

Meeting date: 25th November 2020
Report to: Cabinet Member Environment and Highways



Subject/report title: **REVENUE AND CAPITAL MONITORING 2020/21 AS AT 30TH SEPTEMBER 2020**
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

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 30th September 2020 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.
- 1.3 In accordance with Financial Regulation, to seek approval from the Cabinet Member to approve a budget virement of £64,390 from the Safer and Stronger Communities portfolio to the Environment and Highways portfolio in respect of the Neighbourhoods Wards budget.

2. Decision(s) recommended

- 2.1 The Cabinet Member is asked to:
- 2.2 Consider and endorse the 2020/21 revenue and capital financial monitoring forecast as at 30th September 2020.
- 2.3 Consider the Portfolio's progress against the latest 3 year savings targets in the Medium Term Financial Strategy (MTFS) as at 30th September 2020.
- 2.4 Approve a budget virement of £64,390 from the Safer and Stronger Communities portfolio to the Environment and Highways portfolio in respect of the Neighbourhoods Wards budget (paragraphs 5.1 and 5.2).

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 The cash limited discipline at Solihull means that Directorates need to balance their budget forecast position first and the Portfolio's position flows from that. As a result, this cabinet is specifically taken into account across the Economy and Infrastructure Directorate.
- 3.3 The revenue and capital financial position and the savings position for 2020/21 to 2022/23 are outlined in Appendix A.
- 3.4 The overall Council position is reported to Full Cabinet together with any planned actions; any variances are then considered in line with Council priorities and Financial Regulations.

Revenue Budget 2020/21

- 3.5 The latest approved revenue budget for the portfolio is £18.312 million. The forecast outturn expenditure for this year is £20.809 million, giving an overall adverse variance of £2.497 million. This includes an adverse variance of £949,000 due to Covid-19 after funding from the Government's income recovery scheme has been applied. The adverse variance excluding the Covid-19 impact is £1.548 million. Explanations can be found in Appendix A.
- 3.6 As Members will be aware a report went to Full Cabinet on the 18th June outlining the initial financial impact of Covid-19 for the 2020/21 financial year. A further update on that financial position was then reported to Full Cabinet on the 10th September including the forecast impact on the latest Medium Term Financial Strategy 2020/21 to 2022/23 and this has now been further updated with the Period 6 position being reported to Full Cabinet on the 5th November.

- 3.7 For Period 6 the individual portfolios' Covid-19 financial position should therefore be reviewed within the context of the overall Council Covid-19 financial position which is the subject of the above mentioned Full Cabinet report to the 5th November session. The Council's overall financial position continues to evolve alongside the impact of the pandemic itself and the local situation for Solihull. Government guidance continues to change, further clarity on pressures emerges and new funding announcements are made. It should be noted therefore that the estimates of the financial impact of Covid-19 included within this report are indicative, based on latest assumptions, and are still subject to change over the course of the coming months.
- 3.8 The general Covid-19 emergency funding that we have received to date from the government is still being shown corporately, and at this point in the financial year it would be premature to allocate any of this funding to portfolios (beyond the decisions already made) until we have a clearer picture of what each individual portfolio's financial position is likely to be as we get nearer to the end of the financial year, and what funding is available to offset it.
- 3.9 The forecast variance arising from Covid-19 for this portfolio should be considered in the context of the position for the Economy and Infrastructure Directorate relating to Covid-19 which is shown in Appendix B. The Economy and Infrastructure Directorate is forecasting an adverse variance of £1.728million relating to Covid-19. This includes the estimated impact of the Government's income recovery scheme where local authorities can reclaim 75% of lost income attributable to Covid-19 where this is in excess of 5% of total planned income for the year.
- 3.10 Excluding the impact of Covid-19 the directorate is currently forecasting a £1.224 million adverse variance for the year which will be offset through use of reserves to give a nil variance. The main reasons for this variance sit within the Environment and Highways portfolio where it has become clear that a number of budgets are now unrealistic and will need to be realigned as part of the MTFS process. Significant additional investment has been made in adults' and children's services in previous years but this has not been the case for the Economy and Infrastructure Directorate.
- 3.11 In previous years the directorate has used reserves to balance its forecast position. The majority of the remaining reserves are earmarked for specific purposes. The forecast assumes that some of these reserves will be applied to offset the in-year position, although they would subsequently need to be replenished as part of the budget process.

Capital Budget 2020/21

- 3.12 The latest approved capital programme for this portfolio is £8.551 million. The forecast outturn expenditure for the year is a favourable variance of £256,000 – explanations can be found in Appendix A.

Update on progress against MTFS Savings Targets

- 3.13 For 2020/21 the total savings target is £895,000, of which £50,000 are RAG rated as Amber (6%) and £845,000 as green (94%).
- 3.14 For 2021/22 the total savings target is £575,000, of which £500,000 are RAG rated as Red (87%) and £75,000 as green (13%).
- 3.15 For 2022/23 the total savings target is £89,000, of which £14,000 are RAG rated as Red (16%) and £75,000 as Green (84%).

4. What options have been considered and what is the evidence telling us about them?

- 4.1 See recommended option outlined in Section 5.

5. Reasons for recommending preferred option

Neighbourhoods Wards Budget Virement

- 5.1 At the beginning of the year the Stronger Communities service underwent a reshaping exercise to create a new structure to take forward work to build stronger and safer communities, and create increased resilience to meet future service demands. This included a transfer of responsibility for statutory highway inspections from Neighbourhood Services to Highways Services. Eight posts from within Neighbourhood Services transferred to a new Neighbourhood Delivery Team within Highway Services to carry out this function from 2020/21.
- 5.2 Three Neighbourhood Ward budgets of £42,930 each covering North, East and West Localities remained in Stronger Communities. The budget is used for a combination of projects to support communities, and improvements or reactive works to the highway or public realm. It is recognised that some of the activity which these budgets fund is within the responsibilities which transferred to Highway Services. It is therefore proposed to transfer half of the total £128,790 Neighbourhood Ward budget from Stronger Communities to Highway Services.
- 5.3 Approval is sought for a budget virement of £64,390 from the Safer and Stronger Communities portfolio to the Environment and Highways portfolio in respect of the Neighbourhoods Wards budget.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the Council Plan:

Priority:	Contribution:
<p>Economy:</p> <ol style="list-style-type: none"> 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing. 	<p>The economy is a key area of consideration of the services within this portfolio. There are no new implications from this report.</p>
<p>Environment:</p> <ol style="list-style-type: none"> 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions. 	<p>The environment is a key consideration of the services within this portfolio (e.g. Parks and Open Spaces, Trees and Forestry, Sustainable Transport (within Highways services) and the Street Lighting LED capital replacement programme). There are no new implications from this report.</p>
<p>People and Communities:</p> <ol style="list-style-type: none"> 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs. 	<p>People and communities are an important consideration of the services within this portfolio (e.g. Waste Collection, Disposal and Recycling, Cleansing Services, Parks and Open Spaces, Flood and Drainage Management, Road Safety, Street Lighting). There are no new implications from this report.</p>

6.2 Consultation and Scrutiny:

6.2.1 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 monthly to oversee the financial impact from Covid-19.

6.4 Legal implications:

None

6.5 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 2020/21

6.6 Equality implications:

None

7. List of appendices referred to

Appendix A – Quarter 2 2020/21 Financial Position

Appendix B – Quarter 2 Covid-19 Financial Position for Economy and Infrastructure Directorate.

8. Background papers used to compile this report

8.1 N/A

9. List of other relevant documents

9.1 N/A