

**Budget and Corporate  
Scrutiny Management Board**

**Wednesday 4 December, 2019 at 5.45 pm  
in Committee Room 1  
at the Sandwell Council House, Oldbury**

**Agenda**

(Open to Public and Press)

1. Apologies for absence.
2. Members to declare:-
  - (a) any interest in matters to be discussed at the meeting;
  - (b) the existence and nature of any political Party Whip on any matter to be considered at the meeting.
3. To confirm the minutes of the meeting held on 6 November 2019 as a correct record.
4. Quarter 2 Budget Monitoring 2019/20.
5. ICT Monitoring Update - Presentation.

**D Stevens**  
**Interim Chief Executive**

Sandwell Council House  
Freeth Street  
Oldbury  
West Midlands

**Distribution:**

Councillors L Giles (Chair);

Councillors E M Giles, Moore, Rollins and Singh.

**Agenda prepared by Alex Goddard  
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## **Budget and Corporate Scrutiny Management Board**

### **Apologies for Absence**

The Board will receive any apologies for absence from the members of the Board.

## **Budget and Corporate Scrutiny Management Board**

### **Declaration of Interests**

Members to declare:-

- (a) any interest in matters to be discussed at the meeting;
- (b) the existence and nature of any political Party Whip on any matter to be considered at the meeting.

## **Minutes of the Budget and Corporate Scrutiny Management Board**

**6<sup>th</sup> November, 2019 at 5.45pm  
at Sandwell Council House, Oldbury**

- Present:** Councillor L Giles (Chair);  
Councillors E M Giles, Moore and Singh.
- Apology:** Councillor Rollins.
- In attendance:** D Carter (Executive Director – Resources);  
S Knowles (Head of ICT and Revenues and Benefits);  
I Dunn (Revenues and Benefits Service Manager).

20/19 **Minutes**

**Resolved** that the minutes of the meeting held on 2<sup>nd</sup> October 2019 be approved as a correct record.

21/19 **Revenues and Benefits Service Update**

The Head of ICT and Revenues and Benefits attended the meeting and presented to the Scrutiny Management Board on the services delivered by the Revenues and Benefits Service and the policy framework that underpinned the Service.

The Service was responsible for the administration of:

- Housing Benefit;
- Council Tax reduction;
- Council Tax billing;
- Business Rates (National Non-Domestic Rates) billing;
- Discretionary Housing Payments;
- Sandwell's Local Welfare Provision scheme.

## Budget and Corporate Scrutiny Management Board – 6<sup>th</sup> November, 2019

It also recovered Council Tax and Business Rates as well as General Debt. The Cashier Services at Oldbury, Smethwick and West Bromwich were also within the Revenues and Benefits Service.

The Board noted that the Service collected:-

- £111.4m Council Tax annually;
- £104.9m Business Rates annually;
- £71m General Debt annually.

For the last five years Sandwell had been rated the best metropolitan council for in-year Council Tax collection rates. In 2018/19 Sandwell was the second best metropolitan borough in the West Midlands for Business Rates in-year collection. The Council Tax and Business Rates collected by the Service provides over 80% of Sandwell's total funding.

The Board was informed that in October the Service had received the 2019 Excellence in Innovation (Performance Management) award from the Institute of Revenues Rating and Valuation.

There were several areas of Council Tax, Business Rates and benefits legislation which allowed councils to exercise discretion or apply local policy. In order to ensure transparency and consistency in application and decision making there was a Revenues and Benefits Policy Framework.

Following comments and questions from members of the Board, the following responses were made and issues highlighted:-

- Sandwell was the only council in the West Midlands that still offered 100% discretionary relief for Council Tax for the most vulnerable residents.
- The amount of reminder letters sent in a day had been capped to better manage the flow of work. This helped reduce waiting times for residents when contacting the Service.
- Communicating with our residents via text message would help reduce costs and the use of paper. This approach had been successfully used by other local authorities.
- Over 10,000 of Sandwell's 11,000 businesses were small or medium-sized enterprises.

[ILO: UNCLASSIFIED]

## Budget and Corporate Scrutiny Management Board – 6<sup>th</sup> November, 2019

- It was proposed to keep the Local Council Tax Reduction Scheme the same for next year. The Council had recently consulted on the Scheme and no comments had been received.
- There had previously been a Joint Policy for Establishing Eligible Support and Accommodation Charges, but this was transitioning to a Service Level Agreement with Adult Services which it was felt would better address such matters within the Council.
- The Service had automated processes where possible to achieve efficiencies.
- The Department for Work and Pensions did not cleanse data when it sent it to local authorities for processing. This caused additional work for the Revenues and Benefits Service.
- Business Rate appeals could have a significant impact on the Council's ability to predict funding.
- Sandwell was currently part of the 100% Business Rate retention pilot, however the Government intended to move to a 75% retention rate, with the remaining 25% going to the Government.
- When determining the Council Tax base, Revenues and Benefits worked with the Planning department to take into account houses that would be completed in-year.
- The Council had a range of measures available to it to tackle long-term empty properties. The Executive Director – Resources undertook to investigate how some of the measures could be used in Sandwell to encourage or bring properties back into use.

The Board felt that the importance of the Revenues and Benefits Service and what its work was not widely understood by elected members and suggested that an awareness raising session could be arranged as part of the Member Development Programme.

The Chair thanked officers for attending the meeting and commended the Revenues and Benefits Service staff for their hard work and consistent performance.

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**Resolved that:-**

- (1) the Budget and Corporate Scrutiny Management Board place on record its recognition of, and appreciation for, the hard work and consistently high levels of performance by the Revenues and Benefits Service, including its winning of the 2019 Excellence in Innovation (Performance Management) award from the Institute of Revenues Rating and Valuation;
- (2) the Executive Director – Resources and Director – Law and Governance and Monitoring Officer be requested to arrange an awareness raising session for all elected members on the work of the Revenues and Benefits Service to support the Member Development Programme.


(Meeting ended at 6.47 pm)

Contact Officer: Alex Goddard Democratic Services Unit 0121 569 3178
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## REPORT TO BUDGET AND CORPORATE SCRUTINY MANAGEMENT BOARD

04 December 2019

<b>Subject:</b>	Quarter 2 Budget Monitoring 2019/20
<b>Cabinet Portfolio:</b>	Councillor Ali – Cabinet Member for Resources and Core Services
<b>Director:</b>	Executive Director – Resources – Darren Carter
<b>Contribution towards Vision 2030:</b>	
<b>Exempt Information Ref:</b>	The information contained in this report is not exempt from publication.
<b>Contact Officer(s):</b>	Alex Goddard, Democratic Services Officer alexander_goddard@sandwell.gov.uk

### DECISION RECOMMENDATIONS

#### **That Budget and Corporate Scrutiny Management Board:**

1. considers the 2019/20 Budget Monitoring - Quarter 2 report;
2. identifies any recommendations it wishes to make to Cabinet.

#### **1 PURPOSE OF THE REPORT**

- 1.1 At its meeting on 20 November, 2019 the Cabinet received, considered and agreed the 2019/20 Budget Monitoring report for Quarter 2. The Cabinet also referred the report to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 Any recommendations arising from the consideration of this report will be reported to the Cabinet.

## **2 IMPLICATION FOR VISION 2030**

- 2.1 The Council's sound financial management, which is strengthened through the Scrutiny Management Board's consideration of monitoring reports, underpins all of the ambitions within the Vision for the borough.

## **3 BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 This is contained within the appended report to Cabinet.

## **4 THE CURRENT POSITION**

- 4.1 The current position is detailed in the appended report.

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

- 5.1 This is addressed in the appended report.

## **6 ALTERNATIVE OPTIONS**

- 6.1 Alternative options are detailed in the report to Cabinet.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 These are set out in the appended report to Cabinet.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 The appended report contains the legal and governance matters relating to budget monitoring.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 This is addressed in the appended report.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 This is set out in the appended report to Cabinet.

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

- 11.1 This is addressed in the appended report.

## **12 SUSTAINABILITY OF PROPOSALS**

12.1 Sustainability of the proposals is included in the report to Cabinet.

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

13.1 These are addressed in the appended report.

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

14.1 This is included in the appended report to Cabinet.

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

15.1 The Cabinet referred the budget monitoring report to the Scrutiny Management Board for further consideration and review in line with good practice for the Council's overview and scrutiny function. This provides an opportunity for the Scrutiny Management Board to seek clarity or further information and to make any recommendations it wishes to Cabinet on the budget monitoring report for Quarter 2.

**16 BACKGROUND PAPERS**

16.1 All relevant papers are included in the appendix to this report.


**17 APPENDICES:**

The report to Cabinet on 2019/20 Budget Monitoring - Quarter 1 is appended to this report.

**Darren Carter**  
**Executive Director – Resources**

## REPORT TO CABINET

20 November 2019

<b>Subject:</b>	<b>Quarter 2 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>	31/10/19
<b>Director Approval:</b>	30/10/19
<b>Reason for Urgency:</b>	Urgency provisions do not apply
<b>Exempt Information Ref:</b>	Exemption provisions do not apply
<b>Ward Councillor (s) Consulted (if applicable):</b>	The proposal affects all wards
<b>Scrutiny Consultation Considered?</b>	To be considered by Budget and Corporate Scrutiny Management Board
<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 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
<b>TOTAL DIRECTORATES</b>		<b>1,975</b>
Central Items	2	234
<b>TOTAL INCLUDING CENTRAL ITEMS</b>		<b>2,209</b>
Public Health (Ringfenced Grant)	1G	(1,907)
<b>TOTAL INCLUDING PUBLIC HEALTH &amp; CENTRAL ITEMS</b>		<b>302</b>

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)
<b><u>HOUSING &amp; COMMUNITIES</u></b>		
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

<b>TOTAL</b>	<b>681</b>	<b>681</b>
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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><u>PUBLIC HEALTH</u></b>		
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	
<b><u>HOUSING &amp; COMMUNITIES</u></b>		
Commercial Services - Park target budget transfer to Shows and Events	53	
Tourism, Culture and Leisure - Park target budget transfer to Shows and Events		53
<b>TOTAL</b>	<b>93</b>	<b>93</b>

## 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
<b>TOTAL DIRECTORATES</b>		<b>1,975</b>
Central Items	2	234
<b>TOTAL INCLUDING CENTRAL ITEMS</b>		<b>2,209</b>
Public Health (Ringfenced Grant)	1G	(1,907)
<b>TOTAL INCLUDING PUBLIC HEALTH &amp; CENTRAL ITEMS</b>		<b>302</b>

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**

2019/20 REVENUE MONITORING SUMMARY

APPENDIX 1

	Appendix	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Corporate Management	1A	954	0	954	941	(13)	53	40
Resources	1B	15,582	2,041	17,623	21,939	4,316	(3,207)	1,109
Adult Social Care	1C	82,285	6,738	89,023	89,937	914	0	914
Regeneration & Growth	1D	21,317	1,206	22,523	22,532	9	(101)	(92)
Housing & Communities	1E	18,289	428	18,717	19,035	318	(314)	4
Children's Services	1F	85,693	30	85,723	86,056	333	(333)	0
<b>TOTAL DIRECTORATES</b>		<b>224,120</b>	<b>10,443</b>	<b>234,563</b>	<b>240,440</b>	<b>5,877</b>	<b>(3,902)</b>	<b>1,975</b>
Central Items	2	24,894	0	24,894	25,767	873	(639)	234
<b>TOTAL INCLUDING CENTRAL ITEMS</b>		<b>249,014</b>	<b>10,443</b>	<b>259,457</b>	<b>266,207</b>	<b>6,750</b>	<b>(4,541)</b>	<b>2,209</b>
Public Health (Ringfenced Grant)	1G	97	2,370	2,467	672	(1,795)	(112)	(1,907)
<b>TOTAL INCLUDING PUBLIC HEALTH &amp; CENTRAL ITEMS</b>		<b>249,111</b>	<b>12,813</b>	<b>261,924</b>	<b>266,879</b>	<b>4,955</b>	<b>(4,653)</b>	<b>302</b>
Non Service Income & Expenditure		(14,121)	0	(14,121)	(14,121)	0	0	0
Levy Payments		13,014	0	13,014	13,014	0	0	0
Movements on Reserves & Balances		(17,931)	0	(17,931)	(17,931)	0	0	0
Use of Specific Reserves		0	0	0	0	0	422	422
Use of Centrally Earmarked Balances		0	0	0	0	0	4,231	4,231
Ringfenced Grants to be carried forward		0	0	0	1,907	1,907	0	1,907
<b>GRAND TOTAL</b>		<b>230,073</b>	<b>12,813</b>	<b>242,886</b>	<b>249,748</b>	<b>6,862</b>	<b>0</b>	<b>6,862</b>

Corporate Management

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Chief Executive	265	0	265	252	(13)	53	40
Combined Authority	1,222	0	1,222	1,222	0	0	0
Corporate Management	(533)	0	(533)	(533)	0	0	0
<b>TOTAL</b>	<b>954</b>	<b>0</b>	<b>954</b>	<b>941</b>	<b>(13)</b>	<b>53</b>	<b>40</b>



Resources

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Directorate	346	97	443	495	52	0	52
Change and Communications	1,182	38	1,220	1,222	2	0	2
Revenues and Benefits and ICT	7,299	1,485	8,784	9,567	783	(1,272)	(489)
Finance	3,416	59	3,475	3,491	16	(63)	(47)
Law and Governance	(178)	215	37	2,936	2,899	(1,064)	1,835
Human Resources	3,517	148	3,665	3,776	111	(355)	(244)
<b>TOTAL</b>	<b>15,582</b>	<b>2,041</b>	<b>17,623</b>	<b>21,487</b>	<b>3,864</b>	<b>(2,755)</b>	<b>1,109</b>

Adult Social Care

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Management Team	(3,989)	6,015	2,026	1,319	(707)	0	(707)
Business Strategy	3,343	13	3,356	3,225	(131)	0	(131)
Commissioning Support Unit	1,833	60	1,893	1,768	(125)	0	(125)
External Placements	62,818	0	62,818	65,463	2,645	0	2,645
Social Work Teams	2,950	0	2,950	2,976	26	0	26
Therapy and Sensory Services	289	0	289	(25)	(314)	0	(314)
Better Care Fund	0	0	0	0	0	0	0
Prevention	650	0	650	564	(86)	0	(86)
Direct Services and Commissioning	8,350	0	8,350	8,582	232	0	232
Integrated Care Hub	1,204	0	1,204	199	(1,005)	0	(1,005)
Protection	4,837	650	5,487	5,866	379	0	379
<b>TOTAL</b>	<b>82,285</b>	<b>6,738</b>	<b>89,023</b>	<b>89,937</b>	<b>914</b>	<b>0</b>	<b>914</b>

Regeneration & Growth

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Growth and Spatial Planning Service	1,844	214	2,058	2,287	229	(351)	(122)
Development Planning and Building Control Service	539	0	539	449	(90)	0	(90)
Strategic Assets and Land Service	3,810	255	4,065	3,948	(117)	250	133
Highways Services	14,465	337	14,802	14,904	102	0	102
Management	659	400	1,059	944	(115)	0	(115)
<b>TOTAL</b>	<b>21,317</b>	<b>1,206</b>	<b>22,523</b>	<b>22,532</b>	<b>9</b>	<b>(101)</b>	<b>(92)</b>

Housing & Communities

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Housing Management	2,612	115	2,727	2,845	118	(105)	13
Tourism, Culture & Leisure	10,114	48	10,162	10,442	280	(209)	71
Commercial Services	3,954	128	4,082	4,221	139	0	139
Business Excellence	1,609	137	1,746	1,527	(219)	0	(219)
<b>TOTAL</b>	<b>18,289</b>	<b>428</b>	<b>18,717</b>	<b>19,035</b>	<b>318</b>	<b>(314)</b>	<b>4</b>

## Children's Services

## APPENDIX 1F

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Director of Education & Employment	9,365	0	9,365	9,401	36	0	36
Education Support Services	1,664	0	1,664	1,561	(103)	0	(103)
Learning Improvement	3,104	0	3,104	3,411	307	(333)	(26)
Inclusive Learning	3,204	0	3,204	5,699	2,495	0	2,495
Director of Children's Services	12,129	30	12,159	9,757	(2,402)	0	(2,402)
Sandwell Children's Trust	56,227	0	56,227	56,227	0	0	0
<b>TOTAL</b>	<b>85,693</b>	<b>30</b>	<b>85,723</b>	<b>86,056</b>	<b>333</b>	<b>(333)</b>	<b>0</b>

Public Health

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	Projected Outturn Variance (£000)
Communicable Disease	2,919	0	2,919	3,088	169	0	169
Long Term Conditions	2,946	0	2,946	2,451	(495)	0	(495)
Childrens	9,494	0	9,494	10,013	519	(125)	394
Substance Misuse & Smoking	3,993	0	3,993	3,766	(227)	0	(227)
Wider Determinants	4,223	0	4,223	3,531	(692)	0	(692)
Public Health Management	2,165	0	2,165	1,884	(281)	13	(268)
Public Health Grant	(25,643)	2,370	(23,273)	(24,061)	(788)	0	(788)
<b>TOTAL</b>	<b>97</b>	<b>2,370</b>	<b>2,467</b>	<b>672</b>	<b>(1,795)</b>	<b>(112)</b>	<b>(1,907)</b>

## CENTRAL ITEMS SUMMARY

## APPENDIX 2

Central Item	Annual Target Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources (£000)	Projected Outturn Variance (£000)
BSF FM Contribution	0	400	400	(400)	0
Waste Partnership	26,700	26,995	295	0	295
Carbon Reduction - Energy Efficiency	300	124	(176)	0	(176)
Local Authority Subs	104	104	0	0	0
W'ton: WMCC & WMRE	45	37	(8)	0	(8)
Joint Committee Servicing	0	0	0	0	0
External Audit Fee	144	154	10	0	10
New Homes Bonus Grant	(2,923)	(2,923)	0	0	0
No Recourse to Public Funds	231	281	50	0	50
Business Rates Compensation Grant	(14,827)	(15,063)	(236)	0	(236)
Insurance	(395)	(395)	0	0	0
Bank Charges	225	225	0	0	0
Airport Rent Income	(100)	(100)	0	0	0
Apprenticeship Levy	480	440	(40)	0	(40)
Past Service Pension Costs	8,600	8,199	(401)	0	(401)
Housing Benefits	501	501	0	0	0
Local Welfare Provision	0	239	239	(239)	0
Pensions General	4,559	4,559	0	0	0
Coroners	336	336	0	0	0
Members Allowances	1,377	1,377	0	0	0
Public Law Fees	366	781	415	0	415
Special Events	25	25	0	0	0
Templink	(429)	(529)	(100)	0	(100)
Savings Target	(425)	0	425	0	425
<b>TOTAL</b>	<b>24,894</b>	<b>25,767</b>	<b>873</b>	<b>(639)</b>	<b>234</b>

**VIREMENTS****APPENDIX 3**

<b>Virements above £0.250m for approval by Cabine</b>	<b>DR (£000)</b>	<b>CR (£000)</b>
<b><u>HOUSING &amp; COMMUNITIES</u></b>		
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 Famillies Grant allocation expenditure	373	
Housing Management - Community safety Supporting Famillies Grant allocation income		373
<b>TOTAL</b>	<b>681</b>	<b>681</b>

<b>Virements between Directorates/Service Areas below £0.250m for information in Cabinet Report</b>	<b>DR (£000)</b>	<b>CR (£000)</b>
<b><u>PUBLIC HEALTH</u></b>		
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	
<b><u>HOUSING &amp; COMMUNITIES</u></b>		
Commercial Services - Park target budget transfer to Shows and Events	53	
Tourism, Culture and Leisure - Park target budget transfer to Shows and Events		53
<b>TOTAL</b>	<b>93</b>	<b>93</b>



**EARMARKED RESERVES****APPENDIX 4**

<b>Earmarked Reserve</b>	<b>Balance as at 31 March 2019 (£000)</b>	<b>Projected Expenditure 2019/20 (£000)</b>	<b>Remaining Balance as at 31 March 2020 (£000)</b>
<b><u>CORPORATE MANAGEMENT</u></b>			
Brexit Funding	105	(53)	158
<b><u>RESOURCES</u></b>			
Insurance Reserve	8,091	0	8,091
Grants Irregularities Reserve	1,031	0	1,031
E-Business financial suite	2,625	483	2,142
P.O.C.A. (Proceeds of Crime)	29	0	29
Sandwell Children's Trust	770	32	738
<b><u>ADULT SOCIAL CARE</u></b>			
Taxi Licensing Operational	105	0	105
Adult Social Care Reserve	1,047	0	1,047
Integrated Care Record	301	0	301
<b><u>PUBLIC HEALTH</u></b>			
Learning for Public Health	320	(13)	333
<b><u>REGENERATION &amp; GROWTH</u></b>			
West Midlands Regional Research	287	51	236
Sinking Fund RBC building	432	(100)	532
Sinking Fund Central 6th Building	770	(150)	920
<b><u>HOUSING &amp; COMMUNITIES</u></b>			
Physical Activity Board	48	24	24
Sinking Fund - Portway Lifestyle Centre	516	(70)	586
Private Sector Landlord	142	105	37
Dartmouth Park HLF	318	60	258
<b><u>HRA</u></b>			
Welfare Reform Reserve	3,701	0	3,701
<b><u>CHILDREN'S SERVICES</u></b>			
Regeneration and Economy	186	53	133
BSF FM Sinking Fund	2,506	0	2,506
<b>TOTAL</b>	<b>23,330</b>	<b>422</b>	<b>22,908</b>

**PERFORMANCE INDICATORS**

**APPENDIX 5**

	2019/20	2018/19	Change from 2018/19	Comments
<b><u>REVENUE COLLECTION PERFORMANCE</u></b>				
Council Tax Collection Rate	57%	57%	↔	A higher figure is beneficial in improving the Council's cash flow and also reducing administration costs. This is the collection rate as at the end of quarter 1.
Business Rates Collection Rate	57%	58%	↓	A higher figure is beneficial in improving the Council's cash flow and also reducing administration costs. This is the collection rate as at the end of quarter 2. A small % decrease in the collection rate.
<u>General Debtors:</u> Collection Rate	75%	74%	↑	
Average No. of Days to receive payment from customers	104	127	↑	A lower figure is beneficial to the Council in relation to improved cash flow and reduced administration costs.
Credit Notes raised as a % of total customer invoices	4%	5%	↑	A lower figure helps to save time in dealing with customer queries and reduces the cost of administration. Residential & Third Party accommodation fees the Adult Services Migrated Financial Systems to new system. However, the interim invoices produced were issued for 3 days instead of 2.
Proportion of Debt > 90 days old from invoice date	52%	51%	↔	A lower figure helps to improve the council's cash flow.
<u>Housing Rents:</u> Value of Rent Debit to Date	61	61	↔	
Collection Rate	90%	93%	↓	Average Performance Metropolitan Authorities 97.24.
<b><u>ACCOUNTS PAYABLE</u></b>				
Proportion of payments made by electronic means (BACS & Bank Transfers)	93%	93%	↔	A higher figure is beneficial in terms of reducing administration costs and improved processes. Suppliers of goods and services receive prompt payment of invoices and therefore improved cash flow.





School Condition - LifeCycle property maintenance	0	0	0	0	2,929,000	2,929,000	1,567,390	1,361,610	2,929,000	0	0	0	0	0	0	0	0	0	0	0	0
Priory Primary Expansion	0	0	0	0	100,000	100,000	34,416	65,584	100,000	0	0	0	0	0	0	0	0	0	0	0	0
Annie Lennard Infant	0	0	0	0	8,000	8,000	0	8,000	8,000	0	0	0	0	0	0	0	0	0	0	0	0
Ormiston Sandwell Community Academy - retention	0	0	0	0	26,000	26,000	207	25,793	26,000	0	0	0	0	0	0	0	0	0	0	0	0
New Oldbury Primary - Lightwoods	0	0	0	0	146,000	146,000	92,376	53,624	146,000	0	0	0	0	0	0	0	0	0	0	0	0
Hargate Primary	0	0	0	0	100,000	100,000	464	99,536	100,000	0	0	0	0	0	0	0	0	0	0	0	0
RSA Academy	0	0	0	0	270,000	270,000	208,025	61,975	270,000	0	0	0	0	0	0	0	0	0	0	0	0
Victoria Park Academy	0	0	0	0	51,000	51,000	34,953	16,047	51,000	0	0	0	0	0	0	0	0	0	0	0	0
Reddall Hill Primary	0	0	0	0	17,000	17,000	0	17,000	17,000	0	0	0	0	0	0	0	0	0	0	0	0
All Saints CE Primary	0	0	0	0	49,000	49,000	5	48,995	49,000	0	0	0	0	0	0	0	0	0	0	0	0
Great Bridge Primary	0	0	0	0	12,000	12,000	151	11,849	12,000	0	0	0	0	0	0	0	0	0	0	0	0
Feasibility Work Expansion of Secondary	0	0	0	0	269,000	269,000	7,225	261,775	269,000	0	0	0	0	0	0	0	0	0	0	0	0
Bristnall Hall Academy	0	0	0	0	405,000	405,000	221	404,779	405,000	0	0	0	0	0	0	0	0	0	0	0	0
St Michaels	0	0	0	0	53,000	53,000	54	52,946	53,000	0	0	0	0	0	0	0	0	0	0	0	0
Programme Contingency 19/20 5%	0	0	0	0	317,000	317,000	0	317,000	317,000	0	0	0	0	0	0	0	0	0	0	0	0
Old Park/Wood Green Junior	0	0	0	0	18,000	18,000	17,657	343	18,000	0	0	0	0	0	0	0	0	0	0	0	0
Rood End Bulge Class	0	0	0	0	46,000	46,000	23,568	22,432	46,000	0	0	0	0	0	0	0	0	0	0	0	0
St Gregorys	0	0	0	0	4,000	4,000	3,165	835	4,000	0	0	0	0	0	0	0	0	0	0	0	0
Moorlands	0	0	0	0	12,000	12,000	695	11,305	12,000	0	0	0	0	0	0	0	0	0	0	0	0
Joseph Turner	0	0	0	0	7,000	7,000	6,223	777	7,000	0	0	0	0	0	0	0	0	0	0	0	0
Temporary Expansions	0	0	0	0	2,000	2,000	1,038	962	2,000	0	0	0	0	0	0	0	0	0	0	0	0
Perryfields - Purchase Mobile Classrooms - Portakabin	0	0	0	0	800,000	800,000	0	800,000	800,000	0	0	0	0	0	0	0	0	0	0	0	0
School Kitchen Repairs	0	0	0	0	1,000	1,000	196	804	1,000	0	0	0	0	0	0	0	0	0	0	0	0
Devolved Formula Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Devolved Formula Capital - PRU's	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BSF Oldbury	0	0	0	0	171,000	171,000	0	171,000	171,000	0	0	0	0	0	0	0	0	0	0	0	0
Two Years Old Entitlement - Early Years Capital	0	0	0	0	2,000	2,000	0	2,000	2,000	0	0	0	0	0	0	0	0	0	0	0	0
Orchard Building Work/ Primrose Caretaker House	0	0	0	0	57,000	57,000	54	56,946	57,000	0	0	0	0	0	0	0	0	0	0	0	0
EVOLVE Funding	0	0	0	0	420,000	420,000	397,079	22,921	420,000	0	0	0	0	0	0	0	0	0	0	0	0
Healthy Pupils Capital Fund	0	0	0	0	63,000	63,000	34,974	28,026	63,000	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Childrens Services</b>	<b>81,000</b>	<b>0</b>	<b>0</b>	<b>81,000</b>	<b>26,914,000</b>	<b>26,995,000</b>	<b>17,512,099</b>	<b>9,482,901</b>	<b>26,995,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>435,000</b>	<b>435,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Section 106</b>					
<b>Section 106 Scheme</b>	<b>Service Area</b>	<b>Description of Project</b>	<b>Balance Available @ 01/04/19 £</b>	<b>Forecast Expenditure for 2019/20 £</b>	<b>Balance Remaining @ 31/03/20 £</b>
Roway Lane Development	Regeneration & Growth	Contribution to improvement works at the Fountain Lane / Bromford Road junction	48,000	0	48,000
A41 Expressway / A4031 All Saints Way Junction	Regeneration & Growth	Contribution from TESCO towards the overall cost of the A41 Expressway / A4031 All Saints Way Junction scheme.	782,000	782,000	0
Former Churchfields School, All Saints Way, West Bromwich	Regeneration & Growth	Erection of 182 dwellings, 3no 100m x 60m football pitches, changing room facilities together with associated road and sewer.	17,000	0	17,000
Land at Alexandra Road and Upper Church Lane, Tipton	Regeneration & Growth	Affordable Housing	603,000	0	603,000
High St / Dartmouth St West Bromwich (was Laing but now Taylor Wimpy)	Regeneration & Growth	Affordable Housing	12,000	0	12,000
Land at Seymour Road, Oldbury	Regeneration & Growth	Affordable Housing	91,000	0	91,000
Land at Summerton Road, Oldbury	Regeneration & Growth	Affordable Housing	28,000	0	28,000
Rattlechain Oldbury DC/14/57737	Regeneration & Growth	Affordable Housing	210,000	0	210,000
Land off Mill Street Tipton - DC/15/58921	Regeneration & Growth	Affordable Housing	290,000	0	290,000
Land off spon Lane West Bromwich DC/08/49057	Regeneration & Growth	Highways Contribution	447,000	0	447,000
TESCO - West Bromwich	Regeneration & Growth	Planning / Environmental Health contribution	50,000	0	50,000
Sandwell Road West Bromwich DC/09/51649	Regeneration & Growth	Public Realm / Highways contribution	175,000	0	175,000
Ashes Road Oldbury DC/14/57470	Regeneration & Growth	Ashes Road Oldbury Contribution	336,000	0	336,000
Upper Church lane Tipton DC/09/50926	Regeneration & Growth	Planning Contribution	32,000	0	32,000
Brades Green Open Space DC/05/43995	Housing & Communities	Planting scheme to improve welcoming aspect - Oldbury	4,800	4,800	0
Barnford Park DC/07/48918	Housing & Communities	Treeworks - Oldbury	2,600	2,600	0
Mary MacArthur Gardens	Housing & Communities	Fencing, Steps & Re-Painting of Infrastructure - Rowley	27,300	27,300	0
Jubilee Park DC/04/43090 & DC/06/47114	Housing & Communities	Treeworks - Tipton	6,100	6,100	0
Farley Park DC/08/50253	Housing & Communities	Play Provision improvements - Tipton	3,500	3,500	0
Open Space - Great Bridge Ward DC/13/55558	Housing & Communities	Play Provision improvements - Tipton	15,700	15,700	0
Open Space - Great Bridge Ward DC/11/53027	Housing & Communities	Play Provision improvements - Tipton	29,700	29,700	0
Doorstep Green, Marsh Lane Public Open Space DC/04/43353	Housing & Communities	Scheme being developed with SCIPS including Mill Pool - West Bromwich	54,900	54,900	0
Charlemont Playing Fields - DC/14/56717	Housing & Communities	Improvements to Car Parking Facilities & Skate Board Park - West Bromwich	32,900	32,900	0
Redhouse Park - DC/05/45586	Housing & Communities	Scheme being developed including Entrance & Car Parking - West Bromwich	17,200	17,200	0
Yes Tree Estate - DC/13/56577	Housing & Communities	Play Provision improvements - West Bromwich	20,300	20,300	0
<b>Total Section 106</b>			<b>3,336,000</b>	<b>997,000</b>	<b>2,339,000</b>

<b>Community Infrastructure Levy (CIL)</b>					
<b>CIL Scheme</b>	<b>Service Area</b>	<b>Description of Project</b>	<b>Balance Available @ 01/04/19 £</b>	<b>Forecast Expenditure for 2019/20 £</b>	<b>Balance Remaining @ 31/03/20 £</b>
Balance in CIL fund to date - not allocated to individual projects	Regeneration & Growth		1,601,400	0	1,601,400
<b>Total Community Infrastructure Levy (CIL)</b>			<b>1,601,400</b>	<b>0</b>	<b>1,601,400</b>

## Housing Revenue Account

APPENDIX 8

Service Area	Annual Target Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ HRA Balances/ RCCO (£000)	C/fwds Previously Approved (£000)	Projected Outturn Variance (£000)
Asset Management & Maintenance	34,854	0	<b>34,854</b>	33,435	<b>(1,419)</b>	0	0	<b>(1,419)</b>
Business Excellence	3,227	0	<b>3,227</b>	3,571	<b>344</b>	(500)	0	<b>(156)</b>
Commercial Services	4,187	0	<b>4,187</b>	4,153	<b>(34)</b>	0	0	<b>(34)</b>
Corporate HRA	19,905	0	<b>19,905</b>	19,799	<b>(106)</b>	0	0	<b>(106)</b>
Housing Management	10,850	0	<b>10,850</b>	10,459	<b>(391)</b>	0	0	<b>(391)</b>
PFI	(245)	0	<b>(245)</b>	(1,248)	<b>(1,003)</b>	750	0	<b>(253)</b>
Rents & Other Charges	(111,340)	0	<b>(111,340)</b>	(111,423)	<b>(83)</b>	0	0	<b>(83)</b>
SLA's	6,913	0	<b>6,913</b>	6,913	<b>0</b>	0	0	<b>0</b>
<b>TOTAL</b>	<b>(31,649)</b>	<b>0</b>	<b>(31,649)</b>	<b>(34,341)</b>	<b>(2,692)</b>	<b>250</b>	<b>0</b>	<b>(2,442)</b>

## Individual Schools Budget

APPENDIX 9

Service Area	Annual Budget (£000)	B/fwd from Previous Year (£000)	Total Budget (£000)	Projected Outturn (£000)	Projected Variance (£000)	Use of Reserves/ Corporate Resources/ RCCO (£000)	C/fwds Previously Approved (£000)	Projected Outturn Variance (£000)
ISB High Needs	41,430	0	<b>41,430</b>	41,532	<b>102</b>	0	0	<b>102</b>
Early Years	23,933	0	<b>23,933</b>	23,788	<b>(145)</b>	0	0	<b>(145)</b>
Central Services Services Block	2,008	0	<b>2,008</b>	2,008	<b>0</b>	0	0	<b>0</b>
Schools	153,718	0	<b>153,718</b>	153,718	<b>0</b>	0	0	<b>0</b>
Dedicated Schools Grant	<b>(220,686)</b>	0	<b>(220,686)</b>	<b>(220,686)</b>	<b>0</b>	0	0	<b>0</b>
Other income	<b>(403)</b>	0	<b>(403)</b>	<b>(403)</b>	<b>0</b>	0	0	<b>0</b>
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(43)</b>	<b>(43)</b>	<b>0</b>	<b>0</b>	<b>(43)</b>



## Treasury Management Strategy Statement and Prudential Indicators Mid-Year Monitoring Report 2019/20

### **1 Background**

#### **1.1 Treasury Management**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short-term loans or using longer term cash flow surpluses and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

*“The management of local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.”*

### **2. Introduction**

This report has been written in accordance with the requirements of the CiPFA Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the way the Council will seek to achieve those policies and objectives.
- Receipt by the full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report

and an Annual Report (stewardship report) covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specified named body. For this Council the delegated body is the Corporate Scrutiny Management Board.

This mid-year report has been prepared in compliance with CiPFA's Code of Practice on Treasury Management and covers the following:

- An economic update for the first part of 2019/20 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of any debt rescheduling undertaken during 2019/20;
- A review of compliance with Treasury and Prudential Limits for 2019/20.

### **3. Economics and Interest Rates**

#### **3.1 UK Summary Economic Update**

The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. The Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019 and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. As for inflation, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell to 1.7% in August. It is likely to remain close to 2% over the next two years however, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound. With regards to the Labour market, employment has continued to rise at a slow rate in quarter 2 however, unemployment continued a 44 year low of 3.8% on the Independent Labour Organisation measure in July with a participation rate of 76.1%, achieving an all-time high. Unemployment however, has continued to fall this during quarter 2 and employers will still have difficulty filling job vacancies, despite vacancies falling for a seventh consecutive month therefore, unsurprisingly wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July. This meant in real terms wage rates were higher than CPI inflation, as earning grew by about 2.1%. GDP statistics also include a ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not overstretched and so will be able to support growth going forward. This would mean that the MPC will need to consider carefully at what point to act to raise Bank Rate if there is an agreed Brexit deal, as a recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

A full economic update has been provided by the Council's Treasury Management advisors (Link Asset Services) and is detailed in section 8 of this report.

### 3.2 Interest Rate Movements and Expectations

The table below shows interest rate forecasts provided by Link Asset Services, as the Council's advisor for treasury management, incorporating the Public Works Loans Board (PWLB) certainty rates:

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

The above forecasts have assumed, that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth." Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

#### The balance of risks to the UK

- The overall balance of risks to the economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rate that have prevailed for eleven years

since 2008. This means that the neutral rate of interest in an economy i.e. the rate that is neither expansionary nor deflationary, is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore, over or under-do increases in central interest rates (See section 8 for more information with regards to UK Gilt and PWLB rates).

#### 4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by this Council on 20 February 2019.

The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below:

	2019/20	
	Original Estimate £'m	Revised Prudential Indicator £'m
Authorised Limit	782.761	782.051
Operational Boundary	636.240	628.702
Capital Financing Requirement	782.761	782.051

#### 5. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity

##### 5.1. Prudential Indicator for Capital Expenditure

This table shows the projected outturn for capital expenditure based on projections at period 6, along with the expected financing arrangements against the original indicators set at the time the capital programme was agreed in March 2019.

	2019/20	
	Original Estimate £'m	Projected Outturn £'m
<b>Capital Expenditure</b>		
General Fund	64.858	56.612
HRA	70.706	81.303
<b>Total</b>	<b>135.564</b>	<b>137.915</b>
<b>Resourced by:</b>		
Capital Receipts	12.202	12.316
Capital Grants & Contributions	41.463	43.013
Revenue	22.149	16.383
<b>Capital Expenditure Financed from Borrowing</b>	<b>59.750</b>	<b>66.203</b>

There has been an overall increase in the level of expenditure to be financed by borrowing. This is mainly due to an increase on the housing capital expenditure added to the capital programme and a reduction in expected revenue contributions, in line with the Council's vision for 2030.

The borrowing need increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt known as the Minimum Revenue Provision (MRP). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

## 5.2. Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed as the Operational Boundary.

	2019/20					
	Original Estimate			Projected Outturn		
	HRA	General Fund	Total	HRA	General Fund	Total
	£'m	£'m	£'m	£'m	£'m	£'m
<b>Opening Capital Financing Requirement</b>	<b>421.501</b>	<b>319.611</b>	<b>741.112</b>	<b>423.325</b>	<b>318.588</b>	<b>741.913</b>
add: Capital Expenditure funded from Borrowing	44.327	15.423	59.750	59.326	6.877	66.203
less: MRP	-1.974	-10.351	-12.325	-10.000	-10.289	-20.289
add: Movement on Other Long Term Liabilities	-1.768	-4.008	-5.776	-1.768	-4.008	-5.776
<b>Closing Capital Financing Requirement</b>	<b>462.086</b>	<b>320.675</b>	<b>782.761</b>	<b>470.883</b>	<b>311.168</b>	<b>782.051</b>
<b>External Debt / Operational Boundary</b>						
Borrowing			558.556			551.018
Other Long Term Liabilities*			77.684			77.684
<b>Total Debt at 31 March (Operational Boundary)</b>			<b>636.240</b>			<b>628.702</b>

\* - Represents the estimated finance lease creditors liability as at 31 March 2020 in relation to 'on balance sheet' PFI schemes and the assets included within the Serco waste contract which have been included on the balance sheet in accordance with International Financial Reporting Standards.

### 5.3. Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2019/20	
	Original Estimate £'m	Projected Outturn £'m
Gross Borrowing	558.556	551.018
add: Other Long Term Liabilities*	77.684	77.684
less: Investments	-25.000	-25.000
<b>Net Borrowing</b>	<b>611.240</b>	<b>603.702</b>
<b>CFR (Year end position)</b>	<b>782.761</b>	<b>782.051</b>

\* Includes on balance sheet PFI schemes and finance leases etc.

The Section 151 Officer can report that there are no difficulties envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	2019/20	
	Original Estimate £'m	Projected Outturn £'m
Borrowing	705.077	704.367
add: Other Long Term Liabilities*	77.684	77.684
<b>Total Authorised Limit</b>	<b>782.761</b>	<b>782.051</b>

\* Includes on balance sheet PFI schemes and finance leases etc.

## 6. Borrowing / Debt Activity during 2019/20

This table shows the Council's actual external debt and anticipated need against the underlying capital borrowing need (the CFR), highlighting any under or over borrowing.

	2019/20	
	Original Estimate £'m	Projected Outturn £'m
External Debt as at 1 April	558.556	551.018
Expected need to 31 March	0.000	0.000
Other Long Term Liabilities*	77.684	77.684
<b>Estimated Debt as at 31 March</b>	<b>636.240</b>	<b>628.702</b>
<b>Capital Financing Requirement</b>	<b>782.761</b>	<b>782.051</b>
(-)Under / (+)Borrowed	-146.521	-153.349
Investment as at 31 March	-25.000	-25.000
<b>Net Debt Position as at 31 March</b>	<b>611.240</b>	<b>603.702</b>

\* - Includes on balance sheet PFI schemes and finance leases etc.

No new long-term loans have been taken out during the first six months of 2019/20. Officers will continue to consider the Council's borrowing requirement during the remainder of the year to ensure it has adequate resources to maintain its capital programme.

The Council is currently under borrowed to address investment counterparty risk and the cost of carry on investments (investment yield up to 0.75%, long term borrowing rates are approximately 2.95%). There is interest rate risk, as longer term borrowing rates may rise; this position is being carefully monitored.

The revised budget position for debt charges is shown in the table below:

	2019/20	
	Original Estimate £'m	Projected Outturn £'m
Debt Charges	50.298	46.511

The reduction in debt charges is due to a reduction in MRP costs within the HRA.

### 6.1. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequence structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010 and with the recent increase in October 2019. No debt rescheduling has, therefore, been undertaken to date in the current financial year.

## 7. Investment Strategy 2019/20 – 2023/24

### Key Objectives

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis and its impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increase in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

### Current Investment Position

The Council held £75.304m of investments at 30 September 2019 with the structure of the portfolio being detailed below and in line with IFRS9. This table also highlights the 'historic risk of default' on these investments. As at 30 September 2019 the Council is reporting a risk of default percentage of 0.003%:



Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF CCLA	10,000,000	0.73%		MMF	AAA	0.000%
MMF Federated Investors (UK)	10,000,000	0.74%		MMF	AAA	0.000%
MMF Aviva	9,200,000	0.72%		MMF	AAA	0.000%
MMF Aberdeen Standard Investments	10,000,000	0.74%		MMF	AAA	0.000%
The Royal Bank of Scotland Plc (RFB)	854,402	0.20%		Call	A	0.000%
Australia and New Zealand Banking Group Ltd	10,000,000	0.82%	16/07/2019	25/10/2019	AA-	0.002%
DBS Bank Ltd	10,000,000	0.82%	31/07/2019	26/11/2019	AA-	0.004%
DBS Bank Ltd	5,000,000	0.80%	27/09/2019	19/12/2019	AA-	0.005%
Lloyds Bank Plc (RFB)	10,000,000	1.10%		Call95	A+	0.014%
* 6 Towns Credit Union	250,000	1.49%	13/11/2017	14/11/2022	Not Rated	
<b>Total Investments</b>	<b>£75,304,402</b>	<b>0.81%</b>				<b>0.003%</b>

The revised budget position for investment income is shown in the table below:

	2019/20	
	Original Estimate £'m	Projected Outturn £'m
Interest Receivable	2.640	3.226

## Risk Benchmarking

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to Member reporting, although the application of these is more subjective in nature.

The current position against the originally approved benchmarks is reported below;

% Benchmarks	7 Day	1 Month	3 Month	6 Month	12 Month
Benchmark Return (LIBID Uncompounded)	0.57%	0.59%	0.63%	0.70%	0.76%

## Liquidity

In respect of this area, the Council set liquidity facilities / benchmarks to maintain:

- Bank overdraft - £2m
- Liquid short-term deposits of at least £21m available within a week's notice.

The Section 151 Officer can report that liquidity arrangements have been adequate during the year to date.

## Yield

Local measures of yield benchmarks are:

- Investments – Internal returns to be above the 7-day LIBID rate

The Executive Director of Resources can report that the return to date has averaged 0.78%, against an average 7-day LIBID at 30 September 2019 of 0.57%.

## 8. Other

### 8.1 Full Economic Update

**UK.** This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MP's also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MP's for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU, then it is possible that growth could recover relatively quickly. The MPC would then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and expressed concern that the prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the labour market, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July (3-month average regular pay, excluding bonuses). This meant that in real terms (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to act to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the political arena, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

**USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1% (annualised rate) to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August (reducing its holdings of treasuries etc). It then cut

rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

**EUROZONE.** Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through to the end of 2019” but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SPD coalition government.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the

stock of unsold property and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

**JAPAN.** It has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**WORLD GROWTH.** The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concern's are focused on the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries (apart from the US) and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

## 8.2 UK Gilts and PWLB Rates

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.


Upside risks to current forecasts for UK gilt yields and PWLB rates:

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

## REPORT TO BUDGET AND CORPORATE SCRUTINY MANAGEMENT

04 December 2019

<b>Subject:</b>	ICT Monitoring Update
<b>Director:</b>	Executive Director – Resources – Darren Carter
<b>Contribution towards Vision 2030:</b>	
<b>Contact Officer(s):</b>	Sue Knowles Head of ICT and Revenues and Benefits <a href="mailto:sue_knowles@sandwell.gov.uk">sue_knowles@sandwell.gov.uk</a>

### DECISION RECOMMENDATIONS

**That Budget and Corporate Scrutiny Management Board :**

1. Review and comment upon the ICT Monitoring update.

#### 1 **PURPOSE OF THE REPORT**

- 1.1 To provide an update report and presentation to advise members of the Board about the work and performance of ICT Services.

**Darren Carter, Executive Director – Resources**