


## REPORT TO CABINET

28 August 2019

<b>Subject:</b>	<b>Quarter 1 Budget Monitoring 2019/20</b>
<b>Presenting Cabinet Member:</b>	<b>Cllr Ali – Cabinet Member for Resources and Core Services</b>
<b>Director:</b>	<b>Darren Carter – Executive Director of Resources</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Cabinet Member Approval and Date:</b>	8 August 2019
<b>Director Approval:</b>	Yes
<b>Reason for Urgency:</b>	Urgency provisions are not applicable
<b>Exempt Information Ref:</b>	Exemption provisions are not applicable
<b>Ward Councillor (s) Consulted (if applicable):</b>	Consultation is not required
<b>Scrutiny Consultation Considered?</b>	Scrutiny will be consulted
<b>Contact Officer(s):</b>	Rebecca Griffiths, Head of Finance <a href="mailto:Rebecca_Griffiths@sandwell.gov.uk">Rebecca_Griffiths@sandwell.gov.uk</a>

### DECISION RECOMMENDATIONS

**That Cabinet:**

1. Receive the financial monitoring position of individual directorates and the Housing Revenue Account (HRA) as at 30 June 2019 (quarter 1 2019/10) and refer to the Budget and Corporate Services Scrutiny Management Board for consideration and comment.
2. Note the current financial position for the Council: -

	<b>Appendix</b>	<b>Projected Outturn</b>
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		Variance (£000)
Corporate Management	1A	0
Resources	1B	-162
Adult Social Care	1C	-107
Regeneration & Growth	1D	252
Housing & Communities	1E	-14
Children's Services	1F	1,531
<b>TOTAL DIRECTORATES</b>		<b>1,500</b>
Central Items	2	-284
<b>TOTAL INCLUDING CENTRAL ITEMS</b>		<b>1,216</b>
Public Health (Ringfenced Grant)	1G	-864
<b>TOTAL INCLUDING PUBLIC HEALTH &amp; CENTRAL ITEMS</b>		<b>352</b>

The above figures do not include directorate expenditure that is being funded from corporate resources. When this is included, the overall position for the Council is a projected overspend of **£3.178m**.

3. Approve the following budget virements above £0.250m: -

Virements above £0.250m for approval by Cabinet	DR (£000)	CR (£000)
<b><u>HOUSING &amp; COMMUNITIES</u></b>		
Housing Management - Control Migration Grant Settling in Well (MHCLG) Expenditure	333	0
Housing Management - Control Migration Grant Settling in Well (MHCLG) Grant	0	333
Housing Management - Homelessness Grants Expenditure (FHSG, New Burden, Homelessness Prevention)	771	0
Housing Management - Homelessness Grants Income (FHSG, New Burden, Homelessness Prevention)	0	771
Housing Management - Housing Solutions staff moving to grant funded cost centre	395	0
Housing Management - Housing Solutions staff moving to grant funded cost centre	0	395
<b>TOTAL</b>	<b>1,499</b>	<b>1,499</b>

4. Note the following budget virements below £0.250m: -

<b>Virements between Directorates/Service Areas below £0.250m for information in Cabinet Report</b>	<b>DR (£000)</b>	<b>CR (£000)</b>
<b>RESOURCES</b>		
Home Ownership moving to Housing and Communities, Neighbourhoods		134
Home Ownership moving from Finance, Resources	134	
<b>HRA</b>		
Housing Management - Transfer of 2 members of staff from GF to HRA (Currently recharged to HRA)	107	
SLA's - Transfer of 2 members of staff from GF to HRA (Currently recharged to HRA)		107
<b>TOTAL</b>	<b>241</b>	<b>241</b>

5. Approve the following proposed uses of surpluses/deficits: -

<b>Resources</b>	<b>(£000)</b>
Carry Forward to 2020/21 of funding for 4 x 2nd year Higher Level Apprentices ICT, HR, Audit, Procurement	100
Carry forward to 2020/21 of funding for 2 x 1st year Higher Level Apprentices within HR	50
To be allocated - further details to be provided in Q2 monitoring	12
<b>TOTAL</b>	<b>162</b>
<b>Regeneration &amp; Growth</b>	<b>(£000)</b>
Directorate will consider remedial action to take during the year to mitigate the projected overspend	250
<b>TOTAL</b>	<b>250</b>
<b>Children's Services</b>	<b>(£000)</b>
Directorate will consider remedial action to take during the year to mitigate the projected overspend	1,531
<b>TOTAL</b>	<b>1,531</b>
<b>Housing Revenue Account</b>	<b>(£000)</b>
Transfer to HRA balances to fund future capital investment	(2,156)
<b>TOTAL</b>	<b>(2,156)</b>
<b>Public Health</b>	<b>(£000)</b>
Balance of the forecast surplus to be carried forward to 2020/21 to assist in the management of the reductions in the value of the Public Health Grant	(864)

	<b>TOTAL</b>	<b>(864)</b>

## 1 PURPOSE OF THE REPORT

- 1.1 This report summarises the financial position of Sandwell MBC as at the end of June 2019 (Quarter 1 2019/20).

## 2 IMPLICATION FOR VISION 2030

- 2.1 Each of the Council's 10 ambitions are engaged across this report; the Council's financial status helps to underpin the Council's Vision 2030 and associated aspirations

## 3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 The Executive Director - Resources is required to report the financial position of the authority to Cabinet on a quarterly basis.
- 3.2 The report sets out the projected year-end variances for each directorate and the reasons for those variances.

## 4 THE CURRENT POSITION

### FORECAST OUTTURN SUMMARY

- 4.1 At a directorate level, excluding Public Health and the HRA, the Council is forecasting a year-end overspend of **£1.500m** which is broken down in the table below: -

	<b>Appendix</b>	<b>Projected Outturn Variance (£000)</b>
Corporate Management	1A	<b>0</b>
Resources	1B	<b>-162</b>
Adult Social Care	1C	<b>-107</b>
Regeneration & Growth	1D	<b>252</b>
Housing & Communities	1E	<b>-14</b>
Children's Services	1F	<b>1,531</b>
<b>TOTAL DIRECTORATES</b>		<b>1,500</b>

In addition, there is a projected year-end surplus against Public Health of **£0.864m**. This is a ring-fenced grant and is therefore required to be

carried forward. Including Public Health, the directorate-level forecast outturn position is an overspend of **£0.352m**.

- 4.2 The above figures do not include directorate expenditure that is being funded from corporate resources. When this is included, the overall position for the Council is a projected overspend of **£3.178m**.
- 4.3 A breakdown of the directorate variances across service areas is contained in the individual appendices referenced above.

## **REASONS FOR VARIANCES**

### **Resources**

- 4.4 The year-end forecast outturn for the Resources directorate is an **underspend of £0.162m**. The main reasons for this variance are: -
- Implementation costs of the service restructure and associated costs in Law & Governance (overspend of £0.673m).
  - Vacancy savings being held across the rest of Resources in preparation for future budget reductions (underspend of £0.438m).
  - Increased income received from government grants and recovered costs for outstanding Council Tax, NNDR and Housing Benefits (underspend of £0.373m).

### **Adult Social Care**

- 4.5 The year-end forecast outturn for the Adult Social Care directorate is an **underspend of £0.107m**. The main reason for this is a pressure against external placements (£1.280m) which is being offset by vacancy savings across the directorate.

### **Regeneration and Growth**

- 4.6 The year-end forecast outturn for the Regeneration and Growth directorate is an **overspend of £0.252m**.
- 4.7 The main reasons for this variance occur within the Strategic Assets and Land Service and relate to: -
- A shortfall of rental and Business Rates income for the fourth floor of Providence Place following the vacation by ABTOS (£0.328m);
  - 
  - An income budget that was introduced as it had been expected that staff from the CCG and West Midlands Police would be moving into the

Council House. This is no longer happening and therefore this income will not be received (£0.150m).

- 4.8 There are some less significant pressures relating to security costs (£0.038m) and reduced stall fees (£0.060m) for markets. The directorate is currently undertaking a consultation with stakeholders around substantial improvements to this area.
- 4.9 These pressures are being offset in the current year by additional backdated rental income for the New Square development in West Bromwich (£0.256m). However, this income is one-off and will not be available in future years.
- 4.10 The directorate is considering other remedial action to eliminate the remaining overspend. This will include a review of the Strategic Asset and Land strategy to identify how income levels can be increased.

### **Housing and Communities**

- 4.11 The year-end forecast outturn for the Housing and Communities directorate is an **underspend of £0.014m**.
- 4.12 Although this is virtually a break-even position, there are continuing budget pressures within the Housing Management service around the provision of temporary accommodation for the homeless (£0.431m) which are being offset by higher than anticipated levels of income for Housing Benefit and Discretionary Housing Payment (£0.389m).
- 4.13 The service is considering how to reduce the pressure on temporary accommodation by making better use of the Council's own housing stock and reviewing the housing allocations policy.
- 4.14 The projected underspend of £0.233m on Business Excellence is generated through vacancies and staff turnover. A review of both future recruitment processes and wider customer access across the Council will be taking place to address this.

### **Children's Services**

- 4.15 The year-end forecast outturn for the Children's Services directorate is an **overspend of £1.531m**. This relates to SEN Transport (£1.765m) and the reasons for this overspend are: -
- There has been an increase in the number of children who are eligible for this transport.
  - The statutory age at which SEN transport must be provided has been increased from 18 to 25.

- Problems with two suppliers meant that those contracts had to be re-allocated/re-tendered leading to higher prices.

- 4.16 There have been ongoing pressures against the SEN transport budget for several years which have historically been covered by savings across the directorate. Other mitigating actions that have been taken are the introduction of a dynamic purchasing system in 2016 and a revision to the travel policy in 2014 so that only statutory age children were eligible. A further change to the current travel policy will be presented to Cabinet in August which should generate cost efficiencies, but these are unlikely to materialise until 2020/21.
- 4.17 A detailed review is currently underway into how these pressures will be managed. An update will be provided as part of Quarter 2 monitoring.

### **Public Health**

- 4.18 The year-end forecast outturn for the Public Health directorate is an **underspend of £0.864m**.
- 4.19 This underspend relates mainly to the brought forward balance from 2018/19. The in-year position against the Public Health grant is an overspend and therefore action will need to be taken to reduce ongoing expenditure. This is particularly important given that there is currently no information about future allocations of the grant.

### **CENTRAL ITEMS**

- 4.20 The council has several budgets that are held centrally and classified as Central Items. This is because the nature of these budgets is not within the control of a specific directorate.
- 4.21 The projected outturn against these budgets is an **underspend of £0.284m**. Appendix 2 provides a breakdown of these Central Items.

### **BUDGET VIREMENTS**

- 4.22 Appendix 3 sets out the budget virements which Cabinet are requested to approve and/or note.

### **SPECIFIC RESERVES**

- 4.23 At the end of 2018/19, the Council held **£23.330m** in specific reserves. These are detailed in Appendix 4. It is currently projected that **£0.092m** of these reserves will be spent during 2019/20 leaving a balance of **£23.238m**.

## **CAPITAL MONITORING**

- 4.24 Expenditure on the Council's capital programme is forecast to be **£136m** during 2019/20. Appendix 6 provides a detailed breakdown of the programme.
- 4.25 The main changes that have taken place since the original budget was set are: -
- An increase of £1.863m in the Children's Services Basic Need Funding to cover various school improvements;
  - A reduction in the Regeneration and Growth Local Transport Plan Block allocation of £0.217m.

## **SECTION 106/COMMUNITY INFRASTRUCTURE LEVY (CIL)**

- 4.26 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure but must be used for specific purposes. The Council held **£3.336m** in Section 106 monies at the beginning of 2019/20 and is forecasting to spend **£0.997m** of this leaving a remaining balance of **£2.339m**.
- 4.27 The Community Infrastructure Levy is a charge that local authorities can set on new development to raise funds to help fund the infrastructure, facilities and services which are needed to support new homes and businesses in the areas. The Council held **£1.403m** in CIL monies at the beginning of 2019/20 and is currently not forecasting any expenditure against this.
- 4.28 Appendix 7 provides a more detailed breakdown of these monies.

## **PERFORMANCE INDICATORS**

- 4.29 Appendix 5 shows how the council is performing in terms of various financial performance indicators.

## **HOUSING REVENUE ACCOUNT (HRA)**

- 4.30 The year-end forecast outturn for the HRA is an **underspend of £2.156m**. This is mainly due to vacancy savings and the capitalisation of the Riverside PFI management fee.
- 4.31 Appendix 8 provides a breakdown of this underspend against the service areas within the HRA.



## **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 There is no requirement to formally consult stakeholders or customers in relation to this report.

## **6 ALTERNATIVE OPTIONS**

- 6.1 The alternative option is to fail to provide a report on the Council's financial status. This would be in contravention of statutory obligations and would place the Council at risk of challenge and poor practice.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 Strategic resource implications are contained within the main body of the report.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 The Local Government Act 2003 places a requirement on local authorities to provide Members with regular financial monitoring.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 There is no requirement to conduct an Equality Impact Assessment.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 Any information used to compile this report is subject to information governance legislation and is managed in accordance with the Council's policies and protocols. A Data Protection Impact Assessment is not required.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 There no requirement to carry out a Crime and Disorder and Risk Assessment.

## **12 SUSTAINABILITY OF PROPOSALS**

12.1 This information is contained within the main body of this report.

## **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

13.1 The financial prosperity of the Council provides a foundation for health and wellbeing across the remit of the Council.

## **14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

14.1 There is no direct impact on any land or assets.

## **15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 Recommendations within this report are requested to ensure the Council can conduct its business efficiently, act to provide for the security of the assets under its control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.

15.2 The detailed recommendations are outlined in the summary at the beginning of the report.

## **16 BACKGROUND PAPERS**

16.1 Revenue/capital monitoring returns from directorates.

## **17 APPENDICES:**

Appendix 1 Outturn Summary  
Appendix 1A Corporate Management  
Appendix 1B Resources  
Appendix 1C Adult Social Care  
Appendix 1D Regeneration and Growth  
Appendix 1E Housing and Communities  
Appendix 1F Children's Services  
Appendix 1G Public Health  
Appendix 2 Central Items  
Appendix 3 Virements

Appendix 4 Reserves  
Appendix 5 Performance Indicators  
Appendix 6 Capital  
Appendix 7 Section 106 and Community Infrastructure Levy  
Appendix 8 Housing Revenue Account

**Darren Carter**  
**Executive Director - Resources**