


REPORT TO CABINET

22 July 2020

Subject:	2019/20 Financial Outturn
Presenting Cabinet Member:	Councillor Wasim Ali - Cabinet Member for Resources and Core Council Services
Director:	Rebecca Maher – Head of Finance/Acting S151 Officer
Contribution towards Vision 2030:	
Key Decision:	Yes
Cabinet Member Approval and Date:	Councillor Wasim Ali 03/07/2020
Director Approval:	Rebecca Maher 03/07/2020
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Ward Councillors have not been consulted
Scrutiny Consultation Considered?	Budget and Corporate Scrutiny Management Board
Contact Officer(s):	Clare Sandland - Service Manager

DECISION RECOMMENDATIONS

That Cabinet:

1. Refers the proposals arising from the 2019/20 directorate outturn reports for each directorate/service area (Appendices F to L), Schools Outturn (Appendix N), Housing Revenue Account (Appendix M), the Council's capital outturn (Appendix D), Treasury Management outturn (Appendix O) and Key Performance Indicators (Appendix E) to the Budget and Corporate Scrutiny Management Board for consideration.
2. Approve that the following surpluses be carried forward as requested:

	(Surplus) / Deficit
	£'000
Corporate Management Resources	0
Adult Social Care	(7)
Regeneration & Growth	(658)
Housing & Communities	13
Children's Services	(567)
Total Net Service Expenditure (excluding Public Health)	(1,548)

The Regeneration and Growth deficit of £0.013m will be funded by Housing and Communities, leaving a surplus of £0.554m to be carried forward for that directorate. All carry forwards are requested to be used in financial year 2020/21, other than Adult Social Care, which is to be used in financial year 2021/22.

3. Approve adding the Public Health surplus of £0.292m to the Public Health Grant Reserve.
4. Approve the Revenue Contribution to Capital Outlay (RCCO) of £1.009m from the Resources Directorate for the Technology Modernisation Programme (reflected in the figures above).

1 PURPOSE OF THE REPORT

- 1.1 This report provides details of the Council wide financial outturn for the 2019/20 financial year.

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

Directorate Outturn

- 3.1 At a directorate level, excluding Public Health and the HRA, the outturn for 2019/20 was a surplus of £1.548m which is broken down in the table below:

	(Surplus) / Deficit £'000
Corporate Management	0
Resources	(7)
Adult Social Care	(658)
Regeneration & Growth	13
Housing & Communities	(567)
Children's Services	(329)
Total Net Service Expenditure (excluding Public Health)	(1,548)

- 3.2 Including, Public Health and Central Items, the outturn for 2019/20 was a surplus of £1.813m.
- 3.3 However, in common with many other Councils, Sandwell continues to experience an increase in demand for our children's social care services that has resulted in a year-end deficit of £4.332m for Sandwell Children's Trust (SCT). This deficit takes into account the £5.000m of additional resources allocated to SCT as part of Quarter 3 budget monitoring. It is also £1.309m higher than the year end deficit forecast in their Medium-Term Financial Strategy. No additional resources are requested to fund this deficit as SCT have confirmed their commitment to delivering a balanced budget over the medium term, including recovery of this deficit.
- 3.4 Whilst it is positive that directorates have been able to manage within budgets during 2019/20, there are some budget pressures which have been offset by one-off funding and will need to be addressed during 2020/21. Examples of these are:
- SEND Transport £2.700m
 - Property Maintenance Account £1.200m
 - Technology Modernisation Programme £0.540m

The current circumstances relating to Covid-19 have meant that resources have been diverted away from work to address these pressures and therefore it is likely that some, or all, will not be reduced fully by the end of 2020/21.

- 3.5 It is important to note that due to the timing of the COVID19 pandemic the impact on the financial outturn of the Council for 2019/20 has been minimal. However, there will be a significant financial impact across multiple directorates in 2020/21 (and subsequent years), which will be identified and quantified through quarterly budget monitoring processes and reporting.

Central Items

- 3.6 The Council has a number of budgets that are held centrally. The nature of these budgets means that they are not within any specific Directorate's control. These central items ended the year in a deficit of £0.027m, which will be funded from balances.

Use of Reserves

- 3.7 At the end of 2018/19, a total of £27.075m was held in earmarked reserves. £18.939m was added to these reserves during 2019/20 leaving a remaining balance of £46.014m at the end of the financial year. The main reasons for the large increase to reserves are the establishment of a Public Health Grant reserve (£4.842m), and the receipt of COVID 19 Emergency Grant income late in March, which was required to be moved to an earmarked reserve (£12.369m).

Severance Payments

- 3.1 During 2019/20 costs of £4.595m were incurred by the Council relating to the exiting of 57 employees (excluding schools). Schools terminated the contracts of 85 employees during 2019/20, incurring costs of £0.796m.
- 3.2 In 2018/19 a provision of £3.311m was created for employees approved as planned leavers as at 31 March 2019. Of this £2.803m was utilised; £0.409m (relating to 6 employees) has been re-provided for. The remaining unutilised provision of £0.099m was released back to services. Costs of £1.792m, not included in the 2018/19 provision have been incurred. £0.763m of this has been funded by Directorates and £1.029m from the Council's Corporate Resources.
- 3.3 An additional £0.011m was added to the 6 employees who were re-provided for, giving a total provision for their exit packages of £0.420m. Outstanding costs of £0.224m relating to 2 employees who left the Council during 2019/20 have been added to the provision, as well as £1.151m for a further 11 employees who are due to leave the Council during 2020/21 and 2021/22. Therefore, a total provision of £1.795m has been created as at 31st March 2020.

Capital

3.4 Capital expenditure of £121.998m was incurred during 2019/20.

3.5 The majority of this was spent as follows:

- £2.186m Various ICT projects
- £39.076m New schools/school refurbishments
- £4.313m Disabled Facilities Grant
- £8.846m Various Highways related schemes
- £11.324m Sandwell Aquatic Centre for the 2022 Commonwealth Games
- £50.769m Housing Revenue Account

General Fund Balance

3.6 The General Fund balance at the end of 2019/20 was £42.061m. This includes £8.641m of target carry forwards, £20.941m of earmarked central items and £1.009m for a Revenue Contribution to Capital Outlay (RCCO), leaving a free balance of £11.470m which equates to 4.59% of net General Fund expenditure.

4 THE CURRENT POSITION

4.1 The summary statement included at Appendix A details the actual outturn for the Council against the allocated budget for the year.

4.2 Individual outturn reports for each directorate, the Housing Revenue Account and the Individual Schools Budget can be found at Appendices F to N.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

5.1 There is no requirement to formally consult customers or stakeholders.

6 ALTERNATIVE OPTIONS

6.1 There is no alternative option with regard to the Council's financial status.

7 STRATEGIC RESOURCE IMPLICATIONS

7.1 Resource implications are contained within the body of the report.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 In response to the unprecedented situation relating to COVID19 and the need to reduce the pressure on authorities to comply with legal deadlines, the Government have introduced The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. These Regulations provide authorities with additional time to complete the audit of their accounts for 2019/20. These Regulations apply only in relation to annual accounts relating to the 2019/20 financial year. For Sandwell MBC the deadline to publish unaudited accounts has moved from 31 May 2020 to 31 August 2020, with the deadline for publishing audited accounts moving from 31 July 2020 to 30 November 2020.

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 and the appendices.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

- 13.1 This information is contained within the main body of this report and the appendices.

14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

- 14.1 This information is contained within the main body of this report and the appendices.

15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 15.1 Sandwell MBC continues to manage its' finances effectively in the age of austerity and additional COVID 19 pressures. It is recommended that the contents of this report be referred to the Budget & Corporate Scrutiny Management Board for consideration and that the requested carry forwards be approved.

16 BACKGROUND PAPERS

- 16.1 Council Budget Report 2019/20.
16.2 Cabinet Budget Monitoring Reports 2019/20.

17 APPENDICES:

Appendix A – Revenue Outturn Summary
Appendix B – Central Items Summary
Appendix C – Earmarked Reserves
Appendix D – Capital Monitoring
Appendix E - Key Performance Indicators
Appendix F – Corporate Management Financial Outturn
Appendix G – Resources Financial Outturn
Appendix H – Adult Social Care Financial Outturn
Appendix I - Regeneration & Growth Financial Outturn
Appendix J – Housing & Communities Financial Outturn
Appendix K – Children’s Services Financial Outturn
Appendix L – Public Health Financial Outturn
Appendix M – Housing Revenue Account Financial Outturn
Appendix N – Individual Schools Budgets Financial Outturn
Appendix O – Treasury Management Outturn

Rebecca Maher
Head of Finance/Acting S151 Officer