

Confident Capable Council Scrutiny Panel

14 September 2016

Report title	Budget Update and Review	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Scrutinise the arrangements for:
 - a. Ensuring adequate identification and management of budget risks;
 - b. Budget planning and forecasting for future years.

1.0 Purpose

- 1.1 To bring to the Panel's attention, information about the Council's finances that has been reported to either the Cabinet and/or Cabinet (Resources) Panel since the last update, including:

Reports relating to Monitoring of the Council's Budgets:

- Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy
- Revenue Budget Monitoring 2016/17
- Treasury Management – Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17
- Revenue Budget Outturn 2015/16
- Reserves, Provisions and Balances 2015/16

Reports relating to the Council's Budget and Medium Term Financial Strategy

- Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20

2.0 Background

- 2.1 As set out in the Confident Capable Council Scrutiny Panel work plan, regular updates on the budget and medium term financial strategy will be received throughout the year. This is the second report of this nature during 2016/17.
- 2.2 Since the last update on 20 April 2016, five reports focussing on the Council's finances have been received by Cabinet, as set out below:

Cabinet, 29 June 2016

- Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy

Cabinet, 20 July 2016

- Treasury Management – Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17
- Revenue Budget Outturn 2015/16
- Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20

- Reserves, Provisions and Balances 2015/16

2.3 In addition, since the last update, one report focussing on the Council's finances has been received by Cabinet (Resources) Panel, as set out below:

Cabinet (Resources) Panel, 19 July 2016

- Revenue Budget Monitoring 2016/17

In order to minimise printing costs, the Panel Chair has agreed that full versions of the reports will not be circulated again. It is recommended, however, that Panel members review the reports ahead of the meeting, and are requested to please bring the full versions that were circulated with the relevant Cabinet and Cabinet (Resources) Panel agenda papers to the meeting. Summaries of the relevant reports are shown below together with, for each report, a link to the original document.

3.0 Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy

3.1 This report was considered by Cabinet on 29 June 2016 and is [available via this link](#).

3.2 The purpose of the report was to:

- provide Cabinet with the outturn position for 2015/16 and update on the 2016/17 financial performance of the General Fund and Housing Revenue Account (HRA) capital programmes and the revised forecast for 2016/17 to 2020/21 as at quarter one of 2016/17, and
- recommend revised General Fund and HRA capital programmes for the period 2016/17 to 2020/21.

3.3 Cabinet was asked to note the outturn position for 2015/16 which stood at 74.3% of the approved general fund capital budget and the expenditure position for quarter one of 2016/17 which stood at 15.3% of the approved general fund capital budget.

3.4 Cabinet was also asked to note the outturn position for 2015/16 which stood at 80.8% of the approved Housing Revenue Account (HRA) capital budget and the expenditure position for quarter one of 2016/17 which stood at 20.3% of the approved HRA capital budget.

3.5 It was resolved that Cabinet recommends that Council approves the revised medium term General Fund capital programme of £272.6 million and approves additional resources for two new and 62 existing General Fund projects totalling £11.0 million.

3.6 It was also resolved that Cabinet recommends that Council approves the revised medium term HRA capital programme of £249.5 million and approves additional resources for nine existing HRA projects totalling £24.1 million.

3.7 Additionally, it was agreed to approve 10 General Fund virements totalling £14.7 million and approve the updated schedules of works for several capital projects which are detailed in the Cabinet Report.

3.8 Cabinet also recommended that Council approve the updated capital financial strategy with regards to either reducing the Council's need to borrow to fund the approved capital programme or to applying the receipts on revenue reform projects under the new capital receipt flexibility arrangements.

4.0 Treasury Management - Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17

4.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on matters relating to the year-end position with regard to treasury management arrangements and activity and treasury management activity in 2016/17. The report is [available via this link](#).

4.2 The report recommended that Cabinet recommends that Council approves an amendment to paragraph 1.4 of the Annual Investment Strategy by lowering the minimum sovereign rating from AA+ to AA with regard to the Council's investment lending list.

4.3 Cabinet also recommended that Council note that:

1. Revenue savings of £7.6 million for the General Fund (including a special dividend from Birmingham Airport of £3.6 million) and £1.5 million for the Housing Revenue Account were generated from treasury management activities in 2015/16.
2. Revenue savings of £886,000 for the General Fund and £254,000 for the Housing Revenue Account are forecast from treasury management activities in 2016/17.
3. The capital programme figures in the report assumed that the updated requests for capital resources being reported to Cabinet (Resources) Panel on 19 July 2016 and Council on 20 July 2016 are approved. If this were not to be the case revised figures would be provided to Full Council on 21 September 2016.

4.4 Cabinet was also asked to note that a total of £1.5 million of the treasury underspend in 2015/16 be transferred into the Treasury Management Equalisation Reserve.

5.0 Revenue Budget Outturn 2015/16

5.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on the Council's revenue budget outturn position for 2015/16 compared with approved budgets and targets. The report is [available via this link](#).

- 5.2 It was reported that a net underspend of £9.4 million (-4.20%) was achieved against the net budget requirement of £224.9 million for 2015/16 after taking account of the cost of redundancies during the year totalling £7.8 million. This underspend has arisen largely as a result of:
1. A £3.6 million special dividend receipt from Birmingham Airport in March 2016;
 2. A £3.4 million underspend within the Children & Young People service arising as a result of the success of the early intervention programme which has delivered a reduction in costs due to investment in additional social workers at the at the top end of expectations, in addition to,
 3. The prudent approach to spending adopted by all budget managers to generate budget reductions during 2015/16, which reflects our ethos whereby every budget manager ensures that they spend money wisely - making every pound go further.
- 5.3 Whilst the positive General Fund outturn position during 2015/16 and the resulting adjustments to reserves will help to support the Council's short term financial position, enabling one-off investment to support transformation of the Council, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £54.6 million of budget reduction and income generation proposals over the three year period to 2019/20. Cabinet will be presented with a report at this meeting detailing the progress towards identifying £22.2 million of budget reduction and income regeneration proposals for 2017/18.
- 5.4 A comprehensive review of all services will be undertaken following the positive 2015/16 General Fund outturn position to identify any new budget reduction or income generation opportunities; Cabinet will be provided with an update on progress in the October 2016 budget report.
- 5.5 The General Fund outturn position takes into account a number of proposed transfers to and from reserves and provisions for which approval is sought in the Reserves, Provisions and Balances 2015/16 report to be presented at this meeting.
- 5.6 Schools under the control of the City of Wolverhampton Council drew down £1.3 million net of their reserves during 2015/16, taking the total accumulated reserves to £12.9 million at 31 March 2016.
- 5.7 The Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £19.6 million, compared to a budgeted surplus of £15.7 million.
- 5.8 The net surplus after taxation of £230,000 of Yoo Recruit Limited be retained by the company to enable further business development. The draft financial statements of Yoo Recruit Limited will be subject to external audit.

- 5.9 As a result of recruitment through Yoo Recruit Limited, the Council has been able to avoid fees which would otherwise have been incurred, including approximately £225,000 in relation to the permanent recruitment of individuals who had been previously employed on a temporary basis through the agency.
- 5.10 The Collection Fund outturned with a £3.6 million deficit during 2015/16; this resulted in an overall deficit of £9.9 million to be carried forward.
- 5.11 The Director Finance has approved the write off of 2,507 debt accounts totalling £1.2 million in value.

6.0 Draft Budget and Medium Term Financial Strategy 2017/18 – 2019/20

- 6.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on the progress towards identifying additional budget reduction and income generation targets in order to address the projected £22.2 million budget deficit for 2017/18. The report is [available via this link](#).
- 6.2 The Council has currently identified £21.9 million budget reduction and income generation targets towards the strategy of identifying £22.2 million of budget reduction and income generation targets for 2017/18.
- 6.3 Work is continuing to identify possibilities to deliver the remaining estimated £0.3 million of budget reduction and income generation targets for 2017/18. A further update will be provided to Cabinet in October 2016.
- 6.4 A strategy to address the £32.4 million budget deficit over the medium term to 2019/20 was recommended and approved. It was approved that £18.0 million of budget reduction and income generation proposals be identified within the People Directorate by 2019/20, with the remaining £14.4 million to be identified by the rest of the Council. The outcome being that the People Directorate and the rest of the Council share the £54.6 million projected deficit in equal proportions overall.
- 6.5 It was also recommended that work starts immediately to identify additional budget reduction and income generation targets to address the projected budget deficit in 2018/19, in order to ensure that a balanced budget can be set.

7.0 Reserves, Provisions and Balances 2015/16

- 7.1 This report, which was considered on 20 July 2016, provided Cabinet with an update on the details of the resources held in reserves, provisions and general balances by the Council as at 31 March 2016 taking account of the outturn position for 2015/16. The report is [available via this link](#).
- 7.2 Cabinet were recommended to approve the transfers (to)/from specific reserves, provisions and general balances as detailed in the report. In summary, Specific Reserves

increased by £8.7 million to £59.0 million, Provisions increased by £1,000 to £34.5 million and General Balances decreased by £3.2 million to £27.9 million.

- 7.3 Cabinet was asked to note that the positive General Fund outturn position during 2015/16, and the resulting adjustments to reserves, would help support the Council's short term financial position, enabling one-off investment to support transformation of the Council. However, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £54.6 million of budget reduction and income generation proposals over the three year period to 2019/20.

8.0 Revenue Budget Monitoring 2016/17

- 8.1 The latest revenue budget monitoring report for both General Fund and Housing Revenue account was presented to Cabinet (Resources) Panel on 19 July 2016 and is [available via this link](#).
- 8.2 The overall projected outturn for the General Fund for 2016/17 was reported in line with the approved net budget requirement of £217.4 million.
- 8.3 For the Housing Revenue account (HRA) the forecast outturn position for the year was reported as a surplus of £15.5 million, compared to a budgeted surplus of £14.9 million.
- 8.4 The report also included a number of recommendations for the use of specific reserves, write-off of debts and budget virements.

9.0 Financial implications

- 9.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[RT/05092016/A]

10.0 Legal implications

- 10.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[TS/25082016/A]

11.0 Equalities implications

- 11.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.

12.0 Environmental implications

- 12.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.

13.0 Schedule of background papers

Capital budget outturn 2015/16 including quarter one capital budget monitoring 2016/17 and financial strategy, report to Cabinet, 29 June 2016.

Revenue Budget Monitoring 2016/17, report to Cabinet (Resources) Panel, 19 July 2016.

Treasury Management - Annual Report 2015/16 and Activity Monitoring Quarter One 2016/17, report to Cabinet, 20 July 2016.

Revenue Budget Outturn 2015/16, report to Cabinet, 20 July 2016.

Draft Budget and Medium Term Financial Strategy 2017/18 - 2019/20, report to Cabinet, 20 July 2016.

Reserves, Provisions and Balances 2015/16, report to Cabinet, 20 July 2016.