

Birmingham City Council

Report to Cabinet

10TH NOVEMBER 2020



Subject: FINANCIAL MONITORING REPORT
QUARTER 2 (UP TO 30TH SEPTEMBER 2020)

Report of: Chief Finance Officer – Rebecca Hellard

Relevant Cabinet Member: Councillor Tristan Chatfield – Finance & Resources

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

Report author: Chief Finance Officer – Rebecca Hellard

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: 007785/2020		
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 The comprehensive quarterly finance report attached as Appendix A is part of the City Council's robust financial management arrangements.

2 Recommendations

That the Cabinet:-

- 2.1 Notes the City Council's 2020/2021 forecast revenue budget position and the pressures and savings identified as at 30th September 2020 resulting in a forecast overspend of £10.8m.
- 2.2 Notes that the Medium Term Financial Plan (MTFP) Refresh (that is also on the agenda for this meeting) makes proposals on how to balance the budget for this year.
- 2.3 Notes that the Council has received to date £84.3m of un-ringfenced Covid-19 related grant funding from the government and it is estimating that the Council will receive further £19.6m from the Income loss funding scheme.
- 2.4 Notes that the forecast additional spend/loss of income to the Council on Covid-19 related general fund activities, after utilising the £84.3m un-ringfenced government grants received to date, for 2020/21 is £11.9m. We are continuing to review and assess our forecasts and risks and are seeking mitigations in year to deal with this gap.
- 2.5 On 22nd October the Council was informed it will be receiving a further £44.2m of un-ringfenced Covid-19 related grant. It is recommended that this funding is transferred to a specific Covid reserve to manage the ongoing pandemic through the higher risk winter months
- 2.6 Notes the Council is also forecasting other revenue underspends of £1.1m.
- 2.7 Notes the latest monitoring position in respect of the Council's savings programme and the risks identified in its delivery.
- 2.8 Approves the redirection of the savings programme related to Housing as set out in paragraph 4.12.
- 2.9 Notes the forecast capital expenditure in 2020/2021 of £723.3m.
- 2.10 Approves the allocation of Policy Contingency as set out in paragraph 4.14.
- 2.11 Approves the amendment to the 2019/20 reported outturn to reflect the replacement of £8.7m of Direct Revenue Financing of Capital by increasing the Council's Capital Financing Requirement, thus increasing the level of usable reserves, as proposed in Appendix A, sections 8.4 and 8.5.
- 2.12 Notes the Treasury Management and Investment Portfolio Reports that are included in Appendix A.
- 2.13 Approves the redirection of Housing Savings Targets, as proposed in section 4.2 of Appendix A.

3 Background

- 3.1 At the meeting on 25th February 2020, the Council agreed a net revenue budget for 2020/2021 of £852.9m to be met by government grants, council tax and business rates payers. Appendix A sets out the full financial position at Quarter 2.

4 Key Issues

- 4.1 The Council is forecasting a net revenue overspend of **£10.8m** which represents 1.3% of the £852.9m budget. **£11.9m** of the overspend relates to the Covid-19 emergency after applying the £84.3m government grant received so far and the estimated £19.6m from the Income loss funding scheme. This position does not include risks or 2021/22 onwards financial implications. While the Covid-19 impact is being presented in Directorates, the funding gap is being dealt with as a corporate issue. The Covid overspend is partially offset by **£1.1m** non-Covid related net underspends across the Council.
- 4.2 The Government has also announced £100m of national funding to support leisure centres. No details are yet available, so this has not been factored in to this report.
- 4.3 The Council has received to date £84.3m of un-ringfenced Covid-19 related grant funding from the government. The government has also announced that it will provide funding for income loss due to Covid-19, which is currently been estimated at £19.6m by the council. On top of this a further £44.2m funding for the Council was announced on October 22nd. We intend to set this aside in a specific Covid reserve to manage the ongoing pandemic through the higher risk winter months. There are also several ring-fenced grants for additional reliefs and support schemes which are being spent on the additional measures set out in government guidance.
- 4.4 The MTFP Mid-Year Refresh report, which is reported on this same agenda, incorporates the 6 month financial position as set out in this report, as well as detailed proposals to balance the budget for 2020/2021.
- 4.5 There are a range of corporate initiative in train to manage the current overspend position. These include reviewing in year savings delivery, Capitalisation of Transformation costs, and Workforce Controls being introduced to stop vacant roles being filled and reductions in agency expenditure of 10%. This is also reflected in the MTFP Refresh Report.

Capital Programme

- 4.6 Capital spend is currently projected to be £723.3m for 2020/21, after projected £127.2m of slippage and £6.7m of forecasted net savings. The full multi-year capital programme is projected to be £3,290.3m.
- 4.7 The Council is currently reviewing capital financing required for both for the capital programme and the delivery plan for factoring in to the MTFP Refresh. There is a plan to utilise capital resources for funding the costs of revenue reform and transformation projects in line with the flexibilities afforded to Councils.

Treasury Management and investment Portfolio

- 4.8 The Covid-19 pandemic has had a significant impact on Treasury Management decision making in the quarter. Details are set out in the Appendix A section 11 and Annex 6.
- 4.9 The Investment Portfolio is reported in Appendix A Annex 8.

Write-Offs

- 4.10 There are no debts over £0.025m that require approval for write off, as set out in Annex 4 of Appendix A.

Policy Contingency and Use of Reserves

- 4.11 The policy contingency budget for 2020/21 is £40.8m. Given the significant financial pressures and the need to drive the new Chief Executives delivery plan there may be a need to re-prioritise the use of the policy contingency budget. The use of Policy Contingency is covered in the MTFP Mid Year Refresh Report.
- 4.12 Cabinet is asked to note the following allocations of Specific Policy Contingency approved by the Section 151 Officer under delegated authority as shown below.

Use of	Reason	Value (£m)	Paragraph Reference
Specific Policy Contingency	Commonwealth Games Project Team	4.0	9.6
Specific Policy Contingency	Inflation Contingency	0.3	9.7

- 4.13 Cabinet is asked to note the following allocations of General Policy Contingency that were approved in the October 13th Cabinet meeting as shown below.

Use of	Reason	Value (£m)	Paragraph Reference
General Policy Contingency	European Team-Brussels Office	0.2	9.4
General Policy Contingency	Brexit Preparation	0.2	9.4

- 4.14 Cabinet is asked to approve allocations of Specific and General Policy Contingency as shown below. Further details are provided in the relevant paragraphs in Annex A.

Use of	Reason	Value (£m)	Paragraph Reference
Specific Policy Contingency	Modernisation Fund-Social Care	4.2	9.8
General Policy Contingency	Homelessness Reduction	0.9	9.9
General Policy Contingency	Whistleblowing	0.2	9.10
General Policy Contingency	Delivery Plan	2.0	9.11

- 4.15 If these uses are approved, the Policy Contingency budget will be £28.8m.
- 4.16 An assessment of the levels and use of reserves is addressed in the MTFP Mid Year Refresh Report.

5 Options considered and Recommended Proposal

- 5.1 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.

6 Consultation

- 6.1 Cabinet Members, Directors, the City Solicitor, Human Resources and Assistant Directors of Finance have been consulted in the preparation of this report.
- 6.2 There are no additional issues beyond consultations carried out as part of the budget setting process for 2020/21.

7 Risk Management

- 7.1 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.

8 Compliance Issues:

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

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

8.2 Legal Implications

- 8.2.1 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.

8.3 Financial Implications

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

8.4 Procurement Implications (if required)

- 8.4.1 N/A

8.5 Human Resources Implications (if required)

- 8.5.1 N/A

8.6 Public Sector Equality Duty

- 8.6.1 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.

9 Background Documents

- 9.1 City Council Financial Plan 2020-2024 approved at Council 25th February 2020
- 9.2 Quarter 1 Financial Monitoring Report approved by Cabinet 21st July 2020