

# Report to Cabinet

**1 September 2021**

<b>Subject:</b>	Q1 Budget Monitoring 2021/22
<b>Cabinet Member:</b>	Cllr Crompton – Cabinet Member for Finance, Council Sustainability and Transformation
<b>Director:</b>	Simone Hines - Director of Finance
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Charlie Davey – Business Partner (Finance) <a href="mailto:charles_davey@sandwell.gov.uk">charles_davey@sandwell.gov.uk</a>

## 1 Recommendations

### That Cabinet:

- 1.1 Receive the financial monitoring for individual directorates as at 30 June 2021 (Quarter 1 2021/22) and refer them to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 Note the projected financial position; services are projecting an over spend of £4.621m against allocated budgets and an underspend of £6.185m after adjusting for the movement on reserves, use of corporate resources and the application of centrally held Covid-19 grant funding.
- 1.3 Approve the following budget virements above the higher of £0.25m or 1% of the Gross Budget of the service area:




Virements above £0.250m or 1% of Gross Budget for approval by Cabinet	£'000	£'000
<u>Public Health</u>		
Communicable Disease - Test & Trace Grant carry forward		(1,142)
Grant funded expenditure for Test & Trace	1,142	
Communicable Disease Community Lateral Flow Testing grant		(279)
Grant funded expenditure for Lateral Flow Testing	279	
Long Term Conditions In year PHE award for Adult Weight Management.		(321)
Grant funded expenditure for Adult Weight Management Services	321	
Substance Misuse & Smoking - In year PHE award for Drug Treatment Crime and Harm reduction.		(407)
Grant funded expenditure for Drug Treatment Crime & Harm reduction.	407	
<b>TOTAL</b>	<b>2,149</b>	<b>(2,149)</b>

1.4 Approve an allocation of £514,083 to Sandwell Children’s Trust to fund Covid-19 pressures. This payment is not currently reflected in the projections within the Children’s Services monitoring (Appendix 1F).

## 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?

	<p>The Council’s financial status helps to underpin the Council’s Corporate Plan and the associated aspirations.</p>
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## 4 Context and Key Issues

4.1 Services are projecting an over spend of £4.621m against allocated budgets however, after adjusting for reserves, corporate resources, RCCO and the application of centrally held Covid-19 grant funding the adjusted projected outturn is an under spend of £6.185m.



This projected outturn is summarised in the following table, a more detailed analysis is provided in Appendices 1 to 1G and the reasons for significant variances from budget are outlined in the following narrative.

Area	Appendix	Total Budget £'000	Projected Variance from Budget £'000	(Use of) Reserves / Corporate Resources & RCCO £'000	Corporate Funding of Covid Pressures £'000	Projected Variance £'000
Corporate Management Resources	1A	(246)	0	0	0	0
Adult Social Care	1B	19,569	2,481	(1,110)	(3,671)	(2,300)
Regeneration & Growth	1C	91,844	(2,058)	(1,529)	(1,118)	(4,705)
Housing & Communities	1D	25,741	638	(245)	(670)	(277)
Children's Services	1E	18,748	1,424	(122)	(824)	478
	1F	86,156	1,764	(56)	(1,216)	492
<b>Net Service Expenditure (ex PH)</b>		<b>241,812</b>	<b>4,249</b>	<b>(3,062)</b>	<b>(7,499)</b>	<b>(6,312)</b>
Public Health	1G	300	372	(134)	(111)	127
<b>Total Net Service Expenditure</b>		<b>242,112</b>	<b>4,621</b>	<b>(3,196)</b>	<b>(7,610)</b>	<b>(6,185)</b>

## Reasons for the Variances from Budget

### 4.2 Overview

Services are continuing to experience the financial impact of Covid, most significantly a loss of income due to suspended or significantly reduced services. Pressures of £7.610m are expected to be managed through the centrally held Covid funding which is from the unused balance of grants received in 2020/21 and additional grants received or anticipated for part of 2021/22.

In addition to the Covid related issues, services are reporting a number of significant ongoing operational pressures which will need to be incorporated into the next refresh of the corporate medium term financial strategy; these issues are highlighted within the relevant directorate narrative.

### 4.3 Resources - £2.481m over spend

There have been Covid related impacts upon most areas including:

- Delays in completing the Oracle Fusion project
- Additional cost of elections
- Loss of income and additional costs within Registration Services
- Loss of income from traded activity within Legal Services



- Under spends associated with vacancies and the impact of remote working.

The financial implications of the above issues are expected to be funded from previously established earmarked reserves and the Covid Emergency Grant, the adjusted projected outturn is an under spend of £2.300m.

#### 4.4 **Adult Social Care - £2.058m under spend**

There have been continued Covid related restrictions on service delivery and when combined with the excessive deaths during 2020/21 the number of supported clients, whilst growing, remains below historic levels. To support faster hospital discharges the service has continued to receive NHS funding for the cost of the first 6 weeks of post discharge care. The prioritisation of faster discharges has significantly increased the average cost of care, an issue which could be managed given the additional NHS funding stream however, this is now tapering to 4 weeks of support and will cease from September presenting a financial risk to Adult Social Care budgets.

After the use of the Better Care Fund reserve and Covid Grant funding for loss of income (taxi licencing) and support to the external care market, the adjusted projected outturn is an under spend of £4.705m.

#### 4.5 **Regeneration & Growth - £0.638m over spend**

The most significant projected variance is Covid related; a £0.500m shortfall in income from Car Parking; a pressure which is expected to continue as home working becomes the new norm.

Operationally there are pressures related to the Property Maintenance Account and priority highway maintenance works although these are largely offset by under spends against staffing budgets.

After the use of corporate resources and Covid grant funding, the adjusted projected outturn is an under spend of £0.277m.

#### 4.6 **Housing & Communities - £1.424m over spend**

The service has experienced a significant Covid related reduction in income, particularly within Tourism, Culture and Leisure however this is expected to be funded from the central Covid grants. A number of



proposals to deliver 2020/21 budget savings were not implemented and the current projections anticipate that they will remain outstanding throughout 2021/22 while management address service restart issues. Operationally the most significant issue is an anticipated reduction in income generated from grounds maintenance activities which is not eligible for Covid grant support. After the use of earmarked reserves and the application of Covid grant funding the adjusted outturn projection is an over spend of £0.478m.

#### 4.7 **Children's Services - £1.764m over spend**

The projected variance from budget is predominantly due to the loss of income from residential centres and the cost of holiday alternatives to free school meals which will be funded from the Covid grant. However, the projected outturn variance also includes a £0.800m over spend against SEN Transport budgets. Despite a significant increase (+£3.1m) to the 2021/22 budget the cost of existing demand (850 pupils) is projected to exceed budget. Additional demand from September and delays in using the planned Dynamic Purchasing System Framework from that date will potentially increase the over spend in this area. After the application of corporate resources and Covid grant funding the adjusted outturn projection is an over spend of £0.492m.

#### 4.8 **Public Health - £0.372m over spend**

Public Health services are funded from a ring-fenced grant of £25.1m and previous under spends against the grant are held within a reserve, which is subject to the same ring-fence restrictions. After the use of specific reserves and Covid grant funding, the adjusted outturn projection is an over spend of £0.127m which is planned to be funded from the ring-fenced PH Reserve.

#### **Central Items**

4.9 The council has a number of centrally held budgets. The nature of these is such that they are not within a specific directorate's control.





The projected variance from budgets is an over spend of £12.682m, however after adjusting for the use of reserves, corporate resources and Covid funding the adjusted position is an under spend of £2.485m which predominantly relates to an under spend within the Waste Partnership of £2.371m. Further detail of the Central Items is provided in **Appendix 2**.

#### 4.10 **Individual Schools Budgets**

The Dedicated Schools Grant allocation is expected to generate an under spend of £0.343m arising from staffing vacancies. Further details are provided within **Appendix 3**.

#### **Use of Reserves**

4.11 At the end of 2020/21 £98.421m was held in earmarked reserves and it is projected that £22.578m will be used during the year, most significantly £20.245m of Covid Emergency Funding. The year-end balance of earmarked reserves is projected to be £75.843m and further detail is provided in **Appendix 4**.

#### 4.12 **Additional Grants**

Details of new grants received or announced during Quarter 1 are provided in **Appendix 5**. This represents additional resources of £23.547m, most significantly £12.955m of Covid Restart Grant to provide grant support to eligible businesses.

#### **Capital**

4.13 Expenditure on the council's capital programme is projected to be £178.51m for 2021/22 and an overview of the programme is provided within **Appendix 6**.

During Quarter 1 there have been a number of significant updates to the 2021/22 programme:

- A £2m increase in the Regeneration & Growth budget, mainly in respect of additional funding from earmarked balances to support the refurbishment of the Sandwell Council House at Oldbury.
- An increase of £1.684m in the Children's budget to reflect the use of Basic Need resources to continue various school improvement schemes.
- A decrease of £13m in the HRA budget which reflects reprofiling between financial years for High Rise Refurbishment (£6m), New Build projects (£5m) and ECO projects (£2m).



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

Section 106 funds are contributions paid by developers towards the cost of providing community and social infrastructure, but they must be used for specific purposes. The council currently holds £2.520m of S106 funds and the forecast spend for 2021/22 is £0.181m leaving a projected balance of £2.339m at March 2022.

The Community Infrastructure Levy is a charge that local authorities can set on new developments to raise funds for infrastructure, facilities and services to support new homes and businesses in the area. The council holds £2.031m of capital CIL resources and no spend is projected for 2021/22.

Further details of the S106 and CIL resources are provided in **Appendix 7**.

#### 4.15 **Budget Adjustments (virements)**

In addition to the virements which Cabinet are asked to approve within recommendation 1.3 there have been smaller value budget adjustments which can be approved by Chief Officers. Details of all virements are provided in **Appendix 8**.

#### 4.16 **Performance Indicators**

Details of performance indicators related to income collection and the timeliness of creditor payments are provided in **Appendix 9**.

### 5 **Alternative Options**

5.1 There are limited decisions within the recommendations, Cabinet could vary the proposed transfer of Covid funding to the Sandwell Children's Trust or the requested virements within Public Health which reflect increases in the available resources since the 2021/22 budgets were approved.



## 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.

## 7. Appendices

- 1** Summary Outturn Projection
- 1A** Corporate Management
- 1B** Resources
- 1C** Adult Social Care
- 1D** Regeneration & Growth
- 1E** Housing & Communities
- 1F** Children's Services
- 1G** Public Health
- 1H** Housing Revenue Account (HRA)
- 2** Central Items
- 3** Individual Schools Budgets (ISB)
- 4** Reserves
- 5** New Grants
- 6** Capital
- 7** S106 / CIL
- 8** Virements
- 9** Performance Indicators

## 8. Background Papers

None

