

CITY OF WOLVERHAMPTON COUNCIL	Joint Cabinet and Cabinet (Resources) Panel 24 July 2024
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Report title	Our Future Council – Responding to the Financial Challenge	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Stephen Simkins Leader of the Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	All service areas	
Accountable employee	Mark Taylor	Deputy Chief Executive Our Future Council Programme Senior Responsible Officer
	Tel	
	Email	Mark.taylor@wolvermpton.gov.uk
Report to be/has been considered by	Strategic Executive Board	2 July 2024

Recommendations for decision:

The Cabinet is recommended to approve:

1. The 'Our Future Council' Programme as detailed in section 4.
2. The savings proposals outlined in section 4 and Appendices 1 and 2.
3. That authority is delegated to the Director of Finance to action the necessary virements in order to capture the estimated savings outlined in this report, including those where further work is required to quantify the level of saving.

Recommendations for noting:

The Cabinet is asked to note:

1. That there is a significant financial challenge over the medium term and that (as set out in the Council's Medium Term Financial Strategy) the projected deficit for 2025-2026 is £27.1 million, rising to £32.6 million in 2026-2027 and that therefore further action is required to reduce costs.
2. That there continues to be considerable amount of risk with regard to the Council's finances, particularly in relation to increased costs and demand, and uncertainty regarding future funding streams for local authorities, over the medium term.
3. That there is a risk that Government does not extend the current capital receipts flexibilities beyond the end of the current financial year and the actions in place to mitigate this risk as set out in section 5.
4. That while progress has been made in responding to the Council's financial challenge, more work is required to ensure that the Council it is able to set a balanced budget for 2025-2026 and has a sustainable medium term financial strategy. Work will continue to identify further savings proposals which will be reported back in due course.
5. That the Council will continue to lobby Government with regards to the need for fairer funding (and multi-year settlements), particularly in relation to increased demand and costs prevalent in such areas as children's and adult's social care and temporary accommodation. And that the Council's budgets and Medium Term Financial Strategy will continue to be updated in line with any announced changes in funding.

1.0 Purpose

- 1.1 The purpose of this report is to provide Councillors with an update on steps taken to respond to the financial challenges set out in the Council's Medium Term Financial Strategy approved in February 2024, and to outline the 'Our Future Council' programme. It also sets out the work undertaken to date and seeks approval for a number of specific savings proposals.

2.0 Background

- 2.1 The City of Wolverhampton Council has a strong track record of managing its finances and is in a comparatively strong financial position, however as previously reported to Cabinet and Council, local authorities across the country are facing unprecedented financial challenges.
- 2.2 The Council is not immune from the challenges in the sector. Pressures on the Council's 2024-2025 Budget and Medium-Term Financial Strategy (MTFS) are significant and include pay and other inflation related pressures – increases in costs within children's social care being a particular challenge. In addition, there are also cost pressures from the increased demand for services – especially with regard to adult social care and temporary accommodation.
- 2.3 Against this challenging backdrop the Council approved its 2024-2025 Budget and MTFS 2024-2025 to 2026-2027 in February 2024.
- 2.4 The Council was able to set a balanced net 2024-2025 revenue budget of £332.0 million by using £6.0 million of earmarked reserves and £4.0 million of capital receipts to fund transformation activity.
- 2.5 While recognising that the setting of a balanced budget for 2024-2025 was a significant achievement, the February Budget and MTFS Report was also transparent about the challenge, reporting in clear terms that "*The proposed use of earmarked reserves during 2024-2025 is prudent and proportionate for 2024-2025, but this is not a sustainable solution to the Council's underlying medium term financial gap.*"
- 2.6 The Report also stated that "*there is a significant financial challenge over the medium term. The projected deficit for 2025-2026 is £27.1 million, rising to £32.6 million in 2026-2027...(and that)...Further action is required to reduce costs.*"
- 2.7 The Report stated that a "*A rigorous programme of work designed to identify and deliver further recurring savings will therefore be put in place during 2024-2025. Progress against which will be reported back to Councillors.*"
- 2.8 A significant amount of work has already been undertaken to address this challenge in particular in the development of the 'Our Future Council' Programme. Our Future Council has been put in place to both transform the way the Council delivers services and to also reduce cost.

3.0 Our Future Council

- 3.1 Addressing the financial challenge (through transformation and cost reduction) will be driven through the 'Our Future Council Programme' which, given both its significance and cross Council nature, is being sponsored by the Leader and the Chief Executive.
- 3.2 With rising levels of demand and a reduction to council funding over a period of many years, it is recognised there is no quick fix to the financial challenges facing all councils. Our Future Council has been put in place to address the financial pressures of the council's MTFS over a two to three year period.
- 3.3 In developing this programme, it is also recognised that:
- There will be difficult decisions ahead, but we must consider all options and be bold, so that our future remains in our control and so we continue to deliver against our ambitious agenda.
 - We will need to create a shared culture of continually thinking differently – challenging existing approaches.
 - We will need to accept that the sustainability and scale of some activity and services that may currently be valued will inevitably have to be challenged.
 - We will have to reprioritise what we do and how we do it and there will be impacts on services, residents, employees and partners.
- 3.4 Meeting the challenge and delivering change will require creativity and flexibility. It will also require teamwork – across the council and with our partners.
- 3.5 In order to help manage the impact of the difficult decisions on services, residents, employees and partners, 'Our Future Council' has identified the following areas of focus:
- Efficiencies
 - Review of revenue budget pressures
 - Reviewing the Capital Programme
 - Income generation and cost recovery
 - Alternative delivery models
- 3.6 Rigorous programme management disciplines and tools have been put in place to drive the programme forward. This includes a number of different workstreams aimed first at identifying and considering options, then (subject to appropriate approval) delivering the required action and associated saving.
- 3.7 It is important to consider the implications of all options – in terms of impact on our residents, employees, partner organisations, the local economy and other council

services. Objective criteria have therefore been built into the Our Future Council Programme along these lines.

- 3.8 It should be noted that all decisions will be made in line with the constitution and further reports will be made to Councillors in due course.
- 3.9 It is also recognised that staff and stakeholder engagement is a critical part of Our Future Council. A comprehensive Communications and Engagement Plan will therefore be put in place to engage and involve our people.
- 3.10 An important phase in this engagement will follow this report and lead up to the October Budget and MTFS Update report.

4.0 Savings Proposals

- 4.1 The Our Future Council Programme aims to make progress at pace and in advance of formally revisiting the MTFS (and annual Budget) next February. In addition to this report, a Budget and MTFS Update Report will be taken to Cabinet in October 2024.
- 4.2 Work since the February Budget and MTFS Report has therefore focused on identifying deliverable in-year savings for 2024-2025. This will help to mitigate against emerging pressures and reduce the need to call upon reserves and capital receipts in the current financial year.
- 4.3 The Programme has identified two council wide savings proposals with regard to (non staffing) efficiency targets and fees and charges.

1% Reduce in non-staffing budgets

- 4.4 In order to encourage flexibility, innovation and budget holder accountability, and to drive out efficiencies that have a minimum impact on service delivery, it is proposed that non-staffing budgets are reduced by 1%. The Council's net budget excluding pay related budgets, services funded from specific grants, and restricted income, is approximately £253 million.
- 4.5 It is therefore proposed that around £2.5 million (representing 1%) be taken from all relevant service budget lines.
- 4.6 In recognition that this is an estimate, and that there are emerging pressures detailed in section 5, it is proposed that £1.8 million is held corporately to support any non-delivery against this target. This leaves £700,000 to contribute towards in-year savings. In the event that the £1.8 million is not required either in part or full, this will be given up as recurrent savings both in-year and for 2025-2026.

Fees and charges strategy

- 4.7 The Council applies fees and charges for certain services it delivers to its residents, general members of the public and businesses. The majority of these fees and charges

are discretionary and within the Council's control and influence, with others either determined by legislation or Government.

- 4.8 The Council's constitution outlines the governance arrangements for reviewing and approving changes to fees and charges, including all fees and charges shall take into account the full costs of the service.
- 4.9 Due the Covid-19 pandemic and then followed by the cost of living crisis, the Council took the decision not to increase fees and charges across a number of services. As a result, in some instances the council is not achieving full cost recovery for its fees and charges and therefore these services are being subsidised (by all Council Tax payers).
- 4.10 It is therefore proposed that, other than in exceptional circumstances, fees and charges will be reviewed and increased to reflect full cost recovery or increased in line with Consumer Price Index (CPI) where the Council is able to do so legally. CPI for September 2023 was 6.7% (this reflects the approach used by Government when calculating the standard business rates multiplier).
- 4.11 Further detail can be found in Appendix 2, but it is currently estimated that the impact of this review will generate additional income in the region of £493,000 in 2024-2025. This is a high-level estimate of the potential addition income the proposed changes could generate. The approval of changes to fees and charges will be sought in line with the delegations detailed in the Council's constitution, though individual executive decision notices over the coming months which will provide further detail.

Other savings proposals

- 4.12 In addition to the two cross council savings above, a number of other specific options have been explored and developed into proposals which are detailed in Appendices 1 and 2. Proposals have been categorised into 'list one' and 'list two'.
- 4.13 List one proposal are savings that have no impact on services delivery and no implications for residents, partners or our employees . List two proposals are savings which could potentially have such an impact.
- 4.14 The estimated total impact of list 1 savings is £5.1 million, and List 2 Savings (excluding fees and charges) is £296,000. These are current early estimates linked to the proposals identified to-date and could be subject to change. Any over achievement against these estimates will be captured and updates reported back to Councillors.
- 4.15 A full list of proposals can be found in appendices 1 and 2.

Total estimated impact of the proposals

- 4.16 It is estimated that the total impact of the proposals outlined in this report for 2024-2025 is in the region of £7.1 million potential saving, of which £4.6 million is recurrent.

Savings Description	Estimated savings 2024-2025 £000
1% reduction in non-staffing budgets	(700)
Fees and Charges review – list 2	(493)
Estimated reduction in Treasury Management costs following review of the capital programme	(500)
List 1 total	(5,094)
List 2 total	(296)
Total	(7,083)

4.17 In recognition that these savings are only estimates at this stage, any under achievement of the savings across services will be underwritten corporately from the contingency budgets referred to in paragraph 4.6. If services overachieve against these estimated savings proposals, the additional benefit will be taken corporately to support the projected budget challenge.

4.18 This report seeks approval to implement the proposals set out within this report and action the necessary virements. Work will continue to identify further recurrent savings in order to address the projected budget deficit over the medium term. Updates will be reported back to Councillors in future reports.

Future proposals

4.19 While some progress has been made, it is clear that much more work is required to ensure that the Council it is able to set a balanced budget for 2025-2026 and has a sustainable medium term financial strategy. Work will continue to develop proposals in order to address the projected deficit.

4.20 Once proposals have been developed further, they will be reported back to Councillors.

4.21 Areas which are currently identified for review, include but are not limited to:

- Agency costs and staffing vacancies
- A review of senior management structure and pay is required to ensure we have a senior management team that reflects the size and responsibilities of the organisation and that we continue to have a stable, efficient and strong leadership with the capacity to continue to lead us through local government budget challenges – an initial report will be presented to Cabinet in September regarding this
- Traded services and income generating services review
- Project pipeline review
- A review of high value contracts and our approach to procurement to ensure we are ensuring best value
- Review of our assets
- Review of the Capital Programme
- The potential of digital transformation on services

5.0 Risks

- 5.1 Like all other local authorities across the country, the council is faced with significant uncertainty and risks. These include, but are not limited to:
- increased demand for services, particularly within social care and temporary accommodation.
 - inflationary pressures – whilst inflation has now reduced, we are still left with financial pressures
 - cost of maintaining our assets
 - pressures across transport (and pressure on the transport levy / West Midlands Combined Authority (WMCA) contribution)
 - specific grant funding ceasing or uncertainties around its continuation such as Household Support Fund (£5.2 million for 12 months) and Holiday Activities Funding (£1.9 million for 12 months).
 - funding resources (including capital receipt flexibilities)
 - impact of future pay awards
- 5.2 The Council has already built in significant additional growth to support inflation, demand and development pressures in 2024-2025 and over the medium term. However as outlined in this report and the Performance and Budget Monitoring report on this same agenda, the council is seeing emerging pressures in-year. In response to these emerging pressures and in order to get ahead of the curve and address the budget deficit over the medium term, in-year efficiencies have been identified to support both the overall projected budget challenge and these emerging issues.
- 5.3 It should also be noted that there is a risk that capital receipts flexibilities currently available to us are not extended beyond the end of the current financial year. These flexibilities enable Council's to fund transformation change through capital receipts and are currently under review by Government across the sector. We will therefore maintain a watching brief on this area, and subject to the outcome of the Government review, seek to maximise the use of capital receipts this year. To further mitigate this risk, we will also continue to raise the importance of these flexibilities with Government (working with bodies such as the Local Government Association (LGA) and Special Interest Group of Municipal Authorities (SIGOMA)).
- 5.4 The Council (and entire sector) is facing significant financial pressures, particularly in relation to increased demand and costs in such areas as children's and adult's social care, and temporary accommodation. The Council will continue to lobby Government with regards to the need for fairer funding (and multi-year settlements) to meet these and other cost pressures. Government announcements will continue to be monitored and the Council's budgets and Medium Term Financial Strategy will be updated in line with any announced changes in funding.

6.0 Evaluation of alternative options

- 6.1 In determining the financial strategy, consideration has been given to the deliverability of the savings targets, emerging 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 2025-2026.

7.0 Reasons for decisions

- 7.1 In order to ensure a balanced budget for 2025-2026 it is important that work is progressed as soon as possible. The approval of Our Future Council programme 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.

8.0 Financial implications

- 8.1 The financial implications are outlined in the body of this report.
[AS/15072024/K]

9.0 Legal implications

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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).

- 9.5 Section 3 Local Government Act 1999 – places a duty on local authorities and other public bodies to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is often known as the “best value duty”.
- 9.6 Each local Authority is also under a legal fiduciary duty to look after the funds entrusted to it and to ensure that the taxpayer's money is spent appropriately.
- 9.7 The work detailed in this report, namely the Council exercising sound financial management, provides assurance that the Council is meeting its legal duties set out in this report, including the best value duty and its fiduciary duty.
[DP/15072024/A]

10.0 Equalities implications

- 10.1 The method by which the MTFS is developed is governed by the Our City, Our Plan priorities, which itself was guided by consultation and equality analysis. The development of savings 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.
- 10.2 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.
- 10.3 Fairness and equality is a key cross cutting theme within Our City, Our Plan

11.0 Human Resources implications

- 11.1 Any human resource implications will be managed in accordance with the Council's HR policies and processes.

12.0 Schedule of background papers

- 12.1 2024-2025 Budget and Medium Term Financial Strategy 2024-2025 to 2026-2027, report to Cabinet on 21 February 2024 and Full Council on 28 February 2024
- 12.2 Performance and Budget Monitoring 2024-2025, report to Cabinet on 24 July 2024

13.0 Appendices

- 13.1 Appendix 1: List One Savings Proposals
- 13.2 Appendix 2 – List Two Savings Proposals