CITY OF WOLVERHAMPTON COUNCIL

Cabinet
23 February 2022

Report title	2022-2023 Budget and Medium Term Financial Strategy 2022-2023 to 2025-2026	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Ian Brookfield Leader	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Scrutiny Board Council	31 January 2022 8 February 2022 2 March 2022

Recommendations for decision:

The Cabinet recommends that Council approves:

1. The net budget requirement for 2022-2023 of £267.2 million for General Fund services.
2. The Medium Term Financial Strategy (MTFS) 2022-2023 to 2025-2026 as detailed in Table 5 and the key assumptions underpinning the MTFS as detailed in Appendix 1 to this report.
3. A Council Tax for Council services in 2022-2023 of £1,818.27 for a Band D property, being an increase of 2.99% on 2021-2022 levels, which incorporates the 1% in relation to Adult Social Care.

The Cabinet are recommended to approve:

1. The updated assumptions used in the Budget 2022-2023 and the MTFS 2022-2023 to 2025-2026 as detailed in section 7.

2. That authority be delegated to the Portfolio Holder for Resources, in consultation with the Director of Finance, to approve the calculation and allocation of growth in the central share of business rates for 2022-2023 and future years to be passported to the West Midlands Combined Authority (WMCA).

3. That authority be delegated to the Portfolio Holder for Resources and the Cabinet Member for Education, Skills and Work, in consultation with the Director of Finance and the Executive Director of Families, to approve changes to the local funding formula for Schools including method, principles and rules adopted.

4. That authority continues to be delegated to the Portfolio Holder for Resources in consultation with the Director of Finance to consider further opportunities to accelerate pension contribution payments to secure additional budget reductions.

5. The continuation of the policy to fully disregard income that claimants receive from the War Widows (Widowers), War Disablement Scheme and the Armed Forces Compensation Schemes in any housing benefit assessment.

6. That the Council enter into the Better Care Fund Section 75 Agreement along with the necessary ancillary agreements from the main agreement for 2022-2023 with the Black Country and West Birmingham Clinical Commissioning Group, and delegate authority to the Portfolio Holder for Resources, Cabinet Member for Adult Services and the Cabinet Member for Public Health and Wellbeing, in consultation with the Executive Director of Families and the Director of Finance to approve the final terms of the agreement.

7. That approval is given to build in supplementary budgets, fully funded by grant for the £150 council tax energy rebate for all households in England whose primary residence is valued in council tax bands A – D and delegate authority to the Portfolio Holder for Resources, in consultation with the Director of Finance to approve any changes to the Council Tax Discretionary Discount Scheme including the establishment of supplementary budgets as required.

Recommendations for noting:

The Cabinet are recommended to note:

1. That the budget for 2022-2023 is in balance without the use of general reserves.

2. That, in the opinion of the Director of Finance (Section 151 Officer), the proposed levels of reserves, provisions and balances is adequate in respect of the forthcoming financial year.

3. That it estimated that a further £12.6 million needs to be identified for 2023-2024, rising to £25.8 million over the medium term to 2025-2026 in order to address the projected budget deficit.

4. That, due to external factors, in particular the impact of Covid-19, budget assumptions remain subject to significant change, which could therefore result in alterations to the financial position facing the Council.

5. That, there continues to be considerable amount of uncertainty with regards to future funding streams for local authorities over the Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.

6. That, the overall level of risk associated with the Medium Term Financial Strategy to 2025-2026 is assessed as Red.

7. That Councillors must have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget reduction decisions.

8. That the Council continues to engage with residents, businesses and other key stakeholders throughout the year which focuses on understanding people's priorities for Wolverhampton.

9. The impact of related parties on the Medium Term Financial Strategy.

1.0 Purpose

1.1 The purpose of this report is to present a balanced budget for 2022-2023 aligned to the Council Plan priorities and an update on the Medium Term Financial Strategy (MTFS) 2022-2023 to 2025-2026, for recommendation to Full Council.

1.2 The Council has a balanced budget for 2022-2023, without the need to use general reserves, however, these proposals are mainly one-off and not sustainable over the medium term. There is still a high level of uncertainty going forward and a significant financial challenge over the medium term with a projected deficit for 2023-2024 of £12.6 million, rising to £25.8 million by 2025-2026.

2.0 Background

2.1 The City of Wolverhampton Council has built up a strong track record over many years of managing its finances well and, despite austerity; consistently setting a balanced budget. Over the last twelve years budget setting processes, the Council has identified budget reductions in the region of £239 million. Our approach to strategic financial management, aligning budgets to service priorities and improving services, and investing in transformation priorities, continues to put us in a strong financial position.

2.2 On 3 March 2021, the Council approved the net budget requirement for 2021-2022 of £258.5 million for General Fund services. This was the seventh year running the Council was able to set a balanced budget without the need to make use of general fund reserves. It is projected that the Council would be faced with finding further estimated budget reductions totalling £25.4 million in 2022-2023 rising to £29.6 million by 2023-2024.

2.3 Cabinet have been updated throughout the year as work progressed to address the budget deficit. In October 2021, Cabinet received a report in which it was stated that the Council was on track to set a balanced budget for 2022-2023, and work would continue to review the assumptions in the draft budget strategy in order to close the remaining forecast budget deficit of £1.1 million for 2022-2023. However, these proposals are mainly one-off and not sustainable over the medium term.

2.4 The Covid-19 pandemic has significantly distorted the budget and MTFS. It is difficult to confirm the exact costs and loss of income directly associated with the pandemic and it is important to note that we do not know how long the Council's finances will be affected.

2.5 Since October, the 2022-2023 budget setting process has continued with the identification of emerging budget pressures and the review of government funding announced in the provisional settlement. In order to be able to balance the budget for 2022-2023 and reduce the forecast budget deficit over the medium term, work has also continued to identify further efficiency measures.

2.6 The MTFS has been rolled forward to encompass the financial years up to 2025-2026. Assumptions have been made about the forecast levels of budget growth and inflation,

and the forecast level of resources that could be available over the medium term. Due to the short term nature of Government funding streams, and the one-off nature of some of the efficiency measures, the projected deficit increases to £25.8 million over the medium term to 2025-2026.

2.7 Reserves play a vital role in the financial sustainability of the Council. It is important to note that, the Council's General Fund Balance stands at £13.7 million. This level of reserve is approximately 5% of the 2022-2023 net budget which is in line with recommended best practice. In addition, the Council holds specific reserves which are set aside to fund future planned expenditure. It is vital the Council continues to hold these reserves to mitigate the risk of uncertainty of any potential future expenditure and to support the delivery of council priorities, therefore it is not an option to use these funds to meet the budget deficit.

2.8 The Director of Finance recommends the MTFS to Cabinet as a reasonable forecast over the medium term but recognises that external factors could have a significant impact on the financial position.

3.0 Covid-19 – Our role in the crisis

3.1 The Council has played a proactive, leading role in responding to the Covid-19 emergency. The Council considered evidence when drawing up a response to the pandemic to ensure that the right response was delivered at the right level to support residents and businesses in Wolverhampton. As the situation evolved, so has the Council's response and financial support in order to ensure recovery.

3.2 The pandemic has significantly distorted the budget and MTFS, and the cost of dealing with the pandemic and loss of income extends beyond the immediate period. It is not yet known how long the pandemic will go on for or what the level of future financial impact will be. During 2020-2021 and 2021-2022, local authorities received one-off Covid-19 Emergency grant to support the cost implications of the pandemic. In addition, local authorities could apply for funding to part fund the loss of non-commercial income. Neither of these grants have been announced for 2022-2023, however the costs of the pandemic extend beyond 2021-2022.

3.3 As detailed in paragraph 7.13 the Council has seen a significant reduction in the income as a result of the pandemic and is projecting that this will continue into 2022-2023. It is therefore proposed that a Covid-19 contingency budget be incorporated into the 2022-2023 to support these cost pressures.

4.0 Our Council, Our Plan – The City of Wolverhampton Council Plan

4.1 The Council's strategic approach to address the budget deficit is to align resources to Our Council Plan 2019-2024 which was approved by Full Council on 3 April 2019. To ensure that resource continues to be aligned to the needs of local people a refresh of the plan has been undertaken following extensive engagement with city partners and communities throughout the Covid-19 pandemic.

4.2 Our City, Our Plan incorporates key policy areas into a refreshed narrative and updated structure which has a focus on delivery and performance. The plan also aligns with the key priorities and objectives identified in the Relighting Our City Recovery framework.

4.3 The plan continues to identify an overarching ambition that 'Wulfrunians will live longer, healthier lives' delivered through six Council Plan priorities:

- Strong families where children grow up well and achieve their full potential
- Fulfilled lives with quality care for those that need it
- Healthy, inclusive communities
- Good homes in well connected neighbourhoods
- More local people into good jobs and training
- Thriving economy in all parts of the city

4.4 The Relighting Our City recovery framework identified three cross cutting principles which are now been taken forward and incorporated into the refreshed plan. These are:

- Climate Conscious
- Driven by Digital
- Fair and Equal

4.5 Our City, Our Plan is presented to Cabinet and Full Council on this same agenda.

5.0 Five Year Financial Strategy

5.1 The Financial Strategy, approved by Council in March 2019, consists of five core principles underpinned by eight core workstreams. Using the Core Workstreams as the framework for the Financial Strategy detailed delivery plans are being developed all with a lead director. This strategy has also been reviewed and refreshed to ensure that resources remain aligned to our priorities. The Core principles and workstreams are:

- **Core Principles:**
  - **Focusing on Core Business**. Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
  - **Promoting Independence and Wellbeing**. We will enable local people to live independently by unlocking capacity within communities to provide an effective and supportive environment.
  - **Delivering Inclusive Economic Growth**. We will continue to drive investment in the City to create future economic and employment opportunities.
  - **Balancing Risk**. We will ensure we base decisions on evidence, data and customer insight.
  - **Commercialising our Approach.** We will boost social value in our City by maximising local procurement spend with people and businesses

- **Core Workstreams:**
  - **Driven by Digital** Improve access to digital services to empower local people to self-serve at a time and place that suits them whilst reducing 'traditional' operating costs.
  - **Managing demand**. Through early intervention and closer collaboration with local people we aim to reduce demand for services and support greater independence and resilience.
  - **Targeted Service Delivery.** Our efforts will be focused in the areas and places that need us the most and where we can deliver the best possible outcomes within the resources available.
  - **Sustainable Business Models.** We will develop the most efficient and effective services possible, within the significant financial constraints we face, to meet the needs of local people.
  - **Prioritising Capital Investment.** Aligned to our strategic plan, investment will focus on the priorities that deliver the best possible return and outcomes for local people.
  - **Generating Income.** Better understanding the markets we operate in will enable us to develop new, innovative income generation opportunities with partners where appropriate.
  - **Delivering Safe Efficiencies.** By reviewing our resources, business processes and better using technology, we will deliver services which meet customer needs efficiently and cost-effectively.
  - **Maximising Partnerships and External Income.** We will take a much more strategic role, working with our partners, to identify opportunities to collaborate, share resources, reduce costs and seize funding opportunities.

6.0 Local Government Financial Settlement

6.1 On 16 December 2021, the Government announced the provisional local government finance settlement, referred to herein as the provisional settlement, for 2022-2023. A report to Cabinet on 19 January 2022 outlined the headlines from the settlement including: confirmation of the council tax referendum limit at 1.99% for 2022-2023, confirmation that local authorities with adult social care responsibility could raise an additional 1% in 2022-2023 via the adult social care precept. It should be noted that when Government publish what funding is available to councils, they include an assumption regarding the raising of council tax – this also includes the precept to fund adult social care. Not increasing the level of council tax would mean making more cuts to essential services over the medium term and being unable to deliver on residents' priorities.

6.2 They also confirmed the continuation of new homes bonus scheme for a further year with no legacy payments, and the continuation of the Lower Tier Services Grant. The sum of the provisional allocation for the Council is £2.1 million.

6.3 Additional funding totalling £5.4 million for adult and children's social care was also announced taking our total provisional allocation for 2022-2023 to £31.1 million. This grant has helped to contribute to the level of growth required for adult social care.

6.4 The Government also announced their proposal to introduce a one-off 2022-2023 Services Grant. This new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. This grant also includes funding for the cost of the increase in employers national insurance contribution of 1.25%. The provisional allocation for the Council is £5.5 million, of which we estimate that in the region of £1 million will be used to cover our increased costs in employer national insurance contributions.

6.5 On 7 February 2022, the Secretary of State for Levelling Up, Housing and Communities published a written statement on the Final Local Government Finance Settlement 2022-2023; the final settlement was debated in the House of Commons on 9 February 2022. The final settlement is in broadly in line with the provisional settlement announcement.

6.6 Appendix 1 provides further details on forecast Council resources.

7.0 Medium Term Financial Strategy – Key Assumptions

7.1 Despite austerity since 2010, the Council has a strong track-record of managing money well, planning ahead and delivering excellent services.

7.2 The assumptions used in the preparation of the Budget and Medium Term Financial Strategy remain under constant review and update.

7.3 The major budget assumptions used in the preparation of the MTFS are set out in Appendix 3. Appendix 1 provides details of the changes to growth and inflation and corporate resource assumptions, which are recommended for inclusion in the 2022-2023 Budget and Medium Term Financial Strategy 2022-2023 to 2025-2026.

7.4 On 27 October 2021, the Government announced the outcome of the Spending Review 2021, the headlines of which were reported to Cabinet on 8 December 2021. The Spending Review covered the period from 2022-2023 to 2024-2025. However, the provisional settlement announced on 16 December was for one year only – 2022-2023, with further details on the proposed funding reform and consultation expected to follow in 2022. The final settlement announced on 7 February 2022 confirmed the one year settlement.

7.5 It is important to note that whilst recent Government announcements have provided some clarity for the forthcoming financial year, the Council continues to face significant uncertainty over the medium term, and it is particularly challenging to establish a medium term financial strategy beyond 2022-2023. However, work has been ongoing to project a forecast medium term position as detailed in this report. It is projected that the medium term forecast budget deficit could be in the region of £25.8 million by 2025-2026. In order to project the potential budget deficit a number of assumptions have been made on the level of resources that will be available to the Council, as detailed in the paragraphs below and Appendix 1. However, given uncertainties surrounding levels of resources for local authorities it is difficult to project the potential resources that will be available to the Council over the medium term period.

7.6 The overall impact of the revisions to the 2022-2023 budget and medium term financial strategy 2022-2023 to 2025-2026 are detailed in Table 5 below and in more detail in Appendix 1. Some of the key budget assumptions are also detailed in the paragraphs below. A full list of all budget reduction, income generation and efficiency targets incorporated in the MTFS are detailed in Appendix 2.

Pay Related Pressures

7.7 At the time of writing this report national negotiations are ongoing in respect of the pay award for 2021-2022. The 2021-2022 budget includes provision within employee budgets for a 1% pay award. However, it is anticipated that there is some provision within corporate budgets to accommodate an increase of up to 2% without having to find offsetting budget reductions in year. Any increase above 2% would require in year efficiencies to be made in both 2021-2022 and 2022-2023 and increase the budget deficit for future years. In the event that the pay award is above 2% and in year efficiencies cannot be identified in 2022-2023, the budget contingency reserve will be called upon to fund the shortfall.

7.8 As reported to Cabinet in October 2021, on 7 September 2021, Government published 'Building Back Better: Our Plan for Health and Social Care'. The Government have announced they will levy in additional funding of around £12 billion per year from an increase of 1.25% on both employers and employees national insurance contributions. As detailed in paragraph 6.4, the Government have announced a new one-off Services Grant which is in part to fund the increase in employers national insurance contributions. The estimated cost of this increase is £1 million per year.

7.9 Detailed work has been undertaken to assess the likely impact of pay related pressures for 2022-2023, including costs of increments, changes to pension contributions, increases in national insurance and potential pay award – pay award is currently assumed at 2%.

7.10 The projected budget adjustments arising from the combined pay related pressures is detailed in Appendix 1.

Budget Pressures

7.11 A number of emerging pressures have been identified throughout the current financial year and in order be prudent those pressures have been recognised into the 2022-2023 budget and medium term financial strategy. The key budget pressures reflected are detailed in the paragraphs below whilst a full list of budget pressures incorporated into the budget and medium term financial strategy can be found at Appendix 1.

7.12 As part of the ongoing revenue budget monitoring during 2021-2022 and budget updates for 2022-2023, potential pressures have been flagged within Adult Services due to: increases in demand for services, the impact of any fee uplift, the impact of the Covid-19 pandemic, cost pressures associated with supporting additional reablement and discharges from hospital - which are currently funded by Health, managing demand across the current system, the delivery of the adult redesign and delivery of the 'Build

Back Better: Our Plan for Health and Social Care' as outlined in paragraph 7.36. Additional budget growth totalling £5.7 million has therefore been incorporated into the 2022-2023 budget, taking the overall growth for Adult Services in 2022-2023 to £9.2 million. The additional grant and Adult social Care Precept have contributed to the £9.2 million of growth. Based on current financial modelling, we believe that this additional growth built into the budget is sufficient to cover these forecast cost pressures. However, we will continue to monitor and review this position in light of the situation, with updates provided to Councillors as part of the quarterly performance and budget monitoring reports.

7.13 As detailed in section 3, the pandemic has significantly distorted the budget and MTFS, and the cost of dealing with the pandemic extends beyond the immediate period. It is not yet known how long the pandemic will go on for or what the level of future support will be required. As previously reported to Cabinet, there continues to be a level of uncertainty associated with emerging behavioural and operational changes arising as a result of the pandemic. This includes, but not limited to, income generating services, such as parking services and markets. During 2020-2021 and for the first quarter of 2021-2022, local authorities could apply for grant funding from Government to part fund losses from sales, fees and charges. This scheme did not continue beyond quarter 1 of 2021-2022 and no announcements have been made that any further funding will be made available. As part of the ongoing revenue budget monitoring it has been reported throughout 2021-2022, there has been a significant reduction in income from income generating services, in particular, parking services and this is likely to continue into 2022-2023. It is therefore proposed that a Covid-19 Contingency budget be held corporately for 2022-2023 to mitigate against any income losses from sales, fees and charges as a result of a reduction in economic activity and changes to behaviours. Income losses will be monitored throughout the year and updates provided in the quarterly performance and budget monitoring reports to Cabinet. In the event that this budget is not required in full, the Director of Finance will seek to reduce the level of capital receipt flexibility utilised in 2022-2023.

7.14 Our City, Our Plan – The City of Wolverhampton Council Plan sets out the priorities which will guide the Council's approach for the organisation and city as we start to move towards a new normal. In order that the Council can deliver on its priorities, a Corporate Contingency budget to support Council Priorities will be incorporated into the 2022-2023 budget totalling £1.6 million. Proposals are currently being developed and once business cases are completed, funding will be realised. Priorities include, but not limited to, discretionary housing support and financial wellbeing, support for businesses, Rainbow City, Youth Employment and Climate Change. Cabinet approval is therefore sought to delegate authority to the Portfolio Holder for Resources and the responsible Cabinet Member for the service area in question, in consultation with the Director of Finance and the relevant Director to allocate budgets from the Corporate Contingency to support Council Priorities once business cases have been completed. All budget allocations will

be incorporated into the performance and budget monitoring updates to Cabinet during 2022-2023.

7.15 During 2021-2022 wholesale energy prices have soared due to levels of supply and demand: therefore, resulting in increased gas and electricity costs for consumers. The Council's MTFS includes provision for increases in utility costs, however the Council is currently signed up for gas and electricity contracts until 31 March 2023 and 30 September 2024 respectively. During 2021-2022, the Council has been undergoing a procurement exercise using the Eastern Shires Purchasing Organisation (ESPO) framework to ensure value for money for the period after the existing contracts cease. Whilst energy prices are increasing, consumption is reducing in light of a change in working practices during the ongoing Covid-19 pandemic. At the point of writing, it is anticipated that the budget allocated for utilities will be sufficient for 2022-2023, however given the increasing costs, energy costs will continue to be monitored and reviewed, with updates provided to Councillors as part of the performance and budget monitoring reports.

7.16 Each year the Council is required to recognise the potential future credit losses that may be incurred on financial or contractual assets, loan commitments and financial guarantees. This has also previously been referred to as a 'bad debt allowance'. Following a review of existing and forecast commitments, it is projected there will be an in-year reduction totalling £500,000 on the future credit losses budget which can be released in 2022-2023. It is therefore proposed that this one-off reduction be incorporated into the budget.

Efficiencies

7.17 As part of the detailed budget review, a number of efficiencies have been identified for 2022-2023 and future years, as detailed in Appendix 1. It is important to note however that the efficiencies identified are predominantly one-off in nature.

7.18 It was reported to Cabinet in the 2021-2022 revenue monitoring that there were efficiencies across some services. In accordance with the 2022-2023 budget strategy as approved by Cabinet in October 2021, it is proposed that 2021-2022 underspends in the region of £4.0 million be transferred to a specific reserve to support the budget strategy for 2022-2023. Following a review of the overall budget position including the outcome of the provisional settlement, it is proposed that £1.0 million of this reserve supports the 2022-2023 budget strategy whilst £3.0 million is set aside to support the 2023-2024 budget strategy.

7.19 In addition to this, in October 2021 it was reported to Cabinet that the use of capital receipts flexibility to fund revenue transformation has been extended until 2024-2025 and it was proposed that £5.0 million was built into the 2022-2023 budget strategy. Following a review of the overall budget position including the outcome of the provisional settlement, it is proposed that the level of capital receipts which can be utilised in 2022-2023 to support the budget strategy is reduced to £3.0 million.

Revisions to Budget Reduction Targets

7.20 In October 2021, it was reported to Cabinet that £1.8 million of savings would not be delivered in 2022-2023 as originally planned. Since then, a further review has been undertaken on existing budget reduction and income generation proposals to ensure that the targets included in the MTFS remain deliverable over the medium term. This has been particularly important in light of the Covid-19 pandemic and changes to the environment in which we currently operate. Taking into account the pressures in Adult Services, as referenced in paragraph 7.12 above, it has been identified that a further £2.2 million of savings will not be delivered in 2022-2023.

7.21 The revision to existing savings proposals, to ensure that they are deliverable over the medium term, have been reflected in the medium term financial strategy. Further detail can be found in Appendix 1 and a full list of all proposed budget reduction, income generation and efficiency targets can be found in Appendix 2.

Corporate Resources

7.22 Recent Government announcements have provided some clarity for the forthcoming financial year; however, the Council continues to face significant uncertainty over the medium term, and it is particularly challenging to establish a medium term financial strategy beyond 2022-2023. This is due to the uncertainty regarding potential resources that will be available to the Council due to the proposed funding reform and consultation that is expected in 2022.

7.23 The data used to assess funding allocations has not been updated for a number of years, dating from 2013-2014 to a large degree, and even as far back as 2000. Over the coming months, Government will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

7.24 In order to project the potential budget challenge faced by the Council, a number of assumptions have been made on the level of resources that will be available to the Council.

7.25 It is important to note that at the point information becomes available, it could, consequently, result in alterations to the financial position facing the Council.

Collection Fund assumptions

7.26 On 8 December 2021, Cabinet received a report detailing the estimated outturn on the Collection Fund for 2021-2022 which consisted of a projected cumulative deficit in the region of £3.5 million on Council Tax, and a projected cumulative deficit in the region of £15.4 million on Business Rates. It is important to note that both elements include the carry forward of the in-year 2020-2021 deficit, which the Government confirmed could be spread over 3 years from 2021-2022 to 2023-2024.

7.27 As previously reported, the Covid-19 pandemic has had a significant impact on the Wolverhampton community and economy. It continues to be difficult to arrive at an

accurate forecast for council tax and business rates collection, however collection performance for 2021-2022 is now improving when compared to 2020-2021.

7.28 The forecast Business Rates deficit includes Covid-19 business rates reliefs granted to businesses under Government initiatives. The Government have provided Section 31 grant, in order to compensate local authorities for the reduction in business rates income.

7.29 On 15 December 2021, the Government confirmed the Covid-19 Additional Relief Fund (CARF) allocations. This additional business rates relief will reduce the overall net rates payable in 2021-2022, however the Council will be compensated in full through additional Section 31 grant.

7.30 On 31 January 2022 under delegated authority, the Portfolio Holder for Resources in consultation with the Director of Finance approved the final Business Rates estimated outturn for 2021-2022 at a cumulative deficit of £20.8 million, from £15.4 million as previously reported to Cabinet on 8 December 2021.

7.31 Furthermore, following revisions arising as a result of further data becoming available, the Portfolio Holder for Resources in consultation with the Director of Finance also approved the final Business Rates baseline net rate yield at £65.454 million from £65.551 million as previously reported to Cabinet on 8 December 2021.

7.32 The MTFS assumptions have been updated to reflect the potential resources available to the Council over the medium term period as a result of the amendments detailed above.

Adult and Children's Social Care

7.33 On 19 January 2022, Cabinet were informed that the Government had announced £700 million of new grant specifically for social care. Of this, the Government proposes to increase the Social Care Grant allocations by £636 million when compared to 2021-2022 levels and to increase the improved Better Care Fund (iBCF) allocations by £63 million, an inflationary uplift on the 2021-2022 allocations. The final settlement confirms the Council's allocation at £30.1 million for 2022-2023, an uplift of £4.5 million when compared to 2021-2022. As mentioned in paragraph 7.12, the additional grant has contributed to an overall growth in Adult Social Care budgets of £9.2 million for 2022-2023.

7.34 Local authorities are required to pool the iBCF allocation in a 'pooled budget' with their Clinical Commissioning Groups (CCG) and have a Section 75 Agreement in place. The Section 75 agreement is a fundamental requirement of the Better Care Fund (BCF) and must be signed by both organisations in order for the pooled fund to be set up and the relevant funding to be received. BCF first announced in June 2013 and came into effect in full in 2015-2016. The Section 75 Agreement details the level of funds to be pooled by each organisations and any risk sharing arrangements for any over / underspend within the pool fund. In 2020-2021 and 2021-2022, due to the Covid-19 pandemic, the risk sharing arrangement were paused. The BCF pooled budget for 2021-2022 is £81 million, £49 million from the CCG and £32 million from the Council.

7.35 The details of the BCF pooled budget for 2022-2023 are still to be confirmed with the Black Country and West Birmingham CCG. It is therefore proposed that authority be delegated authority to the Portfolio Holder for Resources, Cabinet Member for Adult Services and the Cabinet Member for Public Health and Wellbeing, in consultation with the Executive Director of Families and the Director of Finance to approve to agree the final terms of the agreement

7.36 In addition to this, as announced on the 7 September in the 'Build Back Better: Our Plan for Health and Social Care', the Government announced their proposal to allocate £162 million to support local authorities in preparing their markets for adult social care reform and to help move towards paying a fair cost of care. Adult Services and Finance are working collectively to estimate the additional costs associated with the reform when compared to the provisional allocation. Wolverhampton's provisional allocation for the Market Sustainability and Fair Cost of Care Fund is £929,000. There are a number of conditions attached to this funding, including the submission of plans to the Department of Health and Social Care by September 2022 for formal approval; detailed guidance and supporting templates are expected to be published in early 2022. Funding for 2023-2024 and 2024-2025 will be conditional upon satisfying these grant conditions.

Services Grant

7.37 In the final settlement, the Government confirmed the new one-off 2022-2023 Services Grant worth £822 million to support a range of additional services provided by local government. This new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. This grant also includes funding for the cost of increasing the employer National Insurance contribution by 1.25%. Wolverhampton's provisional allocation is £5.5 million, of which it is estimated that in the region of £1 million will be used to cover our increased costs in our National Insurance contributions.

8.0 Council Tax and Housing Benefits

8.1 The Council Tax Base and NDR (Business Rates) Net Rate Yield 2022-2023 and Draft Budget Update report was presented to Cabinet on 8 December 2021. Cabinet approved the council tax base for 2022-2023 at 64,936.94 Band D equivalent properties.

8.2 In the Spending Review 2021 Statement and the provisional settlement, the Government announced that local authorities with social care responsibilities can increase the adult social care precept by up to 1% per year over the spending review period from 2022-2023 to 2024-2025. This is in addition to the council tax referendum limit and is to be used for adult social care only. As outlined in paragraph 7.12, in order to fund the increasing pressures across Adult Social Care, it is necessary for the Council to apply the ASC precept. The 1% ASC precept, would generate on additional income in the region of £1.2 million for 2022-2023 which totals £4.8 million over the period to 2025-2026 (taking into account anticipated growth in the council tax base of 1% from 2023-2024 onwards).

8.3 Further to this, in the provisional settlement the Government confirmed the council tax referendum limit remains at 2% for 2022-2023. This would therefore enable the Council to increase Council Tax by a maximum of 2.99% in 2022-2023; the sum of 1.99% council tax plus the 1% adult social care precept. The 1.99% increase would levy on average additional income of approximately £2.3 million per year. Taking both increases into account the additional income is around £3.5 million per year.

8.4 When Government publish what funding is available to councils, they include an assumption regarding the raising of council tax – this also includes the precept for adult social care. Not increasing the level of council tax would mean making more cuts to essential services over the medium term and being unable to deliver on residents' priorities.

8.5 Projections in the MTFS beyond 2022-2023 assume that Council Tax will continue to increase by 1.99%, whilst the tax base is anticipated to rise by 1% in each financial year, this generates on average £3.5 million per year. Furthermore, the MTFS assumes that the adult social care precept will increase by 1% in each financial year over the spending review period to 2024-2025 which generates on average a further £1.2 million per year.

8.6 Taking account of the above, this report recommends an increase in Council Tax of 1.99%, in addition to the Government's social care precept of 1%, totalling 2.99%.

8.7 The resulting impact on the level of the Council element of Council Tax for a Band D property in 2022-2023 is detailed in the table below, whilst details of the impact on all bands can be found in Appendix 4.

Table 1 – Council element of Council Tax for Band D Property in Wolverhampton

Band D	**£**
2021-2022 Council Element of Council Tax (including adult social care)	1,765.49
1.99% increase	35.13
1% Adult Social Care Precept	17.65
	1,818.27

8.8 It is projected that income from Council Tax will rise in subsequent years, based upon the latest collection rates and tax base.

8.9 On 3 February 2022, the Government announced measures to support households from rising energy costs, including a one-off £150 council tax energy rebate for all households in England whose primary residence is valued in council tax bands A-D. In addition to this, billing authorities will operate a discretionary fund for households in need who would not otherwise be eligible. The Council will be compensated for the cost of both measures.

8.10 At the time of writing this report, the details of the scheme are unknown, this report therefore seeks approval to build in supplementary budgets fully funded by grant once the grant allocation is known and to delegate authority to the Portfolio Holder for

Resources, in consultation with the Director of Finance to approve any changes to the Council Tax Discretionary Discount Scheme.

Local Council Tax Support Scheme

8.11 Since the abolition of the national council tax benefit scheme in 2013, the Council has been responsible for designing its own scheme of council tax support.

8.12 There are no changes proposed to the Council Tax Support scheme for 2022-2023, to the scheme agreed by Council 3 March 2021 for 2021-2022.

8.13 The full details of the scheme are published on our website, with the current scheme available at: Council Tax Support Scheme | City Of Wolverhampton Council

War Pensions Disregard

8.14 Housing Benefit Regulations 2006 make provision for the first £10.00 of income from War Disablement Pension, War Widows (Widowers) Pension and the Armed Forces Compensation Scheme to be disregarded in any housing benefit assessment. The Social Security Administration Act 1992 gives the Council discretion to disregard any amount it chooses in addition to the statutory provision. It is recommended that Cabinet approve the continuation to fully disregarded income claimants receive from the War Widows (Widowers), War Disablement Scheme and the Armed Forces Compensation Schemes. The cost to the Council in 2019-2020 of fully disregarding this income was £30,320, which reduced to £21,323 in 2020-2021 and is expected to continue to reduce in future years. The policy can be found at Appendix 6.

9.0 Budget Risk

9.1 The table below provides a summary of the risks associated with the Medium Term Financial Strategy, using the corporate risk management methodology. The overall level of risk associated with the Medium Term Financial Strategy to 2025-2026 is assessed as Red.

Table 2 – General Fund Budget Risks to 2025-2026

Risk	Description	Level of Risk
Medium Term Forecasting	Risks that might materialise as a result of the impact of interest rates, energy costs, non-pay inflation and pay awards, uptake of pension auto enrolment, and National Living Wage.	Amber
Service Demands	Risks that might materialise as a result of demands for statutory services outstretching the available resources. This	Red

	particularly applies to adults and childrens' social care.	
	Risks that might materialise as a result of demands for non-statutory services outstretching the available resources.	Amber
Identification of Budget Reductions	Risks that might materialise as a result of not identifying budget reductions due to limited opportunity to deliver efficiencies.	Amber
Budget Management	Risks that might materialise as a result of the robustness of financial planning and management, in addition to the consideration made with regards to the loss of key personnel or loss of ICTS facilities	Green
Transformation Programme	Risks that might materialise as a result of not delivering the reductions incorporated into the budget and not having sufficient sums available to fund the upfront and one-off costs associated with delivering budget reductions and downsizing the workforce.	Amber
Reduction in Income and Funding	Risks that might materialise as a result of the multi-year Spending Review, and reforms to Business Rates Retention and the Fair Funding Review.	Red
	Risks that might materialise as a result of income being below budgeted levels, claw back of grant, or increased levels of bad debts. The risk of successful appeals against business rates.	Amber
Third Parties	Risks that might materialise as a result of third parties and suppliers ceasing trading or withdrawing from the market.	Amber
Government Policy	Risks that might materialise due to structural uncertainties including the impact of exiting the European Union.	Amber

	Risks that might materialise as a result of changes to Government policy including changes in VAT, taxation rules and economic measures.	Red
Covid-19	Risk that the financial implications of Covid 19 including the Council's recovery will exceed the grant allocations awarded by Government and place further financial pressures on the council financial position over the medium term.	Red

9.2 Due to the level of risk associated with pressures in Adult Services and the potential variation in the Collection Fund assumptions, particularly with regards to the allocation of the Covid-19 Additional Relief Fund by 31 March 2022, in order to be prudent, it is proposed that £1.8 million be contributed to a specific reserve during 2022-2023 to mitigate against those risks. Should those risks not materialise, there would be an opportunity to call on this reserve to support the 2023-2024 budget strategy.

10.0 Budget Consultation and Scrutiny

10.1 The budget engagement process forms part of a continuous process of engagement with residents, businesses and other key stakeholders throughout the year which focuses on understanding people's priorities for Wolverhampton.

10.2 During December 2021, the Leader of the Council and the Cabinet Member for Children and Young People, as part of continuous engagement through the 'Ask Ian' series, invited residents and businesses to submit questions via social media. The Leader of the Council and Cabinet Member for Children and Young People then responded to as many of these questions as possible in a video which was available on social media.

10.3 In addition to this, as previously reported to Cabinet, in January 2022 the Council relaunched a digital tool to enhance public engagement, with a focus on the ongoing challenge to set a balanced budget in each financial year over the medium term. The Budget Simulator, relaunched in January, gives respondents a chance to set their own draft Council budget in line with the preferences. Updates will be provided in future budget reports to Councillors.

10.4 The Council will continue to engage with our residents and key stakeholders to get their feedback around what matters to them most.

10.5 In addition to this, on 8 February 2022, Scrutiny Board were presented with the draft budget and medium term financial position and were asked to scrutinise the budget and how it aligned to the priorities of the Council. Scrutiny Board considered the Council Plan, Medium Term Financial Strategy and Performance framework as a pre decision

scrutiny item. Scrutiny Board noted the aims and objectives highlighted in the Council Plan and what it would be seeking to achieve for residents, businesses and the City.

11.0 Updated Budget and Medium Term Financial Strategy

2022-2023 Budget

11.1 The net budget requirement for 2022-2023 for the General Fund Services is £267.2 million. In the opinion of the Director of Finance (Section 151 Officer) the 2022-2023 budget estimates are robust. The Council's proposed budget for 2022-2023 does not require the use of general reserves in order set a balanced budget. We will continue to monitor the risks associated with the budget, detailed in the table above, and provide updates to Councillors as part of the quarterly performance and revenue budget monitoring reports.

11.2 The Council's proposed budget for 2022-2023 is shown at Table 3.

Table 3 – Draft 2022-2023 Controllable Budget

Division	2022-2023 Draft Net Controllable Budget £000
Adult Services	81,395
Children's Services	50,725
Chief Executive	193
City Assets	9,581
City Housing and Environment	28,692
Corporate Accounts	45,567
Communications and External Relations	2,273
Deputy Chief Executive	205
Education	1,435
Finance	14,640
Governance	12,321
Public Health & Wellbeing	5,428
Regeneration	2,984
Strategy	11,720
Total Net Budget Requirement	**267,159**

Medium Term Financial Strategy

11.3 Table 5 details the MTFS projections for the period to 2025-2026. It incorporates extensive budget preparation work that has been ongoing in recent months for the period up to 2025-2026, in addition to those adjustments arising as a result of changes in assumptions, as detailed in this report and corresponding appendices.

11.4 The table details incremental changes to forecast expenditure, starting from the base position of the 2021-2022 budget. The forecast expenditure is then compared with anticipated resources available to arrive at the projected deficit.

11.5 Due to the uncertainty the Council currently faces, it is particularly challenging to establish a MTFS beyond 2022-2023. Expenditure forecasts include estimates of growth in various areas, including in social care due to demand and the rising costs of services. These estimates will continue to be reviewed in light of the ongoing Covid-19 pandemic on service provision. Any change to these estimates could have a significant impact on the forecast budget deficit over the medium term.

11.6 A number of assumptions have been made with regards to the level of resources that will be available to the Council as detailed above. It is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities as the provisional settlement announced on 16 December was for one year only – 2022-2023, with further details on the proposed funding reform and consultation expected to follow in 2022. The MTFS currently assumes the following:

Table 4 – Grants

Grant	MTFS Assumptions (2023-2024 onwards)
Top-up Grant	Uplifted by inflation at 2%
Social Care Grants	Flatlined at 2022-2023 levels
Services Grant 2022-2023	Assumed one year only with the exception of increases to employers National Insurance contributions.
New Homes Bonus	Assume that this grant does not continue beyond 2022-2023.
Lower Tier Services Funding	Assume that this grant does not continue beyond 2022-2023.
Business Rates	Assumption that the business rates multiplier increases each year by 2%, whilst the business rates base remains static. Also, the Business Rates retention scheme will continue beyond 2022-2023 with no detrimental impact of a Business Rates reset or changes to the retention scheme
Council Tax	Assume that council tax will continue to increase by 1.99%, whilst the tax base is anticipated to rise by 1% in each financial year. Furthermore, the MTFS assumes

Grant	MTFS Assumptions (2023-2024 onwards)
	that the adult social care precept will increase by 1% in each financial year over the spending review period, in line with the Government's announcement.

11.7 At the point that further information is known it will be incorporated into future reports to Councillors. The current assumptions in respect to grants and tax raised locally are detailed above. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term, conversely any additional unringfenced funding would have a positive impact on the MTFS.

11.8 Taking this into account, the Council is now faced with finding further projected budget reductions estimated at £12.6 million in 2023-2024, rising to £25.8 million over the medium-term period to 2025-2026. Work to develop budget reduction and income generation proposals for 2023-2024 onwards in line with the Five Year Financial Strategy will continue.

11.9 It is proposed an update on progress on tackling the projected deficit is reported to Cabinet in July 2022.

11.10 It is important to note that the updated projected budget deficit assumes the achievement of budget reduction, income generation and efficiency proposals amounting to £900,000 over the period from 2022-2023 to 2025-2026. Those proposals are largely one-off in nature. Having identified budget reductions in the region of £239.0 million over the last twelve years budget setting processes, the extent of the financial challenge over the medium term continues to represent the most significant that the Council has ever faced.

Table 5 – Medium Term Financial Strategy 2022-2023 to 2025-2026

	2022-2023 £000	2023-2024 £000	2024-2025 £000	2025-2026 £000
Previous Years Net Budget brought forward	258,497	267,159	280,956	294,627
Increasing / (Decreasing) Cost Pressures				
- Pay Related Pressures	6,050	5,226	5,405	5,585
- Treasury Management	2,379	-	-	(500)
- Budget Growth	10,130	3,953	6,766	5,038
- Budget Reduction, Income Generation & Efficiency targets	(11,017)	4,618	1,500	4,000
- Net Impact of changes to specific grants	1,120	-	-	-
Net Budget (Before Use of Resources)	**267,159**	**280,956**	**294,627**	**308,750**
Projected Corporate Resources				
- Council Tax (including Adult Social Care precept)	(118,072)	(122,818)	(127,756)	(131,601)
- Business Rates (net of WMCA growth payment)	(64,000)	(70,461)	(71,768)	(73,001)
- Enterprise Zone Business Rates	(1,422)	(1,408)	(1,375)	(1,340)
- Section 31 Grant – business rates support	(21,170)	(15,245)	(15,245)	(15,245)
- Collection fund deficit/ (surplus) forecast (net of irrecoverable losses grant)	1,781	1,619	(595)	(595)
- Top Up Grant	(27,399)	(27,947)	(28,506)	(29,076)
- New Homes Bonus	(1,632)	-	-	-
- Improved Better Care Fund	(14,761)	(14,761)	(14,761)	(14,761)
- Social Care Grants	(16,305)	(16,305)	(16,305)	(16,305)
- Services Grant 2022-2023	(5,492)	-	-	-
- Services Grant – element to fund NI increase	-	(1,000)	(1,000)	(1,000)
- Lower Tier Funding	(487)	-	-	-
- Contribution to reserves	1,800	-	-	-
Total projected resources	**267,159**	**268,326**	**277,311**	**282,924**
Projected Budget Annual Change in Budget Deficit / (Surplus)	**-**	**12,630**	**4,686**	**8,510**
Projected Cumulative Budget Deficit		**12,630**	**17,316**	**25,826**

12.0 Update on Reserves

12.1 Due to the projected financial challenges facing the Council over the medium term, combined with the budget risks, reserves should only be called on in very specific circumstances and are not a viable funding option to reduce the projected budget deficit over either the short or longer term.

12.2 The Council's General Fund Balance stands at £13.7 million. The level of reserve is approximately 5% of the 2022-2023 net budget which is in line with recommended best practice. As detailed in paragraph 11.1 the Council is able to set a balanced budget for 2022-2023 without the use of General Fund Reserves.

12.3 Emphasis continues to be placed on identifying budget reduction and income generation proposals to meet the potential budget deficit over the medium term as detailed in Table 5 without calling on general reserves.

12.4 Specific reserves represent monies set aside by the Council to fund future expenditure plans. In the opinion of the Director of Finance (Section 151 Officer), the proposed levels of reserves, provisions and balances is adequate in respect of the forthcoming financial year. Consideration has been given to the movement in the levels of reserves over the last few years, the anticipated future drawdown of specific reserves and the level of Corporate Specific Reserves as detailed below in addition to the General Fund Balance stated above).

12.5 The table below details the level of the specific reserves held by the Council at 31 March 2021 and the anticipated balances at 31 March 2022. In addition, there are other specific reserves which are administered by the Council but that have a specific criteria for allocation.

Table 6 – Specific Reserves by Division

Directorate	Actual Balance as at 1 April 2021 £000	Forecast Net Use/(Contribution) 2021-2022 £000	Forecast Balance as at 31 March 2022 £000
Adult Services	(2,616)	1,926	(690)
Children's and Education	(206)	-	(206)
City Housing and Environment	(855)	370	(485)
Corporate	(35,688)	7,668	(28,020)
Finance	(2,447)	200	(2,247)
Governance	(330)	147	(183)
Public Health	(4)	-	(4)
Regeneration	(2,118)	616	(1,502)
Total	**(44,264)**	**10,927**	**(33,337)**

12.6 The main Corporate Reserves set out in the table below, and included in the overall Corporate total in the table above, include the reserves which are specifically set aside to provide capacity for developments to enable financial sustainability.

Table 7 – Main Corporate Reserves

Corporate Reserves	Actual Balance as at 1 April 2021 £000	Forecast Net Use/(Contribution) 2021-2022 £000	Forecast Balance as at 31 March 2022 £000
Efficiency Reserve	(5,368)	233	(5,135)
Budget Strategy Reserve	(7,569)	-	(7,569)
Transformation Reserve	(2,554)	862	(1,692)
Budget Contingency Reserve	(4,964)	(52)	(5,016)
Total	**(20,455)**	**1,043**	**(19,412)**

12.7 As detailed in paragraph 9.2 above, due to the level of risk associated with pressures in Adult Services and the potential variation in the Collection Fund assumptions, particularly with regards to the allocation of the Covid-19 Additional Relief Fund by 31 March 2022, it is proposed that £1.8 million be contributed to a specific reserve during 2022-2023 in order to be prudent and to mitigate against those risks. Should those risks not materialise, there would be an opportunity to call on this reserve to support the 2023-2024 budget strategy.

13.0 Related Parties

13.1 The Council has a financial interest in a number of related parties. The financial position of each related party is monitored throughout year. At the end of the financial year the council undertakes a detailed review of each and considers the impact on the balance sheet, in particular in relation to the provision for future losses in respect of loan repayments, probability of guarantees being called upon and the value of investments held.

13.2 The Council has provided guarantees in respect to the City of Wolverhampton College for the West Midlands Pension Fund and the College's bank. Monitoring of the financial position of the College indicates that there is currently no impact on the MTFS because of the guarantees.

13.3 Yoo Recruit Limited is a wholly owned company of the Council. The financial position of the company indicates that there is no financial impact on the MTFS at this time.

13.4 Wolverhampton Homes is the Council's Arms Length Management Organisation. The council provides over 95% of the funding for Wolverhampton Homes through the management fees and reflected in the HRA Business Plan approved by Council on 26 January.

13.5 WV Living is a wholly owned company. The Council has equity investment of £8 million in WV Living. There is currently no requirement to impair this investment. The position will be reviewed again at the end of the financial year.

13.6 The Council has provided loans to WV Living. The council maintains a provision of 5% for future losses in respect of these loans. The current level of loans outstanding has reduced during the last 12 months, with all repayments being made when they fell due. It is therefore anticipated that the provision will be reduced at the end of the financial year, this has been reflected in the MTFS projections in this report.

13.7 The Council has an investment in Help to Own. The Treasury Strategy report on this agenda identifies the potential need to make an adjustment to the way that MRP is calculated in respect to this investment. This adjustment has been reflected in the Treasury management projections detailed in this report.

14.0 Funding Formula for Schools

14.1 In April 2018, a new national schools funding formula was implemented, and 2018-2019 was the first year of a transitional period of implementation of a National Funding Formula (NFF) for schools.

14.2 2022-2023 is a continuation of this implementation period and Local Authorities are still required to set a local funding formula. In December 2021, the Department for Education announced the Schools Block DSG allocation for 2022-2023.

14.3 The agreed local funding formula for 2021-2022 fully adopted the same factors as the National Funding Formula. Schools' forum received and approved a report in January 2022 stating that this was again affordable within allocations for 2022-2023.

14.4 In line with the Schools Revenue Funding 2022-2023 Operational Guidance, delegation of authority to the Portfolio Holder for Resources and Cabinet Member for Education, Skills and Work, in consultation with the Director of Finance and Executive Director of Families is sought to approve proposed changes to local funding formula including method, principles and rules adopted.

15.0 Evaluation of alternative options

15.1 In determining the proposed 2022-2023 Budget and Medium Term Financial Strategy 2022-2023 to 2025-2026, consideration has been made to the deliverability of budget reduction and income generation proposals and budget pressures. If we were to not implement the budget strategy as proposed in this report, alternative options would need to be identified in order for the Council to set a balanced budget for 2022-2023.

16.0 Reasons for decisions

16.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its Council Tax. The Council is required to take this report into account when making its

budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides.

17.0 Financial implications

17.1 The financial implications are discussed in the body of the report.

[AS/15022022/B]

18.0 Legal implications

18.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any budget reduction proposals.

18.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.

18.3 This report also sets out the Council's Medium Term Financial Strategy. The Chief Financial officer has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.

18.4 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its Council Tax. The Council is required to take this report into account when making its budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon an assessment of all the circumstances considered likely to affect the Council.

18.5 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by CIPFA in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFS, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).

18.6 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '…make a report … if it appears to her that the Authority, a committee or officer of the Authority, or a joint committee on which the Authority is represented':

> (a) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful,

(b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
(c) is about to enter an item of account the entry of which is unlawful.

18.7 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

18.8 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2022-2023.

18.9 It is the responsibility of members to ensure the Council sets a balanced budget for the forthcoming year. In setting such a budget members and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both current and future taxpayers in discharging these responsibilities. In essence this is a direct reference to ensure that council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.

[TC/15022022/D]

19.0 Equalities implications

19.1 The council's annual budget and medium term financial strategy supports a range of services designed to meet key equalities objectives.

19.2 It is important to note, that this report provides a cumulative equality analyses response to the council's efficiency proposals set out within this report.

19.3 In the body of the report, we refer to efficiency proposals that are being put forward for approval as part of the Council's MTFS. Those efficiency proposals are one-off and in the main linked to the one-off use of funding, including reserves and grants, or forecast in-year underspends, and therefore have no equality impact on citizens or the communities that the Council serves.

19.4 In conclusion, the council continues to make every effort to protect the most vulnerable as far as possible and respond to its duties under the Equality Act 2010. However, this strategic EIA recognises the significant challenge which the financial position presents for Wolverhampton. We will maintain a strong commitment to equality and ensure that EIA's undertaken at each savings proposal helps us to arrive at an informed decisions and to make the best judgement about how to target our resources effectively and fairly.

19.5 Councillors must continue to have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget decisions. By considering the equalities evidence contained in the analysis above, in tandem with this report,

Councillors will be in a position to comply with the requirements of the Duty and Act as well as their wider responsibilities in terms of setting a budget.

20.0 All other Implications

20.1 The Covid implications are detailed in the body of the report.

20.2 Any human resource implications will be managed in accordance with the Council's HR polices and processes.

21.0 Schedule of background papers

2021-2022 Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, report to Cabinet on 17 February 2021 and Full Council 3 March 2021

Performance, Budget Monitoring and Budget Update 2021-2022, report to Cabinet on 28 July 2021

Draft Budget and Medium Term Financial Strategy 2022-2023 to 2023-2024, report to Cabinet on 20 October 2021

Council Tax Base and Business Rates (NDR) Net Rate Yield 2022-2023 and Draft Budget Update 2022-2023, report to Cabinet on 8 December 2021

Collection Fund Estimated Outturn 2021-2022, report to Cabinet on 8 December 2021

Provisional Local Government Finance Settlement and Draft Budget Update, report to Cabinet on 19 January 2022

Final Business Rates (NDR) Net Rate Yield 2022-2023 and Collection Fund Estimated Outturn 2021-2022, Individual Executive Decision Notice, 31 January 2022

22.0 Appendices

Appendix 1 - Medium Term Financial Strategy 2022-2023 to 2025-2026– Update on Key Assumptions

Appendix 2 - Budget Reduction, Income Generation and Efficiency Targets

Appendix 3 - Budget Preparation Parameters

Appendix 4 - Council Element of Council Tax for 2022-2023 per Band

Appendix 5 - Collection Fund Estimated Outturn 2021-2022

Appendix 6 – War Pensions Disregard Policy