

Report to Cabinet

24 February 2021

Subject:	Quarter 3 Budget Monitoring 2020/21
Cabinet Member:	Cllr Ali – Cabinet Member for Resources and Core Services
Director:	Rebecca Maher – Acting Director of Finance
Key Decision:	Yes
Contact Officer:	Clare Sandland, Service Manager (Finance) Clare_sandland@sandwell.gov.uk

1 Recommendations

1. That the financial monitoring position of individual directorates and the Housing Revenue Account (HRA) as at 31 December 2020 (quarter 3 2020/21) be received and referred to the Budget and Corporate Scrutiny Management Board for consideration and comment.
2. That the current financial position for the Council be noted as follows:



	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 Resources	1A	(32)	0	0	(32)
Adult Social Care	1B	3,520	(2,868)	1,159	(507)
Regeneration & Growth	1C	(11,143)	3,500	2,269	(9,912)
Housing & Communities	1D	3,897	167	2,940	1,124
Children's Services	1E	1,300	46	3,295	(1,949)
	1F	7,178	(21)	4,305	2,852
TOTAL DIRECTORATES		4,720	824	13,968	(8,424)

3. That the following budget virements above £0.250m be approved:

Virements above £0.250m for approval by Cabinet	(£)	(£)
HOUSING & COMMUNITIES		
Expenditure to reflect increase in income received for Homeslessness Grants	391,000	0
Reflection of additional income for Homelessness Grants	0	391,000
Adult Social Care		
Clinically Extremely Vulnerable Grant	0	472,000
COVID Winter Grant Scheme	0	1,404,600
Infection Control Fund Round 1	0	2,875,900
Infection Control Fund Round 2	0	3,144,400
Management Team	7,896,900	0
Public Health		
Public Health Grant - In year increase in Public Health Grant	0	581,000
Reduction in Public Health savings requirement	581,000	0
TOTAL	8,868,900	8,868,900



4. That a sum of £0.632m be allocated 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 and £0.433m allocation approved at quarter 2.
5. That a carry forward of £2.000m be approved for Adult Social Care to 2021/22, with the remaining underspend of £7.072m to be released back to Council balances and ringfenced to cover future year budget pressures (the total underspend on Directorates is £8.424m plus £0.648m on central items).
6. That the creation of an earmarked reserve for Elections Services of £0.150m be approved to enable COVID-19 safe elections to be facilitated.
7. That a revenue contribution be approved to capital outlay of £0.600m from the Sandwell Children's Trust earmarked reserve for the purchase of ICT equipment required by Sandwell Children's Trust.
8. That the committed spend against the Land Regeneration Fund be noted as follows:

Land Regeneration Fund Schemes	Spent/Committed £000
Sandwell Regeneration and Inclusive Growth Deal Delivery Plan	150
Brandhall Golf Course Options	50
Lyng Regeneration Phase Two	90
Housing Options Business Case	50
Sandwell Valley Review	55
Lion Farm Playing Fields Feasibility Study	25
West Bromwich Masterplan	200
Housing Delivery Vehicle	230
Brandhall Golf Course Masterplan	250
Land Reaeration Fund - Approved Allocations	1,100
Land Regeneration Fund - Unallocated Budget	222
Land Regeneration Fund Total Budget	1,322



(The Land Regeneration Fund was established as an earmarked balance during financial year 2017/18. Its purpose was to meet the costs of feasibility studies or options analysis (where external funding couldn't be obtained) with the aim that this initial expenditure could lead to development projects in the future.)

2 Reasons for Recommendations

- 2.1 The Section 151 Officer is required to report the financial position of the authority to Cabinet on a quarterly basis.
- 2.2 The report sets out the projected year-end variances for each directorate and the reasons for those variances.

THE CURRENT POSITION

FORECAST OUTTURN SUMMARY

- 2.3 At a directorate level, excluding Public Health, Central Items and the HRA, the Council is forecasting a year-end underspend of **£8.424m** 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	(32)	0	0	(32)
Resources	1B	3,520	(2,868)	1,159	(507)
Adult Social Care	1C	(11,143)	3,500	2,269	(9,912)
Regeneration & Growth	1D	3,897	167	2,940	1,124
Housing & Communities	1E	1,300	46	3,295	(1,949)
Children's Services	1F	7,178	(21)	4,305	2,852
TOTAL DIRECTORATES		4,720	824	13,968	(8,424)



Including Public Health and Central Items, the directorate-level forecast outturn position is an underspend of **£10.451m**.

- 2.4 This projection is after utilising £14.754m of reserves and one-off corporate resources that have previously been earmarked for use by those services, and after making Revenue Contributions to Capital Outlay (RCCO) of £4.100m. When this is taken into account, the overall position for the Council is a projected overspend of **£0.203m**. As this is a planned use of earmarked balances, this overspend will not reduce the Council's free balances.
- 2.5 The projection also includes the use of £15.827m of COVID-19 Central Government Emergency Grant Funding.
- 2.6 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 2.38 onwards.
- 2.7 A breakdown of the directorate variances across service areas is contained in the individual appendices referenced above.
- 2.8 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)

- 2.9 The year-end forecast outturn for Corporate Management is **an underspend of £0.032** due to reduced spend on supplies and services.



Resources (Appendix 1B)

- 2.10 The projected outturn variance against the allocated budget is an overspend of £3.520m. After funding £1.159m of COVID-19 related pressures from the Emergency Grant and applying £2.868m of reserves and earmarked balances, the adjusted outturn variance is an **underspend of £0.507m**. There are a number of notable variances contributing to this net projection.
- 2.11 Finance has a forecast **overspend of £0.042m** due to the additional costs of externally sourced VAT advice.
- 2.12 The projection for Law & Governance is an **overspend of £0.069m** resulting from;
- Legal Services – an **overspend of £1.029m** due to:
 - Vacancies in Children’s/Adult Social Care Legal being covered by temporary staff, the commercial rates for which are higher, and the total costs of which greater than the available budget (0.223m);
 - Lower than budgeted employee hours and office costs (£0.173m);
 - Use of external agencies to support case load within social care (£0.310m);
 - Additional resources for GDPR compliance (£0.168m);
 - External costs relating to Corporate Matters (FOI/SARS/Prosecution & Civil Litigation/Employment) (£0.420m);
 - An historic budget shortfall (£0.081m).
 - Governance Services – an **underspend of £0.202m** due to vacant posts within Democratic and Member Services (£0.162m), savings due to staff working from home and events not being held (£0.064m) offset by an historic budget shortfall (£0.016m), additional costs for member laptops (£0.031m) and additional costs for the Members Portal (£0.018m).



- There is a forecast underspend against Election Services (£0.041m). This is the net of the saving from a fallow year (£0.191m) and the creation of an earmarked reserve (£0.150m) to enable COVID-19 safe elections to be facilitated (included in the recommendation section above). It will be necessary to re-baseline the Election Services budgets to ensure they are fit for purpose post COVID-19.
- Registration Services – **an underspend of £0.758m** due to an increase in income (£1.558m) offset by additional provisions required by the registration services including overtime and additional equipment (£0.723m) and resurfacing work (£0.077m).

2.13 The projection for Revenue and Benefits and ICT is an **underspend of £0.609m**. Areas contributing to this net underspend are:

Savings:

- Vacancies being held within Revenue and Benefits (£0.454m);
- Additional Housing Benefit Overpayment Recovery (£0.400m);
- Additional New Burden's Grant funding (£0.297m);
- Savings due to COVID-19 restrictions in Magistrates Courts and staff working from home (£0.121m);
- ICT additional income for Cyber Security and additional change requests (£0.095m);
- Contract savings in the COLD Invoice system (£0.040m) and other contract savings (£0.070m);
- Delay in cloud computing (£0.100m);
- Decrease in the provision for Housing Benefit Overpayment Arrears (£0.365m);
- Additional income for R&B for administering Business Improvement Districts (£0.021m).

Pressures:

- Income pressures relating to Council Tax and NDR enforcement activity (£0.740m);
- Additional costs for Higher Level Apprentices (£0.085m);



- Forti Analyser - Fireware Monitor (part of public sector network compliance) (£0.085m);
- Additional support from Northgate and Empty Home Review (£0.183m);
- Provisions for/costs of planned leavers (£0.231m);
- Replacement kiosks (£0.030m).

2.14 Human Resources have a forecast **overspend of £0.050m**. There are savings against Learning & Development due to courses moving online (£0.162m), Sandwell Employee Benefit and vacancy savings (£0.227m) being used to fund lower than anticipated SLA uptake from schools (£0.334m), additional spend to support the Electronic documentation system/ICT spend (£0.050m) and costs for Director recruitment (£0.055m).

2.15 Communications & Service Improvement have a forecast **underspend of £0.085** due to an additional budget transfer from Adult Social Care to fund the VSG Manager post (£0.060m), lower use of printing, stationery, landlines and training due to staff working from home (£0.029m) and savings against licence fees (£0.020m), being offset against the additional pressure of an unfunded post (£0.024m).

2.16 Directorate has a forecast **overspend of £0.026m** due to the provision for a planned leaver (£0.086m) being partially offset by salary savings (£0.048m) and lower spend against supplies & services (£0.012m).

Adult Social Care (Appendix 1C)

2.17 The projected outturn variance against the allocated budget is an underspend of £11.143m. After funding £2.269m of COVID-19 related pressures from the central COVID-19 Grants 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 £9.912m**.

2.18 COVID-19 has had a significant impact upon the services and the financial position of the directorate:



- There was a significant reduction in placement numbers earlier in the year, reflecting increased mortality rates and reduced demand for assessments and services.
- The suspension of internal day services enabled staff to be redeployed across the remaining services, reducing the need for and expenditure on agency staff.
- Restricting services to essential activities only, especially during periods of national lockdown has generated underspends throughout the directorate.

2.19 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 this financial year.

2.20 Given the underlying cause of the under spends (COVID-19 related and one-off contingency budgets) this position is not expected to continue in the longer term.

2.21 Initial modelling indicates that the directorate will have a funding gap in 2021/22 and it is proposed that £2.000m of the 2020/21 under spend is carried forward to balance the budget in the short term while the remainder is held within corporate balances.



Regeneration and Growth (Appendix 1D)

- 2.22 The projected outturn variance against the allocated budget is an overspend of £3.897m. After contributions to reserves and the use of central grants for £2.940m of COVID-19 related pressures the adjusted outturn variance is an **overspend of £1.124m**.
- 2.23 The projected overspend is primarily due to pressures of £1.941m within the Property Management Account (PMA) 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 it will not be possible to achieve a balanced position.
- 2.24 After partially offsetting the PMA overspend with under spends from other services within the directorate it is hoped that the remaining pressure can be managed corporately, including by using the under spend within Housing & Communities.

Housing and Communities (Appendix 1E)

- 2.25 The projected outturn variance against the allocated budget is an overspend of £1.300m. After movements in reserves and the use of central grants for COVID-19 related pressures of £3.295m the adjusted outturn variance is an **underspend £1.949m**.
- 2.26 The projected underspend reflects staffing vacancies, most significantly within the corporate contact centre, additional income from rechargeable fleet activity and reduced purchases within those public facing services which remained closed throughout the period of national restrictions (Libraries, Museums and Events).
- 2.27 As COVID-19 restrictions are eased and services are restarted it is anticipated that directorate's expenditure will more closely match allocated budgets and the under spend will not reoccur in future financial years.



2.28 It is anticipated that the under spend will be used to manage corporate pressures, including the projected overspend within Regeneration & Growth.

Children's Services (Appendix 1F)

2.29 The projected outturn variance against the allocated budget is an overspend of £7.178m. After movements in reserves and the use of the Emergency Grant for COVID-19 pressures the adjusted outturn variance is an **overspend of £2.852m.**

2.30 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 £3.530m 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 £2.852m.

Public Health (Appendix 1G)

2.31 The projected outturn variance against the allocated budget is an underspend of £1.089m. After the application of reserves and corporate resources the adjusted outturn variance is an **underspend of £1.379m.**

2.32 The projected underspend is primarily due to:

- Reduced activity within volume-based contracts, linked to restrictions on non-essential face to face contacts
- The use of new COVID-19 grants to partly fund staffing and other costs; this reflects the reprioritisation of directorate activities during the COVID-19 crisis.

2.33 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.



2.34 The Public Health Grant is a ring-fenced resource and the year-end underspend will be transferred to the Public Health Reserve which is subject to the same ring-fenced restrictions.

CENTRAL ITEMS

2.35 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.

2.36 The projected outturn against these budgets is an **underspend of £0.648m**. Appendix 2 provides a breakdown of these Central Items. It is recommended that this underspend be released back to Council balances and ringfenced to cover future year budget pressures.

BUDGET VIREMENTS

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

COVID-19 & ADDITIONAL GRANTS

2.38 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
Income Compensation Scheme	3,696
Test & Trace Funding	2,277
Community Testing Fund	419
Contain Outbreak Management Fund	4,598
Emergency Assistance Grant	521
COVID Winter Grant	1,404
Clinically Extremely Vulnerable	187
Compliance and Enforcement Grant	227
Reopening of High Street Fund	293
Rough sleepers Emergency Fund	8
Small business Grant Fund / Retail Hospitality & Leisure Grant (includes Discretionary Business Grant funding of £3.362m)	73,036



Grant	Allocation (£000)
Council tax hardship fund	4,547
Infection Control Fund	6,020
Grant Support for Business Improvement Districts	34
Test & Trace Support Payments (Self-isolation)	350
Local Restrictions Support Grant – Open	1,192
Local Restrictions Support Grant – Closed	4,532
Additional Restrictions Business Support Grant	6,569
Business Rates Relief (Retail and Nurseries)	811
TOTAL	143,815

2.39 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, e.g.

- Infection Control Fund
- Council Tax Hardship Fund
- Small Business Grant/Retail, Hospitality and Leisure Grant/Discretionary Business Grant Funding
- Test and Trace Support Payments
- Local Restriction Grants/Additional Restrictions Grants

2.40 The Contain Outbreak Management Fund has been allocated for specific purposes, but a significant amount of COVID-19 related activities could be classified as contributing to these purposes. This is a monthly payment for every month that there is a national lockdown, or the borough is under Tier 4 restrictions. A minimum additional payment of £1.300m is therefore expected.

2.41 The COVID-19 Emergency Funding is addressing pressures of £15.827m due to additional expenditure and loss of income in Directorates, Central Items and Public Health. In addition to this, 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. Projections currently show that the Council can cover all COVID-19 pressures in 2020/21 from the grants that have been allocated to date.



- 2.42 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 announced that this must 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.
- 2.43 There will also 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). The revised MTFS currently assumes that the reduction in 2021/22 can be funded from COVID-19 Emergency Funding. However, this funding is one-off and can not be used to cover shortfalls in these funding streams in subsequent years.
- 2.44 Work has now started on how to address budget shortfalls from 2022/23 onwards. This will be undertaken by the Leadership Team's Budget Board and further information will be included in future reports to Cabinet as necessary.

SPECIFIC RESERVES

- 2.45 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 **£12.544m** during 2020/21 leaving a balance of **£33.471m**.

CAPITAL MONITORING

- 2.46 Expenditure on the Council's capital programme is forecast to be **£145.738m** during 2020/21. Appendix 6 provides a detailed breakdown of the programme.
- 2.47 The main changes that have taken place since the Quarter 2 2020/21 monitoring are as follows:



- A decrease of £1.652m in the Resources budget mainly due to the slippage of resources into 2021/22 for the ICT End User Computing 2 scheme (£0.500m) and the Rowley Crematorium scheme (£1.750m), offset by the introduction of a £0.600m budget for ICT End User Computing works for Sandwell Children's Trust.
- A decrease of £0.509m in the Regeneration & Growth budget mainly as a result of;
 - Slippage of resources into 2021/22 for the Birchley Island scheme (£1.820m) and the Wednesbury High Streets Heritage Action Zone scheme (£0.981m);
Offset by;
 - Additional funding received from the West Midlands Combined Authority Challenge Fund for the Multi Storey Car Park Demolition - Bull Street, West Bromwich (£1.300m);
 - Additional funding received from SALIX in respect of the Street Lighting SOX to LED conversion scheme (£0.500m);
 - Monies advanced forward from 2021/22 in respect of the Work Place Vision scheme (£0.400m).
- A decrease of £32.132m in the Housing & Communities budget mainly in relation to the slippage of resources into 2021/22 for;
 - The Smethwick Hall Pool scheme (£0.342m);
 - The Sandwell Aquatic Centre scheme to ensure works continue successfully next financial year (£32.261m);
Offset by;
 - An increase in the Acquisition of Vehicles budget to reflect the Council's current vehicle replacement programme (£0.900m).
- An increase of £10.737m 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 £0.159m in the HRA budget mainly in respect of the re-profile of budget into 2021/22 relating to the replacement of soil stacks in high rise blocks £0.300m, offset by final retention payments made on new build schemes £0.141m.



SECTION 106/COMMUNITY INFRASTRUCTURE LEVY (CIL)

- 2.48 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure and must be used for specific purposes as set out in the individual legal agreements. 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**.
- 2.49 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 **£1.906m** in the Capital 80% pot for CIL monies and is not forecasting any expenditure against this during 2020/21.
- 2.50 Appendix 7 provides a more detailed breakdown of these monies.

PERFORMANCE INDICATORS

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

HOUSING REVENUE ACCOUNT (HRA)

- 2.52 The projected outturn variance against the allocated budget is an underspend of £4.456m. After making a revenue contribution to the capital programme (RCCO) the adjusted outturn variance is an underspend £3.706m.
- 2.53 The projected variance reflects vacancies and reduced activity on repairs and maintenance as only essential activity was undertaken during periods of COVID-19 related restrictions.
- 2.54 Appendix 8 provides a breakdown of this underspend against the service areas within the HRA.









INDIVIDUAL SCHOOLS BUDGETS (ISB)

2.55 The year-end forecast against the Dedicated Schools Grant allocation for 2020/21 is an **overspend of £0.194m** against the High Needs Block. The overspend is predominately due to increases in the number of pupils placed in other local authority mainstream and special schools, and independent special schools. There are also increases in the number of pupils being assessed for Education Health and Care Plans, which has resulted in increased top up funding expenditure. These overspends have been partially offset by 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 £0.755m**.

3. How does this deliver objectives of the Corporate Plan?

The Council's financial status helps to underpin the Council's Corporate Plan and associated aspirations.

	Best start in life for children and young people
	People live well and age well
	Strong resilient communities
	Quality homes in thriving neighbourhoods
	A strong and inclusive economy
	A connected and accessible Sandwell



4 Context and Key Issues

- 4.1 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.
- 4.2 The detailed recommendations are outlined in the summary at the beginning of the report.

5 Alternative Options

- 5.1 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.

6 Implications

Resources:	Resource implications are contained within the main body of the report.
Legal and Governance:	The Local Government Act 2003 places a requirement on local authorities to provide Members with regular financial monitoring.
Risk:	This information is contained within the main body of this report.
Equality:	There is no requirement to conduct an Equality Impact Assessment.
Health and Wellbeing:	The financial prosperity of the Council provides a foundation for health and wellbeing across the remit of the Council.
Social Value	Implications for social value and how the proposals are meeting this (for e.g. employment of local traders, young people)

7. 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

8. Background Papers

Revenue/capital monitoring returns from directorates.

