

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>11 July 2018</b>
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<b>Report title</b>	Revenue Budget Outturn 2017-2018	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All Wards	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Alison Shannon Tel Email	Chief Accountant 01902 554561 Alison.Shannon@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board	12 June 2018

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### Recommendation for decision:

The Cabinet is recommended to approve:

1. The net surplus after taxation of £74,000 of Yoo Recruit Limited to be retained by the company to enable further business development.
2. The write off of four non-domestic rates totalling £45,817.82 as detailed in Appendix 7 to this report.
3. The write off of three sundry debts totalling £35,792.68 as detailed in Appendix 8 to this report.
4. The write off of two council tax accounts totalling £11,600.09 as detailed in Appendix 9 to this report.
5. 27 virements totalling £5.6 million, for transfer within directorates, as detailed in Appendix 10 to this report.

## Recommendations for noting:

The Cabinet is asked to note that:

1. The revenue outturn position for 2017-2018 for the General Fund; a net underspend of £781,000 (-0.35%) was achieved against the net budget requirement of £222.6 million, after meeting the net cost of redundancy and pension strain, after the use of capital receipt flexibility, and contributions to essential earmarked reserves.
2. Whilst the positive General Fund outturn position during 2017-2018, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £19.5 million of budget reduction and income generation proposals over the period to 2019-2020. Cabinet will be presented with a report at this meeting detailing the progress towards identifying £19.5 million of budget reduction and income generation proposals for 2019-2020.
3. A comprehensive review of all services will be undertaken following the positive 2017-2018 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 2018 budget report.
4. 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 2017-2018 report to be presented at this meeting.
5. Schools which remain under the control of the City of Wolverhampton Council drew down a net £940,000 of their reserves during 2017-2018 and after adjusting for the balance attributable to academies, taking the total accumulated reserves to £6.9 million at 31 March 2018.
6. The Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £23.6 million, compared to a budgeted surplus of £16.8 million.
7. The draft financial statements of Yoo Recruit Limited will be subject to external audit.
8. As a result of recruitment through Yoo Recruit Limited, the Council has been able to avoid fees which would have 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.
9. The Collection Fund outturned with a £13.0 million surplus during 2017-2018; this resulted in an overall deficit of £200,000 to be carried forward. In 2014-2015, as a result of the adverse outturn against the Collection Fund, primarily owing to the impact of appeals against Business Rates, over which the Council has no control, Cabinet approved the establishment of a Business Rates Equalisation reserve to equalise the impact of appeals on the Council. In the Reserves, Provisions and Balances report to be

presented to Cabinet at this meeting, approval is sought to increase that reserve in 2017-2018 to support the Council over the medium term.

10. 48 non-domestic rates accounts totalling £372,552.17 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
11. 1,403 council tax accounts totalling £278,262.58 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
12. 38 sundry debt accounts totalling £125,465.96 have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
13. 18 housing benefit debt accounts totalling £4,819.72 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 inform Cabinet of the Council's revenue outturn position for 2017-2018 compared with approved budgets and targets.

## **2.0 Executive Summary**

- 2.1 Overall a net underspend of £781,000 (-0.35%) was achieved against the General Fund net budget requirement of £222.6 million, after meeting the net cost of redundancy and pension strain after the use of capital receipt flexibility, and contributions to essential earmarked reserves.
- 2.2 In the Reserves, Provisions and Balances 2017-2018 report to be considered at this meeting, it is proposed that the Council make a contribution of £781,000 to the Pension Fund Deficit Recovery Reserve as a result of the General Fund net underspend.
- 2.3 Whilst the positive General Fund outturn position during 2017-2018, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £19.5 million of budget reduction and income generation proposals over the period to 2019-2020. Cabinet will be presented with a report at this meeting detailing the progress towards identifying £19.5 million of budget reduction and income generation proposals for 2019-2020.
- 2.4 It is important to note that the updated projected deficit assumes the achievement of budget reduction proposals amounting to £28.3 million over the two-year period from 2018-2019 to 2019-2020. Over the last eight financial years the Council has identified budget reductions in excess of £200.0 million. This is the most significant financial challenge that the Council has ever faced.
- 2.5 The Council's General Fund Balance remains at £10.0 million; the minimum balance as determined in the Council's approved Reserves and Balances Policy. Emphasis therefore continues to be placed on identifying budget reduction and income generation proposals to meet the projected budget deficit over the medium term.
- 2.6 Schools remaining in the control of the local authority drew down a net £940,000 of reserves during 2017-2018 and after adjusting for balances attributable to academies, taking the total accumulated reserves to £6.9 million at 31 March 2018. This is set against schools' projection of balances of £2.4 million at the end of 2017-2018. Therefore, actual balances are £4.5 million greater than forecast. The Directors of Education and Finance will continue to challenge those schools who hold surplus balances, aiming to gain an understanding of plans in place and whether they are appropriate.
- 2.7 The Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £23.6 million, compared to a budgeted surplus of £16.8 million. In accordance with the strategy approved as part of the Business Plan adopted in January

2016, the HRA reserve had been maintained at £5 million. However, £2.0 million of the additional surplus will be transferred to the HRA Reserve to increase this to £7.0 million in the event that welfare reforms impact on income collection. As a result, the remaining surplus of £21.6 million has been used to pay down debt.

- 2.8 Yoo Recruit, the Council owned temporary staffing agency has been trading for four years. The company had a turnover of £9.3 million and a net surplus after tax of £74,000. It is proposed that the net surplus is retained by Yoo Recruit to enable further business development. 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.
- 2.9 The Collection Fund outturned with a £13.0 million surplus during 2017-2018; this resulted in an overall deficit of £200,000 to be carried forward.
- 2.10 The Director Finance has approved the write off of 1,507 debt accounts totalling £781,000 in value.

### 3.0 Revenue Budget Outturn – General Fund Summary

3.1 An analysis of the Council's outturn position against General Fund revenue budgets for 2017-2018 is detailed in the table below. Further detailed analysis for each Directorate can be found in Appendices 1 to 4.

**Table 1 – 2017-2018 Revenue Budget Outturn Summary**

	Net Controllable Budget 2017-2018 £000	Net Controllable Outturn 2017-2018 £000	Variation Over/(Under)	
			£000	%
Place	40,863	41,045	182	0.45%
People	116,160	116,220	60	0.05%
Corporate Services (including Education)	37,025	37,000	(25)	-0.07%
Corporate Budgets	28,534	27,886	(648)	-2.27%
<b>Net Budget Requirement</b>	<b>222,582</b>	<b>222,151</b>	<b>(431)</b>	<b>-0.19%</b>
Government Grant (General)	(59,378)	(61,767)	(2,389)	-4.02%
Business Rates	(70,459)	(70,550)	(91)	-0.13%
Enterprise Zone Business Rates	(1,790)	(1,504)	286	15.98%
Council Tax	(90,937)	(90,937)	-	0.00%
Collection Fund Deficit	2,886	2,886	-	0.00%
Business Rates Equalisation Reserve	(2,904)	(1,060)	1,844	63.50%
<b>Total Resources</b>	<b>(222,582)</b>	<b>(222,932)</b>	<b>(350)</b>	<b>-0.16%</b>
<b>Use of General Balances</b>	-	-	-	0.00%
<b>Net Budget (Surplus) / Deficit</b>	-	<b>(781)</b>	<b>(781)</b>	<b>-0.35%</b>

3.2 As can be seen from the table above, overall a net underspend of £781,000 (-0.35%) was achieved against the General Fund net budget requirement of £222.6 million, after meeting the net cost of redundancy and pension strain, after the use of capital receipt flexibility, and contributions to essential earmarked reserves.

3.3 Part of the underspend arising within the 2017-2018 General Fund outturn is already factored into the Council's Medium Term Financial Strategy; in some cases budget reduction proposals have been achieved earlier than anticipated. However, a comprehensive review of all services will be undertaken following the positive 2017-2018 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 2018 budget report.

- 3.4 Whilst the positive General Fund outturn position during 2017-2018, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £19.5 million of budget reduction and income generation proposals over the period to 2019-2020. Cabinet will be presented with a report at this meeting detailing the progress towards identifying £19.5 million of budget reduction and income generation proposals for 2019-2020.
- 3.5 The Council's General Fund Balance remains at £10.0 million; the minimum balance as determined in the Council's approved Reserves and Balances Policy. Emphasis therefore continues to be placed on identifying budget reduction and income generation proposals to meet the projected budget deficit over the medium term.
- 3.6 It is important to note, that the General Fund outturn position takes into account proposed transfers to and from reserves and provisions. Full details regarding reserve transfers are included in the Reserves, Provisions and Balances 2017-2018 report, for which approval will be sought at this meeting.

#### 4.0 Revenue Budget Analysis per Directorate

##### People

- 4.1 A summary of the 2017-2018 outturn against the People net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 1.

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

Service	Net Controllable Budget 2017-2018	Net Controllable Outturn 2017-2018	Variation Over/(Under)	
	£000	£000	£000	%
Strategic Director	4,829	4,200	(629)	-13.03%
Adult Services	62,343	62,343	-	0.00%
Children & Young People	48,959	49,658	699	1.43%
Public Health & Wellbeing	29	19	(10)	0.00%
<b>People Total</b>	<b>116,160</b>	<b>116,220</b>	<b>60</b>	<b>0.05%</b>

- 4.2 Overall, a net overspend of £60,000 (0.05%) for the year was achieved by the People Directorate. The main factors for each service directorate contributing towards the net overspend are detailed as follows:

- 1. Strategic Director Adults**– There was a net underspend of £629,000 mainly as a result of an underspend in Strategic Commissioning due to efficiencies arising from

the early achievement of a budget reduction target, along with one-off budget underspends as a result of vacancies held across the service.

2. **Adult Services** – In line with the approval at quarter 3, the underspends from across Adult Services totalling £1.3 million have been transferred into a reserve to support activities during 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 improved Better Care Fund was transferred in full to Adult Social Care. The underspend is a result of the timing of the announcement of these funds; the reserve will enable them to be spent in accordance with the grant conditions in 2018-2019. The following areas have overspent in 2017-2018:

- a. The Better Care Fund pooled budget with the Clinical Commissioning Group (CCG) had an overall overspend of £472,000. The reported overspend of £187,000 is as a result of the Council's risk sharing payment under section 75 agreement.
- b. Learning Disabilities Care Purchasing service outturned with an overspend totalling £2.5 million as a result of a number of pressures across care purchasing budgets due to increasing demand for support and challenges associated with the transformation programme.
- c. An overspend totalling £454,000 within Learning Disability Provider service. This service had budgeted the use Public Health grant of £500,000 but this grant was no longer necessary in 2017-2018 following the additional funds that are now available to the adult social care as a result of minimum funding levels.

These overspends are offset by underspends within:

- d. The Carer Support service totalling £277,000 as a result of a reduction in demand for this service.
- e. The Community Support service totalling £317,000 due to efficiencies across employee budgets.
- f. Community Financial Support service totalling £111,000 and an underspend totalling £114,000 within Older People Provider Services, both as a result of one-off budget underspends on staffing costs, along with general efficiencies across the service.
- g. Independent Living Service totalling £148,000 as a result of one-off budget underspends on staffing costs, along with additional income. This is offset in part by pressures across general expenditure and equipment budgets.

- h. The Mental Health Assessment and Care Management service totalling £355,000 as a result of efficiencies across mental health care provision, along with one-off underspends due to staff vacancies.
- i. Adults Assessment and Care Management service totalling £229,000 mainly due to staff vacancies within the service as well as receiving additional income.
- j. Service Director Adults service totalling £1.8 million mainly due to the timing of the announcement of the additional Adult Social Care monies, not all schemes planned from this funding have had a full year effect, therefore resulting in an underspend of £1.3 million across the whole of Adult Services. This underspend has been transferred into a reserve to fund commitments in 2018-2019, which was approved in quarter three.

**3. Children & Young People** – There was a net overspend of £699,000 within the service, which has arisen primarily as a result of:

- a. An overspend within the Looked After Children is as a result of cost pressures totalling £2.0 million against placement budgets. This was offset in part by additional income from the Home Office for Unaccompanied Asylum Seeking Children of £380,000. This is also offset by an underspend of £455,000 as a result of one-off budget underspends on staffing costs. Whilst Wolverhampton has seen a modest 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 the Director of Children's Service's is confident that robust procedures are in place to ensure that only those children that need to come into care are brought into care.
- b. An overspend within the Child Protection service totalling £572,000 due to increased demand for Section 17 and No Recourse to Public Funds. The overspend is partially offset by efficiencies across general expenditure. Growth has been awarded for 2018-2019 to help address this pressure.
- c. An overspend within the Safeguarding service totalling £128,000 as a result of agency costs used to cover one-off vacant posts.

These overspends are offset by underspends within the following services:

- d. An underspend within the Early Intervention Service totalling £443,000 as a result of one-off budget underspends on staffing costs, along with a combination of efficiencies across general expenditure.
- e. An underspend within the Service Director Children's & Young People totalling £143,000 as a result of one off budget underspends on staffing costs and reduction in expenditure against contract budgets.

- f. An underspend within the Youth Offending service totalling £250,000 as a result of one-off budget underspend on staffing costs and additional income.
- g. An underspend within the Specialist Support service totalling £390,000 as a result of one-off budget underspends on staffing costs, along with efficiencies across general expenditure and additional income.

**4. Public Health and Wellbeing** is underspent by an underspend of £10,000 after the application of £1.1 million use of the Budget Contingency Reserve.

#### Place

- 4.3 A summary of the 2017-2018 outturn against the Place net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 2.

**Table 3 – 2017-2018 Revenue Budget Outturn – Place**

Service	Net Controllable Budget 2017-2018	Net Controllable Outturn 2017-2018	Variation Over/(Under)	
	£000	£000	£000	%
Strategic Director Place	566	579	13	2.30%
Land Property Investment Support	-	-	-	0.00%
City Economy	8,062	7,790	(272)	-3.37%
Corporate Landlord	7,387	7,925	538	7.28%
Strategic Director - Housing	1,685	1,496	(189)	-11.22%
Public Service Reform	86	73	(13)	-15.12%
City Environment	23,077	23,182	105	0.45%
<b>Place Total</b>	<b>40,863</b>	<b>41,045</b>	<b>182</b>	<b>0.45%</b>

- 4.4 Overall a net overspend of £182,000 (0.45%) for the year was achieved by the Place Directorate. The main factors contributing towards the overspend are detailed as follows:

1. **Corporate Landlord** – This service directorate outturned with a £538,000 overspend mainly as a result of overspends within:
  - a. The Catering service totalling £734,000. Since the MTFs income targets were set as there has been a significant increase in competition in the market. This has resulted in some loss of business and price pressures, reflected in the outturn overspend. A review of the service delivery is ongoing and will be implemented in 2018-2019.

- b. The Capital Programme team totalling £122,000 as a result of agency staff costs which have been incurred to cover vacant posts in advance of a change in the operating model which will result in budget efficiencies during 2018-2019.
- c. The Maintenance Programme service totalling £107,000 due to additional reactive repair costs have been incurred due to weather damage and other issues.

However, these overspends are offset partially by underspend within the Estates and Valuations service totalling £437,000 as a result of rental income from commercial estates in excess of the budget and an underspend totalling £143,000 within Corporate Asset Management service as result of utility expenditure being lower than budgeted.

**2. City Environment** – This service directorate outturned with a £104,000 overspend mainly as a result of overspends within the following services:

- a. Fleet Services totalling £257,000 due to the slippage in the delivery of budget reduction proposals and increased repair costs due to aging fleet.
- b. Highways Maintenance service totalling £417,000 as a result of increased expenditure on winter service due to adverse weather conditions.
- c. Parking Services totalling £244,000 due to the slippage in the delivery of income generation proposals in relation to the review of District Parking.
- d. Transportation service totalling £104,000 primarily due to the change in accounting treatment of capitalised salaries and part under recovery of costs.
- e. Waste and Recycling Service totalling £101,000 as a result of consultancy costs incurred in the transformation of the waste service.

These overspends are offset by underspends within the following services:

- f. Bereavement Services totalling £159,000 as a result of additional income received from cremations and burials.
- g. Environmental Maintenance service totalling £319,000 due to reduced expenditure levels on materials and reduced salary costs as a result of vacancies.
- h. Operation & Maintenance of Existing Network service totalling £194,000 as a result of reduced expenditure on traffic signal works.

- i. Public Protection service totalling £159,000 as a result of staff vacancies in year and additional enforcement income.
- j. Street Lighting service totalling £227,000 which reflects reduced energy costs.

3. **City Economy** – There was a net underspend of £272,000 for the service directorate, which has arisen as a result of various factors including:

- a. The Skills service achieving an underspend of £193,000 due to the early achievement of 2018-2019 budget reduction proposals including staff vacancies, a review of underutilised budgets and additional income generated.
- b. The Planning service achieving an underspend of £254,000 due to additional income. There has been increase in both major planning applications and income from externally recharged services.
- c. The Strategic Organisation Development service showing an underspend of £166,000 as result of underspending on staffing costs and stock purchases.

These underspends are offset by an overspend within the Visitor Economy service totalling £383,000 due to reduced income as a result of the Civic Halls closure for refurbishment and as a result of additional expenditure for counterterrorism measures.

4. **Strategic Director Housing** – There was a net underspend of £189,000 for the service directorate as a result of a reduction in emergency accommodation payments, unfilled staff vacancies and budget underspends achieved on supported accommodation contract costs.

**Corporate Services (including Education)**

- 4.5 A summary of the 2017-2018 outturn against the Corporate Services (including Education) net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 3.

**Table 4 – 2017-2018 Revenue Budget Outturn – Corporate Services (incl Education)**

Service	Net Controllable Budget 2017-2018	Net Controllable Outturn 2017-2018	Variation Over/(Under)	
	£000	£000	£000	%
Directorate	1,810	1,382	(428)	-23.65%
Corporate Services	24,468	23,821	(647)	-2.64%
Governance	7,978	7,996	18	0.23%
Education	2,769	3,801	1,032	37.27%
<b>Corporate Services (incl Education) Total</b>	<b>37,025</b>	<b>37,000</b>	<b>(25)</b>	<b>-0.07%</b>

4.6 Overall a net underspend of £25,000 (-0.07%) for the year was achieved by Corporate Services including Education. The main factors contributing towards the underspend are detailed as follows:

1. **Directorate** – An underspend of £428,000 has arisen due to vacancies held across the Corporate Business Support service.
2. **Corporate Services** – There was a net underspend of £647,000 within the service directorate, which has primarily arisen as a result of:
  - a. An underspend within the Audit Services totalling £343,000 due to unfilled vacancies held across the service.
  - b. An underspend totalling £417,000 in the Central Corporate budgets due to lower than anticipated enhanced pension costs and a reduction in bank charges following the switch from an external to in house payment hosting system.
  - c. An underspend within the Revenue and Benefits service totalling £370,000 due to ceasing all agency staff contracts from the start of quarter 4 and to reflect a favourable Housing Benefit Subsidy outturn position compared to budget.

These underspends are offset by overspends within:

- d. The Commercial Services totalling £290,000 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.
- e. The Digital Transformation Programme totalling £136,000 due to revenue costs associated with the Digital Transformation Programme.

- f. The Leisure Services totalling £123,000. A significant amount of budget reduction target of £500,000 has been delivered this year by WV Active and an increase in membership income realised. Transformation work continues and it is anticipated the remaining budget reduction proposals will be achieved in the next financial year.
3. **Governance** – There was a net overspend of £18,000 within this service directorate primarily as a result of an overspend totalling £279,000 within the Legal Services due to external fees incurred to support of one-off legal matters. This overspend is offset by underspends within the Human Resources service totalling £193,000 due to vacancies held as the service went through a minor restructure and lower than anticipated expenditure against a range of corporate training budgets.
4. **Education** - There was a net overspend of £1.0 million within the Education Directorate which has arisen primarily as a result of overspends within the School Planning and Resources service totalling £1.0 million as a result of increased demand for Home to School Transport of High Needs pupils.

### Corporate Budgets

- 4.7 A summary of the 2017-2018 outturn against the Corporate Budgets net controllable revenue budget is provided in the table below, whilst a detailed analysis is provided in Appendix 4.

**Table 5 – 2017-2018 Revenue Budget Outturn – Corporate Budgets**

Service	Net Controllable Budget 2017-2018	Net Controllable Outturn 2017-2018	Variation Over/(Under)	
	£000	£000	£000	%
Corporate Budgets	28,534	28,667	133	0.47%
<b>Education Total</b>	<b>28,534</b>	<b>28,667</b>	<b>133</b>	<b>0.47%</b>

- 4.8 **Corporate Budgets** – There was a net overspend of £133,000 (0.47%) within Corporate Budgets. The main factors contributing towards the overspend are as follows:
- a. **Gross Redundancy Costs** – Redundancy payments totalling £4.1 million due in 2017-2018 arising as a result of the voluntary redundancy programme. In December 2015, the Secretary of State announced that from 1 April 2016 capital receipts may be used for revenue transformational

projects. Capital receipts totalling £3.0 million have been used to offset some of the reorganisation costs.

- b. **Treasury Management** – There was a net underspend of £720,000 against the Corporate Treasury Management budget, primarily due to a reduced borrowing need in year due to re-phasing in the capital programme and prudent management of treasury budgets. The underspend reported includes a contribution to the Treasury Management Equalisation Reserve totalling £900,000.
- c. **Central Provision for Auto-enrolment and Pay Award Costs** – There was a £2.8 million underspend against the budget for auto-enrolment and pay award costs. As approved in July 2017, a prepayment of £5.5 million was made towards the 2018-2019 past service pension deficit requirement in 2017-2018. The underspend against the Central Provision for Auto-enrolment and a contribution to the Pension Deficit Recovery Reserve was forecast during 2017-2018 to cover, in part, the upfront payment.
- d. **Provision for Bad Debts** – The Provision for Bad Debts was greater than originally budgeted. Work will be undertaken during 2018-2019 to further improve the collection performance of outstanding debts. In addition to this, a review of the provision methodology will be undertaken to account for the likelihood of collection after twelve months.
- e. **Other Corporate / Transformation Budgets and Contingencies** – The underspend against this budget was planned during 2017-2018 to help to offset overspends within other directorates.
- f. **Apprenticeship Levy** – There was a net underspend on the Apprenticeship Levy due to the net cost being lower than the original estimate.
- g. **Corporate Adjustments** – There was a net underspend against this budget.
- h. **Budget reduction proposal held corporately for Waste and Recycling** – The overspend totalling £1.7 million has arisen as a result of budget reductions that could not be achieved during 2017-2018, due to the delayed transformation of the Waste & Recycling service.

## 5.0 Reserves, Provisions and Balances

- 5.1 A report detailing the Council's reserves, provisions and balances as at 31 March 2018 will be received at this meeting. The report, titled 'Reserves, Provisions and Balances 2017-2018', will seek approval for transfers to and from reserves, provisions and balances.

- 5.2 At the beginning of 2017-2018 a balance of £10.0 million was held within the General Fund reserve. The General Fund Balance remains at £10.0 million as at 31 March 2018. This is the minimum balance as determined by the Council's policy on reserves and balances. Emphasis therefore continues to be placed on identifying budget reductions and income generation proposals to meet the projected budget deficit over the medium term.
- 5.3 It is important to note that the positive General Fund outturn position during 2017-2018, and the resulting adjustments to reserves, will help to support the Council's short term financial position. It does not, however, address the challenging financial position that the Council finds itself in over the medium term; namely identifying an additional £19.5 million of budget reduction and income generation proposals over the period to 2019-2020. Cabinet will be presented with a report at this meeting detailing the progress towards identifying £19.5 million of budget reduction and income generation proposals for 2019-2020.

## **6.0 Outturn on Schools' Budgets**

- 6.1 Schools that remain in local authority control started the 2017-2018 financial year with accumulated reserves of £8.4 million. At the end of the year revenue balances for these schools were £6.9 million, a reduction of £1.5 million. This remaining balance of £6.9 million represents 6.45% of the funding and income available to schools during 2017-2018.
- 6.2 The Directors of Education and Finance will continue to challenge those schools who hold surplus balances, aiming to gain an understanding of plans in place and whether they are appropriate.
- 6.3 Further details on schools' finances for 2017-2018 are shown at Appendix 5.

## **7.0 Housing Revenue Account**

- 7.1 The table below provides the Housing Revenue Account (HRA) revenue outturn for 2017-2018 compared to the approved budget. The outturn position for the year is a surplus of £23.6 million, compared to a budgeted surplus of £16.8 million. £2.0 million of the additional surplus will be transferred to the HRA Reserve to increase this to £7.0 million in the event that welfare reform impacts on income collection. The balance will be used to redeem debt to create headroom and enable the Council to pay for future investment in housing.

**Table 6 – Housing Revenue Account Revenue Outturn 2017-2018**

	Budget	Outturn	Variation
	£000	£000	£000
Total income	(97,840)	(97,095)	745
Total expenditure	70,074	63,297	(6,777)
Net cost of HRA services	(27,766)	(33,798)	(6,032)
Interest payments and receipts	10,939	10,191	(748)
(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt	(16,827)	(23,607)	(6,780)
<i>Allocation of (surplus)/deficit</i>			
Increase to HRA Reserve		2,000	2,000
Provision for redemption of debt	16,827	21,607	4,780
<b>Balance for the year</b>	-	-	-

- 7.2 Further detail behind the figures in this table are shown at Appendix 6.
- 7.3 The main variance was an underspend of £4.9 million on depreciation of fixed assets due to the impact of a change in accounting treatment used to calculate depreciation based on property components
- 7.4 The cost of the increase to the bad debt provision was £1.8 million lower than the budget. This was set at a level to provide for the impact of the roll out of universal credit which was implemented much later than originally timetabled by the government.
- 7.5 Rental and service charge income was £745,000 lower than budgeted due to a greater number of properties sold through Right to Buy.
- 7.6 There was an underspend against the budget for interest charges of £744,000 which was mainly due to slippage on the capital programme which reduced the borrowing requirement.

## 8.0 Yoo Recruit Limited

### Financial Summary

- 8.1 On the 7 January 2014 Cabinet (Resources) Panel approved the structure of a Council owned temporary staffing agency. Yoo Recruit has now been trading for four years. The table below summarises the financial position for the 2017-2018 financial year; the company had a turnover of £9.2 million and a net surplus after tax of £74,000. It is proposed that the net surplus is retained by Yoo Recruit to enable business

development. The financial statements of Yoo Recruit Limited will be subject to external audit.

**Table 7 – Yoo Recruit Financial Statement 2017-2018**

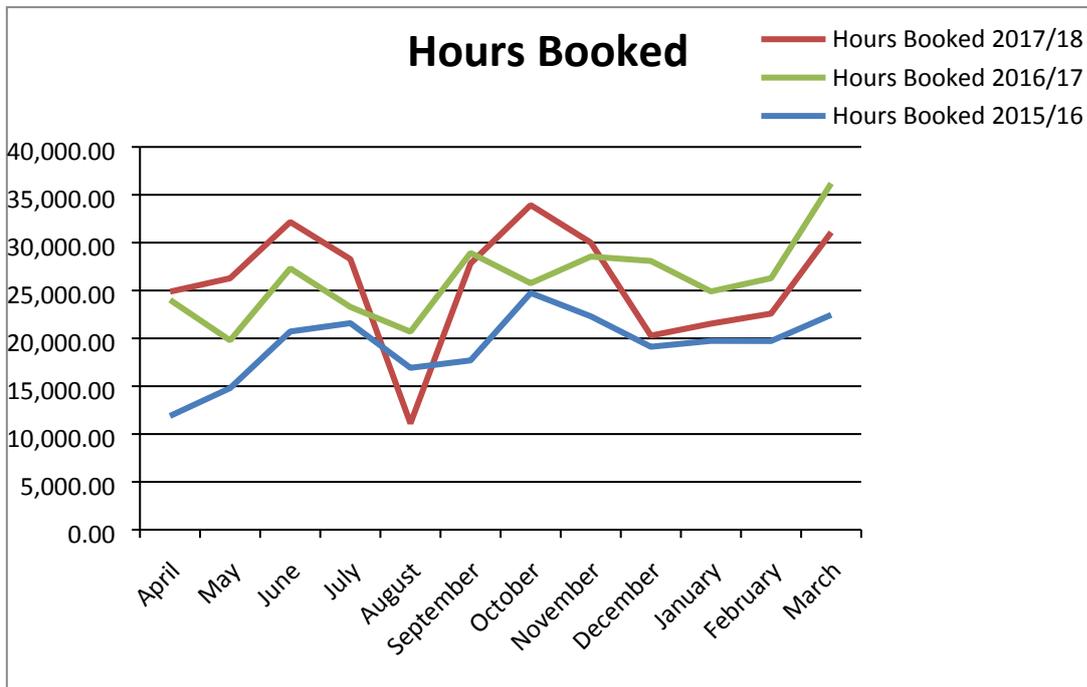
	£000
Sales	(9,253)
Direct Expenses	8,880
<b>Gross Surplus</b>	<b>(373)</b>
Overheads	281
<b>Net Surplus before taxation</b>	<b>(92)</b>
Taxation	18
<b>Net Surplus after taxation</b>	<b>(74)</b>

- 8.2 As a result of recruitment through Yoo Recruit Limited the Council has been able to avoid fees which would have otherwise have been incurred. On average this is approximately £225,000 each year in relation to the permanent recruitment of individuals who had been previously employed on a temporary basis through the agency. Ordinarily the Council could expect to pay a fee for the transfer of temporary staff to permanent posts.
- 8.3 During 2017-2018 financial year, a dividend of £200,000 was paid to the authority.

#### **Operational Data**

- 8.4 During 2017-2018 approximately 309,973 hours of work were booked through Yoo Recruit. Graph 1 illustrates that whilst there has been an increase year on year, there was a decline in August 2017 due to the transition of workers to the management partner.

**Graph 1 – Yoo Recruit, Hours Booked per Month**



## 9.0 Collection Fund

- 9.1 The Collection Fund outturned with a £13.0 million surplus during 2017-2018 and this resulted in an overall deficit of £200,000 to be carried forward. The Collection Fund income comes from receipts of Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR) collected from tax payers during the year and any balances from previous years. The £13.0 million surplus outturned as a result of £364,000 surplus on Council Tax and £12.7 million surplus for Business Rates.
- 9.2 The Collection Fund opening balance for Council Tax was a surplus of £759,000 and combined with the in-year surplus results in a surplus balance of £1.1 million to be carried forward.
- 9.3 The Collection Fund opening balance for Business Rates was a deficit of £14.0 million and combined with the in-year surplus, results in a deficit balance of £1.3 million to be carried forward.
- 9.4 In 2014-2015, as a result of the adverse outturn against the Collection Fund, primarily owing to the impact of appeals against Business Rates, over which the Council has no control, Cabinet approved the establishment of a Business Rates Equalisation reserve to equalise the impact of appeals on the Council. In the Reserves, Provisions and Balances report to be presented to Cabinet at this meeting, approval is sought to increase that reserve in 2017-2018 to support the Council over the medium term.

## 10.0 Debt Write Offs

- 10.1 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, appropriate steps would be taken to pursue the debt, despite the debt having been formally written off in the Council's accounts.
- 10.2 **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 (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.

**Council Tax** - Overall, 1,405 debt write offs totalling £289,862.67 have been incurred. All except two totalling £11,600.09, which require the approval of this Panel (see Appendix 9), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

**Non-Domestic Rates** - Overall, 52 debt write offs totalling £418,369.99 have been incurred. All but four valued at £45,817.82 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 Procedure Rules.

- 10.3 **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. Overall, 41 debt write offs totalling £161,258.64 have been incurred. All but three valued at £35,792.68 in total, which require the approval of this Panel (see Appendix 8), have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
- 10.4 **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.
- 10.5 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.
- 10.6 Overall 18 debt write offs totalling £4,819.72 have been incurred during the period. All of which have been approved for write off by the Director of Finance in accordance with the Council's Financial Procedure Rules.

10.7 As a result of the information detailed in paragraphs 10.3 – 10.6 above, the Director of Finance has approved the write off of 1,507 debt accounts totalling £781,000 in value.

### **11.0 Evaluation of alternative options**

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

### **12.0 Reason for decisions**

12.1 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between Employees and Other Controllable Expenditure headings, require the approval of Cabinet. Contribution to and from reserves also requires the approval from Cabinet. The write-offs, virements and use of reserve requests detailed in this report which seek the approval of Cabinet are all considered to be prudent in the opinion of the Director of Finance and the Cabinet Member for Resources. The Council's financial procedure rules also require that the Section 151 Officer shall submit a report setting out the Outturn within four months of the financial year end.

### **13.0 Financial Implications**

13.1 The financial implications are detailed in the body of the report.  
[MH/28062018/T]

### **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.

14.2 The General Power of Competence, contained in Section 1 (1) the Localism Act 2011 gives eligible local authorities, "*the power to do anything that individuals generally may do*" as long as they do not break other laws. This includes the power to lend or invest money and to set up a company to trade and engage in commercial activity.

14.3 The provision of a 'soft' loan where there is an artificially low rate of interest or it is non-interest bearing can constitute State Aid under European legislation. The Council will avoid any question of their being State Aid if it can show that the loan agreement terms including the amount and the length of the loan and the interest rate under which the loan is repayable corresponds to normal market conditions i.e. it is on commercially acceptable terms. This will be the case here.  
[TS/28062018/R]

## **15.0 Equality Implications**

- 15.1 As this report provides details of the outturn for 2017-2018, there are no equalities implications arising from it. The necessary equalities analyses were carried out as part of the preparations for setting the 2017-2018 and 2018-2019 budgets, and will similarly form part of the requisite pre-work for 2019-2020.

## **16.0 Environmental Implications**

- 16.1 The Council's annual budget and medium term financial strategy support a range of programmes designed to both improve environmental conditions across the city and promote economic and community development.

## **17.0 Background Papers**

Draft Budget and Medium Term Financial Strategy 2019-2020, report to Cabinet, 11 July 2018.

Reserves, Provisions and Balances 2017-2018, report to Cabinet, 11 July 2018.

2018-19 Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020, report to Cabinet, 20 February 2018.