidance	6	2,333	2,333	2,683	2,799	10,148
Income Generation	20	2,527	626	713	928	4,794
Invest to Save	2	550	-	-	-	550
Cut in Service	59	8,522	1,779	1,735	962	12,998
Total	195	39,502	10,659	8,703	9,701	68,565

Further information on each of these proposals can be found on the council's website www.wolverhampton.gov.uk/budgetsavings

After taking account of the savings proposals that have been identified, which amount to £68.6 million over the four year period to 2018/19, the budget *deficit* still stands at £14.8 million in 2016/17 rising to £46 million by 2018/19. Further action is therefore required to identify further significant savings before the 2016/17 budget is set by *Full Council* in March 2016, so that available general balances are not depleted by the end of that year. To tackle this, the council has agreed that £20 million of additional savings should be identified and reported to Cabinet in June 2015 leaving £26 million to be identified over the period 2017/18 to 2018/19.

Managing risks

The council uses a Red, Amber, Green (RAG) system to analyse risk:

- Red status identifies problems that need serious attention and immediate action

- Amber status signifies that there are potential problems that must be managed closely and not allowed to become issues
- Green status means that everything is on track and there are no issues.

*The overall risk associated with the Financial Plan is **Red**, due to significant unknowns such as Government funding and demand for services.*

6. Capital Investment Strategy

The council's Capital Investment Strategy for the period 2014/15 to 2018/19 was approved by *Full Council* on 4 March 2015. When developing the *Capital Programme*, close attention is paid to the direct impact *capital expenditure* can have on revenue budgets, for example, the cost of borrowing in the form of interest charges.

Table 3 below shows a summary of the council's latest *capital programme*:

Table 3: Capital programme and funding 2014/15 to 2019/20

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£ thousands					
Expenditure						
General Services	91,621	78,032	39,093	9,305	2,036	1,100
Housing Revenue	73,035	62,501	29,057	30,326	34,170	35,374
Total Exp.	164,656	140,533	68,150	39,631	36,206	36,474
Financing						
External Funds	(85,309)	(34,377)	(34,614)	(27,171)	(30,437)	(22,681)
Internal Funds	(79,347)	(106,156)	(33,536)	(12,460)	(5,769)	(13,793)
Total Financing	(164,656)	(140,533)	(68,150)	(39,631)	(36,206)	(36,474)

Capital Investment

Despite the financial constraints, the council remains committed to an ongoing programme of capital investment to support the economic growth of the city and employment opportunities for the city's residents.

This is demonstrated by the investment in i10: a new £11 million office and commercial building which is part of the Interchange scheme, and scheduled to open in early 2016. Another example is the successful i54 Enterprise Zone scheme which, to date, has attracted inward investment of around £600 million from Jaguar Land Rover, Moog, Eurofins and International Security Printers Ltd.

The Black Country Local Enterprise Partnership has also agreed an expansion to the Growth Deal with central government which will see over £130 million invested in the area from 2016 to 2021. In addition to the benefits that this will bring to the wider Black Country partnership, investment that will have a direct impact upon Wolverhampton include:



Investing in our city's culture
Wolverhampton Grand Theatre is having a major refurbishment.

Image:
Alexandra Burke in
The Bodyguard

wolverhampton.gov.uk



Jaguar Land Rover's new Engine Manufacturing Centre at the i54 Business Park

Wolverhampton Interchange:

A fully integrated transport hub, providing an attractive and effective gateway for the Black Country and improved links to Birmingham and the proposed high speed railway (HS2) which will initially link the cities of London and Birmingham, followed by further extension to north west England and Yorkshire.

Bilston Urban Village:

The Regeneration of Bilston town centre including infrastructure, services and remediation work to bring major new residential and employment opportunities.

City Centre Cultural and Business Events:

A major refurbishment and extension of the Wolverhampton Civic Halls and Grand Theatre to meet demand and stimulate further economic development and investment in the city centre.

Wolverhampton City College:

Strategic development to support at least 3,000 learners and 50 businesses.

Wolverhampton Science Park: Expanding the facilities and extending the work of the Black Country Growth Factory and Caparo Innovation Centre.

Plans to invest around £26 million to support Primary Schools expansion will complement the £216 million invested to date in the Building Schools for the Future programme to help develop a world class educational environment for our young people. The council will also continue to invest in developing new council housing in Bilston to respond to the city's housing needs and to work with partners to unlock further investment in a range of new homes across the city.

Managing risks

Using the council's Red, Amber, Green (RAG) system, the overall level of risk associated with the Capital Programme has been assessed as Amber.

7. Treasury Management Strategy

The council's *Treasury Management* Strategy was approved by *Full Council* on 4 March 2015. It has four elements:

- The **Treasury Management Strategy Statement** sets out how the council's treasury service supports capital investment decisions and day-to-day cash management.
- The '**prudential indicators**' and '**treasury management indicators**' which control the extent of the council's financial activities.
- The **annual investment strategy** which sets out the council's criteria for choosing investments and limiting its exposure to loss.
- The **Minimum Revenue Provision (MRP)** policy, which sets out how the council will pay for capital assets through revenue each year.

Borrowing and Investments

The level of council borrowing is in line with *capital expenditure* plans. However, both its investment and borrowing activities are heavily influenced by the current climate of low interest rates.

The council continues to follow a strategy of keeping cash balances to a minimum and avoiding external borrowing unless absolutely necessary.

This has resulted in significant revenue budget savings, while also serving to protect the council from the risk of exposure to money markets, which remain relatively fragile.

Investing in our children's education at Spring Vale Primary School, Wolverhampton



8. Housing Budget

The council owns approximately 23,000 houses. Day-to-day management and maintenance is carried out for the council by its *arm's-length management organisation*, Wolverhampton Homes, four tenant management organisations and estate management boards. The council also provides a number of specialist housing services.

The council takes a long-term view of housing, forecasting capital, management and maintenance spending requirements and available resources over the next 30 years.

Housing - the 30 Year Business Plan

The *Housing Budget* is expected to have sufficient resources to fund the £2.0 billion of capital works required, as well as meeting management and maintenance obligations over the next 30 years.

The council has assumed that rents will rise in line with government policy over the course of the 30 year life of the business plan. The current business plan, which was approved by council on 28 January 2015 meets the requirement to bring the council's existing houses to the Decent Homes standard and maintain them at the standard. It also includes budget for a significant new build programme.

The 2015/16 *Housing Budget* includes an annual rent increase of 3.11%, and service charge increases that vary from nil to a maximum of 16.1% on communal cleaning in certain areas. It also includes a total management and maintenance budget of £47.9 million.

Table 4: Housing Budget (30 Year Business Plan)

	2015/20	2020/25	2025/30	2030/35	2035/40	2040/45
	£ thousands					
Expenditure						
Mngt. & Maint. (net of retained surpluses)	243,254	268,636	306,724	348,897	396,932	441,635
Depreciation & Prov. for Redem. of Debt	205,050	257,045	308,477	355,185	397,308	446,678
Net Financing Costs	72,538	61,527	46,468	47,374	55,920	73,417
Total Exp.	520,842	587,208	661,669	751,456	850,160	961,730
Income						
Dwelling Rents	(490,933)	(556,034)	(629,071)	(716,952)	(813,461)	(922,398)
Other Rents	(3,762)	(4,370)	(5,087)	(5,921)	(6,893)	(8,024)
Service Charges	(26,147)	(26,804)	(27,511)	(28,583)	(29,806)	(31,308)
Total Income	(520,842)	(587,208)	(661,669)	(751,456)	(850,160)	(961,730)
Balance	-	-	-	-	-	-

The *Housing Capital Account* includes long-term *capital expenditure* plans and financing arrangements for investing in the council's housing stock. This table shows that the council has sufficient resources to fund its capital spending requirements over the duration of the business plan.

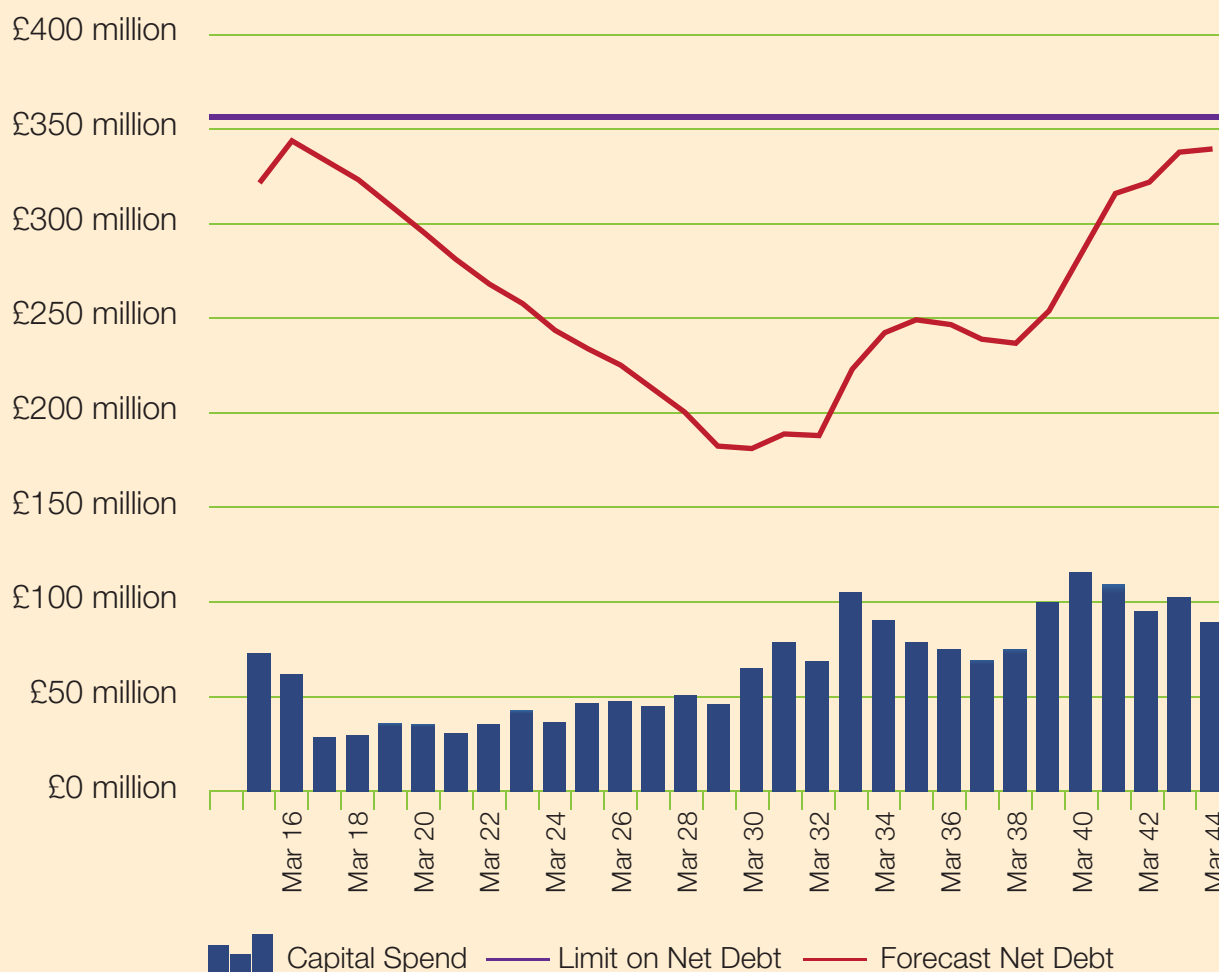


(Clockwise from left) Image 1 - Investment in 500 new homes at Bilston Urban Village. Image 2 and 3 - New affordable homes built at Thompson Avenue, in partnership with Kier Partnership Homes.

Table 5: Housing Capital Account (30 Year Business Plan)

	2015/20	2020/25	2025/30	2030/35	2035/40	2040/45
	£ thousands					
Expenditure						
Capital Exp	191,428	194,035	255,949	423,108	435,863	482,317
Total Exp	191,428	194,035	255,949	423,108	435,863	482,317
Financing						
Major Repairs Grants, Cont. and Receipts	(113,040) (5,772)	(107,027) -	(105,506) -	(103,907) -	(102,228) -	(100,680) -
Borrowing	(72,616)	(87,008)	(150,443)	(319,201)	(333,635)	(381,637)
Total Fin.	(191,428)	(194,035)	(255,949)	(423,108)	(435,863)	(482,317)
Balance	-	-	-	-	-	-

The diagram on the following page shows the relationship between the council's capital spending plans for the next thirty years and borrowing levels.

Chart 6: Forecast Capital Expenditure Forecast and Debt Curve 2014/15 to 2043/44**Managing risks**

Due to the size and nature of activities associated with the council's *housing budget* there are inherent risks.

The council adopts a proactive approach to managing and mitigating these risks as far as possible. The budgets are actively managed to ensure income and expenditure plans are closely monitored and remedial action is taken where necessary.

The *Housing Budget* is also exposed to interest rate movements, as interest costs account for approximately one-tenth of the total *revenue expenditure*. The council manages and monitors this risk on a daily basis.

A further significant risk relating to the Business Plan is the high level of *capital expenditure* that it assumes. Relatively small variations in estimates and assumptions could have a significant impact. As it is, the council receives regular comprehensive updates on forecast *capital expenditure* requirements from Wolverhampton Homes.



We remain committed to investing in the future

9. Strategy Summary

In summary, the Financial Plan not only reflects the council's corporate priorities, but also plays a critical role in shaping the council's vision, providing a framework within which decisions about future services can be made. The Financial Plan details strategies in place to plan for the medium term:

- **Revenue Budget Strategy**

The Revenue Budget Strategy sets out the council's *revenue expenditure* and the level of available resources. The latest version of the general services revenue budget and medium term financial strategy projects that the budget *deficit* over the five year period to 2018/19 has risen to £134 million, following further projected reductions in central government funding and increased demand for certain services. After taking account of the savings proposals that have been identified to date, which amount to £88 million, the budget *deficit* stands at £14.8 million in 2016/17 rising to just over £46 million by 2018/19.

- **Capital Investment Strategy**

The Capital Investment Strategy sets out the plans to invest over £300 million in the city over the next five years together with the funding to support that investment. Despite the financial challenge and constraints, the council is committed to investing in the future.

- **Treasury Management Strategy**

The *Treasury Management* Strategy sets out how the council's treasury service supports capital investment decisions and day to day cash management, in order to minimise the impact on revenue budget.

- **Housing 30-Year Business Plan**

The Housing Business Plan sets out what the council thinks it will need to spend on council housing over the next 30 years, and how it plans to pay for those.

10. Technical terms explained

Though we have tried to make the language in this document as clear as possible, there are occasions where we have had to use technical terms. Where a word or phrase appears in *blue italics* you will find a technical definition below. We have explained these in the body of the text where we were able to, but we hope you will find this list useful.



Black Country Touring. Promotion in Mander Centre for Portas Pilot.

Arm's Length

Management Organisation

Often called an ALMO, this is an organisation which is controlled by a parent body such as the council, but which is in charge of its own day-to-day operations. Wolverhampton Homes is a good example.

Balances and Reserves

An amount of money that the council has chosen to set aside in order to meet future spending needs.

Budget

A budget is a plan of approved spending during a financial year.

Business Rates

Businesses across the country have to pay business rates. The Government decides how much they should pay and local authorities collect the money.

Councils keep approximately 50% of the business rates' growth raised in their own area with the balance being paid over to Government.

Cabinet

The Cabinet is chaired by the Leader of the Council and comprises nine other Councillors from the political party in power. Decisions about the day to day running of council services are taken by the Cabinet.

Capital Expenditure

Expenditure on the purchase of property, plant and equipment, or expenditure which adds to, and not merely maintains, the value of an existing asset.

Capital Grant

A contribution, usually by Central Government, towards the cost of Capital Expenditure.

Capital Programme

The plan of approved capital expenditure.

Council Tax

A tax paid by residents to the council, based on the value of their property, to be spent on local services.

Council Tax Benefit

Council Tax Benefit is help to pay Council Tax for both tenants and owner occupiers on a low income.

Deficit

This occurs when spending exceeds income.

Equality Analysis

An equality analysis is a way of finding out whether a policy, service or strategy will have an adverse impact on any particular group or sector of the community.

Financial Year

This runs from 1 April to 31 March.

Full Council

All 60 elected Councillors in Wolverhampton meet regularly (every 6 weeks) as the Full Council, to make decisions on major issues affecting the city.

General Services Budget

The cost of all services of the council except for Housing. The net cost of General Services is met by Council Tax, Government Grants and Business Rates.

Government Grants

Assistance by Government and inter-governmental agencies and similar bodies, in the form of cash or transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the council.

Housing Budget

A ring-fenced account detailing the day to day income and expenditure arising from the provision of council housing.

Housing Capital Account

A ring-fenced account detailing the council's investment which adds value to council housing and the associated capital funding streams.

Minimum Revenue Provision (MRP)

A minimum amount set by law, which the council must charge to the General Services revenue account, to set aside to repay borrowing.

Prudential Indicators

Indicators that the council uses to identify whether capital investment and debt/treasury management plans are affordable and sustainable.

Revenue Expenditure

Expenditure on the day-to-day running costs of services, for example employees, premises.

Ring-fenced Budget/Grant

Certain budgets or grants must be maintained separately outside of the General Services account.

Stakeholder

A person, group or organisation that has an interest or concern in the council or the community it serves.

Treasury Management

Management of the council's investments and borrowings.

The café at Wolverhampton Art Gallery



Reports referred to in this plan can be found at <http://wolverhampton.moderngov.co.uk>

**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

Council Tax Formal Resolutions

<http://wolverhampton.moderngov.co.uk/>

[documents/s8648/Council%20040315%20MTFS%20Treasury%20Capital%20CouncilTax%202.pdf](http://wolverhampton.moderngov.co.uk/documents/s8648/Council%20040315%20MTFS%20Treasury%20Capital%20CouncilTax%202.pdf)

Housing Revenue Account business plan (including 2014/15 budget, rents and service charges)

<http://wolverhampton.moderngov.co.uk/>

[documents/s7460/HRA%20business%20plan%20201516%20report%20to%20council.pdf](http://wolverhampton.moderngov.co.uk/documents/s7460/HRA%20business%20plan%20201516%20report%20to%20council.pdf)

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