

Cabinet (Resources) Panel

20 March 2018

Report title	Revenue Budget Monitoring 2017-2018	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Director of Finance
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Report to be/has been considered by	Strategic Executive Board	6 March 2018

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. That as a result of proactive financial management across the Council, all services have completed recovery plans which have identified efficiencies and mitigating actions to recover the overspend that was forecast as at quarter two of 2017-2018. The overall projected outturn for the General Fund for 2017-2018 is now forecast to be an underspend in the region of £70,000.
2. That projected redundancy costs, including the cost of pension strain, totalling £3.0 million are included in the forecast outturn. The projected costs are subject to change dependent upon the actual redundancies approved by year end. It is anticipated that Capital Receipts flexibility announced by the Secretary of State, will offset the cost of redundancies.

3. That 522 council tax accounts totalling £201,553.80, as detailed in paragraph 8.4.1, have been approved by for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
4. That 22 Non-Domestic Rates (NDR) debts totalling £75,616.40, as detailed in paragraph 8.4.2, have been approved by for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
5. That 143 sundry debt accounts totalling £107,007.72, as detailed in paragraph 8.3, have been approved by for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
6. That 24 housing benefit overpayments totalling £16,336.13, as detailed in paragraph 8.7, have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
7. That a £18.5 million surplus on the Housing Revenue Account (HRA) is projected compared with a budgeted surplus of £16.8 million as shown at Table 10 and in detail at Appendix 9. The projected increased surplus of £1.7 million will be used to redeem debt in line with the HRA Business Plan.
8. That the Director of Finance has approved the write off 1,240 former HRA tenant rent accounts totalling £707,269.01, as detailed in paragraph 9.5.2 in accordance with the Council's Financial Procedure Rules.
9. That the Director of Finance has approved the write off 430 former tenant rechargeable repair accounts totalling £262,257.89, as detailed in paragraph 9.6.2 in accordance with the Council's Finance Procedure Rules.

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the use of £82,000 from the Regeneration Reserve to fund various development works and schemes as detailed at paragraph 5.2.2.
2. Approve the amendment of draw down amounts of the Regeneration Reserve that were approved in Quarter 1 and Quarter 2 as outlined in at Table 7.
3. Approve the use of £104,000 from the Transformation Reserve to cover various works and schemes as detailed at paragraph 5.2.3.
4. Approve the use of £169,000 from the Highways Management Reserve to cover various works and schemes as detailed at paragraph 5.2.4.

5. Approve the establishment of a new specific reserve for Adult Social Care from underspends in 2017-2018 to offset pressures in 2018-2019 as outlined at paragraph 5.2.5.
6. Approve the use of £332,000 from the Future Works Reserves to support Agresso System Development as detailed at paragraph 5.2.6.
7. Approve the write off of one Non-Domestic Rates (NDR) debts totalling £19,090.80 as detailed in Appendix 6.
8. Approve the write off of five sundry debts totalling £120,156.60 as detailed in Appendix 7.
9. Approve thirty-two virements totalling £8.2 million, for transfers within directorates, as detailed in Appendix 8.
10. Approve the write off of £36,111.10 relating to five tenant rechargeable repair accounts over £5,000 as outlined in Appendix 10.
11. Approve setting up of supplementary expenditure budgets within the 2017-2018 approved budgets as detailed in paragraph 4.2 for grant funded expenditure.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet (Resources) Panel with a projection of the likely revenue outturn position for the General Fund and Housing Revenue Accounts, compared with the Council's approved revenue budgets for 2017-2018.
- 1.2 This is the third report of this financial year detailing the likely outturn projection for 2017-2018. The previous report was presented to Cabinet on 29 November 2017.

2.0 Background

- 2.1 Overall, the General Fund projected outturn is currently forecast to underspend against the net budget, as analysed in Table 1.

Table 1 – 2017-2018 General Fund Revenue Budget Projected Outturn

	Net Controllable Budget 2017-2018 £000	Projected Outturn 2017-2018 £000	Projected Variation Over/(Under)	
			£000	%
People	117,373	118,336	964	0.82%
Corporate	63,155	61,396	(1,759)	-2.78%
Place	39,271	39,428	157	0.40%
Education	2,784	3,674	890	31.97%
Net Budget Requirement	222,582	222,834	252	0.11%
Government Grant (General)	(59,378)	(61,425)	(2,048)	3.45%
Enterprise Zone Business Rates	(1,790)	(1,480)	310	-17.32%
Council Tax	(90,937)	(90,937)	-	0.00%
Business Rates	(70,459)	(70,459)	-	0.00%
Collection Fund Deficit	2,886	2,886	-	0.00%
Business Rates Equalisation Reserves	(2,904)	(1,489)	1,416	-48.75%
Total Resources	(222,582)	(222,904)	(322)	0.14%
Net Budget (Surplus) / Deficit	(0)	(70)	(70)	-0.03%

- 2.2 An overspend of £1.0 million was projected at the time of reporting to Cabinet on 29 November 2017. As a result of proactive financial management across the Council, all services completed recovery plans which identified efficiencies and mitigating actions to recover part of the £2.1 million overspend that was forecast as at quarter one of 2017-2018. Work continued during the third quarter of 2017-2018 to review the in-year pressures within each service and to assess the impact on the Medium Term Financial Strategy (MTFS). The projected outturn has now reduced considerably to an underspend of £70,000.

- 2.3 The Council continues to be faced with a challenging projected financial position over the medium term, and significant budget reduction and income generation proposals are required in order to achieve a robust financial position. The Budget 2018-2019 and Medium Term Financial Strategy 2018-2019 to 2019-2020 approved by Full Council on 7 March 2018, identified that the Council would be faced with finding further budget reductions totalling £19.5 million to 2019-2020. It is important to note that the updated projected budget deficit assumes the achievement of prior year budget reduction and income generation proposals amounting to £28.3 million over the two-year period to 2019-2020. The Council's budget for 2018-2019 does not require the use of any general reserves in order to balance the budget.
- 2.4 Work must start immediately to identify additional budget reductions to address the projected £19.5 million budget deficit for 2019-2020. Cabinet approved that the July 2018 report to Cabinet will include a high-level strategy for tackling this projected budget deficit.
- 2.5 An update on the General Fund budget risks is provided at section 6. Overall the risk for 2017-2018 is currently assessed as Amber as the Council has significant budget reductions to deliver and income to achieve.
- 2.6 It is important to note that projected redundancy costs, including the cost of pension strain, totalling £3.0 million are included in the forecast outturn. It is anticipated that Capital Receipts flexibility announced by the Secretary of State, will offset the cost of redundancies.
- 2.7 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 thirty-two virements that require approval in this report as detailed in Appendix 8.
- 2.8 The most significant factors contributing towards the projected net overspend against the budget are reported on a service-by-service basis in section 3.
- 2.9 The forecast outturn position for the Housing Revenue Account is a surplus of £18.5 million, compared to a budgeted surplus of £16.8 million. The projected additional surplus of £1.7 million, which is mainly due to a forecast underspend on interest payable, will be used to redeem debt to comply with the Council's approved HRA Business Plan.

3.0 General Fund Revenue Budget Monitoring: Service Analysis

3.1 People

3.1.1 A summary of the projected outturn against the People 2017-2018 revenue budget is provided in Table 2, whilst a detailed analysis is provided in Appendix 1.

Table 2 – 2017-2018 Revenue Budget Projected Outturn - People

	2017-2018 Controllable Budget £000	2017-2018 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Strategic Director including Strategic Commissioning	4,745	4,346	(399)	-8.41%
Adults Services	63,706	63,706	-	0.00%
Children & Young People	48,893	50,255	1,362	2.79%
Public Health & Wellbeing	29	29	-	0.00%
People Total	117,373	118,336	964	0.82%

3.1.2 Overall a net overspend of £963,000 (0.82%) is projected for the year. This is a decrease of £35,000 on the forecast overspend reported at the end of quarter two. The main factors contributing towards this forecast overspend are:

1. **Strategic Director including Strategic Commissioning** – There is a projected net underspend of £399,000 against these budgets mainly due to a forecast underspend within Strategic Commissioning totalling £428,000 as a result of this service generating efficiencies across contracts and staff vacancies.
2. **Adult Services** – A balanced budget is forecast which is achieved as a result of various factors including:
 - a. Forecast overspend with Learning Disability Provider totalling £445,000 due to a reduction of income from the Public Health Grant totalling £500,000. This level of support from Public Health, in 2017-2018 is no longer necessary following the additional funds that are now available to Adult Services as a result of the implementation of the adult social care minimum funding level in 2017-2018.
 - b. Forecast overspend within Learning Disabilities Care Purchasing totalling £2.2 million due to a combination of cost pressures across care

purchasing budgets due to increased demand for support and challenges associated with the transformation programme.

- c. Forecast overspend within Physical Disabilities Care Purchasing due to a combination of cost pressures across care purchasing budgets due to increased demand for support and challenges associated with the transformational programme (£127,000).
- d. Adults Safeguarding is forecasting an overspend of £255,000 due to pressures primarily associated with duties under the Mental Capacity Act which include doctors' fees and best interest assessments.

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

- e. The Carer Support service is projecting an underspend of £275,000 as a result of lower demand for care support packages.
- f. The Adults Assessment and Care Management service is projecting a one-off underspend of £440,000 due to staff vacancies within the service as well as receiving additional income.
- g. The Mental Health Assessment and Care Management service is also projecting a one-off underspend of £113,000 due to staff vacancies as well as receiving additional funding to cover posts.
- h. The Older People Provider Services is projecting an underspend of £113,000 mainly as a result of one-off savings on staffing vacancies.
- i. Overall Adult Services is forecasting a significant underspend which will be transferred into a reserve to fund commitments in 2018-2019. In January 2017 Cabinet approved the minimum funding level for Adult Social Care to ensure that the Adult Social Care council tax precept, additional social care support grant and the new improved better care fund grant was transferred in full to Adult Social Care. Due to the timing of the announcement of the additional monies not all schemes have had a full year effect and will continue to be delivered during 2018-2019. The reserve will enable these funds to support activities during 2018-2019 and also ensure they are spent in accordance with the grant conditions.

- 3. **Children & Young People** - There is a forecast overspend totalling £1.4 million for this service mainly due to forecast overspends within the following services:

- a. Looked After Children is forecasting an overspend totalling £2.3 million based on the latest financial modelling, which is partially offset by efficiencies across staffing budgets and does still reflect the successful delivery of ongoing savings amounting to £3.9 million during the year. Whilst Wolverhampton has seen a moderate increase in the number of Looked After Children during 2017-2018, we are continuing to buck the national trend, as many Councils continue to see Looked After Children numbers increase significantly. It is important to note that the Director of Children's Services is confident that robust procedures are in place to ensure that only those children that need to come into care are brought into care. It is also worth noting that this will be the first year that Children's Services has overspent in 2 years, over which period a total underspend against budgets in the region of £5.3 million was achieved.
- b. The Safeguarding service is forecasting an overspend totalling £148,000 as a result of forecast overspends on staffing budgets in the region of £158,000, due to additional independent Review Officers. These cost pressures are partially offset by efficiencies across general expenditure.

The forecast overspends are offset by projected underspends within the following services:

- c. The Early Intervention service due to delays in recruitment as well as a reduction in general expenditure (£426,000).
 - d. Specialist Support service (£314,000) as a result of one off underspends on staffing costs and general expenditure. This underspend is partially offset by a forecast overspend within Alternative Provision totalling £75,000.
 - e. Youth Offending service are projecting an underspend of £131,000 due to one off savings on staffing budgets as a result of delays in recruitment.
4. **Public Health and Wellbeing** is currently projecting a breakeven position. This breakeven position considers the application of £1.7 million from the Budget Contingency Reserve which was approved in quarter one.

3.2 Corporate

3.2.1 A summary of the projected outturn against the Corporate 2017-2018 revenue budget is provided in Table 3, whilst a detailed analysis is provided in Appendix 2.

Table 3 – 2017-2018 Revenue Budget Projected Outturn – Corporate

	2017-2018 Controllable Budget £000	2017-2018 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Managing Director including Corporate Business Support	1,810	1,517	(293)	-16.18%
Corporate Services	24,518	23,952	(566)	-2.31%
Governance	7,708	7,800	92	1.20%
Corporate Budgets	29,119	28,127	(992)	-3.41%
Corporate Total	63,155	61,396	(1,759)	-2.78%

3.2.2 Overall a net underspend of £1.8 million (-2.78%) is projected for the year. The directorate implemented recovery plans during quarter three in order to help mitigate the pressures identified across the Council at quarter one 2017-2018. The main factors contributing towards the projected underspend are:

1. **Managing Director** – There is a projected underspend totalling £293,000 due to unfilled staff vacancies.
2. **Corporate Services** – There is a projected underspend of £566,000 for this service directorate as a result of underspends within the following services:
 - a. Audit Services totalling £305,000 due to unfilled staff vacancies held across this service.
 - b. Central Corporate Budgets totalling £427,000 due to lower than anticipated enhanced pension costs and a reduction in bank charges following the switch from an external to in house payments hosting system.
 - c. ICTS totalling £113,000 which has arisen mainly due to posts dedicated to project work have not been backfilled where ICTS has undertaken a significant amount of project work in this financial year, funded by external customers or from the ICT Capital Programme.
 - d. Revenues and Benefits totalling £151,000 is due to ceasing all agency staff contracts from the start of quarter four and to reflect an adjustment in the predicted outturn on Housing Benefit subsidy.

The underspends are partly offset with overspends within the following services:

- e. Commercial Services totalling £253,000 which has arisen as a result of additional resources required to improve contract efficiency and commercialisation. It is anticipated that contract efficiencies will be obtained across the Council.
 - f. Leisure Services totalling £157,000 as £343,000 of a budget reduction target of £500,000 will be delivered in this financial year. Whilst savings have been delivered in this service, transformation work is still taking place. It is anticipated that £157,000 of remaining budget reduction will be achieved in the next financial year.
 - g. Digital Transformation Programme totalling £140,000 due to revenue costs associated with the Digital Transformation Programme. This overspend has been considered within the whole directorate and it is planned that this cost will be offset by efficiencies identified across other services within the Corporate directorate.
3. **Governance** – There is a net overspend of £92,000 projected against this service directorate mainly as a result of overspend totalling £228,000 within Legal Services due to external services incurred in support of one off legal matters. The overspends are partly offset by underspends within Human Resources totalling £151,000 due to vacancies held as the service is currently undergoing a minor restructure.
4. **Corporate Budgets** - Overall there is a projected underspend of approximately £1.0 million against this budget as a result of projected:
- a. Net underspend of £821,000 against the Treasury Management budget primarily due to a reduced borrowing need in year due to rephasing in the capital programme and changes in the interest rates.
 - b. Net underspend on the Apprenticeship Levy totalling £235,000, due to net cost being lower than the original estimate. This is being taken into account in the 2018-2019 budget setting process.
 - c. Projected redundancy costs, including the cost of pension strain, totalling £3.0 million are included in the forecast outturn. It is anticipated that Capital Receipts flexibility announced by the Secretary of State, will offset the cost of redundancies.
 - d. Planned net underspend on other corporate and transformational budget and contingencies totalling £1.3 million in order to help offset overspends within other directorates.

- e. Net overspend totalling £1.7 million arising as a result of budget reductions that are unlikely to be achieved in year, including savings within the Waste & Recycling Service. A virement has been proposed to move the savings to Corporate Budgets in 2018-2019.

5. **Corporate Resources** – As can be seen from Table 1, there is a net increase in Corporate Resources which has arisen as a result of additional Section 31 grant monies which are due to be received by the end of the financial year.

There are a number of Business Rates policies that the Government have stipulated for which the Council is reimbursed through Section 31 of the Local Government Act 2003. These include a cap of 2% on the small business multiplier and the cost of temporary doubling of Small Business Rate Relief. The Government have recently consulted upon 3 options for reimbursing local authorities for the changes arising as a result of the Revaluation 2017 in the Section 31 grant calculation. The Government's preferred option, option C, was included in the calculation of Section 31 grant on the 2018-2019 NNDR1 form and in February 2018 it was confirmed that the Government intend to proceed on the basis of this calculation resulting in a higher level of S31 grant compensation to local authorities in 2017-2018 and 2018-2019.

On 20 February 2018, Cabinet approved the transfer any additional Section 31 grant monies in 2017-2018 arising as a result of the Revaluation 2017 into a specific reserve to support any future potential business rates pressures. At the point of writing it is anticipated that £1.4 million will be transferred into the reserve following receipt of the additional monies in March 2018.

3.3 Place

3.3.1 A summary of the projected outturn against the Place 2017-2018 revenue budget is provided in Table 4, whilst a detailed analysis is provided in Appendix 3.

Table 4 – 2017-2018 Revenue Budget Projected Outturn – Place

	2017-2018 Controllable Budget £000	2017-2018 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Strategic Director	566	577	11	1.96%
City Economy	8,056	8,112	56	0.70%
Corporate Landlord	7,439	7,439	-	0.00%
Public Service Reform	86	74	(12)	-14.23%
Housing	1,686	1,605	(81)	-4.81%
City Environment	21,438	21,621	183	0.85%
Place Total	39,271	39,428	157	0.40%

3.3.2 Overall, a net overspend of £157,000 (0.40%) is projected for the year. The directorate implemented recovery plans during quarter three in order to reduce the pressures identified at quarter one for 2017-2018. The main factors contributing towards this overspend are:

1. **City Economy** – A £56,000 net overspend is forecast within this service directorate mainly due to a forecast overspend within Visitor Economy due to reduced income as a result of the Civic Halls closure for refurbishment (£289,000).

The overspend is partly offset by underspends from a number of services including an underspend within Skills totalling £194,000 which is due to the early achievement of 2018-2019 budget reductions including staff vacancies, additional income and as a result of efficiencies in service delivery.

2. **Corporate Landlord** – A balanced budget is forecast which is achieved as a result of various factors including:
 - a. A forecast overspend within Catering Services totalling £510,000 due to slippage in the delivery of budget reduction proposals and reduced income due to the loss of schools catering business.
 - b. A forecast overspend within the Capital Programme service totalling £130,000 due to the change in accounting treatment of capitalised salaries, which is being monitored.

- c. A forecast overspend within Maintenance programme totalling £100,000 due to in year pressures on repairs and maintenance to meet statutory requirements.
- d. An underspend is projected within Corporate Asset Management totalling £266,000 due efficiencies on utilities particularly relating to energy costs.
- e. An underspend is projected within Facilities Management totalling £185,000 due to the achievement of additional site management income.
- f. An underspend is projected within Estates and Valuations service totalling £289,000 due to increases against budget of commercial rental income.

3. **City Environment** – Overall there is a net projected overspend totalling £183,000 within this service directorate as a result of:

- a. A forecast overspend within Fleet Services totally £437,000 due to a slippage in the delivery of budget reduction proposals and increased repair costs due to the ageing fleet and includes £125,000 of budget reductions relevant to other service areas.

This overspend is offset by partly by underspends within the following service areas:

- b. Environmental Maintenance totalling £118,000 due to a reduction in anticipated expenditure on materials and salary costs due to vacancies.
- c. Transportation service totalling £118,000 which is attributed to a reduction in anticipated expenditure.

3.4 Education

3.4.1 A summary of the projected outturn against the Education 2017-2018 revenue budget is provided in Table 5, whilst a detailed analysis is provided in Appendix 4.

Table 5 – 2017-2018 Revenue Budget Projected Outturn - Education

	2017-2018 Controllable Budget £000	2017-2018 Forecast Outturn £000	Projected Variation Over/(Under)	
			£000	%
Education	2,784	3,674	890	31.97%
Education Total	2,784	3,674	890	31.97%

3.4.2 Overall a net overspend of £890,000 (31.97%) is projected for the year. The main factors contributing to this overspend are:

- a. The School Planning and Resources service are forecasting an overspend totalling £846,000 due to overspends on Special Schools, Home to School Transport, and for the budget for High Needs Pupils due to demand pressures against existing budgets.
- b. There has been a reduction in forecast overspend in the Standards and Vulnerable Pupils service to £39,000 as Schools Forum have agreed a borrow forward of funding of £1.7 million from 2018-2019 which has reduced the current year pressure on this budget, the overspend is due to increased number of out of city placements.
- c. The Education service is also monitoring the risk to the Council associated with schools that are operating at a deficit. If a school converts to Academy status via directed conversion the Council is required to retain the deficit. At Quarter 2, It was anticipated that these costs will be in the region of £600,000 in this financial year. This has reduced to £390,000 with the delay in conversion of Coppice Performing Arts School.

4.0 Changes to Grant Funded Expenditure

- 4.1 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, and proactive grant applications during the year.
- 4.2 Approval is sought from the Panel to establish supplementary expenditure budgets within the 2017-2018 approved budget as set out in the table below, and in accordance with the grant's terms and conditions. This will have no effect on the Council's net revenue budget as the expenditure is fully funded from grant.

Table 6 – Grant Approval Sought from this Panel

Grant Name	Description of the Activities this Grant will Fund	Awarding body	Expenditure 2017-2018 £000
Wolverhampton Literature Festival	Celebration of Literature - Authors attending workshops across the City	Arts Council England	13
Using Digital Technology to Improve Social Care	Development of regional and local system flow dashboards.	Improvement and Development Agency	50

5.0 Reserves and Balances

5.1.1 The General Fund Balance remains unchanged at £10.0 million.

5.1.2 In addition to the General Fund balance, the Council also holds a number of Specific Reserves. The total specific reserves balance at the end of 2016-2017 was £54.6 million which was a reduction of £7.3 million from the balance held at the end of 2015-2016.

5.2 Transfers to/from Specific Reserves

5.2.1 Approval is sought for a number of transfers to/from specific reserves, as set out in the following paragraphs. In the event that the use of capital receipts replaces previously approved specific reserve drawdowns as a result of the new capital receipts flexibilities announced by central government, an update will be provided to Cabinet and Council.

5.2.2 Regeneration Reserve

Approval is sought from this meeting for the use of £82,000 from the Regeneration Reserve to fund:

1. The creation of new visualisations of key Interchange developments, to promote investment opportunities with international investors in the property market. (£40,000)
2. Consultancy and feasibility work for priority schemes within the Connected Place Strategy and delivery plan (£14,000).
3. Initial feasibility work for potential hotel investment opportunity (£28,000).

In addition, approval is also sought for amendments to use previously approved during Quarter One and Quarter Two allocations as outlined below:

Table 7 – Allocations from Regeneration Reserve

Service	Details	Previous Approved £	Increase £	Decrease £	Revised £
City Development	Westside/Southside	35,000	26,000	-	61,000
City Development	Bilston Urban Village/Bilston Town Centre	153,400	-	(93,400)	60,000
City Development	Eastern Gateway	146,500	-	(40,500)	106,000
Street Lighting	Lighting Up the City	190,000	-	(120,000)	70,000
Corporate Asset Management	Health and Social Care Hub Feasibility	25,000	-	(4,000)	21,000
City Economy	Transforming Cultural Offer	16,729	-	(16,729)	-
City Development	City Learning Quarter	15,300	-	(15,300)	-

Service	Details	Previous Approved £	Increase £	Decrease £	Revised £
City Development	J2 Development (including EZ extension)	18,000	25,000	-	43,000
Transport	Stafford Road/Willenhall Road Transport Scheme	54,900	-	(54,900)	-
City Development	Canal side	60,000	-	(60,000)	-
City Development	City Learning Quarter	100,000	-	(25,000)	75,000
Planning	Strategic Planning	9,400	-	(9,400)	-
Transport	Springfield (Vine Island) Transport Improvement	6,000	-	(6,000)	-
Transport	Ring Road Environmental Improvements	14,000	-	(14,000)	-
Total		844,229	51,000	(459,229)	436,000

5.2.3 Transformation Reserve

As a result of the new capital receipts flexibilities announced by central government, the Council will look to use capital receipts where possible to support revenue transformation, with updates provided to Cabinet and Council in due course.

However, in the event that capital receipts are not available, approval is sought from this meeting for the use of £104,000 from the Transformation Reserve to fund an external study with the Passenger Transport Service.

5.2.4 Highways Management Reserve

Approval is sought for the use of £169,000 from the Highways Management Reserve to fund:

1. A shared feasibility study, alongside other Black Country Authorities, regarding the implementation of a street works permit scheme (£53,000).
2. A City Centre wide surveying of traffic and pedestrian movement over 3 separate periods in order to build a traffic model allowing a number of options to be drawn up to achieve the aims of the Westside Link Project (£81,000).
3. An extensive radar ground surveys at the Westside Link Project development stage to understand constraints that will inform the final detailed scheme design (£35,000)

5.2.5 Adult Social Care Reserve

Approval is sought for the establishment of a new specific Adult Social Care Reserve from underspends in 2017-2018 to offset any budget pressures in 2018-2019.

5.2.6 Future Works Reserve

Approval is sought for the use of £332,000 from the Future Works Reserve to support Agresso System Development.

6.0 General Fund Budget Monitoring – Risk Management

6.1 The overall level of risk associated with the budget 2017-2018 is assessed as Amber, it is important to note, however, that the Council has significant budget reductions to deliver and income to achieve. The main areas of risk are summarised in the table at Appendix 5.

7.0 Revenue Budget Monitoring – Schools’ Budgets

7.1 Maintained schools are required to submit budget plans detailing their expected income and planned spending levels at two points in the year 31 May and 31 October. Returns submitted on 31 October estimated that overall balances would reduce by £6.0 million to £2.1 million as shown in Table 8.

Table 8 – Projected Movement on Schools’ Balances 2017-2018

Sector	Balances as at 31 March 2017 £m	Use of Balances in 2017-2018 £m	Balances as at 31 March 2018 £m
Secondary	(1.2)	(0.3)	(1.5)
Primary	4.5	(2.1)	2.4
Junior	0.4	(0.1)	0.3
Infant	0.2	(0.1)	0.1
Nursery	0.8	(0.8)	-
Special	1.4	(0.8)	0.6
Pupil Referral Units	2.0	(1.8)	0.2
Total	8.1	(6.0)	2.1

7.2 Schools with Surplus Balances

7.2.1 At the end of 2016-2017 maintained schools had balances of £8.1 million. 33 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). Schools reported their intended use of surplus balances and these are currently being reviewed and challenged, to determine the need for further action.

7.2.2 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. To date, a total of £119,700 has been clawed back from schools holding excess surplus balances, with the next arbitration panel meetings taking place at the end of March 2018.

7.2.3 A bidding process was introduced to allow schools to present a case to access these clawed back funds. Following a review of all bids, £60,957 has been awarded in 2017-2018 to support school improvement plans. The remainder will be available for a renewed round of bids in 2018-2019.

7.3 Schools in a deficit balance position.

7.3.1 As part of its overview of schools in deficit, a Schools under Notice of Concern Board (SuNC) chaired by the Director of Education reviews monthly 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 position currently on schools with anticipated deficits in 2017-2018 is as follows:

Table 9 – Schools with anticipated deficits in 2017-2018

Name	Balance at the end of 2016-2017 £	Anticipated balance at end of 2017-2018 £	Status
Woodfield Junior	112,730	165,203	The School had an approved licensed deficit and a plan to recover the deficit by March 2017. Following their conversion to Academy status in September 2017, their final balance has now been agreed.
Coppice	227,736	326,578	The School has an approved licensed deficit and a plan to recover the deficit within a 3-year time frame. An academy conversion was proposed for January 2018. This has been postponed until further notice.
St Matthias	873,043	538,009	A deficit recovery plan and application are under discussion with the school.
Woodthorne	210,021	79,273	Discussions have been held with the school to submit a revised Licensed Deficit application. School have now applied for Academy status under the conversion route. Should it be approved, any remaining deficit would transfer to the Academy Trust.
Castlecroft Primary	(10,123)	34,774	This school will require a licensed deficit application if outturn remains as planned.

Name	Balance at the end of 2016-2017 £	Anticipated balance at end of 2017-2018 £	Status
Claregate Primary	46,271	38,079	The application for a licensed deficit has not been received.
Wodensfield Primary	(1,178)	13,005	This school will require a licensed deficit application if outturn remains as planned.
Westacre Infant	(115,061)	31,185	This school will require a licensed deficit application if outturn remains as planned.
Woodfield Infant	104,006	225,703	This school converted to Academy September 2017, and final balance has been agreed.
The King's Church of England	43,102	187,622	A licensed deficit application has been received and approved.

7.4 Deficits Following Sponsored Academy Conversion

7.4.1 The schools surplus or deficit balance on conversion to academy status usually transfers at the same time. However, where the conversion is directed by Department for Education (DfE) through a sponsorship arrangement any deficit remains with the local authority. Such costs must be met from the Authority's General Fund, and at Quarter Two, it was anticipated that these costs will be in the region of £600,000 in this financial year. This has reduced to £390,000 with the delay in conversion of Coppice Performing Arts School.

The Local Government Association (LGA) has stated that this policy is unfair on local authorities. However, Department for Education (DfE) have said that academies are a vital part of the plan for transforming education and that the accumulated deficits for sponsored academies must be met by local authorities.

8.0 Debt Write Offs

8.1 Debts are only written off as a last resort, when all feasible recovery action has been exhausted. If the situation surrounding an individual case changes in the future, steps would be taken to pursue the debt, despite the debt having been written off.

8.2 **Sundry Debtors** - Income is due to the Council for a wide range of services provided to individuals and businesses. To reflect the fact that, despite the Council's best efforts, not all of this income will actually be collected, the Council makes provision for bad and doubtful debts, which it charges directly to the General Fund.

The write off debts relating to Housing Revenue Account are reported in detail in sections 9.5, and 9.6. Write on debts relating to Housing Revenue Account are reported in detail in section 9.8.

- 8.3 Overall, 148 debt write offs totalling £227,164.32 have been incurred. All but five valued at £120,156.60 in total, which require the approval of this Panel (see Appendix 7), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.
- 8.4 **The Collection Fund** - The City of Wolverhampton Council acts as billing and collecting authority for council tax and non-domestic rates income. The Council administers a separate Collection Fund account for this purpose. The Collection Fund accounts for the receipt of council tax and business rates (non-domestic rates) income and payments to precepting authorities such as the Fire Authority and the Police. Within this account, provisions are made for bad and doubtful debts and any write offs are charged to the council tax or business rates provision as appropriate.
- 8.4.1 **Council Tax** – Overall, 522 debt write offs totalling £201,553.80 have been incurred. All have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
- 8.4.2 **Non-Domestic Rates (NDR)** – Overall, 23 debt write off totalling £94,707.20 have been incurred. All but one valued at £19,090.80 in total, which require the approval of this Panel (see Appendix 6), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.
- 8.5 **Housing Benefits** - Housing benefit overpayments occur when rent rebate or rent allowance awards exceed a recalculated entitlement. Whilst the Council aims to limit the incidence of overpayments they may occur for a number of reasons including as a result of fraud or error. In general, overpaid benefit is written off in line with Government guidance where recovery would cause hardship, where the debtor has died or cannot be traced.
- 8.6 The Council receives Government subsidy in respect of overpaid housing benefit at rates of between 40% and 100% according to the circumstances in which the overpayment arose. The unsubsidised element of any overpayment is charged to the General Fund.
- 8.7 Overall, 24 overpayments totalling £16,336.13 have been incurred. All have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedures Rules.
- 9.0 Housing Revenue Budget Monitoring**
- 9.1 The table below shows the latest forecast revenue outturn against budget for the Housing Revenue account (HRA). The forecast outturn position for the year is a surplus of £18.5 million, compared to a budgeted surplus of £16.8 million. The projected additional surplus of £1.7 million will be used to redeem debt to comply with the Council's approved HRA Business Plan.

Table 10 – Housing Revenue Account Projected Outturn 2017-2018

	Budget	Projected Outturn	Projected Variation
	£000	£000	£000
Total income	(97,840)	(97,276)	564
Total expenditure	70,074	68,524	(1,550)
Net cost of HRA services	(27,766)	(28,752)	(986)
Interest payments etc.	10,939	10,274	(665)
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(16,827)	(18,478)	(1,651)
<i>Allocation of (surplus)/deficit</i>			
Provision for redemption of debt	16,827	18,478	1,651
Balance for the year	-	-	-

- 9.2 Rental income from dwellings and service charges is forecast to be lower than budgeted by £564,000, due to higher than anticipated right to buy sales. This is partly offset by underspends on Supervision and Management (£300,000).
- 9.3 The increase in provision for bad debt is forecast to underspend by £1.3 million. This is because the delays to the implementation of Universal Credit have meant that the prudent budget provision of £2.25 million was higher than required.
- 9.4 Financing costs are forecast to underspend by £700,000, due to reprofiling of capital schemes resulting in a reduced interest charge.
- 9.5 **Write off former tenant rent accounts**
- 9.5.1 Wolverhampton Homes is responsible for collection of annual rent roll of £97.0 million. Wolverhampton Homes have an obligation to pursue all rent owed to the Council from both current and former tenants. Debts from former tenants are written off when there is little prospect of the debt being collected. Wolverhampton Homes Board Resources Committee recommended the formal write off of debts totalling £707,269.01 on 26 January 2018.
- 9.5.2 The Director of Finance has approved the write off 1,240 former tenant rent accounts for 2017-2018 that are considered unrecoverable amounting to £707,269.01 at an average of £570.38 per account.
- 9.6 **Write off former tenant rechargeable repair accounts**
- 9.6.1 Wolverhampton Homes is responsible for collection of recharge repairs where neglect or damage can be proven. On 26 January 2018 Wolverhampton Homes Board Resource Committee recommended the formal write off of 435 rechargeable repair accounts totalling £298,368.99.

9.6.2 The Director of Finance has approved the write off of 430 former tenant rechargeable repair accounts totalling £262,257.89 covering the period of 2017-2018 at an average of £609.90 per account.

9.6.3 Approval is sought from the Cabinet (Resources) Panel for write off £36,111.10 relating to five former tenant rechargeable repair accounts over £5,000 which are considered unrecoverable (see Appendix 10).

9.7 This debt and the debt referred to paragraphs 9.5 and 9.6 above are provided for in the HRA bad debt provision.

9.8 Write on of former tenant rent account and rechargeable repair accounts

9.8.1 In addition to the write offs referred to in 9.5 and 9.6 a number of debts which were previously written off which are now considered collectable. This amounts to £16,042.39 for 37 debts for former tenant rent accounts and £8,145.45 for 10 debts for former tenant rechargeable repair accounts.

10.0 Evaluation of alternative options

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

11.0 Reason for decision(s)

11.1 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between Employees and Other Controllable Expenditure headings, require the approval of Cabinet (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 are all considered to be prudent in the opinion of the Director of Finance and the Cabinet Member for Resources.

12.0 Financial Implications

12.1 The financial implications are discussed in the body of the report.
[MH/09032018/F]

13.0 Legal Implications

13.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs. It is a legal requirement under s25 of the Local Government Act 2003 to set a balanced budget and monitor the financial position throughout the year.
[TS/09032018/W]

14.0 Equality Implications

- 14.1 This report provides details of the projected outturn for 2017-2018. The necessary equalities analyses were carried out as part of the preparations for setting the 2017-2018 budgets, and will similarly form part of the requisite pre-work for 2018-2019.

15.0 Environmental Implications

- 15.1 A range of services focused upon the Council's environmental policies is supported through revenue budgets reviewed in this report. Changes in levels of funding will be considered as such changes are proposed.

16.0 Background Papers

2018-2019 Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020, report to Cabinet, 20 February 2018.

Budget 2018-2019 and Medium Term Financial Strategy 2018-2019 to 2019-2020, report to Full Council, 7 March 2018

Reserves, Provisions and Balances 2016-2017, report to Cabinet, 19 July 2017.

Revenue Budget Monitoring 2017-2018, report to Cabinet (Resources) Panel, 27 July 2017.

Revenue Budget Monitoring 2017-2018, report to Cabinet, 29 November 2017