Sandwell
Metropolitan Borough Council

Report to Cabinet

24 November 2021

Subject:	Q2 Budget Monitoring 2021/22
Cabinet Member:	Cllr Crompton – Cabinet Member for Finance & Resources
Director:	Simone Hines - Director of Finance
Key Decision:	Yes
Contact Officer:	Rebecca Maher (Head of Finance) Rebecca_Maher@sandwell.gov.uk

1 Recommendations

That Cabinet:

1.1 Receive the financial monitoring for individual directorates as at 30 September 2021 (Quarter 2 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 overspend of £10.337m against allocated budgets and an underspend of £4.490m 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 £0.250m or 1% of the Gross Budget of the service area:

ONE COUNCIL
ONE TEAM

Virements above £0.250m or 1% of Gross Budget for approval by Cabinet	£'000	£'000
Adult Social Care		
Redirection of unallocated placement budget to reduce target savings	415	
Redirection of unallocated placement budget to reduce target savings		415
Redirection of unutilised inflation budget to reduce target savings	455	
Redirection of unutilised inflation budget to reduce target savings		455
Public Health		
Wider Determinants - Prevention & Promotion Better Mental Health		371
Grant funded expenditure for Prevention & Promotion Better Mental Health	371	
Central Items		
Transfer of Waste budget to Borough Economy		29,489
Borough Economy		
Transfer of Waste budget from Central Items	29,489	
TOTAL	**30,730**	**30,730**

1.4 Approve an allocation of £0.112m to Sandwell Children's Trust to fund Covid-19 pressures which will be funded from the Covid-19 emergency funding. This is in addition to the £0.514m that was approved at quarter 2.

1.5 Approve the revised treatment of Earmarked Balances as Earmarked Reserves as set out in paragraphs 4.14 to 4.18 and Appendix 4.

1.6 Approve a Revenue Contribution to Capital Outlay of £0.318m from the ICT revenue budget to support and progress ongoing capital projects.

1.7 Approve the proposed spend against the Contain Outbreak Management Fund ICOMF) as outlined in paragraph 4.16, totalling £680,812.

1.8 Approve the Treasury Management Report which is attached at Appendix 10.

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?

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

	Best start in life for children and young people
	People live well and age well
	Strong resilient communities
	Quality homes in thriving neighbourhoods
	A strong and inclusive economy
	A connected and accessible Sandwell

4 Context and Key Issues

4.1 Services are projecting an overspend of £10.337m 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 underspend of £4.490m. 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 Outturn £'000	Projected Variance from Budget £'000	(Use of) Reserves / Corporate Resources & RCCO £'000	Corporate Funding of Covid Pressures £'000	Projected Variance £'000
Corporate Management	1A	(246)	(246)	0	0	0	**0**
Borough Economy	1B	32,283	34,214	1,931	415	(2,222)	**124**
Adult Social Care	1C	84,485	84,894	409	(933)	(1,150)	**(1,674)**
Regeneration & Growth	1D	10,896	11,377	481	(372)	0	**109**
Housing	1E	5,217	5,096	(121)	0	(201)	**(322)**
Children's Services	1F	86,156	92,209	6,053	(686)	(4,218)	**1,149**
Business Strategy & Change	1G	12,153	11,955	(198)	164	(1,020)	**(1,054)**
Finance	1H	9,297	10,542	1,245	(708)	(1,187)	**(650)**
Law & Governance	1I	1,582	2,419	837	(816)	(1,114)	**(1,093)**
Net Service Expenditure (ex PH)		**241,823**	**252,460**	**10,637**	**(2,936)**	**(11,112)**	**(3,411)**
Public Health	1J	300	0	(300)	(125)	(654)	**(1,079)**
Total Net Service Expenditure		**242,123**	**252,460**	**10,337**	**(3,061)**	**(11,766)**	**(4,490)**
Central Items	2	(5,595)	13,080	18,676	(20,375)	(367)	**(2,066)**
Total Net Expenditure (inc Central Items)		**236,528**	**265,540**	**29,013**	**(23,436)**	**(12,133)**	**(6,556)**
Housing Revenue Account (HRA)	1K	(29,300)	(33,755)	(4,455)	750	0	**(3,705)**
Individual Schools Budgets (ISB)	3	0	(2,947)	(2,947)	0		**(2,947)**
Total Net Expenditure		**207,228**	**228,838**	**21,611**	**(22,686)**	**(12,133)**	**(13,208)**

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 £12.133m 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 **Borough Economy (£1.931m overspend)**

The directorate continues to experience budget pressures as a result of Covid-19, mainly linked to a reduction in income for services such as Sandwell Valley, markets and car parking. These are currently being offset by Covid-19 grant income, but it is acknowledged that some will continue following the end of this grant income. They have therefore been incorporated into the budget planning exercise for 2022/23 onwards.

Budget pressures that are not related to Covid-19 include expenditure on high priority highways maintenance work and a reduction in taxi licensing income which are being offset by vacancy savings across the directorate.

4.4 **Adult Social Care (£0.409m overspend)**

The position on Adult Social Care has changed from a projected underspend of approx. £2m at quarter 1 to a projected overspend of £0.409m. The main reason for this relates to placements costs, in particular for placements for people with mental health concerns, which have shown a 4% increase (139 placements) between Q1 and Q6. The number of older people homecare placement numbers are have increased by over 3,115 hours per week since April 2021 and this is likely to generate an overspend at year-end. These budget pressures are being offset by vacancies across the directorate along with brought forward balances from previous years.

The directorate is also incurring staffing costs relating to Covid-19 which are being funded through Covid-19 grant income.

4.5 **Regeneration & Growth (£0.481m overspend)**

The main reason for the projected overspend against Regeneration and Growth are continued pressures related to the Property Maintenance Account although these are partly offset by vacancy savings across the directorate.

4.6 **Housing (£0.121m underspend)**

In general, the Homelessness grants received by the Housing directorate are sufficient to offset any pressures on this area. There are other minor reasons for the projected underspend including additional income and vacancies in some services.

4.7 **Children's Services – (£6.053m overspend)**

The projected variance from budget is predominantly due to the loss of income from residential centres of £0.999m and the cost of holiday alternatives to free school meals of £1.554m which will be funded from the Covid grant.

However, the projected outturn variance also includes a £1.871m overspend against SEND Transport budgets. Despite a significant increase (+£3.1m) between the 2020/21 and the 2021/22 budget to reflect the increase in demand, the cost of existing demand (899 pupils compared to 818 pupils in 2020/21) is projected to exceed budget. There may be additional budget pressures in this area going forward based on the constantly increasing demand for this service and the delay in using the Dynamic Purchasing System Framework from September 2021 as originally planned.

After the application of corporate resources and Covid grant funding the adjusted outturn projection is an overspend of £1.148m.

4.8 **Business Strategy & Change (£0.198m underspend)**
Vacancy savings account for the majority of the underspend in the directorate. There has also been a reduction in the cost of learning and development due to the move to online training following Covid-19. The directorate has incurred a loss of printing income in ICT, partly as a result of staff working from home due to the pandemic and this is being funded from Covid-19 grant funding.

4.9 **Finance (£1.245m overspend)**
The projected overspend is mainly due to the delay in implementation of Oracle Fusion, the costs of which are being funded from corporate resources and Covid-19 emergency funding.

4.10 **Law & Governance (£0.837m overspend)**
The directorate have been impacted by Covid-19 in several ways, both in terms of additional income for Registration Services but also additional costs relating to overtime, Covid-19 secure elections and a loss of traded income for the Legal team. Most of these pressures are being offset by Covid-19 grant income but there is expected to be a continuing budget pressure associated with elections costs which has been included in the budget planning process for 2022/23.

4.11 **Public Health – (£0.300m underspend)**
Public Health services are funded from a ring-fenced grant of £25.1m and previous underspends 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 underspend of £1.079m which is planned to be transferred to the ring-fenced PH Reserve.

4.12 **Central Items**
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 overspend of £18.676m, however after adjusting for the use of reserves, corporate resources and Covid funding the adjusted position is an underspend of £2.066m which predominantly relates to an underspend within the Waste Partnership of £2.271m. Further detail of the Central Items is provided in **Appendix 2**.

4.13 **Individual Schools Budgets**

The Dedicated Schools Grant allocation is expected to generate an underspend of £2.947m arising from staffing vacancies and surplus Early Years DSG funding which is expected to be adjusted for in 2022/23. Further details are provided within **Appendix 3**.

4.14 **Use of Reserves**

The council has historically held two different types of reserves; Earmarked Reserves and Earmarked Balances.

Earmarked Reserves are those that are currently reported to Cabinet on a quarterly basis. Earmarked Balances are those that are less certain in terms of value and necessity.

This position has been reconsidered and it has been decided that all commitments should now be treated as Earmarked Reserves. Earmarked reserves are funds set aside to fund specific future projects or manage future risks. **Appendix 4** shows the revised Earmarked Reserves position following this change in treatment, with those highlighted having previously been treated as earmarked balances. Cabinet are requested to approve this change in treatment.

At the end of 2020/21 £134.020m was held in earmarked reserves and it is projected that £63.995m will be used during the year, most significantly £20.245m of Covid Emergency Funding and £34.390m Section 31 Relief Funding. The year-end balance of earmarked reserves is projected to be £69.656m and further detail is provided in **Appendix 4**.

It is important to note that the Council is required to hold a prudent level of reserves in order to manage the financial risks that it faces. The S151 Officer is required to confirm as part of the budget setting process that the level of reserves that the Council holds is reasonable and prudent. Approximately £16m of the reserves forecast to be held at 31/03/2022 relate to specific ring-fenced grants and over £20m is for capital and regeneration projects. The Council also keeps reserves to cover potential future risks, such as the Insurance Fund which currently stands at £8.9m.

A review of these reserves is currently being undertaken and the revised position following this will be presented to Cabinet as part of the quarter 3 budget monitoring report.

4.15 **Additional Grants**

Details of new grants received or announced during Quarter 1 are provided in **Appendix 5**. This represents additional resources of £41.719m, largely accounted for by Covid-19 Contain Outbreak Management Fund, Business Rates Compensation Grant and Housing Subsidy Grants.

4.16 **Contain Outbreak Management Fund (COMF)**

The Leadership Team has continued to identify projects/initiatives that can be funded from the COVID-19 COMF grant. Three of these are: -

- An additional Development Worker within the Early Years and Child Development Centre in order to assist with increased social distancing - £67,000
- The development of an adult learning programme for the BAME community by the STEPS centre which will include information about vaccinations for 11-16 year olds and signs/symptoms of COVID - £197,562
- A pool of care staff to cover COVID related absences within the Adults Social Care Direct Care internal care services - £416,250

4.17 **Capital**

Expenditure on the Council's capital programme is forecast to be £169.276m during 2021/22. Appendix 6 provides an overview of the programme.

The main changes that have taken place since the Quarter 1 2021/22 monitoring are as follows: -

- A decrease of £1.103m in the Adults Social Care budget mainly in respect of slippage of Adult Social Care Grant resources into 2022/23.

- A decrease of £2.003m in the Borough Economy budget mainly in respect of the introduction of a Heritage Lottery Fund budget for West Smethwick Park £1.200m offset by the slippage of resources into 2022/23 to continue the following schemes, £0.342m Smethwick Hall Pool scheme, £0.241m on the Manor House Conversion scheme. There is also £2.620m of slippage in to 2022/23 for the Birchley Island scheme, to continue the scheme following its public consultation stages. This is due to use of external funding initially and using Council capital funding for the later stages of the scheme.

- A decrease of £2.108m in the Regeneration & Growth budget mainly in respect of the following slippage of resources into 2022/23 to continue the schemes, £0.981m Wednesbury High Streets Heritage Action Zone (HAZ) scheme, £1.000m Regional Housing Board Allocation scheme.

- A decrease of £5.880m in the Housing & Assets budget mainly in respect of the slippage of resources into 2022/23 to continue the following schemes, £0.341m The Public – Conversion to College scheme, £0.600m Empty Properties and £4.939m Disabled Facilities Grant in respect of disabled adaptations in private premises

- An increase of £0.175m in the Children & Education budget mainly to reflect the use of Basic Need resources to continue various school improvement schemes.

- An increase of £1.819m in the Housing Revenue Account (HRA) budget mainly in respect of 1-4-1 Property Purchases.

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

Section 106 monies are paid by developers towards the cost of providing community and social infrastructure but must be used for specific purposes. The Council currently holds **£2.520m** in Section 106 monies and is forecasting to spend **£0.181m** of this leaving a remaining balance of **£2.339m**.

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. The Council currently holds **£2.105m** in Capital 80% pot CIL monies and is not forecasting any expenditure against this.

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

4.19 **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**.

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

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.

7. Appendices

1	Summary Outturn Projection
1A	Corporate Management
1B	Borough Economy
1C	Adult Social Care
1D	Regeneration & Growth
1E	Housing
1F	Children's Services
1G	Business Strategy & Change
1H	Finance
1I	Law & Governance
1J	Public Health
1K	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	Treasury Management Report

8. Background Papers

None