

**Meeting date:** 28<sup>th</sup> September 2022

**Report to:** Communities and Leisure

**Subject/report title:** **REVENUE AND CAPITAL MONITORING 2022/23 AS AT 31<sup>st</sup> July 2022**

**Report from:** Director of Economy and Infrastructure and 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
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**Public/private report:** Public

**Exempt by virtue of paragraph:** N/A

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**1. Purpose of Report**

- 1.1 To inform the Cabinet Member of the Portfolio's latest forecast financial position as at the 31<sup>st</sup> July 2022 against Revenue and Capital budgets as summarised below and detailed in the attached Appendix A.
- 1.2 To inform the Cabinet Member of the Portfolio's progress against the latest 3 year savings targets in the Medium Term Financial Strategy (MTFS) summarised below and detailed in Appendix A.

**2. Decision(s) recommended**

The cabinet member is asked to:

- 2.1 Consider and endorse the 2022/23 revenue and capital financial monitoring forecast as at 31<sup>st</sup> July 2022.
- 2.2 Consider the Portfolio's progress against the latest 3 year savings targets in the Medium

Term Financial Strategy (MTFS) as at 31<sup>st</sup> July 2022.

### **3. Matters for Consideration**

- 3.1 Throughout the financial year, information will be provided on a quarterly basis to the Cabinet Portfolio Holder and Full Cabinet.
- 3.2 Full Council agreed a balanced budget in February 2022 for the three years from 2022/23 to 2024/25. Officers have now begun working on the new MTFS for 2023/24 to 2025/26. We will be following the established process of taking updates through the Member led Budget Strategy Group and an all-Members' Seminar, before presenting budget proposals to Scrutiny Boards, Cabinet and finally Full Council.
- 3.3 As reported to Full Cabinet in June 2022, the overall position at the end of 2021/22 was that, with the exception of Children's services for which further funding has now been agreed, all portfolios are in an equivalent or better financial position as at 31 March 2022 than that assumed in the budget approved by Full Council in February 2022.
- 3.4 However, the outlook for local government finance remains difficult with a combination of existing and emerging challenges:
- The lasting effects of Covid-19, including the gradual recovery to pre-pandemic activity levels for some services and the transition to a "new normal", with potentially permanent changes to activity levels, for others
  - the ongoing delay to local government finance reform and associated uncertainty over future funding
  - Cost of living impacts on pay awards, energy and other contractual costs
  - Children's services – further pressures forecast in the current year
  - The reform of Adult Social Care
- 3.5 It is clear from the above that the budget process for 2023/24 will be very challenging as the impact of inflationary pressures and demand for adults and children's social care feed through into the budget process. The Council may also need to accept more risk in the budget assumptions.

### **Revenue Budget 2022/23**

- 3.6 The latest approved revenue budget for the portfolio is £7.201million. The forecast outturn expenditure for this year is giving an overall favourable variance of £377,000. This includes an adverse variance in respect of Covid-19 of £163,000 of which £3,000 is being met from the remaining Covid-19 Emergency Grant. Covid-19 Funding has now all been committed and any further pressures are being managed within individual Portfolios. Explanations can be found in Appendix A
- 3.7 The forecast variance for this portfolio should be considered in the context of the overall position for the Economy and Infrastructure Directorate and for the Leisure Division of Public Health Directorate.
- 3.8 In February 2022 as part of the MTFS update report at Period 9, Cabinet approved the creation of a general Economy and Infrastructure Directorate General Contingency reserve to manage future year adverse variances where specific reserves are not

held. This was in recognition of the risks and pressures which can arise within these portfolios due to factors outside the Council's control.

- 3.9 The Economy and Infrastructure directorate is currently forecasting a balanced position after the use of £1.661million Covid Emergency Grant and £474,000 from the Economy and Infrastructure General Contingency reserve. This would leave a remaining balance of £1.073million in the reserve to mitigate risks in future years.
- 3.10 The Leisure Division budget within the Public Health Directorate, included provision for loss of the concession fee receivable in relation to the leisure centre contract (£571,000), with mitigation through use of Leisure reserves £471,000 and unallocated revenue budget £100,000. Due to the increase in utility costs and other inflationary pressures, there is a forecast additional pressure of £269,000 which will be offset by the use of additional Leisure reserves.

### **Capital Budget 2022/23**

- 3.11 The latest approved capital programme for this portfolio is £717,000. The forecast outturn expenditure for the year is an adverse variance of £136,000 where the budget for a scheme has not yet been added to the capital programme.

### **Budget Strategy Savings 2022/23 to 2024/25**

- 3.12 For 2022/23 the total savings target is £447,000 of which £30,000 is rated red with the remainder rated green.
- 3.13 For 2023/24 the total savings target is £165,000 which is all rated amber. There are £154,000 savings being reversed from the prior year as these were agreed on a one off basis.
- 3.14 For 2024/25 the total savings target is £145,000 which is all rated amber. There are £195,000 savings being reversed from the prior year as these were agreed on a one off basis.

### **Emerging pressures to be managed**

- 3.14 Utility price rises are impacting the financial operating position of the leisure centres. With further increases for electricity from October 2022 and gas from April 2023, the utility cost pressure is forecast at £716,000 for 2023/24 above the forecast cost provided in the MTFS. The Public Health Directorate have commenced formal negotiations with the leisure centre provider to agree a new financial operating model, as permitted under the deed of variation to the contract and are working towards implementation of a new operating model from April 2023. However, utility prices are expected to have a significant impact on the outcome of renegotiation, with the current operating position already impacted by the on-going impact of Covid on concession fee income. The impact of Covid and now utility prices on the operation of leisure centres is a nationally reported pressure.

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

- 4.1 N/A

## 5. Reasons for recommending preferred option

5.1 N/A

## 6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"><li>1. Improving outcomes for children and young people in Solihull.</li><li>2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it.</li><li>3. Take action to improve life chances and health outcomes in our most disadvantaged communities.</li><li>4. Enable communities to thrive.</li></ol>	<p>People and communities are an important area of consideration for the services within this portfolio, with all possible efforts being made to ensure that services are delivered and policies are determined in a manner that is equitable to all, allowing communities to thrive and enhancing the life chances of disadvantaged communities. There are no new implications from this report.</p>
<p>Economy:</p> <ol style="list-style-type: none"><li>5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres.</li><li>6. Maximising the opportunities of UK Central and HS2. Increase the supply of affordable and social housing that is environmentally sustainable.</li></ol>	<p>The economy is a key area of consideration for the services within this portfolio with increasing the supply of housing especially affordable and social housing being one of the key objectives. There are no new implications from this report.</p>
<p>Environment:</p> <ol style="list-style-type: none"><li>7. Enhance our natural environment, improve air quality and reduce net carbon emissions.</li></ol>	<p>The environment is a key area of consideration for the services within this portfolio with enhancing the natural environment, improving air quality and reducing carbon emissions all being key objectives. There are no new implications from this report.</p>
<ol style="list-style-type: none"><li>8. Promote employee wellbeing</li></ol>	<p>No new contribution to this priority.</p>

6.2 Consultation and Scrutiny:

None

6.3 Financial implications:

Financial monitoring is undertaken throughout the year by individual budget managers. Key income and expenditure risk areas are also monitored monthly by the Finance Team. Any significant risks identified are reported to both DLT (Directorate

Leadership Team) and CLT (Corporate Leadership Team) to ensure that net expenditure is managed within approved budgets. ARTOP (Aligning Resources To Our Priorities Board) meet quarterly to oversee the delivery of the MTFS.

6.4 Legal implications:

None

6.5 Risk implications, including Risk Appetite:

6.5.1 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 outturn position for 2022/23.

6.5.2 As mentioned in Section 3 of this report there are a number of substantial financial risks that the authority is facing as a result of external economic conditions which will be included in the Council's Budget Setting Process.

6.5.3 The Corporate risk relating to the delivery of the MTFS is now at a net level 9. The new MTFS that will be presented to Full Council in February 2023 will need to reduce this risk to at least a net level 8.

6.5.4 Covid-19 Funding has now all been committed and any further pressures will need to be managed within individual Portfolios.

6.6 Equality implications:

None

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), the Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

None

**7. List of appendices referred to**

Appendix A – Q1 22-23 Rev & Cap Monitoring Report

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

8.1 N/A

**9. List of other relevant documents**

9.1 N/A