

# Report to Cabinet

21 June 2023

<b>Subject:</b>	<b>2022/23 Financial Outturn</b>
<b>Cabinet Member:</b>	Cllr Bob Piper
<b>Director:</b>	Simone Hines, Director of Finance
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Rebecca Maher, Assistant Director - Finance <a href="mailto:Rebecca.Maher@sandwell.gov.uk">Rebecca.Maher@sandwell.gov.uk</a>

## 1 Recommendations

- 1.1 That Cabinet receive the financial outturn reports of each directorate service area (Appendices 1A to 1J), the Housing Revenue Account (Appendix K) and the ISB (Appendix L), and refer them to the Budget and Corporate Scrutiny Management Board for consideration and comment.
- 1.2 That Cabinet approve the Revenue Contributions to Capital Outlay (RCCO) and reserve transfers of £32.388m set out in Appendix 1 and Appendix 3.

## 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 recommended treatment of the year end variances supports the financial sustainability of the council.



### 3. **How does this deliver objectives of the Corporate Plan?**

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

## 4 **Context and Key Issues**

### 4.1 **General Fund Outturn**

4.2 The overall outturn position for the General Fund is an underspend of £1.917m. The Council has been impacted by the high levels of inflation across the UK during 2022/23 and this has led to higher than budgeted salary and contractual costs. The Council budgeted for a 2% pay award whereas the actual local government pay award agreed averaged 7%. Salary costs overall were £5.6m above budget. Some of the Council's key contracts are linked to CPI or RPI and although the Council has had some protection from utility increases due to pre-purchasing through the ESPO contract, there has still been additional utility costs during the year. Inflation has also impacted on placement costs in Adult Social Care.



Area	Appendix	Total Budget £'000	Outturn £'000	Variance from Budget £'000	RCCO	(Use of) Reserve £'000	Corporate Funding of COVID Pressures £'000	Outturn Variance £'000
Corporate Management	1A	(196)	(519)	(323)				(323)
Borough Economy	1B	63,987	67,007	3,020		(900)		2,120
Adult Social Care	1C	80,876	73,437	(7,439)		6,998		(441)
Regeneration & Growth	1D	9,292	12,570	3,278		(1,732)		1,546
Housing	1E	2,350	1,031	(1,319)		1,090		(229)
Children's Services	1F	88,656	92,231	3,575		(790)		2,785
Business Strategy & Change	1G	12,423	12,433	10		(268)		(258)
Finance	1H	9,729	10,077	348		(1,674)		(1,326)
Law & Governance	1I	3,679	3,459	(220)	0	(356)		(576)
<b>Net Service Expenditure (ex PH)</b>		<b>270,796</b>	<b>271,726</b>	<b>930</b>	<b>0</b>	<b>2,368</b>	<b>0</b>	<b>3,298</b>
Public Health	1J	64	1,613	1,549		(1,549)		0
<b>Total Net Service Expenditure</b>		<b>270,860</b>	<b>273,339</b>	<b>2,479</b>	<b>0</b>	<b>819</b>	<b>0</b>	<b>3,298</b>
Capital Charge Adjustment		(26,461)	(26,461)	0				0
External Interest Payments		16,374	12,681	(3,693)				(3,693)
Interest/Dividend Receipts		(3,753)	(4,661)	(908)				(908)
West Midlands Transport Levy		13,117	13,117	0				0
West Midlands Magistrates Court		41	41	0				0
Environment Agency (Flood Defence)		88	88	0				0
<b>Net Service Expenditure before use of balances</b>		<b>270,266</b>	<b>268,144</b>	<b>(2,122)</b>	<b>0</b>	<b>819</b>	<b>0</b>	<b>(1,303)</b>
Contingency		1,544	0	(1,544)		1,544		0
RCCO				0	2,947			2,947
Change in Earmarked Reserves		(13,612)		13,612		(16,559)		(2,947)
Change in Balances		459	459	0				0
Central Items		(21,613)	(1,751)	19,862		(19,622)		239
Use of Balances/RCCO/Central Items		(33,222)	(1,292)	31,930	2,947	(34,637)	0	239
Collection Fund Deficit		16,973	16,973	0				0
Council Tax		(117,968)	(117,968)	0				0
Business Rates		(136,049)	(136,902)	(853)				(853)
<b>Total Net General Fund Expenditure (inc Central Items and use of balances)</b>		<b>0</b>	<b>28,955</b>	<b>28,955</b>	<b>2,947</b>	<b>(33,818)</b>	<b>0</b>	<b>(1,917)</b>

4.3 The overall net directorate outturn variance, excluding the HRA, is an overspend of £3.298m following reserve transfers. The variance for each service area is summarised in the following table and analysed in more detail within Appendix 1. The higher than budgeted pay award contributes to the variances in all Directorates and has been mitigated with savings during the year where possible.

4.4 Individual outturn reports for each directorate, the Housing Revenue Account and the Individual Schools Budget can be found in Appendices 1A to 1K.

### Corporate Management (1A)

4.5 The outturn for Corporate Management is an underspend of £0.323m. The main reason for this is due to a write off of unallocated income.



## **Borough Economy (1B)**

- 4.6 The variance against budget for Borough Economy is an overspend of £2.120m. The main reasons for this overspend are the pay award and inflationary pressures on Highways and the Waste contract as well as under recovery of income from Green Spaces.
- 4.7 The Waste contract is linked to RPI and the Local Government pay award, both of which were higher than anticipated in the original budget. The Council keeps a Waste reserve to smooth fluctuations in contract costs and this has been used to partly offset the overspend. This reserve has been replenished as part of the 2023/24 budget process.
- 4.8 The Highways Service has been significantly impacted by inflation, both in terms of utility costs and materials.
- 4.9 Green Spaces has faced commercial challenges in 2022/23, with income budgets not realised as anticipated and one-off expenditure incurred, as the service transitions to a sustainable business model under which visitor services are scheduled to become cost neutral over the medium term.

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

- 4.10 The variance against budget for Adults Social is an underspend of £0.441m. There are some budget pressures which includes market sustainability fee uplifts (not funded from government grant), increased placement costs and market supplement for social workers, within this total variance that have been offset by use of reserves, other savings together with the use of the Better Care Fund and Social Care Grant.
- 4.11 Reserve transfers of £6.998m are requested for a number of items relating mainly to the Better Care Fund (arising from late receipt of grants from government and partners) and Social Care Grant underspends. The grants receipt will be fully spent in 2023/24 as activities has commenced to ensure that the council delivers o these priorities.

## **Regen & Growth (1D)**

- 4.12 The variance against budget for Regeneration is an overspend of £1.546m. The main reasons for this are: -



- Unexpected dilapidation costs relating to a lease exit
- Cost of interim staff cover for a Service Manager post
- Reduction in rental income from council markets
- Reduction in internal recharge income for cleaning and postal services due to a change in the recharges process – a corresponding saving was realised in other directorates

In relation to the pay award cost pressure (7% on average), corporate growth funding of 2% was provided and the remaining 5% was funded by vacancy management and other savings within the Regeneration directorate.

### **Housing General Fund (1E)**

4.13 The variance against budget for Housing is an underspend of £0.229m. The main reasons for this are: -

- Vacancies across the Income Management Service;
- Central adjustments for recharges

### **Childrens Services (1F)**

4.14 The variance against budget for Children's Services is an overspend of £2.785m. The main reason for this is an overspend of £3.836m against SEND transport which has been offset by various one-off savings across the directorate. These include (but not limited to) vacancies across some services including Educational Psychologist (EP) and in the School Improvement Service.

4.15 Sandwell Children's Trust (SCT) provisionally overspent by £1.578m during the year. This is primarily due to pressure in out of borough placement (for children) and agency staff cost on social workers. This pressure was mitigated through the use of additional Social Care grant and reserves.

4.16 The pressure in the SEND Transport service is due to a significant increase in EHCP over the years, particularly for complex and out of borough placements which have the highest cost. This means that request for travel assistance has therefore increased significantly. Most importantly however, is the increased nature and complexity of need of these pupils which has led to:



- them being placed in out of Borough (OOB) schools
- reduction in use of multi-occupancy vehicles
- More children are now travelling alone with passenger assistant

4.17 In addition, there are savings arising from the flexible utilisation of Holiday Activities Fund (HAF) grant, training, supply and services and Community Transport Grant. Finally, the directorate received additional Social Care grant that was more than the original budget.

### **Business Strategy & Change (1G)**

4.18 The variance against budget for Business Strategy & Change is an underspend of £0.258m. The main reason for this is delays in ICT projects which has resulted in contract savings.

### **Finance (1H)**

4.19 The variance against budget for Finance is an underspend of £1.326m. The main reason for this is due to an accounting adjustment relating to Council Tax and NNDR court income in previous years.

### **Law & Governance (L&G) (1I)**

4.20 The variance against budget for L&G is an underspend of £0.576m. This mainly relates to vacancy savings.

### **Public Health (1J)**

4.21 Public Health is a ringfenced grant and therefore any underspend has to be transferred into a specific Public Health Reserve. The variance following reserves transfers is therefore nil.

4.22 Public Health has promoted education aimed at reducing Communicable Diseases (e.g. genitourinary medicine (GUM)), Long Term Conditions, Healthy lifestyles (e.g. free swimming, weight management and food nutrition services), Early Years Parenting, Road Safety, School Nursing, online safety, substance misuse better mental health promotion and support for Sandwell Council Voluntary Organisations. The variance against budget for Public Health prior to reserve transfer is an overspend of £1.549m. This is a planned use of the Public Health reserve.

### **Housing Revenue Account (HRA) (1K)**



4.23 The overall variance against budget for the HRA is nil, as any surplus or deficit at year end is offset by a corresponding transfer to/from the HRA reserve. Prior to transfers to reserves, the HRA outturn for 2022/23 shows a surplus of £7.3m against a budgeted surplus of £0.3m, giving a £7.0m variance against budget. Although repairs and maintenance expenditure was significantly over budget by £2.5m, this was more than offset by an underspend of £9.5m on capital financing costs, interest payable and investment income.

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

4.24 The Dedicated Schools Grant (DSG) outturn is expected to be a surplus of £1.43m. When added to the surplus balance from last year of £4.07m, the overall DSG reserve is expected to be £5.5m. The main area of underspend is High Needs Block (HNB).

4.25 There is pressure in Out of Borough, place funding, and pupil's top-up payments. These were mitigated by underspend in SEN Development and reduction in recoupment for import/export pupils.

### **Central Items/RCCO/Use of Balances**

4.26 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 council also makes use of balances towards one-off expenditure and as Revenue Contributions to Capital Outlay. The net outturn variance against these budgets is an overspend of £0.239m and more detail is provided in Appendix 2.

### **Use of Reserves**

4.27 At the end of 2021/22 £146.346m was held in General Fund earmarked reserves and during the year balances have reduced by £33.818m. However, £30.499m of this relates to the use of Section 31 grants which funded reduced Business Rates income due to COVID. The net movement of reserves excluding this is a reduction of £3.319m. The year-end earmarked reserve balance is therefore £112.528m. Further detail is provided in Appendix 4.

4.28 The use of earmarked reserves is largely to fund specific projects or use of ring-fenced grants. However, there has also been some use of risk-based reserves to offset inflationary costs in year. This includes the Waste and Children's reserves.



## General Fund Balance

4.29 At the end of 2022/23 the General Fund balance is expected to be £17m which equates to 5.38% of net General Fund expenditure and is within the prudent limits set by the Section 151 Officer.

## 5 Alternative Options

5.1 Cabinet could vary the proposed treatment of the year end variances from budget.

## 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

App 1 Outturn Summary

App 2 Central Items

App 3 Reserves





**8. Background Papers**

None

