

**Meeting date:** 7<sup>th</sup> November 2019

**Report to:** Full Cabinet



**Subject/report title:** Medium Term Financial Strategy update (incorporating the Period 6 position) as at 30<sup>th</sup> September 2019

**Report from:** Director of Resources and Deputy Chief Executive

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**Wards affected:**

All Wards |  Bickenhill |  Blythe |  Castle Bromwich |  Chelmsley Wood |  
 Dorridge/Hockley Heath |  Elmdon |  Kingshurst/Fordbridge |  Knowle |  
 Lyndon |  Meriden |  Olton |  Shirley East |  Shirley South |  
 Shirley West |  Silhill |  Smith's Wood |  St Alphege

**Public/private report:** Public

**Exempt by virtue of paragraph:**

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**1. Purpose of Report**

- 1.1 To outline the Medium term Financial Strategy (MTFS) latest financial position at 30<sup>th</sup> September 2019 (Period 6) and the latest Red, Amber, Green (RAG) ratings for the delivery of the (MTFS) savings 2019/20 to 2021/22. Appendix A provides more detail on the individual portfolio positions, which will also be the subject of separate reports to each Cabinet decision session.
- 1.2 Appendix B provides details of the budget adjustments which have taken place between Periods 4 and 6 of this financial year (and the resulting budgets after those adjustments) which Members are asked to approve in line with Financial Regulations.
- 1.3 Appendix C provides Full Cabinet with a summary of the latest position in relation to the individual Cabinet portfolio holder pressures and mitigations for the current MTFS 2019/20 to 2021/22, showing any new or amended pressures and proposed mitigations.

**2. Decision(s) recommended**

- 2.1 Note the current financial position outlined in Appendix A and determine whether any further actions are required to address budget variances.
- 2.2 Approve the budget adjustments between Period 4 and Period 6 of 2019/20 as summarised in Appendix B.

### **3. What is the issue?**

- 3.1 This report provides a further update on the latest MTFS position following on from the 2019/20 MTFS Update report presented at Full Cabinet in September 2019.

#### **Budget Strategy Update**

- 3.2 The budget strategy process is now underway for 2020/21 - 2022/23, with the focus currently on the Budget Strategy Group, which is considering updates to the MTFS assumptions and budget proposals from each of the portfolios. Central Government has announced that the intended reforms to the local government finance system originally planned for 2020/21 have now been delayed until 2021/22. As a result, the government has confirmed that:
- a) The business rates baselines will be updated for inflation in 2021/22 – resulting in a benefit of the retention of an additional year’s growth in income before a reset is applied;
  - b) There will be £1 billion of new national funding for social care in 2020/21 – based on indicative allocations, Solihull will receive £3.297 million of this, to be divided between adults’ and children’s social care;
  - c) There will be a continuation of social care grants worth £2.5 billion nationally, comprising the improved Better Care Fund (iBCF), winter pressures grant and social care support grant – for Solihull this equates to £1.6 million for adult social care and £0.7 million for children’s services;
  - d) The Troubled Families programme will continue into 2020/21; and,
  - e) The Public Health grant will rise by at least inflation in 2020/21, reversing the recent trend of annual reductions but there remains uncertainty about the future Public Health grant regime.

#### **In Year Financial Monitoring for 2019/20**

- 3.3 Financial monitoring is carried out throughout the year by individual budget holders. Key income and expenditure risk areas are monitored monthly by Financial Operations. Identified financial risks are discussed with Heads of Service and significant risks are reported monthly to Directorate Leadership Teams (DLTs) and the Corporate Leadership Team (CLT) to ensure that net expenditure is managed within approved budgets.
- 3.4 Appendix A, which is attached to this report, shows the overall Revenue and Capital financial position in more detail in a mixture of graphs and tables which highlight each portfolio’s forecast variance and provide some narrative commentary on the key variances within each portfolio (Tables 1 - 3).
- 3.5 Table 4 summarises the RAG status and value of the current MTFS savings across all three years, with the narrative relating to the Red rated savings.
- 3.6 Table 5 shows the total reserves and contingency funding by portfolio, including the balance at the start of the financial year, forecast use over the 3 year period of the current MTFS and beyond and the resulting forecast remaining balance.

### **Revenue Budget – forecast out-turn position**

- 3.7 There is a net nil forecast for Core Council and an adverse variance of £5.610 million for the Dedicated Schools Grant (DSG). This is detailed by Cabinet Portfolio in Appendix A (Table 2) which explains the key variances.
- 3.8 The Core Council revenue forecast includes an adverse variance of £2.138 million which is being addressed to a net nil position through one off mitigating actions to the value of (£2.138 million). The headlines for each portfolio are explained in Appendix A and will be the subject of individual reports to each portfolio's decision session.
- 3.9 The DSG position was the subject of a report to Full Cabinet on the 10<sup>th</sup> October 2019. The report recommended that £1.2 million of funding over three years from the Budget Strategy Reserve be included in the update to the MTFS to be considered by the Budget Strategy Group, to support additional capacity for the work involved. In addition it was agreed that officers present a DSG Recovery Plan for final approval to Full Cabinet in February 2020.
- 3.10 The Financial Implications in the report referenced a risk that the Period 4 reported adverse variance of £5.602 million could increase as further information relating to the September pupil intake to provisions becomes available. The Period 6 position detailed in Appendix A shows a net forecast position of £5.610 million. However, the gross adverse variance is £6.105 million which is being offset by one-off funding of (£495,000) to give a net variance of £5.610 million. This position is still subject to validation to understand fully the explanation behind the increase, however there has been an actual increase in the number of pupils in both the Independent Schools and Out of Borough Schools which is driving the change in the forecast.

### **Capital budget – Forecast out-turn position**

- 3.11 The total Capital Programme budget is currently £44.736 million for 2019/20 (excluding the HRA capital programme). Actual expenditure to the end of September was £14.068 million. There is a forecast favourable variance of (£5.532 million) which is summarised by Cabinet Portfolio in Appendix A (Table 3).
- 3.12 The Corporate Capital Programme report due to Full Cabinet in December will seek approval for any re-phasing into future years as a result of these variances.
- 3.13 There are no red risks to report at this stage and your officers liaise with project managers throughout the financial year to identify any further possible re-phasing requirements on schemes.

### **Medium Term Financial Strategy (MTFS) RAG status of savings 2019/20 to 2021/22**

- 3.14 For the current MTFS 2019/20 to 2021/22, progress at the end of September 2019 shows the overall position is positive. Of the overall savings target of £16.706 million, £0.608 million remains as red rated. The position for all three years has improved when compared to this time last year.
- 3.15 The Aligning Resources to our Priorities Board (ARTOP) and the Corporate Leadership Team (CLT) continue to monitor and report on the delivery of all savings

plans throughout the year. Individual portfolio financial reports will also provide further detail where appropriate.

### **Individual Cabinet Portfolio three year forecast financial position against the current Medium Term Financial Strategy (MTFS) 2019/20 to 2021/22**

- 3.16 The latest three year budget position was approved as part of the current MTFS by Full Council on the 28<sup>th</sup> February 2019.
- 3.17 In order to keep a 'live' picture of the Cabinet portfolio's financial position, each Cabinet portfolio holder will, as part of their individual financial monitoring reports, receive a schedule of the latest position regarding the emerging portfolio pressures and proposed mitigations for the MTFS period 2019/20 to 2021/22.
- 3.18 These schedules have informed the starting point for the Budget Strategy Group's consideration of proposals for the new MTFS for the period from 2020/21 to 2022/23. A summary of the portfolio schedules of pressures and proposed mitigations, showing any amendments since the previous MTFS Update report for Period 4, is contained within Appendix C with key headlines below;

#### Adult Social Care and Health portfolio

- 3.19 The three year pressures for the Adult Social Care part of this portfolio have reduced marginally since the period 4 forecast but represent increasing population and life expectancy – the portfolio retains an underlying pressure of £1.491 million across 2020/21 and 2021/22 which will be explored further as part of the Budget Strategy group process in terms of identifying sustainable options for addressing the pressure on a more permanent basis, notwithstanding the availability of reserves in the short term which can be used.
- 3.20 The Public Health element of the portfolio has improved by (£0.308 million); predominantly as a result of the Public Health grant now being eligible for inflation as mentioned in paragraph 3.2.

#### Children, Education and Skills portfolio

- 3.21 The Children, Education and Skills 3 year pressures have increased by £0.780 million from the period 4 forecast. This increase is largely in relation to an increase in SEND capacity needs costs and Home to School transport.
- 3.22 However, additional mitigations of (£4.039 million) have been identified since period 4 to give a balanced three year MTFS forecast. These mitigations are predominantly as a result of the recent announcement of the continuation of the Social Care Grant and a new Social Care Grant, as outlined in paragraph 3.2, and reserves usage.

#### Managed Growth Directorate portfolios

- 3.23 The 5 portfolios that form the Managed Growth and Communities Directorate are reported collectively. The gross pressures across the three years have increased by £0.379 million since the period 4 forecast. However, there has been an equal increase in Directorate mitigations to cover this, through increased use of Directorate reserves of (£0.379 million).

## Resources portfolio

3.24 The Resources portfolio pressures have increased by £0.206 million across the three year period since the period 4 forecast. However, this portfolio also continues to forecast to meet these pressures from within its own budgets.

### **4. What options have been considered and what is the evidence telling us about them?**

4.1 Not applicable.

### **5. Reasons for recommending preferred option**

5.1 Not applicable.

### **6. Implications and Considerations**

6.1 Delivery of key themes in the Council Plan:

How will the options/proposals in this report contribute to the delivery of the key themes in the Council Plan?

Improve Health and Wellbeing

Managed Growth

Build Stronger Communities

Deliver Value

6.2 Implications for children and young people, vulnerable groups and particular communities: Not applicable

6.3 Consultation and Scrutiny: None

6.4 Financial implications:

6.4.1 The financial implications are outlined in the main body of this report and its appendices.

6.5 Legal implications: None

6.6 Risk implications:

6.6.1 The budget monitoring report takes account of known forecast variances. In addition, there may be pressures which are currently being monitored and managed by Budget Managers that could affect the final out-turn position for 2019/20.

6.7 Statutory Equality Duty: None

**7. List of appendices referred to**

7.1 Appendix A – Revenue and Capital monitoring position for Period 6 (September) 2019

7.2 Appendix B – Detailed virements up to Period 6 (September) 2019

7.3 Appendix C – Summary of individual portfolio pressures and savings

**8. Background papers used to compile this report**

8.1 None

**9. List of other relevant documents**

9.1 None