

Confident Capable Council Scrutiny Panel

16 November 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 the Council's Budget and Medium Term Financial Strategy

- Fees and Charges Review 2017/18
- Financial Plan and Efficiency Strategy
- 100% Business Rates Retention Pilot
- 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 third report of this nature during 2016/17.
- 2.2 Since the last update on 14 September 2016, three reports focussing on the Council's finances have been received by Cabinet, as set out below:

Cabinet, 19 October 2016

- Financial Plan and Efficiency Strategy
- Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20
- 100% Business Rates Retention Pilot

- 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, 4 October 2016

- Fees and Charges Review 2017/18

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 Financial Plan and Efficiency Strategy

- 3.1 This report was considered by Cabinet on 19 October 2016 and is [available via this link](#).
- 3.2 The purpose of the report was to review the Councils draft Financial Plan and Efficiency Strategy before its consideration for approval by Full Council on 9 November 2016
- 3.3 The updated Financial Plan and Efficiency Strategy provided further evidence to support the Council's submission for a four year central government funding settlement which would enable the authority to operate with increased financial certainty in the medium term.
- 3.4 Cabinet was asked to note that the submission to Secretary of State had now been made for the four year settlement. Confirmation of the Council's submission had been received and the Council was now awaiting further details from the Department for Communities and Local Government.
- 3.5 It was resolved that authority be delegated to the Cabinet Member for Resources, in consultation with the Director of Finance, to agree the final amendments to the Financial Plan and Efficiency Strategy prior to presentation to Full Council in November, where approval for publication would be sought.

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

- 4.1 This report, which was considered on 19 October 2016, provided Cabinet with an update on progress towards identifying additional opportunities to address the projected £22.2 million budget deficit for 2017/18 and to seek approval to progress the budget reduction and income generation proposals to the formal budget consultation and scrutiny stages of the budget process. The report is [available via this link](#).
- 4.2 The projected Budget Challenge of £22.2 million at March 2016 has now been revised to £23.5 million. This was due to a number of proposals being reprofiled or removed. The Council has currently identified £13.5 million Budget Reduction and Income Generation proposals and £10.0 million Financial Transactions and Base Budget Revisions for 2017/18. A balanced budget is now projected for 2017/18. Work continues to identify additional budget reduction and income generation opportunities to address the projected budget deficit in 2018/19 and 2019/20, amounting to £30.4 million, in order to ensure that a balanced budget can be set over the medium term.
- 4.3 The Budget Reduction and Income Generation proposals will progress to formal budget consultation and scrutiny stages of the budget process during October 2016 to January 2017, with the proposals relevant to this scrutiny panel being discussed also at this meeting.

- 4.4 It was resolved that authority be delegated to the responsible Cabinet Member and the Cabinet Member for Resources, in consultation with the responsible Director and the Director of Finance to implement financial transactions and base budget revisions at the earliest opportunity where the proposal is not reliant on the outcome of formal budget consultation.
- 4.5 Cabinet approval was also sought to delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance to explore the option of making further pension contributions to the West Midlands Pension Fund in 2017/18, in order to reduce the total costs and secure on-going budget reductions to support the budget challenge that the Council would face in future years.
- 4.6 Cabinet recommended that Council note that:
1. The updated projected deficit already assumes the achievement of previously agreed budget reduction and income generation proposals amounting to £37.4 million over the four year period to 2019/20. Having identified budget reductions in excess of £175 million over the last six financial years, the extent of the financial challenge over the medium term continues to represent the most significant that the Council had ever faced.
 2. An initial review of the assumptions and projections built into the Draft Budget and MTFS 2017/18 - 2019/20 had been undertaken, with further work to be completed during the 2017/18 budget setting process. The review of projections includes assessing the option for making further pension contributions to the West Midlands Pension Fund in order to secure on-going budget reductions, in addition to assessing the successful delivery of previously approved proposals.
 3. Due to a range of external factors, budget assumptions remain subject to change. This could therefore result in alterations to the financial position faced by the Council. Specific known issues including the Apprenticeship Levy, the Improved Better Care Fund Government funding and the West Midlands Combined Authority are currently being investigated. An update on any impact that these factors have on the MTFS would be reported in due course to Cabinet.
 4. The 2017/18 budget timetable would, as in previous years, include updated reports presented to Cabinet in January 2017 detailing the outcome of the Provisional Local Government Settlement and the budget consultation and scrutiny, with the final budget report due to be presented to Cabinet in late February and then Full Council in March 2017 for final approval.
 5. The overall level of risk associated with the Draft Budget and Medium Term Financial Strategy 2017/18 to 2019/20 continued to be assessed as Amber.

5.0 100% Business Rates Retention Pilot

- 5.1 This report, which was considered by Cabinet on 19 October 2016 and is [available via this link](#).
- 5.2 The purpose of this report was to provide the Cabinet an update on the 100% Business Rates Retention Pilot and approval was sought for the Council to participate in the Pilot.
- 5.3 The Government has announced that it intends to introduce a national scheme for the full local retention of all business rates, potentially from 2020/21 onwards. Areas that have agreed a Devolution Deal have the opportunity to be involved in a 100% business rates retention pilot, which will begin from 1 April 2017.
- 5.4 The City of Wolverhampton Council is one of seven constituent members of West Midlands Combined Authority that has agreed a Devolution Deal. Subject to approval by each local authority and by Ministers, each of the seven West Midlands Metropolitan District Councils could be involved in a pilot should they wish. The Government have confirmed that pilots will operate on a no financial detriment principle.
- 5.5 It was resolved that City of Wolverhampton Council, as one of the Constituent Members of the West Midlands Combined Authority, participates in a business rates retention pilot from April 2017, on a no detriment basis and in accordance with the terms outlined in this report.
- 5.6 Birmingham City Council will act as the lead authority in order to co-ordinate arrangements and liaise with Department for Communities and Local Government over all matters relating to the pilot and that a fee is payable in recognition of any costs incurred relating to this role.
- 5.7 Cabinet approval was sought to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve any changes to the terms outlined in the report, which may be necessary as the negotiation of the detailed terms of the pilot are progressed by the Combined Authority.
- 5.8 Cabinet were also asked to note that the agreement to participate is subject to each individual constituent member authority's decision on whether to proceed with the pilot.

6.0 Fees and Charges Review 2017/18

- 6.1 This report, which was considered by Cabinet (Resources) Panel on 4 October 2016, [available via this link](#).
- 6.2 The purpose of the report was to approve the fees and charges to take effect from 1 November 2016 (or as soon as possible thereafter).

- 6.3 The Council makes a wide range of fees and charges for many of its services. Some are discretionary and others are either specified or restricted by legislation or Government policy.
- 6.4 It was resolved that the fees and charges as set out in Appendices A to D within the report be approved to take effect from 1 November 2016 (or as soon as possible thereafter).
- 6.5 The Cabinet was recommended to approve that in some instances, as set out in further detail in the report, authority be delegated to the responsible Strategic Director in consultation with the Director of Finance, to vary fees and charges during the financial year where needed.
- 6.6 Cabinet was also recommended to approve that some instances, as set out in further detail in the report, authority be delegated to the responsible Cabinet Member for the service and Cabinet Member for Resources, in consultation with the relevant Strategic Director or the Director of Finance as appropriate, to vary existing fees and charges during the financial year where needed.
- 6.7 It was resolved that, where there is an opportunity to secure an act or event or utilise available rooms or halls for hire within Visitor Economy services and the projected net cost of the act, event or room hire generates a commercial return (including taking account of secondary spend from catering and sales), authority shall be delegated to the Head of Service - Visitor Economy to vary the fees and charges be approved. Any such variations will be recorded, along with the reason, as part of the normal evidencing process for audit purposes. Details of any variations should to be reported to Strategic Finance in a format agreed by the Director of Finance.
- 6.8 It was resolved that should any amendment be made to the VAT treatment of specific fees and charges, authority to vary those fees and charges be delegated to the Cabinet Member for Resources, together with the responsible Cabinet Member, in consultation with the Director of Finance and the responsible Strategic Director.
- 6.9 Cabinet approval was sought to delegate authority to the Cabinet Member for Children and Young People in consultation with the Strategic Director of People to approve new fees and charges for venue hire across the Strengthening Families Hubs within Children and Young People Services.
- 6.10 It was resolved that any variations to fees and charges made must be properly documented and appropriate records retained to ensure that there are robust records for the purpose of independent audit.
- 6.11 The Cabinet was asked to note that in accordance with delegated authority, as approved by Cabinet (Resources) Panel on 20 October 2015, a policy for charging parents for the placement costs of Looked After Children who are subject to a Full Care Order or a S20 Voluntary arrangement, was approved by the Cabinet Member for Children and Young People in consultation with the Strategic Director of People for implementation and application from 1 October 2016.

7.0 Financial implications

- 7.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[MH/08112016/T]

8.0 Legal implications

- 8.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[RB/08112016/D]

9.0 Equalities implications

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

10.0 Environmental implications

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

11.0 Schedule of background papers

Financial Plan and Efficiency Strategy, report to Cabinet, 19 October 2016.

100% Business Rates Retention Pilot, report to Cabinet, 19 October 2016.

Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20, report to Cabinet, 19 October 2016.

Fees and Charges 2017/18, report to Cabinet (Resources) Panel, 4 October 2016.