

**Meeting date:** 20<sup>th</sup> February 2023

**Report to:** Communities and Leisure

**Report title:** **REVENUE AND CAPITAL MONITORING 2022/23 AS AT 31<sup>st</sup> December 2022**

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

**Report author/lead contact officer:** Sean Castree – Senior Accountant  
[sean.castree@solihull.gov.uk](mailto:sean.castree@solihull.gov.uk)

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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. Executive Summary**

- 1.1 This report is to update the Cabinet Member on how the Portfolio is performing against the approved 2022/23 – 2024/25 Medium Term Financial Strategy (MTFS) in the current financial year alongside setting out any new challenges that are emerging for the revised MTFS for 2023/24 – 2025/26.
- 1.2 To inform the Cabinet Member of the Portfolio's latest forecast financial position as at the 31<sup>st</sup> December 2022 against Revenue and Capital budgets as summarised below and detailed in Appendix A.
- 1.3 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**

- 2.1 Consider and endorse the 2022/23 revenue and capital financial monitoring forecast as at 31<sup>st</sup> December 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> December 2022.

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**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 been working on the new MTFs for 2023/24 to 2025/26. We have followed the established process of taking updates through the Member led Budget Strategy Group followed by an all-Members' Seminar between October and December 2022. There has also been an additional Budget Strategy Group meeting on 16 January 2023.
- 3.3 The budget proposals were then presented to Scrutiny Boards in January and the updated MTFs is presented to Cabinet elsewhere on this agenda. Following this, the MTFs will be presented to Full Council in early 2023 alongside Cabinet's budget and council tax recommendations for 2023/24. The report elsewhere on this agenda covers the updated MTFs along with the assumptions made, decisions recommended and the overall position for 2023/24 to 2025/26.

**Revenue Budget 2022/23**

- 3.4 The latest approved revenue budget for the portfolio is £7.061million. The forecast outturn expenditure for this year is £6.610million giving an overall favourable variance of £451,000. This includes an adverse variance in respect of Covid-19 of £98,000. 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
- 3.5 The forecast variance for this portfolio should be considered in the context of the overall position for the Economy and Infrastructure Directorate and the Public Health Directorate.
- 3.6 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.
- 3.7 The Economy and Infrastructure directorate is currently forecasting a balanced position after the use of £1.667million Covid Emergency Grant and £265,000 from the Economy and Infrastructure General Contingency reserve. This would leave a remaining balance of £1.281million in the reserve to mitigate risks in future years.
- 3.8 The Leisure Division budget within the Public Health Directorate, included provision for the forecast loss of Leisure centre concession fee income to be met from other unallocated leisure revenue resources and reserves in 2022/23. The loss of the concession fee income resulted from a change in contract terms triggered as a result of the pandemic, which transferred the net annual financial operating risk to the Council, until revised operating terms can be agreed between the parties. Due to the increase in utility costs and other inflationary pressures, there is a forecast additional

pressure of £370,000 in 2022/23 which will be offset by the use of additional Leisure reserves. Other operating savings across the service, including salary savings due to temporary vacancies, total £85,000 and there is a delay to some activities linked to the Commonwealth Games reducing spend by £75,000 giving a net additional use of Leisure reserves in 2022/23 of £210,000.

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

- 3.9 The latest approved capital programme for this portfolio is £602,000. The forecast outturn expenditure for the year is an adverse variance of £272,000 due to additional costs for the Tudor Grange pitch replacement due to unexpected additional costs in relation to provision of the subbase and drainage. £16,000 of the variance will be met from the use of additional leisure revenue reserves and the balance from Property Services reserves, held within the Resources and Delivery Value Portfolio, and set aside from annual Leisure maintenance contributions.

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

- 3.10 For 2022/23 the total savings target is £18,000 which is rated green.  
3.11 For 2023/24 there are no savings for this portfolio.  
3.12 For 2024/25 there are no savings for this portfolio.

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

- 3.13 Energy price rises are impacting the financial operating position of the leisure centres. With electricity having increased from October 2022 and further gas increases from April 2023, the energy cost pressure is forecast at £811,000 for 2023/24 above the forecast cost provided in the existing MTFS budget. There are also on-going impacts of the pandemic. The Public Health Directorate are in talks 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 the new model from April 2023 and in subsequent years. Energy prices and the on-going impact of the pandemic on the operation of leisure centre contracts is a nationally reported pressure. Pressures in relation to leisure centres have been reported through the Budget Strategy review.

### **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.</li> <li>7. 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>8. 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>9. Promote employee wellbeing</li> </ol>	<p>No new contribution to this priority.</p>

6.2 Consultation and Scrutiny:

None

6.3 Financial implications:

6.3.1 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 considered as part of 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), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

None

**7. List of appendices referred to**

7.1 Appendix A – Q3 22-23 Rev & Cap Monitoring Report

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

N/A

**9. List of Other Relevant Documents**

N/A