

# Report to Cabinet

**4 December 2024**

<b>Subject:</b>	<b>2024/25 Q2 Budget Monitoring</b>
<b>Cabinet Member:</b>	Councillor Paul Moore – Cabinet Member for Finance and Resources
<b>Director:</b>	Alex Thompson, Executive Director of Finance and Transformation
<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

For the reasons set out in the report, it is recommended that:-

- 1.1 the financial monitoring position as at 30<sup>th</sup> September 2024 (Quarter 2) be noted and the report be referred to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 approval be given to the increases to fees and charges relating to discretionary services provided by both Registration Services and Development Planning and Building Control, together with chargeable garden waste collections, as described in paragraphs 4.26 to 4.30 of this report, and as set out in Appendix 8.

## 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 underspend of (£2.128m). This is an underspend of 0.6% 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. The forecast underspend also excludes the financial position of the Sandwell Children's Trust (SCT), which is a separate legal entity, although wholly owned by the Council.
- 4.2 The Council's net budget of £333.008m is split between directorate budgets of £316.173m that deliver council services, and centrally held corporate budgets of £16.835m that relate to council-wide matters such as investments and borrowing. The overall projected net directorate outturn variance is an underspend of (£0.863m) 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 (£1.265m). 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
People - Adult Social Care	1A	84,899	84,843	(56)	0	(56)
People - Children's Services	1B	105,255	103,295	(1,960)	(464)	(2,424)
People - Public Health	1C	0	3,593	3,593	(3,592)	0
Place - Environment	1D	73,477	75,479	2,002	(309)	1,693
Place - Housing	1E	4,304	4,902	598	(598)	0
Place - Regeneration	1F	10,311	12,701	2,390	(2,401)	(11)
Assistant Chief Executive	1G	11,130	11,250	120	(116)	4
Finance and Transformation	1H	26,328	26,937	609	(609)	0
Corporate Management	1I	469	399	(70)	0	(70)
<b>Net Service Expenditure</b>		<b>316,173</b>	<b>323,399</b>	<b>7,226</b>	<b>(8,089)</b>	<b>(863)</b>
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		2,296	2,296	0		0
Change in Earmarked Reserves		5,840	5,840	0		0
Corporate Items	1J	25,024	30,713	5,689	(5,954)	(265)
<b>Centrally Held Budgets</b>		<b>16,835</b>	<b>21,524</b>	<b>4,689</b>	<b>(5,954)</b>	<b>(1,265)</b>
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
<b>Sources of Funding</b>		<b>(333,008)</b>	<b>(333,008)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Net General Fund Expenditure</b>		<b>0</b>	<b>11,915</b>	<b>11,915</b>	<b>(14,043)</b>	<b>(2,128)</b>
Housing Revenue Account (HRA)	1K	0	(514)	(514)	514	(0)
Delegated Schools Grant (DSG)	1L	0	4,442	4,442	(4,442)	0
<b>Total Net Expenditure</b>		<b>0</b>	<b>15,843</b>	<b>15,843</b>	<b>(17,971)</b>	<b>(2,128)</b>

- 4.3 The forecast outturn position at Quarter 2 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 The forecast underspend of (£2.128m) at Quarter 2 represents an improved position of (£3.862m) when compared with the Quarter 1 forecast overspend of £1.734m.
- 4.5 To balance the budget for 2024/25, it was agreed at the meeting of the Council on 20<sup>th</sup> February 2024 that £7m one-off vacancy management efficiencies would be included within directorate budgets. To date, £7.516m is forecast to be delivered against this target across the Council. Where efficiencies remain to be identified within directorates individually, however, this is set out within the following paragraphs.

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

- 4.6 The forecast variance to budget for Adult Social Care is an underspend of (£0.056m). The main reasons for this forecast underspend are as follows:
- (£0.707m) additional Free Nursing Care income to be received from the ICB.
  - (£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.
  - (£0.021m) other minor variances

Partly offset by:

- £1.027m unachieved vacancy management efficiencies (to date), use of agency staff and other employee-related additional expenditure.
- £0.145m budget pressure relating to Best Interest Assessments and Deprivation of Liberty Safeguards Assessments

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

- 4.7 The forecast variance against budget for Children's Services is an underspend of (£2.424m). The main reasons for this forecast underspend are as follows:
- (£1.698m) underspend relating to home to school transport costs, following SEND3 procurement.
  - (£0.502m) additional grant income and de-delegated income from schools.
  - (£0.165m) contract and supplies and services budget efficiencies.
  - (£0.139m) reduced costs relating to Sandwell Adult Family Learning (SAFL) service.

Partly offset by:

- £0.081m unachieved vacancy management efficiencies (to date).

- 4.8 The forecast underspend for the SEND transport service is (£1.698m). The vehicle procurement framework (SEND3) has ensured a robust and sustainable approach to contract commissioning for the future. This will help to mitigate increasing costs as a result of increasing demand for SEND transport. The focus of the service will be continuing to maintain a lower cost per day with the increasing numbers of pupils eligible for SEND transport.
- 4.9 The SEND3 procurement exercise has resulted in the daily cost of transport per passenger reducing from £103 per passenger per day in July 2024 to £62 per passenger per day in September 2024, representing a reduction of approximately 40%, with the total cost of transport per day falling from £0.099m per day to £0.059m per day over the same period.

- 4.10 The increase in demand is anticipated to continue throughout the financial year, moving from 962 pupils using the service at the end of September 2024 to an anticipated number of 1,300 by the end of March 2025.

### **Public Health (1C)**

- 4.11 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 £3.953m 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 (1D)**

- 4.12 The forecast variance against budget for Environment is an overspend of £1.693m. The main reasons for this forecast overspend are as follows:
- £1.835m non-staffing budget pressures and unachieved efficiencies within Green Spaces, Visitor Services and Green Services, mostly due to income budget pressures but also due to premises, transport and supplies and services costs over the budgeted level
  - £0.249m non-staffing budget pressures and unachieved efficiencies in Events
  - £0.198m unachieved efficiencies within Waste, Libraries and Pest Control. All of these efficiencies are likely to be achieved in 2025/26 but have not been achieved to date.
  - £0.195m forecast unachievable income budgets within Public Protection, relating to Proceeds of Crime Act and abandoned vehicles
  - £0.024m other minor overspends

Offset in part by:

- (£0.297m) vacancy management efficiencies above required target
- (£0.253m) grant funding for Leisure costs, and underspends on Leisure utility costs
- (£0.150m) underspend on Highways maintenance and consultancy budgets, and additional Highways income received
- (£0.108m) release of directorate management projects budget

### **Place - Housing (1E)**

4.13 The forecast variance to budget for Housing is nil. There are variances within the services, however pressures have been mitigated by identifying efficiencies as follows:

- £0.750m forecast budget pressure relating to the use of temporary accommodation for homelessness
- £0.180m loss of garages income due to high void rate and write-offs of irrecoverable invoiced debt relating to previous years
- £0.054m unachieved efficiency relating to community centres

Offset by:

- (£0.600m) use of residual homelessness prevention grant funding (held in reserve) to part-mitigate the temporary accommodation budget pressure
- (£0.283m) vacancy management efficiencies
- (£0.70m) income from the NHS for welfare rights work
- (£0.031m) other minor underspends

### **Place - Regeneration (1F)**

4.14 The forecast variance against budget for Regeneration is an underspend of (£0.011m). The main reasons for this forecast underspend are as follows:

- (£0.627m) supplies and services budget efficiencies, mostly due to the use of other one-off funding streams, releasing base budget
- (£0.215m) vacancy management efficiencies achieved above required target
- (£0.021m) other minor underspends

Offset in part by:

- £0.650m reduced income in Development Planning and Building Control Services; £0.450m reduced income forecast in relation to planning application fees due to economic conditions and £0.200m reduced income forecast in relation to building regulation fees
- £0.202m rent and business rates budget pressures across the Council's estate

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

4.15 The forecast variance to budget for Assistant Chief Executive is an overspend of £0.004m. The main reasons for this forecast overspend are as follows:

- £0.250m unachieved efficiency relating to grants reductions
- £0.082m shortfall in SLA and traded income in Human Resources
- £0.057m supplies and services budget pressures

Offset in part by:

- (£0.223m) vacancy management efficiencies achieved above required target
- (£0.162m) forecast underspend on members' allowances budgets

## **Finance and Transformation (1H)**

- 4.16 The forecast variance to budget for Finance and Transformation is nil. There are variances within the services, however pressures have been mitigated by identifying efficiencies as follows:
- £0.683m forecast overspend for Registration Services, largely due to forecast shortfall in income, particularly relating to burials and cremations income
  - £0.200m forecast unachievable hybrid print and mail efficiency
  - £0.120m budget pressure within Legal Services relating to external professional fees

Offset by:

- (£0.436m) vacancy management efficiencies achieved above required target
- (£0.199m) recovery of NNDR and council tax court costs
- (£0.164m) additional income received within Legal Services
- (£0.134m) ICT and other supplies and services budget efficiencies
- (£0.069m) new burdens (Election Act) grant funding received

## **Corporate Management (1I)**

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

## **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 (£1.265m). The main reasons for this underspend are as follows:
- (£1.000m) forecast additional interest receivable due to high interest rates
  - (£0.265m) 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. 72% of the required efficiencies have been rated as delivered on an ongoing basis (rated green), with a further 4% with plans in place to be delivered by year end (rated amber). In addition to this, 8% of savings are forecast to be delivered on a one-off basis in year (rated blue).

- 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 an underspend of (£0.514m). The main reasons for this forecast underspend are as follows:

- (£3.949m) vacancy management efficiencies
- (£1.000m) use of reserves to fund the cost of stock condition surveys
- (£0.550m) underspend in the budget for asbestos management
- (£0.036m) minor variations

Offset in part by:

- £1.500m potential budget pressure as a result of historical housing disrepair claims that may be received, following the establishment of the housing disrepair claims procedure
- £1.398m budget pressure relating to 'supply and fix' repairs and maintenance contractor work. 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. As a result of this, 'supply and fix' contracts are forecast to overspend.
- £1.000m cost of stock condition surveys. 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 be split over 2 years, and therefore there is a forecast overspend of £1.000m in 2024/25.
- £0.887m forecast overspend in relation to structural inspections and reports, required on the service's flatted accommodation in order to ensure landlord compliance, particularly in relation to cladding and fire regulations.
- £0.235m forecast cost of additional parts required to support the 'supply and fix' / "repair not replace" policy.



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

- 4.22 The overall forecast variance against budget for the DSG – which also sits outside the General Fund - is nil. Any surplus or deficit at year-end is offset by a corresponding transfer to/from the DSG reserve. Prior to transfers from reserves, the forecast outturn is an overspend of £4.422m. 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 Assistant Director of SEND will develop a DSG mitigation plan with an updated SEND strategy to address the reliance on high cost, out of borough placements.
- 4.23 There is sufficient DSG underspend brought forward from previous financial years to cover the forecast overspend in the current financial year. However, this is an emerging financial issue for the council, that will be monitored closely, as ongoing overspending may create a pressure on the Council's General Fund in the future.

### **Sandwell Children's Trust (SCT)**

- 4.24 SCT is a separate legal entity that is wholly owned by the Council. The Council commissions SCT activities via the Children's Services budget. The Trust also draws direct funding from other partners. At the end of 2023/24 the Trust was carrying a deficit of £11.2m. At Quarter 2 of the current financial year, the Trust is forecasting a further deficit of £4.2m. Financial pressure is attributable to higher than budgeted for children's social care placement costs, which is a position being reported for councils nationally.
- 4.25 The Council is currently working with the Trust to analyse the financial pressures and potential mitigations, to develop a financially stable medium-term plan. In the meantime, the deficit represents a potential pressure against the Council's group reserves position.

### **Fees and Charges**

- 4.26 In order to address the forecast overspends in Registration Services and in Development Planning and Building Control in 2024/25, it is proposed to increase discretionary fees and charges within those service areas from 1<sup>st</sup> January 2025. As at Quarter 2, there is a forecast overspend of £0.683m for Registration Services and a forecast overspend of £0.404m for Development Planning and Building Control.

- 4.27 Proposed increases to fees and charges for these services from from 1<sup>st</sup> January 2025 are set out within Appendix 8. The current overspends, due to under-recovery of income, mean that residents who are not using the services are subsidising the cost of them more than was intended within the budget that was set, and therefore to mitigate that position in part, it is recommended that fees and charges are increased in year, in order to increase income generation and reduce the subsidy on the services.
- 4.28 Additionally, within the Council's Medium Term Financial Strategy, as of 16<sup>th</sup> October 2024, the Council set out its intention to generate an additional £0.200m income in 2025/26 through increasing the fee for garden waste collections. The new fee for collections for the 2025 calendar year must be agreed and implemented before the collections begin, and therefore the fee is proposed to be increased from 1<sup>st</sup> January 2025. As shown in Appendix 8, it is proposed to increase the fee from £35 to £40 per annum.
- 4.29 Chargeable garden waste collections are an example of local authorities adapting to increased pressure on public sector funding through the directed provision of charged-for services to those that choose to receive a service.
- 4.30 With no increase in fee, the forecast subsidy for providing the garden waste collection service in 2025/26 would be in the region of £0.550m. A recent exercise ascertained that the fee would need to increase to £48 per bin to ensure full cost recovery. However, an increase of this magnitude could have a negative impact on subscription numbers that could put at risk the medium term aim of fully recovering costs. Therefore, an increase to £40 is proposed, which should both minimise the risk of reducing subscription numbers and begin to close the deficit in funding the service.

### **Capital Programme**

- 4.31 Expenditure on the Council's capital programme is forecast to be £82.672m within the General Fund and £72.787m 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 Programme**

- 4.32 The capital programme budget for 2024/25 has been updated to include virements and additional approvals that have taken place during Quarter 2. The revised budget for 2024/25 as at Quarter 2 is £132.332m. Forecast expenditure for the year as at Quarter 2 is £82.672m, meaning that £49.660m of budget is forecast to be re-phased (slipped) into 2025/26.

- 4.33 Additions to the programme within Quarter 2 total £6.690m, of which £4.690m has been added to the budget in 2024/25 and £2.000m has been added to the budget for 2025/26. Significant additions to the programme are as follows:
- £3.906m additional budget has been added to the Oracle Fusion project within 2024/25, as approved within the Quarter 1 Budget Monitoring Report
  - £2.000m additional budget has been added to the Haden Hill Leisure Centre project within 2025/26, as approved within the Quarter 1 Budget Monitoring Report
  - £0.610m CRSTS funding has been received in relation to the Smethwick to Birmingham Growth Corridor and the Wednesbury to Brierley Hill Metro Extension, and therefore £0.610m has been added to the budget for grant funded Highways schemes
- 4.34 Appendix 4 provides details of the additions to the programme, and all other amendments to the budget during Quarter 2.

### **Section 106/Community Infrastructure Levy (CIL)**

- 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. As at Quarter 2, £0.300m of these balances are forecast to be utilised, leaving a remaining balance of £2.439m.
- 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 that are needed to support new homes and businesses in the area. As at Quarter 2, the Council is currently holding capital balances of £3.573m 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 Programme**

- 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.
- 4.33 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.

- 4.34 Expenditure to Quarter 2 was £26.592m which equates to 37% of the revised budget for the year. 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. The capital programme for 2024/25 is included in Appendix 6 to this report.
- 4.35 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.

### **Treasury Management**

- 4.34 Appendix 7 provides the Quarter 2 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**

<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.
<b>Climate Change</b>	No direct implications arising from the recommendations.
<b>Corporate Parenting</b>	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 - HRA Capital Programme 2024/25

Appendix 7 – Treasury Management Update

Appendix 8 – Schedule of Fees and Charges

## **8 Background Papers**

2024/25 Q1 Budget Monitoring Report