

Stronger City Economy Scrutiny Panel

25 November 2019

Report title	Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Harman Banger City Economy	
	Councillor Mike Hardacre Education and Skills	
Corporate Plan priority	Confident Capable Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
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Report to be/has been considered by

Recommendations for decision:

The Panel is recommended to:

1. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council.
2. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 including budget proposals that are relevant to the remit of this Panel.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

3. Approve that the Scrutiny Panel response be finalised by the Chair and Vice Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Panel's feedback on the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council. In addition to this, the Panel's feedback is also sought on the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 that was presented to Cabinet on 16 October 2019 including budget proposals relevant to the remit of this Panel.

2.0 Draft Budget and Medium Term Financial Strategy Background

- 2.1 Since 2010-2011 despite the successive cuts in Council resources, which have led to significant financial challenges, the Council has set a balanced budget in order to deliver vital public services and city amenities. Over the last eight years the Council has identified budget reductions in excess of £220 million. The extent of the financial challenge over the medium term continues to represent the most significant challenge that the Council has ever faced, with reducing resources, growing demand for services and significant cost pressures.
- 2.2 The Budget and Medium Term Financial Strategy (MTFS) 2019-2020 to 2023-2024 was presented to Full Council for approval on 6 March 2019. The Council was able to set a balanced budget for 2019-2020 without the use of General Fund reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £27.3 million in 2020-2021 rising to £40-£50 million over the medium term to 2023-2024.
- 2.3 Since then, work has been ongoing across the Council to identify opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2020-2021 and future years, whilst also analysing emerging pressures and potential resources available to the Council, following the Spending Round 2019 announcement on 4 September 2019.

3.0 Our Council Plan 2019-2024

- 3.1 The Council's strategic approach to address the budget deficit continues to be to align resources to Our Council Plan 2019-2024 which was approved by Full Council on 3 April 2019.
- 3.2 Our Council Plan, developed with the people of the City of Wolverhampton at its heart, sets out how we will deliver our contribution to Vision 2030 and how we will work with our partners and communities to be a city of opportunity. The plan includes six strategic priorities which come together to deliver the overall Council Plan outcome of 'Wulfrunians will live longer, healthier and more fulfilling lives.' Over the medium term, resources will continue to be aligned to enable the realisation of the Council's strategic priorities of achieving:
- Children and Young People get the best possible start in life
 - Well skilled people working in an inclusive economy
 - More good jobs and investment in our city
 - Better homes for all

- Strong, resilient and healthy communities
- A vibrant, green city we can all be proud of.

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

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

- **Core Principles:**

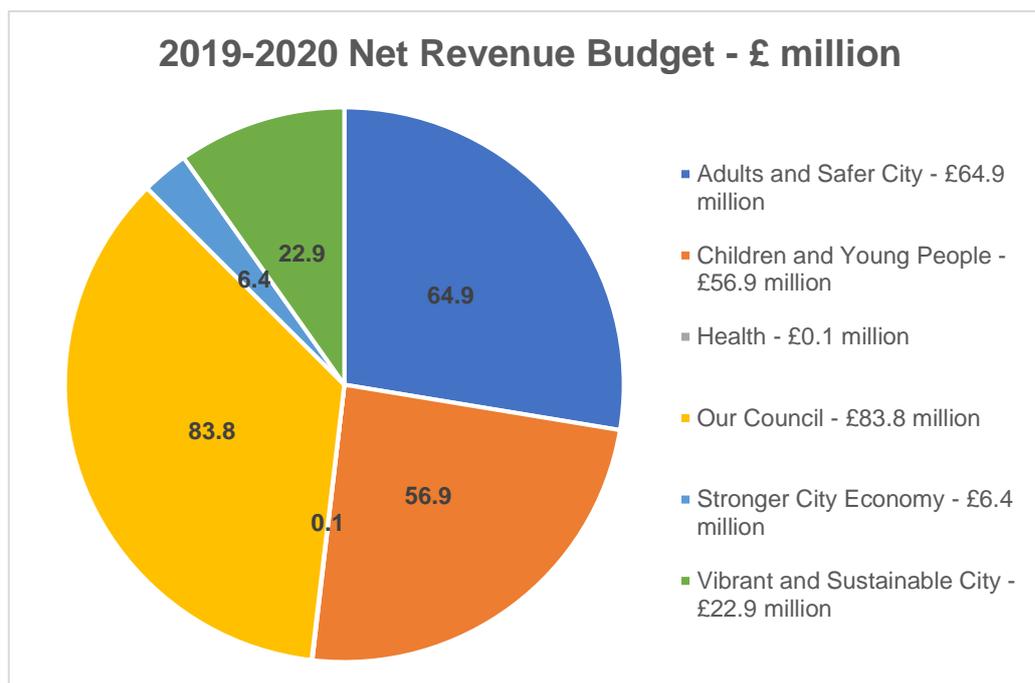
- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
- **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities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

4.0 **Budget – Stronger City Economy Scrutiny Panel remit**

4.1 As detailed above, when addressing the budget challenge, the Council continues to focus on aligning its resources to strategic outcomes.

4.2 The Council holds a net revenue expenditure budget totalling £234.9 million for the 2019-2020 financial year. Of this, services relevant to the remit of the Stronger City Economy Scrutiny Panel have net revenue expenditure budgets totalling £6.4 million, as can be seen in Chart 1 below.

Chart 1 – Net Revenue Budget 2019-2020



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

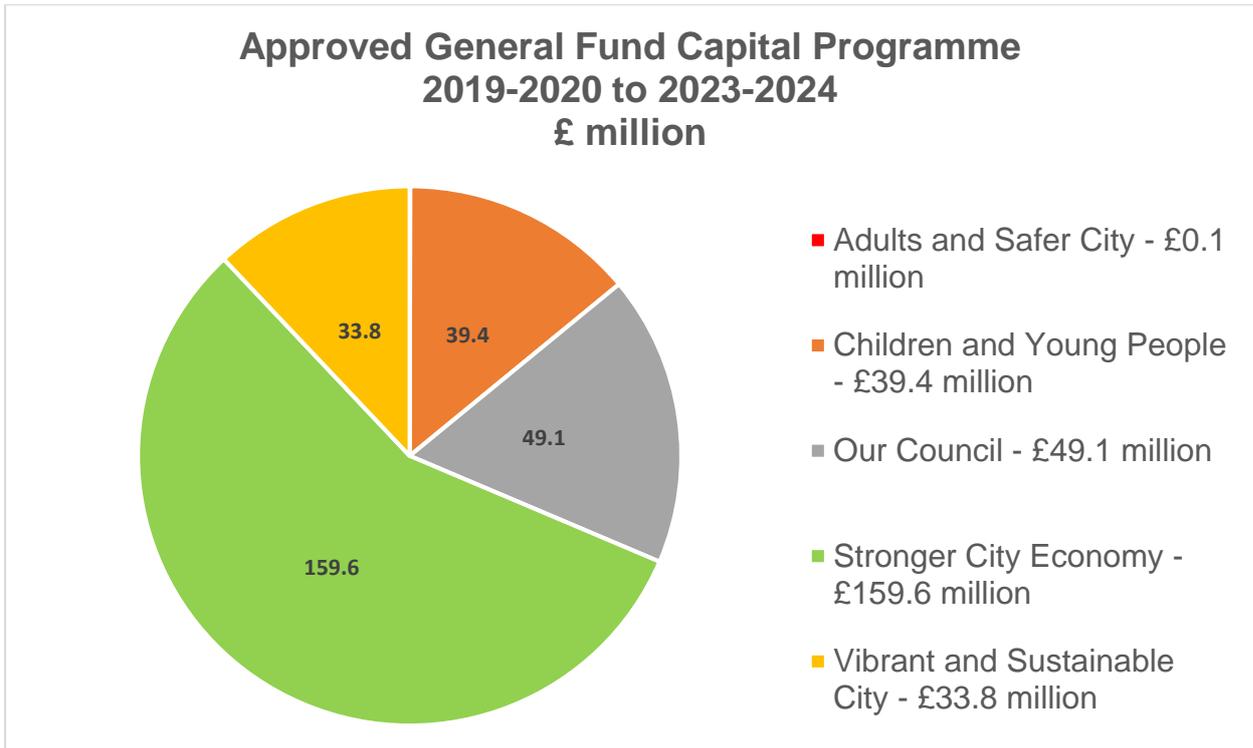
Table 1 – Service and Revenue Budget Provision

Service	2019-2020 Gross Expenditure Budget £000	2019-2020 Gross Income Budget £000	2019-2020 Net Revenue Expenditure/ (Income) Budget £000
Adult Education	3,428	(3,664)	(236)
City Development	767	(179)	587
Director Regeneration and Other Centrally held Budgets	417	-	417
Enterprise	1,395	(566)	829
Local Economy	2,061	(481)	1,580
Skills	3,558	(1,772)	1,786
Visitor Economy	3,465	(2,018)	1,447
Total	15,091	(8,680)	6,410

4.4 Gross expenditure and gross income relate to the budgets directly in the control of the service area. Overhead costs such as property related expenditure and support services are held separately.

- 4.5 When reviewing the budget, it is important to consider the gross income and gross expenditure for each service. Budget efficiencies can be achieved through reductions in expenditure budgets, in addition to maximising income generation opportunities.
- 4.6 In addition to this, as detailed in Chart 2, services relevant to the Stronger City Economy Scrutiny Panel remit also have an approved General Fund capital programme budget totalling £159.6 million over the medium term period from 2019-2020 to 2023-2024.

Chart 2 – Approved General Fund Capital Programme Budget 2019-2020 to 2023-2024



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

Table 2 – Capital Programme and Revenue Budget Provision

Capital Programme	2019-2020 to 2023-2024 Capital Programme Expenditure £000
AIM for GOLD - ERDF	1,621
Bilston Urban Village	4,939
Black Country Growth Deal – Cultural Programme	27,858
Blue Network	10
City Learning Quarter	46,005

Capital Programme	2019-2020 to 2023-2024 Capital Programme Expenditure £000
Development of Cultural Estate	1,000
i54 Western Extension	29,301
Interchange - Ph2 Train Station/MSCP/Metro Extension	20,022
Land and Property Investment Fund	10,081
Queen Street Gateway Townscape Heritage Project	752
South Side	312
Strategic Land Acquisitions	4,378
Targeted Disposals Programme	171
War Memorial Restoration	49
Wolverhampton Interchange Block 11	57
Wolverhampton Interchange Office/Retail Accommodation	13,000
Total	159,556

5.0 Key Strategies and Transformation

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

- **Regeneration/City Development** – The regeneration of the city is focused on the city’s regeneration priority areas which currently comprise the city centre, Bilston and i54 in line with delivering the strategic outcome ‘More good jobs and investment in our city’.
- **Bilston Urban Village** – Approved capital and revenue budgets have enabled the onward sale of 27 acres of residential land to Countryside Homes who are currently building 420 units on the western side of the Urban Village site. Sales are reported to be very strong with higher than expected values being achieved. Together with ERDF grant the Council has created and improved around 13 hectares of land for open space purposes which provides a high-quality setting for the various built developments. Loxdale Primary School opened in September 2019 in new build premises.
- **City Learning Quarter** - During 2019 the team have been developing the City Learning Quarter business case and various design studies in collaboration with the college. Achievements this quarter include: the completion of RIBA Stage 3 studies; a consultation event; and completion of demolition works. The funding application was submitted to the Black Country Local Economic Partnership (BCLEP) in June 2019. The aspiration of the project is to concentrate the College onto two main campuses, in the City Centre and at Wellington Road in Bilston, enabling the current campus at Paget Road to be disposed of and helping secure the future of the College.

- **Interchange** - The Interchange scheme budget remains as per approved budget of £81.8 million across the partner organisations. The respective projects related to Station and Metro works are all on track to deliver the scheme within the approved budget.
- **Wolverhampton Interchange Office/ Retail Accommodation** - In February 2018 Cabinet approved a budget of £13.0 million for investment in the i9 office development. The developer of the scheme has also secured £4.0 million funding from the Local Growth Fund to close a viability gap. Construction is programmed to commence in December 2019 which will result in office and retail floorspace being available from Spring 2021.
- **Southside** - the focus is on consolidating the Council's landholdings in the south of the city centre by demolition and disposal of a number of dilapidated properties. These works will create future development plots with interim uses which will generate a revenue income. It is anticipated that additional capital funds will be required. The team are developing business cases for disposal or demolitions of properties on a case by case basis.
- **Strategic Land Acquisitions (Canalside South)** – as part of the Walsall to Wolverhampton Corridor, Canalside South features as one of the key areas for residential expansion in the city with potential for over 1,000 new homes. Key work is underway with strategic partners to enable and assemble sites to bring to the market. The Council's Strategic Land Acquisition fund has been essential to enable the assembly of strategic sites in support of a holistic vision for the area creating the critical mass of sites capable of bringing forward sustainable, mixed-use development.
- **i54 Western Extension** - In January 2019, Cabinet approved a funding strategy and budget for Site Clearance and Ecological Habitat Work, Access Road and Bridleway Diversion within the i54 Western Extension project. With all key funding and delivery agreements in place, including BCLEP Local Growth Fund grant for the Access Road, contract works commenced on site in June 2019 and is on programme to complete next Spring. In September 2019, Cabinet approved the next phases of work comprising Services Reservations, Green Infrastructure works and Platform Preparations. These works are programmed to commence June 2020 which will result development plots prepared and serviced for disposal from late 2021 onwards.
- **Enterprise and Skills** - In March 2018 Cabinet approved the £3.4 million European Union (EU) funding application for the business support programme, AIM for GOLD. This has been matched by existing post in Enterprise and the Wolves@Work team. It provides revenue funding to support three full time equivalent employees in the service and a project support team of three full time equivalent employees. The programme delivers support for small and medium-sized enterprises in Wolverhampton which is supported by a £2.0 million combination of capital and revenue grant elements.

Recently the team have sought additional EU funds to increase capacity that will enable the team to offer higher grants, and an extension that would bring an additional year of activity. This would see the service being delivered up to March 2023. Cabinet approval will be sought later this year.

Wolves@Work has teams in both service areas of Skills and Enterprise and is due to complete its third year. Currently costing £570,000, continuation of the service has been supported by the Leader and funding routes are being explored.

The Skills Service have an EU project IMPACT. Wolverhampton is also one of five delivery partners including the four Black Country Local Authorities and Talent Match delivering the EU funded Black Country Impact youth employment initiative. The Skills team has recruited a team of key workers and compliance staff dedicated to delivering this initiative, and provides matched funding through its mainline funded Skills staff, Connexions team and Wolves at Work people facing team, Impact supports young people in the city aged between 15-29 to access employment, apprenticeships, training and further education.

The approved grant allocation for the project is £6.0 million with £2.2 million required in matched funding from the Skills Team. This funding is in place until 2021 with a possibility of an extension until 2023.

- **Visitor Economy - Art Gallery** - In March 2017 Visitor Economy Cabinet approved the £1.13 million capital programme to improve the access and facilities in the city's Art Gallery. £432,000 has been secured as a grant through the Arts Council and the remainder £750,000 is through prudential borrowing. The project is due to complete in September 2020, ahead of the British Art Show in 2021.
- **Adult Education** - is funded by a £3.0 million grant from the Adult Education Budget. The Service contributes to two of the Council Plan priorities; well skilled people working in an inclusive economy and strong, resilient and healthy communities. The Service delivers formal and informal learning to circa 2,600 local adults and targets priority groups who are disadvantaged. The Service exists to impact positively on the lives of its students; moving them into work or closer to the labour market, into further learning and to improve their health and well-being.

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

- 6.1 Since March 2019, Cabinet have been provided with two further Budget and Medium Term Financial Strategy (MTFS) updates in July and October 2019 to identify opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2020-2021 and future years.
- 6.2 In October 2019, Cabinet were presented with the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 report in which it was forecast that, after taking into account projected changes to corporate resources and emerging pressures, the projected remaining budget deficit for 2020-2021 would be in the region of £3.9 million, rising to £20 million over the medium term period to 2023-2024.
- 6.3 Appendix 1 provides a copy of the 'Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024' report for your consideration. Appendix 2 provides details of specific budget proposals relevant to this panel. Feedback from this and the other Scrutiny Panel meetings will be reported to Scrutiny Board on 10 December 2019, which will consolidate that feedback in a formal response to Cabinet on 22 January 2020. The feedback provided to Scrutiny Board will include questions asked by Panel members, alongside the responses received. Cabinet will take into account the feedback from Scrutiny Board when considering the final budget setting report in February 2020, for approval by Full Council in March 2020.

7.0 Panel Recommendations

- 7.1 The Panel are recommended to provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on:
- the budget relevant to the remit of this Panel and how it is aligned to the priorities of the Council;
 - the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 and budget proposals relevant to the remit of this Panel;
 - any other comments.
- 7.2 The Panel are also recommended to approve that the Scrutiny Panel response be finalised by the Chair and the Vice-Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

8.0 Financial implications

- 8.1 The financial implications are discussed in the body of the report, and in the report to Cabinet.
[RP/13112019/A]

9.0 Legal implications

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

[TS/11112019/T]

10.0 Equalities implications

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

11.0 Environmental and climate change implications

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

12.0 Human resources implications

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

13.0 Corporate landlord implications

13.1 The Corporate Landlord implications are discussed in the report to Cabinet.

14.0 Health and wellbeing implications

14.1 The Corporate Landlord implications are discussed in the report to Cabinet.

15.0 Schedule of background papers

Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 16 October 2019.

Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 31 July 2019.

2019-2020 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Full Council, 6 March 2019