

Report to Cabinet

23 February 2022

Subject:	Q3 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 Note the financial monitoring position as at 31 December 2021 (Quarter 3 2021/22) and refer the report 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 £5.233m against allocated budgets and an underspend of £7.822m 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:

Virements above £0.250m or 1% of Gross Budget for approval by Cabinet	£'000	£'000
Adult Social Care		
Transfer of Hospital Team posts to STAR service	292	
Transfer of Hospital Team posts to STAR service		292
Creation of Workforce Grant within ledger	1,251	1,251



Virements above £0.250m or 1% of Gross Budget for approval by Cabinet	£'000	£'000
Creation of Workforce 2 Grant within ledger	2,310	2,310
Creation of Omicron support grant within the ledger	462	462
Creation of Rapid Testing Grant (October to March)	684	684
Creation of Infection Prevention & Control Grant (October to March)	1,249	1,249
Creation of Vaccine Grant (October to March)	92	92
<u>Regen & Growth</u>		
Markets and Street Trading move from Borough Economy to Regeneration and Growth	405	
<u>Borough Economy</u>		
Community Safety and Resilience from Housing to BE		621
Markets and Street Trading move from Borough Economy to Regeneration and Growth		405
<u>Housing</u>		
Community Safety and Resilience from Housing to BE	621	
TOTAL	7,366	7,366

1.4 Approve the following changes to the council's capital programme: -

£0.400m to be added into the 2022/23 capital programme in relation to the West Bromwich Town Hall Quarter project within Borough Economy. These resources are essentially match funding for the larger Towns Fund project.

A virement of £0.068m in 2022/23 from the Blackheath Library project within Borough Economy to further contribute match funding towards the West Bromwich Town Hall Quarter project mentioned above.







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 £5.233m against allocated budgets and the key reasons for this are given from section 4.3 below. 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 £7.822m. This projected outturn is summarised in the following table, a more detailed analysis is provided in Appendices 1 to 1K and the reasons for significant variances from budget are outlined in the following narrative.



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 related to COVID are currently forecast to be £11.312m for the year and the Council has flexibility to manage these through the centrally held Covid funding which is the unused balance of grants received in 2020/21 and additional grants received or anticipated for part of 2021/22. It is proposed that COVID funding is applied to net pressures, so that where services have underspends, these are used to offset COVID pressures in the first instance.

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	(319)	(319)	0	0	0	0
Borough Economy	1B	62,555	62,759	204	474	(2,222)	(1,544)
Adult Social Care	1C	82,342	80,803	(1,539)	(1,478)	0	(3,017)
Regeneration & Growth	1D	10,191	10,332	141	(217)	(681)	(757)
Housing	1E	2,991	2,748	(243)	0	(226)	(469)
Children's Services	1F	84,878	90,505	5,627	(686)	(4,266)	675
Business Strategy & Change	1G	12,831	12,455	(376)	195	(332)	(513)
Finance	1H	10,950	11,791	841	(710)	(1,134)	(1,003)
Law & Governance	1I	1,566	2,383	817	(630)	(1,381)	(1,194)
Net Service Expenditure (ex PH)		267,985	273,457	5,472	(3,052)	(10,242)	(7,822)
Public Health	1J	277	38	(239)	949	(710)	0
Total Net Service Expenditure		268,262	273,495	5,233	(2,103)	(10,952)	(7,822)
Central Items	2	(35,084)	(32,503)	2,581	(748)	(360)	1,473
Total Net Expenditure (inc Central Items)		233,178	240,992	7,814	(2,851)	(11,312)	(6,349)
Housing Revenue Account (HRA)	1K	(29,300)	(34,699)	(5,399)	750	0	(4,649)
Individual Schools Budgets (ISB)	3	0	(2,162)	(2,162)	0		(2,162)
Total Net Expenditure		203,878	204,131	253	(2,101)	(11,312)	(13,160)

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 (£0.204m 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 the Sales, Fees and Charges Covid-19 grant scheme, 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.

The Waste Improvement Partnership transferred into Borough Economy during the last quarter and there is a projected underspend against this budget which has contributed to the improved position for the directorate.

4.4 **Adult Social Care (£1.539m underspend)**

The position on Adult Social Care has changed from a projected overspend of approximately £0.400m at Q2 to a projected underspend of £1.539m. The movement reflects additional NHS Discharge to Assess Funding for External Placements (£1.100m) and a one-off increase in the Better Care Fund contribution to the Joint Equipment Store (£0.600m); both increases will be used to facilitate hospital discharges.

External placements continue to be a significant pressure against service budgets however due to Omicron related outbreaks a number of care providers are unable to take new referrals and it is difficult to assess the underlying trends within the care market.

The projected outturn reflects significant staffing related underspends; these reflect recruitment difficulties (Social Work & Therapy) and where services have been operating below normal capacity due to Covid restrictions (day services) or in preparation for significant services changes (extra care housing).



4.5 **Regeneration & Growth (£0.141m 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 and additional income across the directorate.

4.6 **Housing (£0.243m 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 – (£5.627m 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 £1.861m 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. Contract prices have also increased due to the need to extend and renegotiate existing provision whilst the procurement exercise is completed. There may be additional budget pressures in this area going forward based on the constantly increasing demand for this service and any further price increases.

After the application of corporate resources and Covid grant funding the adjusted outturn projection is an overspend of £0.675m.

4.8 **Business Strategy & Change (£0.376m 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.



4.9 **Finance (£0.841m overspend)**

The projected overspend is mainly due to the delay in implementation of Oracle Fusion, the costs of which are being funded from reserves and Covid-19 emergency funding.

4.10 **Law & Governance (£0.817m 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 – (£0.239m 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 £22.826m. However after adjusting for the use of reserves, corporate resources and Covid funding the adjusted position is an underspend of £1.527m which predominantly relates to additional Business Rates Compensation Grant. 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 £2.162m 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**

At the last Cabinet meeting, a revised treatment of earmarked reserves/earmarked balances was agreed. Since that time, the overall reserves position has been reviewed and some adjustments made to opening balances based on new and updated expenditure pressures.



These adjustments are shown in **Appendix 4** and the revised opening balance is £135.595. The most significant of these reserves are £20.245m of Covid Emergency Funding and £34.390m Section 31 Business Rates Relief Funding. The latter is government grant but due to the timing differences with accounting for business rates and COVID reliefs has to be held in an earmarked reserve to offset deficits in future years. The year-end balance of earmarked reserves is projected to be £103.569m.

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 £6.9m.

4.15 **Additional Grants**

Details of new grants received or announced during Quarter 1 are provided in **Appendix 5**. This represents additional resources of £41.582m, largely accounted for by Household Support Fund, Business Rates Compensation Grant and Housing Subsidy Grants.

4.16 **Capital**

Expenditure on the Council's capital programme is forecast to be **£150.432m** during 2021/22. Appendix 6 provides a detailed breakdown of the programme.

It is requested as part of the QTR 3 capital report that £0.400m is added into the 2022/23 capital programme in relation to the West Bromwich Town Hall Quarter project within Borough Economy. These resources are essential match funding for the larger Towns Fund project.

A virement of £0.068m in 2022/23 is requested from the Blackheath Library project within Borough Economy to further contribute match funding towards the West Bromwich Town Hall Quarter project mentioned above.



Public consultation, procurement delays due to Brexit and COVID have all significantly impacted on the delivery of various large capital schemes which has caused slippage into future years. The main changes that have taken place since the Quarter 2 2021/22 monitoring are as follows: -

- A decrease of £2.100m in the Law & Governance budget mainly in respect of slippage of resources into 2022/23 to continue works on the following schemes, £0.643m Rowley Cemetery & £1.455m New Cemetery in West Bromwich.
- A decrease of £2.380m in the Business Strategy & Change budget mainly in respect of slippage of resources into 2022/23 to continue works on the ICT End User Computing and ICT Modernisation Programme schemes.
- A decrease of £0.100m in the Adults Social Care budget mainly in respect of slippage of resources into 2022/23 to further continue works associated with the Swift Impress System.
- A decrease of £1.999m in the Borough Economy budget mainly in respect of the slippage of resources into 2022/23 to continue works on the Department for Transport (DFT) funded schemes, Dudley Street Bridge & Scott Bridge major repairs.
- A decrease of £3.285m in the Regeneration & Growth budget mainly in respect of capital budgets being added into the programme for the Sandwell Aquatic Centre £0.415m in respect of the COVID-19 Emergency Funding Cabinet report & £3.300m in relation to monies received from the Department for Levelling Up Housing & Communities (DLUHC) in respect of the Towns Fund 5% accelerated funding and the slippage of main programme resources into 2022/23 of £7.000m in order to finalise the Sandwell Aquatic Centre.
- An increase of £0.185m in the Children & Education budget mainly to reflect the use of Basic Need resources to continue various school improvement schemes.
- A decrease of £9.165m in the Housing Revenue Account (HRA) budget mainly in respect of the re-profiling of New Build and High Rise projects into 2022/23, due to COVID and Procurement delays effecting start on site.



4.17 **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 **£2.418m** in Capital 80% pot CIL monies and is not forecasting any expenditure against this.

4.18 **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

8. Background Papers

None

