

**Meeting date:** 6<sup>th</sup> September 2018

**Report to:** Full Cabinet



**Subject/report title:** Revenue and Capital Financial Monitoring Report for the period up to 31<sup>st</sup> July 2018 (Period 4)

**Report from:** 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

**Public/private report:** Public

**Exempt by virtue of paragraph:**

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**1. Purpose of Report**

- 1.1 To inform Full Cabinet of the financial position as at 31st July 2018 (Period 4) against Revenue and Capital budgets and the latest Red, Amber, Green (RAG) ratings for the delivery of the current Medium Term Financial Strategy (MTFS) savings 2018/19 to 2020/21. See Appendix A for more detail.
- 1.2 To inform Full Cabinet with a summary of the individual Cabinet portfolio holder pressures and mitigations for the period of the MTFS 2018/19 to 2020/21 with headlines for any key emerging pressures and proposed mitigations. See Appendix C for more details.
- 1.3 This report to Full Cabinet summarises the reports to the individual Cabinet portfolio meetings during September 2018.
- 1.4 This report also provides details of all the budget virements which have taken place up to Period 4 of this financial year, as required by Financial Regulations and the revised budget resulting from those virements, which Members are asked to approve. See Appendix B for more detail.

**2. Decision(s) recommended**

- 2.1 Note the current financial position and determine whether any further actions are required to address budget variances.

- 2.2 Approve the budget virements made up to Period 4 of 2018/19 summarised in Appendix B.

### **3. What is the issue?**

#### **In Year Financial Monitoring for 2018/19**

- 3.1 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.
- 3.2 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 provides some narrative commentary on the key variances within each portfolio (Tables 1 - 3).
- 3.3 For the current MTFs savings, Table 4 summarises the RAG status and value of the savings across all three years with the narrative relating to the Red rated savings.
- 3.4 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 3 year period of the current MTFs and beyond and the resulting forecast remaining balance.

#### **Revenue Budget – forecast out-turn position**

- 3.5 There is a forecast favourable variance for Core Council of (£0.413 million), and an adverse variance of £1.579 million for the Dedicated Schools Grant (DSG), to arrive at an overall adverse variance of £1.166 million. This is summarised by Cabinet Portfolio in Appendix A (Table 2) and highlights the key variances.
- 3.6 The Core Council revenue budget forecast includes an adverse variance of £0.161 million for Children, Education and Skills portfolio, which is offset by a favourable variance of (£0.574 million) for the Resources and Delivering Value portfolio. The Adult Social Care and Health portfolio shows a net nil variance with the planned use of the contingency funding and for the portfolios which are linked to the Managed Growth and Communities Directorate, their combined variances forecast a net nil position overall through the use of reserve funding. This is further detailed in Appendix A.
- 3.7 The Children, Education and Skills portfolio financial position is currently the subject of a detailed financial review, the outcome of which will be reported to Members of the Budget Strategy group as part of the 2019/20 budget process.
- 3.8 In relation to the Dedicated Schools Grant (DSG) financial position a report went to the Cabinet Portfolio Holder in June setting out the implications of the DSG out-turn position for 2017/18 and the current 2018/19 financial year position in relation to school funding, the forecast adverse variance on the High Needs Block and the potential impact on future years High Needs Block expenditure if action is not taken to address the trend.
- 3.9 The report referred to the fact that the financial consequences require renewed

urgency to identify specific measures to reduce spending, whilst ensuring needs of pupils are appropriately met. Officers are due to bring a series of reports on these issues back to the Cabinet Portfolio Holder in due course which will include the outcome of work that officers are doing with Schools directly, Schools Forum and the Special Education Needs and Disability workgroups.

### **Capital budget – Forecast out-turn position**

- 3.10 The total Capital Programme budget is currently £46.253 million for 2018/19 (excluding the HRA capital programme). Actual expenditure to the end of July was £3.068 million. There is a forecast favourable variance of (£6.627 million) which is summarised by Cabinet Portfolio in Appendix A (Table 3).
- 3.11 There are no red risks to report at this stage and your officers liaise with project managers throughout the financial year to identify any possible re-phasing requirements on schemes.

### **Medium Term Financial Strategy (MTFS) RAG status of savings 2018/19 to 2020/21**

- 3.12 For the 2018/19 MTFS, progress at the end of July 2018 reported to the Aligning Resources to our Priorities Board (ARTOP) in August was as follows:
- 3.13 The 2018/19 (Year 1) budget includes savings of £6.703 million (after repayments is £2.606 million) in line with the current Medium Term Financial Strategy (MTFS). The latest position shows that 71% are RAG rated as Green with 29% RAG rated as either Red or Amber, compared with the 2017/18 position this time last year of 76% and 24% respectively.
- 3.14 For 2019/20 (Year 2) the total savings target, as per the MTFS, is £12.324 million (after repayments is £11.749 million). The latest position shows that 56% are rated as Green; 22% are rated as Amber and 22% are rated as Red, compared with the 2018/19 position this time last year of 25%, 35% and 40% respectively.
- 3.15 For 2020/21 (Year 3) the total savings target, as per the MTFS, is £7.125 million (after repayments is £3.600 million). The latest position shows that 39% are rated as Green, 38% are rated as Amber and 23% are rated as Red, compared with the 2019/20 position this time last year of 32%, 37% and 31% respectively.
- 3.16 The RAG delivery status at this point this year compared to this point last year is marginally worse for Year 1 but better for Years 2 and 3.
- 3.17 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.

### **Cabinet Portfolio three year financial position against the latest Medium Term Financial Strategy (MTFS) 2018/19 to 2020/21**

- 3.18 The latest three year budget position was approved as part of the overall MTFS by Full Council on the 1<sup>st</sup> March 2018. In addition, on the 21st June 2018 as part of the 2017/18 Final Accounts report, Full Cabinet approved a number of one-off funding

allocations from the business rates windfall funding from 2017/18 to a number of portfolio budgets over the MTFS period with the agreement that the ongoing funding implications beyond that period would be established through the normal MTFS process for 2019/20 to 2021/22 and beyond.

- 3.19 In order to keep a 'live' picture of the Cabinet portfolio's financial position each Cabinet portfolio holder will, as part of their individual financial monitoring reports receive a schedule of any emerging portfolio pressures and proposed mitigations against the latest MTFS period 2018/19 to 2020/21. These schedules were first presented as part of the 2018/19 budget process to the Budget Strategy Group and went on to form part of the budget papers for Full Cabinet.
- 3.20 These schedules will then inform the starting point of the budget discussions for the new MTFS 2019/20 to 2021/22 for the Budget Strategy Group. A summary of the portfolio schedules and the headlines for any key emerging pressures and proposed mitigations is contained within Appendix C.

**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 Delivery of key themes in the Council Plan:

How will the options/proposals in this report contribute to the delivery of the key themes in the Council Plan?

- Improve Health and Wellbeing
- Managed Growth
- Build Stronger Communities
- Deliver Value - Maintain the Medium Term Financial Strategy.

6.2 Implications for children and young people, vulnerable groups and particular communities:

6.2.1 Not applicable.

6.3 Consultation and Scrutiny:

6.3.1 This report does not go to scrutiny meeting.

#### 6.4 Financial implications:

6.4.1 For Period 4 there is a forecast Revenue favourable variance for Core Council of (£0.413 million) and a forecast adverse variance £1.579 million for the DSG, and for Capital a favourable variance of (£6.627 million). The key variances and risks are detailed in Appendix A, Tables 2 and 3.

#### 6.5 Legal implications:

6.5.1 None.

#### 6.6 Risk implications:

6.6.1 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 but which could affect the final out-turn position for 2018/19.

#### 6.7 Statutory Equality Duty:

6.7.1 None.

### **7. List of appendices referred to**

7.1 Appendix A – Revenue and Capital monitoring position for Period 4 (July) 2018.

7.2 Appendix B – Detailed virements up to Period 4 (July) 2018.

7.3 Appendix C – Summary of individual portfolio pressures and savings

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

8.1 None.

### **9. List of other relevant documents**

9.1 None.