



Our Council Scrutiny Panel

25 November 2020

Report title	Draft Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024
Decision designation	AMBER
Cabinet member with lead responsibility	Councillor Louise Miles Resources
	Councillor Paula Brookfield Governance
	Councillor Jacqueline Sweetman City Assets and Housing
Corporate Plan priority	Confident Capable Council
Key decision	Yes
In forward plan	Yes
Wards affected	All
Accountable Directors	Claire Nye, Director of Finance
Originating service	Strategic Finance
Accountable employee	Alison Shannon Chief Accountant Tel 01902 554561 Email Alison.shannon@wolverhampton.gov.uk
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 the Draft Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024.
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.

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 2021-2022 to 2023-2024 that was presented to Cabinet on 11 November 2020.

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 ten years the Council has identified budget reductions in excess of £235 million.
- 2.2 The Budget and Medium-Term Financial Strategy (MTFS) 2020-2021 to 2023-2024 was presented to Full Council for approval on 4 March 2020. The Council was able to set a balanced budget for 2020-2021 without the use of General reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £15.5 million in 2021-2022 rising to around £20 million over the medium term to 2023-2024.
- 2.3 It is important to note that the budget was prepared prior to the Covid-19 pandemic. At the time of reporting to Council, the full impact of Covid-19 was not anticipated and the impact on both the finances and operating environment could not have been foreseen.
- 2.4 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council.
- 2.5 Since March 2020, work has been ongoing across the Council to review corporate resources assumptions, growth and inflation assumptions and opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2021-2022 and future years, whilst also detailing the emerging pressures that the Council currently faces in response to the Covid-19 pandemic.
- 2.6 It should be noted that due to external factors, especially surrounding the Covid-19 pandemic and Brexit, budget assumptions remain subject to change. This could therefore result in alterations to the financial position faced by the Council.

3.0 Five Year Financial Strategy

- 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.

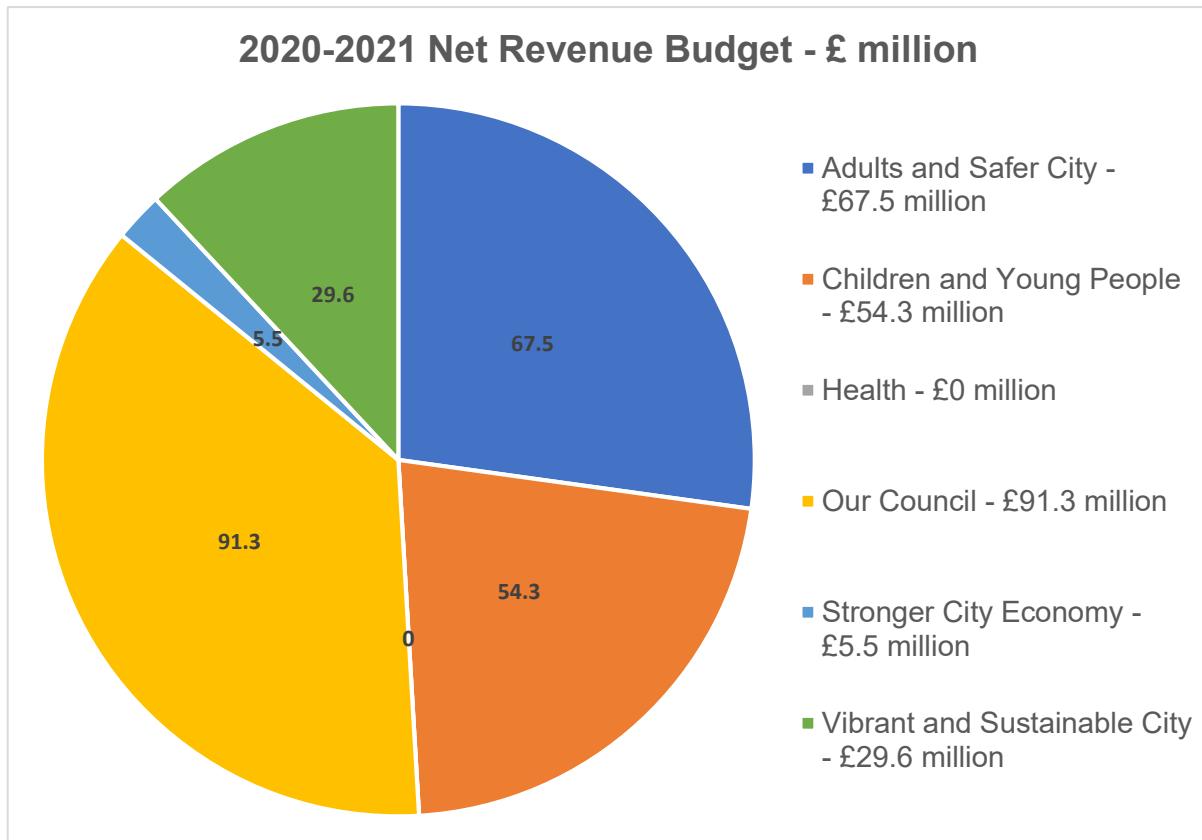
- 3.3 The plan includes six strategic priorities which come together to deliver the overall Council Plan outcome of ‘Wulfrunians will live longer, healthier and more fulfilling lives.’ Over the medium term, resources will continue to be aligned to enable the realisation of the Council’s strategic priorities 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.
- 3.4 All of the strategic outcomes will be supported by the ‘Our Council’ Programme, which will help us drive organisational improvement and development.
- 3.5 Covid-19 has had a significant international, national and regional impact and will continue to do so over the short and medium term. The pandemic has made the challenges faced in our local economy much harder. Alongside managing the emergency response to the pandemic, the Council has also undertaken extensive planning for recovery which was approved by Cabinet in September. It engaged with around 2,500 people including residents, young people, the voluntary and community sector and other partners, employees, Councillors and businesses across the city. This engagement has shaped the Council’s five-point recovery plan, ‘Relighting our City’.
- 3.6 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 – Our Council 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 £248.2 million for the 2020-2021 financial year. Of this, services relevant to the remit of the Our Council Scrutiny Panel have net revenue expenditure budgets totalling £91.3 million, as can be seen in Chart 1 below.

Chart 1 – Net Revenue Budget 2020-2021



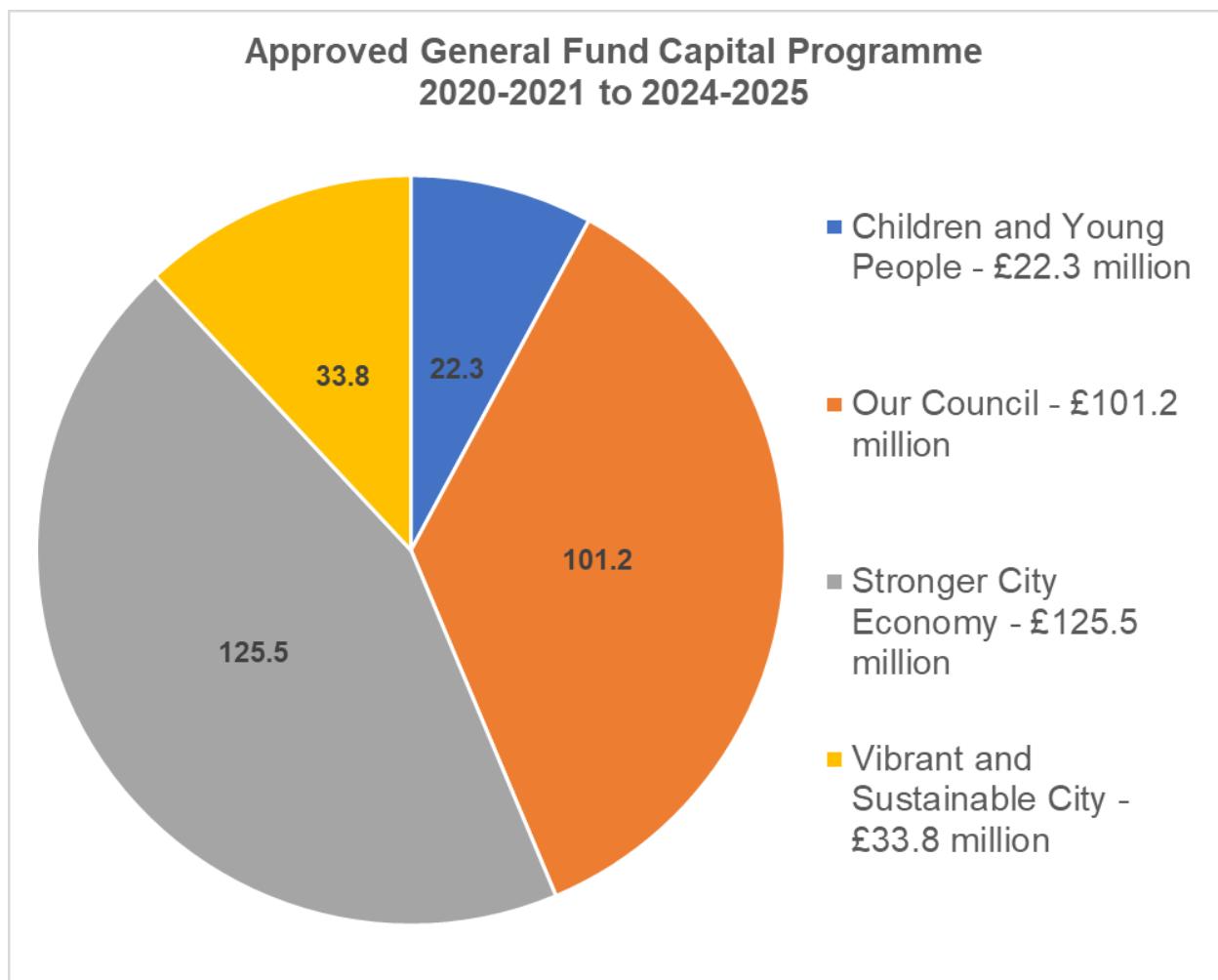
- 4.3 A further breakdown of the net revenue budget for each service relevant to the remit of this Panel is provided in Table 1 below:

Table 1 – Service and Revenue Budget Provision

Service	2020-2021 Gross Expenditure Budget £000	2020- 2021 Gross Income Budget £000	2020-2021 Net Revenue Expenditure/ (Income) Budget £000
Finance Director	161	(3)	158
Audit Services	4,443	(2,513)	1,930
Commercial Services	223	(68)	155
Procurement Services	824	(289)	535
Strategic Finance	3,338	(591)	2,747
Revenues & Benefits	76,154	(73,488)	2,666
The Hub	2,368	(720)	1,648
Central Corporate Budgets	6,661	(2,712)	3,949
Corporate Accounts	55,283	(8,129)	47,154
Director of Governance	136	(2)	134
Business Change	3,070	(116)	2,954
Governance Services	3,215	(580)	2,635
Human Resources	1,924	(204)	1,720
Legal Services	3,273	(1,233)	2,040
Ward Funds	267	(67)	200
Communications	1,114	(153)	961
Strategy	144	(5)	139
ICTS	8,377	(2,187)	6,190
Insight and Performance	962	(201)	761
Organisational Development	1,235	(68)	1,167
Policy and Strategy	150	-	150
Chief Executive	184	-	184
Business Continuity & Emergency Planning	129	(125)	4
Deputy Chief Executive	197	-	197
Digital Transformation Programme	88	-	88
Service Development	222	-	222
Service Improvement	165	-	165
Catering	2,999	(3,083)	(84)
Cleaning	4,049	(2,611)	1,438
Corporate Asset Management	8,119	(145)	7,974
Corporate Landlord Support	164	-	164
Customer Services	2,448	(629)	1,819
Estates and Valuations	384	(4,566)	(4,182)
Facilities Management	2,222	(1,073)	1,149
Head of Corporate Landlord	97	-	97
Project and Works Team – Capital Programmes	1,002	(908)	94
Project and Works Team – Maintenance Programme	2,181	(198)	1,983
Register Office	394	(449)	(55)
Total	198,366	(107,116)	91,250

- 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 Our Council Scrutiny Panel remit also have an approved General Fund capital programme budget totalling £101.2 million over the medium-term period from 2020-2021 to 2024-2025.

Chart 2 – Approved General Fund Capital Programme Budget 2020-2021 to 2024-2025



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

Table 2 – Capital Programme and Capital Budget Provision

Capital Programme	2020-2021 to 2024-2025 Capital Programme Expenditure £000
Corporate Asset Management	2,464
Disposals Programme (Non-Strategic)	106
Energy Efficiency Measures	569
Remedial Works	17
Full Fibre Network	5,072
ICT Desktop Refresh	201
ICT Disaster Recovery	200
ICT General Programme	3,520
Service Led ICT Projects	728
Digital Transformation Programme Software	230
Capitalisation Directives	10,000
Corporate Contingency	34,801
WV Living Loans	43,300
Total	101,208

5.0 Key Strategies and Transformation

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

- **HRA Housing Services** - In 2019-2020 the Council set out a 5 Year budget for its landlord services (council housing and assets) as part of its 30-Year HRA Business model. The Business Plan and rent setting report is presented to Cabinet in Q4 2020-2021 and will set out future requirements for housing capital investment, new council development and estate redevelopments and neighbourhood housing services. During 2021-2022 and beyond, in line with the Housing Strategy, future planning for Better Homes Investment, asset management and the continued response to the National Building Safety Programme will be considered as part of planning for future housing management services, currently managed by Wolverhampton Homes and Tenant Management Organisations.
- **Finance** – Within the Finance Directorate, Strategic Finance, Commercial Services, Audit Services and Procurement Services are focussed on providing advice, support and challenge to services across the Council in order to enable the delivery of core principles within the Financial Strategy, which will help to support the budget challenge faced by the Council in 2021-2022 and over the medium term. Work continues to identify improvements in technology to deliver efficiencies in service delivery.

- **Legal Services** – the Council's in-house legal team have provided some strong support for the Council to deliver its key priorities across the board – this has included challenging issues such as Court orders regarding the City's most vulnerable residents, ensuring that injunctions are in place for the City regarding unauthorised encampments and car cruising and contracts for the Council's activities including important regeneration projects. The Legal team has been re-focusing its work to ensure that the legal service provides a quality, value for money service.
- **Customer Services** – Customer services supports customer contact for over 40 different council services across a variety of channels. There is an ongoing transformation programme which has completed a review of the overall operating model, working closely with services to ensure that the customer is at the centre of all changes.
- **Corporate Budgets** – Corporate Budgets contains various centrally held budgets including treasury management expenditure, such as interest and provision for repayment of borrowing, linked to the delivery of the Council's capital programme, and levies such as Environment Agency and West Midlands Combined Authority Transport Levy.
- **WV Living** - The Council established a Housing Company to develop affordable and desirable new homes within Wolverhampton for rent and sale after identifying a need in the City for housing. This was a targeted and careful intervention by the Council to unlock sites and ensure that the City is a place where people want to work and live. The strategic response to address the housing need generates a commercial return for the Council that will contribute to the MTFS, however whilst beneficial in supporting the financial strategy this is the secondary objective. WV Living has a Board of Directors, which include Council Directors, who keep the Business Plan under constant review to ensure security of funds.
- **Register Office** - Registrars is a statutory service that carries out birth registrations, death registrations, marriage notices, citizen ceremonies and performs civil marriage/civil partnerships at approved venues. In conjunction with the General Registration Office, there is an ongoing review to consider how these services can be delivered efficiently and effectively for the customer.
- **Human Resources** - HR are the first point of contact through the designated support desk for all HR queries. Basic queries are responded to, through the support desk, but if more complex information is required, this is obtained from a team of HR Advisors who continue to provide advice, guidance and support on a range of matters including disciplinary, grievance and capability. In addition, managers and employees are supported with management of attendance, recruitment, retention, restructuring and redundancy matters. HR Policy Development including all consultation and implementation is also undertaken by the HR advisory team.

A pay and reward team ensure compliance with the Single Status collective agreement, manages the benefits portal and employee salary sacrifice schemes. The Occupational Health team support managers and employees with referrals to the Occupational Health physician and physiotherapy service as well as undertaking pre employment assessments and preventative campaigns. HR act as an intermediary between the Council and YOO Recruit; the Council's wholly owned recruitment agency.

- **Organisational Development (OD)** – OD ensure the delivery of the Our People Strategy, which was co-produced with employees to ensure that as a council our workforce is supported and skilled to deliver against the Council Plan. There is currently key priority action in relation to employee health and wellbeing
- **Communications** - the corporate communications team which consists of public relations/media relations, marketing campaigns and web and digital content, supports the delivery of the council's operational services and public engagement on key priorities and issues. Since March, the team has been largely focused on providing public information and engagement - closely aligned to public health colleagues - to support the council's strategic and operational response to the Covid pandemic. This has involved swift and sustained communication with a range of key stakeholders, ultimately aimed at keeping people safe. The team has also continued to deliver key campaigns such as supporting city 'Relight' objectives and on important priorities such as fostering where and evidence-based approach to communication and marketing has helped deliver more local authority foster carers and saved the council significant sums. The team has also delivered budget reductions and has a plan to deliver further reductions over the next two years in line with corporate targets
- **ICT** – ICT are an enabler of change, supporting the council to deliver the Council Plan, Vision 2030 and the Relighting Our City recovery commitment. Critical deliverables for ICT to drive forward, include but are not confined to:
 - Keeping the council's digital Infrastructure and data safe – avoiding data theft, cyber-attacks and similar, keeping abreast of new technologies
 - Keeping the council's digital infrastructure, software and hardware current – ensuring that investment continues at an appropriate level, therefore reducing failure and building resilience.
 - Preparing for the future – working with ICT suppliers and consultants and the internal wider customer base to understand future requirements and prepare accordingly.
 - Delivery and enablement of strategic projects and programmes – working within agreed governance, budget and timeframes.

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

- 6.1 Since March 2020, Cabinet have been provided with two further Budget and Medium Term Financial Strategy (MTFS) updates in July and November 2020 to review corporate resources assumptions, growth and inflation assumptions and opportunities in line with the Five Year Financial Strategy to support the budget strategy for 2021-2022 and future years, whilst also detailing the emerging pressures that the Council currently faces in response to the Covid-19 pandemic.
- 6.2 In November 2020, Cabinet were presented with the Draft Budget and Medium Term Financial Strategy 2021-2022 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 2021-2022 would be in the region of £4.5 million, rising to £19.6 million over the medium term period to 2023-2024. This assumes the Government will fund Covid-19 pressures over the medium term. As detailed in the Cabinet report appended at Appendix 1, in the event that sufficient grant funding to meet the pressures arising as a result of Covid-19 is not provided by the Government to local authorities, this would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget reductions sufficient enough to set a balanced budget.
- 6.3 Appendix 1 provides a copy of the 'Draft Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024' report for your consideration. Feedback from this and the other Scrutiny Panel meetings will be reported to Scrutiny Board on 8 December 2020, which will consolidate that feedback in a formal response to Cabinet on 13 January 2021. 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 2021, for approval by Full Council in March 2021.

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 2021-2022 to 2023-2024;
 - 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.
[MH/17112020/T]

9.0 Legal implications

- 9.1 The legal implications are discussed in the report to Cabinet.
[TS/17112020/R]

10.0 Equalities implications

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

11.0 Climate change and environmental implications

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

15.0 Covid implications

- 15.1 The Covid implications are discussed in the report to Cabinet.

16.0 Schedule of background papers

Draft Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024, report to Cabinet, 11 November 2020

Draft Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024, report to Cabinet, 29 July 2020

Final Budget Report 2020-2021, report to Full Council, 4 March 2020