

Public Report

Birmingham City Council

Report to Cabinet

30TH JULY 2019



Subject: FINANCIAL MONITORING REPORT QUARTER 1 (UP TO 30TH JUNE 2019)

Report of: Chief Finance Officer

Relevant Cabinet Member: Councillor Tristan Chatfield

Relevant O &S Chair(s): Councillor Sir Albert Bore

Report author: Clive Heaphy, Chief Finance Officer

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 006757/2019		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report forms part of the City Council's robust arrangements for controlling its revenue and capital expenditure.
- 1.2 Each Directorate's financial performance to date is shown, together with the risks and issues identified to date in the Corporate Revenue and Capital Budget Monitoring documents for Month 3, which are appended to this report as Appendices A and B.
- 1.3 The latest Treasury Management position is shown in the Treasury Management Report for Month 3, which is appended to this report as Appendix C.

2 Recommendations

That the Cabinet:-

- 2.1 Notes the City Council's 2019/20 forecast revenue budget position and the gross pressures identified as at 30th June 2019 resulting in a forecast overspend of £17.440m.
- 2.2 Notes the latest monitoring position in respect of the City Council's savings programme and the present risks identified in its delivery.
- 2.3 Approve the proposal in paragraph 3.4 that the Section 151 Officer be given delegated authority for the verification and allocation of Specific Policy contingency to fund expenditure which is in line with the Council's approval of the Council Financial Plan 2019-2023.
- 2.4 Approve the change in use of the "Invest to Save" budget within Specific Policy Contingency to "Invest to Improve", as detailed in paragraph 3.5.
- 2.5 Approve the resource allocation within Specific Policy Contingency as set out in paragraph 3.6.
- 2.6 Approves the proposed changes in uses of and contributions to Reserves as proposed in paragraph 3.7.
- 2.7 Approves the writing off of debts over £0.025m as described in paragraph 3.8.
- 2.8 Approves the revised 10 year+ capital programme of £3,547.031m.
- 2.9 Notes the forecast capital expenditure in 2019/20 of £641.451m.
- 2.10 Notes the Treasury Management report.

3 Background

- 3.1 At the meeting on 26th February 2019, the Council agreed a net revenue budget for 2019/20 of £851.590m to be met by government grants, council tax and business rates payers.
- 3.2 The Council is forecasting a revenue overspend of £17.440m. The forecast variations in each Directorate are detailed in Section 2 and Annexes 1-11 of the Corporate Revenue Budget Monitoring document attached as Appendix A. The forecast overspend does not include the final impact of the 15 July Cabinet approval of the award of the Home to School Transport report which could add up to £0.685m to the Education & Skills overspend. Directorate risks relating to the Savings Programme and measures being undertaken to alleviate these are detailed in Section 3, Annexes 1-11 and Annex 13 of Appendix A.
- 3.3 Risks and mitigations that have not been reflected in the forecast position are detailed in Section 4 and Annexes 1-11 of Appendix A.
- 3.4 It is recommended that the S151 Officer be given delegated authority for the verification and allocation of Specific Policy Contingency to fund expenditure

which is in line with the approval given as part of the Council Financial Plan 2019-2023 as described in Annex 14 paragraph 1.2.

- 3.5 Council approved as part of Specific Policy Contingency an “Invest to Save” budget of £3.172m on a repayable basis. Following the review of a number of service areas, it has been identified that there is a need to significantly improve operational performance to benefit the wider organisation. The S151 Officer recommends that this one-off budget is made available on a non-repayable basis to services in order to contribute towards the cost of improvement plans that are currently in development.
- 3.6 At Month 3 it is proposed to allocate £2.174m from the Invest to Improve fund and £0.600m from the Inflation budget within Specific Policy Contingency as set out in Appendix A Annex 14 paragraph 1.2.
- 3.7 Proposed changes in use of reserves are summarised in the table below:

Summary (Use of) / Contribution to Reserves					
Reserve	Original Base Budget	Budget Assumed Period 1	Net Changes Proposed Period 2&3	Forecast Proposed Use at Period 3	Variance to Original
	£m	£m	£m	£m	£m
General Reserves*	(5.910)	(5.910)	0.000	(5.910)	0.000
Corporate	11.861	11.861	3.503	15.364	3.503
Subtotal All Corporate	5.951	5.951	3.503	9.454	3.503
Other Reserves					
Grant	(29.206)	(29.206)	9.758	(19.448)	9.758
Earmarked	(3.719)	(3.719)	(4.176)	(7.896)	(4.176)
Schools	0.000	0.000	0.000	0.000	0.000
Non Schools DSG	0.000	0.000	(1.199)	(1.199)	(1.199)
Subtotal Other	(32.926)	(32.926)	4.383	(28.543)	4.383
Total	(26.975)	(26.975)	7.885	(19.090)	7.885

The specific detail can be seen in Appendix A, Annex 12.

- 3.8 The schedule at Appendix A, Annex 17 summarises debts recommended for write off of over £0.025m.
- 3.9 The Full Council meeting of the 26th February 2019 also agreed a 10 year capital programme of £3,192.297m.
- 3.10 Appendix B covers capital monitoring. The capital budget has increased by a net £58.542m since month 1 to £3,547.031m due to slippage of £95.350m brought forward from the 2018/19 capital programme (as outlined in the outturn report) and a net reduction of planned expenditure of £36.808m. At month 3, capital budgets have been reprofiled over the 4-year programme to ensure that the most up to date profile of spend is set for in-year monitoring, there are therefore minimal forecast variations at month 3 other than an overspend of

£0.433m which is forecast for the financial year 2019/20. All major variations to the original budget are explained in Appendix B.

- 3.11 Appendix C monitors Treasury Management, which is on track. Please note the delegated decision to repay a £30m Lender's Option Borrowers' Option (LoBo) loan and replace it with a combination of loans from the PWLB and short term market borrowing. This results in initially modest (but growing) savings combined with a reduction in refinancing risk due to increased certainty about repayment dates.

4 Options considered and Recommended Proposal

- 4.1 Directors, in striving to manage their budgets, have evaluated all the options available to them to maintain balance between service delivery and a balanced budget.

5 Consultation

5.1 Internal

- 5.1.1 Cabinet Members, Corporate Directors, the City Solicitor, Human Resources and Assistant Directors of Finance have been consulted in the preparation of this report.

5.2 External

- 5.2.1 There are no additional issues beyond consultations carried out as part of the budget setting process for 2019/20.

6 Risk Management

- 6.1 The monitoring of the Council's budget and the identification of actions to address issues arising, as set out in this report, are part of the Council's arrangements for the management of financial issues.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 The budget is integrated with the Council Financial Plan, and resource allocation is directed towards policy priorities.

7.2 Legal Implications

- 7.2.1 Section 151 of the 1972 Local Government Act requires the Corporate Director – Finance & Governance (as the responsible officer) to ensure the proper administration of the City Council's financial affairs. Budget control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Directorates and members of the Corporate Management Team by the City Council in discharging the statutory responsibility. This report meets the City Council's requirements

on budgetary control for the specified area of the City Council's Directorate activities.

7.3 Financial Implications

7.3.1 The Corporate Revenue and Capital Budget Monitoring documents attached give details of monitoring of service delivery within available resources.

7.4 Procurement Implications (if required)

7.4.1 N/A

7.5 Human Resources Implications (if required)

7.5.1 N/A

7.6 Public Sector Equality Duty

7.6.1 There are no additional Equality Duty or Equality Analysis issues beyond any already assessed in the year to date. Any specific assessments needed shall be made by Directorates in the management of their services.

8 Background Documents

8.1 City Council Financial Plan 2019-2023 approved at Council 26th February 2019