

# Report to Cabinet

**20 July 2022**

<b>Subject:</b>	2021/22 Financial Outturn
<b>Cabinet Member:</b>	Cllr Bob Piper Cabinet Member for Finance & Resources
<b>Director:</b>	Simone Hines, Director of Finance
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Rebecca Maher – Head of Finance <a href="mailto:Rebecca.Maher@sandwell.gov.uk">Rebecca.Maher@sandwell.gov.uk</a>

## 1 Recommendations

### That Cabinet:

- 1.1 Receive the financial outturn reports of the Capital Programme (Appendix D), Key Performance Indicators (Appendix E), each service area (Appendices F to L), Housing Revenue Account (Appendix M), Schools (Appendix N), and Treasury Management (Appendix O) and refer them to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 Approve the allocation of £0.141m to Sandwell Children’s Trust to fund Covid-19 pressures, which is in addition to the transfers made during the year and represents total funding of £1.124m from the Covid Emergency Grant in 2020/21, as reflected within the Children’s Services Outturn report (Appendix 1K).
- 1.3 Approve the Revenue Contributions to Capital Outlay (RCCO) and reserve transfers of £5.542m set out on Appendix 1 and Appendix 4.
- 1.4 Note the new grants that have been received during the final quarter of 2021/22 as shown on Appendix 5.



## 2 Reasons for Recommendations

2.1 Section 151 of the 1972 Local Government Act requires the Chief Financial Officer to ensure the proper administration of the council's financial affairs. Budgetary control, which includes the regular monitoring and reporting of budgets is an essential element in discharging this statutory responsibility. The recommended treatment of the year end variances supports the financial sustainability of the council.

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

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

## 4 Context and Key Issues

### 4.1 General Fund Outturn

4.2 The overall outturn position for the General Fund is an underspend of £4.788m.



Area	Appendix	Total Budget £'000	Outturn £'000	Variance from Budget £'000	(Use of) Reserve & RCCO £'000	Variance £'000
Corporate Management	1A	(254)	(824)	(570)	0	(570)
Borough Economy	1B	62,934	60,312	(2,621)	1,812	(809)
Adult Social Care	1C	82,481	75,781	(6,700)	4,236	(2,464)
Regeneration & Growth	1D	10,399	6,989	(3,410)	1,039	(2,371)
Housing	1E	2,850	2,780	(70)	(90)	(160)
Children's Services	1F	84,837	85,266	429	(434)	(5)
Business Strategy & Change	1G	12,938	11,945	(994)	728	(266)
Finance	1H	10,664	9,755	(909)	425	(484)
Law & Governance	1I	1,570	(904)	(2,474)	1,678	(796)
<b>Net Service Expenditure (ex PH)</b>		<b>268,419</b>	<b>251,099</b>	<b>(17,320)</b>	<b>9,394</b>	<b>(7,926)</b>
Public Health	1J	277	(866)	(1,143)	1,143	0
<b>Total Net Service Expenditure</b>		<b>268,696</b>	<b>250,233</b>	<b>(18,462)</b>	<b>10,537</b>	<b>(7,925)</b>
Capital Charge Adjustment		(27,588)	(27,580)	8	0	8
External Interest Payments		16,290	15,456	(834)	0	(834)
Interest/Dividend Receipts		(3,246)	(2,709)	537	0	537
West Midlands Transport Levy		12,887	12,866	(21)	0	(21)
West Midlands Magistrates Court		41	25	(16)	0	(16)
Environment Agency (Flood Defence)		88	88	0	0	0
<b>Net Service Expenditure before use of balances</b>		<b>267,168</b>	<b>248,379</b>	<b>(18,788)</b>	<b>10,537</b>	<b>(8,251)</b>
Use of Balances/RCCO/Central Items		(53,856)	(44,598)	9,258	(5,793)	3,465
Council Tax		(114,573)	(114,574)	(1)	0	(1)
Business Rates		(98,738)	(98,739)	(1)	0	(1)
<b>Total Net Expenditure (inc Central Items and use of balances)</b>		<b>0</b>	<b>(9,532)</b>	<b>(9,532)</b>	<b>4,744</b>	<b>(4,788)</b>

4.3 The overall net directorate outturn variance, excluding the HRA, is an underspend of £7.925m following reserve transfers. The variance for each service area is summarised in the following table and analysed in more detail within Appendix 1.

4.4 The council has continued to see the impact of the COVID pandemic although this has not been as significant as in the last financial year. Reduced income in areas such as car parking and Residential Education Centres remain affected together with a backlog of work that ceased during times when restrictions were in place. COVID emergency funding and Contain Outbreak Management funding were brought forward into 2021/22 and this has been used to offset these costs. Where it is considered that the impact is likely to be long-term, this has been built into the budget planning process for 2022/23 onwards.

4.5 There have also been a number of vacancies during the year which has contributed to the overall underspend. A piece of work is ongoing to identify if any of these vacancies can be taken as long term savings,



whilst being mindful of the impact that recruitment difficulties is having in a number of service areas.

- 4.6 Individual outturn reports for each directorate, the Housing Revenue Account and the Individual Schools Budget can be found in Appendices 1A to 1K.

### **Corporate Management (1A)**

- 4.7 The outturn for Corporate Management is an underspend of £0.570m. The main reason for this is due to a write off of historical items from the Council's balance sheet which has resulted in windfall income for the service.

### **Borough Economy (1B)**

- 4.8 The variance against budget for Borough Economy (prior to reserve transfers) is an underspend of £2.621m. The main reasons for this underspend are: -

- Variations in the collected tonnage and recycling rates within the Waste contract.
- Additional vehicle repair income within Fleet Services.
- Receipt of Covid funding which will be used as a contribution towards the capital costs of the Aquatic Centre.
- A reduction in the Sandwell Leisure Trust management fee to reflect changes in the contract.
- Staffing vacancies across a number of service areas;

- 4.9 Reserve transfers of £1.812m are requested for a number of items including Sandwell Valley Invest to Save, Libraries and Red Risk Carriageways. Following these reserve transfers, the final outturn position for Borough Economy is an underspend of £0.809m.



## Adult Social Care (1C)

4.10 The variance against budget for Adults Social Care (prior to reserve transfers) is an underspend of £6.700m. The main reasons for this are: -

- There have been additional contributions to and reduced expenditure from the Better Care Fund Pool Budget; the yearend balance will be transferred to the ring-fenced reserve.
- Transfers from the NHS (Discharge to Assess) funded the first four weeks of support for people moving from hospital into the social care system.
- Additional responsibilities linked to the Covid related Clinically Extremely Vulnerable Grant were delivered from within existing resources.
- In year grants to meet new Domestic Abuse responsibilities were able to fund existing activity.
- In-house services continued to operate below capacity as services transitioned from Covid and we prepared to move to the new development at Willow Gardens.
- The service brought forward an under spend from previous years to manage expected budget pressures in 2021/22, given the issues highlighted above this wasn't fully used.

4.11 Most of the issues which have contributed to the underspend relate to one-off funding or circumstances which are not expected to reoccur in future years. Significant financial pressures linked to national initiatives such as the Fair Cost of Care and the Social Care Funding Reforms and uncertainty around the level of Government funding to manage the emerging issues present a significant risk within the council's Medium-Term Financial Plan.

4.12 Reserve transfers of £4.236m are requested for a number of items including the Better Care Fund, Digital Investment Strategy and Appointeeship Unit commitments. Following these reserve transfers, the final outturn for Adult Social Care is an underspend of £2.464m.

## Regen & Growth (1D)

4.13 The variance against budget for Regen and Growth (prior to reserve transfers) is an underspend of £3.410m. The main reasons for this are: -

- Vacancies across service areas;



- Income from other Black Country authorities which has been transferred into a reserve for use in future years
- Lower running costs of office buildings following reduced use after COVID;
- Additional income generated for hiring of premises as COVID testing sites
- Slippage on projects to be funded against the Property Maintenance account.

4.14 Reserve transfers of £1.039m are requested for a number of items including Black Country Core Strategy, Regeneration Pipeline and Towns Fund PMO costs. Following these reserve transfers, the final outturn for Regen and Growth is an underspend of £2.371m.

### **Housing General Fund (1E)**

4.15 The variance against budget for Housing (prior to reserve transfers) is an underspend of £0.070m. The main reasons for this are: -

- Vacancies across service areas;
- Additional income from fines levied by the Housing Quality Team;

4.16 Following the use of reserves, the final outturn for Housing is an underspend of £0.160m.

### **Childrens Services (1F)**

4.17 The variance against budget for Children's Services (prior to reserve transfers) is an overspend of £0.429m. The main reason for this is an overspend of £1.531m against SEND transport which has been offset by various one-off savings across the directorate. These include (but not limited to) vacancies across some services including Educational Psychologist (EP), Early Year's, Schools Organisation and Director's office. These vacancies are being held ahead of the proposed restructuring within the Directorate.

4.18 In addition, there are savings arising from the flexible utilisation of Holiday Activities Fund (HAF) grant, training, supply and services and Community Transport Grant. Finally, the directorate received additional Social Care grant that was more than the original budget.



4.19 Following the use of £0.434m reserves, the final outturn for Childrens Services is an underspend of £0.05m.

### **Business Strategy & Change (1G)**

4.20 The variance against budget for BSC (prior to reserve transfers) is an underspend of £0.994m. The main reasons for this are: -

- An underspend on ICT projects which has been requested to be transferred into capital to fund future capital spend;
- Savings against some third-party contracts;
- Vacancies across service areas.

4.21 Reserve transfers of £0.728m are requested for a number of items including ICT and Cyber Security. Following these reserve transfers, the final outturn for BSC is an underspend of £0.266m.

### **Finance (1H)**

4.22 The variance against budget for Finance (prior to reserve transfers) is an underspend of £0.909m. The main reasons for this are: -

- Expenditure on the Oracle Fusion project which is funded from an existing reserve;
- Vacancies across service areas;
- Reduction in Council Tax and NNDR court costs.

4.23 Following a transfer to reserves of £0.425m, the final outturn for Finance is an underspend of £0.484m.

### **Law & Governance (1I)**

4.24 The variance against budget for L&G (prior to reserve transfers) is an underspend of £2.474m. The main reasons for this are: -

- Increased cost of elections which has been funded from government grants from the Cabinet Office and COVID funding;
- Increased income within Registration Services;
- Proceeds of Crime Income relating to a high-profile fraud case which has been transferred into a reserve prior to distribution.



4.25 Reserve transfers of £1.678m are requested for a number of items including the Corporate Improvement Plan, Proceeds of Crime Act income and work on various cemeteries and crematoria. Following these reserve transfers, the final outturn for Law and Governance is an underspend of £0.796m.

### **Public Health (1J)**

4.26 Public Health is a ringfenced grant and therefore any underspend has to be transferred into a specific Public Health Reserve. The variance following reserves transfers is therefore nil.

4.27 The variance against budget for Public Health (prior to this transfer) is an underspend of £1.143m. The main reasons for this are: -

- Activity that was expected to be funded from the Public Health Grant has been funded from other sources, most significantly the Covid related Test & Trace Grant.
- The planned Health Checks Programme was suspended in response to a very low uptake.
- The Learning for Public Health programme (which Sandwell administers on behalf of other local authorities) received additional in-year contributions.

### **Housing Revenue Account (1K)**

4.28 The variance against budget for the HRA (prior to reserve transfers) is an underspend of £3.345m. The main reasons for this are: -

- Delays in works being carried out due to resource issues with external contractors as a result of the pandemic;
- Vacancies within Housing Management;
- Transfer of PFI spend to capital and lower unitary fee for this area;

4.29 Following the use of reserves, the final outturn for the HRA is an underspend of £3.437m.

### **Central Items/RCCO/Use of Balances**

4.30 The council has a number of centrally held budgets. The nature of these is such that they are not within a specific directorate's control. The council also makes use of balances towards one-off expenditure and as Revenue Contributions to Capital Outlay. The net outturn variance



against these budgets is an overspend of £3.465m and more detail is provided in Appendix 2.

### Use of Reserves

- 4.31 At the end of 2020/21 £149.513m was held in earmarked reserves and during the year balances have increased by £5.818m. The year-end earmarked reserve balance is therefore £154.971m. Further detail is provided in Appendix 4.
- 4.32 A number of new reserves have been created as part of the year-end process to provide the council with resilience in the face of a number of one-off budget pressures. These are explained below: -
- Grant reserves have been created in several directorates due to a change in the required accounting treatment for unspent external funding.
  - Leadership Team approved carry forward requests for individual directorates to manage their own short-term expenditure commitments or investment requirements.
  - Corporate reserves have been set up to cover the following: -
    - Commonwealth Games
    - Corporate Improvement Plan
    - Climate Change

### Capital

- 4.33 Expenditure on the Council's capital programme was £137.801m compared to the approved budget at Qtr 2 of £150.438m for the financial year 2021/22. Details are provided at Appendix 6.
- 4.34 Public consultation, procurement delays due to Brexit and COVID have all significantly impacted on the delivery of various large capital schemes which has caused slippage into future years. The main changes that have taken place since the Quarter 3 2021/22 monitoring are as follows: -
- Within Adults Social Care there has been a re-profiling of Resources of £3.864m into 2022/23 mainly in relation to the construction of the New Social Care & Health Centre in Rowley Regis. The scheme is due to be completed in the financial year 2022/23.



- Within Borough Economy expenditure on the acquisition of new vehicles has been less than expected leading to a reduction of £1.080m. However, expenditure on West Smethwick Park has increased by £2.619m and has been funded by previously agreed Heritage Lottery Funding.
- Within Regeneration & Growth there has been slippage of £2.336m for the Towns Fund into 2022/23. An additional £2.090m has been re-profiled from 2022/23 in relation to the Aquatics Centre and a new scheme has been added to the programme totalling £1.205m in relation to PSDS Heat Pump Technology that is being funded by Capital Grants.
- Within Childrens & Education there has been a slippage of resources into 2022/23 on various schemes within the Schools Capital Programme. The main ones being Q3 Langley Phase 3 (£1.182m) and Bristnall Hall Academy (£0.860m). Additional Resources have been added to the programme for various schemes funded from Devolved Formula Grant Funding (£0.809m) and School Contributions (£1.198m).
- There has been an overall decrease of £9.098m in the Housing Revenue Account (HRA) budget mainly in respect of the re-profiling of New Build and High Rise projects into 2022/23, due to COVID and Procurement delays effecting start on site. However, additional resources have been added in relation to Street Lighting Upgrades (1.122m).

## Section 106/Community Infrastructure Levy

- 4.35 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure but must be used for specific purposes.
- 4.36 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.
- 4.37 Appendix 7 sets out the financial position on each of these sources of income.



## General Fund Balance

- 4.38 At the end of 2021/22 the General Fund balance was £14.699m which equates to 4.17% of net General Fund expenditure and is within the prudent limits set by the Section 151 Officer. The aim from the 2022/23 budget strategy was to increase reserves to 5% of net expenditure, as the current level of unallocated balances is at the lower end of what is considered to be a prudent level. The underspend position for 2021/22 has enabled reserves to be increased to meet this aim.
- 4.39 The Council also anticipates that it will experience additional spend pressures during the current financial year due to the exceptionally high level of inflation. This is expected to have an impact on pay, utilities, capital expenditure and major contracts. The increase level of General Fund balance will provide some capacity to manage this pressure, although all efforts will be made to mitigate pressures as part of the budget monitoring process during the year.

## 5 Alternative Options

- 5.1 Cabinet could vary the proposed transfer to the Sandwell Children's Trust, the use of revenue to fund capital costs (RCCO) and the proposed treatment of the year end variances from budget.

## 6 Implications

<b>Resources:</b>	Resource implications are contained within the main body of the report.
<b>Legal and Governance:</b>	No direct implications arising from the recommendations.
<b>Risk:</b>	This information is contained within the main body of this report.
<b>Equality:</b>	No direct implications arising from the recommendations.
<b>Health and Wellbeing:</b>	No direct implications arising from the recommendations.
<b>Social Value</b>	No direct implications arising from the recommendations.



## 7. Appendices

App 1 Outturn Summary for Directorates

App 2 Central Items

App 3 ISB

App 4 Reserves

App 5 New Grants

App 6 Capital

App 7 CIL & S106 Funding

App 8 Treasury Management Strategy Outturn Report

## 8. Background Papers

None

