

Report to Cabinet

19 June 2024

Subject:	2023/24 Financial Outturn
Cabinet Member:	Cabinet Member for Finance and Resources Councillor Paul Moore
Director:	Alex Thompson, Executive Director of Finance and Transformation
Key Decision:	Yes
Contact Officer:	Claire Spencer, Acting Assistant Director - Finance Claire_Spencer@sandwell.gov.uk

1. Recommendations

It is recommended that Cabinet:

- 1.1 Receives the outturn position for the 2023/24 financial year and refers this report to the Budget and Corporate Scrutiny Management Board for consideration and comment;
- 1.2 In respect of the Revenue Budget, the outturn position of an underspend of (£6.002m) for the General Fund is received;
- 1.3 In respect of the Revenue Budget the following outturn variances from budget in relation to ring-fenced funding is received:
 - An underspend of (£1.367m) for the Housing Revenue Account, prior to 'below the line' transactions such as depreciation and capital adjustments being carried out;
 - An underspend of (£0.673m) for the Dedicated Schools Grant.



- 1.4 In respect of the Revenue Budget approval is given for the transfers to and from General Fund and Individual Schools Balances reserves for the 2023/24 financial year, as set out in appendix 2;
- 1.5 In respect of the Revenue Budget, Approval is given to enable on completion of the closedown process for the Housing Revenue Account, that any outturn surplus/deficit is transferred to/from the Housing Revenue Account reserve;
- 1.6 In respect of the Capital Programme, approval is given for the addition of £1.465m Department for Education Devolved Formula Capital grant to the General Fund Capital Programme for 2023/24, to fund additional expenditure incurred by schools on capital projects during the year;
- 1.7 In respect of the Capital Programme, the outturn expenditure for the General Fund as per appendix 3, representing 43% of the revised budget for 2023/24 is received;
- 1.8 In respect of the Capital Programme, approval is given to the addition of £3.745m additional budget to the HRA Capital Programme for 2023/24;
- 1.9 In respect of the Capital Programme the outturn expenditure for the Housing Revenue Account as per appendix 4, representing 61% of the revised budget for 2023/24 is received.

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 reporting and analysis of financial performance versus budget, and 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?

- 3.1 The Council's financial status underpins the resourcing of the Council's Corporate Plan and the associated strategies and aspirations. Analysis of the financial outturn supports ongoing strategic planning.

4. Context and Key Issues

General Fund Outturn

- 4.1 The overall outturn position for the General Fund is an underspend of (£6.002m). This is an underspend of 1.9% when compared with the Council's net budget of £317.623m. This outturn position excludes variations from budget for the Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG), as these are ringfenced budgets where expenditure should match income without impacting on the General Fund.
- 4.2 Net service expenditure, within the council's service directorates, has resulted in an underspend of (£1.398m) following the use of reserves. Variances to budget for Corporate Items and Sources of Funding are represented by an underspend of (£4.604m). The variance for each budget heading, and the use of reserves, is summarised in the following table.



Service Area	Net Budget £'000	Outturn Before Contributions to/(from) Reserves £'000	Variance from Budget before Contributions to/(from) Reserves £'000	Contributions to/(from) Reserves £'000	Final Outturn Variance £'000
Corporate Management	(168)	(840)	(672)	0	(672)
Borough Economy	71,004	66,611	(4,393)	4,427	34
Adult Social Care	87,648	84,595	(3,053)	(340)	(3,393)
Regeneration & Growth	12,010	11,753	(257)	240	(17)
Housing	2,652	2,760	108	(252)	(144)
Children's Services	91,973	98,639	6,666	(2,336)	4,330
Assistant Chief Executive	8,113	7,162	(952)	100	(852)
Finance	20,528	22,292	1,764	(1,745)	19
Law & Governance	7,802	6,801	(1,000)	296	(704)
Public Health	64	1,015	951	(951)	0
Net Service Expenditure	301,626	300,789	(837)	(561)	(1,398)
Capital Charge Adjustment	(26,461)	(26,461)	0	0	0
External Interest Payments	15,000	14,733	(267)	0	(267)
Interest/Dividend Receipts	(7,500)	(11,161)	(3,661)	0	(3,661)
Corporate Items	34,958	31,666	(3,292)	2,335	(957)
Net Service Expenditure, Treasury Management Budgets and Corporate Items	317,623	309,566	(8,057)	1,774	(6,283)
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)	(37,002)	1,186	0	1,186
New Homes Bonus	(111)	(111)	0	0	0
Services Grant	(3,953)	(4,005)	(52)	0	(52)
DLUHC Account Levy Surplus	0	(853)	(853)	0	(853)
Net Service Expenditure, Treasury Management Budgets, Corporate Items and Sources of Funding	0	(7,775)	(7,775)	1,774	(6,002)
Quarter 3 Projected Outturn Variance					(2,985)
Movement from Quarter 3 to Outturn					(3,017)

4.3 The outturn underspend for the General Fund of (£6.002m) represents an improved position of (£3.017m) when compared with the Quarter 3 forecast underspend of (£2.985m). This is principally due to

- an improved position relating to Treasury Management payments and receipts; in comparison with Quarter 3, an additional (£1.161m) interest income received due to higher interest rates achieved, and (£0.267m) lower than budgeted external interest payments
- an improved position across the directorates of (£1.235m), largely as a result of increased vacancy management savings and in year savings made in relation to supplies and services budgets.



- 4.4 The outturn position is explained in further detail within the following paragraphs. Individual outturn reports for each directorate, HRA and DSG can be found within Appendices 1A to 1M.
- 4.5 The previously reported budget pressure of £2.6m across the Council in relation to the 2023/24 NJC pay award has been mitigated with one-off vacancy management savings within all directorates. There are, however, a series of budget pressures reported within the directorate positions within the following paragraphs, the majority of which the Council has set out to address on an ongoing basis within its 2024/25 budget.

Corporate Management (1A)

- 4.6 The outturn for Corporate Management is an underspend of (£0.672m). The reason for this largely is due to income received by the Council that has not been attributed to any specific directorate, and an increase in the recharge to Public Health.

Borough Economy (1B)

- 4.7 The outturn variance against budget for Borough Economy is an overspend of £0.034m.

The main reasons for this overspend are as follows:

- £1.923m overspend in Green Spaces, Visitor Services and events, largely as a result of unachieved income budgets
Offset by:
- (£0.195m) underspend in Contracts, Projects, Strategy and Policy, due to vacancy management savings and use of grant funding
- (£0.212m) underspend in Libraries, Archives and Heritage, primarily as a result of vacancy management savings
- (£0.278m) underspend in Directorate Management following the release of one-off contingency budgets
- (£0.478m) underspend in Public Protection and Community Safety, as a result of vacancy management and supplies and services budget savings
- (£0.725m) underspend in Highways, mainly due to additional fees and charges income received.

Adult Social Care (1C)

- 4.8 The outturn variance to budget for Adult Social Care is an underspend of (£3.393m). The main reasons for this underspend are as follows:



- Net vacancy management savings of (£2.507m), as a result of significant recruitment challenges in the sector and slippage in the start of the targeted social workers recruitment campaign.
- Increased income of (£1.560m) from the NHS relating to Free Nursing Care.
- Offset by £0.685m additional costs arising from a calculated required increase to the provision held for outstanding debt.

Regeneration & Growth (1D)

4.9 The outturn variance against budget for Regeneration & Growth is a minor underspend of (£0.017m). The main reasons for this underspend are as follows:

- (£1.652m) in year vacancy management savings
- (£0.124m) additional minor variances

Offset by:

- £0.850m reduced income from rechargeable jobs, as a result of staff vacancies.
- £0.474m reduced income from planning application fees and building regulation fees, due to the economic downturn.
- £0.435m overspend property related budgets across the estate, partly as a result of loss of income due to building closures and tenant vacancies.

Housing (1E)

4.10 The variance against budget for Housing is an underspend of (£0.144m). This is mainly due to:

- (£0.263m) reduction in the provision for outstanding debt
- (£0.122m) receipt of additional 'Welfare Service' grant income.

Offset by:

- £0.169m unachieved savings
- £0.095m budget pressure relating to garage fees and charges income

Children's Services (1F)

4.11 The outturn variance to budget for Children's Services is an overspend of £4.330m, due to budget pressures relating to SEND transport. The gross overspend relating to SEND transport is £9.284m. This is partly offset by the use of reserves of (£1.500m), resulting in a net budget pressure of £7.784m.



- 4.12 Partly offsetting the budget pressures described above are net vacancy management savings of (£1.458m), additional income of (£1.098m), and contract and supplies and services savings of (£0.889m).
- 4.13 The 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.
- 4.14 Children’s social care is provided by Sandwell Children’s Trust under contract. In 2023/24 the Council made contract payments of £75.9m to Sandwell Children’s Trust for such services. The value of the contract is included within the net outturn position for Children’s Services. Following the use of (£0.9m) of reserve funding, there was no variance to budget for the Council. However, the provisional outturn position for the Children’s Trust is £4.3m overspend and the provisional cumulative deficit for the Trust now stands at £11.2m. This reflects a national trend of increasing children’s social care costs. The £11.2m deficit is not included within the outturn figures presented in this report, but it will feature in the consolidated accounts of the Council and the Trust. This is because the deficit currently sits on the balance sheet of the Trust. The Trust and the Council are working together to understand the underlying cost drivers for the commissioned services and will need to present a resolution to the accumulated deficit and future forecasts within their respective Medium Term Financial Strategies.

Assistant Chief Executive (1G)

- 4.15 The outturn variance against budget for Assistant Chief Executive is an underspend of (£0.852m). This is mainly due to:
- (£1.353m) in year vacancy management savings
 - (£0.225m) reduced learning and development costs
 - (£0.082m) additional grant income received
- Offset by:
- £0.639m legacy internal recharge income budgets not met
 - £0.142m of unachieved savings.

Finance (1H)

- 4.16 The variance against budget for Finance is an overspend of £0.019m. This is mainly due to:
- £1.025m budget pressure relating to Housing Benefits, firstly due to subsidy loss as a result of increased demand for temporary



accommodation, and secondly due to an increase required to the provision held relating to overpayments.

- £0.350m unachieved and delayed savings relating to redesign of Business Support functions and the hybrid print and mail project.
- £0.211m further overspend relating to corporate print and mail costs
Offset by:
 - (£0.129m) reduction in the provision held for outstanding debt
- (£0.166m) additional grant income received
- (£0.178m) in year vacancy management savings
- (£1.088m) underspend resulting from the rephasing of the implementation of additional cyber security services.

Law & Governance (1I)

4.17 The outturn variance against budget for Law & Governance is an underspend of (£0.704m). This is mainly due to:

- (£0.744m) in year vacancy management savings
- (£0.333m) underspend on expenditure relating to elected members (allowances, training and supplies and services costs)
- (£0.284m) additional reimbursement income from the Government relating to elections and savings on other election budgets.

Offset by:

- £0.388m loss of income in Registration Services
- £0.254m overspend on external legal advice

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 outturn variance is an overspend of £1.035m. 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 (1K)

4.19 The council has several centrally held budgets. The nature of these is such that they are not within a specific service directorate but instead are managed by the Finance team, under the Section 151 Officer. The council also holds (limited) contingency budgets, makes budgeted contributions to general reserve balances and makes use of reserve balances towards one-off expenditure and as Revenue Contributions to Capital Outlay. The



net outturn variance against these budgets is an underspend of (£0.957m) The main reasons for this 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 (HRA) (1L)

4.20 The overall outturn variance against budget for the HRA is nil, as any surplus or deficit at year end has to be offset by a corresponding transfer to/from the HRA reserve. Prior to any transfers to/from reserves, the provisional HRA outturn position for 2023/24 is a surplus of (£1.367m) against a budgeted surplus of (£0.300m), resulting in a (£1.067m) favourable variance against budget.

This is mainly due to:

- (£3.963m) underspend on staff related expenditure, due to vacancy management savings achieved in year

Offset by:

- £0.345m minor net overspends
- £0.581m overspend on utility costs
- £0.902m overspend on electrical services
- £1.068m loss of income as a result of void properties

'Below the line' transactions such as depreciation and capital adjustments are yet to be carried out and therefore the final contribution to/from reserves is yet to be determined.

Dedicated Schools Grant (DSG) (1M)

4.21 The overall 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 outturn is an underspend of (£0.673m). The main reasons for this underspend are as follows:

- High Needs Block underspend of (£0.722m) arising from lower than budgeted for out of borough placement costs, staffing vacancies and SEN development contingency budgets.
- Early Year's Block overspend of £0.053m from funding for 2-year olds and disability access fund.

Use of Reserves

4.22 The use of earmarked reserves is largely to fund specific projects or to carry forward ring-fenced grants for use in future years.



- 4.23 The 2023/24 budget included £8.750m contributions to reserves, partly to create new reserves in relation to the cost of living and ‘customer journey’ specific projects, and also to increase balances of several specific existing risk reserves which may be called upon in the short-medium term.
- 4.24 At the end of 2022/23, £112.528m was held in General Fund earmarked reserves and it is proposed that at 2023/24 outturn, those balances increase by a further £7.775m to a level of £120.303m. Net contributions of £7.775m include the budgeted contribution of £8.750m as well as the application of the General Fund underspend of £6.002m to a specific risk-related reserve. Contributions to reserves are partly offset by the use of reserves for specific activities, the most significant of which being the use of the legacy Covid-19 and Contain Outbreak Management Fund grant balances. Further detail on contributions to and from reserves is provided in appendix 2.

General Fund Balance

- 4.25 The Council maintains the General Fund balance in order to be able to mitigate any unforeseen shocks, such as climate events such as flooding, or rapid reductions in available resources due to changed national policy. At the end of 2023/24 the General Fund balance is expected to be £18.989m, which equates to 5.7% of the Council’s net budget in 2024/25. Independent advice is that General Fund unearmarked reserves should equate to 5% - 10% of net expenditure. Therefore, the level of the General Fund balance is considered to be prudent and appropriate and provides an adequate level of risk cover for the Council.

General Fund Capital Programme

- 4.26 In 2023/24, expenditure of £56.777m was incurred against a revised budget of £133.335m, resulting in an underspend of (£76.558m). A breakdown of expenditure per directorate and per scheme is included within appendix 3. Procurement and legal delays as well as delays to confirmation of external funding have impacted on the delivery of several large capital schemes, which has led to slippage of budgets into future years.



- 4.27 New additions to the capital programme since Quarter 3 include:
- £1.465m Department for Education Devolved Formula Capital grant to fund additional expenditure incurred by schools on capital projects during the year
 - £0.941m revenue contributions from legacy Covid-19 funding to part-fund the Forge Mill Farm Play Barn project
 - 0.509m Network North Highways monies added to the Highways Maintenance and Structures scheme
 - the Urban Bike Park scheme at Sandwell Valley; £0.496m, funded by Sport England and Birmingham City Council

Community Infrastructure Levy (CIL) and Section 106 Contributions

- 4.28 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 that are needed to support new homes and businesses in the area. There has been no capital expenditure incurred during 2023/24 in relation to CIL monies. However, £2.500m of the CIL available resources have been earmarked for use to part-fund the building of a new school. In April 2023, £3.053m CIL receipts were held, and £0.287m new receipts have been received during the financial year, leaving a remaining balance of £3.340m at year end.

- 4.29 Section 106 monies are paid by developers towards the cost of providing community and social infrastructure but must be used for specific purposes. In April 2023, £2.819m S106 funds were being held for capital projects, of which £0.080m were spent in 2023/24 in relation to canal enhancement works. The remaining balance of S106 funds at year end is £2.739m.

Housing Revenue Account Capital Programme

Progress Against the New Council House Build Programme

- 4.30 The Council new build housing programme was approved at Cabinet in February 2023. 47 units were delivered in 2022/23 and 15 new Council house builds were completed by 31 March 2024. These are part-funded through Housing Revenue Account borrowing with grant provided by Homes England or 1-4-1 retained receipts.
- 4.31 During 2023/24 it was announced that the Council would receive £1.805m Local Authority Housing Fund grant from the Department of Levelling Up, Homes and Communities to support the Council to obtain housing for



those who are unable to find settled accommodation on resettlement schemes. The Council was required to top up this grant funding with match funding through additional prudential borrowing of £1.940m. A total of £3.745m is therefore proposed to be included within the new council house build programme, resulting in a revised budget of £40.453m for 2023/24.

- 4.32 Expenditure of £9.579m against a revised budget of £40.453m (including prior year carry forwards) was recorded against the new build programme. This results in an underspend against the 2023/24 programme of (£30.874m) because of delays. 61 new homes will be progressed on site during 2024/25.
- 4.33 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

- 4.34 In 2023/24, expenditure of £49.366m was incurred against a budget of £56.129m, resulting in an underspend of (£6.762m) on investment in current stock. 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.

Treasury Management Outturn

- 4.35 Appendix 5 provides the Treasury Management outturn report.



5 Alternative Options

- 5.1 Cabinet could choose to vary the proposed treatment of the year end variances from budget.

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:	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.
Corporate Parenting:	No direct implications arising from the recommendations.

7. Appendices

Appendix 1: Outturn Summary

Appendix 2: Reserves

Appendix 3: General Fund Capital Outturn

Appendix 4: HRA Capital Outturn

Appendix 5: Treasury Management Outturn

8. Background Papers

Q1 Budget Monitoring Report 2023/24

Q2 Budget Monitoring Report 2023/24

Q3 Budget Monitoring Report 2023/24

