APPENDIX A

1.1 Quarter 1 (Month 3) Financial Monitoring Report 2022/23

1. High Level Summary Financial Position

1.1. At the Council Meeting on the 22nd February 2022 Birmingham City Council approved a net revenue budget of £759.2m for the 2022/23 financial year. This report sets out for Cabinet the high-level performance against that budget at the end of the first quarter, any anticipated risks and the mitigating factors to ensure a balanced budget is delivered this financial year.

1.2. The budget for 2022/23 when approved by full Council in February was balanced, however there was a gap for future years of £33m. An approach to balance the budget has now been developed and agreed and work is underway to deliver a balanced budget for future years through the rolling Medium Term Financial Plan (MTFP) process.

1.3. In the financial year 2021/22, the Council underspent by £17.8m. Cabinet on the 28thJune 2022 approved the transfer of this balance to the Financial Resilience Reserve (FRR) to be used to manage future budget risks.

1.4. The Council like all other local authorities is facing a number of financial challenges in 2022/23, including the ongoing impact of Brexit on the costs of goods and services especially in the construction industry and social care market. Rising costs of goods and services including energy and fuel. The impact from the unrest in Ukraine, and the cost-of-living crisis all of which are affecting many residents and resulting in a greater demand on our services.

1.5. While we have seen other Councils failing due to poor governance and decision making, weak procurement, low levels of reserves and over borrowing. Birmingham City Council is in a strong robust position with strong financial planning processes in place. Reserves are healthy and within recommended limits. Borrowing is not excessive and is reducing and the Council scores well on the CIPFA Resilience Index Indicators, where levels of borrowing and reserves are key, but CIPFA also look at delivery of savings and a strong budget process.

1.6. The Council is a CIPFA 3-star Financial Management authority recognising the significant financial management improvements made across the organisation since the Council was awarded a 1-star rating in 2019. The Council has achieved a growing national reputation. We are continuing to further improve and aim for a 4-star rating by April 2023.

1.7. Unlike many Councils we undertake a rolling review of our budget all year rather than as a one-off annual process, so are constantly looking at the pressures we are facing or may have to face in the future, giving us early warning and time to react and put in place actions to manage impacts.

1.8. We are constantly horizon scanning and alert to changes in rising costs and pressures on our budget. The introduction of the spend controls put in place in

November 2021 (and continuing), being an example which we saw work at the end of the last financial year.

1.9. The Council's Leadership Team (CLT) have adopted a set of budget management principles as well as striving to achieve Best In Class services and always seeking value for money and continuous improvement in services for our citizens. CLT has agreed the principle that all overspends, demands, growth and pressures should be managed and contained at a Directorate level. Any residual gap must be managed across CLT collectively.

1.10. The Director of Council Management will be presenting a Medium-Term Financial plan update report to Cabinet in October providing an update on the financial plan, the pressures the Council is facing and the mitigating actions being taken to deliver a balanced budget over the medium term.

1.11. The Council is also continuing to lobby the Government for fair funding where we can, and welcomes the announcement made at the recent Local Government Association Annual Conference by the then Levelling Up Secretary Michael Gove confirming that councils in England will receive a two year funding settlements from next year to help them plan with a greater degree of confidence.

1.12. Due to the restructuring of cost centres to improve Financial Management this report does not contain the same detailed spend reports and is a high-level report detailing the anticipated risks and mitigation actions for the financial year.

1.13. Work is underway to identify the full costs of the risks that have been identified, and to ensure that mitigating actions are put in place in order to achieve a balanced position at year end.

1.14. The high-level budget approved on 22nd February 2022 is shown below:

Table 1: High Level Budget

Directorate	Budget £m
Children & Families	329.589
City Operations	192.682
City Housing	15.369
Place, Prosperity and Sustainability	61.844
Strategy, Equalities and Partnerships	3.253
Adult Social Care	357.744
Council Management	93.212
Directorate Sub Total	**1,053.693**
Corporate Budgets	(294.461)
Corporate Subtotal	**(294.461)**
City Council General Fund Budget	**759.232**

1.15. Like previous financial years the Financial Plan for 2022/23 includes budgeted savings, these total £40.8m. There are also previously undelivered savings of £2.1m that are being monitored. Work is underway to ensure delivery of these savings with any risks to the delivery being managed and mitigated. Last year, 91% of savings were delivered and we will aim to deliver similar levels this year as well.

1.16. To help manage costs and mitigate the in-year forecast overspend in 2021/22 the council introduced a series of spending controls. The key areas of spend under control were staffing, properties / facilities management, and procurement. These controls were implemented in November 2021 and continue to remain in place for this financial year. The panels operate to provide some rigour and corporate oversight to spend, and not to prevent all spend.

2. Capital

2.1. A capital budget of £531.7m was set in the Financial Plan 2022/23 and approved by full Council on the 22nd February 2022. Like all financial year's capital spend is weighted towards the later end of the year, and often spend will slip into the following year due to the complex nature of many of the capital projects.

2.2. Following slippage at the end of 2021/22, Cabinet is asked to approve an increase of £162.7m to the Capital budget for 2022/23 from £531.7m to £694.4m.

2.3. Delivery of the Capital Programme will be closely monitored over the year. There remain risks to delivery, particularly relating to cost pressures and material shortages for construction projects, these will be kept under review and appropriate action taken to mitigate.

2.4. It is important to note that no financial resources will be lost if there is slippage in the programme's expenditure at the end of the financial year. The resources and planned expenditure will be "rolled forward" into future years.

3. Medium Term Financial Plan (MTFP)

3.1. As stated previously, the Director of Council Management will be presenting a Medium-Term Financial plan update report to Cabinet in October. This will contain details of the new pressures and opportunities, and report on the plans that are being developed to deal with the gap identified in 2023/24 in the Financial Plan for 2022/23.

3.2. There was a gap of £33m in future years when the Financial Plan was agreed in February 2022. The MTFP update will provide due diligence on existing growth and any new growth and develop new plans to make savings to bridge the gap. Benchmarking will be used to help identify services where there can then be a deep dive to identify opportunities to make savings.

4. Delivery Plan

4.1. The Delivery Plan is designed to support transformation enabling work, which is increasingly focussing on invest to save initiatives that will improve citizen outcomes whilst reducing net service delivery costs. There is £13.6m set aside in Policy Contingency in the Financial Plan to fund projects that have already been approved. Further projects may be funded from the Delivery Plan Reserve during the financial year, and these will be detailed in future financial monitoring reports.

5. Policy Contingency

5.1. The 2022/23 budget includes a Policy Contingency budget of £48.0m, excluding savings to be allocated of £30.9m. The Policy Contingency budget is held centrally and not allocated to services at the start of the financial year. It is retained to protect against unplanned expenditure or when the costs of certain decisions which may be taken during the course of the financial year become clearer. Allocations will be made to services only after the demonstration of need and are subject to review and approval by the Chief Finance Officer with the exception of allocations from General Contingency which will be approved by Cabinet.

Table 2: Policy Contingency Budget 2022/23

Policy Contingency	£m
Inflation Contingency	20.930
Delivery Plan	13.619
SEND Improvement	2.792
Workforce Equalities	2.000
Apprenticeship Levy	1.308
Short-term Improvement in the Council House	1.000
Loss of Income from Car Park Closures	0.252
Corporate Funding for Owning & Driving Performance (ODP) Culture Change Programme	0.129
Transport - Funding for Young People	1.228
General Contingency	4.724
Total Policy Contingency excluding savings	**47.982**
Contract Savings	(1.147)
Capitalisation of Transformation costs - to be allocated to services in 2022/23	(20.000)
Fit for Purpose savings	(9.802)
Total Savings to be allocated	**(30.949)**
Total Policy Contingency	**17.033**

6. Collection Fund

6.1. The overall net budget for Council Tax income including Parish and Town Council Precepts is £403.0m in 2022/23. In addition, the Council collects the precepts on behalf of the Fire and Police Authorities. At this early stage in the financial year the Council is on track to achieve this, however Collection Rates will be closely monitored given current economic risks.

6.2. Under the 100% Business Rates Pilot that came into effect on 1st April 2017 the Council continues to retain 99% of all Business Rates collected under the Business Rates Retention Scheme with 1% being paid over to the West Midlands Fire Authority. The overall budgeted level of Business Rates in 2022/23 is £355.6m (excluding the Enterprise Zone), of which the Council's retained share is £352.0m. Again, this is currently on track, but both Collection Rates and Business Rates Appeals will be closely monitored during the year.

7. Housing Revenue Account (HRA)

7.1. The HRA budget is forecast to spend to overall budget, but the new calls on this budget starting in the next 12 months require a review of the allocation of the HRA budget to ensure that funds are still focussed on priorities. This will take place over the next 12 weeks, but will remain within the self-funded HRA cash envelope

8. Dedicated Schools Grant (DSG)

8.1. The Dedicated Schools Grant (DSG) is the main funding stream for schools and education services. The allocation of DSG announced by the Department for Education (DfE) on 30th March 2022, was set at £1,374.2m for 2022/23 before deductions for academies, Business Rates and direct funding of high needs places by Education and Skills Funding Agency. The allocation after those deductions is £686.9m. This is allocated as follows: school block £377.2m, High Needs block £210.4m, Early Years block £83.0m and £16.3m Central School Services Block, which is held centrally for the Local Authority to carry out central functions on behalf of pupils in maintained schools and academies. It is anticipated that there will be a balanced position at year end.

9. Borrowing

9.1. Gross loan debt is currently £3,035m, with the year-end projection estimated to be £3,272m, this is below the planned level of £3,452m. The annual cost of servicing debt represents approximately 29.5% of the net revenue budget.The planned level of debt and annual cost of servicing debt currently includes over £200m borrowing for the Enterprise Zone (EZ), due to be financed from Business Rates growth within the EZ.

9.2. The Council's treasury investments are currently at £61m, against a planned level of £40m. The Council's cash balances are no longer at elevated levels from government support for Covid and energy relief and the Council expects to resume short-term borrowing from the next quarter.

9.3. Further Treasury Management information is contained in Annex 2 to this report.

10. Investment Property Portfolio

10.1. Details of changes in the Council's Investment Property Portfolio in Quarter 1 are provided in Annex 3, as well as confirmation that the CIPFA Treasury Code had been complied with, as has the Council's Service and Commercial Investment Strategy and its Investment Property Strategy.

11. BEIS Fund Extensions and Amendments

11.1. Cabinet is asked to note that under authority delegated by Cabinet on 16 April 2019 to the Cabinet Member for Finance and Resources, the council accepted an offer from BEIS (Department for Business, Energy & Industrial Strategy) to extend and recycle the Advanced Manufacturing Supply Chain Initiative (AMSCI) and Regional Growth Funds (RGF) awards and to amend the National Manufacturing Competitive Levels (NMCL) programme. These funds are held as Accountable Body by the council and are under fund management by Finance Birmingham Ltd (FB) and their sister company, Frontier Development Capital Ltd (FDC). Further detail is provided in Annex 4.

12. Reserves

12.1. At the end of 2021/22, the Council had total reserves of £1,071.6m. This included £230.1m of General Reserves and Balances, broken down by:

12.2. £38.4m General Fund Balance. This is more than 4.5% of the net budget, as approved by Cabinet in November 2020. There is no planned use of the General Fund Balance in 2022/23.

12.3. £125.5m of Financial Resilience Reserve (FRR), this is after the £17.8m underspend in 2021/22 was transferred to it. This provides extra financial resilience in these very uncertain times and will be used to manage in year risks if required.

12.4. £66.2m Delivery Plan Reserve (DPR). The DPR was established to enable the necessary investment required by the Council's Delivery Plan. It also contains the previous Invest to Save Reserve. It is expected that once business cases for the Delivery Plan projects have been finalised there will be further drawdowns during 2022/23. Details of these drawdowns will be included in future financial monitoring reports.

12.5. Whilst reserve levels are considered adequate, they require continuous monitoring. The Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to delivering planned savings, accumulated debt and associated financing costs and financial income collection.

12.6. During this financial year the Council will be undertaking a forensic review of all reserves to identify if there are any reserves that are no longer required for the purpose that they were originally created and will re purpose any that are identified.

13. Write offs

13.1. Annex 1 covers write offs of unrecoverable Housing Benefit, including one of over £25,000 that Cabinet are asked to approve.

14. Potential Risks

14.1. When the budget was set for 2022/23, growth of around £70m was built in for known pressures (excluding the Commonwealth Games). Some of these growth items were one-off and some will remain ongoing.

14.2. There were also risks that were identified when setting the budget (as shown in Appendix E of the Financial Plan agreed by Council on 22nd February 2022).

14.3. In Appendix E, after weighting the risks for probability, there was a total risk of £118m.

14.4. There were service specific risks identified of £46m, including £25m for Highways PFI alternative arrangements, £8m for Adult Social Care demand, and £8m for Children and Families, covering Children's Trust demand, SENAR and Home to School Transport.

14.5. There were corporate risks of £72m identified, including £21m related to the Collection Fund, £13m related to potential delays in Capital disposals, and £6m related to Savings Delivery. There was £1m related to inflationary pressures, but it would seem likely that will not be sufficient.

14.6. As mentioned above, there was a total risk of £118m. Given that not all risks would be expected to happen at the same time, a deflator of 70% was applied, leaving a total risk of £34.5m. This is more than covered by the General Fund Balance of £38.4m and the FRR balance of £125.5m.

14.7. Below are details of the potential risks that have been identified by each of the operational divisions of the Council, split into risks that were identified in Appendix E and new risks identified since then.

Already Identified Risks by Department

Adult Social Care

14.8. **Demand for Adult Social Care** continues to remain hard to predict over the next 12 months as the impact of the last two years of coronavirus has created the risk of a surge in numbers beyond the current high levels of referrals we are currently seeing. Prevention, Early Intervention, and hospital discharge schemes are picking up the bulk of the demand increases and the forecast is for packages of care commitments to remain within the 2022/23 budget.

Children and Families

14.9. **Special Educational Needs Assessment and Review Service (SENAR).** The Ofsted inspection in May 2021 reported that the SENAR service was extremely under resourced and unable to meet its statutory responsibilities (the caseload per officer was in the region of 600 cases, which would be considered unsafe). In February 2021, a restructure of the service was initiated, and all permanent staff placed under an S188 notice. With the Ofsted inspection and resulting commissioner appointment, this restructure was paused and remains paused pending further investigation and baselining of what the service requires to fulfil its statutory responsibilities.

There has been additional financial investment allocated for the SENAR service to address the concerns of under resourcing. For 2021/22 this was £5.1m of additional funding, and for 2022/23 £5.3m additional funding has been allocated. As the funding has currently been allocated for two years only (to fund the required staffing levels whilst the baselining exercise is undertaken), it does not allow for permanent recruitment. At present there are significant numbers of interim staff in the service covering roles from the Head of Service to support officers, and whilst this has resulted in an increase in compliance against the statutory measures, it does incur higher costs versus permanent posts.

The additional funding of £5.1m and £5.3m was based on the activity/backlogs of statutory tasks identified at that point, however further investigations have resulted in additional necessary work requiring more Appeals Officers to be appointed.

The service has now been reviewed and baselined and has undertaken extensive resource planning to ensure accurate requirements for the sustainable structure are known and additional financial resources will be requested in the upcoming Cabinet report in September 2022. This request will need to be funded from reserves in year.

14.10. **Home to School Transport (H2ST)**, project workstreams have been initiated to deliver better routing, contractual agreements, and data flow as well as an improved supplier invoicing system. Planning for September 2022 is advanced, with over a third of schools having submitted data and the service routing accordingly. The service has undertaken extensive resource planning and can react to late changes in requirements or new additions. A new element to the service is the introduction of Travel Support which will bring the support parts of the service together. This includes Guides (irrespective of employer), Drivers, Independent Travel Training, and the introduction of Travel Mentors.

Significant improvements are being made within H2ST, which include work that will enable accurate financial projections to be calculated from September 2022. Additional budget has been allocated to the service for 2022/23 due to significant financial pressures incurred in financial year 2021/22. However, it should be noted as per Cabinet decision of 7th June 2022 *Children and Families Directorate: Improvement Programme Update and Resources Requirement*, a significant proportion of this additional budget has been reallocated to transformation. There therefore remains a financial risk of overspend for H2ST, the value of which will not be accurately calculated until September 2022.

14.11. **Birmingham Children's Trust** - Placement costs continue to represent the single biggest pressure for the Trust in 2022/23 and as reported previously will require management action around review and negotiation of partner contributions as well as both demand and supply side mechanisms to mitigate the rising cost of care. The implementation of Oracle (1B) in April 2022 has impacted the ability of the Trust to produce detailed financial reports in the first quarter of the year. However, the Trust still operates CareFirst Financials for care pay, including payments to care leavers, care providers and foster carers which is not impacted directly by the Oracle implementation. The Trust is therefore focusing on by exception and reporting on the cost of care, and a more detailed report will be provided in the next quarter as to the analysis of care costs and the management response to this.

Place, Prosperity, and Sustainability

14.12. The main potential risk to this directorate's budget is reduced commercial property income. Further detail is contained in annex 3 of this report and we will continue to review this throughout the year.

City Operations

14.13. There is a risk that the Highways Private Finance Initiative (PFI) alternative arrangement will cost significantly more than the current budget provision. Work is ongoing with the re procurement exercise and progress will reported during the year to Cabinet.

Corporate issues

14.14. There are a number of savings that were listed as corporate savings in the MTFP that have not yet been distributed to Directorates. Work is ongoing to analyse the distribution of these savings and pass them out to Directorates. Until this is done, there continues to be a risk of non-delivery in year and a possible need to use the budget smoothing reserve.

14.15. There are risks of an economic downturn which could affect Business Rates income. There are risks that Collection Fund Income could also be affected if collection rates are less than budgeted or if growth in Council Tax Taxbase is less than anticipated.

14.16. There is always a risk that the Council could suffer a cyber attack. Investment and resources put into dealing with the cyber threat, but the threat remains, and other Councils have suffered financial impacts.

14.17. There is a risk that short-term and long-term interest rates rise above budgeted forecast, although the Council had taken a cautious view over the medium term and will continue to keep a close review of interest rates as the year progresses.

14.18. As always there remains a risk of industrial disputes effecting the work force of the City Council and communications channels are in place to have an open dialogue with unions to minimise this risk wherever possible.

New Risks by Department

14.19. As detailed earlier in this report we are continuing to live and operate in challenging financial circumstances with risking costs, increased demand for our services and reduced income. The impact of the Covid 19 pandemic is continuing to have an impact on some sectors and we must continue to closely monitor demand and costs and put in place actions to manage the impact. Below are some of the key risks that we are potentially facing and through our well managed approach to financial management we will continue to review all risks and implement action plans to reduce them.

Adult Social Care

14.20. As expected, due to the phased introduction of the new Oracle system, income from client contributions does not currently match the budgeted profile. It is anticipated that this will be resolved in July, from which point billing will return to a four weekly schedule and collection of backdated contributions will be managed through Accounts Receivable. There is a risk that some of these backdated contributions will take longer to collect and may fall into the standard debt management process for social care debtors.

14.21. The national Fair Cost of Care exercise currently being carried out with providers will likely result in us needing to increase fees. We have been allocated £3.7m of grant funding for this, but until October, when we will have set our Birmingham Fair Cost of Care and published out Market Sustainability Plan, we cannot evaluate whether this will be sufficient.

City Operations

14.22. Parking income continues to be under pressure due to reduced demand and changing habits such as working from home and the success of strategies, such as the Clean Air Zone (CAZ), to encourage movement away from using cars in the city centre. The financial pressure in 2021/22 was £6.1m – indications are that this will be lower in 2022/23 but still material, early estimates are in the region of £5.4m. City Operations Management team are reworking the parking offer to ensure that it is fit for purpose and financially resilient over the medium term.

14.23. The increase in the cost of electricity is putting pressure on the street lighting budget, potentially in the region of £5.7m.

14.24. Pressures remain in the Leisure Service as external leisure providers continue their recovery to pre-covid levels, this is estimated to be achieved in the second half of the year. This results in the risk of not receiving the full management fee due and requests from the providers for additional support pre recovery. Estimates are potentially in the region of £1.5m. City Operations Management team are reviewing options to ensure financial resilience of the service over the medium term.

14.25. The increasing cost of fuel is impacting across the Directorate with early estimates in the region of £1.5m.

14.26. The Directorate has adopted the Budget Management Principles agreed by CLT and is working to manage these additional costs.

City Housing

14.27. The growth in demand for Temporary Accommodation (TA) has far exceeded the reductions made through the Housing Solutions and Support prevention and supply initiatives. Already now mobilised and working are additional Case Workers for prevention, the Accommodation Finding Team working with private landlords, the Complex Case Team are working with households to provide move on options out of TA, additional Dispersed Temporary Accommodation and Oscott Gardens Homeless Centre. Despite this, due to the national economic situation, the demand for Temporary Accommodation is still growing. This will increase the use of Bed and Breakfast accommodation. There is a significant risk that the TA (including B&B) budget will be exceeded even given all the work the service is carrying out. Further opportunities to increase supply and reduce demand are being investigated.

Council Management

14.28. The Information Technology & Digital Services (ITDS) redesign budget saving is unlikely to be fully delivered in 2022/23 due to the delays in the process of redesigning posts, completing job evaluations, consultation, and then recruitment. It is currently forecast that £1.2m of the savings will not be achieved in 2022/23. When the exact position is more certain, there is a potential to use the Budget Smoothing Reserve to fund the shortfall, as this is a timing issue. Full year savings are expected to be achieved from 2023/24 onwards.

14.29. Transactional Services, since the launch of Oracle this service is incurring additional overtime costs as they work through the back log created by the implementation down time of the system and the learning curve to get the organisation up to speed with the new system and processes. This is a standard part of the process of implementation of a new system. The down time was part of the planned implementation.

Corporate issues

14.30. There is a risk that any Pay Award agreed is in excess of the budgeted provision for 2.5%. Each extra 1% is estimated to cost in the region of £4m.

14.31. There are also significant risks to the Council from the current inflationary pressures in the economy, including the fuel and electricity pressures referred to in the City Operations section.

14.32. There are risks that the cost of living crisis will increase demands from residents for council services, leading to increased costs.

14.33. The Council is facing challenges in recruitment and retention in a number of services. Work is under way to find solutions and we have recently launched some high profile recruitment campaigns which is hoped will make the City Council an attractive employer.

14.34. There is a risk that the Council is not able to fully meet the target of capitalising £20m of transformation costs through use of Flexible Use of Capital Receipts. It is early in the financial year and this will be kept under close review.

14.35. There is a risk that there could be another serious outbreak of Covid-19 resulting in a national or local lockdown, or that another pandemic could materialise. While these risks are not wholly within the control of the council we must continue to plan and manage the delivery of services in an efficient and effective manner.

15. Potential Opportunities

15.1. Whilst we have the potential of risks there are also opportunities which we must maximise, and the key items are listed below. These will be reported on further as they materialise during the year.

Council Management

15.2. **Digital Mail –** there is a potential increase in income from charges to other Local authorities.

15.3. There is likely to be underspend in the Corporate Programme Management Office (**CPMO)** and Chief Executive's Delivery Unit (**CDU)** areas due to staff underspends.

15.4. There is a potential of an extra £0.4m income per year from bringing enforcement activity in house. This will be generated through the ability to charge an administration fee per outstanding debt issued for collection. This is something that would previously have been charged by the external agent. However, this is subject to finalisation of the business case and approval to implement.

City Operations

15.5. Work continues to mitigate pressures detailed in this report.

Strategy, Equalities and Partnerships (SEP)

15.6. There will be a significant underspend across SEP as a result of vacant posts, which will be used to off set pressures in other Directorates.

Corporate

15.7. It is expected that the on-going expenditure controls will continue to deliver savings through cost avoidance.

15.8. The Council has set aside budgets in Policy Contingency that could be used to fund all of the £5.7m electricity pressure in City Operations and £0.1m of the fuel pressure.

16. Savings / Income Targets

16.1. Like previous financial years the Financial Plan for 2022/23 includes budgeted savings, these total £40.8m. There are also previously undelivered savings of £2.1m that are being monitored.

16.2. The individual forecasts for each underlying savings / income target have been RAG rated and are summarised in table 3 below.

Table 3: Savings Risks 2022/23

Risk Profile to delivery	£m	% of target
Delivered	2.549	6%
Low Risk	19.260	45%
Medium Risk	8.688	20%
High Risk	12.368	29%
Total	**42.865**	**100%**

16.3. At this stage in the financial year, this risk profile is as expected and reflects the known challenges in delivering these targets.

16.4. The table above shows that of the £42.9m savings / income to be delivered in 2022/23, £12.4m is currently rated high risk. Savings scored as high risk are not deemed as undeliverable and work is in progress to realise these targets.

16.5. The main theme that results in savings targets being scored as high risk is the delivery of transformation dispersed savings from corporate initiatives including: Automation / Debt Recovery / Traded Services / Corporate Landlord / New Ways of Working (NWoW) / Customer Services / Workforce Transition / Procurement Savings.

16.6. These transformation programmes are at risk because these are corporately driven activities to release dispersed savings across services. These targets will be re-allocated to Directorates as programme work progresses.

16.7. Tables 4-7 summarise the savings in each of the RAG rating categories.

16.8. This tracking of savings / income targets is incorporated into the Corporate Programme Management Office monthly reporting to ensure programme delivery is tracked along with the delivery of savings / income targets to provide assurance and visibility of delivery.

Table 4: Savings that have been delivered (blue in Table 3 above)

Savings Type	£m
Corporate Finance Savings	2.100
Adults Transformation	0.025
BAU Initiatives	(0.099)
People Services TOM	0.523
Grand Total	**2.549**

Note-BAU (Business as Usual) savings are shown as negative as there are some time-limited savings from previous years falling out in 2022/23.

Table 5: Savings that are rated as low risk (green in Table 3 above)

Savings Type	£m
1B Oracle Implementation	2.000
Corporate Finance Savings	2.036
Adults Transformation	3.332
BAU Initiatives	6.084
Corporate Landlord	0.500
Finance TOM	0.763
IT&D Service Redesign	1.200
New Ways of Working	0.495
Property Programme	2.850
Grand Total	**19.260**

Table 6: Savings that are rated as medium risk (amber in Table 3 above)

Savings Type	£m
Corporate Finance Savings	5.500
BAU Initiatives	1.324
IT&D Service Redesign	0.500
Property Programme	1.364
Grand Total	**8.688**

Table 7: Savings that are rated as high risk (red in Table 3 above)

Savings Type	£m
Automation	0.850
BAU Initiatives	1.824
Customer Servs	0.390
Debt Recovery	1.000
IT&D Service Redesign	1.200
New Ways of Working	0.800
Procurement Savings	2.704
Traded Services	1.600
Workforce Savings	2.000
Grand Total	**12.368**

List of Annexes

1. **Write off details**
2. **Treasury Management Monitoring Dashboard**
3. **Investment Property Portfolio Monitoring Dashboard**
4. **BEIS Fund extensions**

Annex 1 Write Offs

1. Housing Benefit

1.1 In circumstances where Housing Benefit overpayments are identified as not being recoverable, or where recovery is deemed uneconomic, the City Council's Financial Regulations and delegated powers allow for these overpayments and income to be written off. All possible avenues must be exhausted before such write offs are considered. Amounts already written off will still be pursued should those owing the Council money eventually be located or return to the city.

1.2 The cost to the council of writing off these irrecoverable sums will be charged to the City Council's provision set up for this purpose, which includes sums set aside in previous years to meet this need. It is, therefore, the appropriate account to be charged. There is no effect on the revenue account.

1.3 Cabinet is requested to approve the writing off of one separate Housing Benefit debt to the Council which is greater than £25,000 totalling £0.050m. Table 2 details the nature of the debt and the reasons for the recommendation for write off.

1.4 In 2022/23, from 1st April up to 30th June 2022, further items falling under this description in relation to Benefit overpayments have been written off under delegated authority. Table 1 below details the gross value of amounts written off, which members are asked to note.

Table 1: Age Analysis of Debts written off under delegated authority

Age analysis	Over 6 years	3 to 6 years	Under 3 years	**Total**
	£m	£m	£m	£m
Benefit Overpayments	0.057	0.033	0.071	0.160
Total	**0.057**	**0.033**	**0.071**	**0.160**

Table 2: Schedule of over £25K Housing Benefit Debts recommended for write off

Supporting Information	Total Debt Outstanding (£)
Liability Period(s)/Account Ref Number(s): **Housing Benefit Debt** 05.04.2004 – 30.10.2016 **Summary of debt recovery process:** Service has no further means of recovery in this case and as such the remaining debt should be written off.	**49,926.90**

1.5 Table 3 gives a more detailed age analysis of overpayments and income written off.

1.6 Table 4 gives detailed analysis of debt written off by range of value.

Table 3: Summary of Debts written off under delegated authority
01.4.22 – 30.6.22

Detail	**Pre 2013**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total**	**No of Debtors**
Housing Benefit debts written off under delegated authority	£27,775.69	£4,504.49	£11,759.39	£8,296.64	£4,638.40	£12,489.82	£9,094.82	£11,042.68	£10,468.89	£52,158.00	£7,887.37	£160,106.19	309
TOTAL	£27,775.69	£4,504.49	£11,759.39	£8,296.64	£4,638.40	£12,489.82	£9,094.82	£11,042.68	£10,468.89	£52,158.00	£7,887.37	£160,106.19	309
No of debts in Age band	12	7	13	29	29	40	53	48	57	474	125	887	

Table 4: Debts written off under delegated authority by value range:

Debt Size	Small		Medium		Large
Cases (Debtors)	**<£1,000**	**Cases (Debtors)**	**£1,001-£5,000**	**Cases (Debtors)**	**£5,000-£25,000**
279	£38,098.27	22	£53,636.59	8	£68,371.33

2. Business rates and Council Tax

2.1 There has been no resource at either officer or management level to process write offs in the last quarter due to the Council Tax Energy Rebate payment scheme. This will be undertaken later in the year.

Annex 2.1

TREASURY MANAGEMENT MONITORING DASHBOARD: 30 JUNE 2022

		value	comparator	difference
1	**Gross loan debt**	**£m**	**£m**	**£m**
	at month end	**3,035**		
	year end Forecast (vs Plan)	3,272	3,452	-180
	year end Forecast (vs Pru Limit for loan debt)	3,272	4,126	-854

Forecast year end debt is currently below the year end plan. The Forecast year end debt is well within the prudential limit for loan debt, set for unplanned cashflow movements.

2	**short term borrowing**			
	at month end (vs Plan)	99	563	-464
	interest rate year to date on outstanding deals (vs assumption)	0.25%	1.00%	-0.75%

Short term borrowing is significantly below the plan but expected to increase in quarter 2, with no further Covid grants expected. Bank rate has seen consecutive rises so future borrowing is likely to be above the planned rate.

3	**Treasury investments**			
	at month end (vs Plan)	61	40	21
	interest rate year to date on outstanding deals (vs assumption)	1.04%	0.75%	0.29%

Treasury investments are currently much lower than the previous year with no further Covid grants received in advance expected.

4	**Long term loans taken**			
	year to date (vs Plan)	-	90	-90
	ave. interest rate obtained (vs assumption)	-	2.35%	-2.35%

Any long term loans taken during the year are likely to be at a higher rate than planned due to rise in gilt yields on the back of successive Bank Rate increases by the Bank of England.

5	**Assurance**	
	were Credit criteria complied with?	**yes**
	were investment defaults avoided?	**yes**
	was the TM Code complied with?	**yes**
	were prudential limits complied with?	**yes**

These are key performance indicators for treasury management which in normal circumstances should all be yes. Investment quality is kept under continual review with support from the Council's treasury advisers.

Annex 2.2

Treasury Management: portfolio overview			
This appendix summarises the Council's loan debt and treasury management investments outstanding			
	this quarter		last quarter
	30/06/2022 **£m**		**31/03/2022** **£m**
PWLB	**2,489.2**		**2,489.2**
Bonds	**373.0**		**373.0**
LOBOs	**71.1**		**71.1**
Other long term	**2.5**		**37.5**
Salix	**0.3**		**0.4**
Short term	**98.9**		**136.6**
Gross loan debt	**3,035.0**		**3,107.8**
less treasury investments	**(61.2)**		**(146.3)**
Net loan debt	**2,973.8**		**2,961.5**
Budgeted year end net debt	**3,496.6**		**3,681.8**
Prudential limit (gross loan debt)	**4,126.0**		**4,102.7**

Treasury investments are lower than the previous month as central government grants for Covid and energy relief are utilised.

Treasury investments by source	
	£m
UK Government	**0**
Money Market Funds	**50**
Banks and Building Societies	**11**
	61

Treasury investments by credit quality			
			£m
AAA			**0**
AAAmmf			**50**
AA			**11**
A			**0**
			61

In line with the Strategy, the Council holds its treasury investments in diversified liquid funds of high credit quality.

Investments as Accountable Body

These are investments made as Accountable Body on behalf of on behalf of others, and are not the Council's own money.

	Getting Building Fund	Growing Places Fund	AMSCI	Regional Growth Fund	GBSLEP Fund	LGF3	LGF4	NMCL	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
UK Government	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0	**30.0**
Birmingham City Council[1]	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	**2.2**
Money Market Funds	2.9	7.3	13.0	11.4	0.0	0.2	1.9	3.2	**39.9**
	2.9	**7.3**	**43.0**	**11.4**	**2.2**	**0.2**	**1.9**	**3.2**	**72.1**

[1] *These funds have been lent to the Council by agreement at a commercial rate*

Annex 2.3

Treasury management: summary of delegated decisions in the quarter

This appendix summarises decisions taken under treasury management delegations to the Chief Finance Officer during the quarter.

1. Short term (less than 1 year)	**borrowing**		**investments**
	£m		£m
opening balance	**137**		**-146**
new loans/investments	**87**		**-1045**
loans/investments repaid	**-125**		**1130**
closing balance	**99**		**-61**

These loans and investments are for short periods from one day up to 365 days. Short term loans have decreased as loans have been repaid upon maturity.

2. Long term borrowing:				
date	**lender**	**£m**	**rate**	**maturity**

No long term loans taken to date

3. Long term loans prematurely repaid:				
date	**lender**	**£m**	**rate**	**maturity**

No long term loans were prematurely repaid.
In line with treasury management practices, the Council will repay long term loans prematurely if this provides a financial saving to the Council.

4. Long term treasury investments made:				
date	**borrower**	**£m**	**rate**	**maturity**

No long term investments were made. The Council is a substantial net borrower and usually has cash to invest for relatively short periods.

Annex 3

INVESTMENT PROPERTY PORTFOLIO MONITORING DASHBOARD: QUARTER 1 2022/23

1 Portfolio objectives

The Portfolio is comprised of non-operational service properties which were historically held to earn a financial return.

2 Portfolio summary

	budget £m	forecast £m	variance
Direct property	-22.63	-23.08	-0.45
Loans on property			
less portfolio prudential borrowing	3.39	3.15	-0.24
less management costs	2.60	2.60	0.00
net total	-16.64	-17.34	-0.69

3 Limit on borrowing for Investment property portfolio

	value £m	limit £m	variance £m
prudential borrowing from 1 April 2019	0.00	50.00	50.00
borrowing repaid from sale proceeds	-16.88	-21.17	-4.29
	-16.88	28.83	45.71

4 Portfolio completions in the quarter (acquisitions and disposals)

		£m
Sales completed to quarter 3	Sales	5.73
	Purchase	21.17

Commentary:

Acquisitions of 69-73 The Parade, Sutton Coldfield; 319 Shady Lane and 30 Granby Avenue completed in June 2022.
Disposal of 373 Garratts Green, Land at Belgrave Middleway and Midlands Art Centre (Cannon Hill Park).

5 Planned activity in the coming quarter

Acquisition of 9 Colmore Row approved by Cabinet on 28th June 2022.
Terms agreed on property disposals including Wellington Wharf (units 1-3) and Boulton Road Service Station.

6 Assurance

was the CIPFA Treasury Code complied with?	yes
was the Council's Service and Commercial investment Strategy complied with? *(the Strategy implements the requirements of the Government Investment Guidance)*	yes
was the Council's Investment Property Strategy complied with?	yes

commentary:
All properties fully evaluated and disposed with in the appropriate manner.

Annex 4

Background

BEIS Fund Extensions and Amendments – approved under delegated authority 29 March 2022

Advanced Manufacturing Supply Chain Initiative – AMSCI. These funds were awarded by Government from Regional Growth Funds (RGF) and will now continue to be available for grants or loans across England. It is a competitive fund that provides subsidies (grants) or loans (or a combination) for capital investment, research and development expenditure and training for industrial projects involving collaborations across the supply chains (including reshoring to the UK). The council has been the accountable body of the AMSCI programme, managed by FB since 2012.

The remaining funds and loan receipts will now be recycled rather than repaid to BEIS and the new fund is expected over time to be in the region of £60m (after allowing for non-performance and bad debts). The new consolidated fund will be available to organisations across England.

Regional Growth Fund. Awarded to FDC by BEIS these comprise a Mezzanine & Debt Fund and a Tooling Fund totalling £28m, awarded in 2014 under accountable body arrangements. These are live funds that BEIS proposed extending the application geography to the whole of the Midlands rather than the West Midlands.

National Manufacturing Competitive Levels – NMCL funds support the automotive, aerospace, defence, security and space sectors in the provision of improvement activities in the supply chain through training, coaching and mentoring. It is a national (England) fund. A grant of £26m was awarded to FDC under BCC accountable body arrangements by Cabinet on 16 April 2019. This grant is managed by FB but delivered by ADS (leading trade organisation for the Aerospace, Defence, Security and Space sectors) and SMMT (Society of Motor Manufacturers and Traders). In consultation with these bodies and FDC, BEIS has reduced the budget of the programme against the allocations made in 2019. The revised total budget for 21/22 is £6.7m and for 22/23 is £0.13m, a reduction of £5.6m. All parties have taken a constructive approach to the reduction and accept the change, reflective of uptake, and as accountable body, BCC is required to confirm this position with BEIS.

Financial Implications

There are no direct financial implications for the council. The funding is held by the Council as accountable body and the Council will continue to recharge its transactional and management costs into the fund (subject to BEIS approval of any management fee ceiling). FB/FDC will charge an approved management fee to the fund. Further details are available within the delegated report of 29 March 2022.