

Meeting date: 1st December 2020
Report to: Cabinet Member for Resources



Subject/report title: REVENUE AND CAPITAL MONITORING 2020/21 as at 30th September 2020.
Report from: Director of Resources and Deputy Chief Executive
Report author/lead contact officer: Tony Higgins, Senior Accountant
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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:

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 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 latest prudential borrowing indicators and investment benchmarking for the Council.
- 1.4 To seek approval from the Cabinet Member, in compliance with the Council's Financial Regulations:
 - In conjunction with the Cabinet Member for Environment and Highways, to approve the setting up of a new reserve within the Environment and Highways portfolio;
 - In conjunction with the Cabinet Member for Leisure, Tourism and Sport, to make contributions to an existing reserve in the Leisure, Tourism and Sport portfolio.

2. Decision(s) recommended

- 2.1 Consider the 2020/21 Revenue and Capital financial monitoring forecast.
- 2.2 Consider the portfolio's progress against the latest 3 year savings targets in the MTFS as at 30th September 2020.
- 2.3 Consider the Council's update to prudential borrowing indicators and investment benchmarking.
- 2.4 In conjunction with the Cabinet Member for Environment and Highways, the setting up of a new reserve for the approved £560,000 allocation from the 2019/20 Business Rates windfall allocation for short term support for the Dry Mixed Recycling contract (paragraph 5.2).
- 2.5 In conjunction with the Cabinet Member for Leisure, Tourism and Support, to approve the contribution of the year end variance for Leisure to the earmarked Leisure reserve within the Leisure Tourism and Sport portfolio (paragraph 5.3).

3. Matters for Consideration

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 £27.424million and the forecast outturn for the financial year is a £1.800million adverse variance, which is attributable in full to the financial impact of Covid-19 service pressures (paragraph 3.5).
- 3.3 The latest approved capital programme for this portfolio is £8.490million and the forecast outturn for the financial year is a £13,000 favourable variance.
- 3.4 Appendix A provides information on the revenue and capital position for this portfolio together with the savings position for 2020/21 to 2022/23 and the key risks and opportunities for the portfolio.

Financial Impact of Covid-19 on Resources Portfolio

- 3.5 As the Cabinet Member will be aware a report went to Full Cabinet on the 18th June outlining the 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.
- 3.6 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. 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.

- 3.7 The report to Full Cabinet on 5 November notes a pressure of £5.255million within the Resources portfolio, which includes £3.455million of investment income for 2021/22 and 2022/23; this is not included within the portfolio's position for the financial year 2020/21 as shown in the Appendices to this report.

Update on progress against MTFS Savings Targets

- 3.8 For 2020/21 the total savings target for this portfolio is £4.112million of which £0.219million (5.3%) is Red RAG rated and £3.893million (94.7%) is Green RAG rated. For all Red RAG rated savings in 2020/21 there are plans in place to mitigate non-delivery in the current financial year through alternative one-off savings or use of reserves.

For 2021/22 and 2022/23 there are currently £260,000 (5.0%) of savings that are Red RAG rated and £565,000 (11.0%) Amber RAG rated.

Treasury Management

Prudential Borrowing Indicators

- 3.9 Appendix C details the position as at 30th September 2020 against the Council's prudential borrowing indicators. There are no significant issues that need to be highlighted.

Investment Benchmarking

- 3.10 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.
- 3.11 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 30th September 2020 represents the deposits made, and reflects the market exposure to the investments which meet the requirements of the Investment Strategy. Overall, there is a 0.00242% 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 £1,792.

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

Dry Mixed Recycling Reserve

- 5.1 In September 2019, Cabinet approved the investment in the MRF (Materials Recycling Facility) project alongside six other local authority partners. This will ensure that future recycling costs are lower than if we re-tender with the external market and will also give greater control of the operation to the Council. However, as outlined in the Cabinet report, there is a requirement for a tendered short term contract between October 2020 and March 2023 and it is expected that this contract will cost more than both the existing contract, and the new MRF project. It was therefore proposed that once the business rates windfall income receivable in 2019/20 is confirmed, and subject to sufficient funding being available, Full Cabinet be asked to approve a one off contribution of £560,000 from the business rates windfall contingency to fund this short term increase. The £560,000 allocation was approved by Cabinet in June 2020.
- 5.2 Approval is therefore sought for the setting up of a new reserve for the approved £560,000 allocation from the 2019/20 business rates windfall allocation for short term support for the Dry Mixed Recycling contract.

Leisure Reserve

- 5.3 The Leisure service is forecast to make a surplus on non Covid activity due to the delay of planned essential maintenance of the Tudor Grange all weather pitch, which will now take place in 2021/22. Subject to approval, the variance for 2020/21 will be contributed to reserves to meet the cost of essential repairs in 2021/22.

6. Implications and Considerations

- 6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

| Priority: | Contribution: |
|--|---------------|
| Economy: 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. | N/A |
| Environment: 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions. | N/A |
| People and Communities: 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. | N/A |

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| 9. Sustainable, quality, affordable provision for adults & children with complex needs. | |
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6.2 Consultation and Scrutiny:

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

6.3 Financial implications:

6.3.1 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.

6.4 Legal implications:

6.4.1 None

6.5 Risk implications:

6.5.1 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:

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

7. List of appendices referred to

Appendix A – Financial monitoring position Quarter 2 2020/21.

Appendix B – Covid Impacts on Resources Cabinet 2020/21.

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

Appendix D – Counterparty Exposure Analysis as at 30th September 2020.

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None