

Cabinet (Resources) Panel

18 June 2019

Report title	Revenue Budget Outturn 2018-2019	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Tim Johnson, Managing Director	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Director of Finance
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Report to be/has been considered by	Strategic Executive Board	4 June 2019

Recommendation for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve that the net surplus after taxation of £40,000 for Yoo Recruit Limited be retained by the company to enable further business development.
2. Approve the write off of eight non-domestic rates totalling £74,802.16 as detailed in Appendix 7.
3. Approve the write off of four sundry debts totalling £40,878.73 as detailed in Appendix 8.
4. Approve the write off of one council tax account totalling £5,634.54 as detailed in Appendix 9.

5. Approve 24 virements totalling £39.8 million, for transfer within directorates, as detailed in Appendix 10.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. That the revenue outturn position for 2018-2019 for the General Fund; a net underspend of £265,000 (-0.12%) was achieved against the net budget requirement of £229.1 million, after meeting the net cost of redundancy and pension strain, after the use of capital receipt flexibility, and contributions to essential earmarked reserves.
2. That whilst the positive General Fund outturn position during 2018-2019, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying further projected budget reductions estimated at £27.3 million in 2020-2021, rising to £40-50 million over the medium term to 2023-2024. Cabinet will be presented with a report in July 2019 detailing the progress towards identifying budget reduction and income generation proposals to address the financial challenge.
3. That the General Fund outturn position takes into account a number of proposed transfers to and from reserves and provisions for which approval is sought in the Reserves and Provisions 2018-2019 report to be presented at this meeting.
4. That schools which remain under the control of the City of Wolverhampton Council have drawn down a net £1.8 million of their reserves during 2018-2019 after adjusting for the balance attributable to academies, which takes the total accumulated reserves to £5.1 million at 31 March 2019.
5. That the Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £20.7 million, compared to a budgeted surplus of £15.2 million.
6. That the draft financial statements of Yoo Recruit Limited will be subject to external audit.
7. That as a result of recruitment through Yoo Recruit Limited, the Council has been able to avoid fees which would have otherwise been incurred, including approximately £92,000 in relation to the permanent recruitment of individuals who had been previously employed on a temporary basis through the agency.
8. That the Collection Fund outturned with a £983,000 surplus during 2018-2019; this resulted in an overall surplus of £841,000 to be carried forward.
9. That 67 non-domestic rates accounts totalling £319,386.34 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

10. That 1,354 council tax accounts totalling £445,443.79 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
11. That 48 sundry debt accounts totalling £594,244.46 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
12. That 20 housing benefit debt accounts totalling £16,822.18 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
13. That 5 debts relating to Business Improvement District (BID) totalling £580.79, 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 inform Cabinet (Resources) Panel of the Council's revenue outturn position for 2018-2019 compared with approved budgets and targets.

2.0 Executive Summary

- 2.1 Overall a net underspend of £265,000 (-0.12%) was achieved against the General Fund net budget requirement of £229.1 million, after meeting the net cost of redundancy and pension strain after the use of capital receipt flexibility, and contributions to essential earmarked reserves.
- 2.2 In the Reserves and Provisions 2018-2019 report to be considered at this meeting, it is proposed that the Council make a contribution of £265,000 to the Community Initiatives and Crowdfund Wolves earmarked reserve as a result of the General Fund net underspend.
- 2.3 Whilst the positive General Fund outturn position during 2018-2019, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying further projected budget reductions estimated at £27.3 million in 2020-2021, rising to £40-50 million over the medium term to 2023-2024. Cabinet will be presented with a report in July 2019 detailing the progress towards identifying budget reduction and income generation proposals to address the financial challenge.
- 2.4 It is important to note that the updated projected deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five-year period from 2019-2020 to 2023-2024. Over the last eight financial years the Council has identified budget reductions in excess of £220.0 million. This continues to be the most significant financial challenge that the Council has ever faced.
- 2.5 The Council's General Fund Balance remains at £10.0 million; the minimum balance as determined in the Council's approved Reserves and Balances Policy. Emphasis therefore continues to be placed on identifying budget reduction and income generation proposals to meet the projected budget deficit over the medium term.
- 2.6 Schools remaining in the control of the local authority have drawn down a net £1.8 million of reserves during 2018-2019 after adjusting for balances attributable to academies, taking the total accumulated reserves to £5.1 million at 31 March 2019. This is set against schools' projection of balances of £2.0 million at the end of 2018-2019. Therefore, actual balances are £3.1 million greater than forecast. The Directors of Education and Finance will continue to challenge those schools who hold surplus balances, aiming to gain an understanding of plans in place and whether they are appropriate.

- 2.7 The Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £20.7 million, compared to a budgeted surplus of £15.2 million. The HRA reserve had been maintained at £7 million. The additional surplus of £5.5 million will be used to redeem debt and enable the Council to pay for future investment in housing.
- 2.8 Yoo Recruit, the Council owned temporary staffing agency has been trading for five years. The company had a turnover of £10.6 million and a net surplus after tax of £40,000. It is proposed that the net surplus is retained by Yoo Recruit to enable further business development. As a result of recruitment through Yoo Recruit Limited, the Council has been able to avoid fees which would have otherwise been incurred, including approximately £92,000 in relation to the permanent recruitment of individuals who had been previously employed on a temporary basis through the agency.
- 2.9 The Collection Fund outturned with a £983,000 surplus during 2018-2019; this resulted in an overall surplus of £841,000 to be carried forward.
- 2.10 The Director of Finance has approved the write off of 1,494 debt accounts totalling £1,376,477.56 in value.

3.0 Revenue Budget Outturn – General Fund Summary

- 3.1 An analysis of the Council's outturn position against General Fund revenue budgets for 2018-2019 is detailed in the table below. Further detailed analysis for each Directorate can be found in Appendices 1 to 4.

Table 1 – 2018-2019 Revenue Budget Outturn Summary

	Net Controllable Budget 2018-2019	Net Controllable Outturn 2018-2019	Variation	
			Over/(Under)	
	£000	£000	£000	%
People	118,076	118,872	796	0.67%
Place	51,452	51,450	(2)	0.00%
Corporate	53,334	52,322	(1,012)	-1.90%
Education	6,278	6,216	(62)	-0.99%
Net Budget Requirement	229,140	228,860	(280)	-0.12%
Council Tax (including Adult Social Care Precept)	(96,970)	(96,970)	-	0.00%
Enterprise Zone Business Rates	(1,958)	(1,466)	492	25.13%
Business Rates (net of WMCA growth payment)	(72,356)	(72,494)	(138)	-0.19%
Business Rates Autumn Statement	(7,847)	(8,185)	(338)	-4.31%
Compensation				
Government Grant (General)	(48,283)	(48,284)	(1)	0.00%
Collection Fund Surplus	(1,726)	(1,726)	-	0.00%
Total Resources	(229,140)	(229,125)	15	0.01%
Use of General Balances	-	-	-	0.00%
Net Budget (Surplus)	-	(265)	(265)	-0.12%

- 3.2 As can be seen from the table above, overall a net underspend of £265,000 (-0.12%) was achieved against the General Fund net budget requirement of £229.1 million, after meeting the net cost of redundancy and pension strain, after the use of capital receipt flexibility, and contributions to essential earmarked reserves.
- 3.3 Whilst the positive General Fund outturn position during 2018-2019, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying further projected budget reductions estimated at £27.3 million in 2020-2021, rising to £40-50 million over the medium term to 2023-2024. Cabinet will be presented with a report in July 2019 detailing the progress towards identifying budget reduction and income generation proposals to address the financial challenge.
- 3.4 The Council's General Fund Balance remains at £10.0 million; the minimum balance as determined in the Council's approved Reserves and Balances Policy. Emphasis therefore continues to be placed on identifying budget reduction and income generation proposals to meet the projected budget deficit over the medium term.

3.5 It is important to note, that the General Fund outturn position takes into account proposed transfers to and from reserves and provisions. Full details regarding reserve transfers are included in the Reserves and Provisions 2018-2019 report, for which approval will be sought at this meeting.

4.0 Revenue Budget Analysis per Directorate

People

4.1 A summary of the 2018-2019 outturn against the People net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 1.

Table 2 – 2018-2019 Revenue Budget Outturn – People

Service	Net Controllable Budget 2018-2019	Net Controllable Outturn 2018-2019	Variation Over/(Under)	
	£000	£000	£000	%
Strategic Director People including Commissioning	4,715	4,084	(631)	-13.38%
Adult Services	63,764	63,764	-	0.00%
Children & Young People	49,557	51,027	1,470	2.97%
Public Health & Wellbeing	40	(3)	(43)	0.00%
People Total	118,076	118,872	796	0.67%

4.2 Overall, a net overspend of £796,000 (0.67%) for the year was achieved by the People Directorate. The main factors for each service directorate contributing towards the net overspend are detailed as follows:

- 1. Strategic Director People including Commissioning**– There was a net underspend of £631,000 within this service directorate mainly as a result of an underspend in Strategic Commissioning totalling £617,000 due to unfilled staff vacancies and savings on contract budgets.
- 2. Adult Services** – The budget for Adult Services accounts for 28% of the Council's net budget, making it the largest service budget across the Council. Net efficiencies totalling £3.7 million have been contributed into the Adult Social Care Reserve to fund pressures within Adult Services in 2020-2021. 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. A break-even position for 2018-2019 for this service directorate is due to the use of one-off resources made available to the service and the daily effective management across service

provision. This breakeven position has arisen as a result of various factors including:

- a. An underspend within the Adults Assessment and Care Management service totalling £342,000 due to one-off staff vacancies.
- b. An underspend within the Carer Support service totalling £357,000 on the carers support spot purchasing budgets. However, expenditure has increased from 2017-2018 and plans to increase utilisation of this budget in order to reduce spend on care purchasing budgets continue to be developed and implemented.
- c. An underspend within the Community Support service totalling £485,000 which is primarily due to efficiencies across recharge budgets.
- d. An underspend within Independent Living Service totalling £317,000 as a result unfilled staff vacancies, additional income and underspends on the Assistive Technology Services.
- e. An overspend within Learning Disabilities Care Purchasing service totalling £1.7 million as a result of increasing demand for care and support packages and challenges with the transformation programme.
- f. An underspend within Learning Disability Provider service totalling £140,000 as a result of unfilled staff vacancies across the service and the receipt of additional income.
- g. An overspend within Mental Health Assessment and Care Management totalling £592,000 as a result of increased demand for new social care packages and those jointly funded with health.
- h. An underspend within Older People Provider Services totalling £147,000 as a result of unfilled staff vacancies and a reduction on general running costs which are offset by an overspend on community equipment costs.
- i. An underspend within Physical Disabilities Care Purchasing totalling £251,000 as a result of net costs of direct payments being lower than anticipated and the cost of high needs cases has been lower than in previous years.
- j. An underspend within the Director of Adults Services and Additional Monies totalling £206,000. The additional monies are one-off resources held within this service area, to support cost pressures across the whole of Adult Services. In the Reserves and Provisions 2018-2019 report to be considered at this meeting, it is proposed that the Council make a contribution of £3.7 million to the Adult Social Care Reserve to offset forecast pressures in future years.

3. Children & Young People – There was a net overspend of £1.5 million within this service directorate, which has arisen primarily as a result of:

- a. An overspend within the Children and Young People in Care service totalling £3.5 million as a result of increased pressures against the placements budgets. This is partially offset by efficiencies across staffing budgets and additional income from the Home Office for unaccompanied asylum-seeking children. Whilst Wolverhampton continues to see a decrease in the number of children and young people in care, the average weekly external placement costs have increased. Wolverhampton continues to buck the national trend, as many councils continue to see children and young people in care numbers increase significantly. It is important to note the Director of Children's Services is confident that robust procedures are in place to ensure that only those children that need to come into care are brought into care.

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

- b. An underspend within the Strengthening Families service totalling £990,000 as a result of a number of factors including the use of one-off grant of £600,000. As part of the Children's Transformation programme a project group has been established to specifically look at Section 17 and no recourse to public funds payments, this has resulted in a reduction of historical spend of £140,000. Other one-off reductions in expenditure against volunteer drivers and translation fees have also contributed to the underspend.
- c. An underspend within the Safeguarding service totalling £435,000 as a result of one-off staffing vacancies along with a one-off reduction in costs associated with Deprivation of Liberty Safeguards (DoLs) due to a delay in starting contracts for Best Interest Assessors, Mental Health Doctor's and Independent Mental Capacity Advocate's (IMCA's).
- d. An underspend within the Director of Children's Services totalling £418,000 as a result of a reduction in general expenditure budgets along with savings associated with Child and Mental Health Services Contract ending partway through 2018-2019 and use of one-off grants.
- e. An underspend within the Youth Offending service totalling £198,000 as a result of one-off budget underspends due to unfilled staff vacancies, along with an increase in contributions from the external agencies.

4. Public Health and Wellbeing is currently showing an underspend of £43,000 after the application of £777,000 net use of the Budget Contingency Reserve.

Place

- 4.3 A summary of the 2018-2019 outturn against the Place net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 2.

Table 3 – 2018-2019 Revenue Budget Outturn – Place

Service	Net Controllable Budget 2018-2019	Net Controllable Outturn 2018-2019	Variation Over/(Under)	
	£000	£000	£000	%
Strategic Director Place	610	532	(78)	-12.79%
Land and Property Investment Fund	-	-	-	0.00%
Regeneration	5,684	5,583	(101)	-1.78%
Commercial Services	17,754	18,781	1,027	5.78%
City Housing	1,506	1,190	(316)	-20.98%
Public Service Reform	3,755	3,585	(170)	-4.53%
City Environment	22,143	21,779	(364)	-1.64%
Place Total	51,452	51,450	(2)	0.00%

- 4.4 Overall a net underspend of £2,000 (0.00%) for the year was achieved by the Place Directorate. The main factors contributing towards the underspend are detailed as follows:

1. **Regeneration** – This service directorate outturned with a £101,000 underspend mainly as a result of:
 - a. The Planning service net underspend totalling £123,000, as a result of unfilled staff vacancies and income levels being higher than in previous years.
 - b. The Local Economy service net underspend totalling £163,000 as a result of efficiencies across non-staffing budgets.

However, these underspends against net budgets are offset partially by an overspend totalling £282,000 within the Visitor Economy service due to reduced income linked to the delayed implementation of a staffing restructure and the holding costs associated with Civic Halls closure.

2. **Commercial Services** – There was a net overspend of £1.0 million for this service directorate, which has arisen as a result of various factors including:

- a. An overspend within Capital Programmes totalling £163,000 as a result of a reduction in external income generation opportunities whilst also reflecting additional costs associated with a commissioned feasibility study.
- b. An overspend within Catering Services totalling £137,000 as a result of loss of school contracts. The impact of this has been mitigated in part by other efficiencies delivered by the Catering Service.
- c. An overspend within Facilities Management totalling £355,000 as a result of increased repairs aiding statutory compliance and reduced income recovery from community centres, school caretaking services and as a result of vacant properties.
- d. An overspend within Maintenance Programme totalling £816,000 as a result of an increase in fire risk assessment and compliance works across council assets.

These overspends are offset by an underspend within the ICTS service totalling £475,000. The underspend has resulted from a combination of additional ICT project related income, closely managed and reduced printing costs and a short-term reduction in salary costs, as a result of vacancies being held ahead of the planned restructure, which will be implemented in full by August 2019.

3. **City Housing** – There was a net underspend of £316,000 for this service directorate as a result of utilisation of additional grant funding.
4. **Public Service Reform** – There was a net underspend of £170,000 for this service directorate as a result of efficiencies across salaries and members subscriptions and additional income.
5. **City Environment** – This service directorate outturned with a £364,000 underspend which has primarily arisen as a result of:
 - a. An underspend within the Environmental Maintenance service totalling £155,000 as a result of unfilled staff vacancies, reduction in agency staff, efficiencies across equipment and materials budget, and receipt of additional grant funding.
 - b. An underspend within the Fleet Services totalling £281,000 as a result of unfilled staff vacancies, efficiencies on spare parts due to investment in refuse vehicles and additional income from the sale of vehicles.
 - c. An underspend within the Highways Maintenance service totalling £272,000 as a result of unfilled staff vacancies and the capitalisation of patching expenditure which was funded by the Pothole Monies capital

grant. This is offset by winter maintenance expenditure which was not funded from reserve as anticipated.

- d. An underspend within the Operation & Maintenance of Existing Network service totalling £330,000 as a result of an underspend on staff costs and over achievement of income.
- e. An underspend within the Public Protection service totalling £243,000 as a result of unfilled staff vacancies, higher than anticipated income from fines and recovery of court costs.

These underspends are offset by overspends within the following services:

- f. Parking Services totalling £842,000 as a result of reduced parking and enforcement income due to ongoing transport improvement schemes and regeneration projects in the City Centre.
- g. Markets totalling £110,000 primarily due to increased security costs at the three market sites.

Corporate

- 4.5 A summary of the 2018-2019 outturn against the Corporate net controllable revenue budget is provided in the Table 4, whilst a detailed analysis is provided in Appendix 3.

Table 4 – 2018-2019 Revenue Budget Outturn – Corporate

Service	Net Controllable Budget 2018-2019	Net Controllable Outturn 2018-2019	Variation Over/(Under)	
	£000	£000	£000	%
Corporate Services	14,473	12,441	(2,032)	-14.04%
Governance	2,913	2,848	(65)	-2.23%
Managing Director	5,304	4,848	(456)	-8.60%
Corporate Budgets	30,644	32,185	1,541	5.03%
Corporate Total	53,334	52,322	(1,012)	-1.90%

- 4.6 Overall a net underspend of £1.0 million (-1.9%) for the year was achieved within the Corporate area. The main factors contributing towards this underspend are detailed as follows:

1. **Corporate Services** – There was a net underspend of £2.0 million within the service directorate, which has primarily arisen as a result of:

- a. An underspend within Audit Services totalling £203,000 due to unfilled staff vacancies held across the service.
 - b. An underspend totalling £869,000 in the Central Corporate budgets due to lower than anticipated enhanced pension costs and a reduction in bank charges following the switch from an external to in house payment hosting system.
 - c. An underspend within the Leisure Services totalling £101,000 as a result of additional income generation.
 - d. An underspend within the Revenue and Benefits service totalling £473,000 as a result of additional one-off grant income.
 - e. An underspend within Strategic Finance totalling £176,000 as a result of additional income generation from working in partnership with other organisations along with general efficiencies across the service.
 - f. An underspend within The Hub totalling £162,000 as a result of general efficiencies across the service.
2. **Governance** – There was a net underspend of £65,000 within this service directorate primarily as a result of an underspend totalling £102,000 within the Legal Services as a result of additional income generation.
3. **Managing Director** - There was a net underspend of £456,000 within this service directorate as a result of:
- a. An underspend within Corporate Business Support totalling £178,000 as a result of unfilled staff vacancies held across the service.
 - b. An underspend within Corporate Communications totalling £189,000 as a result of unfilled staff vacancies held across the service and additional income generation.
4. **Corporate Budgets** – There is a net overspend of £1.5 million across this service directorate as a result of:
- a. **Treasury Management Budgets**– There is an overspend totalling £2.2 million against the Treasury Management budget. During 2018-2019 it was projected that there would be an overspend against the Treasury Management budget in the region of £2.0 million, primarily as a result of an increase in Minimum Revenue Provision (MRP) charges following a review. Cabinet approval was sought to meet the overspend from a drawdown from the Treasury Management Equalisation Reserve, however due to other underspends across the Corporate Directorate this was not required.

- b. **Central Provision for Auto-enrolment and Pay Award Costs** – There has not been a call upon the Central Provision for Auto-enrolment during 2018-2019. This underspend, in addition to budget reductions realised as a result of paying pension cost upfront, as detailed below, resulted in savings delivered against this budget.
- c. **Contribution from the Pension Deficit Recovery reserve to fund upfront payment** – In line with Cabinet approval, an advanced payment totalling £5.5 million was made towards the past service deficit pension costs in 2017-2018, in order to reduce the total costs in 2018-2019 and secure on-going budget reductions. Funds were transferred from the specific reserve established for this purpose during 2018-2019.
- d. **Other Corporate / Transformation Budgets and Contingencies** – The underspend totalling £1.8 million against this budget was planned during 2018-2019 to help to offset overspends within other areas across the Council.
- e. **Gross Redundancy Costs** – It was forecast during 2018-2019 that redundancy payments arising as a result of the voluntary redundancy programme would be in the region of £3 million, however the total cost was slightly lower at £2.7 million. Part of this expenditure has been offset by capital receipts, whilst the remainder has been accommodated within underspends across the directorates.
- f. **Capital Receipts Flexibility – Transformational Projects** – In December 2015, the Secretary of State announced that from 1 April 2016 capital receipts may be used for revenue transformation projects. Capital receipts totalling £2.7 million have been used to offset transformational project costs.
- g. **Capital Receipts Flexibility - Redundancy** – As detailed above, capital receipts may be used for revenue transformation projects. Capital receipts totalling £1 million have also been used to offset reorganisation costs in 2018-2019.
- h. **Provision for Bad Debts** – The overspend totalling £815,000 against budget is as a result of the in-year adjustment to the provision for bad debts being greater than originally assumed within the 2018-2019 budget. The 2019-2020 budget has been updated to reflect in year changes.
- i. **Corporate Adjustments** – There was a net underspend totalling £144,000 against this budget during 2018-2019, which helped to offset overspends within other directorates.

- j. **Overpaid VAT** – In October 2018, Cabinet noted the successful recovery of overpaid VAT totalling £1.8 million. The funds have been transferred into a specific reserve to support the approved 2019-2020 budget strategy.
- k. **Contribution to Community Initiatives and Crowdfund Wolves Reserve** – Reallocation of positive General Fund underspend to Earmarked Reserves for a programme of positive community based activities to engage and develop young people and also to support Crowdfund Wolves.

Education

- 4.7 A summary of the 2018-2019 outturn against the Education net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 4.

Table 5 – 2018-2019 Revenue Budget Outturn – Education

Service	Net Controllable Budget 2018-2019	Net Controllable Outturn 2018-2019	Variation Over/(Under)	
	£000	£000	£000	%
Education	6,278	6,216	(62)	-0.99%
Education Total	6,278	6,216	(62)	-0.99%

- 4.8 Overall a net underspend of £62,000 (-0.99%) for the year was achieved by Education. The main factors contributing towards this underspend are as a result of:

- a. An underspend within the Skills Service totalling £151,000 as a result of unfilled staff vacancies across the service.
- b. An underspend within the School Improvement service totalling £366,000 as a result of unfilled staff vacancies within Governor Support and School Improvement Teams.

These underspends are offset by an overspend within the Special Educational Needs service totalling £357,000 as a result of an overspend on the cost of transporting children with Special Education Needs to and from Schools.

5.0 Reserves and Provisions 2018-2019

- 5.1 A report detailing the Council's reserves, provisions and balances as at 31 March 2019 will be received at this meeting. The report, titled 'Reserves and Provisions 2018-2019', will seek approval for transfers to and from reserves, provisions and balances.
- 5.2 At the beginning of 2018-2019 a balance of £10.0 million was held within the General Fund balance. The General Fund Balance remains at £10.0 million as at 31 March 2019. This is the minimum balance as determined by the Council's policy on reserves and balances. Emphasis therefore continues to be placed on identifying budget reductions and income generation proposals to meet the projected budget deficit over the medium term.
- 5.3 It is important to note that the positive General Fund outturn position during 2018-2019, and the resulting adjustments to reserves, will help to support the Council's short-term financial position. It does not, however, address the challenging financial position that the Council finds itself in over the medium term; namely identifying further projected budget reductions estimated at £27.3 million in 2020-2021, rising to £40-50 million over the medium term to 2023-2024. Cabinet will be presented with a report in July 2019 detailing the progress towards identifying budget reduction and income generation proposals to address the financial challenge.

6.0 Outturn on Schools' Budgets

- 6.1 Schools that remain in local authority control started the 2018-2019 financial year with accumulated reserves of £6.9 million. At the end of the year revenue balances for these schools were £5.1 million, a reduction of £1.8 million. This remaining balance of £5.1 million represents 6.26% of the funding and income available to schools during 2018-2019.
- 6.2 The Directors of Education and Finance will continue to challenge those schools who hold surplus balances, aiming to gain an understanding of plans in place and whether they are appropriate.
- 6.3 Further details on schools' finances for 2018-2019 are shown at Appendix 5.

7.0 Housing Revenue Account

- 7.1 The table below provides the Housing Revenue Account (HRA) revenue outturn for 2018-2019 compared to the approved budget. The outturn position for the year is a surplus of £20.7 million, compared to a budgeted surplus of £15.2 million. The additional surplus of £5.5 million will be used to redeem debt and enable the Council to pay for future investment in housing.

Table 6 – Housing Revenue Account Revenue Outturn 2018-2019

	Budget £000	Outturn £000	Variation £000
Total income	(96,452)	(95,422)	1,030
Total expenditure	70,872	64,514	(6,358)
Net cost of HRA services	(25,580)	(30,908)	(5,328)
Interest payments and receipts	10,394	10,196	(198)
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(15,186)	(20,712)	(5,526)
<i>Allocation of (surplus)/deficit</i>			
Increase to HRA Reserve		11	11
Provision for redemption of debt	15,186	20,701	5,515
Balance for the year	-	-	-

- 7.2 Further detail behind the figures in this table are shown at Appendix 6.
- 7.3 The main variance was an underspend of £4.2 million on depreciation of fixed assets due to the impact of a change in accounting treatment used to calculate depreciation based on property components.
- 7.4 Expenditure on repairs and maintenance was £680,000 lower than budget, due to an increase in income from recharges to tenants and leaseholders.
- 7.5 Expenditure on supervision and management was £474,000 less than budget due to a general reduction in costs.
- 7.6 The cost of the increase to the bad debt provision was £877,000 lower than budget. This has been set at a level to provide for the impact of the roll out of universal credit which was implemented much later than originally timetabled by the government.
- 7.7 Rental and service charge income was £1.0 million lower than budget due to the number of properties sold through Right to Buy being higher than the number forecast and the number of new properties completed and available for rent being lower than assumed.
- 7.8 There was an underspend against the budget for interest charges of £168,000 which was mainly due to rephasing on the capital programme which reduced the borrowing requirement.

8.0 Yoo Recruit Limited

Financial Summary

- 8.1 On the 7 January 2014, Cabinet (Resources) Panel approved the structure of a Council owned temporary staffing agency. Yoo Recruit has now been trading for five years. The table below summarises the financial position for the 2018-2019 financial year; the company had a turnover of £10.6 million and a net surplus after tax of £40,000. It is proposed that the net surplus is retained by Yoo Recruit to enable business development. The financial statements of Yoo Recruit Limited will be subject to external audit.

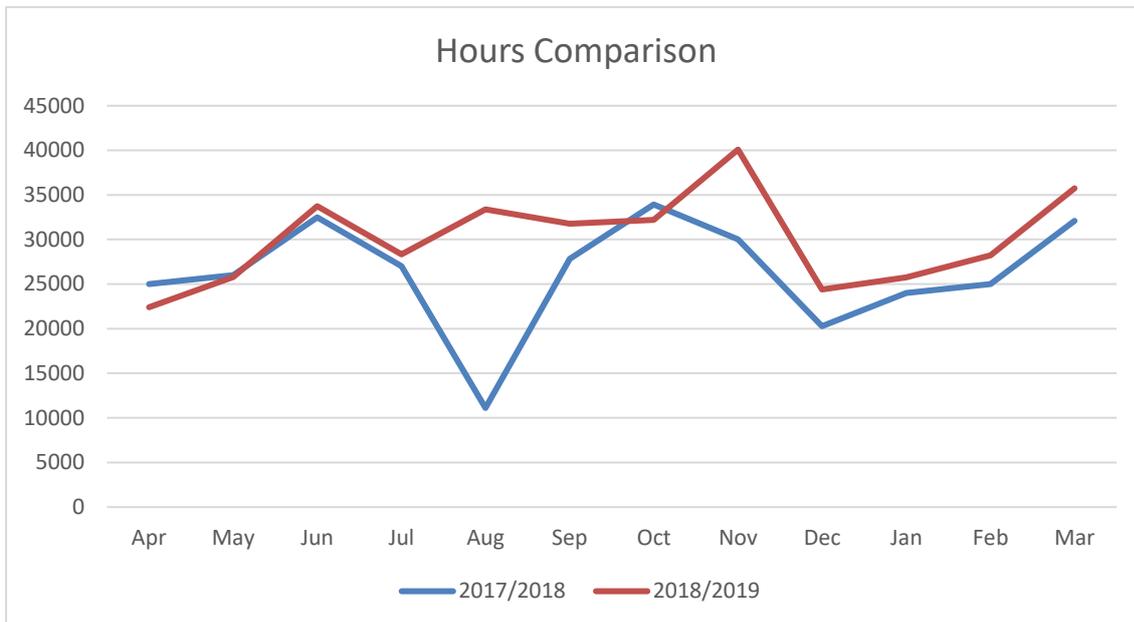
Table 8 – Yoo Recruit Financial Statement 2018-2019

	£000
Sales	(10,570)
Direct Expenses	10,371
Gross Surplus	(199)
Overheads	149
Net Surplus before taxation	(50)
Taxation	10
Net Surplus after taxation	(40)

Operational Data

- 8.2 In 2018-2019 49 temporary workers from Yoo Recruit transferred to permanent roles. Under normal circumstances a placement fee would be payable for the transfer, but these fees are not payable under terms of the Council's agreement with Yoo Recruit. This saved the Council approximately £92,000.
- 8.3 During 2018-2019 approximately 361,764 hours were booked through Yoo Recruit. Graph 1 illustrates that hours booked have increased in the majority of months against the previous year, as the management partner has now stabilised delivery. A significant drop in hours during December is due to the Council's reduction in agency usage over the Christmas period.

Graph 1 – Yoo Recruit, Hours Booked per Month



9.0 Collection Fund

- 9.1 The Collection Fund outturned with a £983,000 surplus during 2018-2019 including net adjustments and this resulted in an overall surplus of £841,000 to be carried forward. The Collection Fund income comes from receipts of Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR) collected from tax payers during the year and any balances from previous years. The £983,000 surplus outturned as a result of £257,000 surplus on Council Tax and £726,000 surplus for Business Rates.
- 9.2 The Collection Fund opening balance for Council Tax was a surplus of £1.1 million and combined with the in-year surplus results in a surplus balance of £1.4 million to be carried forward.
- 9.3 The Collection Fund opening balance for Business Rates was a deficit of £1.3 million and combined with the in-year surplus, results in a deficit balance of £539,000 to be carried forward.

10.0 Debt Write Offs

- 10.1 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, appropriate steps would be taken to pursue the debt, despite the debt having been formally written off in the Council's accounts.
- 10.2 **The Collection Fund** - 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 (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.

- a. **Council Tax** - Overall, 1,355 debt write offs totalling £451,078.33 have been incurred. All except one totalling £5,634.54, which require the approval of this Panel (see Appendix 9), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
 - b. **Non-Domestic Rates** - Overall, 75 debt write offs totalling £394,188.50 have been incurred. All but eight valued at £74,802.16 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 Procedure Rules.
 - c. In addition to this, the Director of Finance has approved the write off of five debts relating to Business Improvement District (BID) totalling £580.79, in accordance with the Council's Financial procedure Rules.
- 10.3 **Sundry Debtors** - 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. Overall, 52 debt write offs totalling £635,123.19 have been incurred. All but four valued at £40,878.73 in total, which require the approval of this Panel (see Appendix 8), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
- 10.4 **Housing Benefits** - 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.
- 10.5 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.
- 10.6 Overall 20 debt write offs totalling £16,822.18 have been incurred during the period. All of which have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
- 10.7 As a result of the information detailed in paragraphs 10.2 – 10.6 above, the Director of Finance has approved the write off of 1,493 debt accounts totalling £837,618.51 in value.
- 11.0 Evaluation of alternative options**
- 11.1 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.

12.0 Reason for decision(s)

- 12.1 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. The Council's financial procedure rules also require that the Section 151 Officer shall submit a report setting out the Outturn within four months of the financial year end.

13.0 Financial Implications

- 13.1 The financial implications are detailed in the body of the report.
[MH/07062019/W]

14.0 Legal Implications

- 14.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.
- 14.2 The General Power of Competence, contained in Section 1 (1) the Localism Act 2011 gives eligible local authorities, "*the power to do anything that individuals generally may do*" as long as they do not break other laws. This includes the power to lend or invest money and to set up a company to trade and engage in commercial activity.
- 14.3 The provision of a 'soft' loan where there is an artificially low rate of interest or it is non-interest bearing can constitute State Aid under European legislation. The Council will avoid any question of their being State Aid if it can show that the loan agreement terms including the amount and the length of the loan and the interest rate under which the loan is repayable corresponds to normal market conditions i.e. it is on commercially acceptable terms. This will be the case here.
[TS/06062019/Q]

15.0 Equality Implications

- 15.1 As this report provides details of the outturn for 2018-2019, there are no equality implications arising from it. The necessary equality analyses were carried out as part of the preparations for setting the 2018-2019 and 2019-2020 budgets and will similarly form part of the requisite pre-work for 2020-2021.

16.0 Environmental Implications

- 16.1 The Council's annual budget and medium term financial strategy supports a range of programmes designed to both improve environmental conditions across the city and promote economic and community development.

17.0 Human resources implications

17.1 This report provides details of the 2018-2019 outturn position. There are no relevant human resources implications arising from this report.

18.0 Corporate Landlord implications

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

19.0 Health and Wellbeing implications

19.1 Revenue Budget Outturn reports on the outturn position of all Council services including services which seek to improve the health and wellbeing of all the population of the City of Wolverhampton.

20.0 Schedule of background papers

20.1 Revenue Budget Monitoring 2018-2019, report to Cabinet (Resources) Panel, 5 March 2019

20.2 2019-2020 Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024, report to Cabinet, 20 February 2019.

20.3 Revenue Budget Monitoring 2018-2019, report to Cabinet, 21 November 2018.

20.4 Budget 2018-2019 and Medium Term Financial Strategy 2018-2019 to 2019-2020, report to Cabinet, 17 October 2018.

20.5 Revenue Budget Monitoring 2018-2019, report to Cabinet (Resources) Panel, 24 July 2018.

21.0 Appendices

21.1 Appendix 1 – Revenue Budget Outturn – People

21.2 Appendix 2 – Revenue Budget Outturn – Place

21.3 Appendix 3 – Revenue Budget Outturn – Corporate

21.4 Appendix 4 – Revenue Budget Outturn – Education

21.5 Appendix 5 – Outturn on Schools' Budget

21.6 Appendix 6 – Housing Revenue Account Revenue Outturn

21.7 Appendix 7 – Non-Domestic Rates write offs

21.8 Appendix 8 – Sundry Debts write off

21.9 Appendix 9 – Council Tax write off

21.10 Appendix 10 – Virement