


REPORT TO CABINET

20 November 2019

| | |
|---|--|
| Subject: | Quarter 2 Budget Monitoring 2019/20 |
| Presenting Cabinet Member: | Cllr Ali – Cabinet Member for Resources and Core Services |
| Director: | Darren Carter – Executive Director of Resources |
| Contribution towards Vision 2030: |  |
| Key Decision: | Yes |
| Cabinet Member Approval and Date: | 31/10/19 |
| Director Approval: | 30/10/19 |
| Reason for Urgency: | Urgency provisions do not apply |
| Exempt Information Ref: | Exemption provisions do not apply |
| Ward Councillor (s) Consulted (if applicable): | The proposal affects all wards |
| Scrutiny Consultation Considered? | To be considered by Budget and Corporate Scrutiny Management Board |
| Contact Officer(s): | Rebecca Griffiths, Head of Finance Rebecca_Griffiths@sandwell.gov.uk |

DECISION RECOMMENDATIONS

That Cabinet:

1. Receive the financial monitoring position of individual directorates and the Housing Revenue Account (HRA) as at 30 September 2019 (quarter 2 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: -

| | Appendix | Projected Outturn Variance (£000) |
|--|----------|-----------------------------------|
| Corporate Management | 1A | 40 |
| Resources | 1B | 1,109 |
| Adult Social Care | 1C | 914 |
| Regeneration & Growth | 1D | (92) |
| Housing & Communities | 1E | 4 |
| Children's Services | 1F | 0 |
| TOTAL DIRECTORATES | | 1,975 |
| Central Items | 2 | 234 |
| TOTAL INCLUDING CENTRAL ITEMS | | 2,209 |
| Public Health (Ringfenced Grant) | 1G | (1,907) |
| TOTAL INCLUDING PUBLIC HEALTH & CENTRAL ITEMS | | 302 |

Public Health is a ringfenced grant and is therefore required to be carried forward. This will increase the in-year overspend to £2.209m. Services are also utilising £4.653m of reserves and one-off corporate resources that have previously been earmarked for use by those services. When this is taken into account, the overall position for the Council is a projected overspend of **£6.862m**.

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

| Virements above £0.250m for approval by Cabinet | DR (£000) | CR (£000) |
|--|-----------|-----------|
| <u>HOUSING & COMMUNITIES</u> | | |
| Housing Management - Housing Solution movement of grant from mainline to grant cost centre | 308 | |
| Housing Management - Housing Solution movement of grant from mainline to grant cost centre | | 308 |
| Housing Management - Community safety Supporting Families Grant allocation expenditure | 373 | |
| Housing Management - Community safety Supporting Families Grant allocation income | | 373 |

| | | |
|--------------|------------|------------|
| TOTAL | 681 | 681 |
|--------------|------------|------------|

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

| Virements between Directorates/Service Areas below £0.250m for information in Cabinet Report | DR (£000) | CR (£000) |
|---|------------------|------------------|
| <u>PUBLIC HEALTH</u> | | |
| Substance Misuse - Community Alcohol Project movement of resources from redirection - Supplies and Services | | 40 |
| Childrens - Community Alcohol Project movement of resources from redirection to Employees | 40 | |
| <u>HOUSING & COMMUNITIES</u> | | |
| Commercial Services - Park target budget transfer to Shows and Events | 53 | |
| Tourism, Culture and Leisure - Park target budget transfer to Shows and Events | | 53 |
| TOTAL | 93 | 93 |

1 PURPOSE OF THE REPORT

- 1.1 This report summarises the financial position of Sandwell MBC as at the end of September 2019 (Quarter 2 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 of 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 **£2.209m** which is broken down in the table below: -

| | Appendix | Projected Outturn Variance (£000) |
|--|----------|-----------------------------------|
| Corporate Management | 1A | 40 |
| Resources | 1B | 1,109 |
| Adult Social Care | 1C | 914 |
| Regeneration & Growth | 1D | (92) |
| Housing & Communities | 1E | 4 |
| Children's Services | 1F | 0 |
| TOTAL DIRECTORATES | | 1,975 |
| Central Items | 2 | 234 |
| TOTAL INCLUDING CENTRAL ITEMS | | 2,209 |
| Public Health (Ringfenced Grant) | 1G | (1,907) |
| TOTAL INCLUDING PUBLIC HEALTH & CENTRAL ITEMS | | 302 |

In addition, there is a projected year-end underspend against Public Health of **£1.907m**. Including Public Health and Central Items, the directorate-level forecast outturn position is an overspend of **£0.302m**.

- 4.2 Public Health is a ringfenced grant and is therefore required to be carried forward. This will increase the in-year overspend to £2.209m. Services are also utilising £4.653m of reserves and one-off corporate resources that have previously been earmarked for use by those services. When this is taken into account, the overall position for the Council is a projected overspend of **£6.862m**.

- 4.3 A breakdown of the directorate variances across service areas is contained in the individual appendices referenced above.
- 4.4 Sandwell Children's Trust operates independently from Sandwell MBC and so does not form part of this budget monitoring report. However, as has previously been noted, the Trust remains the biggest financial risk currently facing the Council. A series of meetings are currently taking place between representatives of Sandwell Children's Trust and the Council to understand the size of the projected overspend for 2019/20 and to agree the contract sum for 2020/21. The outcome of this work will be reported to Cabinet as part of the Quarter 3 budget monitoring report.

REASONS FOR VARIANCES

Corporate Management (Appendix 1A)

- 4.5 The year-end forecast outturn for Corporate Management is an **overspend of £0.040m**. This relates to the payment of notice to the previous Chief Executive.

Resources (Appendix 1B)

- 4.6 The year-end forecast outturn for the Resources directorate is an **overspend of £1.109m**. The main reasons for this variance are: -
- Costs of implementing the Law and Governance restructure, including redundancies, some of which are to be funded from corporate resources (£1.835m)
 - Additional income received from government grants and recovered costs for Council Tax, NNDR and Housing Benefits (£0.735m)

Adult Social Care (Appendix 1C)

- 4.7 The year-end forecast outturn for the Adult Social Care directorate is an **overspend of £0.914m**. The main reason for this is a pressure against external placements (£2.692m) which is being partly offset by the impact of staffing vacancies across the directorate.

Regeneration and Growth (Appendix 1D)

- 4.8 The year-end forecast outturn for the Regeneration and Growth directorate is an **underspend of £0.092m**. The directorate is experiencing a range of budget pressures which are being offset by one-off savings and income.

4.9 The significant variances include:-

- A shortfall of rental income from external leasing of office space at Providence Place and the Council House Oldbury (£0.478m)
- Impact of reductions in the fees charged for market stall rental (£0.170m)
- Backdated rental income for the New Square development in West Bromwich (£0.256m) - this is one-off and will not be available in future years
- A backdated charge for the lease at Roway Lane which is lower than previous projections (£0.315m)
- There are under spends generated from staffing vacancies throughout the directorate, most of which are expected to be filled during 2019/20 (£0.220m)

4.10 The non-recurring underspends and additional income are expected to offset the budget pressures in 2019/20 and the directorate is developing proposals to manage the ongoing financial pressures identified within the monitoring.

Housing and Communities (Appendix 1E)

4.11 The year-end forecast outturn for the Housing and Communities directorate is an **underspend of £0.004m.**

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 (£0.320m) which are being funded by higher than planned use of the Flexible Homelessness Grant (£0.300m).

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 £0.219m 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 (Appendix 1F)

- 4.15 The year-end forecast outturn for the Children's Services directorate is **breakeven**. However, there remains a projected overspend of £2.500m relating to SEN Transport being offset by the use of Early Years DSG underspend which is only available in the current financial year. This is an increasing historical pressure which has previously been offset by underspends across the directorate.
- 4.16 Sandwell is not alone in experiencing this increasing budget pressure; a recent national survey of local authorities has shown that councils are spending 30% more on SEN transport compared to the four previous years. This is driven by a rise in pupils with SEN transport needs and the requirement for specialist vehicles that are expensive to hire.
- 4.17 The directorate have started a programme of work aimed at addressing this budget pressure. This includes: -
- Considering the use of personal budgets as an option for funding transport to schools.
 - Reviewing the current procurement arrangements for SEN Transport.
 - Examining arrangements for cohorts of high cost young people and ensuring value for money in these.
 - The introduction of a new panel which will look at every arrangement for SEN Transport and consider the option of independent travel training as an alternative in the first instance.
 - Working with Adult Services regarding whether it is possible to make use of their transport fleet.
 - Talking to schools about changes they can make to assist e.g. shortened timetables
- 4.18 Following this, it is likely that there will be a remaining budget pressure which the directorate will need to find savings to cover.

Public Health (Appendix 1G)

- 4.19 The year-end forecast outturn for the Public Health directorate is an **underspend of £1.907m**.
- 4.20 The projected underspend reflects the application of resources brought forward from previous year underspends against the Public Health Grant. The projected expenditure in 2019/20 exceeds the Public Health grant for the year and future savings will be required to ensure that commitments match grant funding in the medium term.

4.21 CENTRAL ITEMS

4.22 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.

4.23 The projected outturn against these budgets is an **overspend of £0.234m**. Appendix 2 provides a breakdown of these Central Items.

BUDGET VIREMENTS

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

SPECIFIC RESERVES

4.25 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 **£0.422m** of these reserves will be spent during 2019/20 leaving a balance of **£22.908m**.

CAPITAL MONITORING

4.26 Expenditure on the Council's capital programme is forecast to be **£135.307m** during 2019/20. Appendix 6 provides a detailed breakdown of the programme.

4.27 The main changes that have taken place since the Quarter 1 monitoring are as follows: -

- An increase of £3.800m in the Children's Services Basic Need Funding to cover various school improvements.
- A reduction of £13.500m in the Adult Social Care budget in respect of slippage into future years on the following 3 schemes; New Social Care & Health Centre in Rowley Regis (£8.200m), Disabled Facilities Adaptations grant (£3.600m) & Adult Social Care capital grant (£1.700m).
- An increase of £1.500m in the Regeneration & Growth budget, mainly in respect of the Street Lighting SOX to LED Conversion capital scheme.
- An increase of £7.400m in the HRA budget mainly in respect of approved new build schemes at Friardale Close (£2.200m), Britannia (£1.900m) and property purchases (£2.000m) and spend associated with the properties managed by Riverside (£0.800m).

SECTION 106/COMMUNITY INFRASTRUCTURE LEVY (CIL)

- 4.28 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**.
- 4.29 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 **£1.601m** in CIL monies at the beginning of 2019/20 and is currently not forecasting any expenditure against this.
- 4.30 Appendix 7 provides a more detailed breakdown of these monies.

PERFORMANCE INDICATORS

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

HOUSING REVENUE ACCOUNT (HRA)

- 4.32 The year-end forecast outturn for the HRA is an **underspend of £2.442m**. This is mainly due to vacancy savings, including the recruitment of apprentices to fill post as part of succession planning, and the capitalisation of the Riverside PFI management fee.
- 4.33 Appendix 8 provides a breakdown of this underspend against the service areas within the HRA.

INDIVIDUAL SCHOOLS BUDGETS (ISB)

- 4.34 The year-end forecast outturn for the ISB is an **underspend of £0.043m**. This is due to an overspend against alternative provision which is being offset by a reduction in the number of 2-year-old nursery places compared to the funding received for the current year. This over-funding will be adjusted next financial year.

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
Appendix 9 ISB

Darren Carter
Executive Director of Resources