

Report to Cabinet

6 December 2023

Subject:	Q2 Budget Monitoring 2023/24
Cabinet Member:	Cllr Bob Piper, Finance & Resources
Director:	Brendan Arnold, Director of Finance
Key Decision:	Yes
Contact Officer:	Claire Spencer – Acting Assistant Director Finance Claire_spencer@sandwell.gov.uk

1 Recommendations

That Cabinet:

- 1.1 Note the financial monitoring position as at 30 September 2023 (Quarter 2) and refers the report to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 Approve 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
Contingency	Transfer of budget for asset rationalisation savings, achieved in year within Regeneration and Growth	1,660	
Regeneration and Growth	Transfer of budget for asset rationalisation savings, achieved in year within Regeneration and Growth		1,660
Contingency	Transfer of one-off property budgets held within Regeneration and Growth - no longer required	1,658	
Regeneration and Growth	Transfer of one-off property budgets held within Regeneration and Growth - no longer required		1,658
TOTAL		3,318	3,318



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.

3 How does this deliver objectives of the Corporate Plan?

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

4 Context and Key Issues

General Fund Outturn

- 4.1 The overall projected outturn position for the General Fund is an overspend of £1.222m. This is an overspend of 0.4% when compared with the Council's net budget of £317.623m.
- 4.2 The overall projected net directorate outturn variance, excluding the HRA, is an overspend of £3.547m following the use of reserves. The variance for each directorate is summarised in the following table and analysed in more detail within Appendix 1.



Service Area	APPX	Total Budget £'000	Projected Outturn £'000	Projected Outturn Variance Before Transfers to/from Reserves £'000	(Use of)/ Contribution to Reserves £'000	Projected Outturn Variance £'000
Corporate Management	1A	304	584	280	(280)	0
Borough Economy	1B	69,543	70,794	1,252	(435)	816
Adult Social Care	1C	85,831	89,440	3,609	(4,617)	(1,008)
Regeneration & Growth	1D	15,039	17,733	2,694	(2,659)	35
Housing	1E	2,303	2,482	179	311	490
Children's Services	1F	91,455	100,195	8,739	(5,692)	3,047
Assistant Chief Executive	1G	7,550	7,473	(77)	0	(77)
Finance	1H	19,500	21,711	2,211	(2,015)	196
Law & Governance	1I	7,303	7,265	(38)	86	48
Public Health	1J	64	2,731	2,667	(2,667)	(0)
Net Service Expenditure		298,893	320,409	21,516	(17,969)	3,547
Capital Charge Adjustment		(26,461)	(26,461)	0		0
External Interest Payments		15,000	15,000	0		0
Interest/Dividend Receipts		(7,500)	(8,500)	(1,000)		(1,000)
Use of Balances/RCCO/Central Items		37,692	37,176	(516)	(646)	(1,162)
Net Service Expenditure, Central Items and Use of Balances		317,623	337,623	20,000	(18,615)	1,385
Collection Fund Surplus		(102)	(102)	0		0
Council Tax		(127,008)	(127,008)	0		0
Business Rates		(109,560)	(109,560)	0		0
Business Rates Top-Up		(38,701)	(38,701)	0		0
Section 31 Grants		(38,188)	(38,188)	0		0
New Homes Bonus		(111)	(111)	0		0
Services Grant		(3,953)	(4,116)	(163)		(163)
Net Service Expenditure, Central Items, Use of Balances and Sources of Funding		0	19,837	19,837	(18,615)	1,222
Quarter 1 Projected Outturn Variance						2,188
Movement from Quarter 1 to Quarter 2						(966)

4.3 The forecast overspend of £1.222m at Quarter 2 represents an improved position of (£0.966m) when compared with the Quarter 1 forecast overspend of £2.188m.

4.4 The forecast outturn position at Quarter 2 is explained in further detail within the following paragraphs.

Corporate Management (1A)

4.5 The projected outturn for Corporate Management is nil variance from budget



Borough Economy (1B)

- 4.6 The projected outturn for Borough Economy is an overspend of £0.816m. The main reasons for this forecast overspend are as follows:
- £0.424m overspend relating to the potential pay award and an increased rate of pension contributions.
 - £1.886m unachieved savings and income relating to Visitor Services and Events, Green Services and Libraries.
Offset by:
 - (£0.776m) net in year savings on supplies & services budgets and use of earmarked reserves in order to reduce forecast budget pressures.
 - (£0.718m) in year vacancy management savings.

Adult Social Care (1C)

- 4.7 The forecast variance to budget for Adult Social Care is an underspend of (£1.008m). There are pressures of £0.893m relating to the pay award, and £0.973m relating to external placements and delivery costs. These are wholly mitigated by staff vacancies and use of one-off grants (£2.874m).

Regeneration & Growth (1D)

- 4.8 The projected outturn for Regeneration and Growth is an overspend of £0.035m. The main reasons for this forecast overspend are as follows:
- £0.341m overspend relating to the potential pay award and an increased rate of pension contributions
 - £0.434m reduced income from rechargeable jobs, as a result of staff vacancies
 - £0.350m reduced income from planning application fees and building regulation fees, due to the economic downturn
 - £0.238m loss of income due to building closures and tenant vacancies
 - £0.080m budget pressure relating to production of the Sandwell Plan
 - Offset by (£1.408m) in year vacancy management savings and other minor budget savings

Housing General Fund (1E)

- 4.9 The projected outturn for Housing is an overspend of £0.490m. The main reasons for this forecast overspend are as follows:
- £0.166m delayed savings relating to reduction in grants paid to other organisations, fees & charges income and review of the community centres delivery model.
 - £0.202m income budget pressure relating to garage rental.



- £0.122m income budget pressure relating to the Home Improvement Agency.

Children's Services (1F)

- 4.10 The forecast variance against budget for Children's Services is an overspend of £3.047m, largely due to budget pressures relating to SEND transport. The gross overspend relating to SEND transport is forecast to be £6.254m but will be partly offset by the use of reserves (£2.439m). The additional pay award pressure (of 2%) and superannuation (of 1.1%) in the directorate (totalling £0.685m) further contributes to the overspend. Finally, Sandwell Residential Education Services (SRES) will not be able to achieve £0.251m of its income target. These pressures are partly offset by staff vacancies savings and savings against supplies and services budgets and other income budgets (£1.704m).
- 4.11 The forecast overspend in the SEND transport service is due to a significant increase in demand over recent years, particularly for complex and out of borough placements which have the highest cost.

Assistant Chief Executive (1G)

- 4.12 The projected outturn for Assistant Chief Executive is an underspend of (£0.077m). The main reasons for this forecast underspend are as follows:
- £0.359m overspend relating to the potential pay award and an increased rate of pension contributions
 - Offset by (£0.436m) in year vacancy management savings and other minor budget savings

Finance (1H)

- 4.13 The projected outturn for Finance is an overspend of £0.196m. The main reasons for this forecast overspend are as follows:
- £0.400m budget pressure relating to the loss of Housing Benefits subsidy due to increased demand for temporary accommodation
 - £0.348m overspend relating to the potential pay award and an increased rate of pension contributions
 - £0.396m unachieved savings relating to redesign of Business Support functions and the hybrid print and mail project.
 - Offset by (£0.948m) in year vacancy management savings, rephasing of the implementation of cyber security and other minor overspends.

Law & Governance (1I)

- 4.14 The projected outturn for Law and Governance is an overspend of £0.048m.



- £0.215m overspend due to the potential pay award and an increased rate of pension contributions
- £0.130m overspend on external legal advice on corporate projects and social care
- offset by (£0.297m) in year vacancy management savings and other minor budget savings.

Public Health (1J)

4.15 Public Health is funded by a ringfenced grant and therefore any underspend at year-end is transferred into a specific Public Health grant reserve, and any overspend at year-end is funded from the reserve. The projected outturn variance is currently an overspend of £2.667m. 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.

Central Items/RCCO/Use of Balances

4.16 The council has several centrally held budgets. The nature of these is such that they are not within a specific directorate's control. The council also makes use of balances towards one-off expenditure and as Revenue Contributions to Capital Outlay.

4.17 At Quarter 2 an underspend of (£1.162m) is forecast against Central Items and use of balances. The main reasons for this forecast underspend are as follows:

- £0.140m additional audit fee costs
- £0.045m additional bank charges
- £0.328m additional contributions to West Midlands Combined Authority
- Offset by (£1.658m) surplus Contingency budgets not required in year

Non-General Fund

Housing Revenue Account (1K)

4.18 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 overspend of £0.596m. The main reasons for this forecast overspend are as follows:



- Asset Management and Maintenance (overall nil variance after use of reserves)
 - (i) Repairs & Maintenance - £0.735m net pressure relating to responsive and void repairs including increased material and labour costs; Increase in gas and electrical service compliance costs which is partly offset by staff vacancies. (£0.735m) is to be drawn from the voids earmarked reserve.
 - (ii) Building Safety & Compliance - £0.229m net pressure relating to Highrise safety and compliance costs which is partly offset with vacancy savings. (£0.229m) is to be drawn from the voids earmarked reserve.
- Housing Management – (£1.248m) net underspend related to staff savings.
- Rents & Other Charges – £1.119m pressure relating to loss of rental income from voids and council tax charges on void properties
- PFI – Nil overall variance - £0.052m pressure due to increased unitary charge which is partly offset by one-off management fee income received. This pressure will be funded from the PFI sinking fund.
- Other HRA Services – £0.725m net pressure due to an increase in staff pension costs, project feasibility costs, tree works and increase in central support charges after use of tree works reserve & equipment reserve totalling £0.962m.

Dedicated Schools Grant – DSG (1L)

4.19 The overall forecast variance against budget for the DSG is nil, as any surplus or deficit at year-end is offset by a corresponding transfer to/from the DSG reserve. Prior to transfers to reserves, the forecast outturn is an underspend of (£1.682m). The main reasons for this forecast underspend are as follows:

- High Needs Block underspend of (£1.562m) arising from out of borough placements, staffing vacancies and SEN development.
- Early Year's block underspend of (£0.120m) from funding for 2 year olds and disability access fund.

Use of Reserves



4.20 At the end of 2022/23 £126.187m was held in earmarked reserves and a number of new reserves and contributions to capital have been actioned as part of the budget setting process for 2023/24 which increased the opening balance to £127.455. During the year, it is projected that £16.933m of these balances will be used leaving a remaining balance of £110.522m. A significant proportion of the use of reserves is the use of the remaining Covid Emergency Funding and Contain Outbreak Management Fund. Further detail is provided in Appendix 3.

Capital

4.21 Expenditure on the Council's capital programme is forecast to be £75.289m within the General Fund and £75.700m within the Housing Revenue Account for the financial year 2023/24. Appendix 4 provides a detailed breakdown of the programme for the General Fund and appendix 5 provides a breakdown for the Housing Revenue Account.

General Fund

4.22 The Quarter 2 Capital monitoring has been updated to include re-phasing from previous years, re-profiling and additional approvals. The main changes that have taken place since Quarter 1 are listed as follows:

4.23 Additional approvals within the Borough Economy directorate, relating to £2.164m received from the Department for Transport (DFT) in respect of the Birchley Island scheme and £0.640m received from the Levelling Up Fund (LUF) in respect of the Haden Hill Leisure Centre scheme.

4.24 There has been re-phasing within Housing and Assets relating to Empty Properties (£0.585m) and The Public (£0.341m).

4.25 Law & Governance is reporting a re-phasing of (£3.560m) into 2024/25 in relation to the West Bromwich Cemetery scheme.

4.26 Re-phasing of around £7m is being predicted within the Regeneration & Growth directorate relating to the reorganisation of the Towns Fund budgets (£5.798m) and the clawback by government of Heat Pump Technology grant (£0.944m).

4.27 A decrease of (£3.794m) in the Children & Education budget mainly to reflect the re-phasing of Basic Need & School Condition resources into future years to continue various school improvement schemes.



Housing Revenue Account

Progress Against the New Council House Build Programme

- 4.28 The Council new build housing programme was approved at Cabinet in February 2023. The existing programme that completes in 2026/27 includes a total of 715 new homes.
- 4.29 Of the above programme, 47 units have been delivered in 2022/23 and an estimated 14 new Council house builds are anticipated to be completed by 31 March 2024. These are part-funded through Housing Revenue Account borrowing with grant provided by Homes England.
- 4.30 120 new homes will be progressed on site during the current financial year. Spend of £15.357m against the budget of £36.708m (including prior year carry forwards) is currently projected against the new build programme. This gives an underspend against the 2023/24 programme of (£21.351m) because of delays. However, the increased starts on site during 2023/24 will reduce the current forecast underspend towards the end of the financial year.
- 4.31 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 councils control such as ground conditions, wayleaves, easements, section agreements and licences.

Progress Against the Housing Improvements Programme

- 4.32 At present there is an anticipated overspend of £4.365m on current year projects. The delivery of capital investment contracts has been impacted by challenges similar to the new build programme. This is particularly apparent for price volatility on tender returns and inflationary pressures on committed contracts. The Council remains committed to carrying out contractual commitments. Efforts are being made to prioritise certain works to ensure building safety and decent homes standards are maintained.



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 2 £0.203m of these balances have been utilised leaving a remaining balance of £2.615m.
- 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 which are needed to support new homes and businesses in the areas. As at Quarter 2 the Council is currently holding capital balances of £3.141m in relation to this Levy and is not forecasting any expenditure against this for the remainder of 2023/24.

Treasury Management Outturn and Q1 Update

- 4.35 Attached are two reports relating the Council's Treasury Management activities. Appendix 7 provides the Quarter 2 Treasury Management update and appendix 8 provides the mid-year monitoring report on the Treasury Management Strategy and prudential indicators.

5 Alternative Options

- 5.1 Leadership Team agreed that the vacancy controls that were in place for 2022/23 would be reinstated at their meeting on 8 August 2023 in order to reduce the projected overspend. As the forecast overspend has reduced since Quarter 1, no further management action is proposed at this stage, however other spending controls that may be needed to avoid reliance on use of reserves could be considered later in the year if necessary.

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

App 1 Outturn Summary for Directorates

App 2 Central Items

App 3 Reserves

App 4 General Fund Capital

App 5 Housing Revenue Account Capital

App 6 CIL and S106 Funding

App 7 Treasury Update Q2

App 8 Treasury Management Strategy Statement and Prudential Indicators

Mid-Year Monitoring

8 Background Papers

Q1 Budget Monitoring 2023/24

