

REPORT TO CABINET

30 August 2017

Subject:	Council Wide Budget Monitoring Quarter 1
Presenting Cabinet Member:	Councillor Steve Eling - Leader of the Council
Director:	Executive Director – Resources – Darren Carter
Contribution towards Vision 2030:	
Key Decision:	Yes
Forward Plan (28 day notice) Reference:	SMBC 16163
Cabinet Member Approval and Date:	Councillor Steve Eling – 10 August 2017
Director Approval:	Darren Carter
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	There is no exempt information contained within this report
Ward Councillor (s) Consulted (if applicable):	This report is Council wide and not specific to individual wards
Scrutiny Consultation Considered?	This issue has not been referred to Scrutiny
Contact Officer(s):	Rebecca Maher Strategic Finance Manager John Smith Deputy S.151 Officer

DECISION RECOMMENDATIONS

That Cabinet:

1. Consider the financial monitoring position of individual directorates contained within the Council wide budget monitoring for quarter 1 2017/18.
2. Approve the recommendations for use of funds as detailed within the report for individual directorates.
3. Receive the financial monitoring position of individual directorates and refer them to the Budget and Corporate Services Scrutiny Management Board for consideration and comment.
4. Receive the financial monitoring position of the Housing Revenue Account for the period ending June 2017.
5. Approve the following virements:

Children's Services

- a) A transfer of £2.260m to realign Social Care salary budgets between, Long Term LAC and Family Placements, Care Management, MASH and Safeguarding to Infrastructure, Targeted Family Support Services and Service Director Children's Social Care.
- b) A transfer of £1.465m within Passenger Transport Unit between Education Support Services to Infrastructure.
- c) A transfer of £0.249m within Family Information Service between Learning Improvement to Targeted Family Support Services.
- d) A transfer of £0.222m within Data Team from Education Support Services to Infrastructure.
- e) A transfer of £0.446 within Realignment of Education budgets following the end of the Education Services Grant from Education Support Services and Learning Improvement to Director of Education and Employment.

Housing and Communities

- a) £19.197m from Housing Management, Communities and Partnerships, Commercial Services and Business Excellence to Leisure and Culture, Parks and Green Spaces, Neighbourhoods and Communities, Waste and Fleet Management and Customer Services.

Housing Revenue Account (HRA)

- a) £48.841m from Communities and Partnerships, Housing Management, Asset Management & Maintenance, Commercial Services, Business Excellence, PFI, Corporate HRA and PFI & TMO's to Repairs, Housing Management and Estate Services and Maintenance.

6. Re-profile the following carry forwards to future years:

- a) £0.163m (Resources) into 2018/19
- b) £0.600m (Regeneration and Planning) split as follows:
 - £0.350m into 18/19 and £0.250m into 2019/20
- c) £0.821m (Public Health) into 2018/19

7. Approve the following use of corporate resources:

- a) £4.900m to meet the deficit for Children's Services

8. Approve the following Revenue Contribution to Capital Outlay (RCCO):

- a) £0.735m (Housing Revenue Account) towards financing capital expenditure

9. Approve the following additional Specific Grants:

Housing and Communities

- a) Grant funding of £0.100m has been offered from the Arts Council towards developing information technology suites within the six main town libraries.
- b) Grant funding of £0.382m has been received from DCLG for a two year Homelessness Support Grant. A further £0.420m will be received in 2019/20.
- c) Additional funding of £0.990m from the Home office towards projects and support relating to the Prevent Programme

1. PURPOSE OF THE REPORT

- a. This report presents the financial position for Sandwell MBC for the first three months for the 2017/18 financial year with regard to the following:

Revenue Forecast Outturn

Revenue Virements

Central Items and other Corporate Budgets

Use of Reserves & Contingency

Capital Monitoring

Capital Virements

Financial Health Indicators (Inc Revenue Collection Statistics)

2. IMPLICATION FOR THE COUNCIL'S AMBITION

- a. 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

- a. Strategic Resources are required to report the financial position of SMBC to Cabinet on a quarterly basis.
- b. The report sets out the forecast year end variances against budget for individual services areas. Explanations are given for these variances within service area reports.
- c. Cabinet decisions are required for a number of recommendations as a result of the financial information presented within the service's statements.

4. THE CURRENT POSITION

- a. At a service level, excluding Public Health, the Council is reporting a forecast year end deficit of £1.873m, which is within the following service areas:

Corporate Management	Balanced budget
Resources	Surplus of £0.163m
Adults Social Care	Surplus of £0.514m
Children's Services	Deficit of £4.900m
Regeneration & Planning	Surplus of £0.600m
Housing and Communities	Balanced budget
Central Items	Surplus of £1.750m
Total	Deficit of £1.873m

- b. In addition, there is a projected year end surplus of 0.821m within Public Health that relates to funds carried forward from previous years. It is requested that this be carried forward into 2018/19 to offset anticipated reduction in public health grant.
- c. Explanations for these variances are summarised in this report and detailed within the individual service's statements provided as Appendices F to M.

d. When taking into account the utilisation of centrally earmarked balances of £1.118m the Council is showing an overall forecast deficit for the year against general balances of £2.992m.

Forecast Outturn (Period 3)

- e. The Council's quarterly budget statement for 2017/18 analysed by service, shows the forecast outturn position for the year which is detailed in Appendix A.
- f. Details of how these variances are made up are shown in Appendices F to M, however, the main areas of variance are as follows:

g. Resources

The projected outturn is a surplus of £0.163m from vacant posts being held by services as they plan for future budget reductions. It is proposed this surplus be carried forward into 2018/19.

h. Adults Social Care

The projected outturn is a surplus of £0.514m. The use of this will be developed during the year. It should be noted that the 2017/18 budget includes one off resources of £2.900m brought forward from previous years. £1.000m has been allocated to time limited projects and the balance was earmarked to deal with inflationary and demographic pressures. The planning and guidance for the Better Care Fund (BCF) was not published until July 2017. Pending the development and assessment of a joint plan to use this funding, the projected outturn assumes that BCF resources will be fully spent.

i. Children's Services

The projected outturn is a deficit of £4.900m. This is mainly due to an increase in the demands placed on the service which has resulted in a significant increase in the number of children looked after. Additional social care staffing have therefore been required, many of whom are currently agency workers due to the need to quickly increase the number of qualified social workers ahead of permanent recruitment.

The pressures in Children's Social Care are not specific to Sandwell. The LGA has recently produced analysis showing that in 2015/16 across England councils had a deficit on their children's social care budgets of £605 million as a result of the need to protect children at immediate risk of harm.

The analysis also shows that over the last 10 years councils have coped with sharply increasing demand for children's social care. This has seen a 140 per cent increase in child protection enquiries and a 94 per cent increase in the rate of children starting on child protection plans, at a time when Government grants to councils will have been reduced by £16 billion by the end of this decade. It is estimated that by 2020 there will be a funding gap in children's services of at least £2 billion.

The increasing demand pressures in Children's Social Care were anticipated but not quantified at the time of setting the budget for 2017-18 and so a prudent balance was earmarked in order to ensure that these pressures did not create a burden on other council services. It is therefore proposed that a one-off sum of £4.900m be allocated to Children's Services in 2017-18 to meet this pressure.

The Children's Services budget is already subject to close scrutiny through the Children's Services Cabinet working group that was established at the July cabinet meeting. This level of scrutiny will now be further enhanced with the introduction of regular meetings between the Chief Executive; the Director of Children's Services; and the Executive Director – Resources.

j. Regeneration and Planning

The projected outturn is a surplus of £0.600m. It is proposed that £0.350m be carried forward into 2018/19 and £0.250m be carried forward into 2019/20 to meet future street lighting and infrastructure pressures.

Revenue Virements

Revenue Virements (Below £0.200m) Between Directorates

- k. There are no reported virements below £0.200m between directorates.

Revenue Virements (Above £0.200m) Between Directorates

- I. There are no reported virements above £0.200m between directorates.

Revenue Virements Within Directorates

- m. The following virements within Directorates have been included within the period 3 monitoring and approval is being sought as part of this report:

n. Children's Services

- a) A transfer of £2.260m to realign Social Care salary budgets between, Long Term LAC and Family Placements, Care Management, MASH and Safeguarding to Infrastructure, Targeted Family Support Services and Service Director Children's Social Care.
- b) A transfer of £1.465m within Passenger Transport Unit between Education Support Services to Infrastructure
- c) A transfer of £0.249m within Family Information Service between Learning Improvement to Targeted Family Support Services
- d) A transfer of £0.222m within Data Team from Education Support Services to Infrastructure
- e) A transfer of £0.446 within Realignment of Education budgets following the end of the Education Services Grant from Education Support Services and Learning Improvement to Director of Education and Employment.
- f) A transfer of £0.350m within Reallocation of Target budget (Troubled Families) from Long Term LAC and Family Placements to Targeted Family Support Services and Care management.

o. Housing and Communities

There has been a restructure to create Housing and Communities and four re-designated service areas as follows:

£19.197m from Housing Management, Communities and Partnerships, Commercial Services and Business Excellence to Leisure and Culture, Parks and Green Spaces, Neighbourhoods and Communities, Waste and Fleet Management and Customer Services.

p. Housing Revenue Account (HRA)

Following the restructuring of Neighbourhoods service, and the creation of the Housing and Communities directorate, it has been necessary to move budget within HRA to match the new structure as follows:

£48.841m from Communities and Partnerships, Housing Management, Asset Management & Maintenance, Commercial Services, Business Excellence, PFI, Corporate HRA and PFI & TMO's to Repairs, Housing Management and Estate Services and Maintenance

Central Items and Other Corporate Budgets

- q. 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 and, as a result, they are excluded from target budgets. These budgets are summarised in Appendix B and detailed within individual directorate statements.

As at period 3 the forecast outturn is a surplus of £1.750m. This relates to the following areas:

Housing and Communities

The current projected outturn for the Waste Partnership central item budget shows a surplus of £1.700m. This reflects the lower than expected indexation rates and the lower level of tonnages. This will be monitored during the year to see if further revision to the forecast is required.

Regeneration and Planning

The current projected outturn for the Carbon Reduction – Energy Efficiency shows a surplus of £0.050m and it is proposed that any surplus at the year- end be returned to corporate balances.

Capital Financing

- r. At present, the forecast year end position for the financing of capital is to breakeven.

Sources of Finance

- s. As at period 3 there have been no adjustments to the Retained Business Rates or Business Rates Top Up allocations. Therefore, the forecast position for the year is to breakeven.

Use of Reserves

- t. The Council holds a number of reserves that are held for either specific purposes (Earmarked Reserves) or as general balances.
- u. As at the 31st March 2017 the Council held total revenue balances of £71.748m which included items earmarked for capital expenditure or other purposes, and free resources. Total Available Reserves are detailed below:

	Actual March 2017 £m
Revenue Balances	71.748
Less: revenue contribution to capital expenditure	6.324
Less: earmarked central items	53.740
Total Available Reserves	11.684

- v. Balances earmarked moving into 2017/18 and future years, included carry forwards specific to individual directorates of £9.243m and ring fenced public health grant of £2.843m. In addition, there are balances carried forward from previous years of £10.142m which includes £2.017m for Public Health and £1.708m for central items. There is also £6.324m set aside for revenue contributions to capital, which includes funding of the Council's ICT strategy together with funding to support other capital projects.

These reserves are summarised in Appendix C and details provided within individual directorate reports.

Use of Contingency

- w. The contingency balance for 2017/18 is currently £6.832m. As at period 3 £0.900m is not yet allocated, however it is projected that this will be fully utilised by year end.

Specific Grants & Contributions

- x. These are additional resources that have been received to fund specific

areas of expenditure that did not form part of the original directorate budgets agreed in February 2017. They are for specific initiatives or changes in working practices and the expenditure will increase in proportion to the grant received.

The following additional specific grants have been included within the service targets since the approval of the original budgets.

Housing and Communities

- a) Grant funding of £0.100m has been offered from the Arts Council towards developing information technology suites within the six main town libraries.
- b) Grant funding of £0.382m has been received from DCLG for a two year Homelessness Support Grant. A further £0.420m will be received in 2019/20.
- c) Additional funding of £0.990m from the Home office towards projects and support relating to the Prevent Programme.

Capital Monitoring

- y. The Capital programme has been amended to include changes to the total estimated resources available due to the notification of Supported Capital Expenditure (Revenue) (SCE(R)) and increases in the level of grant funding as identified in Appendix D.
- z. The total estimated expenditure for 2017/18 is £124.719m against an approved budget of £124.719m. Therefore, the capital programme is expected to breakeven by the year end.

Capital Virements

- aa. As at period 1 – 3 no capital virements have been actioned.

Financial Health Indicators

- bb. This includes indicators that have been designed to measure value for money performance across the Council's Corporate Services. It also includes Revenue Collection Statistics such as Council Tax and Business Rates, General Debtors and Housing Rents.
- cc. Current Key Financial Indicator details are listed and explained within Appendix E(1) and E(2).

Section 106 Monies

- dd. This relates to contributions from private sector organisations to be used for specific purposes. Progress on how this funding is being used is detailed within individual directorate reports.

Housing Revenue Account

- ee. Appendix M shows monitoring for the Council's Housing Revenue Account as at the end of June 2017. The service is forecasting a surplus of £0.735m at outturn 2017/18. It is requested that this be transferred to fund capital expenditure and reduce future borrowing costs.

5. CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- a. There is no requirement to formally consult customers or stakeholders.

6. ALTERNATIVE OPTIONS

- a. 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

- a. The report and appendices provide details of the Council's revenue and capital expenditure at the end of June 2017 together with a forecast outturn for the financial year 2017/18. Resource implications of the current financial forecast are contained within the body of the report.

8. LEGAL AND GOVERNANCE CONSIDERATIONS

- a. The Local Government Act 2003 places a requirement on local authorities to provide Members with regular financial monitoring
- b. The Council's Financial Regulations state that:

Regulation 1.24

Any overspending on service estimates in total on target budgets under the control of a Chief Officer must be carried forward to be recovered in future years. The medium term financial strategy framework requires that Chief Officers put in place arrangements to recover overspends over a maximum of three years. The Chief Financial Officer will report the extent of overspendings carried forward to the Cabinet Member for Strategic Resources and to the full Council. The requirement to meet overspends from future year target budget allocations can be waived by the Cabinet Member for Strategic Resources if the circumstances of the overspend warrant this course of action. All internal business unit deficits shall be retained by the appropriate service and form part of the net overspending reported to the Cabinet Member for Strategic Resources under this financial regulation.

Regulation 1.25

- c. Net underspendings on target budgets under the control of the Chief Officer may be carried forward, subject to the approval by Cabinet of a report presented jointly by the Chief Officer and the Chief Financial Officer regarding the source of underspending or additional income and the proposed application of those resources.

9. EQUALITY IMPACT ASSESSMENT

- a. There is no requirement to conduct an Equality Impact Assessment.

10. DATA PROTECTION IMPACT ASSESSMENT

- a. 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

- a. There is no requirement to carry out a Crime and Disorder and Risk Assessment.

12. SUSTAINABILITY OF PROPOSALS

- a. This information is contained within the main body of this report.

13. HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

- a. 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

- a. There is no direct impact on any land or assets.

15. CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- a. That the financial monitoring position of individual directorates be received and referred to the Budget and Corporate Services Scrutiny Management Board for consideration and comment.
- b. That the financial monitoring position of the Housing Revenue Account for the period ending June 2017 be received.
- c. That the following virements be approved:

Children's Services

- a) A transfer of £2.260m to realign Social Care salary budgets between, Long Term LAC and Family Placements, Care Management, MASH and Safeguarding to Infrastructure, Targeted Family Support Services and Service Director Children's Social Care.
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- b) £48.841m from Communities and Partnerships, Housing Management, Asset Management & Maintenance, Commercial Services, Business Excellence, PFI, Corporate HRA and PFI & TMO's to Repairs, Housing Management and Estate Services and Maintenance.

f. That the following carry forwards be re-profiled to future years:

- d) £0.163m (Resources) into 2018/19
e) £0.600m (Regeneration and Planning) split as follows:
• £0.350m into 18/19 and £0.250m into 2019/20
f) £0.821m (Public Health) into 2018/19

g. That the following use of corporate resources be approved:

- b) £4.900m to meet the deficit for Children's Services

h. That the following Revenue Contribution to Capital Outlay (RCCO) be approved:
b) £0.735m (Housing Revenue Account) towards financing capital expenditure

i. That the following additional Specific Grants be approved:

Housing and Communities

- a) Grant funding of £0.100m has been offered from the Arts Council towards developing information technology suites within the six main town libraries.
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c) Additional funding of £0.990m from the Home office towards projects and support relating to the Prevent Programme

16. BACKGROUND PAPERS

a. Source Documents

Councils Finances Report
Financial Regulations & Procedures

17. APPENDICES:

- Appendix A – Revenue Monitoring Summary
- Appendix B – Central Items Summary
- Appendix C – Earmarked Reserves
- Appendix D – Capital Monitoring
- Appendix E (i) Key Performance Indicators
- Appendix E (ii) Aged Debt Report
- Appendix F – Corporate Management Financial Monitoring
- Appendix G – Resources Financial Management
- Appendix H – Adult Social Care Financial Monitoring
- Appendix I – Children’s Services Financial Monitoring
- Appendix J - Regeneration & Planning Financial Monitoring
- Appendix K – Housing & Communities Financial Monitoring
- Appendix L – Public Health Financial Monitoring
- Appendix M – Housing Revenue Account Financial Monitoring

**Darren Carter
Executive Director – Resources**