

Meeting date: 7 February 2019

Report to: Full Cabinet



Subject/report title: Revenue and Capital Financial Monitoring Report for the period up to 31st December 2018 (Period 9)

Report from: Director of Resources and Deputy Chief Executive

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Wards affected:

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Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To inform Full Cabinet of the financial position as at 31st December 2018 (Period 9) 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 This report to Full Cabinet summarises the reports to the individual Cabinet portfolio meetings during February and March 2019.

2. Decision(s) recommended

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

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 MTFFS savings, Table 4 summarises the latest 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 MTFFS 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 (£0.372 million), and an adverse variance of £1.356 million for the Dedicated Schools Grant (DSG), to arrive at an overall adverse variance of £0.984 million. This is summarised by Cabinet Portfolio in Appendix A (Table 2) which highlights the key variances.
- 3.6 The Core Council revenue budget forecast consists of a favourable variance of (£0.372 million) for the Resources and Delivering Value portfolio.
- 3.7 For last quarter (Period 6 to the end of September 2018) the Core Council variance was adverse arising from the variance on the Children, Education and Skills portfolio. The November financial monitoring report to Full Cabinet stated that consideration of mitigations and funding options would need to be identified to address that position.
- 3.8 Since then the financial position of the Children, Education and Skills portfolio has been under constant review. From the start of January, the Director of Resources and Deputy Chief Executive has been chairing weekly meetings with the Children's Services and Skills Directorate Leadership team and a financial recovery plan sets out how the current years financial position will be managed to ensure a net nil variance is achieved for the portfolio by the end of this financial year.
- 3.9 The Budget Framework report which can be found elsewhere within this meeting's agenda includes a number of specific recommendations to Full Cabinet linked to the recovery plan actions. It is worth noting that the recovery plan also includes some savings which have been identified by the Children's Services and Skills Directorate Leadership Team to contribute towards the overall financial position of the Directorate.
- 3.10 In terms of the Children, Education and Skills portfolio – Dedicated Schools Grant (DSG) position the latest forecast is an adverse variance of £2.877 million. The Directorate have also prepared a DSG recovery plan which addresses (£1.521 million) of this variance, of which elements may require consultation with the Solihull schools forum. However given the scale of the current underlying demand, primarily in the High Needs Block budget within the DSG the recovery plan actions cannot wholly address the current adverse variance. As a consequence we will need to consider

longer terms options through the schools forum and report as necessary to the Department for Education. This will include options for increasing special education needs internal capacity as set out in the latest SEND Commissioning Strategy which was reported to the Children, Education and Skills portfolio meeting in January.

- 3.11 The Adult Social Care and Health portfolio overall shows a net nil variance. Within the portfolio's position there is an improvement on the Adult Social Care Directorate since the last quarter enabling the Directorate to contribute a total of £0.806 million to reserves at year end. This will help to ensure that there is potential mitigation for some of the budget risks which have been identified through the budget process for future years. The portfolio position also reflects the additional Social Care winter pressures grant funding and associated expenditure commitments which was received in November 2018.
- 3.12 For the portfolios which flow from the Managed Growth and Communities Directorate, their combined variances forecast a net nil position through the minor use of reserve funding. Since the November report the forecast use of reserves has reduced due to additional dividend income from the Coventry and Solihull Waste Disposal company.
- 3.13 There is further detail on the above explanations contained within Appendix A Table 2.

Capital budget – Forecast out-turn position

- 3.14 The total Capital Programme budget is currently £49.938 million for 2018/19 (excluding the HRA capital programme). Actual expenditure to the end of September was £16.525 million. There is a forecast favourable variance of (£13.711 million), however (£11.877 million) of that was approved for rephasing into future years as part of the Corporate Capital Programme report to Full Cabinet in January. Further details on the overall Capital position is summarised by Cabinet Portfolio in Appendix A (Table 3).

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

- 3.15 For the 2018/19 MTFS, progress at the end of December 2018 as reported to the Aligning Resources to our Priorities Board (ARTOP) in January was as follows:
- 3.16 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 82% are RAG rated as Green with 18% RAG rated as either Red or Amber, compared with the Year 1 position this time last year of 96% and 4% respectively.
- 3.17 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 66% are rated as Green; 13% are rated as Amber and 21% are rated as Red, compared with the Year 2 position this time last year of 48% Green, 42% Amber and 10% Red respectively.
- 3.18 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 62% are rated as Green, 23% are rated as Amber and 15% are rated as Red, compared with the Year 3

position this time last year of 38% Green, 43% Amber and 19% Red respectively.

- 3.19 As for the previous quarter, overall RAG delivery status compared to this point last year is marginally behind Year 1 but better for Years 2 and 3. For more detail please see Appendix A table 4.
- 3.20 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.

Reserves/Contingency forecast

- 3.21 The balance of portfolio reserves at 1st April 2018 was (£21.889 million). A large proportion of the balances held at April 2018 are currently planned to be used by the end of 2020/21 leaving a balance of (£11.416 million). It is expected that a further £6.208 million will be used beyond 2020/21 and £69,000 will be proposed as part of the 2021/22 MTFS leaving a forecast remaining balance of (£5.139 million) beyond 2021/22. Reserves forecasts are updated on a quarterly basis and reviewed annually as part of the MTFS process. Reserves balance forecasts change in response to variances in income and expenditure profiles across the portfolios so it is important to note that the latest forecasts are based on the information available at this time.
- 3.22 In addition to the portfolio reserves and contingency there are also a number of corporate reserves, including the Budget Strategy Reserve and the Windfall contingency which also underwrite future budget risks and for which more information is detailed in the Budget Framework report elsewhere on this meeting's agenda.

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?

- Deliver Value - Maintain the Medium Term Financial Strategy (MTFS).

- 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 a scrutiny meeting.

6.4 Financial implications:

6.4.1 For Period 9 there is a forecast Revenue favourable variance for Core Council of (£0.372 million) and a forecast adverse variance £1.356 million for the DSG, and for Capital a favourable variance of (£13.711 million) of which (£11.877 million) has been approved for rephasing. The key variances and 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 9 (December 2018).

8. Background papers used to compile this report

8.1 None.

9. List of other relevant documents

9.1 None.