Sandwell
Metropolitan Borough Council

Report to Cabinet

11th September 2024

Subject:	**Q1 Budget Monitoring 2024/25**
Cabinet Member:	Cllr 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 Notes the financial monitoring position as at 30th June 2024 (Quarter 1) and refers the report to the Budget and Corporate Scrutiny Management Board for consideration and comment.

In respect of the Revenue Budget, it is recommended that Cabinet:

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**
Place - Housing	Transfer of budgets relating to supported housing contracts (now to be administered and delivered by Housing)	1,233	
People - Adult Social Care	Transfer of budgets relating to supported housing contracts (now to be administered and delivered by Housing)		1,233
TOTAL		**1,233**	**1,233**

ONE COUNCIL
ONE TEAM

In respect of the Capital Programme, it is recommended that Cabinet:

1.3 Approves the allocation of £3.906m additional budget to the General Fund Capital Programme in relation to the Oracle Fusion project, as per paragraphs 4.29 and 4.30 of this report.

1.4 Approves the allocation of £2.000m additional budget to the General Fund Capital Programme in relation to the Haden Hill Leisure Centre project, as per paragraph 4.32 of this report.

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 supports the financial sustainability of 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. Analysis of the forecast financial outturn position supports ongoing strategic planning.

4 Context and Key Issues

General Fund Outturn

4.1 The overall projected outturn position for the General Fund is an overspend of £1.734m. This is an overspend of 0.5% when compared with the Council's net budget of £333.008m. This forecast 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 The Council's net budget of £333.008m is split between directorate budgets of £315.273m that deliver council services, and centrally held corporate budgets of £17.735m that relate to council-wide matters such as investments and borrowing. The overall projected net directorate outturn variance is an overspend of £4.644m following the use of reserves. The variance for each directorate is analysed in more detail within Appendix 1. Variances to budget for centrally held corporate budgets are represented by a forecast underspend of (£2.911m). The variance for each budget heading, and the forecast use of reserves, is summarised in the following table.

Service Area	Appendix	Net Budget £'000	Projected Outturn £'000	Projected Outturn Variance Before Reserve Transactions £'000	(Use of)/ Contribution to Reserves £'000	Projected Outturn Variance £'000
Corporate Management	1A	469	399	(70)	0	(70)
Assistant Chief Executive	1B	11,130	11,206	76	(94)	(18)
People - Adult Social Care	1C	86,132	86,722	590	0	590
People - Children's Services	1D	104,355	107,078	2,723	(1,864)	859
People - Public Health	1E	0	4,304	4,304	(4,304)	0
Place - Environment	1F	73,477	75,829	2,352	(246)	2,105
Place - Housing	1G	3,071	3,196	125	0	125
Place - Regeneration	1H	10,311	12,958	2,647	(1,905)	742
Finance and Transformation	1I	26,328	27,122	794	(483)	311
Net Service Expenditure		**315,273**	**328,814**	**13,541**	**(8,897)**	**4,644**
Capital Charge Adjustment		(26,461)	(26,461)	0		0
External Interest Payments		20,136	20,136	0		0
Interest/Dividend Receipts		(10,000)	(11,000)	(1,000)		(1,000)
Contingency		3,196	2,325	(871)		(871)
Change in Earmarked Reserves		5,840	4,987	(853)		(853)
Corporate Items	1J	25,024	30,791	5,767	(5,954)	(187)
Centrally Held Budgets		**17,735**	**20,778**	**3,043**	**(5,954)**	**(2,911)**
Collection Fund Surplus		(1,107)	(1,107)	0		0
Council Tax		(135,870)	(135,870)	0		0
Business Rates		(114,106)	(114,106)	0		0
Business Rates Top-Up		(42,378)	(42,378)	0		0
Section 31 Grants		(38,123)	(38,123)	0		0
New Homes Bonus		(776)	(776)	0		0
Services Grant		(648)	(648)	0		0
Sources of Funding		**(333,008)**	**(333,008)**	**0**	**0**	**0**
Total Net General Fund Expenditure		**0**	**16,585**	**16,584**	**(14,851)**	**1,734**
				0		0
Housing Revenue Account (HRA)	1K	0	2,316	2,316	(2,316)	0
Delegated Schools Grant (DSG)	1L	0	1,922	1,922	(1,922)	0
				0		0
Total Net Expenditure		**0**	**20,823**	**20,823**	**(19,089)**	**1,734**

4.3 The forecast outturn position at Quarter 1 is explained in further detail within the following paragraphs. Individual projected outturn reports for each directorate, HRA and DSG can be found within Appendices 1A to 1L.

4.4 To balance the budget for 2024/25, it was agreed at the Council meeting on 20th February 2024 that £7m one-off vacancy management efficiencies would be included within directorate budgets. To date, £6.331m is forecast to be delivered against this target across the Council, leaving a balance of £0.669m to be identified. Where efficiencies remain to be identified within directorates individually, this is set out within the following paragraphs.

Corporate Management (1A)

4.5 The projected outturn for Corporate Management is an underspend of (£0.070m). This is in relation to employee budget variances.

Assistant Chief Executive (1B)

4.6 The forecast variance to budget for Assistant Chief Executive is an overspend of £0.018m. The main reasons for this forecast overspend are as follows:

- £0.310m unachieved efficiencies
- £0.093m shortfall in SLA and traded income in Human Resources
- £0.063m supplies and services budget pressures, particularly relating to security costs

Offset in part by:

- (£0.257m) net vacancy management efficiencies (to date)
- (£0.191m) forecast underspend on members' allowances budgets

Adult Social Care (1C)

4.7 The forecast variance to budget for Adult Social Care is an overspend of £0.590m. The main reasons for this forecast overspend are as follows:

- £0.708m unachieved vacancy management efficiencies (to date)
- £0.323m budget pressure relating to Best Interest Assessments and Deprivation of Liberty Safeguards Assessments
- £0.059m operational variances across non-pay costs

Offset in part by:

- (£0.500m) use of the remaining Contain Outbreak Management Fund grant towards the costs of social care placements that are a legacy cost of the Covid-19 pandemic

Children's Services (1D)

4.8 The forecast variance against budget for Children's Services is an overspend of £0.859m. The main reasons for this forecast overspend are as follows:

- £2.448m forecast overspend on SEND home to school transport
- £0.294m unachieved vacancy management efficiencies (to date)

Offset in part by:

- (£0.200m) contract and supplies and services budget efficiencies
- (£0.201m) additional grant income
- (£1.400m) use of the reserve for SEND transport to reduce the budget pressure relating to this service.

4.9 The gross forecast overspend in the SEND transport service is £2.448m but this is offset in part by the use of reserves (£1.400m). The overspend is due to continued increase in demand, particularly for complex and out of borough placements which have the highest cost. The increase in Education Health Care Plans (EHCPs) corresponds to increase in demand for SEND transport.

4.10 The increase in demand has continued from the pressure that arose in 2023/24. A diagnostic report from Newton Europe highlighted 62% of travel assistance is provided for special schools or colleges where the number of EHCPs in special schools has risen by 17% in the past 2 years. The estimated number of pupils on EHCPs receiving transport for 2024/25 is 1,199, approximately 29% of the total number of EHCPs. This is in line with increasing SEND transport costs nationally.

4.11 The vehicle procurement framework is currently being reconsidered (SEND3), with the aim of improving control over rising contract costs to enable a more robust and sustainable approach to contract commissioning in the future. This is to mitigate increasing costs of SEND transport.

4.12 The proposed Transformation Programme for SEND transport will allow robust analysis of the opportunities to reduce the average cost of transport for a pupil to school. This would apply Sandwell's transport policy consistently in line with the national policy. The review will also include root optimisation, drop off points, vehicle sharing, cost of transport types (including fleet), and cost analysis of procured contracts. This would be fully aligned to the SEND3 procurement exercise. This will help to mitigate future increase in demand for SEND transport.

Public Health (1E)

4.13 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, correspondingly, any overspend at year-end is funded from the reserve. The projected outturn variance is currently an overspend of £4.304m in comparison with the value of Public Health Grant funding being received in year. This overspend 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, and therefore expenditure has been planned at a level above the level of Public Health Grant funding provided by the Department of Health and Social Care in 2024/25.

Place - Environment (1F)

4.14 The forecast variance against budget for Environment is an overspend of £2.105m. The main reasons for this forecast overspend are as follows:

- £1.668m budget pressures in Green Services, Green Spaces and Visitor Services, mostly due to income budget pressures but also due to premises, transport and supplies and services costs
- £0.551m forecast unachievable efficiencies
- £0.354m forecast unachievable income budgets in Public Protection (Proceeds of Crime Act, abandoned vehicles and events)
- £0.351m unachieved vacancy management efficiencies (to date)

Offset in part by:

- (£0.144m) release of directorate management projects budget
- (£0.237m) grant funding for Sandwell Aquatic Centre utility costs
- (£0.337m) underspend on Highways maintenance and consultancy budgets and additional Highways income received

Place - Housing (1G)

4.15 The forecast variance to budget for Housing is an overspend of £0.124m. The variance is within Community Partnership and Support Services and relates to a pressure generated from the reprofiling of the Disabled Facilities Grant (DFG) fees and loss of HRA income from restructure and SLA review. Further work is planned on profiling to address the pressure.

Place - Regeneration (1H)

4.16 The forecast variance against budget for Regeneration is an overspend of £0.741m. The main reasons for this forecast overspend are as follows:

- £ 0.650m planning application and building regulation fee income lower than budgeted for due to economic slowdown
- £0.365m rent and rates budget pressures
- £0.177m unachieved vacancy management efficiencies (to date)

Offset in part by:

- (£0.252m) variance due to four insurance claims settled in 2024/25 but the associated expenditure was incurred in 2023/24
- (£0.200m) supplies and services budget efficiencies, partly due to use of other one-off funding streams, releasing base budget

Finance and Transformation (1I)

4.17 The forecast variance against budget for Finance and Transformation is an overspend of £0.311m. The main reasons for this overspend are as follows:

- £0.486m forecast overspend for Registration Services, largely due to forecast shortfall in income

- £0.200m forecast unachievable efficiencies
- £0.143m net budget pressure for Legal Services, as a result of external professional fees (locums, Counsel fees, court and tribunal costs)

Offset in part by:

- (£0.087m) new burdens (Election Act) grant funding received
- (£0.445m) net vacancy management efficiencies

Centrally Held Budgets

4.18 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 (£2.911m). The main reasons for this underspend are as follows:

- (£1.000m) forecast additional interest receivable due to high interest rates
- (£0.871m) release of contingency budgets assumed not to be required in year
- (£0.853m) planned release of MHCLG grant 'Safety Net Account Surplus'
- (£0.187m) underspend on corporate items. Appendix 1J provides a full breakdown of this variance.

Forecast Delivery of Ongoing Efficiencies

4.19 Delivery of the required efficiencies for 2024/25 has been RAG rated and is presented in appendix 3. 54% of the required efficiencies have been rated as green, with a further 33% with plans in place to be delivered (rated amber).

4.20 Managers have provided assurance that plans are in place to deliver the efficiencies categorised as amber. There remains a risk that these efficiencies could impact on the outturn position for 2024/25. As the year progresses, these amber efficiencies should gradually turn to green as the evidence of their delivery becomes available.

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 HRA reserves. Prior to the use of reserves, the forecast variance against budget for the HRA is a projected overspend of £2.316m. The main reasons for this forecast overspend are as follows:

- £1.915m forecast overspend relating building safety and compliance
- £0.335m forecast overspend relating to repairs and maintenance
- £0.074m forecast shortfall in income

4.22 The £1.915m forecast overspend relating to building safety and compliance is comprised of the following variances from budget:

- Following the establishment of the housing disrepair claims procedure, a risk pertains to the level of historical claims that may be received, resulting in a potential budget pressure of £1.500m
- Structural inspections and reports are required on the service's flatted accommodation in order to ensure landlord compliance, particularly in relation to cladding and fire regulations. There is a forecast overspend of £0.887m in relation to this area of work.
- Increased costs of management and maintenance of streetlights on HRA land has resulted in a forecast £0.078m budget pressure.
- The above pressures will be mitigated in part by a projected underspend in the budget for asbestos management of (£0.550m).

4.23 The £0.335m forecast overspend relating to repairs and maintenance is comprised of the following variances from budget:

- The service has procured Rapleys to undertake stock condition surveys of 5,000 units of current HRA housing stock. The surveys will determine the level of investment required in order to achieve "decent homes" standard. The service is also currently out to tender for review of an additional 9,000 units. The £2.000m programme cost will by split over 2 years, and therefore there is a forecast overspend of £1.000m in 2024/ 25.
- In order to protect HRA capital budgets, the service has adopted a "repair not replace" policy, whereby the service will repair and maintain an asset for as long as compliant and financially viable before a replacement is required. This is forecast to create a pressure on the revenue budget of £0.235m, as additional parts are required.
- The pressure relating to stock condition surveys has been mitigated as far as possible by the service identifying a pool of vacancies

which can be held vacant for the duration of the stock condition review, creating vacancy management efficiencies of (£0.900m) in year.

Dedicated Schools Grant (DSG) (1L)

4.24 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 overspend of £1.922m. The main reason for this forecast overspend is that within the High Needs Block there is increasing demand as increasing numbers of pupils with EHCPs are requiring additional support. The new Head of SEND will develop a DSG mitigation plan with an updated SEND strategy to address the reliance on high cost out of borough placements. This will involve holding weekly meetings to monitor the High Needs Block more closely.

Capital

4.25 Expenditure on the Council's capital programme is forecast to be £98.195m within the General Fund and £63.719m within the Housing Revenue Account for the financial year 2024/25. Appendix 4 provides a detailed breakdown of the programme for the General Fund and Appendix 6 provides a breakdown for the Housing Revenue Account.

General Fund Capital

4.26 The capital programme budget for 2024/25 has been updated to include re-phasing from previous years, re-profiling and additional approvals. The revised budget for 2024/25 as at Quarter 1 is £127.642m. Forecast expenditure for the year as at Quarter 1 is £98.195m, meaning that £29.447m of budget is forecast to be re-phased (slipped) into 2025/26.

4.27 Additions to the programme within Quarter 1 total £5.753m, of which £3.745m has been added to the budget in 2024/25 and £2.008m has been added to the budget for 2025/26. Significant additions to the programme are as follows:

- £3.504m has been added into the programme in respect of Public Sector Decarbonisation Schemes (PSDS) Phase 3c, as per the corresponding Cabinet report dated 19th June 2024. The additional budget has been split between 2024/25 (£1.496m) and 2025/26 (£2.008m).
- £0.623m has been added in respect of the Devolved Formula Capital allocation within Children and Education – allocation confirmed by the Department for Education (DfE) on 14th May 2024.

- Within Environment, £0.596m has been added in respect of Traffic Signal Obsolescence and Green Light Grant, of which £0.500m has been funded by the Department for Transport and £0.096m has been funded by West Midlands Combined Authority (WMCA).
- A further £0.509m has been added to the Highways Maintenance and Structures programme in the form of Network North grant monies from WMCA.

4.28 Appendix 4 provides details of the additions to the programme, and all other amendments to the budget for the year.

Additional Capital Project Budget Requests

4.29 Within the approved Capital Programme, as of 1st April 2023, £9.744m was specifically identified as the Oracle Fusion project budget. As at 31st March 2024, £6.723m of this budget had been spent, leaving £3.021m remaining for use within 2024/25. At the time of the February 2024 Budget Report, approved by Council on 20th February 2024, this specific budget was proposed to be increased by £1.216m, subject to formal approval. This £1.216m is to be funded through prudential borrowing, and the associated revenue costs of the borrowing have been budgeted for within the Medium Term Financial Strategy approved at the time of the Budget Report.

4.30 The implementation of Oracle Fusion is nearing completion and, to aid transparency of the total project costs, it is proposed to consolidate previous approvals and proposed contingencies into a single project budget. This approach will assist with reporting on lessons learnt. The July decision of the Project Board was to target an October "Go-Live" date. This catalysed the need to access additional funding compared to the capital budget line within the February 2024 Budget Report. The latest forecast of project costs shows that further budget should be aligned to the project. Therefore £2.690m is requested to be added to the project budget in addition to the £1.216m described in paragraph 4.29. The total project budget will therefore reflect additional consolidated spending of £3.906m. This will be funded as follows:

- £1.216m to be funded through prudential borrowing (as included within the 2024/25 MTFS)
- £2.000m to be funded with capital receipts (therefore no additional borrowing costs resulting from this)
- £0.690m to be funded from a revenue reserve being held for major corporate IT systems (and therefore no additional borrowing costs resulting from this)

4.31 The revised General Fund budget of £13.650m will fund the costs of the extension of the Oracle Fusion project, including an element of contingency.

4.32 On 18th March 2024, Sport England approved a grant of £2.000m to be awarded to the Council in relation to the Haden Hill Leisure Centre project. The original approved value of the project is £22.000m, of which £20.000m is being funded through the Levelling Up Fund (MHCLG) and £2.000m is being provided as match funding by the Council. The addition of the Sport England grant will mean that the project budget will increase from the original total of £22.000m to a revised total of £24.000m. The £2.000m grant funding from Sport England will be added to the programme in 2025/26.

Section 106/Community Infrastructure Levy (CIL)

4.33 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 £0.300m of these balances are forecast to be utilised, leaving a remaining balance of £2.439m.

4.34 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. As at Quarter 1, the Council is currently holding capital balances of £3.478m in relation to this levy and is not forecasting any expenditure against this for the remainder of 2024/25. However, £2.500m of the CIL available resources have been earmarked for use to part-fund the building of a new school in the medium term.

Housing Revenue Account Capital

4.32 The HRA Capital Programme has been developed over several years and reflects the need to invest in the council's housing stock according to the priorities of the council and to ensure that dwellings remain compliant with the regulatory framework for social housing. HRA capital expenditure is funded via the major repairs reserve, right to buy 1-4-1 receipts, grants and borrowing. Rental income services the debt from borrowing, and therefore, borrowing for capital investment purposes must be prudential and sustainable in the long term. The reprofiled capital programme for 2024/25 is contained in Appendix 6 to this report.

4.33 There is currently a review being conducted with regards to costs of the high-rise flats. This will have a financial impact on the capital programme.

In addition to this, the government has recently outlined relaxations to the use of 1-4-1 receipts (see Appendix 6) until 31 March 2026. The financial impact is being assessed by the service.

4.34 Stock condition data currently being compiled will determine the extent of essential expenditure necessary to meet health and safety and 'decent homes' requirements from 2025/26 onwards and the extent of resources available for allocation against other priorities.

4.35 Spend during Quarter 1 was low, however it is anticipated that expenditure will increase considerably in future periods with the commencement of Wave 2 thermal warmth works, completion of major works to high-rise properties and increased spend on additional stock. Appendix 6 shows the position at Quarter 1, with a projected outturn as at 31 March 2025.

Treasury Management

4.34 Appendix 8 provides the Quarter 1 Treasury Management update.

5 Alternative Options

5.1 Value for money and vacancy management expenditure controls are in place across the Council at present. No further cross-council management action is proposed at this stage. Mitigations will be considered within specific budget areas to address overspends locally.

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.

7 Appendices

Appendix 1 - Outturn Summary for Directorates
Appendix 2 - Summary of Revenue Budget Virements
Appendix 3 - Forecast Efficiencies Delivery
Appendix 4 - General Fund Capital Monitoring
Appendix 5 – Section 106 and CIL Monitoring
Appendix 6 - Re-Profiled HRA Capital Programme 2024/25
Appendix 7 - Government Changes to use of Right To Buy Receipts (Relating to 1-4-1 Part of the Receipt)
Appendix 8 – Q1 Treasury Management Update

8 Background Papers

None