

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 18 October 2023
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Report title	Draft Budget 2024-2025 and Medium Term Financial Strategy	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
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	19 September 2023

Recommendations for decision:

The Cabinet is recommended to approve:

1. The draft budget strategy and medium-term financial strategy which underpins Our City, Our Plan, including changes to corporate resource assumptions, growth and inflation and budget reduction and income generation proposals.
2. That authority be delegated to the Cabinet Member for Resources and the Cabinet Member for Job, Skills and Education, in consultation with the Director of Finance and the Director of Children Services, to approve changes to the local funding formula for Schools including method, principles and rules adopted.
3. That authority be delegated to the Director of Finance to agree the Memorandum of Understanding (MoU) with Government for the ten-year, 100% Business Rates Retention for the West Midlands, in accordance with the Trailblazing Devolution Deal.

Recommendations for noting:

The Cabinet is asked to note:

1. That, due to external factors, budget assumptions remain subject to change which could, therefore, result in alterations to the financial position of the Council. This includes assumptions with regards to the level of resources that will be available to the Council. Any reduction in Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit over the medium term.
2. That it is forecast that the budget deficit is £2.6 million for 2024-2025, rising to over £20 million in 2025-2026 and that work will continue to be undertaken to bring forward proposals to set a balanced budget for 2024-2025 and deliver a sustainable medium term financial strategy whilst seeking to maintain our ambition for the City in line with Our City: Our Plan.
3. The Council has a good track record of strong financial management. However, as a consequence of the level of uncertainty across both demand for services and funding levels, the overall level of risk associated with the Draft Budget and Medium-Term Financial Strategy continues to be assessed as Red.

1.0 Purpose

- 1.1 The purpose of this report is to provide Councillors with an update on the Draft Budget for 2024-2025 and the Medium Term Financial Strategy (MTFS) and agree the next steps that will be taken in order to address the financial pressures faced by the Council over the medium term.
- 1.2 This is the second report of the financial year on the 2024-2025 draft budget.

2.0 Background

- 2.1 Local authorities across the country are struggling with unprecedented financial challenges with reduced income and increased demands. Councils are also faced with additional uncertainty of factors such as the ongoing cost of living crisis and rising inflation. A rising number of councils have issued Section 114 notices meaning they are can no longer set a balanced budget. It is anticipated that additional authorities will be in the same position in the coming months.
- 2.2 The City of Wolverhampton Council continues to demonstrate a strong track record of managing our money well, setting a balanced budget for nine consecutive years without the need to use general fund balances. This is despite the need to identify budget reductions in the region of £240 million over the last thirteen budget setting processes. This report will demonstrate that we are making good progress towards setting a balanced budget for 2024-2025, however, we cannot be complacent, the financial challenges will be significant over the medium term. Many councils are seeing budget pressures relating to Adult and Children's social care, temporary and supported accommodation, and home to school transport. We are also experiencing these pressures, and whilst currently they are being contained within the overall budget this will become increasingly difficult with projected further demand pressures in coming years.
- 2.3 The budget report to Full Council on 1 March 2023 projected that the Council would be faced with finding further estimated budget reductions totalling £16.4 million in 2024-2025, rising to £23.1 million by 2025-2026.
- 2.4 On 26 July 2023, Cabinet received a further update on 2024-2025 draft budget. It was reported that whilst we continue to operate with the uncertainty of cost pressures due to inflationary pressures and rising demand for social care, along with the uncertainties of the level of resources that will be available to the Council, work was underway to develop a budget strategy that will enable the Council to balance the budget for 2024-2025.
- 2.5 This report provides an update on the progress towards the budget strategy for 2024-2025, taking into account the latest information available on the external factors identified and other emerging pressures that are faced by the Council.

3.0 Our City, Our Plan

- 3.1 The Council's strategic approach to address the budget deficit is to align resources to Our City, Our Plan which was approved by Full Council on 1 March 2023.

3.2 Our City: Our Plan sets out the six overarching priorities which will guide the Council's approach to ensure Wulfrunians will live longer, healthier lives, with an additional priority looking at how the Council operates. These are:

- Strong families where children grow up well and achieve their full potential
- Fulfilled lives for all 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
- Our Council

3.3 Our six overarching priorities are supported by three cross cutting principles:

- Climate Action. The plan is aligned to the Council's climate change strategy 'Future Generations' and our target to make the Council net carbon zero by 2028. Reducing carbon emissions will continue to be a local and national priority.
- Driven by Digital. Wolverhampton is at the forefront of digital infrastructure and innovation, and now more than ever we have seen the importance of digital skills and connectivity to social and economic participation for the City's residents.
- Fair and Equal. The Council will continue to tackle the inequalities in our city which impact on the opportunities of local people. The plan is aligned to our Equality, Diversity and Inclusion strategy which is underpinned by directorate level action plans.

3.4 The City of Wolverhampton Council has an excellent track record of managing our money well. 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.

4.0 Draft Budget and Medium Term Financial Strategy

4.1 On 26 July 2023, Cabinet received a further update on the draft budget for 2024-2025. The report outlined the areas of work ongoing in order to set a balanced budget for 2024-2025 along with emerging pressures and uncertainties faced by the Council.

4.2 The assumptions used in the preparation of the Budget and MTFs remain under constant review and update. There remains significant uncertainty around the impact of rising inflation, the cost of living crisis on both the Council directly and on our residents and businesses. In addition, the Council, like many other authorities, is experiencing an increase in demand lead services, such as social care, temporary and supported accommodation and home to school transport.

- 4.3 Work has also been ongoing to estimate the impact of these uncertainties and emerging pressures on the 2024-2025 budget and MTFS. This report details the changes to corporate resource assumptions, growth and inflation, budget reduction targets and one-off opportunities and outlines the steps that will be taken to address the current forecast budget deficit.
- 4.4 Along with due diligence on the assumptions outlined in this report, work will also continue to identify measures which will provide a suitable budget strategy and set a balanced budget for 2024-2025, with proposals being brought back to Cabinet as soon as possible.

Corporate Resources

- 4.5 It was reported to Cabinet in July that the Collection Fund out-turn for 2022-2023 was more favourable than anticipated, resulting in a one-off benefit in 2024-2025 of £5.6 million. This has been reflected in the updated projections for the budget. Our assumptions about collection rates for both council tax and business rates for 2024-2025 will be kept under review, taking into account the improved position from last year but also the impact of the cost of living crisis on our residents and businesses.
- 4.6 On an annual basis the Government calculate the core spending power of local authorities. The core spending power is a measure of the resources available to local authorities to fund service delivery, including council tax, locally retained business rates and government grants.
- 4.7 There are a number of factors impacting on projected income for next year including:
- Inflationary increase on the business rates multiplier
 - Impact of the 2023-2024 business rates revaluation and any adjustments to the multiplier
 - Impact of the Non-Domestic Rating (NDR) Bill currently before Parliament
 - Inflationary increases on grants
- 4.8 Funding forecasts have been reviewed and a number of scenarios have been modelled reflecting different assumptions about inflationary uplifts on our top up grants and section 31 grants. For the purposes of this budget strategy, and in recognition of the uncertainties around our issues mentioned above, the mid case has been used, which assumes an inflationary uplift to 3%. This will result in an additional income of £1.0 million for 2024-2025, when compared to the previous assumptions.
- 4.9 In addition, in line with Government referendum levels, our current working assumption is that Council Tax will be increased to the referendum level set by Government which is 4.99% on 2023-2024 levels. This includes 2% in relation to Adult Social Care. This would generate projected additional income of £2.5 million for 2024-2025 compared to the previous MTFS.

One off use of grants / use of reserves

- 4.10 It was reported to Cabinet on 12 July 2023 in the Performance and Budget Outturn 2022-2023 report that the Council has once again managed its money well and, that due to the effective financial management, £5.8 million was transferred into the Future Years Budget Strategy Reserve to support in-year efficiency targets held corporately and the forecast budget deficit for 2024-2025.
- 4.11 The requirement on this reserve for 2023-2024 will be kept under review and reported to Cabinet in the Performance and Budget Monitoring 2023-2024 reports. However, current working assumptions are that £3.2 million of this reserve will be available in 2024-2025 as a one-off to support the budget deficit.

Changes to Growth, Inflation and development

- 4.12 As previously reported to Cabinet, we continue to operate with the uncertainty of cost pressures due to inflationary pressures, the cost of living crisis and increasing demand for social care, and other demand driven services. The current MTFs currently assumes significant growth for inflation and demand totalling £29.1 million for 2023-2024 and a further £12.1 million in 2024-2025.
- 4.13 The level of growth has been reviewed to determine if there is any scope to reduce this over the medium-term. A review has been undertaken and it is currently proposed that a total of £5.8 million (of which £3.4 million is recurrent) be released to support the 2024-2025 budget. This consists of:
- £3.6 million (£1.8 of which is recurrent) from the growth held to support any additional pressures in Waste Services from Energy from Waste (EfW) Plant. The contract negotiated for the EfW was more favourable than was anticipated at the time of budget setting.
 - Revisions to the growth held to support energy costs. The 2023-2024 budget built into significant growth for energy costs totalling £3.7 million, the MTFs includes a further £800,000 for 2024-2025 to cover any further inflationary increases. Whilst prices continue to rise, the growth built in for 2023-2024 is currently projected to be sufficient both in-year and 2024-2025, and therefore it is proposed to reduce the 2024-2025 growth by £600,000.
 - £300,000 revision to the growth built in for lost income post covid in parking services due to an improvement in the level of income generated.
 - £200,000 reduction in the growth held to fund the business rates for Council owned properties.
 - Reprofile of the growth held corporately of £1.0 million (of which £500,000 recurrent) to support council priorities.
 - Reprofile £75,000 of growth held for the Wolverhampton local plan into later years.
- 4.14 Like other local authorities, Wolverhampton is seeing significant increases in both the costs and demand for Adult and Children's Social Care. The current MTFs already

assumes growth of £11.7 million for Adult Social Care for 2024-2025, which is linked to the projected increase in social care grants from Government. Current projections indicate that this should be sufficient, but this will be kept under review. However, it is important to note that if these grants do not increase in line with projections, this could increase the projected deficit.

- 4.15 In terms of Children's Services, the transformative projects and programmes have achieved significant and positive changes to children and young people living and learning in Wolverhampton. In July 2023, it was reported to Cabinet that there had been a slight increase in the overall number of children and young people in care, in particular we have seen a small increase in the number of complex high-cost residential placements. It is therefore proposed that growth of £1.0 million be built into the MFTS for 2024-2025. This working assumption will be kept under review and updates provided in future reports.
- 4.16 As previously reported to Cabinet, the Council has seen significant cost pressures due to increased demand for temporary and supported accommodation, both within New Communities and Homelessness and Housing Benefits and Subsidy. In response £2.0 million was built into the 2023-2024 budget. It was reported in July 2023 that this growth is currently sufficient to meet the forecast cost pressures within 2023-2024. However, due to the significant uncertainty in relation to future demand it is considered prudent to build in further growth of £300,000 for 2024-2025.
- 4.17 The 2023-2024 budget incorporates a one-off budget to support residents struggling with Council Tax payments, aligned to the Financial Wellbeing Strategy. It is proposed that £300,000 is built into the 2024-2025 budget in order that the Council can continue to provide this support to our residents.
- 4.18 Other emerging pressures have been identified including winter gritting (£350,000), #Yes (£300,000), HRA recharges (£240,000) and training, development & recruitment systems (£194,000). Current projections indicate that these could total in the region of £1.1 million.

Treasury Management

- 4.19 The treasury management budget has been reviewed in light of an updated profile of the capital programme, changes to projected interest rates and income anticipated from dividends. The MFTS has been updated to reflect the latest position. Work will be undertaken to review the capital programme and headroom for ongoing investment to underpin our continued ambition for the city.

Changes to Pay Related Pressures

- 4.20 At the time of writing this report negotiations are still ongoing in respect of the 2023-2024 pay award. The 2023-2024 budget makes provision for a 5% pay award. Cabinet approved that, in the event that the pay award is in excess of 5% and in-year efficiencies cannot be identified to fund any shortfall, the Budget Contingency / Re-organisation

Reserve will be called upon to fund any in-year shortfall and any recurrent pressures will be built into the MTFS. The assumptions in the MTFS are considered to be reasonable.

- 4.21 However, in light of the ongoing cost of living crisis and high inflation, the provision of 2% currently assumed in the MTFS for a 2024-2025 pay award has been reviewed and it is proposed to increase this provision to 3%. These assumptions will be kept under review and updated in future reports if required.
- 4.22 In March 2019, Full Council approved changes to the Terms and Conditions offer in order to reduce the Council's pay bill. This resulted in the introduction of 3 days mandatory unpaid leave equating to a deduction of 1.15% from employee salaries.
- 4.23 Due to the cost of living rise and subsequent financial pressures for employees, a review of mandatory unpaid leave has been undertaken. It is proposed that mandatory unpaid leave is removed to ensure fairness for our employees and support with the cost of living challenges. The proposed removal of mandatory unpaid leave will mean employee's pay will increase by 1.15% per annum – for some of our lowest paid employees this equates to an additional £235.00 gross in their pay packet in addition to any pay award being paid (currently outstanding for NJC for 2023-2024). A further report will be taken to Cabinet on this proposal with full detail on the implications. Subject to this further report and final budget approval, this proposal will be implemented from April 2024, and the total cost of this proposal is estimated to be in the region of £1.8 million.

5.0 Financial Strategy

- 5.1 The Financial Strategy, approved by Council in March 2019 consists of five 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.
- 5.2 With these core principles in mind, the Council's Leadership Team has been carrying out extensive work in order to identify proposals to support the medium-term financial strategy. Work is ongoing across the following themes:
- Our assets

- Procurement and contracts – particularly focused on embedding the Wolverhampton Pound approach
- Income collection, debt management and recovery
- Business processes
- Digital and data
- Delivery models
- Income generation including fees and charges
- Human resources and occupational development
- Invest to save opportunities

- 5.3 In March 2023, Full Council approved the inclusion of efficiency targets in recognition of the in-year efficiencies that have been delivered over a number of years across services, without impacting on the delivery of Council priorities.
- 5.4 In July 2023, it was reported to Cabinet that work was ongoing to understand the performance against the £6.2 million target held corporately for 2023-2024, and that in the event that efficiencies cannot be identified in-year, the Future Years Budget Strategy Reserve will be used to fund any gap. This work has now progressed and the Performance and Budget Monitoring report which will be presented to Cabinet in November will seek approval to allocate this target across services, of which £2.0 million will be allocated on a recurrent basis and £ 4.2 million on a one-off basis.
- 5.5 The current MTFS increases the target by a further £2.6 million in 2024-2025. Work is currently underway to ensure that these are delivered and that budgets can be adjusted accordingly before April 2024.

Budget Reduction and Income Generation Targets

- 5.6 In July 2023, it was reported that additional income had been collected from commercial waste collection and disposal activity, as well as income from energy generated from the Energy from Waste Plant. It is projected that this income will continue into the foreseeable future and therefore an income target of £1.0 million has been incorporated into the MTFS.

Revision to Budget Reduction Targets

- 5.7 The Budget and MTFS approved by Full Council in March 2023, incorporates recurrent budget reduction and income generation targets. A review has been undertaken on these existing targets to ensure that they remain deliverable over the medium term. It has been determined that £393,000 of savings will not be delivered as originally planned. It is therefore proposed that these are deleted from the MTFS.

6.0 Updated forecast position – Draft Budget Strategy 2024-2025 and MTFS

- 6.1 The overall impact of the revisions to the 2024-2025 draft budget, arising from the items detailed in the paragraphs above have been reflected in the table below.

6.2 As can be seen in the table below, the projected budget deficit for 2024-2025 is currently forecast to be in the region of £2.6 million for 2024-2025. Work is ongoing to project the forecast deficit over the medium term to 2025-2026, which is currently estimated to be in the region of £22 million. Working is also ongoing to roll-forward the budget assumptions to 2026-2027. Further detail will be provided in future reports to Cabinet.

	2024-2025 £000
Previous Years Net Budget brought forward	306,414
Increasing / Decreasing Cost Pressures	
• Growth for Pay related pressures	10,645
• Growth for inflation, demand and development	7,680
• Use of one-off reserves	(3,200)
• Reversal of prior year one off Budget Reduction and income generation proposals	9,830
• Budget Reduction and Income Generation proposals	(3,600)
• Revisions to existing budget reduction targets	393
Forecast annual budget requirement	328,162
Projected Corporate Resources	(325,568)
Projected Annual Budget Deficit	2,594

6.3 The assumptions used in the preparation of the budget and MTFS remain under constant review and update. Work will continue over the coming months to review all assumptions in the MTFS and a further update will be presented to Councillors.

6.4 Significant work is required to ensure that the budget can be balanced. Every effort will be made to ensure that there is no impact on service delivery. The following outlines the main workstreams that are being undertaken:

- Continuing to model assumptions around the areas of uncertainty, including inflation, pay award, demand for services and government funding
- Reviewing Council Tax and Business Rates assumptions and related grants
- Impact of emerging priorities
- Review of budgets held corporately
- Review of the Capital Programme requirements and the Treasury Management budget
- Review of historic trends in underspends across services
- Consideration of savings targets across the council as a last resort

7.0 Reserves

- 7.1 Reserves are resources that the Council has accumulated over time. They are an integral element of our budget setting process, and medium-term financial plan. They play a vital role in the financial management and financial sustainability of the Council. We use reserves to help mitigate the risks that we face as well as to fund specific planned expenditure.
- 7.2 On 1 March 2023, Full Council approved the Reserves Strategy which provides details of which reserves are held by the Council, their planned use, and the governance arrangements.
- 7.3 In line with our Reserves Strategy, the Council's general fund balance was increased at the end of 2022-2023 by £1.7 million taking it to £15.3 million to present 5% of the 2023-2024. In addition, the Council holds earmarked reserves which are held to manage specific risks or to fund specific projects.
- 7.4 As previously reported to Cabinet, in July 2023, Government launched the Office for Local Government (Oflog) with a vision of 'to provides authoritative and accessible data and analysis about the performance of local government and support its improvement.' One of the initial sets of performance data published is around finances and includes data on the level of reserves held by local authorities. The data published indicates that the council has a lower figure that then national median and the median of the CIPFA nearest neighbours in respect of non-ringfenced reserves. This data will continue to be analysed in more detail, and will be used, where helpful to inform a review of our reserves, in line with the Reserves Strategy.
- 7.5 On an annual basis the Resources and Equality Scrutiny Panel scrutinise the use of reserves as part of the 2024-2025 budget setting process. This is currently scheduled to take place in December 2023.

8.0 Funding Formula for Schools

- 8.1 In April 2018, a new national schools funding formula was implemented, and 2018-2019 was the first year of a transitional period moving towards the implementation of a National Funding Formula (NFF) for schools.
- 8.2 2024-2025 will be a continuation of this implementation period and local authorities are still required to set a local funding formula. The Schools Block Dedicated Schools Grant (DSG) allocation for 2024-2025 will be announced in December 2023.
- 8.3 The agreed local funding formula for 2023-2024 fully adopted the same factors as the National Funding Formula. The local funding formula for 2024-2025 will be agreed with School Forum at their meetings during the period of December 2023 to February 2024.
- 8.4 In line with the Schools Revenue Funding 2024-2025 Operational Guidance, this report seeks approval to delegate authority to the Cabinet Member for Resources, and Cabinet Member for Job, Skills and Education, in consultation with the Director of Finance and

Director of Children's Services to approve proposed changes to local funding formula including method, principles and rules adopted.

9.0 Business Rates Retention

- 9.1 In 2016, Cabinet approved that the City of Wolverhampton, as one of the Constituent Members of the West Midlands Combined authority (WMCA), will participate in a business rates retention pilot from April 2017, at no financial detriment.
- 9.2 This agreement allows the pilot to benefit from 100% of the Business Rates generated within the respective regions, compared with 50%, in exchange for forgoing Revenue Support Grant (1% of local business rates income under both the national and pilot schemes is retained by the West Midlands Fire and Rescue Authority).
- 9.3 This agreement was initially expected to be a short-term pilot in advance of the national roll-out of 100% business rates retention. However, the arrangement has been rolled forward under the same terms and considerations on an annual basis and remains in effect during 2023-2024.
- 9.4 As part of the West Midlands Deeper Devolution Trailblazer Deal, Government has offered to Local Authorities forming both the West Midlands and Greater Manchester Combined Authorities only, the opportunity to extend the arrangements on a more permanent basis, for ten-years commencing April 2024.

April 2017- Pilot Agreement

- 9.5 Under the 2017-pilot arrangement, the WMCA benefits from a share of Business Rates growth in the region. As this was a fundamental change to local authorities funding, Government provided a 'no detriment guarantee' which would be triggered if the resources generated for the West Midlands authorities dropped below what would have been yielded under the national scheme (50% retention). This clause would only be triggered if collectively across all local authorities there is a detriment, it would not be triggered on an individual authority basis.
- 9.6 The pilot also contains an enhanced 'safety net' level for each authority of 97% of its Baseline Funding level, compared to 92.5% nationally, to reflect the increased exposure to Business Rates risk by way of 100% retention.
- 9.7 The 2016 Devolution Deal with Government (which is effectively the catalyst for the WMCA and the associated Investment Programme) included an arrangement whereby the WMCA would benefit from a share of Business Rates growth in the region. Whilst the Devolution Deal itself suggested this was for a term of five years, it is considered by HM Treasury consented to principles underpinning the 30-year arrangement.
- 9.8 The annual share of growth to the WMCA is currently distributed between the seven local authorities based on the total rateable value of each area (pro-rata).

Ten Year Retention Offer

- 9.9 As detailed above, Government are offering local authorities forming WMCA and Greater Manchester Combined Authority, the ability to retain 100% Business Rates for a further ten-year period.
- 9.10 The process for entering into this arrangement will require agreement to a new Memorandum of Understanding (MoU). The MoU sets out the parameters for how this funding stream will be managed over the period for which it is effective. The key factors of the agreement are highlighted in Appendix 1.
- 9.11 It is the opinion of the Director of Finance that the proposed arrangement will be beneficial for the West Midlands Local Authorities.
- 9.12 This report seeks approval to delegate authority to the Director of Finance to enter into a MoU with Government for the ten-year, 100% Business Rates Retention for the West Midlands, in accordance with the Trailblazing Devolution Deal.
- 9.13 The proposed arrangement has no immediate impact on the assumptions in the budget and MTFS.

10.0 Uncertainties and Emerging Pressures

- 10.1 There continues to be significant uncertainty, such as the cost of rising inflation, demand for services and impact of the pay award, and the level of resources that will be made available to the Council over the medium term.
- 10.2 As detailed in section 4, at the time of writing this report, the pay award for 2023-2024 has not yet been agreed. The 2023-2024 budget incorporates growth to support a pay award of 5%, however, if the 2023-2024 pay award exceeds this, this will have an impact on the 2024-2025 budget and MTFS. In addition, the current MTFS assumes a 2% provision for future pay awards. In order to be prudent this has been increased by a further 1% to 3% for 2024-2025. This will be kept under review and updates provided to Councillor in future reports.
- 10.3 Inflation and the increasing cost of living is considered to be a significant risk, not only the direct costs of the council but on our businesses and residents. This will continue to be monitored and updates provided in future reports.
- 10.4 As detailed in paragraphs 4.14 and 4.15, there is also considerable uncertainty around the cost of social care over the medium term due to the increase in demand for services, impact of the fee uplift, the pandemic and the increasing cost of living. The MTFS has been updated to reflected these projected pressures, however, this will be kept under review.
- 10.5 In addition, on this same agenda there is a report on 'Events City' a new five year strategy for Wolverhampton, which requires additional investment. Whilst this is not yet

assumed in the working assumptions, work is being undertaken to determine an optimum funding strategy which may in the short term utilise appropriate reserves. Wherever possible, the aim will be, as the strategy sets out, to offset this expenditure through income from commercial events and external grant-funding. This will be kept under review with updates in future reports.

- 10.6 We continue to be ambitious for the City and seeking to invest in the future of the City. In order to continue to invest and in light of the challenging financial climate the council will seek to maximise external funding opportunities, ensure that our current assets are financial efficient and ensure that business cases for investment demonstrate income generation outcomes where appropriate.
- 10.7 The budget and MTFs incorporates efficiency targets which are held corporately in recognition of the in-year efficiencies delivered across a number of services. As detailed in section 5, the current MTFs incorporates corporate efficiency targets totalling £6.2 million in 2023-2024, which increases by a further £2.6 million in 2024-2025. Work is ongoing to understand performance against this target both on a one-off and recurrent basis.
- 10.8 The 2023-2024 funding settlement was for one year only and whilst it provided some high level indications for 2024-2025, such as national figures for Social Care grants, it did not provide confirmation of our allocation beyond 2023-2024. In addition, the impact of the changes proposed in the Non-Domestic Rating (NDR) bill as outlined in section 4 is likely to have implications on our section 31 grants and top up grants. In order to develop a budget strategy, a number of assumptions have been made on the anticipated levels of resources that will be made available to the Council.
- 10.9 2024-2025 is the last year in the current government spending review period. As a result there is significant uncertainty about the level of funding available for local government going forward.
- 10.10 There are also emerging budget pressures in a number of areas, such as fleet hire costs, highways enforcement and Adult Education.

11.0 Risks

- 11.1 The Council is no different to any other organisation and will always face risks in achieving its objectives and priorities. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 11.2 The Strategic Risk Register is reviewed in conjunction with risk owners, reviewed by Strategic Executive Board (SEB) and presented to Cabinet and the Audit and Risk Committee on a regular basis. In addition to the MTFs being incorporated into the Strategic Risk Register, there is also a separate General Fund budget risk register. Due

to the uncertainties outlined, the overall risk associated with the budget 2024-2025 and future years continues to be assessed as Red. Work will continue to identify proposals to ensure the Council is able to set a balanced budget for 2024-2025. The main risks are summarised in Appendix 2

12.0 Next Steps

12.1 A summary of the 2024-2025 budget setting process timetable is detailed below:

Milestone	Timescale
Performance and Budget Reports to Scrutiny Panels / Scrutiny Board	November 2023 / January 2024
Review of Reserves - Resources and Equality Scrutiny Panel	7 December 2023
Council Tax Base and Business Rates Net Yield 2024-2025 and Draft Budget Update	13 December 2023
Final Budget Report to Cabinet	21 February 2024
Final Budget Report to Full Council	28 February 2024

13.0 Continuous Consultation

- 13.1 It is vital that city partners, residents, businesses and voluntary community sector are actively engaged to understand the needs of the city and the things that matter most, seeking opportunities to co-produce innovative solutions to challenges and understand how we should prioritise the use of our finite resources.
- 13.2 Our City: Our Plan reflects the feedback of local people and businesses, and is subject to an annual refresh which will continue to be shaped by the feedback of residents, partners and stakeholders. This will be done alongside the development of the MTFS to ensure the key priorities are reflected within the budget.
- 13.3 Alongside Our City, Our Plan sits a suite of performance management indicators. The Council reports to Cabinet in an integrated performance and budget report, along with referencing where pressures are reflected in the Strategic Risk Register on a quarterly basis

14.0 Evaluation of alternative options

- 14.1 In determining the financial strategy, consideration has been made to the deliverability of budget reduction and income generation proposals, budget pressures and projected resources that will be made available to the council. If we were not to implement the strategy outlined in this report, alternative options would need to be identified in order for the Council to set a balanced budget for 2024-2025.

15.0 Reasons for decisions

- 15.1 In order to ensure a balanced budget for 2024-2025 it is important that work is progressed as soon as possible. The approval of the draft budget strategy will enable

the council to undertake due diligence, consultation and scrutiny in a timely manner to fully inform the budget decision process in accordance with statutory deadlines.

16.0 Financial implications

16.1 The financial implications are discussed in the body of the report.
[MH/10102023/I]

17.0 Legal implications

- 17.1 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.
- 17.2 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.
- 17.3 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.
- 17.4 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).
- 17.5 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '...make a report ... if it appears to them 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

17.6 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to them 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.

17.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2024-2025.
[TC/10102023/A]

18.0 Equalities implications

18.1 The method by which the MTF5 is developed is governed by the Our City, Our Plan priorities, which itself was guided by consultation and equality analysis. The development of budget reduction and income generation proposals will include an initial equality screening for each proposal as they are developed. Where necessary, full equalities analysis will be undertaken which will provide an initial understanding of the quality impact of the draft proposals.

18.2 Councillors must have due regard to the public sector equality duty (Section 149 of the Equalities Act 2010) when making budget decisions. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so will enable Councillors to be in a position to comply with their requirements of the Duty and Act as well as their wider responsibilities in terms of setting a balanced budget.

18.3 Fairness and equality is a key cross cutting theme within Our City, Our Plan

19.0 All other Implications

19.1 Any human resources implications are managed in accordance with the Council's HR policies and processes.

20.0 Schedule of background papers

20.1 [2023-2024 Budget and Medium Term Financial Strategy 2023-2024 to 2025-2026](#), report to Cabinet on 22 February 2023 and Full Council on 1 March 2023.

20.2 [Performance and Budget Outturn 2022-2023](#), report to Cabinet on 12 July 2023

20.3 [Performance and Budget Monitoring 2023-2024 and Budget Update 2024-2025](#) report to Cabinet on 26 July 2023

21.0 Appendices

21.1 Appendix 1 – Ten-year, 100% Business Rates - Key factors of the Memorandum of Understanding

21.2 Appendix 2 - Risk Register

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