

Meeting date: 12th September 2018
Report to: Cabinet Member for Resources and Delivering Value



Subject/report title: REVENUE AND CAPITAL MONITORING 2018/19 as at 31st July 2018.
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: 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 2018 against Revenue and Capital budgets as detailed in 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) as detailed in Appendix A.
- 1.3 To inform the Cabinet Member of the Portfolio's emerging pressures and proposed mitigations within the period of the current MTFS.
- 1.4 To inform the Cabinet Member of the latest prudential borrowing indicators and investment benchmarking for the Council.
- 1.5 To seek approval from the Cabinet Member, in compliance with the Council's Financial Regulations:
 - a) To create a new reserve within the Resources and Delivering Value portfolio and make contributions.

2. Decision(s) recommended

- 2.1 The Cabinet Member is asked to consider the 2018/19 Revenue and Capital financial monitoring forecast.

- 2.2 The Cabinet Member is asked to consider the portfolio's progress against the latest 3 year savings targets in the MTFS as at 31st July 2018.
- 2.3 The Cabinet Member is asked to consider the portfolio's emerging pressures and proposed mitigations within the period of the current MTFS.
- 2.4 The Cabinet Member is asked to approve the creation of and contributions to a new reserve for the Liquid Logic system implementation project.

3. What is the issue?

Revenue and capital monitoring forecast

- 3.1 Throughout the financial year, information will be provided on a quarterly basis to the Cabinet portfolio holder. The overall Council position will be reported quarterly to Full Cabinet where variances will be considered in line with Council priorities and Financial Regulations.
- 3.2 The latest approved revenue budget for the portfolio is £25.844million and the forecast outturn for the financial year is a favourable variance of £0.574million.
- 3.3 The latest approved capital programme for this portfolio is £7.850million and the forecast outturn for the financial year is a favourable variance of £1.765million.
- 3.4 Appendix A provides information on the revenue and capital position for this portfolio together with the savings position for 2018/19 to 2020/21 and the key risks and opportunities for the portfolio.
- 3.5 For 2018/19 the total savings target for this portfolio is £1.468million of which £0.385million (26.2%) is Amber RAG rated and £1.083million is Green RAG rated. For all Amber RAG rated savings in 2018/19 there are plans in place to mitigate non-delivery in the current financial year through alternative one-off savings or use of reserves.
- 3.6 For 2019/20 and 2020/21 there are currently £1.219million (14.9%) of savings that are Red RAG rated and £1.596million (19.5%) Amber RAG rated.

Financial Position against the latest MTFS 2018/19 to 2020/21

- 3.7 The latest three year budget position was approved as part of the overall MTFS by Full Council on the 1st 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 over the MTFS period with the agreement that the ongoing funding implications beyond this period would be established through the normal MTFS process for 2021/22 and beyond.
- 3.8 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.

- 3.9 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. This portfolio's pressures and mitigations schedule and the associated narrative detail is contained within Appendix B.

Treasury Management

3.10 Prudential Borrowing Indicators

Appendix C details the position as at 31st July 2018 against the Council's prudential borrowing indicators. There are no significant issues that need to be highlighted.

3.11 Investment Benchmarking

Counterparty risk arises when the Council places investments with banks and financial institutions. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with Fitch, Moody's and Standard and Poor's Rating Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks unless they meet the minimum requirements of the investment criteria outlined in the Strategy.

The counterparty exposure analysis at Appendix D summarises the Council's exposure to external counterparties and the maturity structure of its investments. The analysis as at 31st Jul 2018 represents the deposits made, and reflects the market exposure to the investments which meet the requirements of the Investment Strategy. Overall, there is a 0.00586% chance of default against the entire portfolio and this is then adjusted for the maturity period remaining on the investment, identifying a notional exposure to default of £4,000.

4. Reasons for recommending preferred option

4.1 Liquid Logic implementation reserve

In 2018/19 this portfolio includes a capital budget of £2.957million and a revenue budget of £0.608million to deliver the implementation of Liquid Logic social care information system. The revenue budget is to fund a comprehensive programme of staff training on the new system, in addition to allowing for a period of paying support and maintenance costs for two systems as the existing Care First system is still in use while Liquid Logic is being configured.

Since the latest MTFS was agreed, detailed project planning has been undertaken and timescales for key events have changed meaning that funding for these activities needs to be realigned between financial years. Staff training has been aligned with go live dates for the system in Children's Services and Adult Social Care and while this is budgeted for in 2018/19 it is now expected to take place in 2019/20. The expected profile of spend in comparison to funding in the MTFS is shown below:

	2018/19 £000	2019/20 £000	2020/21 £000
Total forecast revenue costs	197	661	428
Total revenue funding	(608)	(480)	(319)
Difference between costs and funding	(411)	181	109

To manage these timing differences it is requested that any favourable variance against the Liquid Logic project budget is contributed to a new reserve to be spent on project costs in future years.

5. Implications and Considerations

5.1 Delivery of the Council Plan:

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

- Improve Health and Wellbeing
- Managed Growth
- Build Stronger Communities
- Deliver Value:
 - a) Make use of our resources by aligning them to our Purpose, Ambition and Priorities
 - b) Deliver maximum value to the customer through the Solihull Way

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

None.

5.3 Consultation and Scrutiny:

The contents of this report have not been subject to consultation and scrutiny.

5.4 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 and CLT (Corporate Leadership Team) to ensure that net expenditure is managed within approved budgets.

5.5 Legal implications:

None.

5.6 Risk implications:

The budget monitoring report takes account of forecast variances. In addition there may be pressures which are currently being monitored and managed by budget managers which could affect the final outturn position for 2018/19.

5.7 Statutory Equality Duty:

Due regard to equality will be taken account of, where it applies, by the owners of the specific service areas covered in this report.

6. List of appendices referred to

Appendix A – Financial monitoring position Quarter 1 2018/19.

Appendix B – Underlying pressures and mitigating action.

Appendix C – Estimated and Forecast Treasury Position and Prudential Indicators.

Appendix D – Counterparty Exposure Analysis as at 31st July 2018.

7. Background papers used to compile this report

None.

8. List of other relevant documents

None.