

Scrutiny Board

13 December 2016

Report title	Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20	
Cabinet member with lead responsibility	Councillor Roger Lawrence Leader of the Council	
	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director	
Originating service	Strategic Finance	
Accountable employee(s)	Mark Taylor Tel Email	Director of Finance 01902 55(4410) mark.taylor@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Confident and Capable Council Scrutiny Panel Stronger City Economy Scrutiny Panel Health Scrutiny Panel Adults and Safer City Scrutiny Panel Children, Young People and Families Scrutiny Panel Vibrant and Sustainable City Scrutiny Panel	11 October 2016 16 November 2016 22 November 2016 24 November 2016 6 December 2016 7 December 2016 8 December 2016

Recommendation(s) for action or decision:

The Scrutiny Board is recommended to:

1. Review the comments of each Scrutiny Panel and provide further feedback to Cabinet on the Draft Budget and Medium Term Financial Strategy 2017/18.

1. Purpose

- 1.1. The purpose of this report is to seek Scrutiny Board's feedback on the Draft Budget and Medium Term Financial Strategy 2017/18 that was approved as the basis of consultation by Cabinet on 19 October 2016.

2. Background

- 2.1. At its meeting on 19 October 2016, Cabinet considered a Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20 as the basis of budget consultation and scrutiny over forthcoming months.
- 2.2. The Cabinet report recommended that Budget Reduction and Income Generation Proposals amounting to £13.5 million and £10.0 million of Base Budget Revisions in 2017/18 proceed to the formal consultation and scrutiny stages of the budget process.
- 2.3. The Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20 has been considered by all Scrutiny Panels during November and December. The feedback from Confident Capable Council, Stronger City Economy and Health Scrutiny Panels is included in Appendix A. The feedback from Adults and Safer City, Children, Young People and Families and Vibrant and Sustainable City Scrutiny Panels will be reported directly to Scrutiny Board. This feedback along with further comments received at Scrutiny Board on 13 December will be sent as a formal response to Cabinet on 18 January 2017.
- 2.4. If there are substantial changes or recommendations of the Scrutiny Board are not accepted, then the Scrutiny Board will consider the budget again in January 2017, following an update to Cabinet on the Local Government Finance Settlement, which is scheduled for 18 January 2017.
- 2.5. If there are no changes to proposals considered by Scrutiny, the outcome of this Board meeting will be incorporated into the final Cabinet budget report, scheduled for February 2017, ahead of Full Council considering the budget in March 2017.
- 2.6. In order to limit the volume of paper used as part of the budget reporting process, the Cabinet report has not been appended to this covering report. Board members are instead requested to bring their copy of the Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20 report, which was circulated with the 19 October 2016 Cabinet agenda. Detail of all the Council's individual Proposals, including the latest to be considered by Cabinet on 19 October 2016, can be found on the council's website at: <http://www.wolverhampton.gov.uk/budgetsavings>

3. Budget Proposals

- 3.1. Comments from Confident, Capable Council, Stronger City Economy and Health Scrutiny Panels is included at Appendix A. The feedback from Adults and Safer City, Children, Young People and Families and Vibrant and Sustainable City Scrutiny Panels will be reported directly to Scrutiny Board. The Board is requested to review the comments and further scrutinise the proposals for submission to Cabinet.
- 3.2. In addition to comment on investment in services and proposals, the Board may also request additional information or clarification. Any such requests will be noted separately, either for consideration by the Board or a Scrutiny Panel at a future date, or for information to be forwarded to the Panel members concerned.

4. Financial implications

- 4.1 The financial implications are discussed in the body of the report, and in the report to Cabinet. Should any of these proposals and options not be delivered the projected budget deficit will increase by an equivalent sum and alternative budget reductions and income generation proposals will have to be identified. [MH/05122016/W]

5. Legal implications

- 5.1 Legal implications are discussed in the report to Cabinet. [TS/02122016/B]

6. Equalities implications

- 6.1 Under the Equality Act 2010, the council has a statutory duty to pay due regard to the impact of how it carries out its business on different groups of people. This is designed to help the council identify the particular needs of different groups and reduce the likelihood of discrimination. An equality analysis screening has been conducted on each proposal, and fuller equality analysis will be conducted where appropriate. Further equalities implications are discussed in the report to Cabinet.

7. Environmental implications

- 7.1 Environmental implications will be addressed on a case by case basis as part of individual savings proposals.

8. Human resources implications

- 8.1 Human resource implications are discussed in the report to Cabinet.

9. Schedule of background papers

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

Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20, report to:

Confident and Capable Council Scrutiny Panel	16 November 2016
Stronger City Economy Scrutiny Panel	22 November 2016
Health Scrutiny Panel	24 November 2016
Adults and Safer City Scrutiny Panel	6 December 2016
Children, Young People and Families Scrutiny Panel	7 December 2016
Vibrant and Sustainable City Scrutiny Panel	8 December 2016

Confident, Capable Council Panel 16.11.16

Budget Reduction and Income Generation Proposals by Cabinet Portfolio

Resources

Details	2017/18 £000	Comments
<p>Cease Printing Residual Pay Slips To phase out printed payslips and replace with a self-serve alternative that is accessible to all employees.</p>	(20)	No Panel comment
<p>Audit Services, Insurance and Health & Safety Restructure To restructure the service area in order to ensure that it remains modern and cost-effective.</p>	(50)	No Panel comment
<p>Procurement Restructure Restructure of Procurement team to reduce management costs through the deletion of a vacant post.</p>	(50)	No Panel comment
<p>Corporate Administration Review To achieve efficiencies in administration processes across the Council.</p>	(50)	<p>Colin Parr, Head of Governance, explained that the £50,000 savings would be achieved by deleting unfilled held vacancies. The savings target of £250,000 for 2018/19 is an indicative figure.</p> <p>No Panel comment</p>

Details	2017/18 £000	Comments

Governance

Details	2017/18 £000	Comments
<p>Organisational Development Reduction in the cost of providing Organisational Development (OD) function through the use of different delivery models and alternative management structures.</p>	(500)	No Panel comment
<p>Further Development of YOO Recruit Entering into a management partnership to further the development and trading of YOO Recruit.</p>	(200)	<p>The Cabinet Member for Resources explained how the savings target would be achieved by entering into a partnership with a recruitment agency that would help generate savings.</p> <p>The Panel queried the rationale for the Council wanting to involve an external agency which would reduce the current level of income. The Cabinet Member explained that in order to grow the business the Director of Finance would be required to dedicate more time to manage the project and the view of the Council was that this would not be appropriate.</p>

Appendix A

Details	2017/18 £000	Comments
		<p>The Cabinet Member for Resources explained that the Council would retain control of the project and determine its future direction. The project would retain its public sector ethos. The Cabinet Member for Resources commented that the aim of the planned change is to make the service attractive to external companies.</p> <p>The Cabinet Member for Resources explained how future risks would be managed to ensure that the Council is guaranteed to receive an agreed level of income.</p>
<p>Governance Service Restructure Rationalisation of staffing arrangements.</p>	(80)	No Panel comment
<p>Review of External Legal Fees The proposal is to review Legal Services current external legal fees which are charged to other organisations/partners, so that they are in line with other local authorities and the private sector. This will in turn generate income.</p>	(70)	No Panel comment
<p>School Admission Appeal Fees Maximise income opportunities through appeals for academies and review the Service Level</p>	(20)	The Head of Governance explained that Council incurs considerable costs in dealing with admission appeals on behalf of schools, particularly when

Details	2017/18 £000	Comments
Agreement (SLA).		<p>hearings do not go ahead as planned.</p> <p>In addition, the increasing number of appeals has added to the demand on staff resources. The Head of Governance explained that changes will be made to the current service level agreement and that work will be done to look at the feasibility of offering the appeal service to schools outside Wolverhampton who may be interested in buying the service.</p> <p>The Panel discussed the risk of schools choosing to buy in appeal services from another provider. The Head of Governance explained that there would be market testing work done to check that the fees cover the costs involved providing the service.</p>

Financial Transactions and Base Budget Revisions

Resources

Details	2017/18 £000	Comments
Revenues & Benefits – grant income	(100)	No Panel comment
Special Dividend – Birmingham Airport	(3,500)	No Panel comment

Details	2017/18 £000	Comments
ICTS Contract Efficiencies	(100)	No Panel comment
Revised assumptions regarding Pension Auto-enrolment – re-phasing to 2018/19	(1,000)	No Panel comment
Revision to Pension Cost assumptions including further pension contributions in 2017/18 in order to secure on-going savings	2,088	No Panel comment
Adjustment to assumptions around PFI savings	(220)	No Panel comment
Revisions to incremental pay provision	(1,250)	No Panel comment
Re-profile insurance inflation provision	(200)	No Panel comment
Revisions to inflation contingency	(1,000)	No Panel comment
Reassessment of the impact of interest rates on the Treasury Management Budget	(1,890)	No Panel comment
Senior Management increments voluntarily foregone	(30)	No Panel comment
Removal of budgeted contribution to the Bad Debt Provision	(200)	No Panel comment
Senior Management Restructure	(200)	No Panel comment

2017/18 Draft Budget Assumptions

Details	2017/18 £000	Comments
Budget Growth		
Pay Related Pressures – including pay award, increments and pension costs.	13,256	No Panel comment
Treasury Management – including interest costs and the provision for the redemption of debt, also referred to as Minimum Revenue Provision (MRP).	2,455	No Panel comment
Insurance Arrangements – forecast increase in Insurance Premiums in 2017/18.	200	No Panel comment
West Midlands Integrated Transport Authority Levy	135	No Panel comment
Anticipated rise in NNDR	145	No Panel comment
Anticipated rise in gas prices	68	No Panel comment
Anticipated rise in electricity prices	94	No Panel comment
Corporate Inflation Contingency – linked to Financial Transaction and Base Budget Revision above.	1,500	No Panel comment
Apprenticeship Levy – the forecast additional cost arising from the introduction of the Apprenticeship Levy in April 2017.	600	No Panel comment

General Comments

The Panel discussed the Council's approach to budget management and forecasting. The Cabinet Member for Resources explained that rationale underpinning the budgetary assumptions detailed in the report.

The Director of Finance explained that the work had been informed by findings and recommendations from the Local Government Association (LGA) Peer Review. A key finding from the report was that the Council approach to financial planning was prudent and where necessary changes have been made to respond to changes in the level of risk – for example, assumptions about future changes to interest rate policy.

The Panel discussed the challenge facing the Council in achieving the budget savings target of £130 million. The Cabinet Member for Resources explained that the Council has a contingency reserve to help it respond to future financial challenges. The Director of Finance explained that the Council gets regular updates from financial advisers about future finance issues and the assumptions used when drafting the budget report.

The Panel suggested that it would be helpful for the public to collate all the separate reports linked to the budget consultation document into a single document. The Director of Finance agreed to make the changes.

The Chair thanked the Cabinet Member for presenting the report.

Resolved:

1. The Panel comments and feedback on the draft budget proposals to be incorporated into the response to scrutiny board.
2. The Director of Finance agreed to make the changes to the Council website to include a link to all budget reports.
3. The Panel agreed that the final response be finalised by the Chair and Vice Chair.

Stronger City Economy Panel 22.11.16

Budget Reduction and Income Generation Proposals by Cabinet Portfolio

City Economy

Details	2017/18 £000	Comments
<p>Increased income generation from Cultural Services The Visitor Economy Service has a budget savings target of £200,000 in 2017/18. The proposal is for this target to be achieved through a more commercial approach to the Bantock House complex, Wolverhampton Art Gallery, Bilston Craft Gallery and the Archives Service, in conjunction with a more flexible staffing structure. The new structure offers the ability for staff to work across multiple sites, 7 days a week, allowing for a reduction in operating costs, whilst still delivering the service. One of the main factors in this is that the peak seasons of sites such as Bantock are at different times to those of the main concert halls. In addition a more commercial approach to the marketing and offer at these facilities will generate additional income.</p>	<p>(200)</p>	<p>The Panel commented that the focus was more on increased income than cuts. Any cuts were disappointing but the focus was income generation and we were not closing attractions such as art galleries which other authorities were having to consider. The Council was instead aiming to keep these places open and transform them to increase income and footfall.</p> <p>The Panel also commented that it was the Council's priority to support the growth of the City.</p>

Financial Transactions and Base Budget Revision

City Economy

Details	2017/18 £000	Comments
Adjustment to assumptions regarding Business Rate growth base	(96)	The Panel noted the increased business rates and it was confirmed that these were based on an assumption of expected growth in the City but the Westside development had not been factored in yet (this would be in the next few years). The Panel noted that it was clear through planning work that more applications were being received from new developments.

Health Panel 24.11.16

Financial Transaction and Base Budget Revision

Public Health and Wellbeing

Details	2017/18 £000	Comments
Use of public health funding to support service areas that make a positive impact on health outcomes	(1,000)	<p>The Panel recommended that if Officers were struggling to get hold of any data required to feed into the budget process, the Health and Wellbeing Board might be able to assist.</p> <p>The Panel recommended that the Department for Health's Annual Report could also be used to gather statistical information or at least comparative information in relation to previous years (a report in relation to this was due to be considered at the next Health and Wellbeing board).</p> <p>The Panel suggested that Officers take every precaution to ensure that all statutory duties are met and fulfilled – Officers confirmed that they would be.</p>