

## Cabinet (Resources) Panel

23 July 2019

Report title	Revenue Budget Monitoring	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles	
Key decision	Resources	
In forward plan	Yes	
Wards affected	Yes	
Accountable Director	All	
Originating service	Tim Johnson, Managing Director	
Accountable employee	Strategic Finance	
	Claire Nye	Director of Finance
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Report to be/has been considered by	Strategic Executive Board	2 July 2019

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### Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the use of £735,000 from the Regeneration Reserve to fund various development works and schemes as detailed at paragraph 5.4.
2. Approve the use of £8,000 from the Community Initiatives and Crowdfund Wolves Reserve to community led projects in the City as detailed at paragraph 5.5.
3. Approve the use of £5,000 from the Art Gallery Touring Exhibitions Reserve to support the costs of touring exhibitions as detailed at paragraph 5.6.
4. Approve the use of £4.3 million from the Adult Social Care Reserve to address in year forecast pressures across Adult Services as detailed at paragraph 5.7.
5. Approved the use of £500,000 from the Highways Management Reserve and to support Highways and Transportation projects and programmes as detailed in paragraph 5.8.

6. Approve the use of £135,000 from the Efficiency Reserve to fund Business Support Programme as detailed at paragraph 5.9.
7. Approved the use of £19,000 from the Transformation Reserve to fund library transformation programme for Finchfield and Central Libraries as detailed in paragraph 5.10.
8. Approved the contribution of £147,000 from ICTS to the Transformation Reserve to accommodate one off revenue costs of the OLM project going live in 2020-2021 as detailed in paragraph 5.11.
9. Approve the use of £122,000 from the Budget Contingency Reserve to fund academy conversion deficit as detailed in paragraph 5.12.
10. Approve 21 virements totalling £9.5 million, for transfers within directorates, as detailed in Appendix 4.
11. Approve a virement totalling £4.1 million, for transfers within the Housing Revenue Account, as detailed in paragraph 9.6.
12. Approve the establishment of supplementary expenditure budgets within the 2019-2020 approved budgets as detailed in paragraph 4.0 for grant funded expenditure.
13. Approve a grant payment to The Way Youth Zone in 2019-2020 as detailed in paragraph 4.3.
14. Approve the write off of nine Non-Domestic Rates (NDR) debts totalling £85,990.09 as detailed in Appendix 5.
15. Approve the write off of four Council Tax debts totalling £27,623.83 as detailed in Appendix 6.
16. Approve the write off of five sundry debts totalling £66,544.02 as detailed in Appendix 7.

### **Recommendations for noting:**

The Cabinet (Resources) Panel is asked to note:

1. The overall projected outturn for the General Fund for 2019-2020 is forecast to be an overspend in the region of £2.2 million.
2. That this position is not untypical at this point in the financial year. The forecast overspend is largely attributable to demand led services. It is important to note that it is early in the financial year, and all services will be asked to deliver further in year savings in order to address the projected overspend.

3. That at this stage in the financial year it is difficult to forecast redundancy costs. However, based on recent years it is anticipated that the cost of redundancies can be met from reserves.
4. That a £21.1 million surplus on the Housing Revenue Account (HRA) is projected compared with a budgeted surplus of £16.9 million as shown at Table 20 and in detail at Appendix 3. The projected increased surplus of £4.2 million will be used to redeem debt in line with the HRA Business Plan.
5. That 43 sundry debt accounts totalling £84,954.63, as detailed in paragraph 8.3, have been approved by for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
6. That 628 council tax accounts totalling £316,018.38, as detailed in paragraph 8.5, have been approved by for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
7. That 73 Non-Domestic Rates (NDR) debts totalling £319,318.71, as detailed in paragraph 8.6, have been approved by for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
8. That 13 housing benefit overpayments totalling £1,746.93, as detailed in paragraph 8.9, have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

## **1.0 Purpose**

- 1.1 The purpose of this report is to provide Cabinet (Resources) Panel with a projection of the likely revenue outturn position for the General Fund and Housing Revenue Accounts, compared with the Council's approved revenue budgets for 2019-2020.
- 1.2 This is the first report of this financial year detailing the likely outturn projection for 2019-2020.

## **2.0 Background**

- 2.1 The General Fund outturn position for 2018-2019, as reported to Cabinet (Resources) Panel on 18 June 2019, was an underspend totalling £265,000 (-0.12%) against the net budget requirement of £229.1 million, after meeting the net cost of redundancy and pension strain costs, after the use of capital receipts flexibility, and contribution to essential earmarked reserves. The Housing Revenue Account revenue outturn position for the year was a surplus before allocation of £20.7 million, compared to a budgeted surplus of £15.2 million.
- 2.2 On 6 March 2019, the Council approved the net budget requirement for 2019-2020 of £234.9 million for General Fund services. This report details the likely outturn projections against this net budget requirements.
- 2.3 The Council continues to be faced with a challenging projected financial position over the medium term, and significant budget reduction and income generation proposals are required in order to achieve a robust financial position. The Budget 2019-2020 and Medium Term Financial Strategy 2019-2020 to 2023-2024 approved by Full Council on 6 March 2019, identified that the Council would be faced with finding further projected budget reductions totalling £27.3 million for 2020-2021, rising to £40-£50 million over the medium term period to 2023-2024. It is important to note that the updated projected budget deficit assumes the achievement of prior year budget reduction and income generation 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.
- 2.4 A report will be presented to Cabinet in July 2019, which will include a high-level strategy towards addressing the projected budget deficit over the medium term period.
- 2.5 Overall, the General Fund projected outturn for 2019-2020 is currently forecast to overspend against the net budget by approximately £2.2 million, as analysed in Table 1.

**Table 1 – 2019-2020 General Fund Revenue Budget Projected Outturn**

	Net Controllable Budget 2019-2020	Projected Outturn 2019-2020	Projected Variation	
			Over/(Under)	
	£000	£000	£000	%
Adult Services	64,272	65,300	1,028	1.60%
Children's Services	53,981	54,531	550	1.02%
Public Health and Wellbeing	891	891	-	0.00%
City Environment	22,876	23,321	445	1.95%
City Assets and Housing	9,063	9,697	634	7.00%
Regeneration	5,825	5,840	15	0.26%
Finance	13,985	13,639	(346)	-2.47%
Governance	6,379	6,359	(20)	-0.31%
Managing Director	2,255	2,195	(60)	-2.66%
Deputy Managing Director	9,556	9,556	-	0.00%
Corporate Budgets	39,988	39,488	(500)	-1.25%
Education and Skills	5,863	6,304	441	7.51%
<b>Net Budget Requirement</b>	<b>234,934</b>	<b>237,121</b>	<b>2,187</b>	<b>0.93%</b>
Council Tax (including Adult Social Care Precept)	(103,486)	(103,486)	-	0.00%
Enterprise Zone Business Rates	(2,800)	(2,800)	-	0.00%
Top Up Grant	(26,152)	(26,152)	-	0.00%
Business Rates (net of WMCA growth payment and Collection Fund deficit)	(71,931)	(71,931)	-	0.00%
New Homes Bonus	(2,080)	(2,080)	-	0.00%
Section 31 Grant - Business Rates Support	(10,611)	(10,611)	-	0.00%
Improved Better Care Fund	(12,947)	(12,947)	-	0.00%
Winter Pressures and Social Care Grants - Adult Social Care	(3,727)	(3,727)	-	0.00%
Levy Account Surplus (2018-2019)	(1,200)	(1,200)	-	0.00%
<b>Total Resources</b>	<b>(234,934)</b>	<b>(234,934)</b>	<b>-</b>	<b>0.00%</b>
<b>Net Budget (Surplus) / Deficit</b>	<b>-</b>	<b>2,187</b>	<b>2,187</b>	<b>0.93%</b>

- 2.6 It is currently forecast that the outturn position for 2019-2020 will be an overspend in the region of £2.2 million. This position is not untypical for this point in the financial year. The forecast overspend is largely attributable to demand led services. It is important to note that it is early in the financial year, and all services will be asked to deliver further in year savings in order to address the projected overspend.
- 2.7 An update on the General Fund budget risks is provided at section 6.0. Overall the risk for 2019-2020 is currently assessed as Red as the Council has significant budget reductions to deliver and income to achieve.
- 2.8 It is important to note that at this stage in the financial year it is difficult to forecast redundancy costs. However, based on recent years it is anticipated that the cost of redundancies can be met from reserves.
- 2.9 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between Employees and Other Controllable Expenditure headings, require the approval at this meeting. There are 21 General Fund virements that require approval in this report as detailed in Appendix 4.
- 2.10 The most significant factors contributing towards the projected net overspend against the budget are reported on a service-by-service basis in section 3.0 and in detail in Appendix 1.
- 2.11 The forecast outturn position for the Housing Revenue Account is a surplus of £21.1 million, compared to a budgeted surplus of £16.9 million. The projected additional surplus of £4.2 million will be used to redeem debt to comply with the Council's approved HRA Business Plan.

### 3.0 General Fund Revenue Budget Monitoring: Service Analysis

#### Adult Services

- 3.1 A summary of the projected outturn against the Adult Services 2019-2020 revenue budget is provided in Table 2, whilst a detailed analysis is provided in Appendix 1.

**Table 2 – 2019-2020 Revenue Budget Projected Outturn – Adult Services**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Adult Services	64,272	65,300	1,028	1.60%

- 3.2 Overall a net overspend of £1.0 million (1.60%) is projected for the year against Adult Services. The main factors contributing towards this overspend is as a result of:
1. An overspend is forecast within Learning Disabilities Care Purchasing totalling £803,000 as a result of an increase in demand for care packages.
  2. An overspend is forecast within Mental Health Assessment & Care Management totalling £234,000 as a result of an increase in demand for care packages.
  3. An overspend is forecast within Older People Provider Services totalling £120,000 as a result of a delay in Community Equipment Store restructure and pressures on equipment purchase.
- These overspends are partially offset by forecast underspends within the following services:
4. An underspend forecast within Independent Living Service totalling £152,000 as a result of unfilled staff vacancies and additional income.
  5. An underspend is forecast within Strategic Commissioning – Adults totalling £128,000 as a result of unfilled staff vacancies.

Resources which had been earmarked to address the overspends detailed above have had to be redirected to meet the cost of the fee uplift given to providers for 2019-2020 to ensure market stability. The forecast overspend position of £1.0 million includes the use of £4.3 million from Adult Social Care reserve and other one-off resources. A number of proposals are being developed by the service with the aim of meeting the forecast overspend from existing budgets. It should be noted that the growing demand within this service continues to represent a significant financial risk and budget pressure over the medium term. This situation is not unique to Wolverhampton and is a position seen nationally.

## Children's Services

- 3.3 A summary of the projected outturn against the Children's Services 2019-2020 revenue budget is provided in Table 3, whilst a detailed analysis is provided in Appendix 1.

**Table 3 – 2019-2020 Revenue Budget Projected Outturn – Children's Services**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Children's Services	53,981	54,531	550	1.02%

- 3.4 Overall a net overspend of £550,000 (1.02%) is projected for the year against Children's Services. The main factors contributing towards this overspend is as a result of:
1. An overspend forecast within the Children and Young People in Care service totalling £1.1 million as a result of continued pressures against the placements budget, partially offset by efficiencies across staffing budgets and additional income from the Home Office for unaccompanied asylum-seeking children. Whilst Wolverhampton has seen a modest decrease in the number of children and young people in care, we have seen average weekly external placement costs increase. We are continuing to buck the national trend, as many councils continue to see numbers increase significantly. Under the Transforming Children's Services Programme, we have a robust approach to managing demand which includes a sophisticated methodology for projecting children and young people in care and the associated costs. The current forecast includes a prudent adjustment against the projection assumptions at this stage in the year, it is therefore anticipated that further savings will be realised as the year progresses.

This overspend is partially offset by underspends within the following services:

2. An underspend forecast within the Strengthening Families service totalling £389,000 mainly as a result of unfilled staff vacancies. We continue to see reductions in Section 17 and no recourse to public funds demand, a positive outcome of a dedicated project to standardise processes and payments across the service.
3. An underspend is forecast within Strategic Commissioning Children's service as a result of unfilled staff vacancies totalling £128,000.

## Public Health and Wellbeing

- 3.5 A summary of the projected outturn against the Public Health and Wellbeing 2019-2020 revenue budget is provided in Table 4, whilst a detailed analysis is provided in Appendix 1.



**Table 4 – 2019-2020 Revenue Budget Projected Outturn – Public Health and Wellbeing**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Public Health and Wellbeing	891	891	-	0.00%

3.6 Overall a net balanced budget is projected for the year against Public Health and Wellbeing. The main factors contributing towards achieving a balanced budget is a result of:

1. An underspend is forecast within Commissioning service totalling £177,000 as a result of one-off unfilled staff vacancies.
2. This underspend is offset by a number of services forecasting overspends collectively totalling £177,000 within Public Health and Wellbeing.

### City Environment

3.7 A summary of the projected outturn against the City Environment 2019-2020 revenue budget is provided in Table 5, whilst a detailed analysis is provided in Appendix 1.

**Table 5 – 2019-2020 Revenue Budget Projected Outturn – City Environment**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
City Environment	22,876	23,321	445	1.95%

3.8 Overall a net overspend of £445,000 (1.95%) is projected for the year against City Environment. The main factors contributing towards this overspend is as a result of:

1. An underachievement of income is forecast within Parking Services totalling £201,000 as a result of reduced parking income due to regeneration projects in the city centre.
2. An overspend is forecast within Street Lighting totalling £103,000 as a result of increase in the electricity tariff charged by the energy company.

## City Assets and Housing

- 3.9 A summary of the projected outturn against the City Assets and Housing 2019-2020 revenue budget is provided in Table 6, whilst a detailed analysis is provided in Appendix 1.

**Table 6 – 2019-2020 Revenue Budget Projected Outturn – City Assets and Housing**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
City Assets and Housing	9,063	9,697	634	7.0%

- 3.10 Overall a net overspend of £634,000 (7.0%) is projected for the year against City Assets and Housing. The main factors contributing towards this overspend is as a result of:

1. An under recovery of income forecast within the Capital Programme Projects and Works team, totalling £275,000 as a result of no variable income generation opportunities.
2. Reduced income recovery within Facilities Management, associated with the Community Centres and as a result of the management of vacant properties within Facilities Management totalling £355,000.

- 3.11 The City Assets review has commenced and will progress throughout the financial year to monitor and review budget pressures within this service.

## Regeneration

- 3.12 A summary of the projected outturn against the Regeneration 2019-2020 revenue budget is provided in Table 7, whilst a detailed analysis is provided in Appendix 1.

**Table 7 – 2019-2020 Revenue Budget Projected Outturn – Regeneration**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Regeneration	5,825	5,840	15	0.26%

- 3.13 Overall a net overspend of £15,000 (0.26%) is projected for the year against Regeneration.

## Finance

- 3.14 A summary of the projected outturn against the Finance 2019-2020 revenue budget is provided in Table 8, whilst a detailed analysis is provided in Appendix 1.

**Table 8 – 2019-2020 Revenue Budget Projected Outturn – Finance**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Finance	13,985	13,639	(346)	-2.47%

- 3.15 Overall a net underspend of £346,000 (-2.47%) is projected for the year against Finance. The main factors contributing towards this underspend is as a result of:
1. An underspend is forecast within Revenue and Benefits totalling £101,000 due to the anticipated early delivery of employee savings planned for 2020-2021.
  2. An underspend is forecast within Central Corporate Budgets totalling £225,000 due to lower than anticipated enhanced pension costs and bank charges.

## Governance

- 3.16 A summary of the projected outturn against the Governance 2019-2020 revenue budget is provided in Table 9, whilst a detailed analysis is provided in Appendix 1.

**Table 9 – 2019-2020 Revenue Budget Projected Outturn – Governance**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Governance	6,379	6,359	(20)	-0.31%

- 3.17 Overall a net underspend of £20,000 (-0.31%) is projected for the year against Governance.

## Managing Director

- 3.18 A summary of the projected outturn against the Managing Director 2019-2020 revenue budget is provided in Table 10, whilst a detailed analysis is provided in Appendix 1.

**Table 10 – 2019-2020 Revenue Budget Projected Outturn – Managing Director**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Managing Director	2,255	2,195	(60)	-2.66%

- 3.19 Overall a net underspend of £60,000 (-2.66%) is projected for the year against Managing Director.

#### **Deputy Managing Director**

- 3.20 A summary of the projected outturn against the Deputy Managing Director 2019-2020 revenue budget is provided in Table 11, whilst a detailed analysis is provided in Appendix 1.

**Table 11 – 2019-2020 Revenue Budget Projected Outturn – Deputy Managing Director**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Deputy Managing Director	9,556	9,556	-	0.00%

- 3.21 Overall a balanced budget is projected for the year against Deputy Managing Director.

#### **Corporate Budgets**

- 3.22 A summary of the projected outturn against the Corporate Budgets 2019-2020 revenue budget is provided in Table 12, whilst a detailed analysis is provided in Appendix 1.

**Table 12 – 2019-2020 Revenue Budget Projected Outturn – Corporate Budgets**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Corporate Budgets	39,988	39,488	(500)	-1.25%

- 3.23 Overall a net underspend of £500,000 (-1.25%) is projected for the year against Corporate Budgets. The main factor contributing to this underspend is as early indications predict that the central provision for auto-enrolment will not be needed in its entirety in this financial year.

### **Education and Skills**

- 3.24 A summary of the projected outturn against the Education and Skills 2019-2020 revenue budget is provided in Table 13, whilst a detailed analysis is provided in Appendix 1.

**Table 13 – 2019-2020 Revenue Budget Projected Outturn – Education**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Education and Skills	5,863	6,304	441	7.51%

- 3.25 Overall a net overspend of £441,000 (7.51%) is projected for the year against Education and Skills. The main factors contributing towards this overspend is as a result of:
1. An overspend is forecast within School Planning & Resources totalling £354,000 as a result of a loss in trading income from schools for 2019-2020 Academic Year. A review of structure and services is to be undertaken.

This overspend is offset by underspends within a number of other services within Education.

## **4.0 Changes to Grant Funded Expenditure**

- 4.1 It is not always possible to reflect all grant funded expenditure in the budget approved by Full Council prior to the start of the financial year. This is due to late notification from grant awarding bodies of grant amounts, use of historic grants and proactive grant applications during the year.
- 4.2 Approval is sought from the Panel to establish supplementary expenditure budgets within the 2019-2020 approved budgets as set out in the table below, and in accordance with the grant terms and conditions. This will have no effect on the Council's net revenue budget as the expenditure is fully funded from grant.

**Table 14 – Grant Approval sought from this Panel**

<b>Grant Name</b>	<b>Description of the activities this grant will fund</b>	<b>Awarding body</b>	<b>Expenditure 2019-2020 £000</b>
Special Education Needs and Disabilities (SEND) Preparation for Employment	Use of historic grant to recruit one-year fixed term post.	Department for Education (DFE)	53

- 4.3 Approval is sought from this Panel to approve an additional grant payment of £100,000 to The Way Youth Zone. This brings the total grant payment for 2019-2020 to £200,000. This shows the Councils commitment to support The Way Youth Zone in the city, including specifically some short-term outreach work

## **5.0 Reserves and Balances**

- 5.1 The General Fund Balance remains unchanged at £10.0 million.
- 5.2 In addition to the General Fund balance, the Council also holds a number of earmarked reserves. The total earmarked reserves balance including school balances at the end of 2018-2019 was £58.6 million.

### **Transfers to/from Earmarked Reserves**

- 5.3 Approval is sought for a number of transfers to/from earmarked reserves, as set out in the following paragraphs. In the event that the use of capital receipts replaces previously approved earmarked reserve drawdowns as a result of the new capital receipts flexibilities announced by central government, an update will be provided to Cabinet and Council.

## **5.4 Regeneration Reserve**

Approval is sought from this meeting for the use of £735,000 from the Regeneration Reserve to fund expenditure as shown in Table 6. If the reserve drawdown is approved by Cabinet (Resources) Panel, there will be an unallocated balance in the region of £700,000 for the Regeneration Reserve.

**Table 15 – Allocations from the Regeneration Reserve**

Service	Amount Allocated £000	Details
City Development	50	Funding is requested for professional fees to ensure vacant possession can be offered in accordance with the development agreement - for Westside/ Southside.
City Development	125	Funding is requested for feasibility options for Bilston town centre programme with West Midlands Combined Authority, including design works for town centre & Bilston Urban Village east.
City Development	125	Funding is requested to progress a number of projects identified in the Industrial Sites Delivery Programme, which include Land at Nicholls Lane and at the Science Park.
City Development	40	Funding is requested for professional advice to support the business case for the Council utilising its head lease to enable developments led by ION proposed for Steam Mill and Sack Works.
Local Economy	2	Funding is required to support the development of externally funded bids in particular European Regional Development Fund (ERDF).
Skills	13	Funding is requested to carry out the outstanding activities including, website development costs, marketing and project support the Workbox.
Visitor Economy	20	Funding is requested for preparation of ten-year business plan for Civic and Wulfrun Halls.
Corporate Asset Management	50	Funding is requested for feasibility study for a proposed Public Sector Hub (Broad Street Car Park).
City Development	50	Funding is requested to fund various activities that have been identified to bring development forward for St Georges.
City Development	40	Funding is requested for legal and commercial advice, and for professional studies / reports for Brewers Yard.
City Development	40	Funding is requested for the next stage of feasibility around the wider masterplan area for Canalside.
City Development	100	Funding is requested for design, survey and project management fees associated with the detailed design stages of phases 2 and 3 of the Westside Link.
City Development	30	Funding is requested to explore opportunities to redevelop a number of vacant units in the city centre as part of Regeneration priorities.
City Development	50	Funding is requested for City Learning Quarter legal & other professional costs associated with feasibility works for site development.

### **Community Initiatives and Crowdfund Wolves Reserve**

- 5.5 Approval is sought for the use of £8,000 from the Community Initiatives and Crowdfund Wolves Reserve to support community led projects in the City.

### **Art Gallery Touring Exhibitions Reserve**

- 5.6 Approval is sought for the use of £5,000 from the Art Gallery Touring Exhibitions Reserve to support the cost of touring exhibitions.

### **Adult Social Care Reserve**

- 5.7 Approval is sought for the use of £4.3 million from the Adult Social Care Reserve to address in year forecast pressures across Adult Services.

### **Highways Management Reserve**

- 5.8 Approval is sought for the use of £500,000 from the Highways Management Reserve to supplement a range of transportation and highway projects across the City. This will include the development and design of schemes and the delivery of specific improvements.

### **Efficiency Reserve**

- 5.9 Approval is sought from this meeting for the use of £135,000 from the Efficiency Reserve to fund expenditure as shown in Table 16.

**Table 16 – Allocations from the Efficiency Reserve**

<b>Service</b>	<b>Amount Allocated £000</b>	<b>Details</b>
Corporate Business Support	77	Funding is requested to fund a Business Support Unit Manager for Business Support Programme.
Corporate Business Support	58	Funding is requested to fund a Business Analyst for Business Support Programme.

### **Transformation Reserve**

- 5.10 Approval is sought from this meeting for the use of £19,000 from the Transformation Reserve to fund library transformation programme for Finchfield and Central Libraries.

### **Transformation Reserve**

- 5.11 Approval is sought from this meeting for contribution of £147,000 from ICTS to the Transformation Reserve to accommodate one off revenue costs of the OLM project going live in 2020-2021.



## Budget Contingency Reserve

- 5.12 Approval is sought from this meeting for contribution of £122,000 from the Budget Contingency Reserve to fund deficit balance for St Patricks RC School as conversion has been directed by Department of Education through a sponsored arrangement as detailed in paragraph 7.5.

## 6.0 General Fund Budget Monitoring – Risk Management

- 6.1 The overall level of risk associated with the budget 2019-2020 is assessed as Red, it is important to note, however, that the Council has significant budget reductions to deliver and income to achieve. The main areas of risk are summarised in the table at Appendix 2.

## 7.0 Revenue Budget Monitoring – Schools’ Budgets

- 7.1 Maintained schools are required to submit budget plans detailing their expected income and planned spending levels at two points in the year; 31 May and 31 October. Returns submitted on 31 May estimated that overall balances would reduce from £5.1 million to £319,000 as shown in Table 17.

**Table 17 – Projected Movement on Schools’ Balances 2019-2020**

Sector	Balances as at 31 March 2019  Surplus / (Deficit) £000	Forecast Use of Balances in 2019-2020  Surplus / (Deficit) £000	Forecast Balances as at 31 March 2019  Surplus / (Deficit) £000
Secondary	(2,042)	699	(1,343)
Primary	3,576	(2,055)	1,521
Junior	155	(67)	88
Infant	97	(23)	74
Nursery	1,065	(698)	367
Special	773	(1,034)	(261)
Pupil Referral Units	1,458	(1,585)	(127)
<b>Total</b>	<b>5,082</b>	<b>(4,763)</b>	<b>319</b>

## Schools with Surplus Balances

- 7.2 At the end of 2018-2019 maintained schools had balances of £5.1 million. 23 schools were identified as having balances above recognised thresholds detailed in the local scheme (5% for secondary schools and 8% for primary, special and nursery schools). Schools are expected to report their intended use of surplus balances for review and challenge, to determine any need for further action. The report is a 2 phased process; the first of which is due before the summer holidays.

- 7.3 The Scheme for Financing Schools establishes an arbitration process to review the Authority's decision and determine if, and to what level, any excess balances should be recovered. Officers met with schools to challenge the 2017-2018 excess surplus balances, and, having considered the cases put forward by individual schools, there were no recommendations for the arbitration panel in March 2019, and no funds have been clawed back from schools during 2018-2019.

#### **Schools in a deficit position**

- 7.4 As part of its overview of schools in deficit, a Schools at Financial Risk Board (SaFR), chaired by the Head of School Organisation, reviews the financial information from schools in deficit to evaluate the financial position of the schools. The chair of Schools Forum is also a member of the board. The position currently on schools that had anticipated a deficit position at the end of 2018-2019 is as follows:

**Table 18 – Schools with anticipated deficits in 2018-2019**

<b>Name</b>	<b>Balance at the end of 2017-2018 Surplus / (Deficit) £000</b>	<b>Anticipated balance at end of 2018-2019 Surplus / (Deficit) £000</b>	<b>Actual Balance at end of 2018-2019 Surplus / (Deficit) £000</b>	<b>Status</b>
St Matthias	(1,244)	(1,116)	(1,003)	A deficit recovery plan and application have been received and are under consideration.
The King's Church of England	(450)	(641)	(1,055)	Licensed deficit was approved in 2018-2019. This will continue to be reviewed against progress on a regular basis.
St Patrick's RC Primary	25	(28)	(48)	The school is due to convert to an academy in September, and any deficit at this point, will remain with the Local Authority. A licensed deficit application has been received and will now be considered.
Dovecotes Primary	(21)	(20)	(46)	The school have been issued with a licensed deficit application, and this will be considered once received by the Local Authority.

## Deficits Following Sponsored Academy Conversion

- 7.5 The schools surplus or deficit balance on conversion to academy status usually transfers at the same time. However, where the conversion is directed by the Department for Education (DfE) through a sponsorship arrangement any deficit remains with the local authority. Such costs must be met from the Authority's General Fund, and at Quarter 1, it is anticipated that these costs will be in the region of £122,000 in this financial year, as illustrated in Table 19 below. Approval from this panel is therefore sought to fund the academy conversion deficit from the Budget Contingency Reserve.

**Table 19 – Schools expected to convert to Academies during 2019-2020**

School	Conversion route	Forecast Balance at conversion Surplus / (Deficit) £000	LA responsible for deficit?
St Patrick's RC Primary	Sponsored	(122)	Yes
St Anthony's RC Primary	Convertor	(35)	No
Holy Trinity RC Primary	Convertor	85	No

- 7.6 The Local Government Association (LGA) has stated that this policy is unfair on local authorities. However, Department for Education (DfE) have said that academies are a vital part of the plan form transforming education and that the accumulated deficits for sponsored academies must be met by local authorities.

## 8.0 Debt Write Offs

- 8.1 Debts are only written off as a last resort, when all feasible recovery action has been exhausted. If the situation surrounding an individual case changes in the future, steps would be taken to pursue the debt, despite the debt having been written off.

### Sundry Debtors

- 8.2 Income is due to the Council for a wide range of services provided to individuals and businesses. To reflect the fact that, despite the Council's best efforts, not all of this income will actually be collected, the Council makes provision for bad and doubtful debts, which it charges directly to the General Fund.
- 8.3 Overall, 48 debt write offs totalling £151,498.65 have been incurred. All but five valued at £66,544.02 in total, which require the approval of this Panel (see Appendix 7), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.

## The Collection Fund

- 8.4 The City of Wolverhampton Council acts as billing and collecting authority for council tax and non-domestic rates income. The Council administers a separate Collection Fund

account for this purpose. The Collection Fund accounts for the receipt of council tax and business rates (non-domestic rates) income and payments to precepting authorities such as the Fire Authority and the Police. Within this account, provisions are made for bad and doubtful debts and any write offs are charged to the council tax or business rates provision as appropriate.

- 8.5 **Council Tax** – Overall, 632 debt write offs totalling £343,642.21 have been incurred. All but four valued at £27,623.83 in total, which require the approval of Cabinet (Resources) Panel (see Appendix 6), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
- 8.6 **Non-Domestic Rates (NDR)** – Overall, 82 debt write off totalling £405,308.80 have been incurred. All but nine valued at £85,990.09 in total, which require approval of Cabinet (Resources) Panel (see Appendix 5), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.

### **Housing Benefits**

- 8.7 Housing benefit overpayments occur when rent rebate or rent allowance awards exceed a recalculated entitlement. Whilst the Council aims to limit the incidence of overpayments they may occur for a number of reasons including as a result of fraud or error. In general, overpaid benefit is written off in line with Government guidance where recovery would cause hardship, where the debtor has died or cannot be traced.
- 8.8 The Council receives Government subsidy in respect of overpaid housing benefit at rates of between 40% and 100% according to the circumstances in which the overpayment arose. The unsubsidised element of any overpayment is charged to the General Fund.
- 8.9 Overall, 13 overpayments totalling £1,746.93 have been incurred. All have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.

### **9.0 Housing Revenue Budget Monitoring**

- 9.1 The table below shows the latest forecast revenue outturn against budget for the Housing Revenue account (HRA). The forecast outturn position for the year is a surplus of £21.1 million, compared to a budgeted surplus of £16.9 million. The projected additional surplus of £4.2 million will be used to redeem debt to comply with the Council's approved HRA Business Plan.

**Table 20 – Housing Revenue Account Projected Outturn 2019-2020**

	<b>Budget £000</b>	<b>Projected Outturn £000</b>	<b>Projected Variation £000</b>
Total income	(96,527)	(95,721)	806
Total expenditure	68,883	64,853	(4,030)
Net cost of HRA services	(27,644)	(30,868)	(3,224)
Interest payments etc.	10,794	9,771	1,023
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(16,850)	(21,097)	(4,247)
<i>Allocation of (surplus)/deficit</i>			
Provision for redemption of debt	16,850	21,097	4,247
<b>Balance for the year</b>	-	-	-

- 9.2 The main factors contributing towards the underspend for the HRA are discussed in the paragraphs below.
- 9.3 Rental income from dwellings and service charges is forecast to be lower than budgeted by £806,000 due to higher than anticipated right to buy sales.
- 9.4 Provision for the depreciation of fixed assets is forecast to be £3.9 million lower than budget. This is due to a review of the method of the component-based calculation.
- 9.5 Forecast interest charges are £1.0 million lower than budgeted. This has been based on the 2018-2019 borrowing outturn. The year end debt figure was lower than budgeted due to rephasing in the capital programme.
- 9.6 Due to these variances, approval is sought from this Panel to action virements which will result in the budget for provision of redemption of debt increasing by £4.1 million to £20.95 million. The budget for interest will be reduced by £1.0 million, the budget for depreciation will be reduced by £3.9 million and the income budgets for dwelling rents and service charges will be reduced by £0.7 million and £0.1 million respectively.

## **10.0 Evaluation of alternative options**

- 10.1 The write-offs, virements and use of reserve requests requiring the approval of Cabinet (Resources) Panel are all considered to be prudent in the opinion of the Director of Finance and the Cabinet Member for Resources.

## **11.0 Reason for decision(s)**

- 11.1 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between Employees and Other Controllable Expenditure headings, require the approval of Cabinet (Resources) Panel. Contribution to and from reserves also requires the approval from Cabinet (Resources) Panel. The

write-offs, virements and use of reserve requests detailed in this report which seek the approval of Cabinet (Resources) Panel are all considered to be prudent in the opinion of the Director of Finance and the Cabinet Member for Resources.

## **12.0 Financial Implications**

- 12.1 The financial implications are discussed in the body of the report.  
[MH/15072019/S]

## **13.0 Legal Implications**

- 13.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs. It is a legal requirement under s25 of the Local Government Act 2003 to set a balanced budget and monitor the financial position throughout the year.  
[DC/15072019/D]

## **14.0 Equality Implications**

- 14.1 This report provides details of the projected outturn for 2019-2020. The necessary equalities analysis will form part of the 2020-2021 budget setting process.

## **15.0 Environmental Implications**

- 15.1 A range of services focused upon the Council's environmental policies is supported through revenue budgets reviewed in this report. Changes in levels of funding will be considered as such changes are proposed.

## **16.0 Human resources implications**

- 16.1 Revenue Budget Monitoring reports on forecast outturn position of all Council services. There are no relevant human resources implications arising from this report.

## **17.0 Corporate landlord implications**

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

## **18.0 Health and Wellbeing Implications**

- 18.1 Revenue Budget Monitoring reports on forecast outturn position of all Council services including services which seek to improve the health and wellbeing of all population of City of Wolverhampton.

## **19.0 Schedule of Background Papers**

- 19.1 2019-2020 Final Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024, report to Cabinet, 20 February 2019.

- 19.2 Budget 2019-2020 and Medium Term Financial Strategy 2019-2020 to 2023-2024, report to Full Council, 6 March 2019.
- 19.2 Reserves, Provisions and Balances 2018-2019, report to Cabinet (Resources) Panel, 18 June 2019.
- 19.4 Revenue Budget Outturn 2018-2019, report to Cabinet (Resources) Panel, 18 June 2019.

## **20.0 Appendices**

- 20.1 Appendix 1 – Revenue Budget Monitoring
- 20.2 Appendix 2 – General Fund Budget Risks 2018-2019
- 20.3 Appendix 3 – Housing Revenue Account Budget Monitoring
- 20.4 Appendix 4 – General Fund Budget Virements
- 20.5 Appendix 5 – Non-Domestic rates (NDR) Write-offs
- 20.6 Appendix 6 – Council Tax Write Offs
- 20.7 Appendix 7 – Sundry Debtors Write Offs