

Report title	Revenue Budget Monitoring 2019-2020	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye	Director of Finance
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Report to be/has been considered by	Strategic Executive Board	11 February 2020

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**Recommendations for decision:**

The Cabinet (Resources) Panel is recommended to:

1. Approve the use of £250,000 from the Regeneration Reserve to fund various regeneration schemes as detailed at paragraph 4.4.
2. Approve the use of £626,000 from the Transformation Reserve to fund various transformational work as detailed at paragraph 4.5.
3. Approve the use of £304,000 from the Licensing Reserve to subsidise taxi fares and fees in 2019-2020 as detailed at paragraph 4.6.
4. Approve the use of £9,000 from the Wholesale Market Sinking Reserve to fund High Bay lighting within the wholesale market as detailed in paragraph 4.7.

5. Approve the use of £73,000 from the Efficiency Reserve to fund two fixed term posts to support the delivery of the volunteering strategy and Voluntary and Community Sector Action Plan over the next 12 months as detailed in paragraph 4.8.
6. Approve the contribution of £1.8 million into a new specific reserve which will be specially set aside to support the 2020-2021 budget strategy as detailed in the Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 reported to Cabinet on 19 February 2020 as detailed in paragraph 4.9.
7. Approve the establishment of supplementary expenditure budgets within the 2019-2020 approved budgets as detailed in section 5.0 for grant funded expenditure.
8. Approve 17 virements totalling £16.8 million, for transfers within directorates, as detailed in Appendix 4.
9. Approve the write off of five Non-Domestic Rates (NDR) debts totalling £52,288.51 as detailed in Appendix 5.
10. Approve the write off of one Council Tax debt totalling £5,784.14 as detailed in Appendix 6.
11. Approve the write off of four sundry debts totalling £55,623.02 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 a break-even position.
2. That redundancy costs, including the cost of pension strain, are forecast to be in the region of £3 - £4 million for 2019-2020. It is anticipated that the cost of redundancies can be met from reserves.
3. That a £20.6 million surplus on the Housing Revenue Account (HRA) is projected compared with a budgeted surplus of £21.0 million as shown at Table 19 and in detail at Appendix 3. The projected reduction to the surplus of £452,000 will reduce redemption of debt by £452,000.
4. That 78 sundry debt accounts totalling £83,659.40, 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.
5. That 431 council tax accounts totalling £241,239.66, 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.

6. That 53 Non-Domestic Rates (NDR) debts totalling £200,084.60, as detailed in paragraph 8.6, have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
7. That 21 housing benefit overpayments totalling £14,569.54, as detailed in paragraph 8.10, have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
8. That 12 debts relating to Business Improvement District (BID) totalling £1,913.31, as detailed in paragraph 8.7 of this report, 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 third report of this financial year detailing the likely outturn projection for 2019-2020.

## **2.0 Background**

- 2.1 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 requirement.
- 2.2 Overall, the General Fund projected outturn for 2019-2020 is currently forecast to breakeven against the net budget 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	
	£000	£000	Over/(Under)	
			£000	%
Adult Services	63,833	64,276	443	0.69%
Children's Services and Education	57,560	57,455	(105)	(0.18%)
Public Health and Wellbeing	906	961	55	6.07%
City Environment	22,914	23,668	754	3.29%
City Assets and Housing	8,887	9,806	919	10.34%
Regeneration	6,798	6,765	(33)	(0.49%)
Finance	13,319	12,939	(380)	(2.85%)
Governance	6,447	6,286	(161)	(2.50%)
Strategy	7,115	6,553	(562)	(7.90%)
Chief Executive	1,236	1,218	(18)	(1.46%)
Deputy Chief Executive	4,898	4,865	(33)	(0.67%)
Corporate Budgets	41,021	38,346	(2,675)	(6.52%)
Contribution to Reserves - 2020-2021 Budget Strategy	-	1,796	1,796	-
<b>Net Budget Requirement</b>	<b>234,934</b>	<b>234,934</b>	-	-
Council Tax (including Adult Social Care Precept)	(103,486)	(103,486)	-	-
Enterprise Zone Business Rates	(2,800)	(2,800)	-	-
Top Up Grant	(26,152)	(26,152)	-	-
Business Rates (net of WMCA growth payment and Collection Fund deficit)	(71,931)	(71,931)	-	-
New Homes Bonus	(2,080)	(2,080)	-	-
Section 31 Grant - Business Rates Support	(10,611)	(10,611)	-	-
Improved Better Care Fund	(12,947)	(12,947)	-	-
Winter Pressures and Social Care Grants - Adult Social Care	(3,727)	(3,727)	-	-
Levy Account Surplus (2018-2019)	(1,200)	(1,200)	-	-
<b>Total Resources</b>	<b>(234,934)</b>	<b>(234,934)</b>	-	-
<b>Net Budget (Surplus) / Deficit</b>	-	-	-	-

- 2.3 An overspend of £1.6 million for 2019-2020 was projected at the time of reporting to Cabinet on 17 December 2019. In order to address this remaining projected overspend, in-depth reviews have been carried out with Directors in conjunction with the Director of Finance to identify further efficiencies. Furthermore, it is anticipated that there will be an underspend against the auto-enrolment pot which has been held for the auto-enrolment of employees into the pension scheme. Due to the historic non-requirement of this pot, it has been proposed that this budget provision be reduced in the 2020-2021 budget, which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020. In order to support the 2020-2021 budget strategy, it is proposed that the underspend against the auto-enrolment pot be transferred into a new specific reserve as detailed in Table 1. As a result of this, the projected overspend has reduced and we are now projecting a breakeven position.
- 2.4 An update on the General Fund budget risks is provided at section 6.0. Overall the risk for 2019-2020 is currently assessed as Amber.
- 2.5 It is important to note that redundancy costs, including the cost of pension strain, are forecast to be in the region of £3 - £4 million for 2019-2020. However, based on recent years it is anticipated that the cost of redundancies can be met from reserves.
- 2.6 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 17 General Fund virements that require approval in this report as detailed in Appendix 4. Any virements reflecting a change in management responsibility have been approved under delegation by S151 Officer.
- 2.7 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.
- 2.8 The forecast outturn position for the Housing Revenue Account is a surplus of £20.6 million, compared to a budgeted surplus of £21.0 million. The projected reduction to the surplus of £452,000 will reduce the redemption of debt by £452,000.

### 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	63,833	64,276	443	0.69%

- 3.2 Overall a net overspend of £443,000 (0.69%) is projected for the year against Adult Services. The main factors contributing towards this overspend are as a result of:

1. A forecast overspend within Learning Disabilities Care Purchasing totalling £364,000 as a result of an increase in demand for care packages.
2. A forecast overspend within Mental Health Assessment & Care Management totalling £132,000 as a result of an increase in demand for care packages.
3. A forecast overspend within Older People Care Purchasing totalling £473,000 as a result of an increased demand for domiciliary care and nursing placements.

These overspends are partially offset by forecast underspends within the following services:

4. An underspend is forecast within Strategic Commissioning Adults totalling £276,000 as a result of unfilled staff vacancies held pending a restructure and efficiencies against contracts.
5. An underspend is forecast within Older People Provider Services totalling £104,000 as a result of unfilled staff vacancies.
6. An underspend is forecast within Adults Assessment and Care Purchasing totalling £125,000 as a result of unfilled staff vacancies.

The forecast overspend position of £443,000 includes the use of £4.3 million from the Adult Social Care reserve. The Council's 2020-2021 Final Budget and Medium Term Financial Strategy (MTFS) for 2020-2021 to 2023-2024 which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020 includes growth for Adult Services to support demographic pressures.

## Children's Services and Education

- 3.3 A summary of the projected outturn against the Children's Services and Education 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 and Education**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Children's Services and Education	57,560	57,455	(105)	(0.18%)

- 3.4 Overall a net underspend of £105,000 (-0.18%) is projected for the year against Children's Services and Education. The main factors contributing towards this underspend are:
1. An underspend is forecast within the Strengthening Families service totalling £1.4 million mainly as a result of unfilled staff vacancies whilst a review is undertaken on what the early help offer will be going forward. We continue to see reductions in Section 17 and no recourse to public funds, a positive outcome of a dedicated project to standardise processes and payments across the service.
  2. An underspend is forecast within the Strategic Commissioning - Children's service totalling £276,000 as a result of unfilled staff vacancies held pending a restructure and efficiencies against contracts.
  3. An underspend is forecast within the Safeguarding service totalling £335,000 mainly as a result of the Deprivation of Liberty safeguards (DoLs) service putting in place processes and clear monitoring that has created efficiencies across the area. The budget is being closely monitored, although new legislation is expected next year which may impact on demand.
  4. An underspend is forecast within the School Improvement service totalling £177,000 as a result of unfilled staff vacancies and additional income from schools.

These forecast underspends are partially offset by overspends within the following services:

5. An overspend forecast within the Children and Young People in Care service totalling £1.3 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.
6. An overspend is forecast within School Organisation totalling £320,000 as a result of a loss in trading income from schools for 2019-2020 academic year. A review of structure and services is being undertaken. In addition, there is an overspend related to the partial closure at Towers.
7. An overspend is forecast within the Special Education Needs service totalling £503,000 as a result of increased costs of transporting pupils with Special Educational Needs and Disabilities to and from schools.

The Council’s 2020-2021 Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020 includes growth for Children’s services to support demographic pressures.

### 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	906	961	55	6.07%

- 3.6 Overall a net overspend of £55,000 (6.07%) is projected for the year against 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	22,914	23,668	754	3.29%

- 3.8 Overall a net overspend of £754,000 (3.29%) is projected for the year against City Environment. The main factors contributing towards this overspend are as a result of:

1. An underachievement against budget is forecast within Enforcement and Parking Services totalling £935,000, this is as a result of a reduction in income for on street parking and car parks.
2. Bereavement Services is currently forecasting on overspend totalling £182,000 due to lower income levels than anticipated against budget, along with additional agency staff costs for autopsies and facility repair and maintenance charges.
3. An overspend is forecast within the Waste and Recycling service totalling £269,000. The forecast overspend is due to vehicle repairs and maintenance and purchase of equipment.
4. An overspend is forecast within Street Lighting totalling £197,000 as a result of increasing energy costs. This will be mitigated in the future by using LED lighting.

These overspends are partially offset by forecast underspends within the following services:

5. An underspend is forecast within the Public Protection service totalling £324,000 as a result of planned vacancies held across this service.
6. An underspend of £165,000 is forecast within Customer Services as a result of the ongoing transformation of the service and more efficient processes.
7. An underspend is forecast within Operation & Maintenance of Existing Network totalling £163,000 mainly related to additional permit income.
8. An underspend is forecast within Fleet Services totalling £283,000 as a result of additional income from the sale of older vehicles surplus to requirements.

## 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	8,887	9,806	919	10.34%

- 3.10 Overall a net overspend of £919,000 (10.34%) is projected for the year against City Assets and Housing. The main factors contributing towards this overspend are:
1. An under recovery of income forecast within the Capital Programme Projects and Works team, totalling £259,000 as a result of a reduction in income generation opportunities.
  2. An under recovery of income is forecast within the Estates and Valuations service totalling £440,000 as a result of reduced income, largely due to void units. The service has also experienced an increase in professional fees.
  3. An overspend is forecast within the Maintenance Programme totalling £304,000 as a result of increased essential repair and maintenance costs on Council assets and works carried out to maintain statutory compliance.
  4. A continued overspend is forecast within Facilities Management totalling £409,000 as a result of reduced income recovery associated with Community Centres, one-off dilapidation costs and as a result of the management of vacant properties within Facilities Management.

These overspends are partially offset by forecast underspends within the following services:

5. An underspend is forecast within Corporate Asset Management totalling £266,000 as result of reduced in-year Carbon Reduction Commitment expenditure and sale of allowances offsetting reduced income forecast for Estates and Valuations service.
6. An underspend totalling £111,000 is forecast whilst the Head of Corporate Landlord position is held vacant.

The Council's 2020-2021 Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020 includes growth to support the on-going cost pressures identified across these services.

## Regeneration

- 3.11 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	6,798	6,765	(33)	(0.49%)

- 3.12 Overall a net underspend of £33,000 (-0.49%) is projected for the year against Regeneration mainly due to the Skills service forecasting £130,000 under budget as a result of reduced expenditure against salary budgets and additional income.

## Finance

- 3.13 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	13,319	12,939	(380)	(2.85%)

- 3.14 Overall a net underspend of £380,000 (-2.85%) is projected for the year against Finance. The main factors contributing towards this underspend are:

1. An underspend is forecast within Central Corporate Budgets totalling £513,000 due to significant reductions in enhanced pension costs and bank charges, combined with other lesser underspends against a range of corporate budgets.
2. An underspend is forecast within Audit Services totalling £150,000 as a result of a restructure.

3. An underspend is forecast within the Revenue and Benefits service totalling £290,000 as a result of the early achievement of budget reduction target for 2020-2021.

These underspends are partially offset by forecast overspends within the following services:

4. An overspend is forecast within Housing Benefit Payments and Subsidy totalling £551,000 as estimated spend has been revised to take account of a significant and unforeseen increase in housing benefit payments to people housed in temporary accommodation where government subsidy falls well short of the amount paid out.
5. An overspend is forecast within the Procurement Service totalling £124,000 as a result of an increase in the use of agency resource due to internal promotions and turnover within the team. Linked to this, there is a forecast reduction in external income generation. Work is underway to address the challenges faced within Procurement.

The Council's 2020-2021 Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020 includes growth to support the on-going cost pressures identified within these services.

## Governance

- 3.15 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	6,447	6,286	(161)	(2.50%)

- 3.16 Overall a net underspend of £161,000 (-2.50%) is projected for the year against Governance. The underspend has arisen primarily due to the Director of Governance post being held vacant for the majority of the financial year.

## Strategy

- 3.17 A summary of the projected outturn against the Strategy 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 – Strategy**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Strategy	7,115	6,553	(562)	(7.90%)

- 3.18 Overall a net underspend of £562,000 (-7.90%) is projected for the year mainly due to forecast underspends within the ICTS service totalling £511,000 as a result of unfilled staff vacancies in year and continuing works to identify the early achievement of budget reduction targets for ICT.

## Chief Executive

- 3.19 A summary of the projected outturn against the Chief Executive 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 – Chief Executive**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Chief Executive	1,236	1,218	(18)	(1.46%)

- 3.20 Overall a net underspend of £18,000 (-1.46%) is projected for the year.

## Deputy Chief Executive

- 3.21 A summary of the projected outturn against the Deputy Chief Executive 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 – Deputy Chief Executive**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Deputy Chief Executive	4,898	4,865	(33)	(0.67%)

- 3.22 Overall a net underspend of £33,000 (-0.67%) is projected for the year against Deputy Chief Executive.

### Corporate Budgets

- 3.23 A summary of the projected outturn against the Corporate Budgets 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 – Corporate Budgets**

	2019-2020 Controllable Budget £000	2019-2020 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Corporate Budgets	41,021	38,346	(2,675)	(6.52%)

- 3.24 Overall a net underspend of £2.7 million (-6.52%) is projected for the year against Corporate Budgets. The main factors contributing towards this underspend is as a result of:

1. An underspend is projected for Treasury Management totalling £481,000 mainly due to a reduced borrowing need in year arising as a result of re-phasing of the capital programme offset against an increase in Minimum Revenue Provision (MRP) charges and loss of income for interest charged on loans to others. The MRP has increased due to the amount of borrowing applied in 2018-2019 against short life assets compared to the forecast. The loss of interest is due to the revised timing of loan requests from WV Living.
2. A planned underspend is forecast for Corporate Adjustments totalling £147,000 in order to help offset overspends within other directorates.
3. An underspend is forecast against the Central Provision for Auto-enrolment and Pay Award Costs totalling £2.0 million as indications predict that the central provision for auto-enrolment will not be needed in its entirety in this financial year.

4. It is proposed that the underspend detailed above, will be offset by a contribution to a new specific reserve totalling £1.8 million which will be specially set aside to support the 2020-2021 budget strategy as detailed in the 2020-2021 Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 reported which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020.

#### 4.0 Reserves and Balances

- 4.1 The General Fund Balance remains unchanged at £10.0 million.
- 4.2 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

- 4.3 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.

#### Regeneration Reserve

- 4.4 Approval is sought from this meeting for the use of £250,000 from the Regeneration Reserve to fund expenditure as shown in Table 14.

**Table 14 – Allocations from the Regeneration Reserve**

Service	Amount Allocated £000	Details
City Development	90	Additional funding is requested for professional fees to further the development of the Westside scheme and to fund repairs on Southside properties.
Visitor Economy	160	Funding is requested for design, survey and project management fees associated with the detailed design stages of phase three of the Westside Link (Civic Halls public realm)

#### 4.5 Transformation Reserve

- Approval is sought from this meeting for the use of £626,000 from the Transformation Reserve to fund expenditure as shown in Table 15.

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

<b>Service</b>	<b>Amount Allocated £000</b>	<b>Details</b>
Business Change	46	Funding is requested to fund a Project Manager within the Business Support Programme.
Business Change	480	Funding is requested to support the Scanning Project.
Special Education Needs	100	Funding is requested to fund an Independent Travel Co-ordinator and a SEN Administrator to support the Delivering Independent Travel Programme (DIT).

#### **4.6 Licensing Reserve**

Approval is sought from this meeting for the use of £304,000 from the Licensing Reserve to subsidise taxi fares and fees in 2019-2020.

#### **4.7 Wholesale Market Sinking Reserve**

Approval is sought from this meeting for the use of £9,000 from the Wholesale Market Sinking Reserve to fund High Bay lighting within the wholesale market.

#### **4.8 Efficiency Reserve**

Approval is sought from this meeting for the use of £73,000 from the Efficiency Reserve to fund to fund two fixed terms posts to deliver activities in maximising the collaboration with the Voluntary and Community Sector (VCS), deliver the volunteering strategy, VCS action plan and promote the principles of a people powered City embracing Wolverhampton for Everyone.

#### **4.9 New Specific Reserve**

Approval is sought to contribute £1.8 million into a new specific reserve which will be specially set aside to support the 2020-2021 budget strategy as detailed in the Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 reported to which was presented to Cabinet on 19 February 2020 and will be presented to Full Council on 4 March 2020.

#### **5.0 Changes to Grant Funded Expenditure**

- 5.1 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.

5.2 Approval is sought from the Panel to establish supplementary 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 the grant.

**Table 16 – Grant Approval sought from this Panel**

Grant Name	Description of the Activities this grant will fund	Awarding Body	Expenditure 2019-2020 £000
Voice park	Delivery of outreach theatre project during Literature Festival (January and February 2020)	Arts Fund – small project grant	4

## 6.0 General Fund Budget Monitoring – Risk Management

6.1 The overall level of risk associated with the budget 2019-2020 is assessed as Amber. As detailed in paragraph 2.3 it is forecast that the Council will breakeven in 2019-2020 after a contribution to reserves. It is important to note however, that the Council has budget reductions to deliver and income to achieve over the medium term. 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 October estimated that overall balances would reduce from £5.1 million to £2.7 million as reported in Quarter 1. Table 17 reflects the current position, based on revised outturns received to date.

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

Sector	Balances as at 31 March 2019 Surplus / (Deficit) £000	Forecast Use of Balances in 2018-2019 Surplus / (Deficit) £000	Forecast Balances as at 31 March 2020 Surplus / (Deficit) £000
Secondary	(2,042)	208	(1,834)
Primary	3,601	(732)	2,869
Junior	154	4	158
Infant	97	4	101
Nursery	1,065	(600)	465
Special	773	(144)	629
Pupil Referral Units	1,458	(1,146)	312
<b>Total</b>	<b>5,106</b>	<b>(2,406)</b>	<b>2,700</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).
- 7.3 All schools that have balances above these criteria have now reported their intended use. Local Authority Officers have scrutinised these plans and have had, or will be having, meetings with the headteachers of these schools. A decision will then be made whether any of these schools will be moved forward into the arbitration process as detailed below and an update on this will be included in the 2019-2020 Revenue Budget Outturn report to Councillors.
- 7.4 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.

### Schools in a deficit balance position

- 7.5 As part of its overview of schools in deficit, a Schools at Financial Risk Board (SFR) chaired by the Head of Service for 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 current position of schools that had anticipated a deficit position at the end of 2019-2020 is as follows:

**Table 18 – Schools with anticipated deficits in 2019-2020**

Name	Actual Balance at end of 2018-2019 Surplus / (Deficit) £000	Anticipated Balance at end of 2019-2020 Surplus / (Deficit) £000	Status
St Matthias	(1,003)	(872)	A licensed deficit and recovery plan have been agreed with the school.
The King's Church of England	(1,055)	(978)	Licensed deficit application has been received and approved. The school are currently in breach of their licensed deficit and enhanced work is continuing with the school to identify further cost reductions.
St Anthony's RC Primary	(1)	(9)	The school is due to convert to an academy in September 2020 and any remaining deficit will be transferred to the Academy Trust.

Name	Actual Balance at end of 2018-2019 Surplus / (Deficit) £000	Anticipated Balance at end of 2019-2020 Surplus / (Deficit) £000	Status
St Paul's CofE Primary	18	(67)	A licensed deficit application has been received from the school and is currently being evaluated. The Local Authority are providing support to the school to assist in their return to a balanced budget.
Graiseley Primary School	87	(3)	No licensed deficit will be required provided that the deficit outturn is less than £10,000.
Merridale Primary	6	(17)	A licensed deficit will be required if outturn is as forecast.
St Patrick's Primary	(48)	(95)	School is due to convert to an academy in March, under the Sponsored route, and any remaining deficit will be met by the Local Authority.
Penn Hall Special School	2	(132)	Penn Hall's financial position is being monitored. A licensed deficit application is required to support this deficit.
Phoenix Nursery	13	(22)	Phoenix Nursery has fluctuating pupil numbers. A licensed deficit will be required if the deficit outturn is as forecast.

### Deficits Following Sponsored Academy Conversion

- 7.6 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 remaining must be met by the local authority's General Fund. On 17 December 2019, Cabinet approved the use of £300,000 from the Budget Contingency Reserve to meet the conversion costs of St Patrick's RC Primary. This school is now due to convert on 1 March 2020 and it is still anticipated that the approved amount will be sufficient to cover the costs of conversion.

7.7 The Local Government Association (LGA) has stated that this policy is unfair on local authorities. However, DfE have said that academies are a vital part of the plan for 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, 82 debt write offs totalling £139,282.42 have been incurred. All but four valued at £55,623.02 in total, which require the approval of Cabinet (Resources) 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, 432 debt write offs totalling £247,023.80 have been incurred. All but one valued at £5,784.14 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, 58 debt write offs totalling £252,373.11 have been incurred. All but five valued at £52,288.51 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 Procedure Rules.

8.7 In addition to this, the Director of Finance has approved the write off of 12 debts relating to the Business Improvement District (BID) totalling £1,913.31, in accordance with the Council's Financial Procedure Rules.

## Housing Benefits

- 8.8 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.
- 8.9 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.
- 8.10 Overall, 21 overpayments totalling £14,569.54 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 £20.6 million, compared to a budgeted surplus of £21.0 million. The projected reduction to the surplus of £452,000 will reduce redemption of debt by £452,000.

**Table 19 – Housing Revenue Account Projected Outturn 2019-2020**

	Budget £000	Projected Outturn £000	Projected Variation £000
Total income	(95,974)	(95,616)	358
Total expenditure	64,692	64,865	173
Net cost of HRA services	(31,282)	(30,751)	531
Interest payments etc.	10,247	10,168	(79)
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(21,035)	(20,583)	452
<i>Allocation of (surplus)/deficit</i>			
Provision for redemption of debt	21,035	20,583	(452)
<b>Balance for the year</b>	-	-	-

- 9.2 Income from rents is forecast to be £358,000 lower than budgeted, due to the budget anticipating a higher number of new build affordable rented properties forecast to be let and occupied earlier in the year.
- 9.3 Expenditure on repairs and maintenance is £144,000 higher than budget due to an increase in leasehold property insurance.

## **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 decisions**

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. Contribution to and from reserves also requires the approval from Cabinet. 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/20022020/D]

## **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.  
[SZ/21022020/P]

## **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 Climate Change and Environmental Implications**

15.1 A range of services focused upon the Council's climate change and 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.
- 19.3 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.
- 19.5 Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 31 July 2019.
- 19.6 Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 16 October 2019.
- 19.7 2020-2021 Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Cabinet, 19 February 2020.
- 19.8 Revenue Budget Monitoring, report to Cabinet (Resources) Panel, 23 July 2019.
- 19.9 Revenue Budget Monitoring, report to Cabinet (Resources) Panel, 17 December 2019.

## **20.0 Appendices**

- 20.1 Appendix 1 – Revenue Budget Monitoring.
- 20.2 Appendix 2 – General Fund Budget Risks 2019-2020.
- 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