

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	24 November 2020

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the use of £20,000 from the Regeneration Reserve to fund feasibility and valuation work at i54 Western Extension as detailed at paragraph 5.4.
2. Approve the use of £942,000 from the Licensing Reserve in line with Licensing Committee approvals as detailed at paragraph 5.5.
3. Approve the use of £98,000 from the Recovery Reserve to fund a project team for the Kickstart Work Experience Programme, as detailed at paragraph 5.6 and in also in the 'Kickstart Work Experience Programme' report presented to Cabinet (Resources) Panel at this meeting.

4. Approve the establishment of supplementary expenditure budgets within the 2020-2021 approved budget as detailed in section 6.0 for grant funded expenditure.
5. Approve 29 virements totalling £9.7 million, for transfers within directorates, as detailed in Appendix 4.
6. Approve the write-off of eight Non-Domestic Rates (NDR) debts totalling £85,898.47 as detailed in Appendix 5.
7. Approve the write-off of three Council Tax debts totalling £21,112.96 as detailed in Appendix 6.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. The overall projected outturn for the General Fund for 2020-2021 is forecast to a break-even outturn position, after a forecast contribution to reserves, 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 £9.9 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 £915,000 will reduce redemption of debt by £915,000.
4. That 74 sundry debt accounts totalling £39,830.63, 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 1,215 council tax accounts totalling £441,438.14, 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 70 Non-Domestic Rates (NDR) debts totalling £257,198.94, 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 16 housing benefit overpayments totalling £4,098.69 as detailed in paragraph 9.10, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

8. That 8 debts relating to Business Improvement District (BID) totalling £3,516.00, as detailed in paragraph 9.7 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 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 second 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 The Council has a good track record over many years of managing its finances well. However, 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, after a forecast contribution to reserves, as analysed in Table 1 (excluding the impact of Covid-19). This is in line with the 2021-2022 budget strategy as reported to Cabinet on 11 November 2020. However, there are a number of uncertainties surrounding the ongoing impact of the pandemic, particularly on public health and wellbeing, social care and income generating services. The evolving situation will be monitored closely, and updates will be incorporated into future reports to Councillors. Whilst the Council is reporting a positive outturn position for 2020-2021, it is recognised that there are significant financial challenges over the medium term as a result of the pandemic. It is important to note that this financial year is an exceptional year, the operation of the Council has been disrupted and similarly the budget. We are robustly managing the financial impact of Covid-19 with the additional grants that have been allocated. At the same time, we are managing our finances very tightly, monitoring budget pressures carefully and driving underspends in the base budget where ever possible to help mitigate the pressures in this year and over the medium term, whilst ensuring we deliver key council and city priorities.

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

	Net Controllable Budget 2020-2021	Projected Outturn 2020-2021	Projected Variation	
	£000	£000	Over/(Under)	
			£000	%
Adult Services	67,689	69,071	1,382	2.04%
Children's Services and Education	54,629	51,890	(2,739)	(5.01%)
Public Health and Wellbeing	799	779	(20)	(2.55%)
City Environment	28,857	29,373	516	1.79%
City Assets and Housing	9,558	9,473	(85)	(0.89%)
Regeneration	6,285	6,201	(84)	(1.34%)
Finance	14,040	13,654	(386)	(2.75%)
Governance	9,682	9,458	(224)	(2.31%)
Strategy	8,629	8,296	(333)	(3.86%)
Chief Executive	184	184	-	0.00%
Communications and External Relations	961	908	(53)	(5.52%)
Deputy Chief Executive	450	448	(2)	(0.44%)
Corporate Budgets	46,460	45,324	(1,136)	(2.45%)
Transfer to reserve to support 2021-2022 Budget Strategy	-	3,164	3,164	-
Net Budget Requirement	248,223	248,223	-	-
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)	-	-
Total Resources	(248,223)	(248,223)	-	-
Net Budget (Surplus) / Deficit	-	-	-	-

- 2.4 The Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 presented to Cabinet on 11 November 2020, recognised that the Council anticipated a net underspend in 2020-2021 and therefore proposed that the underspend would be transferred into a specific reserve to support the 2021-2022 budget strategy. The forecast outturn position summarised above therefore shows a breakeven position after the contribution of forecast underspends into reserve 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. The Corporate Contingency budget includes £3.0 million for Corporate Landlord. Significant work has been undertaken by the Projects and Works team to minimise the use of this contingency but also ensure that all critical compliant maintenance works are completed where required. Due to the pandemic it has not been possible to undertake all the scheduled works, and some works have been deferred, it is therefore anticipated that this contingency will not be required in full. Work is currently ongoing to forecast the cost of the level of work that will be completed in 2020-2021 and updates will be provided in a future report to Councillors. In line with the policy set out in the Budget Report, any efficiencies identified against this budget will either be used to offset the use of capital receipts or will be transferred into a specific reserve to support the 2021-2022 budget strategy.
- 2.6 The impact of the pandemic has significantly distorted the 2020-2021 budget. The Government has announced a number of one-off grants to help local authorities address the pressures they are facing in response to Covid-19. Current projections indicate that these grants will be sufficient to meet the immediate revenue cost pressures and loss of income, including the delivery of budget reduction targets, however, they will not meet the ongoing financial implications over the medium term.
- 2.7 It should be noted that these potential cost pressures are subject to change and do not include the full cost of recovery work, or the full costs associated with the three tier system. In addition, there are uncertainties of the impact of the pandemic on public health and wellbeing, social care and income generating services.
- 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 29 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 £9.9 million, compared to a budgeted surplus of £10.8 million. The projected reduction to the surplus of £915,000 will reduce the redemption of debt by £915,000.

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	67,689	69,071	1,382	2.04%

- 3.2 Overall a net overspend of £1.4 million (2.04%) 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 £1.6 million, £304,000 and £173,000 respectively, as a result of additional demand for care packages. A task and finish group has been set up to further analyse the causes of this increase in demand and agree steps to manage and mitigate costs going forward.

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 £230,000, £166,000 and £100,000 respectively, as a result of unfilled staff vacancies. Work is ongoing to identify any potential future savings.

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	54,629	51,890	(2,739)	(5.01%)

3.4 Overall a net underspend of £2.7 million (-5.01%) is projected for the year against Children’s Services and Education. This position is due to strong financial management, and work is underway to identify ongoing savings. Work is also being undertaken to model the longer term financial effects of the pandemic on this service. The main factors contributing towards this are:

1. An underspend is forecast within the Children and Young People in Care service totalling £1.2 million as a result of reductions against the placements budgets. This continues to be a result of the robust oversight and management of demand across the social care system. Work is ongoing to identify potential permanent budget reduction opportunities.
2. An underspend is forecast within the Strengthening Families service totalling £751,000 mainly as a result of one-off staffing vacancies partially offset by agency costs. A review of the support offer from Strengthening Family Hubs has been undertaken ensuring that the early help offer is responsive to the needs of our children and families and as a result vacancies are currently being filled. In addition, work is ongoing to identify in year and ongoing savings particularly related to Section 17 budgets where tight management has realised a reduction in spend.
3. An underspend is forecast within the Director of Children’s Service totalling £242,000 as a result of a one-off saving against the emotional health and wellbeing contract, which is currently being re-tendered and due to start April 2021.
4. An underspend is forecast with the Safeguarding service totalling £230,000 due to a reduction in costs associated with Deprivation of Liberty safeguards (DoLs). New legislation has been pushed back to April 2022. It is expected this will increase demand, however ongoing savings in the interim are being explored.
5. An underspend is forecast within Specialist Support service totalling £149,000. Most of the underspend relates to one off staffing vacancies, these have been identified as in-year efficiencies and ongoing savings are being explored.

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	799	779	(20)	(2.55%)

- 3.6 Overall a net underspend of £20,000 (-2.55%) 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	28,857	29,373	516	1.79%

- 3.8 Overall a net overspend of £516,000 (1.79%) 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 Customer Services totalling £126,000 as a result of loss of income, taking on additional workloads and the delay in the delivery of a budget reduction target.
 2. An overspend is forecast within Street Lighting totalling £227,000 as a result of delayed efficiencies from the implementation of LED's.

3. An overspend is forecast within Waste and Recycling service totalling £306,000 as a result of as a result of operational costs and associated costs of extending the opening hours of household waste recycling centres from 5 to 7 days a week.
4. An overspend is forecast within Waste Commercial Services totalling £441,000 primarily as a result of additional disposal costs due to price increases on these contracts.

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

5. An underspend is forecast within Operation & Maintenance of Existing Network totalling £127,000 mainly as a result of vacancies held pending a restructure.
6. An underspend is forecast within Public Protection and Environmental Services totalling £145,000 and £170,000 respectively, as a result of unfilled staff vacancies.
7. An underspend is forecast within Fleet Services totalling £318,000 as a result of underspends and efficiencies on staffing, tyres and parts, and increased income.

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	9,558	9,473	(85)	(0.89%)

- 3.10 Overall a net underspend of £85,000 (-0.89%) is projected for the year against City Assets and Housing. The main factors contributing towards this underspend are:
 1. An underspend is forecast within the Cleaning service totalling £382,000 as a result of unfilled staffing vacancies and the efficient use of staffing resources as a result of buildings remaining closed.

- An underspend is forecast within Corporate Asset Management totalling £568,000 reflects the decrease in utility expenditure as a result of the reduced use of operational buildings.

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

- An under recovery of income is forecast within the Estates and Valuations service totalling £253,000 as a result of reduced income relating to ground leases and vacant commercial rental units.
- An overspend is forecast within the Housing service totalling £670,000 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.

Regeneration

- 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	6,285	6,201	(84)	(1.34%)

- Overall a net underspend of £84,000 (-1.34%) is projected for the year against Regeneration. The main factors contributing towards this underspend are:

- An underspend is forecast within Visitor Economy totalling £315,000 as a result of one-off staffing vacancies held pending a restructure with the service.

This forecast underspend is partially offset by forecast overspends within the following service:

- An overspend is forecast within City Planning service totalling £114,000 as a result of income targets not being met.
- An overspend is forecast for the Enterprise service totalling £121,000 as a result of a Wolves at Work funding pressure.

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	14,040	13,654	(386)	(2.75%)

3.14 Overall a net underspend of £386,000 (-2.75%) is projected for the year against Finance. The main factors contributing towards this underspend are:

1. An underspend is forecast within Audit Services totalling £285,000 as a result of unfilled staff vacancies held across the service.
2. An underspend is forecast for the Central Corporate Budgets totalling £461,000 due to significant reductions in enhanced pension costs and bank charges, combined with other lesser underspends against a range of corporate budgets.
3. An underspend is forecast for Procurement Services totalling £238,000. As part of the 2020-2021 budget setting process, emerging pressures within Procurement Services were flagged and a budget was earmarked in the Corporate Contingency for Budget Growth. Taking the budget allocation into account, it is forecast that the service will not fully utilise this budget in 2020-2021 due to resource reallocation during the Covid-19 pandemic.

This forecast underspends are partially offset by a forecast overspend within the following service:

4. An overspend is forecast against Housing Benefits and Payment Subsidy totalling £713,000 as a result of increased demand for homelessness provision.

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	9,682	9,458	(224)	(2.31%)

3.16 Overall a net underspend of £224,000 (-2.31%) is projected for the year against Governance mainly due to an underspend within Legal Services totalling £115,000 as a result of anticipated additional external income generation.

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	8,629	8,296	(333)	(3.86%)

3.18 Overall a net underspend of £333,000 (-3.86%) is projected for the year within Strategy mainly as a result of an underspend within ICTS totalling £238,000 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 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	184	184	-	0.00%

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

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, and 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	961	908	(53)	(5.52%)

3.22 Overall a net underspend of £53,000 (-5.52%) 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	450	448	(2)	(0.44%)

3.24 Overall a net underspend of £2,000 (-0.44%) 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	46,460	48,488	2,028	4.37%

3.26 Overall a net overspend of £2.0 million (4.37%) is projected for the year against Corporate Budgets, after the transfer of £3.2 million to reserves to support the 2021-2022 budget strategy. The main factors contributing towards this are:

1. An underspend in the region of £1.8 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. An underspend is forecast against Corporate Budgets and Adjustments totalling £1.5 million as a result of anticipated budget efficiencies against corporate contingencies, including the provision for business rates expenditure increases for Council buildings.
3. As detailed in points 1-2 above, it is anticipated that there will be underspends against the Treasury Management budget, Corporate contingencies and other corporate 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 £3.3 million.
4. In addition to this, it is also anticipated that there will be an underspend against the Central Provision for Auto-enrolment and Pay Award costs totalling £1.1 million in 2020-2021. This corporate budget efficiency was identified in the most recent Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 update which was presented to Cabinet on 11 November 2020. In that report it was proposed that this net underspend be transferred into a specific reserve to support the 2021-2022 budget strategy.
5. As a result of the forecast corporate budget efficiencies and one-off forecast underspends across other Directorates, it is proposed based on current forecasts that £3.2 million be transferred into a specific reserve to support the 2021-2022 budget strategy.

- 3.27 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.
- 3.28 The Corporate Contingency budget for growth includes £3.0 million for Corporate Landlord. Significant work has been undertaken by the Projects and Works team to minimise the use of this contingency but also ensure that all critical compliant maintenance works are completed where required. Due to the pandemic it has not been possible to undertake all the scheduled works, and some works have been deferred, it is therefore anticipated that this contingency will not be required in full. Work is currently ongoing to forecast the cost of the level of work that will be completed in 2020-2021 and updates will be provided in a future report to Councillors. In line with the policy set out in the Budget Report, any efficiencies identified against this budget will either be used to offset the use of capital receipts or will be transferred into a specific reserve to support the 2021-2022 budget strategy.
- 3.29 It is important to note that this financial year is exceptional, the operation of the council has been disrupted and similarly the budget. We are robustly managing the financial impact of Covid with the additional grants that have been allocated. At the same time, we are managing our finances very tightly, monitoring budget pressures carefully and driving underspends in the base budget where ever possible to help mitigate the pressures in this year and over the medium term, whilst ensuring we deliver key council and city priorities.

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 Covid-19. Wolverhampton's total confirmed funding allocation from the Covid-19 Emergency Grant is £25.5 million. The Government have also announced a co-payment mechanism for irrecoverable sales, fees and charges income. This funding is conditional upon grant claims and payable in three tranches. The first claim submitted in September claiming costs of £2.2 million, has been approved. Based on current forecasts, the total additional grant that could be claimed under this grant scheme is estimated to be in the region of £3.4 million. It is important to note that this is not confirmed income and is subject to change. In addition, a number of one-off grants have been awarded to support specific activity such as supporting rough sleepers, additional enforcement, support to children and families through the Winter

Grants Scheme, provision of emergency food and essential supplies to vulnerable groups and funding to support test and trace and for contained outbreak management. A full list of grants awarded to the Council to-date during the Covid-19 pandemic are detailed below:

Table 15 – Covid-19 One-off Grants

Grant	Allocation £000
General Grants	
Covid 19 Emergency Grant	25,547
Sales, Fees and Charges (first claim)	2,207
Grants with conditions / criteria	
Enforcement Surge Funding	174
Rough Sleepers (2 tranches announced to date)	209
Reopening of the High Street	234
Test and Trace	1,920
Emergency Food and Essential Supplies	393
Wellbeing for Education Return Grant	37
Active Travel Scheme (revenue and capital)	347
Home to School Transport	273
Contained Outbreak Management Fund	2,126
Grants passported to third parties	
Business Grant	63,850
Hardship Fund	3,272
Infection and Prevention	6,228
Business Improvement Districts	34
Test and Trace Support Payments	274
Estimated Allocation – amounts not confirmed.	
Sales, Fees and Charges (potential further claims)	3,392

- 4.3 Under the Council’s emergency decision-making powers, a range of short term initiatives have been implemented 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 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 in excess of £10 million were approved. 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 respond 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 estimated grant funding for Wolverhampton will be sufficient to meet the immediate revenue cost pressures and loss of income, including the delivery of budget reduction targets. However, it is important to note, that the financial implications detailed below are subject to change and do not include the full cost of recovery work or any provision for changes of the three tier system.
- 4.9 The table below shows the current projections of the cost implications which are being funded from the general Covid-19 Emergency Grant and the Sales, Fees and Charges grant. As detailed in Table 15, the Council has also been awarded a number of other grants to support specific activity such as the provision of emergency food and essential supplies to vulnerable people, additional enforcement, and test and trace provision, this expenditure is not included in the table below. Expenditure against these grants are in line with allocations and criteria set for these grants.

Table 16 - Projected Financial Implications of Covid-19 in 2020-2021

Category	2020-2021 £000
Expenditure including recovery costs	13,621
Loss of Income	10,556
Budget Reduction and Income Generation targets at risk	1,575
Provision for expenditure on activity to support current and future restrictions	5,394
Total potential impact	31,146
Confirmed Grant Funding	
Covid-19 Emergency Grant (general)	25,547
Sales, Fees and Charges income (first claim)	2,207
Total Confirmed Government Grant Funding	27,754
Potential Shortfall before further Sales, Fees and Charges Grant	3,392
Sales, Fees and Charges – estimate of future claims (August to March)*	3,392
Potential Further Government Grant*	3,392

*please note this funding is not confirmed and is subject to the submission and approval of grant claims.

- 4.10 In addition to the costs above, Covid-19 has had an impact on development of capital projects. Given the unprecedented circumstances, there has understandably been some delay on capital projects due to the pandemic. The Council continues to assess the potential implications of Covid-19 on the wider capital programme in terms of delivery timescales and increase in costs. Any additional costs on the capital programme will result in an increase in the Treasury Management revenue budget. The joint meeting of Cabinet and Cabinet (Resources) Panel on 23 June 2020, received a report on the Covid-19 impact on the Capital Programme. In order to be prudent, additional capital budget has been built into the Capital Programme to cover potential risks associated with the Covid-19 pandemic. The potential annual revenue impact could be up to £430,000 per year, the impact of this will not be seen until after 2020-2021.

- 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. At this stage it has not been possible to fully quantify the potential impact of Covid-19 over the medium term. It is anticipated that pressures will emerge in many areas particularly in relation to adult social care, public health and wellbeing and income generating services.
- 4.12 The HRA has also seen a reduction in income due to the pandemic. The current projections are currently show a reduction in income of £1.1 million from rent and service charges. In the first national lockdown, work could not be undertaken to refurbish and prepare void properties in order for them to be re-let. Whilst these works are now being carried out, to ensure safe working practices it is taking longer to turn around void properties for re-let resulting in lost income.

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 balances 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 £20,000 from the Regeneration Reserve to fund feasibility and valuation work at i54 Western Extension.

5.5 Licensing Reserve

Approval is sought from this meeting for the use of £942,000 from the Licensing Reserves in line with Licencing Committee approval.

5.6 Recovery Reserve

Approval is sought from this meeting for the use of £98,000 from the Recovery Reserve to fund the cost of a project team over an 18 month period to support the Kickstart Work

Experience Programme. Further details of this project are presented to Cabinet (Resources) Panel at this meeting in the ‘Kickstart Work Experience Programme’ report.

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 (Resources) Panel 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
Dedicated Home to School and College Transport Grant	This grant funds additional capacity on Home to School/ College Transport required as a consequence of Covid-19, mainly mini-buses and taxis.	Department for Education	137
European Social Fund (ESF) Digital Intervention funding	Devices and connectivity supporting Black Country Digital Inclusion for families and communities	Department for Work and Pensions	11

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, after a forecast 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, 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)	770	(777)
Primary	4,371	(193)	4,178
Junior	191	21	212
Infant	136	96	232
Nursery	1,145	(501)	644
Special	1,100	(350)	750
Pupil Referral Units	915	(558)	357
Total	6,311	(715)	5,596

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 School Business & Support Services, 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)	(818)	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 Paul's CofE (A) Primary	29	(9)	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)	(44)	Phoenix Nursery has fluctuating pupil numbers. A licensed deficit will be required if the deficit outturn is as forecast.
Windsor Nursery	42	(3)	A licensed deficit will be required if the deficit outturn is as forecast.
Braybrook Centre	69	(17)	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 the deficit following final determination was £157,189, which is substantially less than the agreed from reserve.
- 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, 74 debt write offs totalling £39,830.63 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, 1,218 debt write offs totalling £462,551.10 have been incurred. All but three valued at £21,112.96 in total, which require 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.
- 9.6 **Non-Domestic Rates (NDR)** – Overall, 78 debt write offs totalling £343,097.41 have been incurred. All but eight valued at £85,898.47 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.
- 9.7 In addition to this, the Director of Finance has approved the write off of 8 debts relating to the Business Improvement District (BID) totalling £3,516, in accordance with the Council's Financial Procedure Rules.

Housing Benefits

- 9.8 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.

- 9.9 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.
- 9.10 Overall, 16 overpayments totalling £4,098.69 have been incurred. All 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 £9.9 million, compared to a budgeted surplus of £10.8 million. The projected reduction to the surplus of £915,000 will reduce redemption of debt by £915,000.

Table 20 – Housing Revenue Account Projected Outturn 2020-2021

	Budget	Projected Outturn	Projected Variation
	£000	£000	£000
Total income	(96,518)	(95,440)	1,078
Total expenditure	67,056	67,575	519
Net cost of HRA services	(29,462)	(27,865)	1,597
Interest payments etc.	10,917	10,235	(682)
Contribution to capital financing	7,707	7,707	-
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(10,838)	(9,923)	915
<i>Allocation of (surplus)/deficit</i>			
Provision for redemption of debt	10,838	9,923	(915)
Balance for the year	-	-	-

- 10.2 Income from rents and service charges is forecast to be £1.1 million lower than budgeted, due to loss of income resulting from the impact of COVID 19. The budget assumed a lower loss of income due to empty properties than has been achieved to

date. This started with being unable to re-let homes during the initial lockdown period and then the need for COVID safe working practices increasing turnaround times.

- 10.3 Expenditure on rents, rates and taxes is £296,000 higher than the budget, this includes some back dated council tax on empty properties, and properties being empty for longer as referred to in 10.2 above. 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 £746,000 lower than budgeted for. This is because of slippage on the HRA capital programme due to COVID 19.

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 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 (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.

13.0 Financial Implications

- 13.1 The financial implications are discussed in the body of the report.
[MH/01122020/J]

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/01122020/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, report](#) to Cabinet, 19 February 2020.

21.2 Budget 2020-2021 and Medium Term Financial Strategy 2020-2021 to 2023-2024, report to Full Council, 4 March 2020.

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

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

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

21.6 [Revenue Budget Monitoring 2020-2021, report](#) to Cabinet (Resources) Panel, 29 July 2020.

21.7 [Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, report](#) to Cabinet, 11 November 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