

Confident, Capable Council Scrutiny Panel

11 January 2017

Report title	Wolverhampton City-Wide Financial Strategy – Phase One	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Mark Taylor	
Originating service	Strategic Finance	
Accountable employee(s)	Mark Taylor Tel Email	Director of Finance 01902 556609 Mark.Taylor@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board City Board Leaders Meeting	13 December 2016 14 December 2016 9 January 2017

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Comment on Phase 1 work to outline the total public sector income and expenditure in the City of Wolverhampton
2. Review and comment on Phase 2 next steps

1.0 Purpose

- 1.1 The purpose of this paper is to present the Wolverhampton City-Wide Budget, that being the net cost of the Public Sector for the City of Wolverhampton, which was the agreed outcome of Phase 1 of the work to develop a City-Wide Financial Strategy.
- 1.2 It also presents the next steps to commencing Phase 2 of this work in January 2017 to develop a City-Wide Financial Strategy, underpinning Vision 2030 and linking in to the refresh of the City of Wolverhampton's Strategic Economic Plan.

2.0 Background

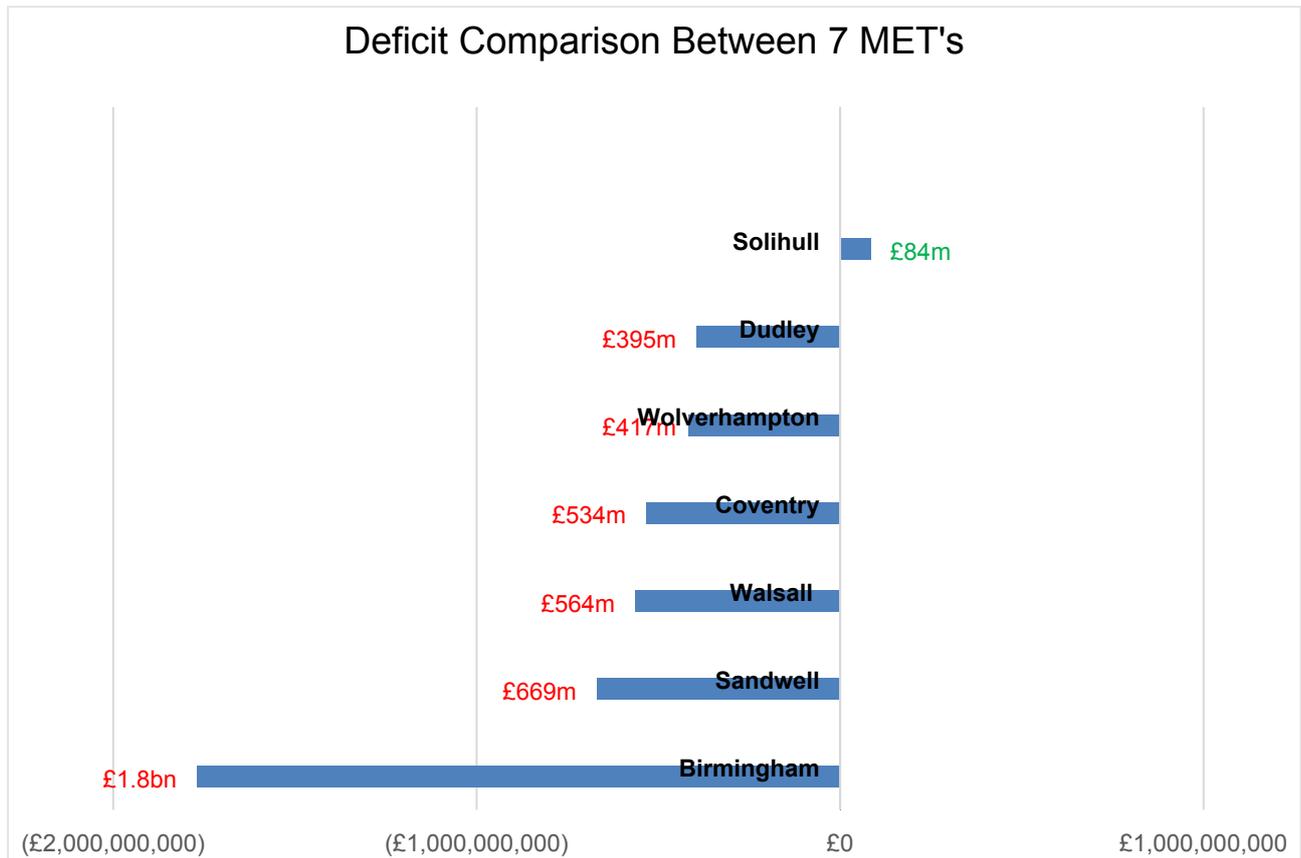
- 2.1 The Wolverhampton City-Wide Budget is the outcome of Phase 1 of a City-Wide Financial Strategy. The figures outlined in the City Budget are a representation of the total estimated public expenditure within the City of Wolverhampton compared to the income paid into the public purse from residents, those working in the City of Wolverhampton and businesses.
- 2.2 This demonstrates Wolverhampton's reliance on income from the public purse to maintain the current position. It shows that the City of Wolverhampton is a 'cost centre' to the national purse, compared to some areas that are net contributors. The current annual deficit is estimated to be in the region of £417 million.
- 2.3 This work commenced as a result of a recommendation from the LGA Finance Peer Review in June 2016 to collaborate with partners on the wider budget challenge and financial outlook for the city by working towards a Financial Strategy for the city, not just the council.
- 2.4 A C3 Scrutiny working group met on 15 November to sign off the scope of the work. The agreed scope was to ensure this was aligned to Vision 2030 and to establish clear measurable targets, with an economic growth focus.
- 2.5 It has been recognised that the City of Wolverhampton will need to reduce its dependency on the public purse as the public sector shrinks in the future. Therefore, it is important to understand the scale of the challenge faced by the city and to begin to strategically plan, with partners, to reduce this deficit in the future to enable the economy of the City of Wolverhampton to be more sustainable in the long term.

3.0 City Budget Methodology

- 3.1 The Black Country Economic Intelligence Unit (EIU) provided the data for the City of Wolverhampton through their work in estimating the total income and expenditure for the West Midlands Combined Authority (WMCA) geography, replicating the Centre for Cities model to establish where tax is raised and where it is spent. The Centre for Cities report can be found [here](#). They also used the UN Classification of the Functions of Government (COFOG) to determine expenditure, which can be found [here](#).

4.0 Total Public Sector Deficit

- 4.1 The total deficit between taxes raised and public expenditure in the City of Wolverhampton is estimated to be in the region of £417 million.
- 4.2 A comparison between the METs in the WMCA reveals that Solihull is the only net contributor. The City of Wolverhampton has the second lowest total deficit after Dudley.



- 4.3 As part of Phase 2, a comparison by head of population will be undertaken.

5.0 Summary of Public Sector Income and Expenditure in the City of Wolverhampton

- 5.1 A high level overview of Income and Expenditure has been provided in this section. **Appendix 1** presents this in an infographic and **Appendix 2** provides a breakdown of each income and expenditure stream to show what it includes and the methodology used.

5.2 The table below shows the breakdown of Expenditure in the City of Wolverhampton

Public Sector Expenditure	£ million
Social protection	981
Health	496
Education	364
Economic Affairs	121
Public Order and Safety	102
Housing and community amenities	32
Environmental protection	27
Recreation, culture and religion	27
General Public Services	20
Defence	0.26
Total Identifiable Expenditure	£2.2 billion

5.3 The table below shows the breakdown of Income in the City of Wolverhampton

Public Sector Income*	£ million
Income Tax	445
NIC	306
VAT	484
Corporation Tax	117
Beer and Cider Duties	106
Council Tax	87
Business Rates	74
Fuel Duties	61
Insurance Premium Tax	16
Betting and Gaming	15
Air Passenger Duty	12
Stamp Duty on Shares	10
Stamp Duty Land Tax	9
Capital Gains Tax	7
Bank Levy	6
Total Identifiable Income	£1.8 billion

* An income has not been identified for the following areas because the methodology used could not apportion the national/regional income to the City of Wolverhampton: Inheritance tax, Annual Tax on Enveloped Dwellings, Tobacco Duties and Spirits Duties. The Black Country Economic Intelligence Unit are currently working on this to determine if an income for the City of Wolverhampton can be established for this income stream.

6.0 The City of Wolverhampton's Strategic Economic Plan

6.1 In 2011 the over-arching framework for the City's economic development was approved at full Council.

The City Strategy set out four key overarching goals for inclusive growth:

- **Increase in net jobs** – by 2026 the number of jobs per head of the population will have grown from 0.77 to 0.85
- **Higher employment rate** - by 2026 we will have an employment rate of at least 70% from a baseline of 61.3%
- **Longer, healthier lives in 2010** - by 2026 life expectancy at birth will be 80.0/83.0 (males/females) from a baseline of 76.3/81.0
- **Reduce child poverty** - by 2026 we will have no more than 10% of our families living in poverty

6.2 Five years on, it is timely for the City to refresh its overarching Strategic Economic Plan, not only to provide the basis for a City-Wide Financial Strategy, but also to take account of:

- Vision 2030
- Progress over the last five years e.g. i54, Interchange and i10, the completion of the Bilston Urban Village Advanced Works Programme, improvements in the education system
- Development of a stronger project pipeline and significant progression of a number of key projects e.g. i54, Interchange, Westside, Civic Halls and Grand Theatre investments, Bilston Urban Village
- Growing confidence with the city from businesses, investors and developers
- The changing economic and political context, including the creation of the West Midlands Combined Authority, the West Midlands Devolution Deal and Brexit
- The key role the city is playing in cross boundary business support, as accountable body for the Black Country Growth Hub and AIM for the Black Country programmes
- The findings of the Skills and Employment Commission, the subsequent skills and employment action plan and the recommendations the Local Area Review into further education.

6.3 It is proposed that the refresh of the City of Wolverhampton's Strategic Economic Plan takes place within an agreed framework that builds on the original City Strategy document. Please see **Appendix 3** for a draft of the proposed framework and timeline for delivering the Strategic Economic Plan.

7.0 Next steps for Phase 2

7.1 To set up a working group in January 2017 to progress Phase 2 work to develop a City-Wide Financial Strategy by June 2017. This will tie in with work underway to refresh the City of Wolverhampton's Strategic Economic Plan.

7.2 To update the Public Sector Income and Expenditure for Wolverhampton's City Budget when the new data is released by the Black Country Economic Intelligence Unit in January 2017 and to incorporate this within the City-Wide Financial Strategy in a glossy document that is aligned to Vision 2030 and existing economic plans.

7.3 To develop a Communications Plan to communicate the City-Wide Financial Strategy externally, and launch Communications in January 2017.

7.4 To report progress to Cabinet on 22 February 2017.

8.0 Financial implications

8.1 The development of a City-Wide Financial Strategy will enable Councillors, Officers and other stakeholders to understand the scale of the economic challenge faced by the city. Furthermore, it will help the Council to strategically plan with partners, to reduce the forecast deficit between public income and public expenditure to enable the City of Wolverhampton's economy to be more sustainable in the long term.

8.2 All of the analysis undertaken during Phase 1 of the Wolverhampton City-Wide Financial Strategy has been met from within existing corporate budgets.

8.2 The Director of Finance is seeking to engage support from the Black Country Consortium to help with Phase 2 of this project; however any cost incurred as a result of this will be met from within existing corporate budgets.

[MH/21122016/T]

9.0 Legal implications

9.1 The legal duty for a council's finances falls within Section 151 of the Local Government Act 1972. Arrangements for the proper administration of the council's affairs is secured by the Section 151 Officer (the Director of Finance).

9.2 Councils have statutory obligations, under the Local Government Finance Act 1992, to set a balanced budget. There is also a duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place in line with Section 25 of the Local Government Act 2003.

9.3 This Council has already had to change significantly in response to on-going changes in the city's profile, trends in customer behaviour driven by technology, national and regional policies and the austerity challenges. Any updated Strategic Economic Plan must not only be compliant with the above provisions but also take account of the overriding fiduciary duty on Councillors to weigh the needs of service users against the interests of local taxpayers. Councillors are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers.

9.4 In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. The fiduciary duty also includes consideration of future local taxpayers as well as present local taxpayers.

[RB/19122016/X]

10.0 Equalities implications

10.1 Whilst there are no equalities implications in Phase 1 work to establish the city budget, we will be mindful of the impact on groups with protected characteristics of the city-wide Financial Strategy to be developed in Phase 2.

11.0 Environmental implications

11.1 Whilst there are no environmental implications in Phase 1 work to establish the city budget, we will be mindful of the impact on the environment of the city-wide Financial Strategy to be developed in Phase 2.

12.0 Human resources implications

12.1 There are no human resources implications arising from this note

13.0 Corporate landlord implications

13.1 Whilst there are no Corporate Landlord implications in Phase 1 work to establish the city budget, we will be mindful of the impact on city assets of the city-wide Financial Strategy to be developed in Phase 2.

14.0 Schedule of background papers

14.1 15 November 2016, Wolverhampton City-Wide Financial Strategy Briefing Note, C3 Scrutiny Working Group