

# Report to Cabinet

7<sup>th</sup> February 2023

<b>Subject:</b>	<b>Q3 Budget Monitoring 2023/24</b>
<b>Cabinet Member:</b>	Cllr Bob Piper, Finance & Resources
<b>Director:</b>	Brendan Arnold, Director of Finance
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Claire Spencer – Acting Assistant Director Finance <a href="mailto:Claire_spencer@sandwell.gov.uk">Claire_spencer@sandwell.gov.uk</a>

## 1 Recommendations

*That Cabinet:*

- 1.1 Notes the financial monitoring position as at 31<sup>st</sup> December 2023 (Quarter 3) and refers the report to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 Approves 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
Directorate Budgets	Transfer of pay award allocation from Contingency	6,539	
Contingency	Transfer of pay award allocation to directorates		6,539
<b>TOTAL</b>		<b>6,539</b>	<b>6,539</b>

## 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.

- 2.2 £6.539m is currently being held corporately within a contingency budget to be used to part fund the cost of the 2023/34 NJC pay award. Allocations to directorates of this centrally held contingency budget have now been calculated and it is necessary to distribute these allocations across the Council.

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

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

### 4 Context and Key Issues

#### *General Fund Outturn*

- 4.1 The overall projected outturn position for the General Fund is an underspend of (£2.985m). This is an underspend of 0.9% when compared with the Council's net budget of £317.623m.
- 4.2 The overall projected net directorate outturn variance, excluding the HRA, is an underspend of (£0.163m) 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 Outturn Variance Before Transfers to/from Reserves	(Use of)/ Contribution to Reserves	Projected Outturn Following Use of Reserves	Projected Outturn Variance
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management	1A	(183)	97	280	(280)	(183)	0
Borough Economy	1B	69,875	72,305	2,430	(1,898)	70,407	532
Adult Social Care	1C	85,831	85,106	(725)	(4,690)	80,416	(5,415)
Regeneration & Growth	1D	11,389	13,664	2,276	(2,412)	11,252	(137)
Housing	1E	2,302	2,095	(207)	373	2,468	166
Children's Services	1F	91,455	102,002	10,547	(5,692)	96,310	4,855
Assistant Chief Executive	1G	7,550	7,369	(181)	20	7,389	(161)
Finance	1H	19,500	19,373	(127)	162	19,535	35
Law & Governance	1I	7,303	7,219	(84)	46	7,265	(38)
Public Health	1J	64	1,947	1,883	(1,883)	64	0
<b>Net Service Expenditure</b>		<b>295,087</b>	<b>311,178</b>	<b>16,091</b>	<b>(16,254)</b>	<b>294,924</b>	<b>(163)</b>
Capital Charge Adjustment		(26,461)	(26,461)	0		(26,461)	0
External Interest Payments		15,000	15,000	0		15,000	0
Interest/Dividend Receipts		(7,500)	(9,000)	(1,500)		(9,000)	(1,500)
Corporate Items		41,497	40,984	(513)	(646)	40,338	(1,159)
<b>Net Service Expenditure, Treasury Management Budgets and Corporate Items</b>		<b>317,623</b>	<b>331,701</b>	<b>14,078</b>	<b>(16,900)</b>	<b>314,801</b>	<b>(2,822)</b>
Collection Fund Surplus		(102)	(102)	0		(102)	0
Council Tax		(127,008)	(127,008)	0		(127,008)	0
Business Rates		(109,560)	(109,560)	0		(109,560)	0
Business Rates Top-Up		(38,701)	(38,701)	0		(38,701)	0
Section 31 Grants		(38,188)	(38,188)	0		(38,188)	0
New Homes Bonus		(111)	(111)	0		(111)	0
Services Grant		(3,953)	(4,116)	(163)		(4,116)	(163)
<b>Net Service Expenditure, Treasury Management Budgets, Corporate Items and Sources of Funding</b>		<b>0</b>	<b>13,915</b>	<b>13,915</b>	<b>(16,900)</b>	<b>(2,985)</b>	<b>(2,985)</b>
<b>Quarter 2 Projected Outturn Variance</b>							<b>1,222</b>
<b>Movement from Quarter 1 to Quarter 2</b>							<b>(4,207)</b>

4.3 The forecast underspend of (£2.985m) at Quarter 3 represents an improved position of (£4.207m) when compared with the Quarter 2 forecast overspend of £1.222m.

4.4 The forecast outturn position at Quarter 3 is explained in further detail within the following paragraphs.

4.5 The cost of the 2023/24 NJC pay award is approximately £9.1m and £6.5m is available to part fund this budget pressure, as described in 2.2 above. Therefore, there is a residual budget pressure of £2.6m across the service directorates. The residual budget pressure relating to each directorate is highlighted within the corresponding explanation of forecast outturn position below.



### *Corporate Management (1A)*

4.6 The projected outturn for Corporate Management is nil variance from budget.

### *Borough Economy (1B)*

4.7 The projected outturn for Borough Economy is an overspend of £0.532m. The main reasons for this forecast overspend are as follows:

- £1.682m Income budget pressures relating to Visitor Services and Events, Green Services and Libraries.
- £0.433m overspend relating to the pay award and increased rate of pension contributions.
- £0.360m unachieved savings relating to Visitor Services and Events  
Offset by:
  - (£0.819m) net in year savings on supplies and services budgets.
  - (£0.691m) in year vacancy management savings.

### *Adult Social Care (1C)*

4.8 The forecast variance to budget for Adult Social Care is an underspend of (£5.415m). The main reasons for this forecast underspend are as follows:

- Vacancy management savings of (£3.148m) as a result of significant recruitment challenges in the sector and slippage in the start of social workers recruitment campaign
- Additional free nursing care income of (£1.600m)
- Additional Better Care Fund funding of (£0.806m)
- A variance on external placement costs of (£0.648m). This is 0.35% of the annual budget.
- Offset in part by £0.697m overspend relating to the pay award and increased rate of pension contributions and £0.090m other minor budget pressures.

### *Regeneration & Growth (1D)*

4.9 The projected outturn for Regeneration and Growth is an underspend of (£0.137m). The main reasons for this forecast underspend are as follows:

- £0.500m reduced income from rechargeable jobs, as a result of staff vacancies
- £0.350m reduced income from planning application fees and building regulation fees, due to the economic downturn
- £0.403m loss of income due to building closures and tenant vacancies
- £0.239m overspend relating to the pay award and increased rate of pension contributions.
- Offset by (£1.629m) in year vacancy management savings and other minor budget savings



### *Housing (1E)*

- 4.10 The projected outturn for Housing is an overspend of £0.166m. The main reasons for this forecast overspend are as follows:
- £0.174m income budget pressure relating to garage rental
  - £0.263m other income budget pressures
  - £0.169m unachieved savings
  - £0.114m delayed savings
  - £0.134m overspend relating to the pay award and increased rate of pension contributions.
  - Offset by (£0.688m) in year vacancy management savings and other minor budget savings

### *Children's Services (1F)*

- 4.11 The forecast variance against budget for Children's Services is an overspend of £4.855m, largely due to budget pressures relating to SEND transport. The gross overspend relating to SEND transport is forecast to be £9.867m. This is partly offset by the use of reserves (£2.439m), resulting in a net budget pressure of £7.428m.
- 4.12 In addition to the above, the overspend relating to the pay award and increased rate of pension contributions is forecast to be £0.329m and there is also a forecast budget pressure in relation to Sandwell Residential Education Services of £0.255m.
- 4.13 Partly offsetting the budget pressures described in 4.10 and 4.11 are vacancy management savings of (£1.730m), additional income (partly grant income) of (£0.855m) and supplies and services and contract savings of (£0.572m).
- 4.14 The forecast overspend in the SEND transport service is due to a significant increase in demand over recent years, particularly for complex and out of borough placements, which have the highest cost.

### *Assistant Chief Executive (1G)*

- 4.15 The projected outturn for Assistant Chief Executive is an underspend of (£0.161m). The main reasons for this forecast underspend is as follows.
- £0.216m overspend relating to the pay award and an increased rate of pension contributions
  - £0.194m overspend relating to additional supplies and services costs (security and IT costs)
  - £0.099m of unachieved savings



- Offset by (£0.670m) in year vacancy management savings and other minor budget savings

### *Finance (1H)*

4.16 The projected outturn for Finance is an overspend of £0.035m. The main reasons for this forecast overspend are as follows:

- £0.914m budget pressure relating to the loss of Housing Benefits subsidy due to increased demand for temporary accommodation
- £0.394m overspend relating to the pay award and an increased rate of pension contributions
- £0.396m unachieved and delayed savings relating to redesign of Business Support functions and the hybrid print and mail project.
- Offset by (£1.669m) in year vacancy management savings, rephasing of the implementation of cyber security and other minor overspends.

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

4.17 The projected outturn for Law and Governance is an underspend of (£0.038m).

- £0.191m overspend due to the pay award and an increased rate of pension contributions
- £0.439m overspend on external legal advice on corporate projects and social care
- offset by (£0.668m) underspend in in year vacancy management savings and other minor budget savings.

### *Public Health (1J)*

4.18 Public Health is funded by a ringfenced grant and therefore any underspend at year-end is transferred into a specific Public Health grant reserve, and any overspend at year-end is funded from the reserve. The projected outturn variance is currently an overspend of £1.883m. This will be entirely funded from the Public Health grant reserve. There is a 3-year programme in place to bring down the reserve balance, which built up over the Covid-19 period.

### *Corporate Items*

4.19 The council has several centrally held budgets. At Quarter 3 an underspend of (£1.159m) is forecast against Corporate Items. The main reasons for this forecast underspend are additional audit fees, additional bank charges and additional contributions to the West Midlands Combined Authority, offset by remaining contingency budgets.



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

4.20 The overall forecast variance against budget for the HRA (which sits outside the General Fund) is nil, as any surplus or deficit at year-end is offset by a corresponding transfer to/from HRA reserves. Prior to the use of reserves, the forecast variance against budget for the HRA is an overspend of £1.120m. The main reasons for this forecast overspend are as follows:

- Rents & Other Charges – £2.328m pressure relating to loss of rental income from voids and council tax charges on void properties
- PFI – £0.9m pressure due to increased unitary charge which is partly offset by one-off management fee income received. This pressure will be funded from the PFI sinking fund.
- Asset Management and Maintenance:
  - (i) Repairs & Maintenance – (£1.329m) net underspend mainly due to staff vacancies.
  - (ii) Building Safety & Compliance - £0.357m net pressure relating to Highrise safety and compliance costs.
- Housing Management – (£0.703m) net underspend related to staff savings.
- Other HRA Services – (£0.435m) underspend. Although there is an overspend due to increase in staff pension costs, project feasibility costs, tree works and increase in central support charges, this has been more than mitigated by staffing savings.

### *Dedicated Schools Grant – DSG (1L)*

4.21 The overall forecast variance against budget for the DSG – which also sits outside the General Fund - is nil, as any surplus or deficit at year-end is offset by a corresponding transfer to/from the DSG reserve. Prior to transfers to reserves, the forecast outturn is an underspend of (£1.069m). The main reasons for this forecast underspend are as follows:

- High Needs Block underspend of (£0.949m) arising from out of borough placements, staffing vacancies and SEN development.
- Early Year's Block underspend of (£0.120m) from funding for 2-year olds and disability access fund.

### Capital

4.22 Expenditure on the Council's capital programme is forecast to be £61.354m within the General Fund and £72.116m within the Housing Revenue Account



for the financial year 2023/24. Appendix 2 provides a detailed breakdown of the programme for the General Fund and appendix 3 provides a breakdown for the Housing Revenue Account.

### *General Fund*

- 4.23 The Quarter 3 Capital monitoring has been updated to include rephasing from previous years, reprofiling and additional approvals. The main changes that have taken place since Quarter 2 are listed as follows:
- 4.24 There has been additional rephasing into 2024/25 within the Borough Economy directorate in relation to the Birchley Island scheme of £1.5m and within the Total Main Programme Block of £3.2m.
- 4.25 Within the Finance directorate, £1.2m in relation to the ICT – End User Computer scheme has been rephased into 2024/25.
- 4.26 Additional rephasing within the Regeneration & Growth directorate of around £3.3m into future years has been reflected in relation to the Towns Fund budgets and there has been rephasing on the Property Refurbishment budget of £1.7m into 2024/25. The Sandwell LUP budgets have been reprofiled to reflect the latest expenditure forecasts with a total of £0.850m being moved into 2023/24.

### *Housing Revenue Account*

#### *Progress Against the New Council House Build Programme*

- 4.27 The Council new build housing programme was approved at Cabinet in February 2023. The existing programme that completes in 2026/27 includes a total of 715 new homes.
- 4.28 Of the above programme, 47 units have been delivered in 2022/23 and an estimated 15 new Council house builds are anticipated to be completed by 31 March 2024. These are part-funded through Housing Revenue Account borrowing with grant provided by Homes England.
- 4.29 120 new homes will be progressed on site during the current financial year. Spend of £19.749m against the budget of £36.708m (including prior year carry forwards) is currently projected against the new build programme. This gives an underspend against the 2023/24 programme of (£16.958m) because of delays. However, the increased starts on site during 2023/24 will reduce the current forecast underspend towards the end of the financial year.





4.30 The delivery of the new build programme is delayed because of several reasons. The construction industry in both the West Midlands and at a national level continues to experience the impact of economic volatility. This is causing longer lead-in times and higher prices due to inflationary increases. The instability of the current economic climate is demonstrated by a reduction in tender returns for some projects and higher than estimated prices on returned tenders coupled with increased specification due to changes in building regulations. Ultimately, the higher costs affect the financial viability of these schemes. There have also been delays to physical starts on site, many of which are beyond the council's control, such as ground conditions, wayleaves, easements, section agreements and licences.

#### *Progress Against the Housing Improvements Programme*

4.31 At present there is an anticipated underspend of (£3.763m) on current year projects. The delivery of capital investment contracts has been impacted by challenges similar to the new build programme. This is particularly apparent for price volatility on tender returns and inflationary pressures on committed contracts.

#### *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. As at Quarter 3 £0.203m of these balances have been utilised leaving a remaining balance of £2.615m.

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. As at Quarter 3 the Council is currently holding capital balances of £3.246m in relation to this Levy and is not forecasting any expenditure against this for the remainder of 2023/24. Further detail on Section 106 and CIL balances is provided in appendix 4.

#### *Treasury Management Outturn*

4.34 Appendix 5 provides the Quarter 3 Treasury Management update.

## 5 Alternative Options

5.1 There are no alternative options to the position presented in this report.



6 Implications

Resources:	Resource implications are contained within the main body of the report.
Legal and Governance:	No direct implications arising from the recommendations.
Risk:	In order to manage the risk of overspends, which impact on the resilience of the Council’s financial position, arrangements are put in place to monitor and manage the current year’s budget to ensure that planned savings are achieved and efficiencies realised. Timely and accurate monitoring of the forecast outturn against budget is required to ensure that revenue and capital expenditure stay within the agreed budgets.
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.

7 Appendices

- App 1 Outturn Summary for Directorates
- App 2 General Fund Capital
- App 3 Housing Revenue Account Capital
- App 4 CIL and S106 Funding
- App 5 Q3 Treasury Management Update

8 Background Papers

- Q1 Budget Monitoring 2023/24
- Q2 Budget Monitoring 2023/24

