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| CITY OF WOLVERHAMPTON COUNCIL | Scrutiny Board 26 July 2022 |
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| Report title | Performance and Budget Outturn 2021-2022 | |
| Cabinet member with lead responsibility | Councillor Obaida Ahmed Resources and Digital City | |
| Wards affected | All Wards | |
| Accountable Director | Tim Johnson, Chief Executive | |
| Originating service | Strategic Finance | |
| Accountable employee | Claire Nye | Director of Finance |
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| Report to be/has been considered by | Strategic Executive Board | 24 May 2022 |

Recommendation:

Scrutiny Board is recommended to:

1. Consider the Performance and Budget Outturn 2021-2022 as reported to Cabinet on 15 June 2022.

1.0 Purpose

- 1.1 The purpose of this report is to provide Scrutiny with the Council's outturn position for 2021-2022 compared with approved budgets and targets and performance update against the Relighting Our City priorities.

2.0 Background

- 2.1 On 16 September 2020, Council approved the Relighting Our City recovery framework to guide the Council's approach as we emerge from the Covid-19 pandemic.
- 2.2 Relighting Our City was launched as a 'living' document and a commitment made to regularly review and refresh the plan to ensure that it continues to reflect the priorities of local people and capture the fast-changing nature of the pandemic. This was updated at Cabinet on 17 March 2021, including a reflection on what had been achieved so far and an overview of future planned activity to support recovery from the pandemic.
- 2.3 Relighting Our City also includes a performance framework, providing high-level city data on key priorities and benchmarking city performance against national and regional data in order highlight the impact of targeted interventions, inform strategic decision-making in relation to provision and encourage scrutiny of those strategic decisions.
- 2.4 On 2 March 2022, Council approved Our City: Our Plan, a new Council Plan building on Relighting Our City and providing the strategic framework for delivering the ambition that 'Wulfrunians will live longer, healthier lives'. Reporting against this framework for both performance and budget will take place from 2022-2023 onwards.
- 2.5 The City of Wolverhampton Council has built up a strong track record over many years of managing its finances well and consistently setting a balanced budget. Our approach to strategic financial management, aligning budgets to service priorities and improving services, and investing in transformation priorities, continues to put us in a strong financial position.
- 2.6 On 3 March 2021, the Council approved the net budget requirement for 2021-2022 of £258.5 million for General Fund services. This report details the outturn position against this net budget requirement.
- 2.7 The Covid-19 pandemic has significantly distorted the Council's financial position and medium term financial strategy (MTFS). As detailed in previous budget reports to Cabinet, the cost of dealing with the pandemic and loss of income extends beyond the immediate period. During 2020-2021 and 2021-2022, local authorities received one-off Covid-19 Emergency Grant to support the cost implications of the pandemic. In addition, local authorities could apply for funding to part fund the loss of income from non-commercial fees and charges. Neither of these grants have been extended for 2022-2023, however, the costs of the pandemic extend beyond 2021-2022.

- 2.8 The Council has responded to the unprecedented impact of the Covid-19 global pandemic. This has meant refocusing the efforts of the organisation on supporting those in the city that need us most – especially the most vulnerable, supporting our NHS colleagues, helping struggling city businesses to survive and adapt to the constantly changing operating restrictions, supporting our schools and young people and maintaining core, essential council services.
- 2.9 Despite all of this uncertainty and ‘distortion’, the Council has once again managed its money well and delivered within budget. Overall, the General Fund, after the cost of redundancy and pension strain and contributions to essential earmarked reserves, is a net forecast underspend of £2.2 million. It is proposed that this is transferred into the Future Years Budget Strategy to support the budget deficit going forward, namely identifying further projected budget reductions which were estimated at £12.6 million in 2023-2024, rising to £25.8 million by 2025-2026 when reported to Full Council in March 2022.
- 2.10 It should be noted that, nationally, local authorities are being asked to review their accounting treatment of infrastructure assets, including their economic life, depreciation and Minimum Revenue Provision (MRP) calculation. In response, the council is currently reviewing its accounting policy and will be discussing the findings with the council’s external auditors. This may result in additional charges being made on MRP. Once this work has been concluded, an update will be reported to Cabinet.
- 2.11 Reserves play a vital role in the financial sustainability of the Council. The Council’s General Fund balance stands at £13.7 million, which is approximately 5% of the 2022-2023 net budget. In addition, the Council holds specific reserves which are set aside to fund future planned expenditure. It is vital that Council continues to hold these reserves to mitigate the risk of uncertainty of any potential future expenditure and to support the delivery of council priorities.
- 2.12 Recovering from the pandemic requires the Council to invest, on a huge scale, in our city and its people - to help them recover and thrive. Investment is needed in supporting vulnerable residents and struggling families; in opportunities for our children and young people; in job and employment opportunities for our young adults hit disproportionately by unemployment; in support for city businesses; in closing the digital divide and in the big switch to a greener economy. Our prudent financial management to date will enable us to move forward with this short-term targeted investment.
- 2.13 In the Reserves, Provisions and Balances 2021-2022 report to be considered at this meeting it will be seen that the overall total of general and earmarked reserves, for which the Council has flexibility to allocate, has been prudently maintained. The Reserves, Provisions and Balances 2021-2022 report will provide detail on the movements on all reserves and notes that reserve strategy is currently being reviewed in light of Our City, Our Plan priorities and the budget challenge facing with Council. An updated Reserves Strategy will be reported back to Cabinet as part of the budget process.

- 2.14 Schools remaining in control of the local authority have contributed a net £2.4 million to reserves during 2021-2022 after adjusting for balances attributable to academies, taking the total accumulated reserves to £15.6 million at 31 March 2022. This is set out against schools' projection of balances of £10.2 million at the end of 2021-2022. The Deputy Director of Education and Director of Finance will continue to challenge those schools who hold significant surplus balances and those with deficits, aiming to gain an understanding of plans in place and whether they are appropriate.
- 2.15 The Housing Revenue Account revenue outturn position for the year was a surplus before allocations of £13.1 million, which is in line with the budget.
- 2.16 The Capital Programme has an outturn position of £82.5 million for the General Fund and £55.9 million for the Housing Revenue Account (HRA). A summary of the outturn position is detailed in section 10. A full detailed report on the Capital Outturn 2021-2022 including Quarter One Capital Monitoring 2022-2023 will be reported to Cabinet in July 2022.
- 2.17 The Director of Finance has approved the write off of 851 debt accounts totalling £652,678.03 in value.

3.0 Performance Update

- 3.1 The Council continues to use a variety of means in which to assess the efficiency and effectiveness of operations against organisational strategic priorities and statutory requirements.
- 3.2 Critically it continues to manage resources effectively, consistently setting a balanced budget, and delivering against the Medium Term Financial Strategy, despite austerity.
- 3.3 External verification of performance is also undertaken through external audit of the Council's accounts, and key inspections such as Office for Standards in Education, Children's Services and Skills (Ofsted) and other regulatory bodies. Risks continue to be managed through the strategic risk register which is reported to Audit and Risk Committee on a regular basis.

Relighting Our City Performance

- 3.4 Relighting Our City set out the priorities which guided the Council's approach as the organisation and the city started to transition from the response to the recovery phase of the pandemic. These priorities together with the associated key actions and activity formed a framework for recovery.
- 3.5 Within the Relighting Our City recovery commitment plan there are five overarching priorities for recovery, supporting the delivery of our Council Plan vision for Wulfrunians to live longer, healthier, and more fulfilling lives:
- Support people who need us most
 - Create more opportunities for young people

- Support our vital local businesses
- Generate more jobs and learning opportunities
- Stimulate vibrant high streets and communities

- 3.6 A performance framework was created to monitor performance against these priorities and included two different types of indicators, city indicators and impact indicators.
- 3.7 City indicators are high level indicators which although the Council can influence, may not be able to directly affect. Data on these indicators is published nationally, to enable a comparison against regional, statistical, and national averages. Impact indicators demonstrate how council interventions are working to improve outcomes for residents against key priorities.
- 3.8 This report sets out a summary of performance against city and impact indicators, relevant financial information, and key areas of activity. A dashboard of the performance against impact indicators is included at appendix 1.
- 3.9 The Relight Our Council performance indicators have been updated for Q4 2021/2022. This is the last publication of these indicators before the new Council Plan performance framework starts in Q1 2022/2023.
- 3.10 Over the year, out of 29 indicators;
- 18 indicators showed improvement
 - 10 indicators showed similar performance
 - 1 indicators showed a decreased over the year
- 3.11 Over the year, 11 indicators were comparable to national averages
- 6 indicators performed better than national averages
 - 5 indicators performed worse than national averages
- 3.12 Through robust internal performance management, the majority of indicators have seen improvement over the financial year. This performance management has also ensured that areas of concern are picked up quickly with strategies developed to ensure long term, sustained improvement.
- 3.13 A detailed view of performance by priority area is detailed below.

Supporting people who need us most

- 3.14 The Council continues to provide support to those facing hardship, working with our partners to keep our city safe and build resilience to ensure all our communities can thrive.

- 3.15 Social care performance remains an area of strength in the city. The Council has seen a continuation of strong performance in both children's and adults social care in the statutory returns published within the year.
- 3.16 Internal performance indicators for social care, in general, show either improved performance or continued strong performance against national, regional and statistical comparators.
- 3.17 Supporting people to be independent at home remains a key objective for the Council with 60% of all residents open to Adult Social Care being supported in their own homes, this is an increasing number.
- 3.18 The Council's performance in terms of reablement remains above national averages, with 71% of residents aged 65 or over remaining at home 91 days after discharge from hospital at quarter end.
- 3.19 The Council has continued to work with partners to support the roll out of the Covid-19 vaccination at speed. At quarter end 73.8% of the adult population of Wolverhampton were vaccinated. Further to this, almost 94% of our residents aged 80 or above, 89% of our most clinically vulnerable residents and 96% of our care home residents are vaccinated ensuring protection to those most vulnerable.
- 3.20 The Council is also supporting keeping people safe through the supply of personal protective equipment (PPE), with over 5 million items being supplied through the pandemic, almost 1 million in this financial year.
- 3.21 Reducing rough sleeping continues to be a priority to the Council with a 25% reduction in rough sleepers in the year.
- 3.22 The Council continues to support vulnerable residents to maximise their benefit entitlement to ease their financial hardships. 853 residents have been supported through the welfare rights helpline to a potential gain of over £2.7 million.
- 3.23 Regarding financial performance, as detailed in Appendix 2, Adult Services out-turned with an underspend of £122,000, after the use of one off funding and a contribution into reserves. The position has improved significantly from the forecast at quarter 3, mainly due to the use of one-off funding which will not be available in future years. This includes £1.1 million of covid grants and £2.3 million funded from the government's fund for Homefirst Discharge Strategy. There is uncertainty of the forecast position for Adult Services in 2022-2023 and over the medium term, as services re-open following the pandemic and demand in some areas is back at pre-pandemic levels, although the type of service required may be different. In addition to post pandemic recovery, Wolverhampton has agreed to be a 'trailblazer' authority and implement charging reform in January 2023. The Council is required to conduct a fair cost of care exercise to review levels of payments to providers, and how the Council will move towards it in the medium term if and where it is not paid already. In addition, the changes in legislation around individuals' contributions towards their care will likely result in more individuals having

financial support from the Council. The analysis is underway but at this time the overall impact is not known.

- 3.24 Public Health and Wellbeing overall out-turned with an underspend of £231,000 which relates to staffing vacancies within libraries and use of one-off grant to within Community Safety & Community Cohesion. However, it should be noted that the income received for WV Active significantly reduced due to the pandemic. Following the compulsory closures of the leisure centres, in line with government guidelines, memberships dropped from over 10,000 members in February 2020 to their lowest of 5,300 in December 2020. However, during the final quarter of 2021-2022 (January – March), WV Active membership moved over the milestone mark of 9,114. Plans and targets are in place to ensure that WV Active returns to 10,000 live members by the summer of 2022. In addition, the overall income has also been impacted by the second largest income stream for the service which is related to swimming lessons. In the final quarter of 2021-2022, there has been a shortage of swimming teachers to deliver lessons, this is a national issue, and the service is looking to Swim England to support the local solutions. This shortage along with maternity leave and sickness within the services, has meant that lessons on some days and at certain sites have had to be paused – this has impacted on renewals and new joiners to the programme. Income losses as a result of the pandemic have been funded from one-off grants during 2021-2022.
- 3.25 Further financial analysis can be found in Appendix 2.

Creating more opportunities for young people

- 3.26 Our ambition is that children and young people have the best possible opportunities to fulfil their potential. As a result, we are investing to connect young people to opportunities, support our schools to improve standards, ensure education provision is inclusive whilst continuing to support our most vulnerable young people.
- 3.27 The city continues to see an increase in the percentage of schools rated good or outstanding by Ofsted, above national averages. Ensuring inclusivity in access to this high standard of education remains a key priority. At quarter end, 90% of children and young people from ethnic minorities are attending a good or outstanding school, this number is the same as for White British residents. Further to this, the Council continues to support children and young people with special educational needs to attend mainstream schools, 81% at quarter end.
- 3.28 The Council performs lower than national averages in ensuring education and health care plans for children with special educational needs and disability (SEND) are completed within 20 weeks. This performance remains similar to last quarter.
- 3.29 This performance was identified through internal performance management processes. It was also highlighted through the recent SEND Ofsted inspection as an area for improvement. Since, there has been a clear improvement strategy put in place to ensure

timeliness and quality of assessments being recorded on the ONE system. Performance is being monitored rigorously through a new suite of performance dashboards that have both director level oversight through internal performance meetings and partner engagement through the SEND Partnership Board.

- 3.30 Through the year the Council has worked with partners to deliver a programme of activities for children and young people. In total over 500 events were commissioned which were attended by over 14,000 young people, over 5,000 of which were eligible for free school meals.
- 3.31 Children's Social care remains an area of strength for the authority with decreasing numbers of children open to the service against a backdrop of increasing numbers regionally and nationally.
- 3.32 Against decreasing numbers of Child Protection cases, the percentage that are repeat cases has remained stable in the quarter. This figure is below national and regional comparators.
- 3.33 Placement stability of our children in care remains an area of strength for the Council. Data for both short and long-term stability shows that placements are secure and compare favourably to regional and national comparators. When older young people leave care, the Council support them to find suitable accommodation. 93% of our care leavers are currently in suitable accommodation, substantially above national and regional averages.
- 3.34 Regarding financial performance, Children's Services and Education out-turned with an underspend of £2.9 million, due to strong financial management and transformative projects and programmes which have achieved significant and positive changes for children and young people living and learning in Wolverhampton. Through the transforming children's service programme we offer a robust approach to managing demand across the children's social care system. This has resulted in a decrease in the number of children requiring statutory services. Our restorative approach to practice, enables us to work with families to offer the right support at the right time, resulting in increased strength and resilience in families. Further financial analysis is included at Appendix 2.

Generate more jobs and learning opportunities

- 3.35 The pandemic has increased barriers to employment for too many people in our city, and we will continue to work collaboratively with partners to support people into work, learning and re-skilling opportunities and create new jobs and opportunities in our city for our citizens.
- 3.36 Wolverhampton has historically seen higher unemployment claimant count rates than the national average, however these rates were exacerbated by the pandemic. The increases in claimant count through the pandemic in Wolverhampton were proportionate

to that seen nationally with young people being disproportionately impacted upon on through this period.

- 3.37 Over the year, Wolverhampton has seen decreases in the number of people claiming unemployment benefits in all ages bands. However, despite the decreases, Wolverhampton has the third highest rate for overall unemployment.
- 3.38 Engagement data for 16 and 17 year olds in education, employment and training shows Wolverhampton favourably against comparators, however at quarter end Wolverhampton had the second highest rate of 18-24 year olds claiming unemployment benefit in the country.
- 3.39 The Council quickly identified this as a key priority with £3 million of funding being pledged to tackle youth unemployment in the city through the Wolves@Work 18-24 programme. Supported by this funding, during the year, the Council has supported 683 people into work through Wolves at Work and Black Country Impact as well as safeguarded or created 1,456 jobs through inward investment. The City Ideas Fund was launched in November 2022, giving city employers, partners, voluntary organisations, community groups and individuals a one-off grant to develop ideas and projects which help young people into employment, training and learning. The impact of these projects will be seen through 2022/23 and beyond and is being monitored through internal analysis and the support of the DWP.
- 3.40 The Council has also supported 116 young people through internal apprenticeships, apprenticeship levy spend or graduate schemes across the year. This ongoing support is with the aim of supporting young people to achieve a sustainable career with the authority.
- 3.41 Regarding financial performance, the Regeneration directorate, which includes the Skills service, out-turned with an underspend of £120,000 due to one-off staffing vacancies held pending a restructure, which has now been concluded. Further analysis is shown at Appendix 2.

Grow our vital local businesses

- 3.42 Our local businesses are essential to a strong and resilient local economy but have been significantly impacted on by the pandemic. Building on the extensive Covid support mechanisms we have deployed which have included £60 million in grant funding through 2020-2021, we will continue to ensure there is an effective business support offer to meet the needs of local businesses, supporting growth, diversification and resilience.
- 3.43 Wolverhampton has over 8,000 businesses and a one year survival rate of 90% which is higher than the national average.
- 3.44 In the last quarter the Council supported 61 businesses through a combination of business support, tailored programmes and business reviews.

- 3.45 170 business were engaged with the Business Relight programme, a programme tailored to supporting business to relight post pandemic.
- 3.46 Through commissioned service 'Access to Business' 177 new start-ups are being supported.
- 3.47 Regarding financial performance, as mentioned above, the Regeneration directorate which includes Enterprise, out-turned with an underspend of £120,000. Further analysis is shown at Appendix 2.

Stimulate vibrant high streets and communities

- 3.48 In the wake of the pandemic it is more important than ever to deliver against our ambitious plans to transform and reimagine our city, conscious of the changes in how we work, live, travel and spend our leisure time. We continue to deliver our plans to be an events city building on our strong cultural offer and drive investment into our communities, particularly focussed on our council's climate change commitment to be next carbon neutral by 2028.
- 3.49 Due to the pandemic in 2020, there was a 42% reduction in city centre footfall in comparison to 2019. Just under 590,000 football supporters attended games at the Molineux through the 2018-2019 season (last full crowd season) compared to just 4,500 in 2020-2021 and many other examples of dramatic decreases in event attendance.
- 3.50 Against pre-pandemic averages, there is a 13% reduction in city retail and recreational activity. Despite being lower than pre-pandemic, this indicator has shown continual, gradual improvement over the year and shows activity as its highest point since the start of the pandemic.
- 3.51 However, there is still a 54% reduction in activity on public transport when compared to pre-pandemic averages. This figure has remained fairly stable since the start of the pandemic. This could be linked to travellers confidence post pandemic, new routines around working from home and the cost of living crisis.
- 3.52 Data shows however that this isn't a problem on seen in Wolverhampton, with lower rates of activity on public transport seen also across the region and beyond.
- 3.53 The city continues to grow its rapid charging capabilities, with 30 rapid charging stations across the city now available to electric car users. This is six times as many as at the start of the year.
- 3.54 Regarding financial performance, excluding the impact of Covid-19, City Housing and Environment out-turned with a slight overspend of £70,000. The service is reporting one-off efficiencies across Waste Services, however, pressures are reported across Transportation, Highways Maintenance and Coroners Services. Pressures are also been seen within Parking Services as income levels have not returned back to pre-pandemic levels. Further financial analysis is included in Appendix 2.

Our Council

- 3.55 To deliver against our key city priorities, the Council is continuing to become more efficient and effective through ongoing improvements in relation to assets, use of data, technology and digital, our people and money.
- 3.56 There has been an increase in sickness absence in the year from 2.83% absence rate to 5.20%. Despite this increase this rate is in line with pre-pandemic figures.
- 3.57 Call abandonment rate in customer services was 10.4% in March 2021 compared to 21% in December 2019 (pre pandemic), with work ongoing to reduce this further and activity to provide customer service support in the community such as blue badge surgeries.

4.0 Revenue Budget Outturn – General Fund Summary

- 4.1 On 3 March 2021, the Council approved the net budget requirement for 2021-2022 of £258.5 million for General Fund services.
- 4.2 Once again, the Council has managed its finances well, and overall, the General Fund projected outturn for 2021-2022 out-turned with a forecast underspend of £2.2 million, after meeting the net cost of redundancy and pension strain and contributions to essential earmarked reserves. It is recommended in the Reserves, Provisions and Balances report that this underspend be transferred into the Future Years Budget Strategy to support the budget challenge, namely identifying further projected budget reductions which were estimated at £12.6 million in 2023-2024, rising to £25.8 million by 2025-2026 when reported to Full Council in March 2022.
- 4.3 It should be noted, that nationally, local authorities are being asked to review their accounting treatment of infrastructure assets, including their economic life, depreciation and Minimum Revenue Provision (MRP) calculation. In response the council is currently reviewing its accounting policy and will be discussing the findings with the council's external auditors. This may result in additional charges being made on MRP going forward. Once this work has been concluded, an update will be reported to Cabinet.
- 4.4 An analysis of the Council's outturn position against General Fund revenue budgets for 2021-2022 is detailed in the table below. Further detailed analysis for each Division can be found in Appendix 2.

Table 1 – 2021-2022 General Fund Revenue Budget Outturn

| | Net Controllable Budget 2021-2022 | Outturn 2021- 2022 | Variation | |
|--|--|--------------------------|----------------|----------------|
| | | | Over/(Under) | |
| | £000 | £000 | £000 | % |
| Adult Services | 71,739 | 71,617 | (122) | (0.17%) |
| Children's Services and Education | 52,432 | 49,548 | (2,884) | (5.50%) |
| Public Health and Wellbeing | 5,381 | 5,150 | (231) | (4.29%) |
| Regeneration | 3,788 | 3,668 | (120) | (3.17%) |
| City Assets | 10,687 | 9,909 | (778) | (7.28%) |
| City Housing & Environment | 28,390 | 28,460 | 70 | 0.25% |
| Finance | 14,598 | 13,837 | (761) | (5.21%) |
| Governance | 11,844 | 11,303 | (541) | (4.57%) |
| Strategy | 10,801 | 10,103 | (698) | (6.46%) |
| Communications and External Relations | 2,270 | 2,384 | 114 | 5.02% |
| Corporate Budgets | 46,567 | 50,729 | 4,162 | 8.94% |
| Net Budget Requirement | 258,497 | 256,708 | (1,789) | (0.69%) |
| Council Tax (including Adult Social Care Precept) | (112,251) | (112,251) | - | - |
| Enterprise Zone Business Rates | (1,530) | (1,686) | (156) | 10.20% |
| Top Up Grant | (26,702) | (26,702) | - | - |
| Business Rates (net of WMCA growth payment and Collection Fund deficit) | (67,477) | (67,481) | (4) | 0.01% |
| New Homes Bonus | (1,017) | (1,018) | (1) | 0.10% |
| Section 31 Grant - Business Rates Support | (11,468) | (11,706) | (238) | 2.08% |
| Collection Fund (Surplus) / Deficit, net of grants and specific reserves | (3,178) | (3,178) | - | - |
| Improved Better Care Fund and Social Care Grants | (25,713) | (25,718) | (5) | 0.02% |
| Covid-19 Emergency Grant Funding | (8,707) | (8,708) | (1) | 0.01% |
| Lower Tier Services Grant | (454) | (454) | - | - |
| Total Resources | (258,497) | (258,902) | (405) | 0.16% |
| | | | | |
| Net Budget (Surplus) / Deficit | - | (2,194) | (2,194) | (0.85%) |

5.0 Covid-19 Update

- 5.1 The Council played a proactive, leading role in responding to the Covid-19 emergency. Some of the new initiatives implemented to support the City's residents and businesses may continue to require ongoing financial support. As the situation evolves, as will the Council's response and financial support in order to ensure recovery.
- 5.2 The Council response to the Covid-19 emergency has included:
- Over 5.8 million items of PPE supplied to local businesses and organisations, almost 1 million of which has been supplied in the last year.
 - Over 71% of the population vaccinated including 94% of 80's, 84% of the most clinically vulnerable and 96% of care home residents
 - Creation of community champion roles to support community support through the pandemic
- 5.3 The Council has received a number of one-off grants to support the costs of the pandemic. The Council has carefully managed the allocation of grants; considering evidence when drawing up a response to the pandemic to ensure the right response is delivered at the right level to support our residents and businesses. The Budget Outturn report presented to Cabinet on 16 June 2021 reported that, to ensure that the Council could continue to deliver on our Relight priorities, and continue to respond to the pandemic during 2021-2022, unallocated Covid-19 Emergency general grant would be carried forward to support the ongoing challenges we face. In addition, at the end of 2019-2020, the Council established a Recovery Reserve totalling £3 million.
- 5.4 During 2020-2021 and for the first quarter of 2021-2022, the Council was able to claim compensation grant for loss of income from sales, fees and charges. As detailed in section 3 and Appendix 2, the Council has seen losses in income across services such as WV Active and Parking services throughout the whole of 2021-2022 – beyond this grant compensation scheme.
- 5.5 The table below summarises the outturn position of the cost implications which are being funded from the general Covid-19 Emergency Grant and the Sales, Fees and Charges grant for quarter 1 of 2021-2022.

Table 2 – Financial Implications of Covid-19 in 2021-2022

| | 2021-2022 |
|------------------------|------------------|
| | £000 |
| Additional expenditure | 4,015 |
| Loss of Income | 1,750 |
| | |
| Total | 5,765 |

- 5.6 In addition, the Council has received a number of grants with specific criteria such as grant funding to adult social care providers, housing support grant to support our most vulnerable families and residents, and funding to contain the outbreak. Expenditure against these grants is in line with the conditions of grant and are excluded from the table above.
- 5.7 As previously been reported, it should also be noted that the Council has seen ongoing losses in income from Council Tax and Business Rates due to Covid. These are managed separately through the collection fund but have a direct impact on the level of resources available to the Council.

6.0 Reserves, Provisions and Balances 2021-2022

- 6.1 A report detailing the Council's reserves, provisions and balances as at 31 March 2022 will be received at this meeting. The report, titled 'Reserves, Provisions and Balances 2021-2022', will seek approval for transfers to and from reserves, provisions and balances.
- 6.2 The Council's General Fund remains at £13.7 million, which represents approximately 5% of the 2022-2023 net budget which is in line with recommended best practice.
- 6.3 Earmarked reserves that have been set aside by the Council to fund future estimated liabilities and planned expenditure have increased overall by £12.3 million. This increase includes the £4 million transfer to the Future Years Budget Strategy Reserve as a result of corporate budget efficiencies and underspends across other directorates, and £5 million of covid grant has also been used to support the underlying budget pressures in 2021-2022, thereby releasing general fund resources which can be utilised to meet the budget deficit in 2022-2023. Both of these transfers are in accordance with the budget strategy approved by Full Council in March 2022.
- 6.4 Whilst the Council does not have a high level of reserves the outturn position has enabled the Council to protect the current level of reserves. This will help to support the Council's short-term financial position but, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying further projected budget reductions which were estimated at £12.6 million in 2023-2024, rising to £25.8 million by 2025-2026 when reported to Full Council in March 2022.
- 6.5 The Reserves Strategy is currently being reviewed in light of Our City Our Plan priorities and an updated Reserves Strategy will be reported back to Cabinet in future reports.

7.0 Outturn on Schools' Budgets

- 7.1 Schools that remain in local authority control started the 2021-2022 financial year with accumulated reserves of £13.2 million. At the end of the year revenue balances for these schools were £15.6 million, an increase of £2.4 million. This represents 13.31% of the funding and income available to schools during 2021-2022.

7.2 The Deputy Director of Education and the Director of 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. They will also continue to work with schools with deficit balances to ensure that robust plans are in place to enable the school to return to a balanced budget position.

7.3 Further details on schools' finances for 2021-2022 are shown at Appendix 3.

8.0 Housing Revenue Budget Monitoring

8.1 Table 3 shows the latest forecast revenue outturn against budget for the Housing Revenue Account (HRA). The outturn position for the year is a surplus of £13.1 million, compared to a budgeted surplus of £13.1 million.

Table 3 – Housing Revenue Account Outturn 2021-2022

| | 2021-2022 Budget £000 | 2021- 2022 Outturn £000 | 2021- 2022 Variation £000 |
|--|-----------------------------|----------------------------------|------------------------------------|
| Total income | (97,829) | (96,323) | 1,506 |
| Total expenditure | 68,529 | 68,087 | (442) |
| Net cost of HRA services | (29,300) | (28,236) | 1064 |
| Interest payments etc. | 10,817 | 10,079 | (738) |
| Contribution to capital financing | 5,336 | 5,000 | (336) |
| (Surplus)/deficit before transfers to/from reserves and provision for redemption of debt | (13,147) | (13,157) | (10) |
| Allocation of (surplus)/deficit | 13,147 | 13,157 | 10 |
| Provision for redemption of debt | - | - | - |
| Balance for the year | - | - | - |

8.2 Further detail behind the figures in this table are shown at Appendix 4.

8.3 Total income was £1.5 million lower than budgeted, of which £700,000 of this is due to a variance from the property number assumptions used to calculate income budgets. Right to buys were higher than forecast and new build properties lower than the forecast. The budget was based on an expectation that void rent loss would be around pre-covid performance of 1%, however, actual rent loss for the year was around 1.8%. Expenditure on rents, rates and taxes is £313,000 higher than the budget, this includes some back dated council tax on empty properties, and properties being empty for longer and therefore incurring more council tax to the HRA.

- 8.4 There was an underspend against expenditure budgets of £442,000. This figure includes an underspend against the budget for the increase to the bad debt provision of £1.4 million. The budget for the provision for bad debt has been prudent to allow for the potential impact of universal credit, is now felt that a reduced provision will be sufficient. This is offset in part by an overspend of £313,000 for rents, rates and taxes, which relates to increase in the council tax for empty properties due to the time taken to relet them and an overspend against repair and maintenance due to the costs of legal disrepair claims. In addition, expenditure on the depreciation of fixed assets was £708,000 higher than budgeted due to factoring inflationary cost pressures into the calculation.
- 8.5 There was an underspend against the budget for interest payable of £734,000. This was due to rephasing on the capital programme which reduced the borrowing requirement. The budgeted revenue to capital transfer of £5.4 million was reduced to £5.0 million due to the reduction in capital expenditure.

9.0 Collection Fund

- 9.1 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. During 2020-2021 and 2021-2022, Covid-19 pandemic has had a significant international, national and regional impact and will continue to do so over the short and medium term. The economic costs of the pandemic will place additional pressures on the Council's income collected from council tax and business rates for years to come. Whilst the Council has seen some improvement of the collection rate and some reduction in the numbers of Local Council Tax Support claimants when compared to 2020-2021, these have still not returned back to pre-pandemic levels.
- 9.2 The council tax element of the Collection Fund out-turned with a £5.4 million surplus during 2021-2022 after contributions were made to the collection fund to recover parts of previous years deficits, this resulted in an overall deficit of £1.2 million to be carried forward. This is primarily due to a lower in year charge to the bad debt provision as a result of improved collection rates than originally forecast, however, it is important to note that whilst collection rates have improved in 2021-2022 on 2020-2021 levels, they are still below pre-covid levels. Of the overall deficit to be carried forward, the Council will retain a deficit in the region of £1.1 million.
- 9.3 The business rates element of the Collection Fund out-turned with a £22.5 million surplus after contributions were made to the collection fund to recover parts of previous years deficits linked to the costs of Covid-19 business rates relief. In addition to the net deficit brought forward on the collection fund, this results in an overall deficit of £17.8 million to be carried forward. Of this, the Council will retain a deficit in the region of £17.4 million.
- 9.4 Due to Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2022-2023 and later years. The Government have

confirmed that, due to Covid, the in-year deficit on the Collection Fund in 2020-2021 can be spread over 3 years from 2021-2022 to 2023-2024.

9.5 In addition to this, in the Spending Review 2020, the Government announced that funding would be provided to compensate local authorities for 75% of irrecoverable losses from council tax and business rates revenues in 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 and later years. Based on the 2020-2021 outturn position, the Council has received funding in the region of £5.5 million based on Government's methodology of calculating in-year losses, which will be allocated against the collection fund deficits between 2021-2022 to 2023-2024.

10.0 Capital Programme – General Revenue Account and Housing Revenue Account (HRA)

10.1 The capital programme includes significant investment programmes that endeavour to create an environment where new and existing businesses thrive, people can develop the skills they need to secure jobs and create neighbourhoods in which people are proud to live. The capital programme reflects the priorities of the Strategic Asset Management Plan.

10.2 On 2 March 2022, Full Council approved the Capital Programme 2021-2022 to 2025-2026 Quarter Three Review and 2022-2023 to 2026-2027 Budget Strategy. This report approved revisions to the General Revenue Account and Housing Revenue Account (HRA) capital programmes. The table below provides an overview of the outturn position for the General Revenue Account and HRA against the approved budget for 2021-2022.

10.3 Due to the nature of the capital programme it is important to review capital budgets over the medium term. A full report on the Capital Outturn 2021-2022 including Quarter One Capital Monitoring 2022-2023, detailing the financial performance by each project and the updated position over the medium term, will be reported to Cabinet in July 2022.

10.4 Despite the pressures of Covid-19 the Council has continued to deliver key capital projects which are essential to the Relighting Our City priorities. An update on key projects will be provided in the report to Cabinet in July 2022.

Table 4 - Capital Programme 2021-2022

| Capital Programme | 2021-2022 Budget £000 | 2021-2022 Outturn £000 | 2021-2022 Variation £000 |
|--|--------------------------------------|---------------------------------------|---|
| General Revenue Account Capital Programme | | | |
| Expenditure | 100,495 | 82,526 | (17,969) |
| Financing | | | |
| Internal Resources | 64,810 | 53,943 | (10,867) |
| External Resources | 35,685 | 28,583 | (7,102) |
| Total Financing | 100,495 | 82,526 | (17,969) |

| Capital Programme | 2021-2022 Budget £000 | 2021-2022 Outturn £000 | 2021-2022 Variation £000 |
|--|--------------------------------------|---------------------------------------|---|
| Housing Revenue Account Capital Programme | | | |
| Expenditure | | | |
| | 54,900 | 55,851 | 951 |
| Financing | | | |
| Internal Resources | 54,105 | 54,534 | 429 |
| External Resources | 795 | 1,317 | 522 |
| Total Financing | 54,900 | 55,851 | 951 |
| | | | |

11.0 Debt Write offs

11.1 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.

11.2 This report seeks approval to a number of debt write offs in relation to Council Tax, Business Rates, Housing Benefits and Sundry Debts. The details of these write-offs is provided in Appendix 5.

12.0 Evaluation of alternative options

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. Contributions to and from reserves and the creation of supplementary budgets also require Cabinet approval. The write-offs, virements, use of reserves and creation of supplementary budgets detailed in this report which seek the approval of Cabinet are all considered prudent in the opinion of the Director of Finance.

13.0 Reasons for decisions

13.1 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 Cabinet Member for Resources and Digital City and the Director of Finance.

14.0 Financial implications

14.1 The financial implications are discussed in the body of the report.

[MH/07062022/C]

15.0 Legal implications

- 15.1 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.
[DP/08062022/A]

16.0 Equalities implications

- 16.1 The method by which the Budget is developed is governed by Our Council Plan and Relighting Our City, which itself is guided by consultation and equality analysis. The development of various budget proposals include an initial equalities screening for each proposal and, where necessary, a full equalities analysis which will provide for an initial understanding of the equality impact of the draft proposals. All of this will enable Councillors to pay, “due regard” to the equalities impact of their budget decisions at that point in the budget development process. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so will enable Councillors to discharge their duty under Section 49 of the Equality Act 2010.
- 16.2 Fairness and inclusion is a key cross cutting theme within Relighting Out City. As part of performance reporting, there is ongoing work to ensure that where possible data is collected and able to be analysed by protected characteristic, to ensure that the Council is meeting its responsibilities and commitments in relation to equality and diversity.

17.0 All other implications

- 17.1 The Covid-19 implications are detailed in the body of the report.

18.0 Schedule of background papers

- 18.1 [2021-2022 Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024](#), report to Cabinet on 17 February 2021 and Full Council on 3 March 2021
- 18.2 [Performance, Budget Monitoring and Budget Update 2021-2022](#), report to Cabinet on 28 July 2021
- 18.3 [Performance and Budget Monitoring 2021-2022](#) report to Cabinet on 17 November 2021
- 18.4 [Performance and Budget Monitoring 2021 – 2022](#) report to Cabinet on 23 March 2022
- 18.5 [2022-2023 Final Budget and Medium Term Financial Strategy 2022-2023 to 2025-2026](#), report to Cabinet on 23 February 2022 and Full Council on 2 March 2022

19.0 Appendices

- 19.1 Appendix 1 - Performance Update 2021-2022

- 19.2 Appendix 2 - Budget Monitoring 2021-2022
- 19.3 Appendix 3 – Outturn on School's Budget 2021-2022
- 19.4 Appendix 4 - Housing Revenue Account
- 19.5 Appendix 5 - Debt Write Offs
- 19.6 Appendix 6 - Sundry Debt Write Offs
- 19.7 Appendix 7 - Council Tax Write Offs