

Report to Cabinet

13 September 2023

Subject:	Q1 Budget Monitoring 2023/24
Cabinet Member:	Finance and Resources Cllr Bob Piper
Director:	Simone Hines, Director of Finance
Key Decision:	Yes
Contact Officer:	Rebecca Maher – Assistant Director Finance Rebecca_Maher@sandwell.gov.uk

1 Recommendations

That Cabinet:

- 1.1 Note the financial monitoring position as at 30 June 2023 (Qtr 1) and refer the report to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 Approve the Treasury Outturn for 2022/23 and Qtr 1 position for 2023/24, both attached at Appendices 6 and 7.
- 1.3 Approve the following budget virements above £1m in line with the revised delegated limits for Cabinet Members and Directors: -

Virements above £1m for approval by Cabinet		£'000	£'000
Borough Economy	Correction to budget savings applied	1,000	
Contingency	Correction to budget savings applied		1,000
Social Care Grant - Income	External Placements – correction to Social Care Grant income budget	2,478	
Social Care Grant - Exp	External Placements – correction to corresponding expenditure budget relating to Social Care Grant		2,478



Creation of COMF budgets Inc	External Placements – increase in income budget for Contain Outbreak Management Fund income		3,397
Creation of COMF budgets Exp	External Placements – corresponding increase in expenditure budget for Contain Outbreak Management Fund spend	3,397	
TOTAL		6,875	6,875

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.
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4 Context and Key Issues

General Fund Outturn

- 4.1 The overall projected outturn position for the General Fund is an overspend of £2.188m.
- 4.2 The overall projected net directorate outturn variance, excluding the HRA, is an overspend of £4.373m following the use of reserves. The variance for each directorate is summarised in the following table and analysed in more detail within Appendix 1.



Service Area	APPX	Total Budget	Projected Outturn	Projected Variance	(Use of/ Contribution to Reserves & RCCO for specific purposes	Projected Outturn Variance following use of reserves for specific purposes	Use of reserves to offset pressures	Projected Outturn Variance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management	1A	304	644	340	(380)	(40)		(40)
Borough Economy	1B	69,353	70,055	702	(75)	627		627
Adult Social Care	1C	86,016	89,929	3,913	(4,526)	(613)		(613)
Regeneration & Growth	1D	12,386	14,842	2,456	(2,239)	217	(80)	137
Housing	1E	2,336	3,135	799	(108)	691		691
Children's Services	1F	91,200	98,899	7,699	(3,558)	4,141	(240)	3,901
Business Strategy & Change	1G	15,145	14,423	(722)	(307)	(1,029)		(1,029)
Finance	1H	11,498	13,657	2,159	(1,431)	728		728
Law & Governance	1I	7,366	7,250	(116)	86	(30)		(30)
Net Service Expenditure (ex PH)		295,604	312,835	17,231	(12,538)	4,693	(320)	4,373
Public Health	1J	64	3,283	3,219	(3,219)	0		0
Total Net Service Expenditure		295,668	316,117	20,449	(15,757)	4,693	(320)	4,373
Capital Charge Adjustment		(26,461)	(26,461)	0		0		0
External Interest Payments		15,000	15,000	0		0		0
Interest/Dividend Receipts		(7,500)	(8,500)	(1,000)		(1,000)		(1,000)
West Midlands Transport Levy		13,977	13,977	0		0		0
West Midlands Magistrates Court		41	41	0		0		0
Environment Agency (Flood Defence)		88	88	0		0		0
Net Service Expenditure before use of balances		290,813	310,262	19,449	(15,757)	3,693	(320)	3,373
Use of Balances/RCCO/Central Items		26,811	40,070	13,259	(14,281)	(1,022)	0	(1,022)
Collection Fund Surplus		(102)	(102)	0		0		0
Council Tax		(127,008)	(127,008)	0		0		0
Business Rates		(109,560)	(109,560)	0		0		0
Business Rates Top-Up		(38,701)	(38,701)	0		0		0
Section 31 Grants		(38,188)	(38,188)	0		0		0
New Homes Bonus		(111)	(111)	0		0		0
Services Grant		(3,953)	(4,116)	(163)		(163)		(163)
Total Net General Fund Expenditure (inc Central Items and use of balances)		1	32,546	32,546	(30,038)	2,508	(320)	2,188

4.3 The cost of living crisis continues to have a significant impact across the council both in terms of inflationary pressures and an increase in the expected pay award compared to the amount included in the original budget. The position at the end of June has assumed a 7% pay award compared to 5% included in the budget when approved in February. It also includes additional superannuation costs. Both of these increase the Council's salary costs by approximately £5m. The other significant projected overspend relates to SEND Transport and is explained further in the Children's Services section below.



Corporate Management (1A)

- 4.4 The projected outturn for Corporate Management is an underspend of £0.040m relating to employee savings.

Borough Economy (1B)

- 4.5 The projected outturn for Borough Economy is an overspend of £0.627m. The main reasons for this forecast overspend are as follows:

- £0.510m unachieved savings relating to increased income in Visitor Services, staff turnover savings in Green Services, and the Heritage service review
- £0.424m overspend relating to the potential pay award and an increased rate of pension contributions
- Offset by:
 - (£0.235m) in year savings on supplies and services budgets in Green Spaces and Visitor Services in order to reduce forecast budget pressures
 - (£0.070m) in year vacancy management savings and other minor budget savings in Green Services, Public Protection and Libraries

Adult Social Care (1C)

- 4.6 The forecast variance against budget for Adults Social Care is an underspend of £0.613m. There are pressures from additional 2% pay award, 1.1% superannuation and external placements. These are wholly mitigated by staff vacancies and underspend in Direct Services.

Regen & Growth (1D)

- 4.7 The projected outturn for Regeneration and Growth is an overspend of £0.137m. The main reasons for this forecast overspend are as follows:
- £0.340m overspend relating to the potential pay award and an increased rate of pension contributions
 - £0.225m reduced income from rechargeable jobs, as a result of staff vacancies
 - £0.200m reduced income from planning application fees and building regulation fees, due to the economic downturn
 - £0.198m loss of income due to building closures and tenant vacancies
 - £0.100m unachieved saving relating to reduction of cleaning services
 - £0.080m budget pressure relating to production of the Sandwell Plan
 - Offset by (£0.926m) in year vacancy management savings and other minor budget savings



Housing General Fund (1E)

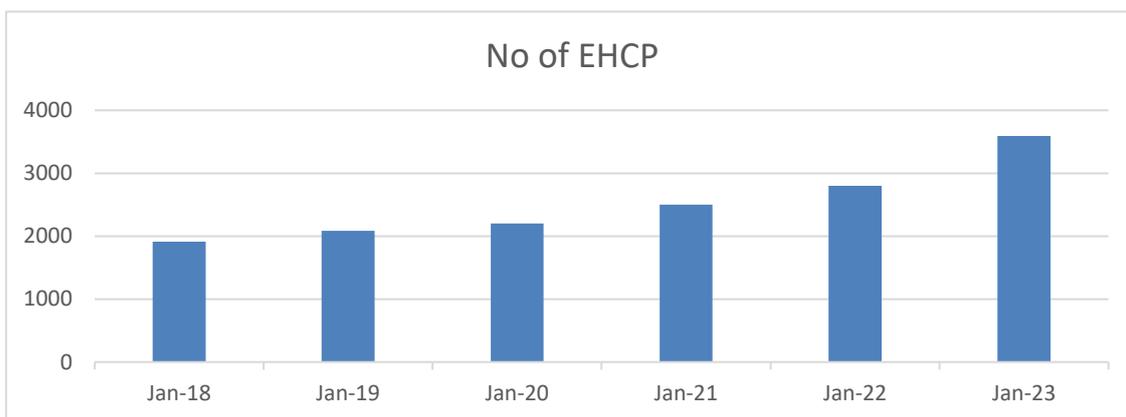
- 4.8 The projected outturn for Housing is an overspend of £0.691m. The main reasons for this forecast overspend are as follows:
- £0.283m overspend relating to the potential pay award and an increased rate of pension contributions
 - £0.210m unachieved savings relating to reduction in grants paid to other organisations, fees and charges income and review of the community centres delivery model
 - £0.202m income budget pressure relating to garage rental
 - £0.137m income budget pressure relating to the Home Improvement Agency
 - Offset by (£0.141m) in year vacancy management savings and other minor budget savings

Childrens Services (1F)

- 4.9 The forecast variance against budget for Children's Services is an overspend of £3.901m. The main reasons for this are SEND transport, the impact of the pay award for the directorate and Sandwell Children's Trust as well as loss of income in Sandwell Residential Education Service (SRES). These are partly mitigated by vacancy savings and additional social care grant.
- 4.10 SEND transport overspend is originally forecasted at £6.265m but was reduced by additional social care grant to £3.265m. The additional pay award pressure (of 2%) and superannuation (of 1.1%) in the directorate (totalling £0.787m) and similar pressure estimated for SCT (totalling £0.240m) further contributed to the overspend. Finally, SRES will not be able to achieve £0.514m of its income target. These pressures are partly offset by staff vacancies and one-off use of various grants.
- 4.11 The forecast increase in the SEND Transport service is due to a significant increase in demand over the years, particularly for complex and out of borough placements which have the highest cost.



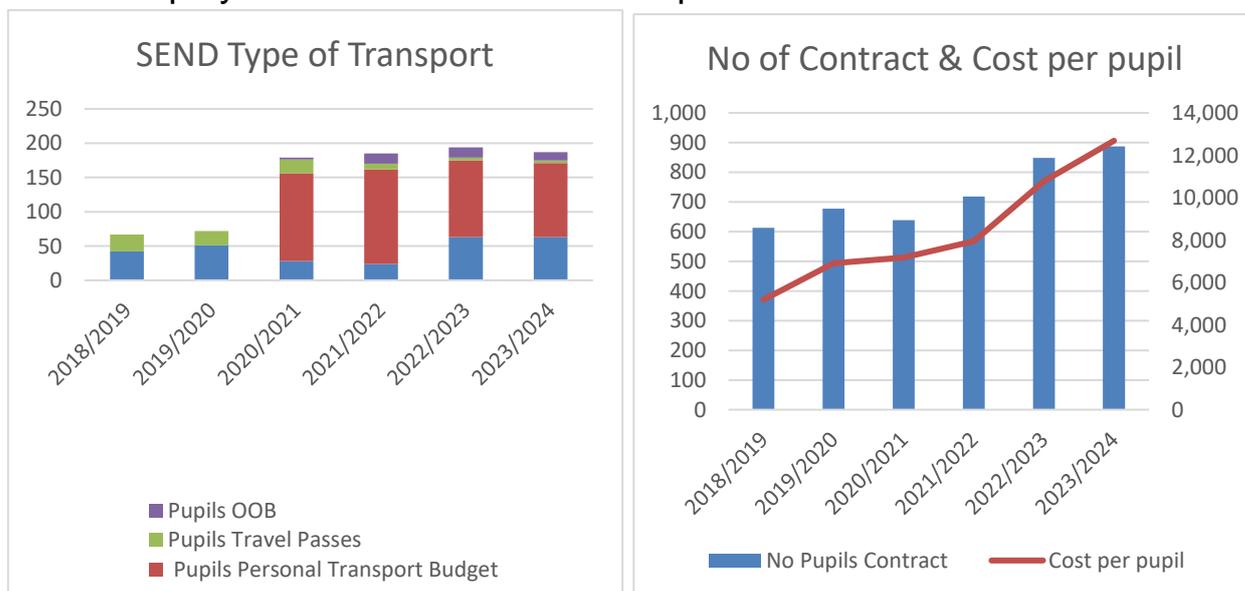
4.12 There has been an 88.8% increase in the Education Health and Care Plans (EHCP) issued over the last 6 years as can be seen in the chart below. This has correspondingly resulted in increase in request for SEN transport.



4.13 As mentioned above, request for travel assistance has therefore increased significantly. Most importantly however, is the increased nature and complexity of need of these pupils that has led to:

- them being placed in out of Borough (OOB) schools
- reduction in use of multi-occupancy vehicles
- More children are now travelling alone with passenger assistant

The inter-play of these factors can be explained in the two charts below.



4.14 The result of this is a significant increase in the cost of travel per pupil as can be seen above. The cost rises sharply from 2021/22 and has been continuing ever since.



- 4.15 The recent framework procurement of SEND used pupil transport number as at April 2022 of 716. However, this figure has increased significantly to 887 at the beginning of this year.
- 4.16 The service is exploring a series of mitigations to include the consultation on wider use of public transport buses and mileage for secondary schools' users of SEND Transport and to add new entrants onto existing routes where possible. This will take effect through the school holidays in Q2 and results will be confirmed in the autumn term. Other mitigations being explored are:
- Review of all routes to ensure optimised efficiency and vehicle sizes
 - Options to reduce reliance on out of borough provision
 - Options to use existing fleet within Adult Social Care for some routes
 - Reviewing the Council's Travel Assistance Policy, although any changes are unlikely to take effect until 2024/25

Business Strategy & Change (1G)

- 4.17 The projected outturn for Business Strategy and Change is an underspend of (£1.029m). The main reasons for this forecast underspend are as follows:
- (£1.208m) one-off savings relating to cyber security, mainly as a result of a delay to the project, including a delay in recruiting to posts
 - (£0.496m) in year vacancy management savings and other minor budget savings
 - (£0.135m) forecast budget surplus relating to the employee benefits scheme
 - Offset by:
 - £0.362m overspend relating to the potential pay award and an increased rate of pension contributions
 - £0.448m unachieved savings relating to hybrid mail, ICT network support, printing and increased fees and charges income

Finance (1H)

- 4.18 The projected outturn for Finance is an overspend of £0.728m. The main reasons for this forecast overspend are as follows:
- £0.400m budget pressure relating to the loss of Housing Benefits subsidy due to increased demand for temporary accommodation



- £0.348m overspend relating to the potential pay award and an increased rate of pension contributions
- £0.075m unachieved saving relating to redesign of Business Support functions. There is still potential for this to be achieved this year so the position may improve.
- Offset by (£0.095m) in year vacancy management savings and other minor budget savings

Law & Governance (1I)

- 4.19 The projected outturn for Law and Governance is an underspend of (£0.030m). Although there is a forecast budget pressure of £0.216m relating to the potential pay award and an increased rate of pension contributions, this is more than offset by (£0.246m) in year vacancy management savings and other minor budget savings.

Public Health (1J)

- 4.20 Public Health is a ringfenced grant and therefore any underspend has to be transferred into a specific Public Health Reserve. The projected outturn variance is currently an overspend of £3.219m.

Housing Revenue Account (1K)

- 4.21 The overall forecast variance against budget for the HRA is nil, as any surplus or deficit at year end is offset by a corresponding transfer to/from the HRA reserve. Prior to transfers to reserves, the forecast outturn is an underspend of (£0.472m). The main reasons for this forecast underspend are as follows:

- (£4.383m) in year vacancy management savings and other minor budget savings

Offset by:

- £1.470m overspend relating to the potential pay award and an increased rate of pension contributions
- £1.023m budget pressure relating to vacant properties – Material and labour costs to bring properties up to a lettable standard
- £0.914m budget pressure relating to the backlog of tree works to be undertaken
- £0.270m budget pressure relating to increased PFI unitary charges
- £0.120m increased insurance recharges
- £0.112m provision for project feasibility expenditure



Dedicated Schools Grant – DSG (1L)

4.22 The overall forecast variance against budget for the DSG is nil, as any surplus or deficit at year end is offset by a corresponding transfer to/from the HRA reserve. Prior to transfers to reserves, the forecast outturn is an underspend of (£3.253m). The main reasons for this forecast underspend are as follows:

- High Needs Block underspend of £1.730m arising from Out of Borough placement, staffing vacancies and SEN development.
- Early Year's block underspend of £0.320m from 2 years old funding and disability access fund.
- £1.200m underspend in Pupil number growth fund due to bulge classes working their way out of secondary schools.

Central Items/RCCO/Use of Balances

4.23 The council has several 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.

4.24 At Quarter 1 an overspend of £0.210m is forecast against Central Items. The reasons for this forecast overspend are as follows:

- £0.140m additional audit fee costs
- £0.070m additional bank charges

Use of Reserves

4.25 At the end of 2022/23 £126.187m was held in earmarked reserves and a number of new reserves and contributions to capital have been actioned as part of the budget setting process for 2023/24 which increased the opening balance to £127.455. During the year, it is projected that £27.755m of these balances will be used leaving a remaining balance of £99.700m. A significant proportion of the use of reserves is the use of the remaining COVID Emergency Funding and Contain Outbreak Management Fund. Further detail is provided in Appendix 3.

Capital

4.26 Expenditure on the Council's capital programme is forecast to be £91.7m within the General Fund and £101.093m within the Housing Revenue



Account for the financial year 2023/24. Appendix 4 provides a detailed breakdown of the programme.

4.27 The budgets that were approved in February 2023 have been updated to include slippage from previous years and additional approvals which require formal approval for inclusion in the Capital Programme. This is £21.1m for the General Fund slippage and additional programme allocation) and £19m for the HRA (slippage from 2022/23) The main areas of slippage are: -

- **Disabled Facilities Grant (DFG)**

There has been slippage of £8.101m within the Housing and Assets directorate on this grant.

A new policy for adaptations and use of DFG was adopted by Cabinet on 7 June 2023. This streamlines the process for approval of grants, enabling higher cost adaptations to be progressed more quickly where eligibility criteria are met. The new policy also widens the offer in line with Government guidance meaning more people are eligible for a wider range of adaptations, including thermal improvements.

Full staffing complement for the Home Improvement Agency is now in place, except for a technical design function for major adaptations which is currently being recruited to. There is no backlog of customers and all referrals (vast majority from Adult Social Care) are being reviewed and progressed so workflow is good. Contract management has been strengthened and will improve completion dates, sign off of work and timely invoicing/payments.

- **Transport**

An additional £33m of City Regional Sustainable Transport Settlement (CRSTS) funding is available for major transport schemes (subject to successful business case approvals). It is estimated that this expenditure will be profiled over a number of years through to 2026/27. However, it is expected that £7m would be required in the current year (of which £4.2m is included in budgets through slippage from 22/23). Therefore £2.8m is required from this additional funding with the remainder to be included in budgets in future years as part of



the formal budget process. Spend cannot commence until Business Cases have been approved by WMCA and funding agreements accepted by the Council.

- **Towns Fund**

The Towns Fund Programme slippage has occurred on key projects where there have been delays following planning application submissions or where negotiations on land acquisitions have not progressed as expected. Financial forecasts are provided to DLUHC on a regular basis with details of issues and progress, to provide assurance that projects can still be completed within the Towns Fund Programme timeframe. Q2 returns from projects due in October 23, will provide further update on the financial profiles and will require approval from Towns Fund Board and S151 officer prior to being submitted to DLUHC for approval.

West Bromwich- Acquisitions for Queens Square has not progressed in Qtr1 and although negotiations have restarted recently, it is expected that any acquisition would now complete in 24/25. Contractors on the Town Hall Quarter are continuing to undertake preliminary works to determine the final cost plan with works due to start in October 23. As the project is a 12 month programme, c£4m funding has slipped to next financial year with a completion date of October 2024.

Smethwick Towns Fund - the Midland Met Learning Quarter submitted a planning application at the end of April 2023 with a determination expected in October 2023. This has caused c£9m slippage to future years as a contractor is now due to be on site early 2024 subject to planning approval. CPO proceedings are continuing for Grove Lane with funding slipped towards the end of the programme if CPO is successful.

Rowley Regis - The Satellite Education Hub profile has slipped to future years due to delays to the planning application decision following resident objections. Following approval in June 23, the



land transaction transfer from SMBC is currently underway with contractor expected on site in March 2024 after completion of the procurement process. The Blackheath Bus Interchange project is currently being reviewed following objections to the consultations earlier in the year.

Section 106/Community Infrastructure Levy (CIL)

- 4.28 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure but must be used for specific purposes. As at Quarter 1, £0.203m of these balances have been utilised, leaving a remaining balance of £2.615m.
- 4.29 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 is currently holding capital balances of £3.059m in relation to this levy and is not forecasting any expenditure against this.

Treasury Management Outturn and Q1 Update

- 4.30 Attached are two reports relating the Council's Treasury Management activities. Appendix 6 is the Treasury Management Outturn Report for 2022/23 as this was not available at the time of the previous report. Appendix 7 is the Quarter 1 Treasury Management Update.

5 Conclusion

- 5.1 The Council is facing a challenging financial position for 2023/24, largely due to the projected overspend against SEND Transport. The potential increased pay award is in the region of £5m and may increase if the current pay offer is not accepted.
- 5.2 Leadership Team agreed that the vacancy controls that were in place for 2022/23 would be reinstated at their meeting on 8 August 2023 in order to reduce the projected overspend. Work is ongoing to identify other spending controls that may be needed to avoid reliance on use of reserves.



6 Alternative Options

- 6.1 There are limited alternatives to the recommendations included in this report. Cabinet could decide not to allow the proposed use of reserves by directorates, but this would increase the projected overspend and result in a further reduction in the council's general fund balance.

7 Implications

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

8 Appendices

App 1 Outturn Summary for Directorates

App 2 Central Items

App 3 Reserves

App 4 Capital

App 5 CIL and S106 Funding

App 6 Treasury Outturn Report 2022/23

App 7 Treasury Update Q1

9 Background Papers

None

