

# Confident Capable Council Scrutiny Panel

15 March 2017

**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

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**Report to be/has been considered by**

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**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*

- Provisional Local Government Finance Settlement Update
- 2017/18 Budget and Medium Term Financial Strategy 2017/18 – 2019/20
- Treasury Management Strategy 2017/18

### *Reports relating to Monitoring of the Council's 2016/17 Budgets*

- Capital Budget Quarter Two Monitoring
- Treasury Management Activity Monitoring – Mid Year Review 2016/17
- Revenue Budget Monitoring 2016/17 (Q2)
- Revenue Budget Monitoring 2016/17 (Q3)
- Capital Programme 2016/17 to 2020/21 quarter three review and 2017/18 to 2020/21 budget strategy
- Quarter Three Treasury Management Activity Monitoring

### *Reports relating to the Council's Housing Revenue Account (HRA) Business Plan*

- Housing Revenue Business Plan (including 2016/17 budget rents and service charges)

### *Reports relating to the Council's Collection Fund and National Non-Domestic Rates (NDR) accounts*

- Collection Fund Estimated Outturn 2016/17
- Council Tax Base and Business Rates (NDR) Net Yield 2017/18

## **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 fourth report of this nature during 2016/17.

2.2 Since the last update on 16 November 2016, nine reports focussing on the Council's finances have been received by Cabinet, as set out below:

Cabinet, 30 November 2016

- Capital Budget Quarter Two Monitoring 2016/17
- Treasury Management Activity Monitoring – Mid Year Review 2016/17

Cabinet, 18 January 2017

- Housing Revenue Business Plan (including 2017/18 budget rents and service charges)
- Provisional Local Government Finance Settlement Update
- Collection Fund Estimated Outturn 2016/17
- Council Tax Base and Business Rates (NDR) Net Yield 2017/18

Cabinet, 22 February 2017

- Capital Programme 2016/17 to 2020/21 Quarter Three Review and 2017/18 to 2020/21 Budget Strategy
- Treasury Management Strategy 2017/18
- 2017/18 Budget and Medium Term Financial Strategy 2017/18 to 2019/20

2.3 In addition, since the last update, three reports focussing on the Council's finances have been received by Cabinet (Resources) Panel, as set out below:

Cabinet (Resources) Panel, 6 December 2016

- Revenue Budget Monitoring 2016/17

Cabinet (Resources) Panel, 28 February 2017

- Quarter Three Treasury Management Activity Monitoring
- Revenue Budget Monitoring 2016/17

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 Treasury Management Activity Monitoring – Mid Year Review 2016/17**

- 3.1 This report was considered by Cabinet on 30 November 2016 and is [available via this link](#).
- 3.2 The purpose of this report was to provide a monitoring and progress report on treasury management activity for the second quarter of 2016/17 as part of the mid-year review, in line with the Prudential Indicators approved by Full Council in March 2016. The treasury management activities of the Council are underpinned by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.
- 3.3 The Cabinet recommended that Full Council notes that a mid-year review of the Treasury Management Strategy Statement had been undertaken and the Council has operated within the limits and requirements. Savings totalling £533,000 for the General Fund and £2.3 million for the Housing Revenue Account (HRA) were forecast from treasury management activities in 2016/17.

### **4.0 Housing Revenue Business Plan (including 2017/18 budget rents and service charges)**

- 4.1 This report was considered by Cabinet on 18 January 2017 and is [available via this link](#).
- 4.2 The purpose of this report was to present an updated Housing Revenue Account (HRA) business plan for recommendation to Full Council. The report also provides a proposed HRA budget for 2017/18, including proposed rents and service charges to take effect from 3 April 2017, and a proposed HRA capital programme for the period 2017/18 to 2020/21 for recommendation to Full Council.
- 4.3 Cabinet recommended that Full Council implements the 1% reduction in social housing rents in accordance with the Welfare Reform and Work Act and to give 28 days' notice to all secure and introductory tenants of the rent reduction from 3 April 2017.
- 4.4 In addition, Cabinet recommended that Full Council adopts the approved Housing Revenue Account (HRA) business plan including the revenue budget for 2017/18 and the capital programme for 2017/18 to 2020/21 including the increased new build programme, and agree the rates for garage rents and service charges, as set out in the appendices of the report.
- 4.5 Cabinet were asked to note:
- That all Council dwelling rents will reduce by 1% in line with the proposals contained in the Welfare Reform and Work Act.

- The consultation responses as outlined at Appendix C within the report.
- Proposals to meet the requirements of the Heat Network Regulations 2014 for the district heating schemes at Heath Town.
- The potential impact of the further implementation of the Housing and Planning Act 2016 on the HRA business Plan.
- The additional £15 million programmed in 2020/21 for further infill council housing development.

## **5.0 Provisional Local Government Finance Settlement Update**

- 5.1 This report, which was considered on 18 January 2017, provided Cabinet with an update on the 2017/18 provisional local government finance settlement, which the Government announced on 15 December 2016.
- 5.2 The Cabinet was recommended to approve the adoption of a minimum funding level for Adult Social Care as outlined in the report.
- 5.3 The Cabinet were asked to note the outcome of the 2017/18 provisional local government finance settlement. In addition to this, Cabinet were asked to note that the final budget report to Cabinet on 22 February 2017 would reflect the outcome of the budget consultation, the outcome of the scrutiny process as well as the detailed budget work for 2017/18, including a review of all savings and the risks associated with their delivery.

## **6.0 Collection Fund Estimated Outturn 2016/17**

- 6.1 This report was considered by Cabinet on 18 January 2017 and is [available via this link](#).
- 6.2 The purpose of this report was to inform Cabinet of the estimated outturn for Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR), transactions on the Collection Fund in 2016/17.
- 6.3 The Cabinet was recommended to approve the payments to the precepting authorities of their share of the Council Tax surplus in equal instalments. The estimated outturn in 2016/17 is a cumulative surplus of £1.5 million. Based on their proportion of the 2016/17 council tax bill, as approved by Council in March 2016 the amounts are as follows:
- City of Wolverhampton Council £1.35 million
  - West Midlands Police £106,000
  - West Midlands Fire Service £53,000

6.4 The Cabinet was recommended to approve the payments to central government and the precepting authority of their share of the Business Rates, also referred to as Non-Domestic Rates (NDR), deficit in equal instalments. The estimated outturn in 2016/17 is a cumulative deficit of £8.6 million. As prescribed by legislation the amounts are as follows:

- City of Wolverhampton Council £4.2 million
- West Midlands Police £4.3 million
- West Midlands Fire Service £86,000

6.5 The report also proposed delegation of authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the forecast outturn reflecting any further information received ahead of the statutory deadline of 31 January 2017.

## **7.0 Council Tax Base and Business Rates (NDR) Net Yield 2017/18**

7.1 This report was considered by Cabinet on 18 January 2017 and is [available via this link](#).

7.2 This reports set the 2017/18 estimates for the Collection Fund which the Council manages on behalf of precepting authorities and central government.

7.3 In the report, it was recommended that the Cabinet set the Collection Fund Council Tax Base for 2017/18 at 61,397.45 Band D equivalents and set the Non-Domestic Rates (NDR) Net Rate Yield for 2017/18 at £71.7 million.

7.4 The report also proposed delegation of authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the above.

## **8.0 Capital programme 2016/17 to 2020/21 Quarter Three Review and 2017/18 to 2021/22 Budget Strategy**

8.1 This report was considered by Cabinet on 22 February 2017 and is [available via this link](#).

8.2 The purpose of the report was to:

- provide Cabinet with an update on the financial performance of the General Fund and HRA capital programmes for 2016/17 and the revised forecast for 2016/17 to 2021/22 as at quarter three of 2016/11, and
- recommend a revised General Fund capital programme and to note the HRA capital programme for the period 2015/16 to 2020/21.

8.3 Cabinet recommended that Full Council approved the revised medium term General Fund capital programme of £314.5 million and approved additional resources for twelve new and eight existing General Fund projects totalling £14.5 million.

- 8.4 Cabinet was recommended to approve General Fund virements totalling £2.4 million for existing and new projects. In addition to this, Cabinet were asked to approve Housing Revenue Accounts (HRA) virements totalling £400,000 for existing projects.
- 8.5 Cabinet was also asked to approve the updated schedules of work for capital projects and to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve the allocation of the provision of the 'Transformation Development Efficiency Strategy' to individual transformation projects in order to benefit from the capital receipts flexibility announced in the Autumn Statement 2015 and in line with the Medium Term Financial Strategy.
- 8.6 Cabinet were asked to note the General Fund expenditure position for quarter three of 2015/16 which stood at 40.6% (78.3% forecast outturn) of the approved General Fund capital budget, and the Housing Revenue Account expenditure position for quarter three of 2015/16 which stood at 57.8% of the approved HRA capital budget. The report incorporated four budget reduction proposals which were subject to approval at the 22 February meeting and Council on 1 March 2017.
- 8.7 The Cabinet was also asked to note two new projects requiring internal resources which were included in this Cabinet report but were subject to separate detailed reports to Cabinet (Resources) Panel on 28 February 2017.

## **9.0 Treasury Management Strategy 2017/18**

- 9.1 The Treasury Management Strategy for 2017/18 was presented to Cabinet on 22 February 2017. The report ([available via this link](#)) sets out the Council's Treasury Management Strategy for 2017/18 for approval by Full Council.
- 9.2 The strategy incorporates six elements, which are detailed in separate documents appended to the report (Treasury Management Strategy, the Annual Investment Strategy, the Prudential and Treasury Management Indicators, Minimum Revenue Provision (MRP) Statement, the Disclosure for Certainty Rate and the Treasury Management Policy Statement and Treasury Management Practices).
- 9.3 As a result of the report, Cabinet recommended that Council approved:
- The authorised borrowing limit for 2017/18 as required under Section 3(1) of the Local Government Act 2003 be set at £1,024.1 million (PI 5, appendix C).
  - The Treasury Management Strategy Statement 2017/18 as set out in appendix A of the report.
  - The Annual Investment Strategy 2017/18 as set out in appendix B of the report.
  - The Prudential and Treasury Management Indicators as set out in appendix C of the report.

- The Annual Minimum Revenue Provision (MRP) Statement setting out the method used to calculate MRP for 2017/18 onwards as set out in appendix D of the report.
- The Treasury Management Policy Statement and Treasury Management Practices as set out in the report.
- That authority continues to be delegated to the Director of Finance to amend the Treasury Management Policy and Practices and any corresponding changes required to the Treasury Management Strategy, the Prudential and Treasury Management Indicators, the Investment Strategy and the Annual MRP Statement to ensure they remain aligned. Any amendments will be reported to the Cabinet Member for Resources and Cabinet (Resources) Panel as appropriate.

9.4 As a result of the report, Cabinet also recommended that Council notes:

- a. That, as a result of the changes to the MRP policy approved and implemented during 2014/15, the MRP charge for financial year 2017/18 will be zero increasing to £8.2 million in 2018/19.
- b. That Cabinet (Resources) Panel and Council will receive regular Treasury Management reports during 2017/18 on performance against the key targets and Prudential and Treasury Management Indicators in the Treasury Management Strategy and Investment Strategy as set out in paragraph 2.8 and appendices B and C to the report.

9.5 The Cabinet were asked to note that the financial information included in the report was based on the 'Capital programme 2016/17 to 2020/21 quarter three review and 2017/18 to 2021/22 budget strategy' report also on the Cabinet agenda. It was noted that the capital report was subject to a number of reports being separately approved by Cabinet (Resources) Panel on 28 February 2017. Therefore, if any of those approvals were not obtained, a revised version of this report would've needed to be presented to Council on 1 March 2017.

## **10.0 2017/18 Budget and Medium Term Financial Strategy 2017/18 – 2019/20**

10.1 This report, which was considered on 22 February 2017, is the final report of the financial year on the 2017/18 Budget and Medium Term Financial Strategy for the period to 2019/20. This report provided Cabinet with a budget for recommendation to Full Council. The report is [available via this link](#).

10.2 The Cabinet recommended that Full Council approves: the net budget requirement for 2017/18 of £216.2 million for General Fund services, the Medium Term Financial Strategy 2017/18 to 2019/20, and the budget allocation for Adult Social Care in accordance with the Minimum Funding Level for Adult Social Care.

10.3 The Cabinet also recommended that Full Council approves Council Tax for Council services in 2017/18 of £1,481.12 for Band D property, being an increase of 3.99% on



2016/17 levels, which incorporates the 2% increase in relation to Adult Social Care, and that work starts on developing budget reductions for 2018/19 with progress to be reported to Cabinet in July 2017.

10.4 The Cabinet were recommended to approve the changes to the 2017/18 draft budget for General Fund services, since the draft budget was last reported to Cabinet on 18 October 2016. In addition to this, Cabinet approval was sought to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to amend the budget to reflect any changes arising out of the final settlement, for presentation to Council.

### **11.0 Revenue Budget Monitoring 2016/17**

11.1 The Revenue Budget Monitoring report was considered by Cabinet (Resources) Panel on 6 December 2016, with a further update provided on 28 February 2017; [available via this link](#).

11.2 The purpose of this report is to provide Cabinet (Resources) Panel with a projection of the likely revenue outturn position for the General Fund and Housing Revenue Accounts, compared with the Council's approved revenue budgets for 2016/17.

11.3 Overall, the General Fund projected outturn is currently forecast to underspend against the net budget by £497,000. The forecast outturn position for the Housing Revenue Account is a surplus of £18.3 million, compared to a budgeted surplus of £15.3 million. Returns submitted at 31 October estimated that overall Schools balances would reduce by £7.5 million to £5.2 million.

11.4 The Cabinet (Resources) Panel was recommended to approve: the use of reserves totalling £719,000, write offs totalling £139,500, four virements totalling £2.1 million and the setting up of expenditure budgets within 2016/17 approved budget for grant funded expenditure.

11.5 The Cabinet (Resources) Panel was asked to note that projected redundancy costs totalling £7.0 million were included in the forecast outturn and that £2.3 million of debts have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.

### **12.0 Quarter Three Treasury Management Activity Monitoring**

12.1 This report was considered by Cabinet (Resources) Panel on 28 February 2017 and is [available via this link](#).

12.2 This report provides a monitoring and progress report on treasury management activity for the third quarter of 2016/17, in line with the Prudential Indicators approved by Council in March 2016.

12.3 The Cabinet (Resources) Panel is asked to note that the Council is continuing to operate within the Prudential and Treasury Management Indicators approved by Council and that savings of £1.2 million for the General Fund and £2.4 million for the Housing Revenue Account are forecast from the treasury management activities in 2016/17.

### **13.0 Financial implications**

13.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.  
[MH/07032017/J]

### **14.0 Legal implications**

14.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.  
[Legal Code: TS/07032017/R]

### **15.0 Equalities implications**

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

### **16.0 Environmental implications**

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

### **17.0 Schedule of background papers**

- Capital Budget Quarter Two Monitoring 2016/17, report to Cabinet, 30 November 2016.
- Treasury Management Activity Monitoring – Mid Year Review 2016/17, report to Cabinet, 30 November 2016.
- Housing Revenue Business Plan (including 2017/18 budget rents and service charges), report to Cabinet, 18 January 2017.
- Provisional Government Settlement Update, report to Cabinet, 18 January 2017.
- Collection Fund Estimated Outturn, report to Cabinet, 18 January 2017.
- Council Tax Base and Business Rates (NDR) Net Yield 2017/18, report to Cabinet, 18 January 2017.
- Treasury Management Strategy 2017/18, report to Cabinet, 22 February 2017.

- Capital Programme 2016/17 to 2020/21 Quarter Three Review and 2017/18 to 2020/21 Budget Strategy, report to Cabinet, 22 February 2017.
- 2017/18 Budget and Medium Term Financial Strategy 2017/18 to 2019/20, report to Cabinet, 22 February 2017.
- Revenue Budget Monitoring, report to Cabinet (Resources) Panel, 6 December 2016.
- Revenue Budget Monitoring, report to Cabinet (Resources) Panel, 28 February 2017.
- Quarter Three Treasury Management Activity Monitoring, report to Cabinet (Resources) Panel, 28 February 2017.