



Vibrant and Sustainable City Scrutiny Panel

23 November 2017

Report title	Draft Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020	
Cabinet member with lead responsibility	Councillor Steve Evans City Environment	
	Councillor Peter Bilson City Assets and Housing	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Director of Finance
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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 Draft Budget 2018-2019.
2. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the approach to Budget Consultation for 2018-2019.
3. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on progress on key budget reduction targets as detailed in the report.

4. 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.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Panel's feedback on the Draft Budget 2018-2019 that was approved by Cabinet to proceed for formal consultation and scrutiny stages of the budget process, as appropriate, on 18 October 2017. Furthermore, the Panel's feedback is also sought on the approach to budget consultation and key budget reduction proposals that are built into the Council's Medium Term Financial Strategy (MTFS).

2.0 Background

- 2.1 In March 2017, Full Council approved that work started immediately to identify £14.8 million of budget reductions and income generation proposals to address the projected deficit in 2018-2019.
- 2.2 An update was presented to Cabinet on 19 July 2017. The Council had identified a total of £12.5 million budget reduction opportunities towards the strategy of identifying £14.8 million for 2018-2019. Of the £12.5 million budget reductions proposals identified for 2018-2019, £5 million are ongoing budget reductions whilst £7.5 million are one-off budget reductions. The projected budget deficit was reported as £2.3 million for 2018-19.
- 2.3 Over the summer period, detailed work continued to take place and a further update was provided to Cabinet on 18 October 2017. At this meeting, Cabinet approval was sought to reprofile the previously approved Waste and Recycling budget reduction targets totalling a cumulative £2.1 million to 2019-2020, to reflect the anticipated implementation date. As a result of this, the remaining budget deficit to be identified for 2018-2019 increased from £2.3 million to £4.4 million. However, Cabinet approval was also sought to implement a further three financial transaction proposals in 2018-2019 totalling £4.4 million, which it is projected will enable the Council to set a balanced budget for 2018-2019.
- 2.4 As in previous years, the budget consultation process for the 2018-2019 budget will include four evening meetings at various venues in Wolverhampton, as well as a breakfast meeting with business representatives and other meetings with community groups. Furthermore, an online and paper survey will be used to support the consultation process. The 2018-2019 budget consultation focus is on how the Council and the community can Work Smarter Together. Details of the Council's budget consultation and the online survey can be found on the Council's website at: <http://www.wolverhampton.gov.uk/budgetconsultation>
- 2.5 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. Panel members are instead requested to bring their copy of the Draft Budget and Medium Term Financial

Strategy (MTFS) 2018-2019 – 2019-2020 report, which was circulated with the 18 October 2017 Cabinet agenda. Detail of all the Council's individual proposals, including the latest to be considered by Cabinet on 18 October 2017, can be found on the Council's website at:

<http://www.wolverhampton.gov.uk/financialstrategy>

- 2.6 It is important to note that any budget reduction and income generation proposals approved as part of prior year budget setting processes have already been scrutinised and approved by Cabinet and are therefore, already included in the MTFS.
- 2.7 As detailed in the Cabinet report, the 2018-2019 Draft Budget will be considered by Scrutiny Panels during the November/December round of meetings and the feedback from those meetings will be reported to Scrutiny Board on 5 December 2017, which will consolidate that feedback in a formal response to Cabinet (Resources) Panel on 16 January 2018. 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 2018, for approval by Full Council in March 2018.

3.0 Existing Budget Reduction Targets

- 3.1 In addition to significant budget reductions already achieved in prior years across Corporate Landlord, City Environment and City Housing, the MTFS for the period to 2017-2020 includes budget reduction proposals relating to the remit of this Panel. These are detailed in the table below:

Table 1 - Approved Budget Reduction Targets by Division

Division	2017-2018 £000	2018-2019 £000	2019-2020 £000
Corporate Landlord	1,206	1,813	158
City Environment	3,802	784	2,000
City Housing	100	100	-

- 3.2 As detailed in paragraph 2.6, these targets have already been scrutinised by the relevant Scrutiny Panel. The sections below provide a progress update for Corporate landlord, City Environment and City Housing.

4.0 Corporate Landlord

- 4.1 Corporate Landlord is responsible for ensuring the Council's portfolio of operational and commercial land and property assets are effectively managed in the context of

the Corporate Plan priorities for Place: Stronger Economy and Confident, Capable Council: Future Space. It is specifically responsible for administering land and property transactions, delivering facilities management activities, delivery of capital projects, repairs, cyclical maintenance and statutory compliance to ensure all assets are safe and operational. In addition, it is responsible for the Council's Strategic Asset Planning and associated disposals and acquisitions programme and investment portfolio.

- 4.2 For 2017-2018, Corporate Landlord is projecting that it will achieve £1.2 million of previously approved budget reduction targets by way of service transformation and increased estates income; a review of leases and strategies to maximise rental income are in place and continuing. The service is, however, managing pressures and the related financial risk in several key budgets, in particular schools catering income, primarily due to a more competitive market provision for this service.
- 4.3 The Corporate Landlord forecast outturn position for 2017-2018, as reported to Cabinet (Resources) Panel on 25 July 2017, showed a projected underspend of £65,000. This was primarily due to an Estates and Valuations underspend totalling £500,000 due to additional rental income and a Corporate Asset Management underspend totalling £257,000 as a result of reduced anticipated expenditure on utilities.
- 4.4 These underspends were forecast to be offset by a projected overspend within the Catering service totalling £590,000 due to slippage in the delivery of budget reduction proposals and reduced schools catering income of £590,000. The Capital Programmes service forecast an overspend due to the budget reflecting budget reduction proposals to be achieved across the Corporate Landlord directorate of £103,000.
- 4.5 Further budget reductions and income generation targets of £2.0 million over the period 2018-2019 to 2019-2020 are assumed in the Medium Term Financial Strategy for Corporate Landlord. On-going work focussing on asset and estate management and facilities management efficiencies is taking place to ensure that future years' budget reductions and income generation opportunities are maximised and secured. CIPFA are supporting the Council in the production of a Strategic Asset Plan. This will provide information and the strategic governance and direction for the future management of the estate. This will inform the development of an appropriate asset challenge / rationalisation programme leading to the robust future management of the estate and surplus sites coming forward for alternative use, for example housing, the financial impact of this will be both revenue efficiencies and capital receipts for the Council.

5.0 City Environment Update

- 5.1 City Environment are responsible for two of the Corporate Priorities – Keeping the City Clean and Keeping the City Moving. They also focus on “Keeping the City safe”

through the work of the Public Protection team, in particular the Food Safety, Trading Standards and Health and Safety teams. One of the main priorities is the Waste Transformation Programme as well as Lighting up the City and the review of the Passenger Transport service.

- 5.2 For the 2017-2018 financial year City Environment have already achieved £2.0 million of previously approved budget reduction targets by way of service reconfigurations, transformation and contract efficiencies.
- 5.3 The City Environment forecast outturn position for 2017-2018 as reported to Cabinet (Resources) Panel on 25 July 2017 identified a potential overspend of £1.8 million. Of this, £1.7 million is because of budget pressures relating to the delayed transformation of the Waste & Recycling Service and due to an ongoing contractual dispute with Amey which the Council has not been able to resolve by negotiation and therefore legal proceedings have been issued by the Council in the High Court.
- 5.4 Considering this, Cabinet (Resources) Panel approved the reprofiling of previously approved Waste and Recycling Service budget reduction targets totalling a cumulative £2.1 million in 2018-2019 to 2019-2020 to reflect the anticipated implementation date of service changes.
- 5.5 Further budget reductions and income generation targets of £1.2 million over the period 2018-2019 to 2019-2020 are assumed for City Environment. Options to achieve these targets continue to be developed with work focussing on the Transformation of the Waste & Recycling Service and generation of service efficiencies. The strategy to deliver these efficiencies was agreed as part of the 2017-2018 budget setting and involves change to fortnightly residual waste collection, the stopping of food waste collections and the introduction of a paid for garden waste collection.

6.0 City Housing Update

- 6.1 City Housing have achieved £100,000 in savings in 2017-2018 through the review of Homelessness and Housing Options services and the decision to transfer the services to Wolverhampton Homes. The management fee payable to Wolverhampton Homes for delivering the service will be equivalent to the current budget but with a reduction of £100,000 applied. A further reduction to this management fee will be applied in 2018-2019 to reduce the budget by a further £100,000.
- 6.2 Further budget reductions and income generation targets of £100,000 over the period 2018-2019 to 2019-2020 are assumed for City Housing. Options to ensure that these targets will be achieved are being developed.

7.0 Scrutiny Panel Recommendations

- 7.1 The Panel are recommended to provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on:
- the Draft Budget 2018-2019;
 - the approach to Budget Consultation for 2018-2019;
 - the progress on key budget reduction targets as detailed in the report;
 - any other comments.

- 7.2 The Panel are also recommended to 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.

8.0 Financial implications

- 8.1 The financial implications are discussed in the body of the report, and in the report to Cabinet.
[HM/15112017/F]

9.0 Legal implications

- 9.1.1 The legal implications are discussed in the report to Cabinet.
[TS/15112017/Q]

10.0 Equalities implications

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

11.0 Environmental implications

- 11.1 The 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 Schedule of background papers

Draft Budget and Medium Term Financial Strategy 2018-19 - 2019-2020, report to Cabinet, 18 October 2017.