

Meeting date: 23rd February 2021
Report to: Cabinet Member for Resources



Subject/report title: REVENUE AND CAPITAL MONITORING 2020/21 as at 31st December 2020.
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:

1. Purpose of Report

- 1.1 To inform the Cabinet Member of the Portfolio's latest forecast financial position as at the 31st December 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:
 - To make contributions to a new reserve in the Resources portfolio
 - In conjunction with the Cabinet Member for Growth and Infrastructure, to make contributions to a new reserve within the Growth and Infrastructure portfolio;
 - In conjunction with the Cabinet Members for Environment and Highways and Stronger and Safer Communities, to make contributions to two new reserves within the Environment and Highways and Stronger and Safer Communities portfolios;
 - In conjunction with the Cabinet Member for Stronger and Safer Communities, to approve the reduction in an annual contribution to an existing reserve and

- contributions to a new reserve within the Safer and Stronger Communities portfolio;
- In conjunction with the Cabinet Member for Health and Adult Social Care, to make contributions to a new reserve in the Health and Adult Social Care 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 31st December 2020.
- 2.3 Consider the Council's update to prudential borrowing indicators and investment benchmarking.
- 2.4 To approve the setting up and contributions to a new reserve within the Resources portfolio to manage timing differences within, and as a result of, the Oracle Cloud project (paragraph 5.1)
- 2.5 In conjunction with the Cabinet Member for Growth and Infrastructure, to set up a new reserve for Small Habitats Grants Programme uncommitted funding in order to mitigate against potential delivery and contractual risks resulting from the overall Wildlife Ways programme for up to 5 years post-delivery (paragraph 5.3).
- 2.6 In conjunction with the Cabinet Members for Environment and Highways and Stronger and Safer Communities to establish two new reserves to fund commitments for the Inland Border Facility and wider impacts of Brexit (paragraph 5.7).
- 2.7 In conjunction with the Cabinet Member for Stronger and Safer Communities, to reduce the annual budgeted contribution to the Library Technology and Co-location reserve by £5,000 (paragraph 5.15).
- 2.8 In conjunction with the Cabinet Member for Stronger and Safer Communities, to establish a new reserve for Library stock (paragraph 5.18).
- 2.9 In conjunction with the Cabinet Member for Health and Adult Social Care, to approve the setting up of a new reserve within the Health and Adult Social Care portfolio for the Contain Outbreak Management Fund and the contribution of any year-end surplus to that reserve (paragraph 5.21).

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 £27.491million and the forecast outturn for the financial year is a nil variance, following allocation of £1.601million of Covid-19 emergency funding in order to meet Covid specific pressures in the portfolio (paragraph 3.5).

- 3.3 The latest approved capital programme for this portfolio is £9.549million 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 initial financial impact of Covid-19 for the 2020/21 financial year. The Period 3 and Period 6 positions have subsequently been reported to Full Cabinet on the 10th September and 5th November respectively. The position is continually moving and evolving and the latest Covid-19 forecast across the Council, as at 31 December (Period 9), for the 2020/21 financial year is net nil – meaning that there is no adverse impact on our finances expected this financial year.

Update on progress against MTFS Savings Targets

- 3.6 For 2020/21 the total savings target for this portfolio is £4.112million which is all now RAG rated as Green for this financial year, £200,000 of this target has been met one-off within the Resources directorate.
- 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

- 3.7 Appendix C details the position as at 31st December 2020 against the Council's prudential borrowing indicators. There are no significant issues that need to be highlighted.

Investment Benchmarking

- 3.8 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.

3.9 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 December 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 0.00267% 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 £2,145.

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

Oracle Cloud Project Reserve

5.1 On 16 July 2020, Cabinet approved the Oracle Cloud implementation programme which included a total budget of £4.384million to be spent over two financial years. The budget was approved pre-Covid and the profile of actual spend in 2020/21 will be less than originally expected.

5.2 Approval is therefore sought to establish an Oracle Cloud Project Reserve to receive unspent contributions from the related services in order to be used in the next financial year.

Small Habitats Grants Programme Reserve

5.3 The current Small Grants programme is a £2.200million GBSLEP (Greater Birmingham and Solihull Local Enterprise partnership) Habitats Grants Programme available to projects across the GBSLEP area to improve the habitat value of land and water for people and wildlife. The funding for the Small Habitats Grant programme built in a 10% element that was budgeted to be used towards the overall costs of the Green Corridors element of the Wildlife Ways programme. As the costs of the delivery of the Green Corridors elements are lower than originally anticipated, this element (projected to be £220,000 over the lifetime of the current programme) is no longer required for its original purpose.

5.4 However, there are inherent risks for the remaining lifetime of the Small Habitats Grants programme in relation to delivery (e.g. relating to maintenance of the green areas particularly around any risks there may be of flooding or other adverse weather conditions) and funding claw back/penalties as the programme will be subject to external audit.

5.5 In addition the Council is contracted to MHCLG, the Department of Transport and the West Midlands Combined Authority to maintain the overall Wildlife Ways programme for 5 years post-delivery so it would be prudent to ring fence any uncommitted funding from the Small Habitats Grant programme to mitigate against any associated future risks there may be to the remainder of the overall Wildlife Ways programme with the creation of a time limited reserve.

5.6 Approval is therefore sought for the setting up of a new reserve for uncommitted Small

Habitats Grants Programme funding in order to mitigate against potential delivery and contractual risks to cover the overall Wildlife Ways programme for up to 5 years post-delivery.

Brexit Reserves

- 5.7 In recent years the Council has received a number of government grants in relation to Brexit preparations. A total balance of £319,000 was carried forward to 2020/21 from grants for Brexit preparation, EU Regional Hubs and Regional Economic Intelligence. In November 2020 the Council received details of a further funding allocation of £800,000. This included £500,000 specifically for the Inland Border Facility and £300,000 to support the work of the Local Resilience Forum. The grant allocations are not ring-fenced but are expected to be utilised for the intended purposes

Inland Border Facility:

- 5.8 An Inland Border facility opened at Car Park 6 at Birmingham Airport on the 1st January 2021 and is proposed to be in use for 2 years. The site acts as an office for starting and ending transit movements of goods to and from the UK. It includes parking areas for Heavy Goods Vehicles (HGV) and other vehicles as well as security measures and facilities to enable the checking of vehicles and goods entering and exiting the site.
- 5.9 Impacts as a result of the facility have been identified totalling £384,000 in relation to services within the Environment & Highways portfolio. These are relating to the following over the anticipated two year lifetime of the facility:
- (a) Additional weekly street cleansing activity on immediate main roads and junctions on the lead into and out of the facility. The projected cost of this is £68,000.
 - (b) Carriageway maintenance costs of £316,000 associated with the inbound service roads.
- 5.10 Approval is therefore sought for the setting up of a new reserve funded in the Environment and Highways Portfolio of £384,000 from the allocation for the Inland Border facility to meet the above costs of identified impacts in relation to street cleansing and carriageway maintenance costs during the two year lifetime of the facility.
- 5.11 Council officers are continuing to evaluate the other potential impacts of the facility in order to allocate the remaining Inland Border Facility funds, in particular considering monitoring air quality and mitigating environmental impacts.

Impacts on the Community:

- 5.12 Developing robust partnership responses to support communities and tackle crimes of intolerance is a key role of the Council and there is a risk of increased community tensions as a result of leaving the EU. The recommendation is to put in place an additional band E post for a two year fixed term to provide additional capacity around community safety, anti-social behaviour and environmental compliance issues across the Borough's public realm, business and retail areas.
- 5.13 Whilst it is not yet known whether the Inland Border Facility will create extra demand

for the Council's trading standards service, it is widely accepted that new demands will be placed on local authority regulatory services over the coming months and years as a result of new checks on goods and the support needed to business, particularly as new trade deals and cross border arrangements start to take shape. In order to ensure there is sufficient capacity to fulfil our duties around consumer protection, it is recommended that an additional band E post for a two year fixed term is established. This will cover any additional demand from the Inland Border Facility and, potentially, any which might arise if the Airport's application to be a designated Border Control Post from July 2021 is successful.

- 5.14 Approval is therefore sought to create a new reserve of £180,000 funded from Brexit preparation funds carried forward from previous years to fund the costs of these two additional posts for a two year period.

Libraries Reserves

Library Technology and Co-location reserve:

- 5.15 On 21st January 2021 the Cabinet Member for Stronger and Safer Communities approved the removal of the current regime of Library fines which accrued daily on any overdue items. The fines regime was costly to administer and acted as a barrier to access for some Library users. A new Library Management System has been introduced this year that will automatically send reminders to return books which should significantly reduce the number of overdue items. In the event that stock is never returned, customers will be charged for the cost of replacement.
- 5.16 As part of savings identified to fund the loss of income generated from fines, the report outlined that future requirements for till equipment and cash kiosks in libraries will be reduced as there will be far fewer payments to process. This will result in some equipment having an extended useful life before replacement, and some equipment not being replaced at all as it will no longer be used.
- 5.17 It is therefore recommended that the current annual contribution of £21,000 to the Library Services reserve which is used in part for replacement of equipment can be reduced by £5,000. The current balance of the reserve is £209,000 and the level of the budgeted contribution will continue to be reviewed on an on-going basis to ensure a sufficient balance is held for future investments required in the service.

Library Stock reserve:

- 5.18 Due to the Covid-19 pandemic library buildings have been closed for much of 2020/21. A click and collect service has been in operation when government guidance has permitted and the service has also invested in an enhanced digital offer. A number of publishers have been shut at various points during the year, and publication dates have often changed. The result of this is that purchases of physical stock have been much lower than in previous years. Expenditure on digital stock has been higher than in previous years to ensure that customers can still access a high quality service without leaving their homes.
- 5.19 Taking into account the change in profile of the stock budget for 2020/21 there is a potential in year favourable variance of around £80,000. This can be declared as a saving in relation to Covid and go towards mitigating the other financial impacts of the pandemic, however an element of this is a timing difference as opposed to a true

saving. When the service fully reopens more stock will need to be purchased than in a usual year to reflect the pause in purchasing during 2020/21. For example, for books which form part of a series, it will be necessary to purchase new releases plus any books which were unavailable in 2020/21 to ensure that the Library carries the full series. The Library service would also aim to continue to provide a strong digital offering for customers, some of whom may have accessed this for the first time during the pandemic.

- 5.20 In order to ensure that the Library service can continue to offer a good selection of both physical and digital stock when libraries fully re-open, it is recommended that £40,000 of the Library stock budget for 2020/21 is contributed to a new Library stock reserve.

Contain Outbreak Management Reserve

- 5.21 The Public Health Directorate is overseeing the management and allocation of grant funding received by the Authority from the DHSC to support the Covid response by containing the impact and spread of the virus. The funds are being used to support compliance and enforcement of Covid restrictions, providing additional support for the community and workplaces, environmental health support, infection control, additional testing and swabbing capacity, specialist public health support and additional communications resources. There is expected to be a surplus at the year end and approval has been given by the DHSC to allow carry forward of funds to 2021/22 which will be required to support continuing activity in the new financial year.
- 5.22 Approval is therefore sought for setting up a new reserve for the Contain Outbreak Management Fund and for the 2020/21 year end surplus to be contributed to the reserve in order to meet on-going costs in relation to the virus.

6. Implications and Considerations

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

Priority:	Contribution:
Economy: <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. 	Reserves included in this report contribute towards the Council's priorities.
Environment: <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. 	Reserves included in this report contribute towards the Council's priorities.
People and Communities: <ol style="list-style-type: none"> 7. Take action to improve life chances in our most disadvantaged communities. 	Reserves included in this report contribute towards the Council's priorities.

<p>8. Enable communities to thrive.</p> <p>9. Sustainable, quality, affordable provision for adults & children with complex needs.</p>	
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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 3 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 31st December 2020.

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None