

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 20 February 2019
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Report title	2019-2020 Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon Tel Email	Chief Accountant 01902 554561 alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council	7 February 2019 6 March 2019

Recommendations for decision:

The Cabinet recommends that Council approves:

1. The net budget requirement for 2019-2020 of £234.9 million for General Fund services (as set out at paragraph 18.1 of this report).
2. The Medium Term Financial Strategy 2019-2020 to 2023-2024 as detailed in Table 10 and the budget preparation parameters underpinning the MTFs as detailed in Appendix 1 to this report.
3. A Council Tax for Council services in 2019-2020 of £1,617.06 for a Band D property, being an increase of 4.99% on 2018-2019 levels, which incorporates the 2% increase in relation to Adult Social Care (as set out at paragraph 7.5 of this report).
4. That work starts on developing budget reductions and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy (as set out at paragraph

14.3 of this report) and progress be reported to Cabinet in July 2019 (as set out at paragraph 18.8 of this report).

5. The revision to the Council Tax Charges on Empty Properties and Second Homes Policy with effect from 1 April 2019 to introduce additional charges (as set out at paragraph 8.3 of this report).

The Cabinet is recommended to approve:

1. The changes to the 2019-2020 draft budget for General Fund services, since the draft budget was last reported to Cabinet on 17 October 2018, as detailed in sections 3 to 17 of this report.
2. The implementation of the new budget reduction, income generation and efficiency proposals totalling £4.0 million, subject to consultation where necessary (as set out at paragraph 15.3 of this report).
3. That work towards the development of budget efficiencies, budget reduction and income generation proposals towards the target of £500,000 (as set out at paragraph 15.6 of this report) commences immediately and progress is reported back to Councillors in July 2019.
4. That authority be delegated to the Cabinet Member 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 2019-2020 and future years to be passported to the West Midlands Combined Authority (as set out at paragraph 9.6 of this report).
5. That authority be delegated to the Cabinet Member for Resources, in consultation with the Director of Finance, to respond to the consultation on the Business Rates Retention Scheme and the Review of Relative Needs and Resources, and any future related consultation papers.
6. That approval be delegated to the Cabinet Member for Education and Cabinet Member for Resources, in consultation with Director of Finance and Director of Education, to approve changes to the local funding formula for Schools including method, principles and rules adopted (as set out at paragraph 17.4 of this report).

Recommendations to note:

The Cabinet notes:

1. That the budget for 2019-2020 is in balance without the use of general reserves (as set out at paragraph 18.1 of this report).
2. That, in the opinion of the Director of Finance (Section 151 Officer), the 2019-2020 budget estimates are robust (as set out at paragraph 18.1 of this report).

3. 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 (as set out at paragraph 19.6 of this report).
4. That a further £27.3 million needs to be identified for 2020-2021 and £40-50 million over the medium term in order to address the projected budget deficit (as set out at paragraph 18.5 of this report).
5. That, due to external factors, budget assumptions remain subject to significant change, which could, therefore, result in alterations to the financial position facing the Council (as set out at paragraph 4.3 of this report).
6. That, a number of assumptions have been made with regards to the level of resources that will be available to the Council. It is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive 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 (as set out at paragraph 18.7 of this report).
7. That, having identified significant budget reductions over the last eight financial years, the extent of the financial challenge over the medium term continues to represent the most significant challenge that the Council has ever faced (as set out at paragraph 18.9 of this report).
8. That the overall level of risk associated with the 2019-2020 Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024 is assessed as Red (as set out at paragraph 20.1 of this report).
9. That Councillors must have due regard to the public sector equality duty (Section 149 of the Equality Act 2010) when making budget decisions (as set out at paragraph 25.2 of this report).

1.0 Purpose

- 1.1 This is the final report of the financial year on the 2019-2020 Budget and the Medium Term Financial Strategy for the period to 2023-2024. The report provides Cabinet with a budget for recommendation to Full Council.

2.0 Background and Summary

- 2.1 The Budget and Medium Term Financial Strategy (MTFS) 2018-2019 to 2019-2020 was presented to Full Council for approval on 7 March 2018. The Council was able to set a balanced budget for 2018-2019 without the use of General Fund reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £19.5 million by 2019-2020.
- 2.2 It is important to note that the updated projected budget deficit assumes the achievement of budget efficiencies, budget reduction and income generation proposals amounting to £28.3 million over the two-year period from 2018-2019 to 2019-2020. Having identified budget reductions in excess of £220 million over the eight financial years, the extent of the financial challenge over the medium term continued to represent the most significant challenge that the Council had ever faced.
- 2.3 In March 2018, Full Council approved that work started immediately to identify budget reductions to deliver the £19.5 million projected budget deficit in 2019-2020, with an update on progress to be reported to Cabinet in July 2018.
- 2.4 It should be noted that due to external factors, budget assumptions remained subject to change and could therefore have resulted in alterations to the financial position faced by the Council.
- 2.5 Since the 2018-2019 budget was set, work has been ongoing across the Council to identify opportunities and cross-cutting strategies to support the budget strategy for 2019-2020.
- 2.6 An update on the high-level strategy to address the projected budget challenge of £19.5 million for 2019-2020 was presented to Cabinet on 11 July 2018. At that point, various opportunities including: one-off funding streams, council tax income, the realisation of benefits from existing strategies and directorate budget reduction targets resulted in the identification of £16.2 million towards the projected budget deficit. Cabinet approved the incorporation of this high-level strategy into the Draft Budget and Medium Term Financial Strategy 2019-2020. Taking this into account, the remaining budget challenge to be identified for 2019-2020 stood at £3.3 million.
- 2.7 Work continued during the second quarter of this financial year to identify additional budget efficiencies, budget reduction and income generation opportunities to meet the directorate budget reduction targets and to also address the projected remaining budget deficit in 2019-2020, amounting to £3.3 million.

- 2.8 Over the summer period, detailed work continued to take place and a further update was provided to Cabinet on 17 October 2018. At the meeting, Cabinet approval was sought to acknowledge the emerging pressures within Children and Young People in Care, Visitor Economy and Corporate Landlord services. As a result, the remaining budget deficit to be identified for 2019-2020 increased from £3.3 million to £6.0 million.
- 2.9 Since October 2018, the 2019-2020 budget setting process has continued with the identification of further budget reduction proposals and emerging budget pressures, as detailed in sections 3 to 17. In summary, a balanced budget for 2019-2020 is proposed without the use of general reserves.

3.0 Local Government Finance Settlement

- 3.1 On 13 December 2018, the Government announced the provisional local government finance settlement, referred to herein as the provisional settlement, for 2019-2020. A report to Cabinet on 23 January 2019 outlined the headlines from the settlement including: confirmation of the council tax referendum limit at 2.99% for 2019-2020, commitment to maintain the new homes bonus baseline growth at 0.4%, and the announcement of a surplus in 2018-2019 in the business rates levy account totalling £180 million which will be distributed to all councils. The provisional allocation for Wolverhampton was £1.2 million, and it is anticipated that this will be received as a one-off grant in 2018-2019. It is proposed that this additional funding will be set aside to support the 2019-2020 budget strategy as detailed in paragraph 11.8.
- 3.2 As previously announced in the 2018-2019 provisional settlement, it was confirmed that there was still an aim to move to 75% business rate retention for all local authorities by 2020-2021. This will be achieved by incorporating existing grants including Revenue Support Grant and Public Health Grant. As with the pilot schemes, local authorities will be able to keep 75% share of the growth. The redistribution of business rates from 2020-2021 will reflect the outcome of the Comprehensive Spending Review 2020. Government are currently consulting on the Reform to the Business Rates Retention Scheme and the Review of Relative Needs and Resources which are scheduled to close on 21 February 2019.
- 3.3 As detailed in paragraph 9.1, the Council is currently part of the West Midlands 100% Business Rate retention pilot through the devolution deal. The move to 75% business rates retention provides even more uncertainty for the Council.
- 3.4 Details of the Final Local Government Finance Settlement, referred to herein as the final settlement, were released on 29 January 2019. The final settlement is in line with the provisional settlement.
- 3.5 Section 11 of this report provides further detail on forecast grant funding.

4.0 Medium Term Financial Strategy – Key Assumptions

- 4.1 The major budget assumptions used in the preparation of the MTFS are set out in Appendix 1. Specific assumptions are set out in more detail in the following sections.
- 4.2 The 2019-2020 budget is the final year of the Comprehensive Spending Review 2015, which covers the parliamentary period to 2019-2020.
- 4.3 Due to the uncertainty the Council currently faces, it is particularly challenging to establish a medium term financial strategy beyond 2019-2020, however work has been ongoing to project a forecast medium term position as detailed in this report. It is projected that the medium-term budget challenge could be in the region of £40-50 million over the next five years. In order to project this potential deficit a number of assumptions have been made on the level of resources that will be available to the Council, as detailed in section 18 below. However, given that Government consultations on the Reform to the Business Rates Retention Scheme and the Review of Relative Needs and Resources are currently ongoing, it is difficult to project the potential resources that will be available to the Council over the forthcoming Comprehensive Spending Review period.
- 4.4 As a result of rolling forward the MTFS to encompass financial years from 2020-2021 to 2023-2024 assumptions have been made about the forecast levels of budget growth linked to the demography of Wolverhampton. In addition to this, in recent years given the level of uncertainty faced by local authorities the MTFS was held at 2019-2020, in rolling forward the MTFS, the reversal of any one-off savings or one-off income streams have been reflected in 2020-2021. The overall impact on the MTFS arising as a result of this can be seen in Table 10.
- 4.5 It is important to note that, due to external factors, budget assumptions remain subject to significant change. This could, consequently, result in significant alterations to the projected financial position facing the Council.
- 4.6 This continues to represent the most significant financial challenge that the Council has faced. Service areas across the Council will continue to develop budget reduction, income generation and efficiency proposals in order to meet the budget challenge.
- 4.7 Furthermore, recognising the scale of the challenge, processes will be refreshed, including maximising the benefit of the scrutiny process, to ensure a long-term approach to medium term financial planning and the pace of delivery of proposals.

5.0 Pay Related Pressures

- 5.1 The 2016-2018 pay deal included a commitment for the National Joint Council (NJC) to review the 'Green Book' pay spine. In December 2017, the National Employer's for Local Government Services made its final year offer to the trade unions for the period covering, 1 April 2019 to 31 March 2010. This offer included the creation of a new NJC pay levels for 1 April 2019. From 1 April 2019 a new NJC pay level will be introduced, this will

impact on all employees employed by the City of Wolverhampton Council as part of the Collective Agreement Grade 1 to Grade 11.

- 5.2 A new pay model has been agreed in principle with the Trade Unions but is currently out to consultation. The pay award will be implemented on the 1 April 2019 and is hoped that the new pay model will also be implemented. The new pay model ensures that employees are not negatively impacted, with all employees on NJC terms and conditions receiving a minimum pay award of 2%. The financial implications of this pay model have been built into the MTFS. The cost of the new NJC pay model (including increments) is £6.1 million, an increase of 4.95%.
- 5.3 Further to this, detailed work has been undertaken to assess the likely impact of Auto Enrolment, increases in employer's National Insurance contributions and a review of the agreed pension payments in line with the West Midlands Pension Fund 2016 triennial valuation.
- 5.4 In 2018-2019, under Cabinet approval, the Cabinet Member for Resources in consultation with the Director of Finance approved an upfront payment to West Midlands Pension Fund to cover employers pension contributions for 2018-2019 and 2019-2020 in order to reduce the total costs and secure budget reductions. This has been reflected in the budget forecasts in this report.
- 5.5 The projected increase arising from these combined pay related pressures are detailed in Table 1. The table details the estimated impact of pay awards, increases in employer's National Insurance and pension contributions and other known pay related pressures.

Table 1 – Pay Related Pressures

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
	£000	£000	£000	£000	£000
Pay Award, Employers Pension and National Insurance, Annual Increment	6,043	4,900	5,074	5,249	5,426

6.0 Budget Pressures

- 6.1 Table 2 details budget growth that has been incorporated into the MTFS.

Table 2 – Budget Pressures

	2019-2020 £000	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000
Inflationary Pressures	1,225	2,307	2,406	2,326	2,326
Demographic and Demand Pressures	8,517	5,624	3,200	2,600	2,500
Total	9,742	7,931	5,606	4,926	4,826

- 6.2 Inflationary pressures include utilities and the impact of the increases in the National Living Wage in relation to external contracts.
- 6.3 Demographic and Demand Pressures mainly relate to Adult and Children’s Social Care provision, which are detailed in the following paragraphs.
- 6.4 The budget has been increased to reflect current financial modelling that has identified potential additional pressures across adult social care as a result of demographic growth and increased costs as a result of more complex needs. It is forecast that there could be additional cost pressures totalling £15.8 million over the medium term.
- 6.5 Wolverhampton has seen a decrease in the number of children and young people in care, however, the cost of care placements is rising. Current financial modelling has identified potential demand pressures totalling £3.3 million over the medium term.
- 6.6 Budgets for Social Care make up 48% of the net budget requirement (as detailed in Table 9). Particular emphasis is put on regular and detailed forecasting of these budgets to ensure that the MTFS projections are robust.
- 6.7 At the Cabinet meeting of 17 October 2018, Cabinet were asked to note emerging pressures within Visitor Economy and Corporate Landlord services following overspends in 2017-2018. The 2019-2020 budget has been updated to address those pressures. These areas will however be kept under review.
- 6.8 A full list of budget pressures that have been incorporated into the budget and medium term financial strategy can be found at Appendix 5.
- 7.0 Council Tax**
- 7.1 The Council Tax Base and NDR (Business Rates) Net Rate Yield 2019-2020 report was presented to Cabinet on 23 January 2019. Cabinet approved the Council Tax Base for 2019-2020 at 63,996.44 Band D equivalents.
- 7.2 In the Autumn Spending Review 2015 the Government announced that it is to allow local authorities with adult social care responsibilities, the power to raise an additional 2% through Council Tax to fund adult social care. The 2% would be in addition to the Council Tax referendum limit and would need to be used for adult social care only. The

assumption in the MTFS and budget consultation reflects an increase of 2% per annum to 2019-2020.

- 7.3 Further to this, in the final settlement 2019 the Government confirmed that the Council Tax referendum limit for local authorities in 2019-2020 would remain at 3%. This would therefore enable the Council to increase Council Tax by a maximum of 4.99% in 2019-2020; the sum of 2.99% Council Tax increase plus a 2% adult social care precept.
- 7.4 Taking account of the above, this report recommends an increase in Council Tax of 2.99%, in addition to the Government's social care precept of 2%, totalling 4.99%.
- 7.5 Table 3 details the resulting impact on the level of the Council element of Council Tax for a Band D property in 2019-2020. Details of the impact on all bands can be found in Appendix 2.

Table 3 – Council element of Council Tax for Band D Property in Wolverhampton

Band D	£
2018-2019 Council Element of Council Tax (including adult social care)	1,540.21
2.99% increase	46.05
2% Adult Social Care Precept	30.80
	1,617.06

- 7.6 It is projected that income from Council Tax will rise in subsequent years, based upon the latest collection rates and tax base. Projections in the MTFS assume that Council Tax will continue to increase by 1.99% in each financial year, whilst the tax base is anticipated to rise by 1%. The Government have not indicated whether the adult social care precept will be continued and therefore there is no assumption of additional adult social care precept beyond 2019-2020.

8.0 Council Tax Charges on Empty Properties and Second Homes

- 8.1 At Cabinet (Resources) Panel on 2 October 2018, changes were agreed to the Council Tax Charges on Empty Properties and Second Homes Policy with effect from 1 April 2019 subject to permissive legislation being finalised and the outcome of consultation. Consultation has been carried out with the West Midlands Combined Authority and the Fire and Police precepting bodies. The changes were also included in the annual budget consultation, the results of which were presented to Cabinet on 23 January 2019. 87% of respondents agreed with the proposed change.
- 8.2 The following additional charges are proposed in line with the maximum permitted in legislation. Table 4 lists the additional charges.

Table 4 – Additional charges for empty property

	2019-2020	2020-2021	2021-2022 onwards
Empty up to 2 years	0%	0%	0%
Empty for 2 to 5 years	100%	100%	100%
Empty for 5-10 years	100%	200%	200%
10 years or more	100%	200%	300%

8.3 It is therefore recommended that Cabinet recommend that Council approves revisions to the Council Tax Charges on Empty Properties and Second Homes Policy with effect from 1 April 2019 to introduce additional charges. The intention of the introduction of these charges is not to generate income but to help encourage the owners of empty properties to get their properties back into use.

9.0 Business Rates

9.1 The National Non-Domestic Rates Return 1 (NNDR1) was compiled and returned to the Ministry for Housing, Communities and Local Government (MHCLG) by the deadline of 31 January 2019. In October 2016, Cabinet approved that the City of Wolverhampton Council, as one of the Constituent Members of the West Midlands Combined Authority (WMCA), will participate in a business rates retention pilot from April 2017, on a no financial detriment basis. The continuation of this arrangement to 2019-2020 was noted in the provisional settlement in December 2017. As a result of entering into this pilot, the Council will retain 99% of the business rates but no longer receive Revenue Support Grant and instead receive a Top Up Grant adjustment to account for the net effect of the changes.

9.2 As a result of updated information available to the Council, the Cabinet Member for Resources in consultation with the Director of Finance approved, via an Individual Executive Decision Notice an amendment to the Collection Fund Business Rates Net Yield for 2019-2020 to £73.2 million from £74.4 million as previously reported to Cabinet on 23 January 2019. This downwards revision in net business rates yield is as a result of Retail Discount, for which the Council will be compensated in full through additional Section 31 grant.

9.3 There are a number of Business Rates policies that the Government have stipulated for which the Council is reimbursed through Section 31 of the Local Government Act 2003. These include a cap of 2% on the small business multiplier and the cost of doubling of Small Business Rate Relief. Grant income totalling £10.6 million is projected for 2019-2020 based upon the NNDR1 form returned to MHCLG by 31 January 2019.

- 9.4 One part of the West Midlands Devolution Deal included the WMCA receiving the real terms growth in the central share of business rates, which came into effect from 1 April 2016 onwards. This was the share that was previously held by central government.
- 9.5 There is some complexity in identifying the true business rates growth between years due to business rates appeals and the 2017 revaluation, however an approach to allocate the growth in the central share for 2017-2018 and 2018-2019 has been agreed with the WMCA. The assumed growth of £4.5 million attributable to the WMCA in 2018-2019, in line with the Investment Plan assumptions, has been apportioned for each authority pro rata to the aggregate Rateable Value at the start of the year, resulting in a contribution from Wolverhampton in the region of £342,000 (in 2017-2018 the contribution was £228,000).
- 9.6 The basis for distribution for 2019-2020 has yet to be agreed. It is therefore proposed that Cabinet delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve the calculation and allocation of growth in the central share for 2019-2020 and future years to be passported to the WMCA.
- 9.7 It is important to note, in order to be prudent, the current level of business rates retention (99%) for the Council has been assumed over the medium term period to 2023-2024. In the 2019-2020 provisional settlement it was confirmed that there was still an aim to move to 75% business rate retention for all local authorities by 2020-2021. Levels of funding will therefore change if this proposal comes to fruition, however a corresponding adjustment against the level of Top Up grant will also be realised.

10.0 Collection Fund Estimated Outturn

- 10.1 On 23 January 2019 Cabinet received a report detailing the estimated outturn on the Collection Fund for 2018-2019 which consisted of a projected cumulative surplus in the region of £1.2 million Council Tax and a projected cumulative deficit in the region of £1.1 million on Business Rates.
- 10.2 Before April 2013 all business rate income collected by councils formed a single, national pot, which was then distributed by government to councils in the form of formula grant. From 2013 the Government gave local authorities the power to keep half of business rate income in their area by splitting business rate revenue into the 'local share' and the 'central share'. It is important to note, that the projected deficit on Business Rates has arisen primarily as a result of the backdating of Business Rates appeals prior to the 2013 localisation.
- 10.3 The total Collection Fund accumulated surplus in 2018-2019 is projected to be in the region of £81,000, of which the Council will be expected to retain a deficit of approximately £34,000. This is the net sum of the forecast surplus relating to Council Tax and forecast deficit relating to Business Rates as detailed in the Table 5. Further details can be found in Appendix 3.

Table 5 – Retained Element of Collection Fund Deficit

Elements of Collection Fund	(Surplus) / Deficit £000	Retained %	Retained (Surplus) / Deficit £000
Council Tax	(1,164)	89.2%	(1,038)
Business Rates	1,083	99.0%	1,072
Total	(81)		34

11.0 Grants

New Homes Bonus

- 11.1 Whilst the Government consulted on potential changes to the calculation of New Homes Bonus during 2017-2018, to link the allocation of grant to the number of successful planning appeals and to increase the baseline, in the final settlement it was confirmed that the New Homes Bonus baseline for growth would be retained at 0.4% in 2019-2020. The Council's final allocation was confirmed at £2.1 million, in line with the provisional settlement.
- 11.2 The Government provided illustrative New Homes Bonus allocations to 2022-2023 in the final settlement. In order to be prudent, the MTFS reflects the illustrative New Homes Bonus allocations for financial years to 2022-2023. However, it was announced in the final settlement that the Government remains committed to incentivising housing growth and will consult with local authorities on how best to reward housing delivery effectively after 2019-2020. The MTFS currently reflects the growth on New Homes Bonus awarded in 2018-2019 for the period up to 2022-2023. There is no assumption about New Homes Bonus being awarded for growth in 2019-2020 onwards.

Top Up Grant

- 11.3 As detailed in paragraph 9.1 above, the Council is part of the West Midlands pilot for 100% business rates retention and will therefore continue to no longer receive Revenue Support Grant but receive an amended Top Up Grant to reflect the business rates retention model; as was the case in 2017-2018 and 2018-2019. Top Up Grant has been confirmed for 2019-2020 in line with the assumptions previously built into the MTFS at £26.2 million. The MTFS assumes the continuation of grant at this level.

Social Care Grants

- 11.4 The allocation of Improved Better Care Fund Grant for 2019-2020 has been confirmed at £12.9 million in line with the level currently assumed in the MTFS.
- 11.5 The Council has been allocated one-off additional grants for Social Care, which consists of £2.3 million for pressures across Children and Adult Social Care and a further £1.4 million for winter pressures in Adult Services.

- 11.6 The MTFs assumes the continuation of grant for Adult Social Care at the level of the Improved Better Care Fund but makes no assumptions about the continuation of one-off funding.
- 11.7 In January 2017, Cabinet approved the adoption of a minimum funding level for Adult Social Care in order that the Council can demonstrate to Government, the public and other stakeholders that the funds raised through the Adult Social Care precept and the Improved Better Care Fund monies, have been fully passported to Adult Social Care. The minimum funding level has been tracked from April 2016 onwards to ensure that over the medium term these funds have been passported to the service.

Section 31 Grant – Business Rates Retention

- 11.8 As referred to in paragraph 3.1, the Government have identified a surplus in 2018-2019 totalling £180 million in the business rates levy account which will be distributed to all councils based on need. The surplus is due to national growth in business rates, resulting in reduced levels of safety net payments. The final allocation for the City of Wolverhampton Council has been confirmed at £1.2 million and it is anticipated that this will be received as a one-off grant in 2018-2019. Cabinet approval is therefore sought to set aside this additional funding to be drawn down to support the budget in 2019-2020.
- 11.9 Section 31 Grant compensates the Council for an element of mandatory business rates reliefs and the cap on inflationary increases on the business rates multiplier. As detailed in paragraph 9.3, Section 31 grant income totalling £10.6 million is projected for 2019-2020 based upon the NNDR1 form returned to MHCLG by 31 January 2019.
- 11.10 It is important to note that, it is difficult to project the potential resources that will be available to the Council over the forthcoming Comprehensive Spending Review period as detailed in the section below. This could, consequently, result in alterations to the financial position facing the Council.

12.0 Comprehensive Spending Review and Fair Funding Review

- 12.1 As reported to Cabinet on 17 October 2018, it is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities particularly regarding 2020-2021 onwards. The Comprehensive Spending Review 2020, the Fair Funding Review and potential pressures arising as a result of new responsibilities will all impact upon the Council's budget.
- 12.2 On 13 December 2018, Government released two consultation papers; A Review of Local Authorities Relative Needs and Resources and Business Rates Retention Reform. Both consultations close on 21 February 2019.
- 12.3 The paper on the Relative Needs and Resources considers an update to the future distribution methodology which will be used to calculate the resources and needs of local authorities. The current methodology was last updated in 2013-2014. The paper sets out proposals, which include a foundation formula based on population along with seven service-based blocks:

- Adult Social Care
- Children and Young People's Services
- Public Health
- Highways Maintenance
- Fire & Rescue
- Legacy Capital Finance
- Flood Defence and Coastal Protection

12.4 The paper also addresses the transitional arrangement. Future technical consultation on specific service formula are expected to be published during 2019.

12.5 The Business Rates Retention Reform paper confirms a full reset for 2020-2021, that will see the "growth" within the current business rates system up to 2019-2020 transferred into the baseline need. The paper also considers options on how to address volatility caused by appeals and valuation loss.

13.0 Budget Consultation and Scrutiny

13.1 On 17 October 2018, Cabinet approved that Financial Transaction and Base Budget Revisions totalling a net reduction of £4.7 million in 2019-2020 be incorporated into the 2019-2020 draft budget and Budget Reduction and Income Generation proposals totalling £695,000 proceed to the formal consultation and scrutiny stages of the budget process. Further details are available on the Council's website using the following link <http://www.wolverhampton.gov.uk/financialstrategy>.

13.2 At this meeting, Cabinet also delegated authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to finalise details of the Council's budget consultation process as part of the budget setting process for 2019-2020. The budget consultation took place from 19 October 2018 to 31 December 2018.

13.3 During the consultation period, there were stakeholder engagement meetings with local communities. The public and Council employee's views were also obtained through an online and booklet survey.

13.4 In addition to the wider budget consultation meetings, additional meetings with representatives from the city's Equality and Diversity Forum, the city's Youth Council, the Business community and Trade Union have been held.

13.5 During November 2018, each Scrutiny Panel reviewed and scrutinised the draft budget 2019-2020 and the budget consultation process. All of these views and observations were then reported to Scrutiny Board on 3 December 2018 and Cabinet on 23 January 2019.

13.6 The results of budget consultation were also reported to Cabinet on 23 January 2019.

13.7 The Budget consultation process concluded that the majority of residents were in favour of all Budget Reduction and Income Generation proposals.

14.0 Five Year Financial Strategy

- 14.1 The Council's strategic approach to address the budget deficit continues to be to align resources to the Council's Corporate Plan 2016-2019. The Council is currently consulting on a new Council Plan covering the period 2019-2024 and the revised priorities within this plan are well aligned to this budget.
- 14.2 One of the outcomes of the new Council Plan 2019-2024 is 'Wulfrunians will live longer, healthier and more fulfilling lives'. Wolverhampton for Everyone is key in delivering the Vision 2030 and will be embedded into the new Council Plan. Wolverhampton for Everyone is a way of working, developed in partnership with the Wolverhampton's voluntary and community sector, which supports local people to unlock potential within their communities and create positive change within the City. One of the proposed initiatives to support Wolverhampton for Everyone is to introduce a Ward Fund of £10,000 per ward as part of a one-year initial pilot during 2019 as announced by the Leader in his State of City Address at Full Council on 30 January 2019. The £200,000 allocation will be funded from Public Health Grant. The funding will be available from May 2019 to May 2020. A further report will be considered at Cabinet on 10 April 2019.
- 14.3 Extensive work has been undertaken to develop a Five Year Financial Strategy to address the deficit over the medium term. The Financial Strategy 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. 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 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:**
 - **Promoting Digital Innovation.** 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.
 - **Reducing 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 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.

15.0 Budget Reduction Proposals

- 15.1 Given the challenging financial environment which the Council finds itself in, a focus on medium term financial planning is vital. Cabinet therefore approved on 17 October 2018, that work continues to identify budget reduction proposals that will work towards the budget challenge to be delivered over the medium term.
- 15.2 Since October 2018, further work has taken place to identify new proposals; categorised as budget reduction, income generation and efficiency proposals. The proposals that have been identified at this stage are summarised in Table 6 below:

Table 6 – New Proposals by Core Workstream

Core Workstream	2019-2020 £000	2020-2021 £000
Sustainable Business Model	(2,350)	-
Efficiencies	(560)	(1,100)
Total	(2,910)	(1,100)

- 15.3 As can be seen from the table above, the Council has currently identified a further £4.0 million proposals towards the budget challenge over the medium term. The proposals have been classified into Budget Reduction proposals - proposals upon which formal consultation is required, and Income Generation and Efficiency proposals – proposals which can be implemented after following internal consultation procedures as set out in HR policies for example or without consultation.
- 15.4 Further details on the proposals can be found in Appendix 4.

- 15.5 It is recommended that Cabinet approve the implementation of the new budget reduction, income generation and efficiency proposals totalling £4.0 million, subject to consultation and equality analysis where necessary.
- 15.6 In order to address the deficit and to enable a Terms and Conditions offer that is affordable and sustainable the Council needs to reduce the pay bill by £2.0 million. Discussions with the Trade Unions have resulted in consultation commencing on four proposals on employee Terms and Conditions. If approved, these proposals will result in a budget reduction of £1.5 million, a shortfall from the original target of £2.0 million. In order to address the shortfall of £500,000, the only option available at this stage in the process is to allocate budget reduction targets to directorates. The targets are detailed in Table 7 below:

Table 7 – Directorate Targets

Directorate	Directorate Target £000
Place	(170)
People	(220)
Corporate	(110)
Total	(500)

- 15.7 In the first instance these targets will be allocated to Heads of Service by a top slice of employee budgets. Heads of Service will be required to urgently identify new budget reduction and income generation proposals to meet the budget reduction targets that they have been allocated.
- 15.8 Progress on the development of budget reduction and income generation proposals will be reported to Councillors in July 2019.
- 15.9 In addition to the new proposals identified above, revisions have been made to existing budget reduction, income generation and budget efficiency proposals as detailed in the following paragraphs.
- 15.10 It is proposed to re-phase elements of the budget reduction targets for Delivering Independent Travel and Digital and Customer Services Transformation Programme from 2019-2020 to future years to reflect the current anticipated delivery timescales.
- 15.11 Following the completion of feasibility works, it is proposed to delete the budget reduction proposal for the development of a commercial opportunity at Northcote Farm. In addition to this it is proposed to delete the budget reduction proposal allocated to the SENSTART team following further review.
- 15.12 Table 8 provides a summary of the financial impact of the proposed revisions.

Table 8 – Revisions to Budget Reduction and Income Generation Targets

	2019- 2020 £000	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000
Re-phasing of proposals					
- Delivering Independent Travel	515	(200)	(315)	-	-
- Digital & Customer Services Transformation Programme	300	350	(150)	(500)	-
Revisions – Deletion of budget reduction Proposals					
- Restructure of SENSTART Team	52	-	-	-	-
- Develop Commercial Opportunity for the use of Northcote Farm	100	-	-	-	-
Revised total	967	150	(465)	(500)	-

16.0 Capital Receipts Flexibilities

- 16.1 In 2016-2017 the Government allowed councils to use new capital receipts from April 2016 to March 2019 to pay for transformation work that is designed to make revenue savings. The provisional settlement 2018 announced the continuation of this flexibility for a further three years.
- 16.2 On 16 January 2018, Cabinet (Resources) Panel approved that capital receipts flexibilities are utilised beyond 2018-2019 to enable further transformation of services to deliver efficiencies.
- 16.3 The Capital Programme, as presented to Councillors for approval at this meeting, therefore includes assumptions about the level of capital receipts to be generated in 2019-2020 and the use of capital receipts to pay for revenue set up costs of transformational projects that are designed to make revenue budget reductions. This is also reflected in the MTFS.
- 16.4 Throughout the year, capital receipts generated will be reviewed and the opportunities to use capital receipts to fund transformational work will be maximised. The first call on any capital receipts available, above that which is already budgeted for, will be to fund the costs of redundancy.

17.0 Local Funding Formula for Schools

- 17.1 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.

- 17.2 2019-2020 is a continuation of this implementation period and further amendments have been made to the local formula. In September 2018, the Department of Education published indicative funding levels for 2019-2020 Dedicated Schools Grant (Schools Block) (DSG). On 19 December 2018, the Department for Education made a further announcement regarding the 2019-2020 allocations.
- 17.3 The Council is required to seek approval for the amendments to the local funding formula in line with the guidance and recommendations from Schools Forum. A formal consultation exercise was undertaken from 25 October to 15 November, and the outcome was reported back to Schools Forum in December 2018. Schools Forum on 17 January 2019 approved the formula for school.
- 17.4 In line with the Schools Revenue Funding 2019-2020 Operational Guidance, delegation of authority to the Cabinet Member for Resources and Cabinet Member for Education, in consultation with the Director of Finance and Director of Education is sought to approve proposed changes to local funding formula including method, principles and rules adopted.

18.0 Updated Budget and Medium Term Financial Strategy

Budget 2019-2020

- 18.1 The net budget requirement for 2019-2020 for the General Fund Services is £234.9 million. In the opinion of the Director of Finance (Section 151 Officer) the 2019-2020 budget estimates are robust. The Council's proposed budget for 2019-2020 does not require the use of general reserves in order set a balance budget.
- 18.2 The Council's proposed budget for 2019-2020 is shown at Table 9. The updated 2019-2020 budget incorporates the extensive budget preparation work that has been ongoing in recent months.

Table 9 Draft 2019-2020 Budgets

Service	2019-2020 draft net controllable budget £000
Strategic Director People including Commissioning	4,589
Children and Young People	51,842
Adult Services	62,105
Public Health and Wellbeing	48
Director of Education	5,898
Corporate Services	14,028
Governance	2,590
Managing Director including Corporate Business Support	5,208
Corporate Budgets*	39,690
Strategic Director Place	623
Regeneration	5,955
Commercial Services	17,870
City Housing	974
Public Health Reform	3,629
City Environment	19,885
Total net budget requirements	234,934

Note – the budgets above reflect the current Council structure, these will be realigned to reflect the new organisational structure, that is due to be reported to Cabinet on 20 March 2019, during 2019-2020.

*Directorate targets totalling £500,000 (as detailed in Table 7) are held against Corporate Budgets until proposals have been developed.

Medium Term Financial Strategy 2020-2021 to 2023-2024

- 18.3 Table 10 details the MTFs projections for the period to 2023-2024. It incorporates extensive budget preparation work that has been ongoing in recent months for the period up to 2023-2024, in addition to those adjustments arising as a result of changes in assumptions, as detailed in this report.
- 18.4 The table details incremental changes to forecast expenditure, starting from the base position of the 2018-2019 budget. The forecast expenditure is then compared with anticipated resources available to arrive at the projected deficit.
- 18.5 The Council is now faced with finding further projected budget reductions estimated at £27.3 million in 2020-2021, rising to £40-50 million over the medium-term period to 2023-2024.
- 18.6 As detailed in section 4, due to the uncertainty the Council currently faces, it is particularly challenging to establish a MTFs beyond 2019-2020. Expenditure forecasts

include significant estimates of growth in social care due to demand and the rising costs of services, clearly any change to these estimates will have a significant impact on the forecast budget deficit over the medium term. These key estimates, along with all others, will be refined as more information is available.

- 18.7 A number of assumptions have been made with regards to level of resources that will be available to the Council. It is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period, especially given that Government consultations on the Reform to the Business Rates Retention Scheme and the Review of Relative Needs and Resources are currently ongoing. At the point that further information is known it will be incorporated into future reports to Councillors. Sections 3 to 17 outline the current assumptions in respect to grants and tax raised locally. 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.
- 18.8 Work has already started to identify additional budget reductions to address the projected budget deficit of £40–50 million over the medium term. It is proposed an update on progress on tackling the projected deficit is reported to Cabinet in July 2019.
- 18.9 It is important to note that the updated projected budget deficit assumes the achievement of budget reduction and financial transaction proposals amounting to £9.6 million over the five-year period from 2019-2020 to 2023-2024. Having identified budget reductions in excess of £220.0 million over the last eight financial years, the extent of the financial challenge over the medium term continues to represent the most significant that the Council has ever faced.

Table 10 - Medium Term Financial Strategy 2019-2020 to 2023-2024

	2019- 2020 £000	2020- 2021 £000	2021- 2022 £000	2022- 2023 £000	2023- 2024 £000
Previous Years Net Budget Brought Forward	229,140	234,934	258,621	270,010	279,406
Increasing/(Decreasing) Cost Pressures					
- Pay Related Pressures	6,042	4,900	5,074	5,249	5,426
- Treasury Management	9,544	1,436	1,174	(279)	-
- Budget Growth	9,742	7,931	5,606	4,926	4,826
- Budget Reduction, Income Generation & Financial Transactions	(18,095)	9,420	(465)	(500)	-
- Net Impact on changes to specific grants	(1,439)	-	-	-	-
Net Budget (Before Use of Resources)	234,934	258,621	270,010	279,406	289,658
Projected Corporate Resources					
- Council Tax (including Adult Social Care Precept)	(103,486)	(106,601)	(109,810)	(113,114)	(116,519)
- Enterprise Zone Business Rates	(2,800)	(2,700)	(1,530)	(1,490)	(1,450)
- Top Up Grant	(26,152)	(26,152)	(26,152)	(26,152)	(26,152)
- Business Rates (net of WMCA growth payment and Collection Fund deficit)	(71,931)	(72,904)	(74,383)	(75,890)	(77,428)
- New Homes Bonus	(2,080)	(1,326)	(568)	(265)	-
- Section 31 Grant – Business Rates support	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)
- Improved Better Care Fund	(12,947)	(11,000)	(11,000)	(11,000)	(11,000)
- Winter Pressures – Adult Social Care	(1,376)	-	-	-	-
- Social Care Grant (Adults & Childrens)	(2,351)	-	-	-	-
- Levy Account Surplus (2018-2019)	(1,200)	-	-	-	-
	(234,934)	(231,294)	(234,054)	(238,522)	(243,160)
Projected Budget Annual Change in Budget Deficit / (Surplus)	-	27,327	8,629	4,928	5,614
Projected Cumulative Budget Deficit	-	27,327	35,956	40,884	46,498

19.0 General Fund Reserves

19.1 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.

19.2 General Fund Balances

19.3 The Council's General Fund Balance stands at £10 million; this is the minimum balance as determined in the Council's Reserves and Balances Policy. As detailed in paragraph 18.1 the Council is able to set a balanced budget for 2019-2020 without the use of General Fund Reserves.

19.4 Emphasis therefore 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 10 without calling on general reserves.

19.5 Specific Reserves

19.6 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. The Director of Finance has given regard to the data provided through the CIPFA Resilience Tool when assessing reserve levels. 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, (in addition to the General Fund Balance discussed in 19.3).

19.7 The specific utilisation of reserves is subject to approval by Cabinet (Resources) Panel. In addition, the Specific Reserves Working Group (a sub group of Confident, Capable Council Scrutiny Panel) review and scrutinise the balances and movements in the Council's specific reserves to ensure that they are appropriately established and required. The group make recommendations or comments to Cabinet on matters arising from the review and scrutiny of specific reserves.

19.8 There are a number of reserves held as Corporate Reserves which are set aside to provide capacity for developments to enable financial sustainability.

19.9 The budget includes multiple challenging targets which will be monitored closely, in the event that they are not delivered during the year then the Budget Contingency reserve will be utilised to protect general reserves / balances.

20.0 Budget Risk Management

- 20.1 Table 11 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 2019-2020 Budget and Medium Term Financial Strategy 2019-2019 to 2023-2024 is assessed as Red.

Table 11 – General Fund Budget Risks 2019-2020 to 2023-2024

Risk	Description	Level of Risk
Medium Term Forecasting	Risks that might materialise as a result of the impact of 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 services outstretching the available resources. This risk often applies to adults and childrens social care.	Red
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	<p>Risks that might materialise as a result of the Comprehensive Spending Review 2020 and the Fair Funding Review</p> <p>Risks that might materialise as a result of income being below budgeted levels, claw back, reduction to government grant or increased levels of bad debts.</p> <p>The risk of successful appeals against business rates.</p>	Red
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 as a result of changes to Government policy including changes in VAT and taxation rules, the impact of exiting the European Union and, in particular, from the Care Bill.	Amber

21.0 Evaluation of alternative options

21.1 In determining the proposed Five Year Financial Strategy, 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 2019-2020.

22.0 Reasons for decisions

22.1 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.

23.0 Financial Implications

23.1 The financial implications are discussed in the body of the report.
[MH/12022019/K]

24.0 Legal Implications

24.1 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.

24.2 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.

24.3 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.

24.4 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).

24.5 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.

24.6 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.

24.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2018-2019.
[TS/08022019/S]

25.0 Equalities implications

25.1 The council's annual budget and medium term financial strategy supports a range of services designed to meet key equalities objectives. A summary equalities analysis (based on individual equality analysis of each individual proposal) has been conducted on the budget proposals described by this report. This can be found on the Council's website via the following link: <http://www.wolverhampton.gov.uk/financialstrategy>.

25.2 Councillors must 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.

26.0 Environmental Implications

26.1 There are no relevant environmental implications arising from this report.

27.0 Health and Wellbeing Implications

27.1 There are no relevant health and wellbeing implications arising from this report.

28.0 Corporate Landlord Implications

28.1 There are no relevant corporate landlord implications arising from this report.

29.0 Human resources implications

- 29.1 In line with the Council's statutory duties as an employer under the Trade Union Labour Relations (Consolidation) Act 1992, an HR1 form was issued to the Secretary of State for Business, Innovation and Skills identifying the intention to reduce employee numbers by up to 500 across the Council in the period 1st April 2018 up to 31 March 2019. A further HR1 will be issued on 1 April 2019 for the period 1 April 2019 – 31 March 2020. This will identify a further 500 posts. The reductions will be through both voluntary redundancy and budget reduction targets which could result in compulsory redundancies.
- 29.2 The numbers included in an HR1 include posts held by colleagues who, as part of business review, redesign and/or restructure, need to be included, as they will need to be put at risk of redundancy. However, many of these employees will apply and be offered jobs in the new structure or elsewhere in the organisation and therefore the number of employees leaving the authority is anticipated to be far fewer than the number declared on an HR1.
- 29.3 As part of the ongoing transformation of the Council, although many services are being, or will be, redesigned, it is not anticipated that as many employees will exit the organisation as in previous years. Changes to the make up of teams and alternative ways of working will require services to be restructured, but numbers will not reduce as significantly as they have done previously.
- 29.4 As detailed in the report, budgetary reductions will be made through efficiencies with new and smarter ways of working and transformation initiatives. Amendments to employees terms and conditions of employment will also contribute and income generation will be key.
- 29.5 If any reductions in employee numbers are required, these will be achieved in line with the Council's HR policies. Compulsory redundancies will be mitigated as far as is possible through seeking voluntary redundancies in the first instance, and through access to redeployment.
- 29.6 The Council will ensure that appropriate support is made available to employees who are at risk of and selected for redundancy, and will work with partner and external agencies to provide support. Budget reduction targets to move service delivery from direct Council management to private, community or third sector providers may have implications under the TUPE regulations. If TUPE were to apply, appropriate consultation with relevant Trade Unions and affected employees, would take place.
- 29.7 The Council commenced consultation with the recognised Trade Unions on 28 January 2019 to propose the implementation of a new pay model and revisions to NJC terms and conditions of employment. If the proposals are agreed these will be implemented on 1

April 2019. A formal consultation process is being followed to ensure that meaningful consultation is undertaken.

- 29.8 There is on-going consultation with the trade unions on the impact of the Council's budgetary position and the targets being made to meet the challenges posed by it. [HR/DP/AS/075]

30.0 Schedule of Background Papers

Individual Decision Notice, 30 January 2019 - Final Business Rates Yield 2019-2020

Cabinet, 23 January 2019 - Draft Budget and Medium Term Financial Strategy 2019-2020 – Provisional Local Government Finance Settlement Update

Cabinet, 23 January 2019 - Collection Fund Estimated Outturn 2018-2019

Cabinet, 23 January 2019 - Council Tax Base and Business Rates (NDR), net yield 2019-2020

Cabinet 23 January 2019 - Budget 2019-2020 – Outcome of Budget Consultation and Scrutiny Review

Cabinet, 17 October 2018 - Draft Budget and Medium Term Financial Strategy 2019-2020

Cabinet, 11 July 2018 - Draft Budget and Medium Term Financial Strategy 2019-2020

Full Council, 7 March 2018 - Budget and Medium Term Financial Strategy (MTFS) 2018-2019 to 2019-2020

31.0 Appendices

Appendix 1 – Budget Preparation Parameters

Appendix 2 – Council Element of Council Tax for 2019-2020 per Band

Appendix 3 – Collection Fund Outturn Analysis

Appendix 4 – Budget Reduction, Income Generation and Efficiency Proposals

Appendix 5 – Budget Pressures