

Meeting date: 4th October 2022

Report to: Cabinet Member Economy and Infrastructure

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

1. Purpose of Report

- 1.1 To inform the Cabinet Member of the Portfolio's latest forecast financial position as at the 31st 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.
- 1.3 To seek approval from the Cabinet Member, in compliance with the Council's Financial Regulations, to approve the budget movement of £574,000 from the Bridge Assessments capital budget to the Fillongley Road Bridge capital budget, due to this being a budget movement of over £250,000.

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 31st 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 31st July 2022.
- 2.3 Approve the budget movement of £574,000 from the Bridge Assessments capital budget to the Fillongley Road Bridge capital budget to reflect the updated allocation of available funding.

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 £22.170million. The forecast outturn expenditure for this year is £23.160million which gives an overall adverse forecast variance of £990,000. This includes an adverse variance in respect of Covid-19 of £1.849million which is being met from the remaining Covid-19 Emergency Grant and from the Economy and Infrastructure General Contingency reserve. Explanations for the variances within this portfolio can be found in Appendix A.
- 3.7 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.
- 3.8 The forecast variance for this portfolio should be considered in the context of the overall position for the Economy and Infrastructure Directorate. The directorate is currently forecasting a balanced position after the use of £1.667million 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.
- 3.9 The adverse forecast position for the Environment and Infrastructure portfolio is offset by the position in the other portfolios within the Economy and Infrastructure Directorate to give a balanced revenue forecast position overall.

Capital Budget 2022/23

- 3.10 The latest approved capital programme for this portfolio is £43.678million. The forecast outturn expenditure for the year is £39.784million which gives a favourable forecast variance of £3.894million. Explanations for the variances that inform this are set out in Appendix A.

Budget Strategy Savings 2022/23 to 2024/25

- 3.11 For 2022/23 the total savings target is £1.858million which is all rated as green.
- 3.12 For 2023/24 the total savings target is £139,000 for which £50,000 is rated as green and £89,000 is rated as amber. There are £1.667million of savings being reversed from the prior year as these were agreed on a one off basis.
- 3.13 For 2024/25 the total savings target is £835,000 which is all rated as amber.
- 3.14 Explanations for those that are rated as Amber are provided in Appendix A.

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

Change to Fillongley Road Bridge scheme and Bridge Assessments capital budgets

- 5.1 The Fillongley Road Bridge project is a major multi-year scheme that is seeing the bridge carrying the B4102 Fillongley Road over the A45 in Meriden being replaced with a brand new structure which is anticipated to be in use in later 2022-23.
- 5.2 The current approved 2022-23 budget for this scheme of £2.549million consists of a combination of the remaining amount of awarded Local Highways Maintenance Challenge funding along with an annual agreed allocation from Local Transport Plan/City Region Sustainable Transport Maintenance Grant funding.
- 5.3 As at the end of July the 2022-23 forecast for this scheme is £3.123million resulting in a projected pressure of £574,000 which has arisen due to increased costs. Funding for this increase has been identified from a proposed budget movement from the Bridge Assessments capital budget where activity within this has been delayed this financial year due to the primary focus being on the successful delivery of the Fillongley Road Bridge scheme.
- 5.4 The proposed budget movement of £574,000 from the Bridge Assessments budget to the Fillongley Road Bridge project is within the same capital budget line. As the amount is greater than £250,000 Cabinet Member approval for this change is required to be compliant with the Council’s Financial Regulations.
- 5.5 The proposed £574,000 budget movement will reduce the Bridge Assessments 2022-23 budget from £807,000 to £233,000 and increase the Fillongley Road Bridge 2022-23 budget from £2.549million to £3.123million. Bridge Assessment projects planned for 2022-23 will be reprioritised for 2023-24 and following financial years, with the 10-year structures investment plan being revaluated to balance budget and priority of needs. There are no critical issues that will cause an impact to the network as a result of this re-prioritisation.
- 5.6 Cabinet Member approval is therefore sought to approve a budget movement of £574,000 from the Bridge Assessments capital budget to the Fillongley Road Bridge capital budget.

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"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 	<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</p>

Priority:	Contribution:
3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive.	to thrive and enhancing the life chances of disadvantaged communities. There are no new implications from this report
Economy: 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable..	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..
Environment: 8. Enhance our natural environment, improve air quality and reduce net carbon emissions.	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.
9. Promote employee wellbeing	No new contribution to this priority.

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 and review delivery against budget savings.

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):
- 6.7.1 This portfolio includes the UK Central programme which is funded almost entirely from external sources predominantly the West Midlands Combined Authority for which quarterly returns detailing expenditure are submitted and reimbursement is received. A number of the schemes on the Capital Programme for this portfolio are funded from the WMCA.

7. List of appendices referred to

Appendix A – Quarter 1 22-23 E&I Cabinet Portfolio financial position

8. Background papers used to compile this report

8.1 N/A

9. List of other relevant documents

9.1 N/A