

REPORT TO CABINET

12 December 2018

Subject:	2018/19 Budget Monitoring – Quarter 2
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:	SMBC08/12/2018
Cabinet Member Approval and Date:	
Director Approval:	26 th October 2018
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	There is no exempt information contained within the report
Ward Councillor (s) Consulted (if applicable):	This report is not specific to individual wards
Scrutiny Consultation Considered?	
Contact Officer(s):	Rebecca Griffiths, Head of Finance Rebecca_griffiths@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

- receives the financial monitoring position of individual directorates and the Housing Revenue Account (HRA) as at 30 September 2018 (quarter 2 2018/19) and refer to the Budget and Corporate Services Scrutiny Management Board for consideration and comment.
- notes the current financial position for the council: -

Directorate	Projected (Surplus) / Deficit
	£000
Corporate Management	0
Resources	34
Adult Social Care	(4,272)
Regeneration & Growth	(233)
Housing & Communities	123
Children's Services	227
Total Net Service Expenditure	(4,121)
Central Items	(50)
Total Net Service Expenditure (including Central Items)	(4,171)

The above figure excludes the use of corporate resources by service areas. When this is included, the overall position is a projected deficit of **£1.546m**.

- approves the following requested budget virements above £0.250m between directorates: -

	DR £000	CR £000
Adults		
Transfer of Passenger Transfer Unit from Childrens Services	904	
Children's Services		
Transfer of Passenger Transfer Unit to Adults		904
	904	904

- approves adjustments to budgets for the following additional grants that have been received since the original 2018/19 budget was set: -

Directorate	Grant Details	Amount (£000)
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Resources	Individual Electoral Registration	47
		47

5. approves the following proposed uses of surpluses/deficits: -

Adults	£000
Forecast surplus be carried forward to 2019/20 to assist in the management of projected budget pressures	1,400
Balance of the forecast surplus to be carried forward to 2020/21 to assist in the management of additional budget pressures	2,872
Total	4,272
Housing & Communities	£000
Contribute towards Transforming Local Services shortfall	850
Total	850
Public Health	£000
Forecast surplus be carried forward to 2019/20 to manage the cumulative impact of year on year reductions in the Public Health Grant.	1,359
Balance of the forecast surplus to be carried forward to 2020/21 to assist in the management of the reductions in the value of the Public Health Grant	171
Total	1,530
HRA	£000
Transfer to balances to fund ongoing capital investment	300
Total	300
Regeneration & Growth	£000
Carry Forward to 2019/20 to support directorate priorities	233
Total	233
Resources	£000
Reduce existing approved carry forward	(34)
Total	(34)

6. Receive details of the performance of the treasury management function for the first 6 months of 2018/19 and prudential indicators as outlined in Appendix N.

1 PURPOSE OF THE REPORT

This report summarises the financial position of Sandwell MBC as at the end of September 2018 (quarter 2 2018/19).

2 IMPLICATIONS FOR SANDWELL'S VISION 2030

Each of the Council's 10 ambitions are engaged across this report. The Council's financial status helps to underpin the Sandwell Vision 2030 and associated aspirations.

3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 The Executive Director - Resources 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 surplus of **£4.171m** which is broken down in the table below: -

Directorate	Projected (Surplus) / Deficit £000	Main reasons for surplus/deficit
Corporate Management	0	
Resources	34	Reduce existing approved carry forward
Adult Social Care	(4,272)	External placements and vacancies
Regeneration & Growth	(233)	Vacancies, additional car parking income and lower Planning & Development & Transport Management costs
Housing & Communities	123	Emergency accommodation for homeless offset by other savings
Children's Services	227	SEN Home to School Transport offset by other savings
Total Net Service Expenditure	(4,121)	
Central Items	(50)	
Total Net Service Expenditure (including Central Items)	(4,171)	

- 4.2 In addition, there is a projected year-end surplus against Public Health of **£1.530m**. This is a ring-fenced grant and is therefore required to be carried forward into 2019/20.
- 4.3 More detailed explanations for these variances are contained within the individual appendices for each directorate.
- 4.4 The forecast outturn for individual directorates assume that a total of **£5.717m** of corporate resources will be used to support expenditure. This means that the projected year-end deficit for the council as a whole is projected to be **£1.546m**.

REVENUE VIREMENTS

- 4.5 Approval for the following revenue virements above £0.250m between service areas has been requested: -

	DR £000	CR £000
Adults Transfer of Passenger Transfer Unit from Childrens Services	904	
Children's Services Transfer of Passenger Transfer Unit to Adults		904
	904	904

CENTRAL ITEMS

- 4.6 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.
- 4.7 The forecast outturn against these budgets is a surplus of **£0.050m**. The reasons for this surplus can be found in the individual appendices for directorates.

USE OF RESERVES

- 4.8 At the end of 2016/17, a total of **£24.303m** was held in earmarked reserves. It is forecast that **£1.108m** of these reserves will be used during 2018/19 leaving a remaining balance of **£23.171m** at the end of the financial year.
- 4.9 A breakdown of these earmarked reserves can be found in Appendix C.

SPECIFIC GRANTS & CONTRIBUTIONS

- 4.10 Additional resources are received by directorates throughout the year to fund specific activities. This means that approval is required for both the income and expenditure budgets for the relevant directorate to increase in comparison to the original approved budget.
- 4.11 The following specific grants and contributions have been received since the council budget was approved for 2018/19: -

Directorate	Grant Details	Amount (£000)
Resources	Individual Electoral Registration	47
		47

HOUSING REVENUE ACCOUNT

- 4.12 Appendix M shows the budget monitoring for the council's Housing Revenue Account (HRA) for the first quarter of 2018/19. The HRA is forecasting a year-end surplus of **£0.300m**.

SOURCES OF FINANCE

- 4.13 There have been no adjustments to the sources of finance that formed part of the approved budget for the council.

CAPITAL MONITORING

- 4.14 The capital programme has been amended for additional adjustments and reprofiling of funding into future years. The programme is forecast to break even at year-end.
- 4.15 There have been no capital virements to date. There is currently a budget of £0.196m held against the Blackheath Library project. This resource is no longer required as the project is now complete. However, there is an increasing need to improve public access to computers across the whole library service and, therefore, it is requested that this money be re-designated to a new scheme called "Public Access Computers – Libraries" to help meet this need

SECTION 106 MONIES

- 4.16 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure but must be used for specific purposes. Details of the Section 106 monies held by the council and how these are being used are contained within the individual directorate appendices.

FINANCIAL HEALTH INDICATORS

- 4.17 Appendix E shows how the council is performing in terms of various financial health indicators.

TREASURY MANAGEMENT REPORT

- 4.18 The majority of the prudential indicators are included in the Appendix N, however other details are provided below.

Treasury Management Operation

- 4.19 The Council's bank accounts are monitored on a daily basis to ensure that, as near as possible, a nil balance is achieved. During the first six months of the year there were three occasions where the balance on the accounts was outside the normal margins. In all three cases this was due to unpredictable bank receipts / payments. Corrective action was taken where required.

Short-term Borrowing Requirement 2018/19

- 4.20 Temporary borrowing during the period has been achieved at the following average interest rates for each month:

	%
April	0.542
May	0.583
June	0.602
July	0.617
August	0.635
September	0.648

- 4.21 The total amount of interest paid on temporary loans in the period was £0.093m. The level of temporary borrowing as at 30 September 2018 was £27.086m (this figure includes investments by Sandwell Leisure Trust (SLT) and Sandwell Children's Trust (SCT)). Investments by West Midlands Fire and Rescue Authority (WMF&RA) totalling £65.321m were also held by the Council as at 30 September 2018.
- 4.22 An average interest rate on the temporary loan for SLT has been paid monthly at 0.39% and for WMF&RA and SCT will be paid at the end of the financial year based on the average investment interest rate achieved as at 31 March 2018. Due to the size of the investment held, the WMF&RA receive an additional 0.10 basis points.

Placement of Surplus Funds

- 4.23 Funds have only been placed with approved organisations and within predetermined limits in accordance with the Treasury Management Strategy Statement and the Annual Investment Strategy.
- 4.24 The cumulative average interest rate achieved on surplus funds for each month is shown below, together with the 7 day London Inter Bank Bid Rate (LIBID)

	Cumulative Average Interest Rate Achieved %
April	0.459
May	0.485
June	0.500
July	0.516
August	0.565
September	0.598
Average for Period	0.598

The 7-day LIBID is 0.589% as at 30 September 2018.

- 4.25 The total amount of interest received in the period was £0.187m. The level of temporary deposits as at 30 September 2018 was £81.245m.

Risk Issues

- 4.26 Due to the uncertainty surrounding the current economic climate the Council will continue to take steps to minimise the risk of its investments being lost as follows:
- The Council will only deposit funds with banks and building societies that are 'A' rated on the list of approved counter parties provided by our specialist treasury management consultants. This list is regularly updated and checked by the Council and additional information is provided on a daily basis in the event of any rating changes.
 - The Council's specialist treasury management consultants also review the Council's investment profile on a regular basis.
- 4.27 It should also be recognised that whilst the Council has taken and will continue to take action to safeguard against the risk of losing its investments, it is not possible to eliminate all risks given the current economic climate and the impact upon the banking sector.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

There is no requirement to formally consult stakeholders or customers in relation to this report.

6 ALTERNATIVE OPTIONS

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

Strategic resource implications are contained within the main body of the report.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

The Local Government Act 2003 places a requirement on local authorities to provide Members with regular financial monitoring.

9 EQUALITY IMPACT ASSESSMENT

There is no requirement to conduct an Equality Impact Assessment.

10 DATA PROTECTION IMPACT ASSESSMENT

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

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

12 SUSTAINABILITY OF PROPOSALS

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

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

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

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, take action 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

Revenue/capital monitoring returns from directorates.

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 - Regeneration & Growth Financial Monitoring

Appendix J – Housing & Communities Financial Monitoring

Appendix K – Children’s Services Financial Monitoring

Appendix L – Public Health Financial Monitoring

Appendix M – Housing Revenue Account Financial Monitoring

Appendix N – Treasury Management Half-Yearly Report

Darren Carter
Executive Director – Resources

