

Birmingham City Council

Report to Cabinet

29TH OCTOBER 2019



Subject: FINANCIAL MONITORING REPORT QUARTER 2 (UP TO 30TH SEPTEMBER 2019)

Report of: Chief Finance Officer

Relevant Cabinet Member: Councillor Tristan Chatfield

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

Report author: Becky Hellard, Interim 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: 006758/2019		
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 Period 6, 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 Period 6, 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 pressures and savings identified as at 30th September 2019 resulting in a forecast underspend of £3.501m.
- 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 Approves the resource allocation within Specific Policy Contingency as set out in paragraph 3.4.
- 2.4 Approves the acceptance of £0.633m grant funding as set out in paragraph 3.5.
- 2.5 Approves the proposed changes in uses of and contributions to Reserves as proposed in paragraph 3.6.
- 2.6 Notes to transfer of Reserves to the Education PFI Reserve as described in paragraph 3.7
- 2.7 Approves the proposed reallocations of Reserves as proposed in paragraphs 3.8 and 3.9.
- 2.8 Approves the writing off of debts over £0.025m as described in paragraph 3.10.
- 2.9 Approves the revised 10 year+ capital programme of £3,547.419m.
- 2.10 Approves the use of Corporate Capital Contingency as set out in paragraph 3.13.
- 2.11 Notes the forecast capital expenditure in 2019/20 of £593.089m.
- 2.12 Notes the Treasury Management and Investment Property Portfolio reports.

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 underspend of £3.501m. The forecast variations in each Directorate are detailed in Section 2 and Annexes 1-10 of the Corporate Revenue Budget Monitoring document attached as Appendix A. Directorate risks relating to the Savings Programme and measures being undertaken to alleviate these are detailed in Section 3, Annexes 1-10 and Annex 12 of Appendix A.

- 3.3 Risks and mitigations that have not been reflected in the forecast position are detailed in Section 4 and Annexes 1-10 of Appendix A.
- 3.4 At Period 6 it is proposed to allocate £3.900m for an underlying pressure within Community Sport from the Demography budget with Specific Policy Contingency. The report has been drafted on the basis that this has been agreed. This is set out in Appendix A Annex 13 paragraph 1.2
- 3.5 It is proposed to accept grant of £0.633m from the West Midlands Police and Crime Commissioner for community safety as set out in Appendix A Annex 13 paragraph 1.3.
- 3.6 Proposed changes in use of reserves are summarised in the table below:
The specific detail can be seen in Appendix A, Annex 11.

Summary (Use of) / Contribution to Reserves					
Reserve	Original Budgeted (Use) /Contribution	Budget Approved Period 3**	Changes Proposed Since Period 3	Forecast Proposed (Use) /Contribution at Month 6	Variance to Original
	£m	£m	£m	£m	£m
General Reserves*	(5.910)	(5.910)	0.000	(5.910)	0.000
Corporate	11.861	16.364	(6.998)	9.365	(2.496)
Subtotal All Corporate	5.951	10.454	(6.998)	3.455	(2.496)
Other Reserves					
Grant	(29.206)	(19.448)	4.614	(14.835)	14.372
Earmarked	(3.719)	(8.896)	0.019	(8.876)	(5.157)
Schools	0.000	0.000	0.000	0.000	0.000
Non Schools DSG	0.000	(1.199)	0.000	(1.199)	(1.199)
Subtotal Other	(32.926)	(29.543)	4.633	(24.910)	8.016
Total	(26.975)	(19.090)	(2.365)	(21.455)	5.520

* Agreed as part of the Reserves Policy

** Following final audit of the 2018/19 accounts, the split between use of Corporate and Earmarked reserves has been restated.

- 3.7 Under delegated authority, the Chief Finance Officer and Cabinet Member for Finance and Resources agreed to create an Education PFI Reserve in order to ensure that there are sufficient resources to fully finance the remaining life of the contract to the extent that the unitary payments exceed the Government grant received in future years, as set out in Appendix A paragraph 6.8.
- 3.8 It is proposed to accept the recommendation of Schools Forum on 19 June to use of £2.700m of non-schools DSG reserves (other funding blocks) to reduce the cumulative High Needs Block deficit to £13.300m, as set out in Appendix A paragraph 6.9.

- 3.9 It is proposed to reallocate Reserves related to Major Events of £0.653m from Corporate Reserves to Directorate Reserves, as set out in Appendix A paragraph 6.10.
- 3.10 The schedule at Appendix A, Annex 17 summarises debts recommended for write off of over £0.025m.
- 3.11 The Full Council meeting of the 26th February 2019 also agreed a 10 year capital programme of £3,192.297m.
- 3.12 Appendix B covers capital monitoring. The capital budget has increased by a net £0.388m since Quarter 1 to £3,547.419m.
- 3.13 The forecast outturn for 2019/20 is £593.089m against a budget of £641.178m, a variation of £48.089m primarily relating to slippage associated with the purchase of waste and grounds maintenance vehicles (£15.651m), Enterprise Zone programme (£4.229m) and transportation and connectivity schemes (£25.997m). Also included are allocations from the 2019/20 Capital Contingency recommended to fund £0.400m of safety works at the Wholesale Markets and £0.075m for A38 tunnel waterproofing works.
- 3.14 At Quarter 2 there is a net forecast underspend of £137.101m against the overall capital programme mainly due to Housing Development InReach programmes (£173.450m) and a forecast increase of £49.111m against the current Housing Revenue Account new build programme. Further details and narratives on all major variations to the Quarter 2 budget are explained in Appendix B6.
- 3.15 Appendix C monitors Treasury Management, which is on track.
- 3.16 Appendix D monitors the Investment Property Portfolio as agreed in the Strategy Report approved by July Cabinet.

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 Chief Finance Officer (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
- 8.2 Financial Monitoring 2019/20 Quarter 1 approved by Cabinet 30th July 2019