Sandwell Metropolitan Borough Council

Report to Cabinet

12 March 2025

Subject:	2024/25 Quarter 3 Budget Monitoring
Cabinet Member:	Cabinet Member for Finance and Resources 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

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

1.1 notes the financial monitoring position as at 31 December 2024 (Quarter 3) and refers the report to the Budget and Corporate Scrutiny Management Board for consideration and comment.

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 Council 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 (£2.529m). This is an underspend of 0.8% 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 £315.870m that deliver council services, and centrally held corporate budgets of £17.138m that relate to council-wide matters such as investments and borrowing. The overall projected net directorate outturn variance is an underspend of (£0.472m) 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 (£2.057m). 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	85,111	85,020	(91)	0	**(91)**
People - Children's Services	1B	105,088	103,961	(1,126)	(156)	**(1,282)**
People - Public Health	1C	0	2,074	2,074	(2,074)	**(0)**
Place - Environment	1D	73,444	74,819	1,375	(330)	**1,045**
Place - Housing	1E	4,274	4,855	581	(581)	**(0)**
Place - Regeneration	1F	10,264	12,155	1,891	(1,946)	**(55)**
Assistant Chief Executive	1G	11,137	11,229	92	(116)	**(24)**
Finance and Transformation	1H	26,088	26,763	675	(669)	**6**
Corporate Management	1I	464	394	(70)	0	**(70)**
Net Service Expenditure		**315,870**	**321,271**	**5,401**	**(5,872)**	**(472)**
Capital Charge Adjustment		(26,461)	(26,461)	0		**0**
External Interest Payments		20,136	19,136	(1,000)	1,000	**0**
Interest/Dividend Receipts		(10,000)	(13,630)	(3,630)	1,880	**(1,750)**
Contingency		2,599	2,599	0		**0**
Change in Earmarked Reserves		5,840	5,840	0		**0**
Corporate Items	1J	25,024	30,671	5,647	(5,954)	**(307)**
Centrally Held Budgets		**17,138**	**18,154**	**1,017**	**(3,074)**	**(2,057)**
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)	(43,460)	(1,082)	1,082	**0**
Section 31 Grants		(38,123)	(41,244)	(3,121)	3,121	**0**
New Homes Bonus		(776)	(776)	0		**0**
Services Grant		(648)	(648)	0		**0**
Sources of Funding		**(333,008)**	**(337,211)**	**(4,203)**	**4,203**	**0**
Total Net General Fund Expenditure		**(0)**	**2,215**	**2,215**	**(4,743)**	**(2,529)**
				0		**0**
Housing Revenue Account (HRA)	1K	0	(652)	(652)	652	**(0)**
Delegated Schools Grant (DSG)	1L	0	6,430	6,430	(6,378)	**52**
				0		**0**
Total Net Expenditure		**0**	**7,993**	**7,993**	**(10,469)**	**(2,477)**

4.3 At Quarter 3, the forecast outturn position for the General Fund is an underspend of (£2.529m). At present it is assumed that a contribution of £2.529m will be made to the General Fund balance, which is the Council's unearmarked reserve, at year-end. However, when the outturn position is confirmed, contributions to both the General Fund balance and to earmarked reserves will be considered in accordance with the Council's Reserves Strategy, which was included within the Council's Medium Term Financial Strategy, approved by Council on 25th February 2025.

4.4 The forecast underspend of (£2.529m) for the General Fund at Quarter 3 represents an improved position of (£0.401m) when compared with the Quarter 2 forecast underspend of (£2.128m).

4.5 The position for the HRA is a forecast underspend of (£0.652m), which will be added to HRA reserves at year-end. However, the position for the DSG is an overspend of £6.430m, which cannot be fully offset by DSG reserves, and therefore a deficit of £0.052m is forecast for the DSG following transfers from reserves. This deficit will be ringfenced to the DSG and carried forward separately on the council's balance sheet. The position for the DSG is explained further in paragraphs 4.22 to 4.25.

4.6 The forecast outturn position at Quarter 3 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.

4.7 To balance the budget for 2024/25, it was agreed at the meeting of the Council on 20th February 2024 that £7m one-off vacancy management efficiencies would be included within directorate budgets. To date, £7.511m 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)

4.8 The forecast variance to budget for Adult Social Care is an underspend of (£0.091m). 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.
- (£0.144m) forecast year-end reduction to the provision for outstanding debt
- (£0.080m) other minor variations

Partly offset by:

- £1.020m unachieved vacancy management efficiencies (to date), use of agency staff and other employee-related additional expenditure
- £0.175m overspend on external placement costs, reflecting an increasing number of Learning Disabilities placements
- £0.145m budget pressure relating to Best Interest Assessments and Deprivation of Liberty Safeguards Assessments

Children's Services (1B)

4.9 The forecast variance against budget for Children's Services is an underspend of (£1.282m). The main reasons for this forecast underspend are as follows:

- (£1.066m) 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:

- £0.082m unachieved vacancy management efficiencies (to date).
- £0.200m forecast year-end increase to the provision for outstanding debt
- £0.308m forecast contribution to reserves relating to the Employment and Skills Service, due to uncertainty in future year funding.

4.10 The forecast underspend for the SEND transport service is (£1.066m). 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. Introduction of the localities model will reduce the reliance on out of borough provision, which has an associated higher transport cost, with a focus on creating local places for children and young people.

4.11 The increase in demand is anticipated to continue throughout the financial year, moving from 1,103 pupils using the service at the end of December 2024 to an anticipated number of 1,190 by the end of March 2025.

Public Health (1C)

4.12 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 £2.074m 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)

4.13 The forecast variance against budget for Environment is an overspend of £1.045m. The main reasons for this forecast overspend are as follows:

- £1.641m overspend within Green Spaces, Visitor Services and Green Services, mostly due to income budget pressures and unachieved efficiencies, but also due to premises, transport and supplies and services costs over the budgeted level
- £0.239m overspend for the Events service, as a result of budget pressures and unachieved efficiencies

- £0.140m forecast overspend for Public Protection and Community Safety, as a result of unachievable income budgets relating to Proceeds of Crime Act and abandoned vehicles, and an unachieved efficiency

Offset in part by:

- (£0.403m) underspend for the Highways service, resulting from underspends on engineering, consultancy and highways maintenance costs, and additional income received
- (£0.371m) underspend for Leisure services, due to utilities efficiencies and contract costs being lower than budgeted for
- (£0.151m) Directorate Management underspend, due to release of a contingency budget and a forecast year-end reduction of (£0.052m) to the provision for outstanding debts
- (£0.049m) underspend in Libraries, Archives and Heritage due to in-year efficiencies on employee costs

Place - Housing (1E)

4.14 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:

- £0.749m 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, of which £0.049m is an unachievable efficiency
- £0.085m other minor variances
- £0.045m forecast year-end increase to the provision for outstanding debt

Offset by:

- (£0.580m) use of residual homelessness prevention grant funding (held in reserve) to part-mitigate the temporary accommodation budget pressure
- (£0.253m) increased income for the Housing Solutions team, including additional funding for rough sleepers
- (£0.214m) income from the NHS for welfare rights work
- (£0.012m) forecast underspend on employee budgets

Place - Regeneration (1F)

4.15 The forecast variance against budget for Regeneration is an underspend of (£0.055m). The main reasons for this forecast underspend are as follows:

- (£0.667m) supplies and services budget efficiencies, mostly due to the use of other one-off funding streams, releasing base budget
- (£0.493m) vacancy management efficiencies achieved above required target
- (£0.011m) other minor variations

Offset in part by:

- £0.700m reduced income in Development Planning and Building Control Services; £0.500m 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
- £0.232m rent and business rates budget pressures across the Council's estate
- £0.134m compulsory purchase compensation
- £0.050m forecast year-end increase to the provision for outstanding debt

Assistant Chief Executive (1G)

4.16 The forecast variance to budget for Assistant Chief Executive is an under spend of (£0.024m). The main reasons for this forecast underspend are as follows:

- (£0.224m) vacancy management efficiencies achieved above required target
- (£0.163m) forecast underspend on members' allowances budgets
- (£0.128m) learning and development in-year efficiencies, due to in-house, rather than external, training sessions delivered

Offset in part by:

- £0.250m unachieved efficiency relating to grant reductions
- £0.091m additional supplies and services costs
- £0.081m shortfall in service level agreement and traded income in Human Resources
- £0.069m additional security costs at the One Stop Shop and Community Hubs

Finance and Transformation (1H)

4.17 The forecast variance to budget for Finance and Transformation is an overspend of £0.006m. The main reasons for this forecast overspend are as follows:

- £0.683m forecast overspend for Registration Services due to forecast shortfall in income, particularly relating to burials and cremations income
- £0.200m forecast unachievable hybrid print and mail efficiency
- £0.080m minor variances across service areas
- £0.042m forecast year-end increase to the provision for outstanding debt

Offset by:

- (£0.373m) vacancy management efficiencies achieved above required target
- (£0.358m) phase 2 of ICT modernisation programme pushed back to support delivery of phase 1 Microsoft E5 work

- (£0.199m) projected recovery of Council Tax and NNDR court costs
- (£0.069m) new burdens (Elections Act) grant funding received

Corporate Management (1I)

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

Centrally Held Budgets

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 (£2.057m). The main reasons for this underspend are as follows:

- (£1.750m) forecast additional interest receivable due to high interest rates
- (£0.307m) underspend on corporate items. Appendix 1J provides a full breakdown of this variance.

Forecast Delivery of Ongoing Efficiencies

4.20 Delivery of the required efficiencies for 2024/25 has been RAG rated and is presented in appendix 3. 76% of the required efficiencies have been rated as delivered on an ongoing basis (rated green). In addition to this, 8% of efficiencies are forecast to be delivered on a one-off basis in year (rated blue).

Housing Revenue Account (HRA) (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 (£0.652m). The main reasons for this forecast underspend are as follows:

- (£4.544m) vacancy management efficiencies
- (£0.550m) underspend in the budget for asbestos management
- (£0.500m) underspend against internal service level agreements and recharges
- (£0.191m) forecast investment interest and reduction required at year-end to the provision for outstanding debt

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.
- £0.500m 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
- £0.500m forecast shortfall of rental income
- £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 table in Appendix 1L shows an overall budget of £270.489m for the four blocks of the DSG, with a budget of £70.688m for the High Needs Block. The overall forecast variance against budget for the DSG – which also sits outside the General Fund - is a deficit position of £0.052m following transfers from reserves.

4.23 Prior to transfers from reserves, the forecast outturn is an overspend of £6.430m, which is as a result of the forecast expenditure of £77.122m within the High Needs Block. The in-year position is almost entirely offset by the contribution from the cumulative High Needs Block surplus carried forward from previous years of (£6.382m). However, there is now insufficient DSG underspend brought forward from previous financial years to cover the forecast overspend in the current financial year. Therefore, the remaining deficit for the DSG of £0.052m will not be able to be mitigated in year.

4.24 The forecast deficit of £0.052m will be ring-fenced to the DSG and will be carried forward on the council’s balance sheet. It will be important for the council to try to offset this deficit with an equivalent amount of ringfenced High Needs Block funding within 2025/26, in order that the deficit does not continue to increase. The High Needs Block position will need to be monitored closely, as ongoing overspending may create a pressure on the Council's General Fund in the future.

4.25 The main reason for the forecast overspend in the High Needs Block is the increasing demand stemming from increasing numbers of pupils with Education Health and Care Plans. Part of the increase in costs is a result of increasing out of borough independent placements. A DSG mitigation plan will be developed to address the reliance on high cost, out of borough placements and to provide increased places within Sandwell.

Sandwell Children's Trust (SCT)

4.26 SCT is a separate legal entity that is wholly owned by the Council. The Council commissions SCT activities via the Children and Education 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 3 of the current financial year, the Trust is forecasting a further deficit of £5.8m. Financial pressure is attributable to higher than budgeted for children's social care placement costs, which is a position being reported for councils nationally.

4.27 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.

Capital Programme

4.28 Expenditure on the Council's capital programme is forecast to be £82.291m within the General Fund and £72.511m 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

4.29 The capital programme budget for 2024/25 has been updated to include virements and additional approvals that have taken place during Quarter 3. The revised budget for 2024/25 as at Quarter 3 is £133.151m. Forecast expenditure for the year as at Quarter 3 is £82.291m, meaning that £50.860m of budget is forecast to be re-phased (slipped) into 2025/26.

4.30 Net additions to the programme within Quarter 3 total £0.819m. Significant amendments to the programme are as follows:

- £0.900m additional budget has been added in respect of the ATF3 A461 Wednesbury to Brierley Hill extension scheme, to be funded from WMCA CRSTS grant funding

- £0.885m additional budget has been added to the Playzones programme, the majority of which is funded by the Football Foundation, with an element of match funding from the council
- (£0.867m) monies removed from the 2024/25 programme in relation to the Sandwell Aquatic Centre. The funding has been required to fund an accrual that has been made as part of closure of the accounts for 2023/24. Following the accrual, the capital scheme is now successfully complete. No further capital costs are expected within 2024/25.

4.31 Appendix 4 provides details of the additions to the programme, and all other amendments to the budget during Quarter 3.

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

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 that are needed to support new homes and businesses in the area. As at Quarter 3, 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 The proposed specific projects to be funded during 2024/25 are contained in Appendix 6 to this report. 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.

4.34 In Quarter 3, budgets have been adjusted for schemes where slippage in the programme has been identified, where reports to Cabinet have reported adjusted expected project costs, where project expenditure has been re-profiled and to allow use of the 1-4-1 flexibilities to purchase properties, and to allow budgetary provision for approved schemes where budgets were not previously reported.

4.35 Expenditure during Quarter 3 was lower than expected, however it is anticipated that expenditure will increase considerably in Quarter 4 with the increased activity on Wave 2 thermal warmth works and further progress on major works to high rise properties.

Treasury Management

4.36 Appendix 7 provides the Quarter 3 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 - HRA Capital Programme 2024/25
Appendix 7 – Treasury Management Update

8 Background Papers

2024/25 Quarter 2 Budget Monitoring Report
2024/25 Quarter 1 Budget Monitoring Report