


REPORT TO CABINET

12 August 2020

Subject:	Quarter 1 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:	Councillor Ali
Director Approval:	28 th July 2020
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Boroughwide
Scrutiny Consultation Considered?	Budget and Corporate Scrutiny Management Board
Contact Officer(s):	Rebecca Maher, Head of Finance/Acting S151 Officer Rebecca_Maher@sandwell.gov.uk Clare Sandland, Finance Service Manager/Acting Deputy S151 Officer Clare_sandland@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

1. Receive the financial monitoring position of individual directorates and the Housing Revenue Account (HRA) as at 30th June 2020 (quarter 1 2020/21) 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 Variance (including COVID-19 Pressures) (£000)	(Use of) Reserves/ Corporate Resources/ RCCO (£000)	COVID-19 Pressures (to be funded from Emergency Grant) (£000)	Projected Outturn Variance (after COVID-19 Funding Applied) (£000)
Corporate Management	1A	0	0	0	0
Resources	1B	4,702	(3,263)	1,417	22
Adult Social Care	1C	(6,354)	3,500	1,691	(4,545)
Regeneration & Growth	1D	3,357	222	2,174	1,405
Housing & Communities	1E	1,699	(83)	2,480	(864)
Children's Services	1F	5,294	(55)	2,489	2,750
TOTAL DIRECTORATES		8,698	321	10,251	(1,232)

3. Approve the following budget virements above £0.250m (these include virements to reflect additional grant income received by the Neighbourhoods directorate:

Virements above £0.250m for approval by Cabinet	(£000)	(£000)
<u>HOUSING & COMMUNITIES</u>		
Expenditure to reflect grant amount received For Homelessness	467	0
Income to reflect additional grant received for Homelessness	0	467
Expenditure to reflect expenditure for Community Safety	270	0
Income to reflect grant received for Community Safety	0	270
TOTAL	737	737

4. Approve the allocation of £0.391m to Sandwell Children's Trust to fund COVID-19 pressures (already reflected within the Children's Services budget monitoring).
5. Approve the budget appendices which should have been attached to the full Council budget report in March as attached as Appendix 10 and 11 to this report.
6. That the Carbon Reduction Programme budget allocation of £0.300m within Central Items is transferred to Housing & Communities to support emission controls and the development and implementation of the Climate Change Strategy.

1 PURPOSE OF THE REPORT

- 1.1 This report summarises the financial position of Sandwell MBC as at the end of June 2020 (Quarter 1 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 **£1.232m** 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	4,702	(3,263)	1,417	22
Adult Social Care	1C	(6,354)	3,500	1,691	(4,545)
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TOTAL DIRECTORATES		8,698	321	10,251	(1,232)

Including Public Health and Central Items, the directorate-level forecast outturn position is an underspend of **£2.094m**.

- 4.2 This projection is after utilising £12.111m 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 **£10.219m**. 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 £11.821m 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 £25.172m. 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 unlikely to be clear until lockdown is further relaxed, and pupils return to schools. 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 year-end forecast outturn for the Resources directorate is an **overspend of £0.022m**. This small variance will be addressed in year by the Directorate and no additional resources are requested. However, there are a number of notable variances contributing to this overall projection:

- An overspend on Law and Governance of £0.701m due to:
 - Vacancies being covered by temporary staff (£0.240m) which has also resulted in an increase in external Counsel costs (£0.376m).
 - Additional resource to help with the increase in requests for Subject Access Requests, Freedom of Information and Investigations (£0.238m) and
 - Unachievable income targets (£0.097m).
 - Offset by vacancies within Governance Services (£0.250m).
- An underspend on Revenue and Benefits and ICT of £0.519m due to:
 - Contract saving for the COLD system (0.040m), an
 - Increase in Housing Benefit overpayment recovery (£0.522m)
 - Vacancies held within Revenue and Benefits (£0.418m)
 - Offset by income pressures relating to Council Tax and NNDR Court Costs Recovery (£0.206m),
 - Additional support from Northgate (£0.189m)
 - Server upgrade costs (£0.066m).

- An underspend on Human Resources of £0.173m due to vacant posts (£0.93m) and savings achieved from Sandwell Employee Benefits Service (£0.080m).

Adult Social Care (Appendix 1C)

- 4.9 The year-end forecast outturn for the Adult Social Care directorate is an **underspend of £4.545m**.
- 4.10 The monitoring has highlighted a significant underspend against External Placement budgets (£1.749m) which reflects fewer new referrals and an unusually high number of packages of care closing during Quarter 1; both issues are believed to be Coronavirus related. Given the unusual circumstances it is difficult to assess future demand as social restrictions are eased and at present we have assumed that demand (& spend) will increase to historic levels from August onwards.
- 4.11 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.
- 4.12 The balance of the projected variance predominantly relates to underspends against staffing budgets, reflecting the deferral of recruitment and reductions in the use of agency staff while services operated with reduced face to face contact.

Regeneration and Growth (Appendix 1D)

- 4.13 The year-end forecast outturn for the Regeneration and Growth directorate is an **overspend of £1.405m**.
- 4.14 The projected overspend is primarily due to pressures within the Property Maintenance 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.
- 4.15 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.
- 4.16 **Housing and Communities (Appendix 1E)**
- 4.17 The year-end forecast outturn for the Housing and Communities directorate is an **underspend of £0.864m**.

- 4.18 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-19 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 the Emergency Grant Funding.

Children's Services (Appendix 1F)

- 4.19 The year-end forecast outturn for the Children's Services directorate is an **overspend of £2.750m.**
- 4.20 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 £3.100m 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 £2.750m.

Public Health (Appendix 1G)

- 4.19 The year-end forecast outturn for the Public Health directorate is an underspend of **£0.334m.**
- 4.25 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 Coronavirus and restrictions on non-essential face to face contacts. The underspend will be transferred to the Public Health reserve at year end.

CENTRAL ITEMS

- 4.21 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.
- 4.22 The projected outturn against these budgets is an **underspend of £0.528m.** Appendix 2 provides a breakdown of these Central Items.

BUDGET VIREMENTS

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

COVID-19 & ADDITIONAL GRANTS

4.24 The following additional grants have been received by the Council to help address the COVID-19 pandemic:

Grant	Allocation (£000)
COVID-19 Emergency Funding	25,172
Infection Control Fund	2,786
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
Small business Grant Fund / Retail Hospitality & Leisure Grant (includes Discretionary Business Grant funding of £3.362m)	73,036
New Burdens Funding for SBG & RHL	170
TOTAL	108,802

4.25 The £25.172m 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

4.26 The COVID-19 Emergency Funding is addressing pressures of £11.821m 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.

4.27 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:

- It is assumed that there will not be a second COVID-19 wave later in the year and no local lockdowns.
- It is not currently possible to quantify the potential impact of social distancing measures from September on the SEND transport budget pressure within Childrens Services.

- It is still relatively early in the financial year to assess the potential loss of Business Rates and Council Tax income. The wider impact on the economy as the year progresses is likely to affect these projections.
- Details of the MHCLG's funding for loss of income are yet to be received and is not included in these projections.
- It is anticipated that there may be a 'surge' in referrals to SCT in September when all pupils return to school. No additional expenditure has been included in projections for this.
- 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.

4.28 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.

4.29 It is therefore clear that the impact of COVID-19 will continue to create pressures on the Council's budget into 2021/22 and beyond. Work is still required on estimating the potential reduction in funding across the period of the Medium-Term Financial Strategy and how this can be addressed. This will be undertaken by the Reset and Recovery Board and further information will be included in future monitoring reports to Cabinet.

SPECIFIC RESERVES

4.30 At the end of 2019/20, the Council held **£45.646m** in specific reserves. These are detailed in Appendix 4. It is currently projected that these reserves will reduce by **£13.538m** during 2020/21 leaving a balance of **£32.108m**.

CAPITAL MONITORING

4.31 Expenditure on the Council's capital programme is forecast to be £200.831m during 2020/21. Appendix 6 provides a detailed breakdown of the programme.

The main changes that have taken place since the 2019/20 Outturn monitoring are as follows:

- An increase of £2.000m in the Resources budget in relation to the introduction of the Rowley Crematorium scheme into the capital programme.

- An increase of £3.500m in the Adults Social Care budget in respect of a Revenue Contribution to Capital Outlay (RCCO) from the service, in relation to the New Social Care & Health Centre in Rowley Regis.
- An increase of £0.643m in the Regeneration & Growth budget mainly in respect of additional monies received from the West Midlands Combined Authority in respect of the Local Transport Plan (LTP).
- An increase of £0.342m in the Housing & Communities budget in relation to the introduction of the Smethwick Hall Pool scheme into the capital programme.
- An increase of £9.157m 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 £23.746m in the HRA budget mainly in respect of removal of budget for the purchase of properties with Metis no longer going ahead £8.000m, the reprofile of budgets into 2020/21 for High Rise £10.000m and New Build projects £3.360m.

SECTION 106/COMMUNITY INFRASTRUCTURE LEVY (CIL)

- 4.32 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 currently holds £2.519m in Section 106 monies and is forecasting to spend £0.180m of this leaving a remaining balance of £2.339m.
- 4.33 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 currently holds £1.826m in CIL monies and is not forecasting any expenditure against this.
- 4.34 Appendix 7 provides a more detailed breakdown of these monies.

PERFORMANCE INDICATORS

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

HOUSING REVENUE ACCOUNT (HRA)

- 4.36 The year-end forecast outturn for the HRA is **an underspend of £3.124m**. This is mainly due to vacancy savings, including the recruitment of apprentices to fill posts as part of succession planning, and the capitalisation of a proportion of the Riverside PFI management fee which has been legitimately spent on capital items.
- 4.37 Appendix 8 provides a breakdown of this underspend against the service areas within the HRA.

INDIVIDUAL SCHOOLS BUDGETS (ISB)

- 4.38 The year-end forecast against the Dedicated Schools Grant allocation for 2020/21 is an underspend of £1.190m 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 a surplus of £0.629m.

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

Rebecca Maher
Head of Finance/Acting S151 Officer