

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 28 July 2021
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Report title	Performance, Budget Monitoring and Budget Update 2021-2022	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Ian Brookfield Leader of the Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye	Director of Finance
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Report to be/has been considered by	Strategic Executive Board	15 July 2021

Recommendations for decision:

The Cabinet is recommended to:

1. Endorse the ongoing delivery of the Relighting Our City recovery priorities, including aligning our resources and activity to continue to improve performance and outcomes.
2. Approve the draft budget strategy for 2022-2023.
3. Approve the use of £817,000 from the Transformation Reserve to fund various transformation work as detailed in paragraph 11.3.
4. Approve 31 virements totalling £7.4 million, for transfers within directorates, as detailed in Appendix 5.
5. Approve the write-off of one Housing debt totalling £6,419.73 as detailed in Appendix 6.
6. Approve that any underspends identified in 2021-2022 are transferred to a specific reserve to support the 2022-2023 Budget Strategy and reduce the level of capital receipts to pay for revenue transformation.

7. Approve the establishment of supplementary expenditure budgets within 2021-2022 approved budget as detailed in Section 10 for grant funded expenditure.
8. Delegate authority to the Director of Public Health and Wellbeing to allocate grants from the Better Mental Health Fund in line with the conditions of grant.

Recommendations for noting:

The Cabinet is asked to note:

1. That early indications are that the outturn for 2021-2022 general fund will be within budget.
2. That early indications are that the outturn for 2021-2022 Housing Revenue Account (HRA) will be within budget.
3. That alongside preparation for the 2022-2023 budget, work will continue to identify measures which will provide a sustainable medium term strategy.
4. That 14 Non-Domestic Rates (NDR) debts totalling £137,382.83, as detailed in Appendix 6, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
5. That 592 council tax accounts totalling £188,150.96, as detailed in Appendix 6, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
6. That 16 housing benefit overpayments totalling £5,232.34 as detailed in Appendix 6, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
7. That 55 sundry debt accounts totalling £14,857.47, as detailed in Appendix 6, have been approved for write-off by the Director of Finance in accordance with the Council's Financial Procedure Rules.
8. The ongoing work to integrate finance and performance information which will continue to be developed, reporting to Cabinet (Resources) Panel / Cabinet on a quarterly basis.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet with an integrated finance and performance update against the Relighting Our City priorities, and the Medium Term Financial Strategy.
- 1.2 This report will also provide Cabinet with the draft budget strategy for 2022-2023, with reference to current information about the in-year budget monitoring.

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. 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 captured the fast-changing nature of the pandemic.
- 2.2 On the 17 March, Cabinet received an update on the Relighting Our City recovery plan, outlining what the Council, working alongside its partners has done against the priorities since the inception of the recovery commitment in September 2020. As well as reflecting on what had been achieved so far, the refreshed plan also provides an overview of future planned activity to support our commitment and the local economy to recover from the impact of the pandemic.
- 2.3 A new performance framework has been developed to reflect how the Council is performing against city new and changing priorities, as articulated in Relighting Our City. This performance framework will provide high-level city data on key priorities, benchmarking city performance against national and regional data, highlight the impact of targeted interventions, inform strategic decision-making in relation to provision and encourage scrutiny of those strategic decisions.
- 2.4 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, despite austerity. 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. Over the last ten years the Council has identified budget reductions in excess of £235 million.
- 2.5 The 2021-2022 Budget and Medium Term Financial Strategy (MTFS) 2021-2022 to 2023-2024 was presented to Full Council for approval on 3 March 2021. Despite the impact of Covid, the Council was able to set a balanced budget without the need to make use of general reserves or the need to undertake fundamental service reviews in 2021-2022. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £25.4 million in 2022-2023, rising to £29.6 million by 2023-2024, after taking into account the forecast impact of the pandemic.

- 2.6 The updated projected budget deficit assumes the achievement of budget reduction and income generation proposals amounting to £4.3 million over the three year period from 2021-2022 to 2023-2024.
- 2.7 On 16 June 2021, the Budget Outturn position was reported to Cabinet. Despite the uncertainty and 'distortion' of the budget due to the pandemic, the Council once again managed its money well and delivered within budget. Overall, the General Fund, after the cost of redundancy and contributions to essential earmarked reserves, was a net balance to be contributed to the General Fund balance of £651,000 – 0.26% of the net 2020-2021 budget.
- 2.8 The Covid-19 pandemic has significantly distorted the budget and MTFS. Due to this distortion, it is difficult to confirm the exact costs directly associated with the pandemic. It is important to note that the cost of dealing with the pandemic extend beyond the immediate period. It is not yet known how long the pandemic will go on for or what the level of future support will be required. It is vital that Government provides confirmation of medium term funding as soon as possible in order that the Council can ensure the continuation of key service provision and delivery of our Relight priorities.
- 2.9 In addition, there continues to be considerable uncertainty with regards to future funding streams for local authorities over the forthcoming multi-year Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.
- 2.10 This report brings together performance against our Relighting Our City priorities and Medium Term Financial Strategy for the first time, and this new integrated approach to reporting will continue to be developed.

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 Ofsted and other regulatory bodies. Risks continue to be managed through the strategic risk register which is reported to the Audit and Risk Committee on a regular basis.

Relighting Our City Performance

- 3.4 Relighting Our City sets out the priorities which will guide the Council's approach as the organisation and the city starts to transition from the response to the recovery phase of the pandemic. These priorities together with the associated key actions and activity form 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 has been created to monitor performance against these priorities and includes two different type 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.
- 3.8 Impact indicators demonstrate how council interventions are working to improve outcomes for residents against key priorities. These indicators are in development and will form part of future integrated finance and performance reports to Cabinet on a quarterly basis.
- 3.9 This report sets out a summary of performance against city indicators, relevant financial information and key areas of activity. A summary against the five overarching priorities is included below, and a dashboard of city indicators is included at Appendix 1.

Supporting people who need us most

- 3.10 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.
- 3.11 The data table in Appendix 1 highlights our city data which although the council can influence, may not be able to directly affect. Data on these indicators is published nationally, which enables us to compare against regional, statistical, and national averages. This data has been used to identify what priority projects and activities are needed in this area to improve outcomes for residents.

- 3.12 The city indicator dashboard in Appendix 1 includes indicators relating to public health, children and adults social care and youth justice:
- Social care performance remains an area of strength in the city with lower numbers of children working with social services against rising numbers regionally and nationally
 - Through the pandemic the authority has been able to offer stability to the most vulnerable children who are in care with long term placement stability in Wolverhampton higher than national, regional and statistical comparators.
 - A continuation of strong performance in both children's and adults social care in the recently completed statutory returns.
- 3.13 Areas where the council will continue to influence and provide an increased focus because of the impact of Covid-19 are; improving peoples mental health and wellbeing; increasing physical activity; and influencing better access to quality health care.
- There was a small decrease in the percentage of overweight children in year 6, however averages in Wolverhampton are still much higher than regional and national averages. Wolverhampton is currently seven percentage points higher than the national average. 67% of adults are overweight compared to 63% nationally.
 - Wolverhampton has slightly fewer 'less active' children than the national and regional average, however more 'fairly active' rather than very active children than the same comparators. 32% of adults are inactive compared to 23% nationally.
 - An increase in the percentage of people who reported high levels of anxiety was seen in 2020 although scores are in line with regional and national averages.
 - People in Wolverhampton currently have less access to GP services than the national average.
- 3.14 Regarding financial performance, the budget setting process for 2021-2022 recognised the potential cost pressures across Adult Social Care, which were being flagged throughout 2020-2021. Current forecasts indicate that, whilst there are pressures within some services such as Learning Disabilities, overall, the council is currently forecasting to be within budget in this area. However, there continues to be significant uncertainty over the short to medium term effects of the pandemic and work will continue to be undertaken to monitor and analyse the projected demand for Adult Social Care, and through working in partnership with health and care providers, create a health and social care market that meets the needs of residents and is of high quality. Overall, excluding the impact of Covid-19, Public Health and Wellbeing is forecasting to be within budget. However, it should be noted that the income received for WV Active has significantly reduced due to the pandemic, and there is considerable uncertainty over the level of income that will be generated over the short to medium term. Further financial analysis is included in Appendix 2 of the report.

- 3.15 The council continues to align resources and work collaboratively with partners and communities deliver on our priorities for recovery. This includes:
- Setting a bold ambition to close the city's 'digital divide' by giving everyone who needs it, the kit, connectivity and skills to access social and economic opportunities.
 - Ending rough sleeping in the city by investing in a new multi-agency team and building which will offer accommodation, assessment and ongoing support to those at risk of homelessness.
 - Working with community partners, health and social care providers, and mental health services to promote community resilience and ensure residents have the right advice and support.
 - Utilising data and evidence we will reduce wider impacts and health inequalities linked to and amplified by Covid-19 through place-based interventions and co-producing capacity and sustainable solutions in communities.

Creating more opportunities for young people

- 3.16 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
- 3.17 The data table in Appendix 1 highlights our city data which although the council can influence, may not be able to directly affect. Data on these indicators is published nationally, which enables us to compare against regional, statistical, and national averages. This data has been used to identify what priority projects and activities are needed in this area to improve outcomes for residents.
- 3.18 Areas of strength include:
- 16 – 17-year-old Employment, Education and Training (EET) and average attainment 8 score per pupil in Key Stage 4 both recorded improvements in 2020 when compared to 2019. Both measures were also higher than all comparator rates. This shows that young people in Wolverhampton are achieving more at level four than the average and are also more likely to still be engaged until their 18th birthday. However, this is not transitioning into a lower unemployment claimant count for young people.
 - The percentage of schools rated Good or Outstanding by Ofsted increased to 86.20 during 2020 from 84.6 the previous year. The rate of 86.20 is slightly higher than the national rate of 86.00.
 - Attainment data Key stage two data was not collect in 2020 due to the pandemic and the cancellation of SAT's, however data from the previous year saw Wolverhampton's

rate at 64%, higher than both statistical neighbours (61.50) and the West Midlands (63.00) and slightly lower than the national rate (65.00).

- 3.19 Areas where the council will continue to influence improved performance with partners include:
- Although overall EET increased for 16-17-year olds during 2019 and continued to improve during 2020, the percentage of 16 –17 year olds with special educational needs in employment, training or education, reduced to 82.14 in 2019 from 85.78 the previous year. This is lower than all comparators with a West Midlands rate of 90.72 and a national rate of 88.47.
 - A reduction was also seen in the percentage of care leavers in EET to 50.64 after being at a rate of 57.00 during the previous year. However, this rate is higher than statistical neighbours (48.10), comparable to the West Midlands rate (50.00).
- 3.20 Regarding financial performance, Children’s Services is currently forecasting to be within budget through 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. To date, Wolverhampton has not seen a significant increase in demand on children’s social care as a result of the pandemic, however, as with adult services, there continues to be significant uncertainty over the impact of Covid on this service over the short to medium term. Work will continue to model the potential financial effects of the pandemic on the service. Further financial analysis is included in Appendix 2 of the report.
- 3.21 The council continues to align resources and work collaboratively with partners and communities deliver on our priorities for recovery. This includes;
- Investing in new youth engagement workers to go out into our communities and connect children and young people to opportunities, including apprenticeships and jobs.
 - Through education laying the foundation of high aspirations and ambitions for our young people through education so they have the right skills for local jobs.
 - Continuing to roll out our social workers in schools programme to further build relationships with schools and support children and families who need us most.
 - Supporting families on the ‘edge of care’ through targeted emotional health, wellbeing and specialist therapeutic support services.

Generate More Jobs and Learning Opportunities

- 3.22 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.

- 3.23 The data table in Appendix 1 highlights our city data which although the council can influence, may not be able to directly affect. Data on these indicators is published nationally, which enables us to compare against regional, statistical, and national averages. This data has been used to identify what priority projects and activities are needed in this area to improve outcomes for residents.
- 3.24 Historically Wolverhampton has had higher unemployment claimant count rates than the national average, which have been exacerbated by the pandemic. The recent increases in claimant count in Wolverhampton is proportionate to that seen nationally. Young people have also been disproportionately impacted upon on:
- The unemployment claimant count in May 2021 was 10.3%. The current rate is 2 percentage points above the statistical neighbour rate, 3 percentage points higher than the West Midlands and 4 percentage points of the national rate.
 - The youth unemployment claimant count for Wolverhampton was 14.7% during May 2021. The rate is higher than the statistical neighbours at 12.1, West Midlands at 9.4 and the national rate of 8.4.
 - The claimant count for those aged over 50 has recorded year on year increases since 2019, with a notable increase to 8.2% in May 2021 in comparison to 5.1% in 2020. The national rate at the end of March 2021 was at 4.8%, with the West Midlands recording a rate of 5.4% and statistical neighbours at a rate of 5.8%.
- 3.25 Wolverhampton performs favourably in regard to 16 – 17 year olds in Education Employment and Training (EET). The had been at a rate of 2.70 in 2018 reducing to 2.10 in 2019 with a further reduction to 1.00 in 2020. The national rate was at 2.30 with a West Midlands rate of 2.20. With the knowledge that more young people in Wolverhampton are engaged until the age of 18, there is now focussed work to turn that engagement into secured work placements.
- 3.26 Regarding financial performance, early indications project that Regeneration is currently forecasting to be within budget for 2021-2022.
- 3.27 The council continues to align resources and work collaboratively with partners and communities in order to generate more jobs and learning opportunities, including work to support more young people into sustained employment or education, minimising the impact of redundancy for residents and businesses in the city and supporting more residents to get online to develop and enhance digital skills.
- 3.28 Impact indicators to track performance include numbers of people starting kickstart placements, traineeships, work experience placements and apprentices within the city, number of residents supported with digital devices and the work of Wolves at Work in terms of redundancy support.

3.29 The council continues to align resources and work collaboratively with partners and communities deliver on our priorities for recovery. This includes;

- Growing our new commercial district which is already delivering hundreds of great jobs through our investment at i10 offices and the i9 development will bring a further 350 new jobs to the city centre.
- Continuing to leverage maximum value from every pound invested in the city through our social value framework to create new apprenticeships, jobs and training opportunities for local people.
- Supporting local people into employment through our Wolves at Work programme which has helped 6,034 local people into work in the last 4 years with support from over 600 businesses.
- Spending more locally through the Wolverhampton Pound to grow local jobs, businesses and new sectors using more of the £834 million annual, collective spending power of local partners within the city.
- Delivering I54 western extension (south) which will lever in up to £300 million, private investment on top of the £1 billion invested so far at the award-winning business park. Once completed the western extension will deliver up to a further 1,700 jobs for local people.

Grow our vital local businesses

3.30 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 £78 million in grant funding (June 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.

3.31 The data table in Appendix 1 highlights our city data which although the council can influence, may not be able to directly affect. Data on these indicators is published nationally, which enables us to compare against regional, statistical, and national averages. This data has been used to identify what priority projects and activities are needed in this area to improve outcomes for residents.

3.32 City indicators tell us that:

- Business births per 1,000 population increased to a rate of 4.7 in comparison to the previous year. This rate is comparable to statistical neighbours and slightly higher rate than the West Midlands. However, there are considerably less new businesses that start in Wolverhampton than against the national rate of 6.2.

- The percentage of business with a one-year survival rate in 2019 was 90.26 comparable to statistical neighbours (90.3), the West Midlands (90.62) and slightly higher than the national rate (89.0). This is further backed up by the rate of business deaths in Wolverhampton which is lower than the national average. However, the full impact of the pandemic is yet to show in the data and continues to be monitored closely.
 - The average weekly pay recorded a year on year increase in the City between 2019 and 2020; £3 higher than statistical neighbours and £34 higher than the West Midlands although the rate is £15.60 lower than the national average.
- 3.33 Priority areas of activity are focussed on supporting more businesses start, survive and thrive, to support more residents in well paid jobs and to secure a greater social value from city's businesses that grow the 'Wolverhampton pound'.
- 3.34 Regarding financial performance, as stated in paragraph 3.26, early indicators project that Regeneration is currently forecast to be within budget for 2021-2022.
- 3.35 The council continues to align resources and work collaboratively with partners and communities deliver on our priorities for recovery. This includes;
- Developing a new business support framework which will offer advisory, financial and incubation support for existing or emerging businesses or organisations in target sectors. Supported by our new Enterprise Hub in the city centre.
 - Continuing our commitment to local purchasing so that we can ensure that growth and investment in the city benefits local people and will maximise social value from Council contracts.
 - Building an even closer relationship with the city's top 50 strategic employers so that through effective account management, we can better understand their needs and how they can contribute to local community wealth building.
 - Growing our comprehensive economic package, through our Wolves in Business digital platform to help businesses, voluntary and community sector groups and the city's residents access advice, funding and training opportunities.

Stimulate vibrant high streets and communities

- 3.36 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 of our council's climate change commitment to be net carbon neutral by 2028.

- 3.37 The data table in Appendix 1 highlights our city data which although the council can influence, may not be able to directly affect. Data on these indicators is published nationally, which enables us to compare against regional, statistical, and national averages. This data has been used to identify what priority projects and activities are needed in this area to improve outcomes for residents.
- 3.38 The data tells us:
- 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 4500 in 2020-2021 and many other examples of dramatic decreases in event attendance.
 - Total recorded crime per 1,000 population recorded a reduction in 2020 to 94.90 after recording 97.70 in 2019; a notable increase on the 83.10 recorded during 2018. The rate is lower than statistical neighbours (115.30) and higher than the regional rate of 90.30 and national rate of 87.90.
 - Carbon CO2 emissions – tonnage of emissions per head – and the estimated air quality have both recorded improvements in comparison to the previous year's data. CO2 emissions have reduced year on year since 2018 from 3.90 with a 2020 rate of 3.61. The national rate for 2020 was 5.00 with no other comparator data available. The estimated average air quality was last reported in 2019 and had recorded a reduction to 1.10 after recording 1.16 the year before. The rate was higher than the WM region (0.92) and the national rate (0.95).
 - The percentage of dwellings that are empty has recorded slight year on year increases from 2018 when 3.00 was recorded to 3.20 in 2020. This is above the England rate of 2.60.
 - The latest Gross Value Added per head in Wolverhampton is much lower than national and regional averages with work started to look at social return on investment.
- 3.39 Regarding financial performance, excluding the impact of Covid-19, City Housing and Environment is reporting to be within budget. Work will be undertaken to identify if there are any one-off or recurrent efficiencies that can be built into the MTFS going forward. However, as with other income generating services, Parking Services and Licensing has seen a significant reduction in the level of income generated from sales, fees and charges due to the pandemic. There continues to be considerable uncertainty over the level of income that will be generated over the short to medium term. Further financial analysis is included in Appendix 2 of the report.
- 3.40 The Council continues to align resources and work collaboratively with partners and communities deliver on our priorities for recovery. This includes;

- Funding a bold, new five-year 'Event City' plan aimed at delivering two million visitors and £68 million in local economic benefit and by capitalising on the opportunities for our city from the 2022 Commonwealth Games.
- Delivering our investment and commitment to a new, fantastic Civic Halls, opening early 2022 to bring thousands of visitors, millions of pounds to the local economy and hundreds of jobs.
- Improving the city's transport infrastructure with investment in new, major schemes such as the City East Gateway, investment in upgrading existing infrastructure and investment in digital and new technology.
- Transforming the west of our city centre with fantastic public events spaces, a new 'box' park and bringing 440 new jobs through the £15.8 million secured from Government's Future High Street Fund.
- Supporting the development of new city centre homes to grow our residential population in the core of our city, increasing footfall and support for local retailers.

Our council

- 3.41 To deliver against our key city priorities, the Council is continuing become more efficient and effective through ongoing improvements in relation to assets, use of data, technology and digital, our people and money.
- 3.42 Key performance in this area includes:
- Ongoing work to address equalities pay gaps. There is a 66p difference in the average hourly rate between male and female employees at March 2020. Internal data shows an improvement in this area over the year. There was no difference between male and female employees in the median average wage.
 - A decrease in the average sickness absence rate and the average number of sickness absence days per employee between 2019-2020 and 2020-2021 This can be linked to the change to agile working.
 - Increase in the number of calls into customer services through the year with decreasing wait times against previous years.
- 3.43 Further indicators will form part of future integrated finance and performance reports to Cabinet on a quarterly basis.
- 3.44 A critical aspect of council performance relates to sound financial management, and an update on Quarter 1 2021-2022 performance is included at Appendix 2. This demonstrates continued robust financial management at the City of Wolverhampton Council, which has been externally verified through the external audit process.

4.0 Quarter One 2021-2022 Budget Performance

- 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 Overall, the General Fund projected outturn for 2021-2022 is currently within budget, when excluding the impact of Covid-19. Early indications are that there are some efficiencies across some services. It is therefore proposed that any underspends are transferred into a specific reserve to support the 2022-2023 Budget Strategy and to reduce the level of capital receipts to pay for revenue transformation. The Director of Finance will update Cabinet on this position as part of quarterly monitoring and the budget setting process.
- 4.3 Appendix 2 of this report provides an overview of the main uncertainties, opportunities and assumptions as at quarter 1 by directorate.

5.0 Covid-19 update

- 5.1 The Council has played a proactive, leading role in responding to the Covid-19 emergency. Some of the new initiatives implemented to support the City' residents and businesses may continue to require ongoing financial support. As the situation evolves and restrictions continue to ease, some of the new initiatives will cease entirely, ease or will transition into different services which will require continued financial support to ensure recovery.
- 5.2 The Council has played a proactive, leading role in responding to the Covid-19 emergency which have included;
- Dispatching over 5 million items of PPE the vast majority to our carers or care homes;
 - Supporting the roll out of the vaccination programme across the city, currently over 160,000 residents have received their first dose with over 125,000 receiving both;
 - Supported the push to be a city of testing with over 515,000 lateral flow tests completed in the city through the pandemic to date.
 - Over £78 million of grants administered to local businesses.
 - Setting up the Stay Safe, Be Kind hotline which has offered support to thousands of residents 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 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

- 5.4 During 2020-2021 and for the first quarter of 2021-2022, the Council can claim compensation grant for loss of income from sales, fees and charges. As detailed in section 3 and Appendix 2, the Council is likely to continue to see 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 summaries the current projected additional costs and loss of income as are result of the pandemic. These additional costs are specifically around approved additional support in our response to relight, costs associated with different ways of working, increased demand due to the pandemic and loss of income from sales, fees and charges. It is important to note due to the significant uncertainty, these estimates are subject to change. However, our current projections indicate that these cost pressures can be met within existing Covid-19 Emergency Grant, expected Sales, Fees and Charges grant and the Recovery Reserve.

Table 1 – Forecast Financial Implications of Covid

	2021-2022 £000
Additional expenditure	2,172
Loss of income	5,606
Total	7,778

- 5.6 In addition, the Council has received a number of grants with specific criteria such as grant funding to adult social care providers, local covid support grant to support our most vulnerable families and people, and funding to contain the outbreak. Expenditure against these grants are in line with the conditions of grant and are excluded from the table above.

6.0 Draft Budget Strategy

- 6.1 The Budget and Medium Term Financial Strategy (MTFS) 2021-2022 to 2023-2024 was presented to Full Council for approval on 3 March 2021. The Council was able to set a balanced budget for 2021-2022 without the use of General reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £25.4 million in 2022-2023, rising to £29.6 million by 2023-2024.
- 6.2 Whilst we continue to operate with the uncertainty of Covid-19 and the current distortion of the budget, work has been undertaken to map out a draft budget strategy that will enable the Council to balance the budget for 2022-2023. This report seeks approval to a draft strategy which is made up of a series of proposals outlined in the following paragraphs.

- 6.3 On 16 June 2021 the outturn position for 2020-2021 was presented to Cabinet. It was noted that as a result of the overall outturn position, there was no call on the Future Years Budget Strategy and Job Evaluation reserves. It is proposed that these reserves are drawn down in 2022-2023.
- 6.4 It is also proposed that the Council makes use of the continuation of the capital receipts flexibility which is now available to us until 2024-2025. Work will be undertaken to look at forecast capital receipts, the requirements of the capital programme and to what extent capital receipts can be utilised in 2022-2023 to support the budget strategy.
- 6.5 In the outturn report for 2020-2021 it was also noted that a number of corporate contingencies had not been required in full. It is anticipated that these contingencies can be reduced in 2022-2023. Work will be undertaken in conjunction with the relevant services to determine the level of risk and the level of contingency that it is appropriate.
- 6.6 As a result of the distortion of Covid-19 and robust financial management in 2020-2021, a number of service areas were able to avoid drawing down some grants that would normally have been used. Work will be undertaken to determine to what extent they may be drawn in the current financial year and what may be available to support the budget in 2022-2023.
- 6.7 It was reported to Council that in the budget for 2021-2022 there was an estimated net cost of £6.4 million relating to the impact of Covid-19. Efficiencies across the Council had enabled the Council to set a balanced budget despite this pressure. The Council managed the use of Covid-19 grants very carefully which enabled some grant to be carried forward into the current financial year. It is therefore proposed that, in the first instance, £4 million of Covid-19 Emergency Grant is drawn to support the underlying budget pressure thereby releasing general fund resources which can be utilised to meet the budget deficit in 2022-2023.
- 6.8 The ongoing impact of Covid-19 will be monitored throughout the year and, if forecasts are such that, the grant is required to support additional emerging pressures then this will be reported through the normal quarterly updates to Cabinet (Resources) Panel.
- 6.9 In 2021-2022 there was an underspend in the Treasury Management budget, early indications are that there will be an underspend again in the current financial year. The level of borrowing required to support the capital programme will be reviewed and treasury management forecasts tested to ascertain if the budget can be reduced in 2022-2023. At the same time associated reserves will be reviewed.
- 6.10 As outlined earlier in the report, early indications are that there are some efficiencies across some services in the current financial year. It is therefore proposed that any underspends are transferred into a specific reserve to support the 2022-2023 Budget Strategy and to reduce the level of capital receipts to pay for revenue transformation in 2021-2022.

- 6.11 The 2021-2022 Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 report approved by Cabinet on 17 February 2021, approved the re-profiling of the £1.2 million budget reduction target relating to staff terms and conditions from 2021-2022 to 2022-2023. The Council highly values the contribution employees make in delivering the priorities of the Council, therefore amending terms and conditions is always a last resort. It is proposed that at this time the budget reduction proposal is deleted, and that work is undertaken to look at ways to offset this adjustment to include the possible inclusion of a vacancy factor. A vacancy factor will only be considered where this reflects normal patterns of staff turnover and would not mean a change to normal recruitment processes.
- 6.12 The Director of Finance believes that the proposals outlined here will go a long way towards enabling the Council to set a balanced budget for 2022-2023. It is proposed that due diligence is undertaken to test the assumptions and proposals outlined in this report and to assess what further actions may be required to set a balanced budget. A further update on the budget strategy will be presented to Cabinet in October 2021.
- 6.13 The proposals in this report provide a short term plan and do not address the underlying budget deficit over the medium term. It is estimated that the deficit for 2023-2024 onwards would be in the region of £25 million. Therefore, alongside due diligence, work will also continue to identify measures which will provide a sustainable medium term strategy with proposals being brought to Cabinet as soon as possible.

7.0 Uncertainties and Risks

- 7.1 At the time of writing national negotiations are ongoing in respect of the pay award for 2021-2022. The 2021-2022 budget includes provision within employee budgets for 1% pay award. However, it is anticipated that there is some provision within corporate budgets to accommodate an increase up to 2% without having to find offsetting budget reductions in year.
- 7.2 There continues to be considerable uncertainty with regards to future funding streams for local authorities over the forthcoming financial year and medium term and it is particularly challenging to establish a medium term financial strategy. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.
- 7.3 The cost of dealing with the pandemic extends beyond the immediate period. It is not yet known how long the pandemic will go on for or what level of future support required will be. It is anticipated that pressures will continue to emerge in many areas particularly in social care, public health and wellbeing and income generating services. In addition, the economic costs of the pandemic will place additional pressures on the Council's income collection from council tax and business rates for years to come.
- 7.4 As detailed in paragraph 4.2 and Appendix 2 it is currently forecast that the Council will outturn within budget however due to the uncertainties outlined, the overall level of risk associated with the 2021-2022 is assessed as Amber.

7.5 Due to the uncertainties outlined, the overall risk associated with the budget for 2022-2023 and future years is assessed as Red. However, it is anticipated that the draft strategy proposed in this report will enable the Council to progress work to balance the budget for 2022-2023 and that at the next update to Cabinet the assessment of risk will have been downgraded.

7.6 The main areas of risk are summarised in the table at Appendix 4.

8.0 Housing Revenue Budget Monitoring

8.1 The quarter one forecast for the Housing Revenue Account (HRA) indicates that there is likely to be a pressure on the income budget. When setting the budget, assumptions were made about the loss of income due to empty properties, the level of loss is currently higher than anticipated. This is due in part to an increase in the proportion of void properties requiring major refurbishment but also to the impact of Covid-19 safe working practices on turnaround times. There is also an impact from the reprofiling of new build development schemes reducing the number of properties completed and available for rent.

8.2 Performance on rent collection continues to be good and there are low levels of rent arrears. Therefore, it is anticipated that there will be an underspend against the budget for the increase to the provision for credit liabilities (bad debt) which is expected to partly offset forecast income losses. The HRA receives no government funding towards the impact of Covid-19.

9.0 Revenue Budget Monitoring – Schools’ Budgets

9.1 Maintained schools are required to submit budget plans detailing their expected income and planned spending levels at two points in the year; 31 May and 31 October. Actual end of year balances for 2020-2021 and the latest projected balances in those submitted budget plans for 2021-2022 are shown at Appendix 3.

10.0 Changes to Grant Funded Expenditure

10.1 It is not always possible to reflect all grant funded expenditure in the budget approved by Full Council prior to the start of the financial year. This is due to the late notification from grant awarding bodies of grant amounts, use of historic grants and proactive grant applications during the year.

10.2 Approval is sought from Cabinet to establish supplementary budgets within the 2021-2022 approved budget as set out in Table below, and in accordance with the grant terms and conditions. This will have no effect on the Council’s net revenue and capital budgets as the expenditure is fully funded from the grant.

Table 2 – Grant Approvals sought from this Panel

Grant Name	Description of the Activity the grant will fund	Awarding Body	Expenditure 2021-2022 £000
Better Mental Health Fund	To support activities to prevent mental ill health and promote good mental health.	Public Health England	330
Clinically Extremely Vulnerable (Covid-19 funding)	To deliver activities and outcomes outlined in the Shielding Framework	Ministry of Housing, Communities and Local Government	326
Practical Support for those Self isolating (Covid-19 funding)	To help with the practical challenges faced by individuals asked to self-isolate	Department of Health and Social Care	217
Hong Kong British Nationals (Overseas) welcome programme	Enable the recruitment of a lead officer and establishment of a welcome hub supporting the Hong Kong British Nationals (Overseas) welcome programme	Ministry of Housing, Communities & Local Government	217
Strategic Migration Partnership in the West Midlands	Supporting the provision of a Strategic Migration Partnership in the West Midlands for the period 1 April 2021 to 31 March 2022	Home Office UKV&I Resettlement, Asylum, Support and Integration	258
Green Homes Grant*	To support energy improvement on owner occupied homes within Wolverhampton.	Midlands Energy Agency (administrated by Nottingham City Council)	682
Detail Project Design Stage	To develop a business case and further investigate the way the network can be delivered	Department for Business, Energy & Industrial Strategy	170
Breathing Spaces	To help support the additional demands on Advanced Mental Health Practitioners (AMHPs) in	Ministry of Housing, Communities & Local Government	2

Grant Name	Description of the Activity the grant will fund	Awarding Body	Expenditure 2021-2022 £000
	fulfilling the Debt Respite Scheme (Breathing Space) which protects people receiving mental health crisis treatment.		
Adult Weight Management Services	To support commissioning of behavioural (tier 2) weight management services for adults.	Public Health England	239

*Capital grant

- 10.3 Approval is also sought in this report to delegate authority to the Director of Public Health and Wellbeing to allocate grants from the Better Mental Health Fund in line with the conditions of grant.

11.0 Reserves

- 11.1 Following a review of the reserve position during 2019-2020, the Council's General Fund balance was increased by £3.0 million to a total value of £13.0 million. In order to be prudent, the General Fund balance was also increased by the 2020-2021 positive variance against budget to an overall total of £13.7 million. This represents approximately 5% of the net budget for 2021-2022 and is in line with recommended best practice
- 11.2 In addition to the General Fund balance, the Council also holds a number of earmarked reserves. Earmarked reserves balances that have been set aside by the Council to fund future estimated liabilities and planned expenditure at the end of 2020-2021 was £43.9 million. The Council is also required to hold a number of earmarked reserves due to either specific criteria associated with funding, legal requirements or accounting practice. The total values of these types of earmarked reserves at the end of 2020-2021 was £77.5 million.

Transfers to / from Earmarked Reserves

- 11.3 Approval is sought for the following transfers from the Transformation Reserve, as set out in table below:

Table 3 – Transfers from the Transformation Reserve

Purpose	Amount £000
To fund additional resources within Business Improvement to support the HR Smart Programme	262
To support the Contract Management Project	Up to 225

Purpose	Amount £000
To support the Councillor Enquiry Review	Up to 110
To support transformational support from West Midlands Employers	Up to 100
To streamline the processes within Governance	120
Total	817

12.0 Debt Write offs

- 12.1 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.
- 12.2 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 are provided in Appendix 6.

13.0 Continuous Conversation with Communities

- 13.1 It is vital that city partners, residents, businesses and the voluntary community sector are actively engaged throughout the city's recovery and that there are opportunities to co-produce innovative solutions to the challenges the pandemic has brought. Relighting Our City will continue to be a 'living' document and be taken forward as a continuous conversation with our communities through our Commonplace platform (<https://wolverhamptonrecovery.commonplace.is>).
- 13.2 Throughout the year we will continue to actively engage with our key stakeholders to understand the needs of the city and the things that matter most, seeking opportunities to co-produce innovative solutions to challenges and understand how we should prioritise the use of our finite resources.

14.0 Evaluation of alternative options

- 14.1 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between employees and other controllable expenditure headings, require the approval of Cabinet (Resources) Panel. Contributions to and from reserves and the creation of supplementary budgets also require Cabinet (Resources) Panel approval. The write-offs, virement, 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.
- 14.2 In determining the proposed 2022-2023 Budget Strategy, consideration has been made to the deliverability of budget reduction and income generation proposals and budget pressures. If we were to not implement the budget strategy as proposed in this report,

alternative options would need to be identified in order for the Council to set a balanced budget for 2022-2023.

15.0 Reasons for decisions

- 15.1 In order to ensure a balanced budget for 2022-2023 it is important that work is progressed as soon as possible. The approval of the draft strategy will enable the Council to undertake due diligence, consultation and scrutiny in a timely manner to fully inform the budget decision process in accordance with statutory deadlines.
- 15.2 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between Employees and Other Controllable Expenditure headings, require the approval of Cabinet (Resources) Panel. Contribution to and from reserves also requires the approval from Cabinet (Resources) Panel. The write-offs, virements and use of reserve requests detailed in this report which seek the approval of Cabinet are all considered to be prudent in the opinion of the Director of Finance and the Cabinet Member for Resources.

16.0 Financial implications

- 16.1 The financial implications are discussed in the body of the report.
[AS/19072021/T]

17.0 Legal implications

- 17.1 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.
[SZ/20072021/P]

18.0 Equalities implications

- 18.1 The method by which the MTF5 for 2022-2023 is developed is governed by Our Council Plan and Relighting Our City, which itself is guided by consultation and equality analysis. The further development of various budget proposals for Cabinet's consideration in October will 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.

18.2 Fairness and inclusion is a key cross cutting theme within Relighting Our 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.

19.0 All other Implications

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

20.0 Schedule of background papers

20.1 [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

20.2 [Relighting Our City Recovery Commitment Refresh](#), report to Cabinet on 17 March 2021

20.3 [Budget Outturn 2020-2021](#), report to Cabinet on 16 June 2021.

21.0 Appendices

21.1 Appendix 1 – Performance Data

21.2 Appendix 2 – Quarter 1 2021-2022 Budget Performance

21.3 Appendix 3 – Schools Budgets

21.4 Appendix 4 – General Fund Budget Risks 2021-2022.

21.5 Appendix 5 – General Fund Budget Virements

21.6 Appendix 6 – Debt Write Offs

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