

Birmingham City Council

Report to Cabinet

21ST MARCH 2023



Subject: FINANCIAL MONITORING REPORT 2022/23
MONTH 10 (UP TO 31ST JANUARY 2023)

Report of: Director of Council Management and S151 Officer –
Rebecca Hellard

Relevant Cabinet Member: Councillor Yvonne Mosquito – Finance & Resources

Relevant O & S Chair(s): Councillor Akhlaq Ahmed - Resources

Report author: Acting Director of Finance (Deputy S151 Officer) –
Fiona Greenway

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: 010526//2023		
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 The Month 10 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 that the Council has faced a number of challenges in 2022/23. However, the Council is in a strong robust position with strong financial control processes in place. Reserves are healthy and within recommended limits.
- 2.2 Notes that there is currently a small forecast year end underspend of £0.8m. This is an improvement of £11.8m compared to the risk of overspend reported at Month 9. Work will continue to ensure the position remains within budget. The Financial Resilience Reserve will remain at more than adequate levels to meet our financial risks.
- 2.3 Notes that the forecast Capital spend has not changed since Month 9.
- 2.4 Notes the Treasury Management position, as set out in paragraphs 4.4 to 4.6 of this report.

3 Background

- 3.1 At its meeting on 22nd February 2022, the Council agreed a net revenue budget for 2022/2023 of £759.2m to be met by government grants, council tax and business rates. **Appendix A** sets out the high level financial position at Month 10.

4 Key Issues

Revenue position

- 4.1 Table 1 in Appendix A in Section 1 shows that there now a forecast year end underspend of £0.8m at Month 10.
- 4.2 Work is on-going to mitigate this risk of overspend by the year end. In particular, the spending controls are focussing on staffing, facilities management and procurement. We will continue to maximise the use of these controls.
- 4.3 We undertake a rolling review of our medium-term budget and planning assumptions throughout the year, so are constantly looking at the pressures we are facing or may have to face in the future, giving us an early warning and time to react and put in place actions to manage impacts.

Treasury Management

- 4.4 Gross loan debt is currently £3,244m, with the year-end projection estimated to be £3,363m, below the planned level of £3,452m. The annual cost of servicing debt represents approximately 29.7% of the net revenue budget. The planned level of debt and annual cost of servicing debt includes over £200m borrowing for

the Enterprise Zone (EZ), to be financed from Business Rates growth within the EZ.

4.5 The Council's short term borrowing is currently at £271m and is in line with the current Treasury Management Strategy. Short-term borrowing rates are higher than planned due to the scale of interest rate rises since the Financial Plan was set. In an increasing interest rate environment, the Council has sought to keep borrowing costs down by agreeing forward short term loans in anticipation of rate rises and to reduce refinancing risk by taking long-term borrowing from the Public Works Loan Board (PWLB).

4.6 The outlook for borrowing costs remain uncertain as the Bank of England looks to bring inflation to target and as the UK economy enters recession territory; however, further Bank Rate rises are still expected. Treasury Management costs for 2022/23 are expected to underspend by £4.5m as a result of a more effective management of borrowing costs.

5 Options considered and Recommended Proposal

5.1 CLT have recently adopted a set of budget management principles to ensure the delivery of a balanced budget this year whilst delivering Best in Class Services. These principles include the agreement 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.

6 Consultation

6.1 The Leader and Cabinet Members, Directors and the City Solicitor 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 2022/23.

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.

8.2.2 Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions.

8.3 Financial Implications

8.3.1 The Appendix attached gives details of the risks, potential financial pressures the city council faces and actions to be taken to ensure service delivery within available resources.

8.3.2 Rigorous spend controls are in operation and we are continuing to undertake due diligence around the value of overspending identified. We are also continuing to review our reserves and release these where no longer required. Whilst we are monitoring progress on mitigations, there is no guarantee that this will mitigate in full the level of risk of overspend at the year end.

8.3.3 Slippage within the Capital programme of £146.7m has been identified at Quarter 3. However, 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.

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 2022/23 approved at Council 22nd February 2022

9.2 Quarter 1 Financial Monitoring Report approved by Cabinet 26th July 2022

9.3 Month 4 – Resources Overview and Scrutiny Committee 8th September 2022

9.4 Month 5 Financial Monitoring Report approved by Cabinet 11th October 2022

9.5 Quarter 2 Financial Monitoring Report approved by Cabinet 8th November 2022

9.6 Month 7 Financial Monitoring Report approved by Cabinet 13th December 2022

9.7 Month 8 Financial Monitoring Report approved by Cabinet 17th January 2023

