

REPORT TO CABINET

18 November 2020

Subject:	Quarter 2 Budget Monitoring 2020/21
Presenting Cabinet Member:	Cllr Ali – Cabinet Member for Resources and Core Services
Director:	Rebecca Maher – Head of Finance/Acting S151 Officer
Contribution towards Vision 2030:	
Key Decision:	Yes
Cabinet Member Approval and Date:	Yes
Director Approval:	23 October 2020
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Does not apply
Ward Councillor (s) Consulted (if applicable):	Does not apply
Scrutiny Consultation Considered?	To be considered by Budget and Corporate Scrutiny Management Board
Contact Officer(s):	Rebecca Maher, Head of Finance/Acting S151 Officer Rebecca_Maher@sandwell.gov.uk Clare Sandland, Service Manager (Finance) Clare_sandland@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

1. Receives the financial monitoring position of individual directorates and the Housing Revenue Account (HRA) as at 30 September 2020 (quarter 2 2020/21) and refer to the Budget and Corporate Services Scrutiny Management Board for consideration and comment.
2. Notes the current financial position for the Council:

	Appendix	Projected Variance (£000)	(Use of) Reserves/ Corporate Resources/ RCCO (£000)	COVID-19 Pressures (£000)	Projected Outturn Variance (after COVID-19 Funding Applied) (£000)
Corporate Management	1A	0	0	0	0
Resources	1B	5,065	(2,893)	1,679	493
Adult Social Care	1C	(5,848)	3,500	1,805	(4,153)
Regeneration & Growth	1D	3,999	222	2,844	1,377
Housing & Communities	1E	2,026	(86)	2,678	(738)
Children's Services	1F	6,027	(15)	3,119	2,893
TOTAL DIRECTORATES		11,269	728	12,125	(128)

3. Approves the following budget virements above £0.250m:

Virements above £0.250m for approval by Cabinet	(£000)	(£000)
<u>HOUSING & COMMUNITIES</u> Virement 1 - Climate change budget transferred from H&C to R&G	0	392

REGENERATION & GROWTH		
Virement 1 - Climate change budget transferred to R&G from H&C	392	0
TOTAL	392	392

4. Approves the allocation of £0.433m to Sandwell Children’s Trust to fund COVID-19 pressures (already reflected within the Children’s Services budget monitoring), which is in addition to the £0.391 allocation approved at quarter 1.

1 PURPOSE OF THE REPORT

1.1 This report summarises the financial position of Sandwell MBC as at the end of September 2020 (Quarter 2 2020/21).

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 Section 151 Officer 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 underspend of **£0.128m** which is broken down in the table below:

	Appendix	Projected Variance (£000)	(Use of) Reserves/ Corporate Resources/ RCCO (£000)	COVID-19 Pressures (£000)	Projected Outturn Variance (after COVID-19 Funding Applied) (£000)
Corporate Management	1A	0	0	0	0
Resources	1B	5,065	(2,893)	1,679	493
Adult Social Care	1C	(5,848)	3,500	1,805	(4,153)
Regeneration & Growth	1D	3,999	222	2,844	1,377
Housing & Communities	1E	2,026	(86)	2,678	(738)
Children's Services	1F	6,027	(15)	3,119	2,893
TOTAL DIRECTORATES		11,269	728	12,125	(128)

Including Public Health and Central Items, the directorate-level forecast outturn position is an underspend of **£1.295m**.

4.2 This projection is after utilising £14.743m of reserves and one-off corporate resources that have previously been earmarked for use by those services, and after making a Revenue Contribution to Capital Outlay (RCCO) of £3.500m. When this is taken into account, the overall position for the Council is a projected overspend of **£9.948m**. As this is a planned use of earmarked balances, this overspend will not reduce the Council's free balances.

4.3 The projection also includes the use of £13.964m of COVID-19 Central Government Emergency Grant Funding.

- 4.4 There are other COVID-19 related pressures that are not included in the projection above. These relate to commercial income and Business Rates and Council Tax losses. However, current projections indicate that the total COVID-19 related pressures for the current financial year can be funded from the Emergency Grant funding of £33.094m. Further detail on these can be found in the COVID-19 and Additional Grants section from paragraph 4.23 onwards.
- 4.5 A breakdown of the directorate variances across service areas is contained in the individual appendices referenced above.
- 4.6 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 with the impact of COVID-19 on children's safeguarding issues. The Trust is routinely monitored, through contract governance arrangements, by the Director of Children's Services.

REASON FOR VARIANCES

Corporate Management (Appendix 1A)

- 4.7 The year-end forecast outturn for Corporate Management is a **break-even position**.

Resources (Appendix 1B)

- 4.8 The projected outturn variance against the allocated budget is an overspend of £5.065m. After funding £1.679m of COVID related pressures from the Emergency Grant and applying £2.893m of reserves and earmarked balances, the adjusted outturn variance is an **overspend of £0.493m**. There are a number of notable variances contributing to this net projection.
- 4.9 Finance has a forecast **overspend of £0.106m** due to a provision for a planned leaver (£0.080m), VAT advice (£0.049m) and loss of income from schools (£0.039m). This is being partially offset by savings from vacant posts (£0.038m), lower spend on supplies & services (£0.020m) and an increase in SLA income from West Midlands Fire Service (£0.004m).
- 4.10 The projection for Law & Governance is an **overspend of £0.701m** resulting from;
- Pressures on vacancies in Children's/Adult Social Care Legal being covered by temporary staff who are paid higher than the available budget (£0.174m);

- Additional resources to help with work relating to Information Governance and Freedom of Information Act matters and additional resources to deal with Corporate issues and matters (£0.996m);
- Firmstep licences for the Member Portal, and additional resources associated with implementing democratic remote working arrangements (£0.080m);
- An unachievable income target on Legal and Governance team (£0.097m).
- These pressures are being partially offset by vacancy savings within the Legal & Governance team (£0.225m), additional income from Registrations Services (£0.220m) and savings on elections due to elections being delayed to May 2021 (£0.201m).

4.11 The projection for Revenue and Benefits and ICT is an **underspend of £0.251m**. Areas contributing to this net underspend are:

Savings:

- Vacancies being held within Revenue and Benefits (£0.472m);
- Additional Housing Benefit Overpayment Recovery (£0.522m);
- Additional New Burden's Grant funding (£0.243m);
- ICT additional income from the sale of stock (£0.095m), contract savings in the COLD Invoice system (£0.040m) and other contract savings (£0.090m).

Pressures:

- Income pressures relating to Council Tax and NDR Court Costs Recovery (£0.596m);
- Additional support from Northgate (£0.125m);
- Provisions for/costs of planned leavers (£0.341m);
- An increase in unsubsidised Housing Benefit (IWorld) (£0.040m) and replacement kiosks (£0.043m);
- Server upgrade costs (£0.066m).

4.12 Human Resources have a forecast **underspend of £0.059m**. There are savings against Learning & Development due to courses moving online (£0.187m), Sandwell Employee Benefit and vacancy savings (£0.239m) being used to fund lower than anticipated SLA uptake from schools (£0.337m) and additional spend to support the Electronic documentation system (£0.030m).

4.13 The remaining 2 areas within Resources (Communications & Service Improvement and Directorate) have a minor net **underspend of £0.004m**.
Adult Social Care (Appendix 1C)

- 4.14 The projected outturn variance against the allocated budget is an underspend of £5.848m. After funding £1.805m of COVID related pressures from the Emergency Grant and applying £3.500m of the Better Care Fund to the capital costs of the new health and social facility in Rowley Regis, the adjusted outturn variance is an **underspend of £4.153m.**
- 4.15 Within the Management Team the service holds a contingency budget of £1.500m, brought forward from the 2018/19 underspend. Having successfully secured additional Better Care Fund resources to protect adult social care, this contingency budget will not be used in the current financial year.
- 4.16 The balance of the projected variance predominantly relates to underspends against staffing budgets. This reflects the deferral of recruitment, reductions in the use of agency staff and internal staffing redeployment while certain services operated with reduced face to face contact.
- 4.17 There are a number of significant issues which introduce additional uncertainty into the year-end forecast:
- The service is experiencing increased demand for services and the prices quoted by external care providers are increasing;
 - The Government has implemented a new hospital discharge pathway from September 2020; the full implications of which are still being assessed;
 - Due to infection control concerns, the internal and external day care services have not restarted. The service is currently developing an alternative offer to support vulnerable adults and the financial implications remain uncertain.

Regeneration and Growth (Appendix 1D)

- 4.18 The projected outturn variance against the allocated budget is an overspend of £3.999m. After contributions to reserves and the use of the Emergency Grant for COVID pressures the adjusted outturn variance is an **overspend of £1.377m.**
- 4.19 The projected overspend is primarily due to pressures within the Property Management Account which funds the maintenance of and repairs to the authority's property portfolio. A director led project group has been established to review this area, however achieving a balanced position is unlikely.

- 4.20 The service has highlighted the risk of potential overspends within Highway Maintenance; these pressures are not reflected within the outturn projection pending a more detailed analysis of the issues and of the implications if maintenance is restricted to an affordable programme.

Housing and Communities (Appendix 1E)

- 4.21 The projected outturn variance against the allocated budget is an overspend of £2.025m. After movements in reserves and the use of the Emergency Grant for COVID pressures the adjusted outturn variance is an **underspend £0.738m**.
- 4.22 The projected underspend reflects staffing vacancies, most significantly within the corporate contact centre and reduced purchases within those public facing services which remained closed throughout the lockdown period (libraries & museums). The directorate has experienced a significant COVID related loss of income, elements of which are expected to continue throughout the remainder of the year. The projections anticipate that this pressure can be funded from COVID grants allocated to the authority.

Children's Services (Appendix 1F)

- 4.23 The projected outturn variance against the allocated budget is an overspend of £6.027m. After movements in reserves and the use of the Emergency Grant for COVID pressures the adjusted outturn variance is an **overspend of £2.893m**.
- 4.24 The annual budget allocated for SEND home to school transport is £2.500m, However, demand for this statutory service means that there is a projected pressure of £3.284m in the current financial year. The budget is being closely monitored with a Director led, officer working group exploring a range of actions to mitigate against this pressure. There are some offsetting vacancies across the Directorate leaving a net unfunded pressure of £2.893m.

Public Health (Appendix 1G)

- 4.25 The projected outturn variance against the allocated budget is an underspend of £0.462m. After the application of reserves and corporate resources the adjusted outturn variance is an **underspend of £0.750m**.
- 4.26 The projected underspend is primarily due to reduced activity within volume-based contracts and vacancies within the staffing structure. Both issues are partly related to COVID-19 and restrictions on non-essential face to face contacts.

4.27 Approximately £5.400m of the Public Health Grant is allocated to activities undertaken by other directorates; the projected outturn anticipates that these resources will be fully distributed during 2020/21.

CENTRAL ITEMS

4.28 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.

4.29 The projected outturn against these budgets is an **underspend of £0.418m**. Appendix 2 provides a breakdown of these Central Items.

BUDGET VIREMENTS

4.30 Appendix 3 sets out the budget virements which Cabinet are requested to approve.

COVID-19 & ADDITIONAL GRANTS

4.31 The following additional grants have been received by the Council to help assist in addressing the COVID-19 pandemic:

Grant	Allocation (£000)
COVID-19 Emergency Funding	33,094
Infection Control Fund	6,020
Test & Trace Funding	2,277
Emergency Assistance Grant	521
Reopening of High Street Fund	293
Rough sleepers Emergency Fund	8
Council tax hardship fund	4,547
Test & Trace Support Payments (Self-isolation)	350
Covid-19 Enhanced Response	657
Compliance and Enforcement Grant	227
Small business Grant Fund / Retail Hospitality & Leisure Grant (includes Discretionary Business Grant funding of £3.362m)	73,036
Grant Support for Business Improvement Districts	34
New Burdens Funding for SBG & RHL	170
TOTAL	121,063

- 4.32 The £33.093m COVID-19 Emergency Funding is the only unringfenced grant that has been allocated for COVID-19 related pressures. All of the other grants in the table above are ringfenced for specific purposes and a significant proportion are being passported onto external organisations or the local community:
- Infection Control Fund
 - Council Tax Hardship Fund
 - Small Business Grant/Retail, Hospitality and Leisure Grant/Discretionary Business Grant Funding
 - Test and Trace Support Payments
- 4.33 The COVID-19 Emergency Funding is addressing pressures of £13.964m due to additional expenditure and loss of income on Directorates, Central Items and Public Health. It is also being used to fund budget shortfalls resulting from reduced Business Rates and Council Tax collection, the loss of some commercial income, and delayed delivery of budget savings.
- 4.34 Although the projections show that the Council is able to fund COVID-19 related pressures from the Emergency Grant funding in the current year, this includes a number of assumptions/variables such as:
- There is significant uncertainty about the financial impact of the second COVID-19 wave which is now taking place due to the restrictions differing from the initial national lockdown. This particularly affects the ability to accurately assess the Business Rates and Council Tax collection rates as it was expected that these would begin to become closer to normal at this point in the year.
 - No costs have currently been included for changes required to office space for social distancing when more staff return nor funding of equipment for staff to work from home if it is decided that this will continue on a longer-term basis.
- 4.35 It should be noted that the loss in Business Rates and Council Tax income will not impact on the Council's budget in the current financial year. This loss will create a deficit on the Council's Collection Fund which then has to be recovered in future years. Usually, the Council would be required to recover the full deficit in the following financial year i.e. 2021/22, but the MHCLG have recently announced that this can now be spread over 3 years. It is currently estimated that the deficit on the Collection Fund can be funded from the COVID-19 Emergency Funding. However, there will certainly be a reduction in the expected Business Rates and Council Tax income for next financial year and beyond which will impact on Council's Medium-Term Financial Strategy (MTFS).

- 4.36 Work is still required on estimating the potential reduction in funding across the period of the MTFs and how this can be addressed. This will be undertaken by the Leadership Team's Budget Board and further information will be included in future monitoring reports to Cabinet.

SPECIFIC RESERVES

- 4.37 At the end of 2019/20, the Council held **£46.015m** in specific reserves. These are detailed in Appendix 4. It is currently projected that these reserves will reduce by **£12.579m** during 2020/21 leaving a balance of **£33.436m**.

CAPITAL MONITORING

- 4.38 Expenditure on the Council's capital programme is forecast to be **£169.459m** during 2020/21. Appendix 6 provides a detailed breakdown of the programme.
- 4.39 The main changes that have taken place since the Quarter 1 2020/21 monitoring are as follows:
- An increase of £0.702m in the Resources budget, mainly in relation to the reprofiling of resources from 2021/22 into 2020/21 to accelerate the ICT End User Computing 2 scheme.
 - A decrease of £18.763m in the Adults Social Care budget mainly due to the following slippage of resources into 2021/22;
 - £0.373m Vulnerable Home Owners Improvements;
 - £0.603m Empty Properties;
 - £0.200m Swift Impress system;
 - £3.452m Disabled Facilities Grant in respect of disabled adaptations in private premises;
 - £0.763m Adult Social Care Grant;
 - £0.388m Vulnerable Home Owners Kick Start;
 - £12.688m New Adult Social Care & Health Centre in Rowley Regis due to mineshaft problems causing a delay in the contractor starting on site.
 - An increase of £1.040m in the Regeneration & Growth budget as a result of;
 - Additional funding received from the West Midlands Combined Authority Challenge Fund for Roads & Footways (£2.100m) and the Emergency Active Travel Fund Tranche 1 (£0.241m);
 - Additional funding received from the Department for Transport (DFT) in respect of the TIIF Challenge Fund for Dudley Street and Scott Bridge repairs (£0.250m);
 - Additional funding received from the Towns Fund in respect of improvement works in Rowley Regis, Smethwick and West Bromwich (£2.250m);

- Slippage of resources into 2021/22 has occurred for Section 106 monies (£2.339m), West Bromwich Car Parking (£0.581m) and Regional Housing Board Allocations (£1.000m).
- A decrease of £0.513m in the Housing & Communities budget mainly in relation to the slippage of resources into 2021/22 for Environmental Improvements to Neighbourhoods Grot Spots (£0.050m) and the Public Conversion to College scheme for potential future roof repairs when they become required (£0.341m).
- An increase of £2.193m in the Children's Services budget to reflect the use of Basic Need resources to continue various school improvement schemes, mainly in respect of Q3 Academy, Bristnall Hall & West Bromwich Collegiate.
- A decrease of £16.031m in the HRA budget mainly due to the removal of new build expenditure because of project delays (£9.129m) and the reprofile of budgets relating to the refurbishment of Alfred Gunn House (£7.823m).

SECTION 106/COMMUNITY INFRASTRUCTURE LEVY (CIL)

- 4.40 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure and must be used for specific purposes. The Council currently holds **£2.519m** in Section 106 monies and is forecasting to spend **£0.180m** during 2020/21, leaving a remaining balance of **£2.339m**.
- 4.41 The Community Infrastructure Levy is a charge that local authorities can set on a new development to raise funds to help fund the infrastructure, facilities and services which are needed to support new homes and businesses in the area. The Council currently holds **£1.863m** in CIL monies and is not forecasting any expenditure against this during 2020/21.
- 4.42 Appendix 7 provides a more detailed breakdown of these monies.

PERFORMANCE INDICATORS

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

HOUSING REVENUE ACCOUNT (HRA)

- 4.44 The projected outturn variance against the allocated budget is an underspend of £4.524m. After making a revenue contribution to capital outlay (RCCO) of £0.750m the adjusted outturn variance is an **underspend of £3.777m**. The projected underspend reflects staffing vacancies and reduced activity on repairs and maintenance due to restrictions throughout the lockdown period.
- 4.45 Appendix 8 provides a breakdown of this underspend against the service areas within the HRA.

INDIVIDUAL SCHOOLS BUDGETS (ISB)

- 4.46 The year-end forecast against the Dedicated Schools Grant allocation for 2020/21 is an **underspend of £0.407m** against the High Needs Block. The underspend is predominately due to a delay in recruiting to new posts that have been created within Support for Inclusion and Special Education Needs Support Services. The High Needs Block outturn for 2019/20 was a deficit of £0.561m; therefore, the projected cumulative balance at the end of 2020/21 is an **overspend of £0.154m**

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

Appendix 10 Treasury Management Half Yearly Report

Rebecca Maher

Head of Finance/Acting S151 Officer