

Meeting date: 13 February 2020

Report to: Full Cabinet



Subject/report title: Medium Term Financial Strategy update (incorporating the Period 9 position) as at 31st December 2019

Report from: Director of Resources and Deputy Chief Executive

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Wards affected:

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 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To outline the financial position in respect of the Medium Term Financial Strategy (MTFS) as at 31 December 2019 (period 9) and the latest red, amber and green (RAG) ratings for the delivery of the MTFS savings already approved for 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 6 and 9 of this financial year (and the resulting budgets after those adjustments) which members are asked to approve in line with Financial Regulations.

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 contribution of net favourable variances on the Adult Social Care and Health portfolio to adult social care reserves to support the position for future years, as outlined at paragraph 3.6.
- 2.3 Approve the budget adjustments between period 6 and period 9 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 November 2019.

In Year Financial Monitoring for 2019/20

- 3.2 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.
- 3.3 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).
- 3.4 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 only.
- 3.5 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 three year period of the current MTFs and beyond and the resulting forecast remaining balance. This does not take into account the recommended contributions to reserves outlined in the separate report on the budget and MTFs proposals included elsewhere on your agenda.

Revenue Budget – forecast out-turn position

- 3.6 There is a forecast £436,000 adverse variance for Core Council and a forecast £5.797 million adverse variance for the Dedicated Schools Grant (DSG) giving a total adverse variance of £6.233 million. This is detailed by cabinet portfolio in Appendix A (Table 2) which explains the variances. It is recommended that at year end, in line with the principle established in 2018/19, net favourable outturn variances on the Adult Social Care and Health portfolio be contributed to adult social care reserves to support their financial position for future years, and this proposal is reflected in Appendix A.
- 3.7 The Core Council revenue forecast includes an adverse variance of £2.344 million which is being addressed through one off favourable mitigating actions to the value of (£1.908 million) leaving the residual variance of £436,000 – this is forecast within the Children, Education and Skills portfolio. The Children's placement reserve fund will also have been fully utilised by the end of this financial year. The headlines for each portfolio are explained in Appendix A and will be the subject of individual reports to each portfolio's decision session.
- 3.8 The Core Council variance is predominantly as a result of the increasing number of high cost residential child placements. There are now 386 looked after children placements compared to 355 at the same stage last year. Whilst the position currently shows an adverse variance, officers will make every effort to identify mitigating actions to reduce the variance to net nil by the end of the financial year. The report on the Council's budget proposals included elsewhere on this agenda will provide details of additional funding being proposed through the MTFs to address the pressures within the Children, Education and Skills position.

- 3.9 The DSG position was initially the subject of a report to Full Cabinet on 10 October 2019, which recommended that the Budget Strategy Group (BSG) consider a recommendation to contribute £1.2 million from the budget strategy reserve in support of the DSG recovery plan. This recommendation was supported by the BSG and forms part of the budget and MTFs proposals included elsewhere on your agenda. A separate report on the DSG Recovery Plan is also included on this session's agenda with details of how the variance will be managed in future years.

Capital budget – Forecast out-turn position

- 3.10 On 5 December 2019, Cabinet approved a report recommending that £8.333 million of the 2019/20 Capital Programme be re-phased into 2020/21. As a result, the total Capital Programme budget is now reduced to £38.115 million (excluding the HRA capital programme).
- 3.11 Actual expenditure to the end of December was £21.581 million and there is now a forecast favourable variance of only (£155,000) which is summarised by cabinet portfolio in Appendix A (Table 3).
- 3.12 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

- 3.13 For the current MTFS 2019/20 to 2021/22, progress at the end of December 2019 shows the overall position is positive. Of the overall savings target of £16.706 million, £608,000 remains as red rated. The position for all three years has improved when compared to this time last year.
- 3.14 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.

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 How the proposals in this report contribute to the delivery of Council Plan priorities:

Priority:	Contribution:
Securing inclusive economic growth.	The budget and MTFS address all of the Council's priorities
Planning & delivery for Solihull's low carbon future (to include biodiversity implications).	The budget and MTFS address all of the Council's priorities
Managing demand and expectation for public services.	The budget and MTFS address all of the Council's priorities
Developing our approach to services for adults and children with complex needs.	The budget and MTFS address all of the Council's priorities
Making the best use of our people and physical assets.	The budget and MTFS address all of the Council's priorities

6.2 Consultation and Scrutiny: None

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

6.4 Legal implications: None

6.4.1 Risk implications: 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.

6.5 Statutory Equality Duty: None

7. List of appendices referred to

7.1 Appendix A – Revenue and Capital monitoring position for Period 9 (December) 2019

7.2 Appendix B – Detailed virements up to Period 9 (December) 2019

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None