

Meeting date: 27th February 2022

Report to: Cabinet Member Economy and Infrastructure

Report title: **REVENUE AND CAPITAL MONITORING 2022/23 AS AT 31ST DECEMBER 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. Executive Summary

- 1.1 To inform the Cabinet Member of the Portfolio's latest forecast financial position as at the 31st December 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 31st 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 31st 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. The budget proposals were then presented to Scrutiny Boards in January and the updated MTFS was presented to Cabinet on 9 February 2023. 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.
- 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 future years 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 £22.383million. The forecast outturn expenditure for this year is £22.921million which gives an overall adverse forecast variance of £538,000. This includes an adverse variance in respect of Covid-19 of £2.016million 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 £265,000 from the Economy and Infrastructure Directorate General Contingency reserve. This would leave a remaining balance of £1.281million 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 £42.210million. The forecast outturn expenditure for the year is £33.074million which gives a favourable forecast variance of £9.136million. Of this the majority of the factors behind the variances are due to rephasing that have since been approved by Full Cabinet in January that had not been approved at the time of reporting. 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 £18,000 which is rated as green.

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:
People and Communities: 1. Improving outcomes for children and young people in Solihull.	People and communities are an important area of consideration for the services within this portfolio, with all possible efforts being

Priority:	Contribution:
2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive.	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
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 were considered as part of the Council's Budget Setting Process.

6.5.3 The Corporate risk relating to the delivery of the MTFs has recently been reduced to a net level 8 following the fourth Budget Strategy Group meeting where a balanced budget was proposed for the new MTFs period, subject to final approval by Full Cabinet on 9 February and Full Council on 23 February.

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):

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

7.1 Appendix A – Quarter 3 22-23 E&I Cabinet Portfolio financial summary

8. Background papers used to compile this report

8.1 N/A

9. List of Other Relevant Documents

9.1 N/A