

Birmingham City Council

Report to Cabinet

27TH JULY 2021



Subject: FINANCIAL MONITORING REPORT 2021/22
QUARTER 1 (UP TO 30TH JUNE 2021)

Report of: Interim Director of Council Management – Rebecca Hellard

Relevant Cabinet Member: Councillor Tristan Chatfield – Finance & Resources

Relevant O & S Chair(s): Councillor Mohammed Aikhlaq - Resources

Report author: Interim Director of Council Management – 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: 009033/2021		
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 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 2021/22 forecast at 30th June 2021 of a net overspend of £27.4m, comprising an overspend on Covid-19 of £42.4m, partially offset by non-Covid underspends of £15.0m.
- 2.2 Notes that corrective action will take place to ensure the budget is balanced by March 2022.
- 2.3 Notes that the Government's Income Loss scheme is estimated to provide £4.9m of additional funding.
- 2.4 Notes that Directorates are reporting that £15.9m of the £36.8m savings targets are either delivered or on track. This represents 43% of the total target. Directorates are continuing to work towards ensuring that these savings are brought on track and are delivered.
- 2.5 Notes that the forecast capital expenditure in 2021/2022 is £745.3m.
- 2.6 Notes the allocations of Specific Policy Contingency as set out in paragraph 4.11.
- 2.7 Approves the allocations of General Policy Contingency as set out in paragraph 4.12.
- 2.8 Notes the Treasury Management and Investment Portfolio Reports that are included in Appendix A.
- 2.9 Approves the use of £1.0m of the Financial Resilience Reserve for SEND as set out in paragraph 4.14.
- 2.10 Approves the use of £5.0m of the Delivery Plan Reserve as set out in paragraph 4.15
- 2.11 Approves the allocation of £25.0m of Corporate Capital Contingency as set out in paragraph 4.16

3 Background

- 3.1 At the meeting on 23rd February 2021, the Council agreed a net revenue budget for 2021/2022 of £828.7m to be met by government grants, council tax and business rates payers. Appendix A sets out the full financial position at Quarter 1.

4 Key Issues

- 4.1 The Council is forecasting a net revenue overspend of **£27.4m** which represents 3.3% of the £828.7m budget.
- 4.2 This is the first financial forecast for the year. There is sufficient time for corrective action to be taken over the course of the year which will bring the budget back into balance by March 2022. This includes looking to maximise the use of ring fenced Covid funding to mitigate the current Covid overspend. This will be monitored by the Interim Director of Council Management and the Cabinet Member for Finance and Resources, and reported to Scrutiny via monthly exception reporting.

- 4.3 The net covid-19 overspend of **£42.4m** (Column C in table1) is after applying funding; **£17.5m** of un-ringfenced Covid-19 related grant funding from the government received in 2020/21 carried forward into 2021/22, an estimate of funding for income loss of **£4.9m** and **£12.5m** pressures funded in the 2021/22 budget from the application of Tranche 5 of Government Covid Funding. It is also after applying **£38.0m** cost of the redeployment of staff on a similar basis to that reported in the 2020-21 outturn. This is partially offset by a net non-covid underspend of **£15.0m**. This is shown in the table below:

	Covid Variation	Non- Covid Variation	Total Variation
	£m	£m	£m
Directorate Sub Total	27.8	5.6	33.4
Corporate Budgets	11.5	17.4	28.8
Application of Tranche 5 Funding Budget 2021/22	(12.5)	0.0	(12.5)
Covid Funding	(17.5)	0.0	(17.5)
Income Loss Scheme Funding	(4.9)	0.0	(4.9)
City Council General Fund Sub Total	4.4	23.0	27.4
Transfer of Indirect Covid Costs	38.0	(38.0)	0.0
General Fund after transferring indirect costs	42.4	(15.0)	27.4

- 4.4 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.

Capital Programme

- 4.5 Capital expenditure for the year 2021/22 is forecast at £745.3m against the revised capital budget of £734.0m. The net overspend of £11.3m is due mainly to increased works identified for the HRA Improvement programme and will be funded by additional contributions from the Housing Revenue Account.
- 4.6 Details of the Capital Programme are set out in Appendix A in Section 3 and Annex 4.

Treasury Management and Investment Portfolio

- 4.7 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 Annex 3.
- 4.8 The Investment Portfolio is reported in Appendix A Annex 5.

Write-Offs

- 4.9 There are no debts over £0.025m that require approval for write off, as set out in Annex 2 of Appendix A.

Policy Contingency

4.10 The original policy contingency budget for 2021/22 was £44.6m, excluding savings that will be allocated to directorates in 2021/22. Following use of reserves and allocations approved as part of the Outturn Report, the budget excluding savings was £49.7m.

4.11 Cabinet is asked to note as shown below the following allocations of Specific Policy Contingency approved by the Section 151 Officer under delegated authority and the allocation of that was approved by Cabinet on 18th May 2021.

Use of	Reason	Value (£m)	Reference to Paragraph in Appendix A
Specific Policy Contingency	Inflation Contingency	(8.630)	3.38
Specific Policy Contingency	Street Scene	(2.000)	3.38
Specific Policy Contingency	HR Additional Temporary Resources	(0.300)	3.38
Specific Policy Contingency	HR-Race Equality Team	(0.205)	3.39

4.12 Cabinet is asked to approve the following allocation of General Policy Contingency as shown below. Further details are provided in the relevant paragraph in Appendix A.

Use of	Reason	Value (£m)	Reference to Paragraph in Appendix A
General Policy Contingency	Civic History	(0.102)	3.40
General Policy Contingency	Interim JNC Position	(0.127)	3.40

4.13 If these uses are approved, the Policy Contingency budget excluding savings will be £38.3m.

Reserves

4.14 In order to facilitate the further improvement to the SEND service Cabinet is asked to approve the drawdown of £1.0m from the Financial Resilience Reserve (FRR). A further request is likely in September.

4.15 Cabinet in April 2021 approved the draw down of £5.0m from the Delivery Plan Reserve. After taking into account actual and forecast expenditure, there remain just £498,257 uncommitted. Cabinet is asked to approve a further £5.0m draw down from the Delivery Plan Reserve to provide sufficient funding to ensure critical enabling work can continue at pace.

Commonwealth Games

4.16 Cabinet is asked to approve the allocation of £25.0m from Corporate Capital Contingency for a Capital Contingency for the Commonwealth Games.

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 The Leader, Deputy Leader, other 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 2021/22.

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 2021-2025 approved at Council 23rd February 2021