

# Joint Cabinet and Cabinet (Resources) Panel

29 July 2020

Report title	Revenue Budget Monitoring 2020-2021	
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	16 July 2020

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## Recommendations for decision:

The Cabinet is recommended to:

1. Approve the use of £732,000 from the Regeneration Reserve to fund various regeneration schemes as detailed at paragraph 5.4.
2. Approve the use of £200,000 from the Our Technology Reserve to fund continued development of Agresso system as detailed at paragraph 5.5.
3. Approve the use of £73,000 from the Adults Safeguarding Reserve to offset additional costs of running the Safeguarding Partnership Board as detailed in paragraph 5.6.
4. Approve the creation of a new reserve and the transfer of £190,000 in year underspend against local elections to cover future elections costs as detailed in paragraph 5.7.
5. Approve the establishment of supplementary expenditure budgets within the 2020-2021 approved budget as detailed in section 6.0 for grant funded expenditure.

6. Approve 37 virements totalling £6.2 million, for transfers within directorates, as detailed in Appendix 4.
7. Approve the write-off of two Non-Domestic Rates (NDR) debts totalling £13,115.60 as detailed in Appendix 5.
8. Approve the write-off of one Council Tax debt totalling £5,203.61 as detailed in Appendix 6.
9. Approve the write-off of one Housing Benefit debt totalling £6,910.76 as detailed in Appendix 7.

### **Recommendations for noting:**

The Cabinet is asked to note:

1. The overall projected outturn for the General Fund for 2020-2021 is forecast to a break-even outturn position, excluding the impact of Covid-19.
2. That at this stage in the financial year it is difficult to forecast redundancy costs. However, as forecast in recent years it is anticipated that the cost of redundancies can be met from reserves.
3. That a £10.4 million surplus on the Housing Revenue Account (HRA) is projected compared with a budgeted surplus of £10.8 million as shown at Table 20 and in detail at Appendix 3. The projected reduction to the surplus of £443,000 will reduce redemption of debt by £443,000.
4. That 41 sundry debt accounts totalling £21,923.34, as detailed in paragraph 9.3, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
5. That 320 council tax accounts totalling £112,538.25, as detailed in paragraph 9.5, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
6. That 18 Non-Domestic Rates (NDR) debts totalling £63,983.68, as detailed in paragraph 9.6, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
7. That 9 housing benefit overpayments totalling £5,240.48, as detailed in paragraph 9.9, 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 with a projection of the likely revenue outturn position for the General Fund and Housing Revenue Accounts when compared with the Council's approved revenue budgets for 2020-2021, and the projected financial implications of the Covid-19 pandemic.
- 1.2 This is the first report of this financial year detailing the likely outturn projection for 2020-2021.

## **2.0 Background**

- 2.1 On 4 March 2020, the Council approved the net budget requirement for 2020-2021 of £248.2 million for General Fund services. This report details the likely outturn projections against this net budget requirement.
- 2.2 It is important to note that the budget was prepared prior to the announcement of the Covid-19 pandemic. At the time of reporting to Council, the full impact of Covid-19 was not anticipated and the impact on both the finances and operating environment could not have been foreseen.
- 2.3 Overall, the General Fund projected outturn for 2020-2021 is currently forecast to achieve a breakeven position against the net budget as analysed in Table 1. This excludes the impact of Covid-19.

**Table 1 – 2020-2021 General Fund Revenue Budget Projected Outturn**

	Net Controllable Budget 2019-2020	Projected Outturn 2019-2020	Projected Variation	
			Over/(Under)	
	£000	£000	£000	%
Adult Services	68,454	69,031	577	0.84%
Children's Services and Education	53,720	52,886	(834)	(1.55%)
Public Health and Wellbeing	776	771	(5)	(0.64%)
City Environment	27,871	29,095	1,224	4.39%
City Assets and Housing	9,385	9,715	330	3.52%
Regeneration	6,241	6,022	(219)	(3.51%)
Finance	13,677	13,323	(354)	(2.59%)
Governance	7,894	7,698	(196)	(2.48%)
Strategy	8,316	8,055	(261)	(3.14%)
Chief Executive	183	183	-	-
Communications and External Relations	953	919	(34)	(3.57%)
Deputy Chief Executive	2,153	2,153	-	-
Corporate Budgets	48,600	48,372	(228)	(0.47%)
<b>Net Budget Requirement</b>	<b>248,223</b>	<b>248,223</b>	-	-
Council Tax (including Adult Social Care Precept)	(108,843)	(108,843)	-	-
Enterprise Zone Business Rates	(2,700)	(2,700)	-	-
Top Up Grant	(26,578)	(26,578)	-	-
Business Rates (net of WMCA growth payment and Collection Fund deficit)	(73,769)	(73,769)	-	-
New Homes Bonus	(1,614)	(1,614)	-	-
Section 31 Grant - Business Rates Support	(11,703)	(11,703)	-	-
Improved Better Care Fund	(12,947)	(12,947)	-	-
Winter Pressures and Social Care Grants - Adult Social Care	(3,727)	(3,727)	-	-
Additional Social Care Grant	(6,342)	(6,342)	-	-
<b>Total Resources</b>	<b>(248,223)</b>	<b>(248,223)</b>	-	-
<b>Net Budget (Surplus) / Deficit</b>	-	-	-	-

- 2.4 It is currently forecast that the Council would outturn at a breakeven position for 2020-2021, excluding the impact of Covid-19.
- 2.5 The 2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 presented to Cabinet on 19 February 2020 and Full Council, recognised that during 2020-2021 budget setting process, a number of emerging pressures had been identified and continue to be kept under review. In order to be prudent and recognise these budget pressures, a Corporate Contingency budget for growth in 2020-2021 was established. This projected outturn position currently assumes this contingency budget is required in

full in 2020-2021. This will be monitored throughout the year in line with the policy set out in the Budget Report, and efficiencies identified against this budget, in the first instance will be used to offset the use of capital receipts.

- 2.6 The impact of the pandemic has significantly distorted the 2020-2021 budget and current assumptions identified in section 4.0 show a potential cost pressure after the use of grant of £3.0 million for 2020-2021.
- 2.7 It should be noted, that these potential cost pressures are subject to change and do not include the cost of recovery work, or any provision for a second wave of the pandemic.
- 2.8 An update on the General Fund budget risks is provided at section 7.0. Overall the risk for 2020-2021 is currently assessed as Amber.
- 2.9 At this stage in the year it is difficult to forecast redundancy costs. However, as forecast in recent years it is anticipated that the cost of redundancies can be met from reserves.
- 2.10 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 37 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 the S151 Officer.
- 2.11 The most significant variances against the budget are reported on a service-by-service basis in section 3.0 and in detail in Appendix 1. Work is continuing to identify options and opportunities to offset projected budget pressures and updates will continue to be provided on a quarterly basis.
- 2.12 The forecast outturn position for the Housing Revenue Account is a surplus of £10.4 million, compared to a budgeted surplus of £10.8 million. The projected reduction to the surplus of £443,000 will reduce the redemption of debt by £443,000.

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

#### Adult Services

- 3.1 A summary of the projected outturn against the Adult Services 2020-2021 revenue budget is provided in Table 2, whilst a detailed analysis is provided in Appendix 1.

**Table 2 – 2020-2021 Revenue Budget Projected Outturn – Adult Services**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Adult Services	68,454	69,031	577	0.84%

- 3.2 Overall a net overspend of £577,000 (0.84%) 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, Mental Health Assessment & Care Management and Physical Disabilities Care Purchasing totalling £477,000, £416,000 and £405,000 respectively, as a result of additional demand for care packages.

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

2. An underspend is forecast within Learning Disabilities Provider Service, Adult Assessment and Care Management and Quality Assurance and Policies totalling £134,000, £201,000 and £103,000 respectively, as a result of unfilled staff vacancies.

#### Children's Services and Education

- 3.3 A summary of the projected outturn against the Children's Services and Education 2020-2021 revenue budget is provided in Table 3, whilst a detailed analysis is provided in Appendix 1.

**Table 3 – 2020-2021 Revenue Budget Projected Outturn – Children’s Services and Education**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Children's Services and Education	53,720	52,886	(834)	(1.55%)

3.4 Overall a net underspend of £834,000 (-1.55%) is projected for the year against Children’s Services and Education. The main factors contributing towards this are:

1. An underspend is forecast within the Children and Young People in Care service totalling £414,000 as a result of reductions against the placements budgets, partially offset by an increase in the budgeted contribution to the Regional Adoption Agency. This continues to be a result of the robust oversight and management of demand across the social care system.
2. An underspend is forecast within the Strengthening Families service totalling £243,000 mainly as a result of one-off staffing vacancies whilst a review of the Early Help offer takes place.
3. An underspend is forecast within the Director of Children’s Service totalling £245,000 as a result of a one-off saving against the emotional health and wellbeing contract, which is due to be re-designed and re-tendered for the contract to commence 1 March 2021.

These forecast underspends are partially offset by an overspend within School Organisation totalling £170,000 as a result of a reduction in traded income from schools.

### **Public Health and Wellbeing**

3.5 A summary of the projected outturn against the Public Health and Wellbeing 2020-2021 revenue budget is provided in Table 4, whilst a detailed analysis is provided in Appendix 1.

**Table 4 – 2020-2021 Revenue Budget Projected Outturn – Public Health and Wellbeing**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Public Health and Wellbeing	776	771	(5)	(0.64%)

- 3.6 Overall a net underspend of £5,000 (0.64%) is projected for the year against Public Health and Wellbeing. The forecast income for WV Active has been significantly reduced in 2020-2021 as centres have been unable to open and the re-opening will be phased. This loss of income is currently being monitored against Covid-19 grants.

### City Environment

- 3.7 A summary of the projected outturn against the City Environment 2020-2021 revenue budget is provided in Table 5, whilst a detailed analysis is provided in Appendix 1.

**Table 5 – 2020-2021 Revenue Budget Projected Outturn – City Environment**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
City Environment	27,871	29,095	1,224	4.39%

- 3.8 Overall a net overspend of £1.2 million (4.39%) is projected for the year against City Environment. The main factors contributing towards this overspend are as a result of:
1. An overspend is forecast within Markets totalling £270,000 as a result of reduced income and additional security costs.
  2. An overspend is forecast within Street Lighting totalling £128,000 as a result of budget pressures related to energy costs and delayed LED implementation.
  3. An overspend is forecast within Waste Commercial Services totalling £982,000 as a result of as a result of additional disposal costs due to price increases on these contracts so work will be undertaken to understand the impact on the MTFS.

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

4. An underspend is forecast within Operation & Maintenance of Existing Network totalling £231,000 mainly as a result of vacancies held, pending a restructure.

### City Assets and Housing

- 3.9 A summary of the projected outturn against the City Assets and Housing 2020-2021 revenue budget is provided in Table 6, whilst a detailed analysis is provided in Appendix 1.

**Table 6 – 2020-2021 Revenue Budget Projected Outturn – City Assets and Housing**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
City Assets and Housing	9,385	9,715	330	3.52%

- 3.10 Overall a net overspend of £330,000 (3.52%) is projected for the year against City Assets and Housing. The main factors contributing towards this overspend are:

1. An under recovery of income is forecast within the Estates and Valuations service totalling £193,000 as a result of reduced income relating to ground leases and vacant commercial rental units.
2. An overspend is forecast within Facilities Management totalling £245,000 as a result of reduced income recovery associated with Community Centres and additional costs in relation to holding vacant properties within Facilities Management.
3. An overspend is forecast within the Housing service totalling £135,000 due to increased demand for homelessness provision generally. This is mitigated by reduced costs in Private Sector Housing due to staff vacancies and additional forecast income from Licencing and Civil Penalties.

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

4. An underspend is forecast within Corporate Asset Management totalling £182,000 as result of decreased Carbon Reduction costs, offset in part by a reduction in income forecast for Estates and Valuations service.

### Regeneration

- 3.11 A summary of the projected outturn against the Regeneration 2020-2021 revenue budget is provided in Table 7, whilst a detailed analysis is provided in Appendix 1.

**Table 7 – 2020-2021 Revenue Budget Projected Outturn – Regeneration**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Regeneration	6,241	6,022	(219)	(3.51%)

3.12 Overall a net underspend of £219,000 (-3.51%) is projected for the year against Regeneration mainly as a result of an underspend within Visitor Economy totalling £201,000 due to one-off staff vacancies held pending a restructure within this service.

### Finance

3.13 A summary of the projected outturn against the Finance 2020-2021 revenue budget is provided in Table 8, whilst a detailed analysis is provided in Appendix 1.

**Table 8 – 2020-2021 Revenue Budget Projected Outturn – Finance**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Finance	13,677	13,323	(354)	(2.59%)

3.14 Overall a net underspend of £354,000 (-2.59%) is projected for the year against Finance mainly as a result of an underspend forecast within Central Corporate Budgets totalling £331,000 due to significant reductions in enhanced pension costs and bank charges.

### Governance

3.15 A summary of the projected outturn against the Governance 2020-2021 revenue budget is provided in Table 9, whilst a detailed analysis is provided in Appendix 1.

**Table 9 – 2020-2021 Revenue Budget Projected Outturn – Governance**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Governance	7,894	7,698	(196)	(2.48%)

- 3.16 Overall a net underspend of £196,000 (-2.48%) is projected for the year against Governance mainly due to anticipated additional external income generation within Legal Services totalling £122,000.

### Strategy

- 3.17 A summary of the projected outturn against the Strategy 2020-2021 revenue budget is provided in Table 10, whilst a detailed analysis is provided in Appendix 1.

**Table 10 – 2020-2021 Revenue Budget Projected Outturn – Strategy**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Strategy	8,316	8,055	(261)	(3.14%)

- 3.18 Overall a net underspend of £261,000 (-3.14%) is projected for the year within Strategy mainly as a result of an underspend within ICTS totalling £225,000 due to unfilled staff vacancies in year and continuing works to identify and deliver efficiencies in advance of the targets reflected in the approved Medium Term Financial Strategy (MTFS) for ICT.

### Chief Executive

- 3.19 A summary of the projected outturn against the Chief Executive 2020-2021 revenue budget is provided in Table 11, whilst a detailed analysis is provided in Appendix 1.

**Table 11 – 2020-2021 Revenue Budget Projected Outturn – Chief Executive**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Total Chief Executive	183	183	-	0.00%

- 3.20 Overall a breakeven position is projected for the year against Chief Executive.

### Communications and External Relations

- 3.21 A summary of the projected outturn against the Communications and External Relations 2020-2021 revenue budget is provided in Table 12, whilst a detailed analysis is provided in Appendix 1.

**Table 12 – 2020-2021 Revenue Budget Projected Outturn – Communications and External Relations**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Communications and External Relations	953	919	(34)	(3.57%)

3.22 Overall a net underspend of £34,000 (-3.57%) is projected for the year against Communications and External Relations.

### Deputy Chief Executive

3.23 A summary of the projected outturn against the Deputy Chief Executive 2020-2021 revenue budget is provided in Table 13, whilst a detailed analysis is provided in Appendix 1.

**Table 13 – 2020-2021 Revenue Budget Projected Outturn – Deputy Chief Executive**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Deputy Chief Executive	2,153	2,153	-	0.00%

3.24 Overall a breakeven position is projected for the year against Deputy Chief Executive.

### Corporate Budgets

3.25 A summary of the projected outturn against the Corporate Budgets 2020-2021 revenue budget is provided in Table 14, whilst a detailed analysis is provided in Appendix 1.

**Table 14 – 2020-2021 Revenue Budget Projected Outturn – Corporate Budgets**

	2020-2021 Controllable Budget £000	2020-2021 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Corporate Budgets	48,600	48,372	(228)	(0.47%)

3.26 Overall a net underspend of £228,000 (-0.47%) is projected for the year against Corporate Budgets. The main factors contributing towards this underspend are:

1. An underspend in the region of £1.5 million is forecast against the Treasury Management budget due to a reduced borrowing need in-year arising as a result of rephasing of the capital programme and lower interest rates forecast on borrowing due to the impact on the economy of Covid-19. This is offset by a reduction in treasury income receivable.
2. As detailed above, it is anticipated that there will be an underspend against Treasury Management budgets in 2020-2021. In order to be prudent, the underspend will enable the Council to reduce the level of capital receipt flexibility used for revenue transformational activity in 2020-2021 by £1.3 million.

The 2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 presented to Cabinet on 19 February 2020 and Full Council, recognised that during 2020-2021 budget setting process, a number of emerging pressures had been identified and continue to be kept under review. In order to be prudent and recognise these budget pressures, a Corporate Contingency budget for growth in 2020-2021 was established. This projected outturn position currently assumes this contingency budget is required in full in 2020-2021. This will be monitored throughout the year in line with the policy set out in the Budget Report, and efficiencies identified against this budget, in the first instance will be used to offset the use of capital receipts.

#### **4.0 Covid-19 Pandemic**

- 4.1 Since the 2020-2021 budget was set in March 2020, the World Health Organisation categorised Covid-19 as a global pandemic. At the time of reporting to Council on 4 March 2020, the full impact of Covid-19 was not anticipated and the impact on both the finances and operating environment could not have been foreseen. The financial implications of the pandemic have significantly distorted the 2020-2021 budget.
- 4.2 The Government has announced grant funding to help local authorities address the pressures they are facing in response to the Covid-19 pandemic. Wolverhampton's total allocation is £19.4 million.
- 4.3 Under the Council's emergency decision-making powers, a range of short-term initiatives were implemented, in response to Covid-19 including the distribution of food parcels to the city's most vulnerable residents, temporary accommodation for rough sleepers, additional financial support for adult social care providers and the procurement of additional personal protective equipment for key staff and partners.
- 4.4 All of these short-term new initiatives required additional investment and have been funded to-date by the Covid-19 Emergency Funding received from Central Government.

- 4.5 In addition to the short-term initiatives, a number of services were suspended in response to Government requirements. Income streams have been adversely affected from the loss of fees and charges for services, such as car parking, leisure and cultural services.
- 4.6 At the time of setting the 2020-2021 budget, new service budget reduction and income generation targets totalling £10 million were approved. As mentioned above, the budget was established before the impact of Covid-19 could have been anticipated. A number of these planned targets are now at risk because resources that would originally have been focussed on transformation programmes have been redirected to enable the Council to response to the crisis.
- 4.7 The Council has played a proactive, leading role in responding to Covid-19. Some of the new initiatives implemented to support the City's residents may continue to require financial support. As the situation evolves and restrictions continue to ease, some of the new initiatives will cease entirely, ease or will transition into different services which will require financial support.
- 4.8 Our current projections demonstrate that the grant will be sufficient to meet the immediate revenue cost pressures and loss of income but will not address the full year impact, including the delivery of budget reduction targets.
- 4.9 The current projections of the cost implications of Covid-19 are detailed in Table 15 below:

**Table 15: Projected Financial Implications of Covid-19**

Category	2020-2021 £000
Expenditure	11,855
Loss of Income	8,706
Budget Reduction and Income Generation targets at risk	1,907
<b>Total potential impact</b>	<b>22,468</b>
<b>Government Grant</b>	<b>19,429</b>
<b>Potential Cost Pressure</b>	<b>3,039</b>

- 4.10 It is important to note, that the financial implications detailed above are subject to change and do not include the cost of recovery work, or any provision for a second wave of the pandemic.

- 4.11 In addition, there are longer term implications for the Council's operating model, as the scale of the change post Covid-19 will place new expectations and demands on service delivery in 2020-2021 and future years.
- 4.12 Furthermore, the impact of Covid-19 and the Council's plans for reset and recovery of services over the immediate and medium term will require financial investment. In recognition of the initial investment that will be required to support the recovery work, Cabinet on 8 July approved a specific Recovery Reserve of £3 million. The Council will need to re-prioritise resources for any investment required to support the recovery strategy beyond this initial £3 million.
- 4.13 The Council is currently forecasting a break-even outturn position, excluding the impact of Covid-19. This impact of the pandemic has significantly distorted the 2020-2021 budget and current assumptions identified above show a potential cost pressure after the use of grant of £3.0 million for 2020-2021
- 4.14 The Government have allocated grant totalling £19.4 million to date to support the unprecedented financial situation that the council finds itself in due to Covid-19, however, further funding is required in order to meet the full costs of the pandemic. It is anticipated that the Government will provide sufficient grant funding to cover these pressures, however if this is not the case the Council would need to identify in year efficiencies, which could impact on service delivery. This will be closely monitored, with updates provided in future reports.

## **5.0 Reserves and Balances**

- 5.1 Following a review of the reserves position during 2019-2020, the Council's General Fund balance was increased by £3.0 million to a total value of £13.0 million. The level of reserve is approximately 5% of the 2020-2021 net budget which is in line with recommended best practice.
- 5.2 In addition to the General Fund balance, the Council also holds a number of earmarked reserves. Earmarked reserves balance that have been set aside by the Council to fund future estimated liabilities and planned expenditure at the end of 2019-2020 was £35.4 million. The Council is also required to hold a number of earmarked reserves due to either specific criteria associated with funding, legal requirements or accounting practice. The total values of these types of earmarked reserves at the end of 2019-2020 was £29.2 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.

## 5.4 Regeneration Reserve

Approval is sought from this meeting for the use of £732,000 from the Regeneration Reserve to fund expenditure as shown in Table 16.

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

Service	Amount Allocated £000	Details
City Development	53	Westside Leisure Scheme. Funding from reserve is requested for commercial and legal fees to progress contracts between Urban & Civic and Wolverhampton City Council, alongside commercial advisor appraisal of tenant leases from developer.
City Development	125	Industrial Sites Strategy - Funding from reserve is requested for commercial and legal advice to support strategy for site release; due diligence, capacity studies and costings.
Corporate Asset Management	50	Funding is requested for Public Service Hub (Broad St Car Park), to secure One Public Estate funding
City Development	80	St Georges -Funding from reserve is requested to update site development brief, review expressions of interest and carryout soft market testing.
City Development	50	Brewers Yard - Funding is sought from reserve to provide commercial and legal support to progress the valuation and sale of the site and associated contracts.
Transportation	160	City Centre Public Realm Phase 3: Civic Halls public realm. Funding from reserve is requested for the design phase of the public realm improvement works in this area of the City.
City Development	60	Funding from reserve is requested for commissions to support commercial understanding of key sites and/or developer proposals.
Transportation	9	Brinsford Parkway - Funding is requested to procure 2nd stage feasibility study for Parkway rail station development proposal in Brinsford
City Development	55	Future High St Fund - funding from reserve is requested for consultancy support around the bid submission and response to grant funder queries.
City Development	65	Molineux Quarters- Funds from reserve are requested to launch a design competition, encourage stakeholder engagement and the legal review of partnering agreements, infrastructure design and redevelopment.
Visitor Economy	25	Civic Halls operator procurement - funding is requested from reserve for additional consultancy

Service	Amount Allocated £000	Details
		support to progress the procurement of the external operator.

## 5.5 Our Technology Reserve

Approval is sought from this meeting for the use of £200,000 from the Our Technology Reserve to fund the continued development of Agresso system. It is forecast that the Finance directorate will underspend in 2020-2021 so it is anticipated that the continued development of Agresso will be funded from this underspend. Reserve approval from the Our Technology reserve is sought in the event that the financial position changes.

## 5.6 Adults Safeguarding Board

Approval is sought from this meeting for the use of £73,000 from the Adults Safeguarding Reserve to offset additional costs of running the Safeguarding Partnership Board.

## 5.7 New Earmarked Reserve

Approval is sought from this meeting to contribute £190,000 into a new specific reserve from an in-year underspend against local elections due to a fallow election year as a result of Covid-19. Funds in this reserve would then be available to cover future elections costs in excess of the available budget.

## 6.0 Changes to Grant Funded Expenditure

6.1 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.

6.2 Approval is sought from Cabinet to establish supplementary budgets within the 2020-2021 approved budget as set out in Table 17, 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 17 – Grant Approval sought from this Panel**

Grant Name	Description of the Activities this grant will fund	Awarding Body	Expenditure 2020-2021 £000
Effective transition pathways for individuals at risk	Pilot the delivery of services for young people at risk of exploitation up to the age of 25	West Midlands Police and Crime Commissioner	150

Grant Name	Description of the Activities this grant will fund	Awarding Body	Expenditure 2020-2021 £000
of experiencing exploitation			
Business Case Growth Lot1 - Skills for Unemployment	Adult Education Service - to deliver enrolments and outcomes in skills for the unemployed	West Midlands Combined Authority (WMCA)	400
Windrush Day Grant	This grant will support Windrush project activities.	Ministry of Housing, Communities and Local Government (MHCLG)	14

## 7.0 General Fund Budget Monitoring – Risk Management

7.1 The overall level of risk associated with the budget 2020-2021 is assessed as Amber. As detailed in paragraph 2.3 it is forecast that the Council will breakeven in 2020-2021. It is important to note however, that the Council has budget reductions to deliver and income to achieve over the medium term, notwithstanding the impact of the Covid-19 pandemic. An additional risk has been incorporated into the Risk Register for Covid-19. The main areas of risk are summarised in the table at Appendix 2.

## 8.0 Revenue Budget Monitoring – Schools’ Budgets

8.1 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. Table 18 shows the schools’ actual end of year balances for 2019-2020 and the latest projected balances in those submitted budget plans for 2020-2021.

**Table 18 – Projected Movement on Schools’ Balances 2020-2021**

Sector	Balances as at 31 March 2020 Surplus / (Deficit) £000	Forecast Use of Balances in 2020-2021 Surplus / (Deficit) £000	Forecast Balances as at 31 March 2021 Surplus / (Deficit) £000
Secondary	(1,547)	868	(679)
Primary	4,371	1,783	6,154
Junior	191	(33)	158
Infant	136	(35)	101
Nursery	1,145	(769)	376
Special	1,100	(976)	124
Pupil Referral Units	915	(503)	412
<b>Total</b>	<b>6,311</b>	<b>335</b>	<b>6,646</b>

### Schools with Surplus Balances

- 8.2 At the end of 2019-2020 maintained schools had balances of £6.3 million. 20 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).
- 8.3 All schools that have balances above these criteria are being requested to provide plans for their intended use. Local Authority Officers will scrutinise these plans and 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 2020-2021 Revenue Budget Outturn report to Councillors.
- 8.4 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

- 8.5 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 2020-2021 is as follows:

**Table 19 – Schools with anticipated deficits in 2020-2021**

Name	Actual Balance at end of 2019-2020 Surplus / (Deficit) £000	Anticipated Balance at end of 2020-2021 Surplus / (Deficit) £000	Status
St Matthias	(687)	25	A licensed deficit and recovery plan have been agreed with the school and progress is as planned.
The King's Church of England	(1,068)	(719)	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.
Castlecroft Primary	54	(54)	School's situation will be monitored regarding the need for a licensed deficit application.

Name	Actual Balance at end of 2019-2020 Surplus / (Deficit) £000	Anticipated Balance at end of 2020-2021 Surplus / (Deficit) £000	Status
Graiseley Primary	45	(94)	A licensed deficit application will be required if deficit outturn is as forecast.
St Paul's CofE (A) Primary	29	(17)	The authority is working with the school and monitoring their financial situation. Licensed deficit application may be necessary.
Penn Hall Special School	-	(293)	Penn Hall's financial position is being monitored. A licensed deficit application is required to support this deficit.
Phoenix Nursery	(8)	(58)	Phoenix Nursery has fluctuating pupil numbers. A licensed deficit will be required if the deficit outturn is as forecast.
Windsor Nursery	42	(7)	A licensed deficit will be required if the deficit outturn is as forecast.
Braybrook Centre	69	(24)	A licensed deficit will be required if the deficit outturn is as forecast.

### Deficits Following Sponsored Academy Conversion

8.6 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 converted on 1 March 2020 and it is still anticipated that the approved amount will be more than enough to cover the costs of conversion.

8.7 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.

### 9.0 Debt Write Offs

9.1 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

- 9.2 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.
- 9.3 Overall, 41 debt write offs totalling £21,923.34 have been incurred. All have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.

## The Collection Fund

- 9.4 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.
- 9.5 **Council Tax** – Overall, 321 debt write offs totalling £117,741.86 have been incurred. All but one valued at £5,203.61 in total, which require the approval of Cabinet (see Appendix 6), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
- 9.6 **Non-Domestic Rates (NDR)** – Overall, 20 debt write offs totalling £77,099.28 have been incurred. All but two valued at £13,115.60 in total, which require approval of Cabinet (see Appendix 5), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

## Housing Benefits

- 9.7 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.
- 9.8 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.
- 9.9 Overall, ten overpayments totalling £12,151.24 have been incurred. All but one valued at £6,910.76 in total, which require the approval of Cabinet (see Appendix 7), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

## 10.0 Housing Revenue Budget Monitoring

10.1 Table 20 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 £10.4 million, compared to a budgeted surplus of £10.8 million. The projected reduction to the surplus of £443,000 will reduce redemption of debt by £443,000.

**Table 20 – Housing Revenue Account Projected Outturn 2020-2021**

	Budget £000	Projected Outturn £000	Projected Variation £000
Total income	(96,518)	(95,716)	802
Total expenditure	67,056	67,175	119
Net cost of HRA services	(29,462)	(28,541)	921
Interest payments etc.	10,917	10,439	(478)
Contribution to capital financing	7,707	7,707	-
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(10,838)	(10,395)	443
<i>Allocation of (surplus)/deficit</i>			
Provision for redemption of debt	10,838	10,395	(443)
<b>Balance for the year</b>	-	-	-

10.2 Income from rents is forecast to be £802,000 lower than budgeted, due to loss of income resulting from the impact of Covid-19. This has caused delays to the re let of empty properties and the completion and handover of new build homes.

10.3 Expenditure on depreciation is £220,000 above the budget. This is due to the number of properties due to be depreciated being higher than anticipated due to the forecast for the number of right-to-buy sales being revised.

10.4 Expenditure on loan interest payable is forecast to be £478,000 lower than budgeted for. This is because of slippage on the HRA capital programme.

## **11.0 Evaluation of alternative options**

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

## **12.0 Reason for decisions**

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. 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 are all considered to be prudent in the opinion of the Director of Finance and the Cabinet Member for Resources.

## **13.0 Financial Implications**

13.1 The financial implications are discussed in the body of the report.  
[MH/20072020/R]

## **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. 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.  
[TS/20072020/S]

## **15.0 Equality Implications**

15.1 This report provides details of the projected outturn for 2020-2021. The necessary equalities analysis formed part of the 2020-2021 budget setting process.

## **16.0 Climate Change and Environmental Implications**

16.1 A range of services focused upon the Council's climate change and environmental policies is supported through revenue budgets reviewed in this report.

## **17.0 Human resources implications**

17.1 Revenue Budget Monitoring reports on forecast outturn position of all Council services. 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 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.

## **20.0 Covid Implications**

20.1 Covid-19 implications are discussed throughout the body of the report.

20.2 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council.

## **21.0 Schedule of Background Papers**

21.1 [2020-2021 Final Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024](#) - Cabinet, 19 February 2020.

21.2 [Budget 2020-2021 and Medium Term Financial Strategy 2020-2021 to 2023-2024](#) - Full Council, 4 March 2020.

21.3 [Reserves, Provisions and Balances 2019-2020](#) - Cabinet, 8 July 2020.

21.4 [Revenue Budget Outturn 2019-2020](#), - Cabinet, 8 July 2020.

21.5 [Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024](#) - Cabinet, 29 July 2020.

## **22.0 Appendices**

22.1 Appendix 1 – Revenue Budget Monitoring.

22.2 Appendix 2 – General Fund Budget Risks 2020-2021.

22.3 Appendix 3 – Housing Revenue Account Budget Monitoring

22.4 Appendix 4 – General Fund Budget Virements

22.5 Appendix 5 – Non-Domestic Rates (NDR) Write-offs

22.6 Appendix 6 – Council Tax Write Offs

22.8 Appendix 7 – Housing Benefit Write Offs