

Birmingham City Council

Cabinet

14 May 2024



**Subject: Financial Outturn for the 2022/23 Financial Year –
General Fund Revenue Budget, Housing Revenue
Account and the Capital Programme**

Commissioner Review

This report relates to the 2022/3 outturn. It is being considered by Cabinet around a year later than it should have for the well-known issues around the Oracle implementation. This coming year the Council needs to ensure the usual practice of regular financial monitoring and timely outturn reports is resumed.

The actual outturn which shows a large overspend demonstrates the need for the Council to adopt sound financial practices, not least ensuring a robust budget has been agreed by the Council. The Council also needs to ensure there is a tight grip on demand led budgets in addition to the delivery of savings. The Council does not have the financial resilience to cope with future overspends of this magnitude.

Birmingham City Council

Report to Cabinet

14 May 2024



Subject: Financial Outturn for the 2022/23 Financial Year – General Fund Revenue Budget, Housing Revenue Account and the Capital Programme

Report of: Fiona Greenway, Director of Finance & Section 151 Officer

Relevant Cabinet Member: Leader and Cabinet Member for Finance & Resources, Councillor John Cotton

Relevant O &S Chair(s): Councillor Jack Deakin, Chair of Finance and Resources Overview & Scrutiny Committee

Report author: Peter Sebastian, Head of Financial Planning

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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference: 011740/2023		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" 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 sets out the outturn position for the 2022/23 financial year for the Council's General Fund Revenue Budget, Housing Revenue Account, Collection Fund, Capital budgets, and Treasury Management.
- 1.2 This has been a particularly difficult year for the Council's General Fund, with extremely high inflation, especially affecting pay and energy costs, the crisis in Ukraine, and the cost of living crisis. This has necessitated the use of a significant amount of reserves on a one-off basis, in addition to budgeted reserve uses (further details are in Section 6 of this report).
- 1.3 Difficulties encountered in the implementation of the new Oracle Enterprise Resource Planning (ERP) system have delayed the publication of this report. This paper presents the provisional outturn position, which has been produced after a great amount of manual effort. This is based on the best information currently available given the constraints of the system. Any further movements will be highlighted to Audit Committee and shown in the final accounts for the 2022/23 financial year and if deemed appropriate, reported back to Cabinet and the Finance and Resources Overview and Scrutiny Committee.
- 1.4 This report shows the following performance compared to the Council's budget for the 2022/23 financial year:
 - a) The provisional General Fund revenue outturn for 2022/23 is an overspend of £66.2m before the corporate use of reserves, with the largest overspends coming from Children and Families (through the Birmingham Children's Trust and the Transport service) and City Housing (increased demand for temporary accommodation);
 - b) The Collection Fund (i.e. the Council's share of Council Tax and Business Rates income) is showing a £29.9m deficit against budget. Of this, £27.9m relates to Business Rates, driven by increased debt levels (partly as a result of Oracle system issues which delayed enforcement activity) and higher than forecast appeals against historic Business Rates valuations. The change in the net outturn position for Council Tax and Business Rates will not impact on the General Fund until 2024/25 and has been taken into account as part of the 2024/25 budget setting process;

- c) The Housing Revenue Account underspent by £5.6m, due to a range of factors highlighted in Section 7 of this report, and this will be transferred to the ring-fenced Housing Revenue Account for future use to spend on council dwellings;
- d) The Dedicated Schools Grant (DSG) position has not yet been finalised, due to specific technical issues with Oracle related to that area. To avoid delaying the production of this report, the DSG position will be reported to Cabinet in the next couple of months;
- e) Significant slippage across the capital programme of £330.8m against a programme of £737.8m for the 2022/23 financial year. This slippage took place across a range of programmes, with housing projects most directly impacted due to inflationary pressures in the sector (further details are in Section 8 of this report); and
- f) Treasury management net borrowing costs totalled £216.9m; after recharges to other services the corporate costs were £124.0m. This meant treasury costs were £8.7m lower than the annual budget, after including the costs for the Council's other long term liabilities.

1.5 The 2022/23 outturn position, as shown in this report, has been reflected in the 2024/25 budget that was approved by Cabinet in March. This includes the forecast use of General Fund reserves, the Collection Fund deficit and the slippage within the capital programme.

1.6 Further details are laid out in this report and appendices.

1.7 It should be noted that this report does not cover potential Equal Pay Liabilities. The Council is in the process of finalising the provision for the 2022/23 financial year which will appear on the Balance Sheet. Any potential future liabilities will be covered by the Exceptional Financial Support that the Council received from the Department for Levelling Up, Housing and Communities (DLUHC) which allows the Council to treat potential Equal Pay liabilities as capital expenditure (via a capitalisation direction). This means any future Equal Pay liabilities will not impact the Council's General Fund or Housing Revenue Account revenue budgets. This position will be reported in the accounts for the 2022/23 financial year.

2 Recommendations

2.1 That Cabinet notes:

- a) The City Council's provisional revenue outturn position for 2022/23 of an overspend of £66.2m before the corporate use of reserves, as detailed in Section 4 and Appendices 1A to 1H;
- b) The outturn position on the Collection Fund (for Council Tax and Business Rates income), as set out in Appendix 4, and its impact on the Council's General Fund;
- c) The Council's reserves forecast of £802.4m as at 31 March 2023, as set out in Section 6;
- d) The HRA outturn position of a £5.6m underspend for the 2022/23 financial year, as set out in Section 7 and the transfer of the balance to the ring fenced HRA reserve;
- e) The capital programme outturn position for the 2022/23 financial year of £330.8m below the annual budget of £737.8m (as set out in Section 8);
- f) The resource allocations within Specific Policy Contingency, the Apprenticeship Levy, SEND Improvement, Delivery Plan, as set out in Section 6, these have already been agreed by the Section 151 Officer under delegated authority. These are the allocations that have happened since the last report; and
- g) The Treasury Management Annual Report as set out in Section 9, which demonstrates that the Council remained within its prudential limits set under the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance.

2.2 That Cabinet approves:

- a) The use of corporate reserves to fund the forecast £66.2m General Fund revenue budget overspend, as set out in Section 6;
- b) The slippage of £330.8m in the 2022/23 capital programme into future years to complete the programmed projects;
- c) The other uses and releases of and contributions to Grant and Earmarked Reserves and Balances set out in Section 6 and detailed in Appendix 3, noting that since the 2022/23 financial year the reserves policy has changed, as part of the 2024/25 budget that was approved by City Council in March 2024;

- d) The financing of capital expenditure for 2022/23 as set out in Section 8; and
- e) That the Section 151 Officer has the authority to make necessary changes and any further movements will be highlighted to Audit Committee and shown in the final accounts for the 2022/23 financial year and if deemed appropriate, reported back to Cabinet and the Finance and Resources Overview and Scrutiny Committee.

3 Background

- 3.1 On 22 February 2022, the Council agreed a net revenue budget for the 2022/23 financial year for the Council's General Fund of £759.2m, as well as the budgets for the HRA, DSG and the Capital programme.
- 3.2 This report provides information about the forecast 2022/23 outturn position of the Council, which will subsequently be incorporated into the Council's pre-audit 2022/23 Statement of Accounts.
- 3.3 These accounts, once finalised, will be subject to external audit. There may be further accounting entries or post balance sheet events that require a revision to the outturn for the year. The Director of Finance will make any necessary changes and will report any significant impact on the reported outturn position in a future report to Cabinet and Audit Committee.

4 General Fund Revenue Budget Outturn for 2022/23

4.1 The General Fund revenue outturn at the end of 2022/23 is a overspend of **£66.2m before the corporate use of reserves**, as shown in Table 1 below. This overspend position is an improvement against the forecast at Month 10 of the 2022/23 financial year (up to 31st January 2023) which was reported to Cabinet on 21 March 2023.

Table 1 – General Fund Revenue Budget Outturn for 2022/23

Directorate	Current Budget	Provisional Outturn	Total Over/(Under) Spend	Period 10 Forecast Over/(Under) Spend	Movement
	£m	£m	£m	£m	£m
Children & Families	335.053	377.273	42.220	47.155	(4.935)
City Operations	197.309	203.599	6.290	4.800	1.490
City Housing	15.912	31.484	15.572	9.401	6.171
Place, Prosperity and Sustainability	62.602	61.618	(0.984)	0.000	(0.984)
Strategy, Equalities and Partnerships	6.570	6.445	(0.125)	0.000	(0.125)
Adult Social Care	366.129	366.514	0.385	1.028	(0.643)
Council Management (excluding Commonwealth Games)	42.245	35.738	(6.507)	3.872	(10.379)
Directorate Subtotal	1,025.820	1,082.671	56.851	66.256	(9.405)
Corporate Budgets (inc Commonwealth Games)	(266.588)	(257.195)	9.393	19.833	(10.440)
Corporate Subtotal	(266.588)	(257.195)	9.393	19.833	(10.440)
General Fund total (before use of Reserves)	759.232	825.476	66.244	86.089	(19.845)

4.2 The key variations are:

- a) Children & Families (£42.2m overspend) – this is driven by pressures in two areas: the Birmingham Children’s Trust (BCT) and the Children and Young People Travel Service. For BCT, the £24m overspend is due to unexpected increases in demand due to larger numbers of unaccompanied asylum-seeking children, increased complexity of need and a continued rise in the number of children in high-cost placements. For the Travel Service, the £18.2m overspend is mainly due to the significant increases in the need for SEND support for children with new Education, Health and Care plans.
- b) City Housing (£15.6m overspend) – this is almost entirely related to costs of temporary accommodation. The Council has seen an increase in statutory homeless assessments of 45% in three years as well as cost pressures within the housing market. Limited alternative options for housing placements mean a reliance on expensive bed and breakfast (B&B) placements. Further details are provided in Appendix 1F.
- c) City Operations (£6.3m overspend) – The main pressures are £5.5m on street lighting electricity following significant energy cost increases and a net shortfall of £1.5m on Parking due to parking income pressures. Parking income

continues to under recover due to reduced demand following the success of strategies, such as the Clean Air Zone, to encourage movement away from using cars in the city centre and changing habits following the pandemic. Overspends were partially offset by an employee underspend of £0.7m across Highways services due to vacancies and additional income of £0.3m from temporary traffic regulation orders for road closures. Further details are provided in Appendix 1D.

- d) Council Management (£6.5m underspend) – these overspends largely fall within the IT and Digital Services Division (£3.2m underspend, driven largely by lower than expected prudential borrowing costs charged to that division) and Development & Commercial (£2.0m underspend, driven by traded services, primarily Cityserve). Further details are provided in Appendix 1B.
- e) Corporate budgets (£9.3m overspend): driven by a range of over and underspends:
 - i. Overspends – mainly driven by pay (£15.1m) and energy (£6.0m) actuals being higher than budgeted inflationary increases; £8.9m non-delivery of corporately-held savings; £3.3m of unbudgeted spend on additional support for the Oracle system;
 - ii. Underspends – mainly on Policy Contingency and Treasury management.
 - iii. Further details are provided in Appendix 1H.

4.3 Details of each Directorate's budget position are included in Appendices 1A to 1H.

5 Collection Fund Outturn for 2022/23

5.1 The Fund accounts for the collection of Council Tax and Business Rates (also known as National Non-Domestic Rates (NNDR)) and the distribution of sums received to relevant authorities.

5.2 For the 2022/23 financial year, the Council's Collection Fund is showing a deficit compared to the forecast income. This has impacted the 2024/25 budget.

5.3 For Council tax, the deficit for the Council's own share was £2.0m, as shown in Table 3 below. It should be noted that the West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner also share in the deficit, as the Council collects income on their behalf through the Council Tax billing process.

Table 3 – Council Tax Outturn for the 2022/23 financial year

	Forecast (Surplus) /Deficit	Outturn	Variance
	£m	£m	£m
Council	(15.564)	(13.545)	2.019
Police & Crime Commissioner	(1.871)	(1.628)	0.243
Fire & Rescue Authority	(0.679)	(0.591)	0.088
Total Surplus	(18.114)	(15.764)	2.349

5.4 The Council Tax deficit for 2022/23 was driven by an increase in the bad debt provision (estimate of debts that will not be collected) of £1.1m, higher than expected levels of residents claiming exemptions and discounts (£0.9m) and a lower than forecast level in the growth of properties eligible for Council Tax of £0.7m. It is likely that the implementation of the Oracle system contributed to the increase in outstanding debts (and so the increase in the provision for bad debts) as debt collection was paused between April 2022 (system go-live) and January 2023 to ensure that accurate data for Council Tax payers was included on the system.

5.5 For Business Rates, the deficit for the Council's own share was £27.9m, as shown in Table 4 below.

Table 4 – Business Rates Outturn for the 2022/23 financial year

	Forecast	Outturn	(Improvement)/ Decline
	£m	£m	£m
Central Government (nil for 2022/23)	0.000	0.000	0.000
Fire (1%)	(0.164)	0.119	0.283
BCC (99%)	(16.195)	11.693	27.888
Total	(16.359)	11.812	28.170

5.6 This deficit was driven by a number of factors, most notably:

- a) Significant increases in the bad debt provision of £12.5m – this was driven by an increase in total uncollected debt, as issues with the Oracle finance system meant that debt collection activities were paused between April 2022 and January 2023. This was due to incorrect information being posted to ratepayers' accounts, so the Council needed to tidy up the finance system before it could begin debt enforcement activities
- b) Significant increases in appeals of £11.5m – Each year appeals are made against the rateable value of properties as determined by the Valuation Office Agency. Appeals that are upheld are backdated to the beginning of the ratings list period, or when the change in circumstances came into existence if later than this date. March 2023 was the latest date that appeals could be made against the 2017 valuations list, which resulted in a significant increase in appeals lodged in 2023/24, compared to existing Council forecasts.

5.7 Further details on the Collection Fund deficit are included in Appendix 4.

6 Reserves position as at 31 March 2023

6.1 This reserves section is shown without the estimated impact on reserves of potential Equal Pay liabilities. That is for two reasons:

- a) These liabilities are, as a result of the Exceptional Financial Support provided by DLUHC in February 2024 (and brought to City Council as part of the budget-setting papers for the 2024/25 financial year), able to be capitalised. Therefore, the Council will be able to use capital receipts from future asset sales to cover the costs of potential Equal Pay claims. Without this, the Council would have negative General Reserves and Balances.
- b) The provision for potential Equal Pay liabilities for the 2022/23 financial year is being finalised with the External Auditors. This will be included in the 2022/23 annual accounts.

6.2 The Council's reserves comprise the following:

- a) General Reserves & Balances – these include:
 - i. General Fund Balances – this reserve acts as a corporate contingency to cushion the impact of unexpected events or emergencies.
 - ii. The Financial Resilience Reserve (FRR) and the Delivery Plan Reserve – these reserves are also held as a corporate contingency and, for the purposes of this financial year, are used to help offset the overall General Fund deficit for 2022/23.
- b) Other Corporate Reserves – these relate to a range of reserves to cover forecast overspends or corporate responsibilities (e.g. cyclical maintenance). This includes the Budget Smoothing Reserve, set up in prior years to offset the non-delivery of savings (i.e. if they slipped into future financial years). It should be noted that, for the 2024/25 financial year, the Financial Resilience Reserve, the Delivery Plan Reserve, the Budget Smoothing Reserve and other corporate reserves that are no longer needed have been amalgamated into the Strategic Reserve. These reserves are available to cover General Fund overspends.
- c) Grant reserves – usually held to ensure that grant funding is used for the statutory purposes it was intended. These reserves are not available to cover General Fund overspends.

- d) Earmarked reserves – earmarked for planned future revenue and capital expenditure across Directorates. Depending on the progress of particular projects, and barring any contractual commitments or statutory requirements (e.g. transport-related), any remaining reserves could be available to cover General Fund overspends.
- e) Schools and non-Schools DSG – these are schools’ own reserves and balances to cover statutory activities covered by the DSG. These reserves are not available to cover General Fund overspends.

6.3 At the start of the financial year, the Council held reserves balances of £1,071.7m. At the end of the year, if the proposed transfers are approved (as included in Appendix 3), there will be a £269.3m decrease of reserves balances. This results in a total reserves balance of £802.4m at 31 March 2023.

Table 5 – Summary of Reserves as at 31 March 2023

	Balance as at 31st March 2022	Original Budgeted (Use) / Contribution	Original Budgeted Use / (Contribution) not to be processed	Other proposed (Use) / Contribution	Proposed (Release) of Reserves	Total Proposed (Use/Release) /Contribution	Proposed Outturn Balance at 31st March 2023
Reserves	£m	£m	£m	£m	£m	£m	£m
Corporate General Fund Balance	38.382	0.000	0.000	0.000	0.000	0.000	38.382
Delivery Plan Reserve	66.196	(15.118)	0.000	1.601	0.000	(13.517)	52.679
Financial Resilience Reserve	125.482	(30.868)	0.000	(36.099)	0.000	(66.967)	58.515
General Reserves and Balances	230.060	(45.986)	0.000	(34.498)	0.000	(80.484)	149.576
Other Corporate Reserves	323.087	(212.965)	(0.590)	(25.233)	(10.735)	(249.524)	73.563
Grant	340.581	(23.727)	0.000	41.050	(0.552)	16.771	357.352
Earmarked	82.078	(0.498)	0.000	49.840	(9.478)	39.864	121.942
Schools	79.888	0.000	0.000	4.057	0.000	4.057	83.945
Non Schools DSG	15.989	0.000	0.000	0.000	0.000	0.000	15.989
Subtotal Other Reserves	841.623	(237.190)	(0.590)	69.714	(20.765)	(188.831)	652.792
Grand total	1071.683	(283.176)	(0.590)	35.216	(20.765)	(269.315)	802.367

6.4 The movements in reserves in the 2022/23 financial year are:

- a) Original Budgeted Net use of reserves: £(283.176)m – these were included as part of the 2022/23 budget-setting papers, approved by Cabinet in February 2022.
- b) Original budget contribution not processed (drawn down in year): £(0.590)m – reserves contribution towards cyclical maintenance that was originally budgeted but was postponed (see Appendix 1H).
- c) Other proposed contributions to reserves: £35.216m – summarised in Table 6 below

d) Proposed release of reserves: £(20.765)m – summarised in Table 6 below.

6.5 A summary of all of the other proposed contributions and the proposed releases of reserves (i.e. all reserve uses that were not originally budgeted for in the 2022/23 financial year) is below:

Table 6: Unbudgeted Uses of and Contributions to Reserves for the 2022/23 financial year

Directorate	Items to be funded	Use of FRR (£m)	Use of Delivery plan Reserve (£m)	Use of Covid Reserve (£m)	Use of Budget Smoothing Reserve (£m)	Reserve claim to be confirmed (£m)	proposed (Use) / Contribution £m	Proposed (Release) of Reserves (£m)	Total (£m)
Adult Social Care	Potential Income shortfall	(3.500)					(3.500)		(3.500)
City Housing	Potential Income shortfall	(2.900)					(2.900)		(2.900)
Corporate	Forecast costs of Pay Award above budget	(15.127)					(15.127)		(15.127)
Corporate	Forecast costs of energy for Corporate Estate above	(5.596)					(5.596)		(5.596)
Corporate	Cost of Living Emergency	(1.000)					(1.000)		(1.000)
Corporate	Ukraine Response Programme	(0.653)					(0.653)		(0.653)
Corporate	Top Up to Household Support Fund	(0.487)					(0.487)		(0.487)
	(To fund residual year end overspend)/Less residual year end underspend	(5.545)					(5.545)		(5.545)
Corporate	To fund overspend on Oracle		(3.318)				(3.318)		(3.318)
Corporate	Release of Cyclical Maintenance Reserve						0.000	(8.235)	(8.235)
Corporate/Directorate	Release of Other Reserves following review						0.000	(7.186)	(7.186)
Corporate	Use of Covid Reserve			(3.800)			(3.800)		(3.800)
Corporate	To fund savings non-delivery (mainly corporate savings)				(8.897)		(8.897)		(8.897)
							0.000		
Sub Total Reserves used corporately		(34.808)	(3.318)	(3.800)	(8.897)	0.000	(50.823)	(15.421)	(66.244)
Children & Families					(1.347)	8.320	6.973	(5.345)	1.628
Schools						4.057	4.057		4.057
City Operations		(4.295)				(5.818)	(10.113)		(10.113)
City Housing						3.744	3.744		3.744
Place, Prosperity and Sustainability Strategy, Equalities and Partnerships						22.177	22.177		22.177
Adult Social Care						10.022	10.022		10.022
Council Management						21.098	21.098		21.098
Commonwealth Games						0.107	0.107		0.107
Corporate						31.239	31.239		31.239
						(3.267)	(3.267)		(3.267)
Sub Total reserves used / requested for specific purposes (and shown as net of overspends in Table 1)		(4.295)	0.000	0.000	(1.347)	91.680	86.038	(5.345)	80.693
Grand Net Total Unbudgeted Reserves Forecast to be (used)/contributed		(39.103)	(3.318)	(3.800)	(10.244)	91.680	35.215	(20.766)	14.449

6.6 In the above table, the reserve use is split into corporate reserves (used to cover the General Fund's £66.2m overspend for 2022/23) and directorate reserves (mainly contributions to reserves of £80.7m) that are shown as part of the Directorate outturn positions in Table 1 and Appendix 1. It also shows additional use of COVID reserves, previously unspent and unringfenced grants from government to cover losses – used for 2022/23 to cover a range of overspends, including lost parking income (as a result of a reduction in transport into and across the city).

6.7 It should also be noted that the Council has needed to use reserves to fund the unexpectedly high costs of Pay Awards and Energy costs, compared to budgets for 2022/23. It has also used reserves to fund non-delivery of savings and has identified some reserves that are no longer needed in order to support the 2022/23 revenue position. Table 7 includes the use of £3.3m of the Delivery Plan Reserve (DPR) to

fund costs related to Oracle. This is in line with the decision by Cabinet in May 2023. This is after capitalising £8.0m of Oracle costs.

- 6.8 After the Provisional Outturn is completed and approved by Cabinet, the Council's financial statements for 2022/23 will need to be prepared. These will be subject to audit by the Council's external auditors. There may be further accounting entries or post balance sheet events that require a revision to the outturn for the year. This information will be scrutinised in detail by the Audit Committee, as well as the Finance & Resources Oversight and Scrutiny Committee.
- 6.9 This paper seeks delegation to the Section 151 Officer for the authority to make necessary changes and will report any significant impact on the reported outturn position to Cabinet and Audit Committee.
- 6.10 Details of the proposed transfers to and from reserves, for Cabinet approval, are shown in Appendix 3.

Policy Contingency (known as "Contingency" for the 2024/25 budget)

- 6.11 The Policy Contingency budget is held centrally within the Council's General Fund to cover particular items. Any allocations need to be approved by the Section 151 Officer in consultation with the Cabinet member for Finance and Resources.
- 6.12 Since the last report to Cabinet (Month 10 2022/23 Financial Monitoring Report, approved by Cabinet 21 March 2023), the following allocations in 2022/23 of Specific Policy Contingency have been approved by the Section 151 Officer under delegated authority as shown below.

Table 8 – Policy Contingency allocations for the 2022/23 financial year

Use of	Reason	£m	Reference
Specific Policy Contingency	SEND Improvement	2.792	Appendix 1H para 2.1
Specific Policy Contingency	Apprenticeship Levy	1.258	Appendix 1H para 2.1
Specific Policy Contingency	Delivery Plan	4.538	Appendix 1H para 2.1

7 Housing Revenue Account Outturn for 2022/23

7.1 There is an underspend on the Housing Revenue Account of £5.6m. The underspend will be transferred to the ring-fenced HRA revenue reserve and will increase it from £15.3m to **£20.9m**.

Table 9 – HRA Outturn for 2022/23

	Current Budget	Outturn	Variance	Reserves Transfer	In Year Variation
	£m	£m	£m	£m	£m
Rent Income	(260.502)	(260.394)	0.108	0.000	0.108
Service Charges	(16.095)	(15.725)	0.370	0.000	0.370
Other Income	(11.141)	(12.898)	(1.757)	0.862	(0.895)
Total Income	(287.738)	(289.017)	(1.279)	0.862	(0.417)
Repairs	75.394	76.695	1.301	0	1.301
Estate Services	20.534	22.552	2.018	0	2.018
General Management	69.668	67.989	(1.679)	0	(1.679)
Bad Debt Provision	5.546	1.904	(3.642)	0	(3.642)
Capital Financing	47.903	51.439	3.536	0	3.536
Capital Programme Funding	68.693	62.884	(5.809)	4.692	(1.117)
Total Expenditure	287.738	283.463	(4.275)	4.692	0.417
Net Surplus	0	(5.554)	(5.554)	5.554	0

7.2 HRA income was £1.3m more than the budget, and expenditure was £4.3m under budget, largely related to Capital Programme Funding underspend of £5.8m.

7.3 The material variances against budget were:

- a) Rent and Service Charge Income (£0.478m under-recovery) - Due to fewer chargeable properties than budgeted, through higher number of Right to Buy Sales and less replacement build than expected.
- b) Other Income (£1.757m over-recovery) - Due to higher charges for garage, shops and loan interest.
- c) Repairs Contract (£1.301m overspend) - Due to an in-year increase required to address damp and mould and disrepair.
- d) Estates Service (£2.018m overspend) - Due to overspend of £2.7m on multi story buildings because of higher fuel prices, partially offset by £0.7m underspends on staffing.

- e) General Management (£1.679m underspend) - Due to a staffing underspend of £3.4m from tighter budget management, as well as reduced recharges for BCC delivered services commissioned by the HRA, again due to efficiencies in BCC operations. Offset by a £0.6m planned overspend on Wisemove to increase availability of larger properties, and Druids Heath brought forward spend from 2024/25 plans. Further offset by an adjustment to reserves of £1.117m for Equal Pay claims made from the HRA.
- f) Bad Debt Provision (£3.642m underspend) - Due to improving rates of recovery, through restarting escalation to eviction, effective collection processes and improved take up of Direct Debit to reduce debt growth.
- g) Capital Financing (£3.536m overspend) - Due to higher than budgeted interest rates on new borrowing. Where possible longer term financing is used to dampen the impact of increased rates, and the reduced PWLB rate for HRA borrowing has been used to further mitigate borrowing costs.
- h) Capital Programme Funding (£5.809m underspend) – Due to change in funding of the capital programme as a result of increased capital receipts and outturn.

8 Capital Programme Outturn for 2022/23

8.1 The Capital Programme provisional outturn spend position for the 2022/23 financial year is £407.0m. This is £330.8m below the 2022/23 programme of £737.8m as shown in Table 10 below:

Table 10 – Capital Outturn for 2022/23

	Quarter 3 forecast 2022/23	Movements since Quarter 3	Year end Outturn 2022/23
	£m	£m	£m
2022/23 Original Budget	531.716	0.000	531.716
Change in budget	196.835	9.260	206.095
2022/23 Revised Budget	728.551	9.260	737.811
Less: Cumulative Slippage	(146.593)	(184.169)	(330.762)
Outturn (Expenditure in year)	581.958	(174.909)	407.049

8.2 The Capital Programme had projected slippage of £146.6m for the year at Quarter Three. Details of this can be found in the Corporate Monitoring Report presented to Cabinet in February 2023. Further slippage of £184.2m is now being reported as the final outturn for 2022/23. This means that full year slippage is £330.8m as shown in the table above.

8.3 There are a wide range of slippages across all Directorates. The three largest were:

- a) Housing Redevelopment BMHT: net slippage of £33.1m –During 2022/23, housebuilding increased nationally leading to a shortage of material and construction workers, which contributed to project delays;
- b) Brum Breathes & Route to Zero: slippage of £30.3m – this relates to slower than expected usage of the Clean Air Zone (CAZ) mitigation fund. Spending on this fund is demand-led, involving fairly low levels of grant expenditure to private individuals, organisations, and companies.
- c) Housing Improvement Programme: net slippage of £28.4m – The net slippage relates to delays in design and licence agreements with leaseholders on the Fire Protection and Structural Investment-related projects, as well as procurement and contractor delays, with changes in providers across East and West regions (to Wates).

- 8.4 For the 2022/23 financial year, monitoring reports were carried out against the backdrop of the lack of finance reports and significant data cleansing issues experienced within the new Oracle system. The forecasts were largely reliant on non-ledger management information and records. A significant amount of manual effort has been undertaken to be able to produce the financial outturn within the Oracle system.
- 8.5 It is important to note that no financial resources will be lost as a result of the slippage. The resources and planned expenditure could be, if approved or required, “rolled forward” into future years. A detailed review of the 2023/24 and beyond capital programme has been undertaken in light of the Council’s financial pressures and reported as part of the 2024/25 Budget report.
- 8.6 For 2023/24 and beyond strict rules will apply to budget changes during the year to ensure transparency where additional resources have been provided or taken back for projects are over and underspending.
- 8.7 Further details are included in Appendix 5.

9 Treasury Management Strategy

- 9.1 At 31st March 2023, the Council’s total loan debt net of treasury investments stood at £3,184.5m, compared to net loan debt of £2,961.5m as at 31st March 2022.
- 9.2 The Council’s treasury investments held at 31st March 2023 were £105.6m. The Council also held investments of £50.1m as accountable body.
- 9.3 The Council did not breach any of its prudential limits set under the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance.
- 9.4 Treasury management net borrowing costs totalled £216.9m; after recharges to other services the costs were £124.0m. This meant Treasury costs were £8.7m below the budget, after including the costs for the Council’s other long term liabilities. The main reason for this underspend was due to higher interest rates than forecast, leading to higher interest rates income on the Council’s balances. In addition, due to delays in the capital programme, the Council was able to capitalise a higher level of interest costs while the asset is under construction/not operational. This means these interest costs did not hit Treasury revenue budgets.

9.5 Further details are included in Appendix 6.

10 Options considered and Recommended Proposal

10.1 Directors, in striving to manage their budgets, have evaluated all the options available to them to deliver services within the budget set.

11 Consultation

11.1 There is no consultation required on this report. The financial outturn is a summary of past events.

12 Risk Management

12.1 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.

13 Compliance Issues

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

- a) The budget was approved as part of the City Council's Financial Plan 2022-23, and resource allocation is directed towards policy priorities.

13.2 Legal implications

- a) 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.

13.3 Financial implications

- a) The financial implications are set out in this report.

13.4 Procurement implications

- a) There are no procurement implications as a result of this report.

13.5 Human Resources implications

- a) There are no Human Resources implications as a result of this report.

13.6 Public Sector Equality Duty

- a) 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.

14 Appendices

Appendix 1 – Directorate Summaries, including:

- Appendix 1A: Adult Social Care
- Appendix 1B: Council Management
- Appendix 1C: Children and Families
- Appendix 1D: City Operations
- Appendix 1E: Place, Prosperity, and Sustainability
- Appendix 1F: City Housing
- Appendix 1G: Strategy, Equalities and Partnership
- Appendix 1H: Corporate Accounts

Appendix 3 – Recommended Reserves Movements

Appendix 4 – Collection Fund Outturn for 2022/23

Appendix 5 – Capital Outturn for 2022/23

Appendix 6 – Treasury Management report for 2022/23

15 Background Documents

15.1 City Council Financial Plan 2022/23 approved at Council 22nd February 2022

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

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

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

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

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

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

15.8 Quarter 3 Financial Monitoring Report approved by Cabinet 14th February 2023

15.9 Month 10 Financial Monitoring Report approved by Cabinet 21st March 2023

Appendix 1A: Adult Social Care

1. Summary

- 1.1 The Adult Social Care directorate has an overspend of £0.4m which represents 0.1% of the net budget. This outturn position is after recommended net transfers to reserves of £21.1m. This transfer to reserves predominately funds additional appropriations to the Fairer Futures Fund of £10.8m, Better Care Fund of £2.3m, grants supporting refugees and migrants of £4.8m and use of Corporate Reserves for the Early Intervention and Prevention Programme of £2.5m. Further details are provided in Appendix 3.

Table 1: 2022-23 Provisional Outturn Summary of Adult Social Care

Adult Social Care Directorate	Current Budget	Outturn	Outturn Variation over/(under) spend	Recommended Transfer to/ (from) Reserves	In Year Variation over/(under) spend
	£m	£m	£m	£m	£m
Adults Social Care Division	(5.936)	(13.767)	(7.832)	7.204	(0.628)
Commissioning Division	32.196	20.266	(11.931)	9.772	(2.159)
Quality and Improvement Division	17.763	16.683	(1.080)	(0.063)	(1.144)
Director Community and Operational Services Division	57.329	56.687	(0.642)	0.183	(0.459)
AD Community Services & ED & I Division	26.477	24.139	(2.339)	0.400	(1.939)
Adult Care Packages Division	238.299	241.408	3.110	3.603	6.713
Directorate	366.129	345.416	(20.713)	21.099	0.385

* Below is further detailed commentary where the variations are above or equal £0.5m

2. Detailed Service Highlights

- 2.1 Adult Social Care Division (£0.6m underspend) – non-essential spend controls across the Directorate resulted in an underspend against controllable budgets held within the Director of (£0.6m) at year end. This is a movement from Month 10 of (£0.1m).
- 2.2 Commissioning Division (£2.2m underspend) – This year end variation relates to (£0.7m) linked to vacancies across the team and recharge income against base budget funded posts for the increased number of Government Grants the service is responsible for. There are also underspends projected of (£1.1m) against the overall third sector grant budget due to reduced activity which is ongoing after the pandemic, and it is expected this activity will increase during 2023/24 specifically around Advocacy. There is also an underspend of (£0.3m) due to additional contributions from the Better Care Fund and Household Support Fund towards third sector expenditure.

- 2.3 Quality & Improvement Division (£1.1m) Underspend – There is a use of Omicron Grant reserves of (£0.7m) which is an unbudgeted reserve required to support recruitment and retention payments incurred within the Community & Operation Services Division. At Month 10 it was anticipated that £1.4m of this grant would be required, however due to staffing underspends within the Social Work service payments are continuing into 2023/24 so support has been split between the two financial years. Therefore, there is a movement from Month 10 of £0.7m relating to this. There is also a (£0.4m) favourable variance related to reductions in IT support costs relating to the Eclipse implementation where costs were only incurred early in the financial year.
- 2.4 Community and Operational Services Division (£0.5m) Underspend – This year end variation relates mainly to underspends in employee costs of (£0.4m) as the Directorate has had many vacancies which it has been unable to fill throughout the year. This sector nationwide has had problems recruiting Social Workers and has needed to fund Recruitment and Retention bonuses for staff to stabilise the workforce which are part funded from the one-off use of reserves. Premises costs were higher than anticipated and resulted in an overall pressure of £0.5m for essential repairs to the Day Centres and Care Centres, which is offset by an underspend across transport of (£0.5m). There is also a minor underspend of (£0.1m) against general supplies and services linked to non-essential spend controls across the service.
- 2.5 Community Services and Equality, Diversity, and Inclusion Division (£1.9m) Underspend – This year end variation relates mainly to employee underspends (£1.7m) as the Directorate has many vacancies which it has been unable to fill throughout the year as the sector nationwide has had problems recruiting Social Workers. An underspend against supplies and services budgets of (£0.5m) related mainly to Deprivation of Liberty Safeguards, which is linked to delays in new legislation and the service has not been able to fully recruit independent assessors. There is a one-off pressure of £0.3m relating to Discharge Facilitators, which will not be required in 2023/24.
- 2.6 Adult Care Packages Division £6.7m Overspend – The underlying overspend related to packages of care is £9.9m which is being offset by additional contributions received from Health partners in March 2023 of (£3.2m) to support pressures specifically for Adults with Learning Disabilities and Mental Health

Appendix 1A

costs. This underlying pressure of £9.9m is made up from additional bad debt provisions required for non-collection of client contributions following the Oracle implementation of £3.5m and work continues with Transactional Services to reduce this during 2023/24. The remaining £6.4m pressure relates to increases in both price and demand across Adult Social Care. The average weekly rate has increased above inflation for both Older and Younger Adult placements, and demand for care packages, specifically for Younger Adults has also increased. The overall movement from Month 10 is a reduction of (£1.3m) which is the net variation between additional backdated payments and pressures of £1.9m offset by additional contributions received from Health partners at year end of (£3.2m).

Appendix 1B: Council Management

1. Summary

1.1 The Council Management directorate, excluding Commonwealth Games, has an underspend of £6.5m which represents 15.4% of the net budget. This outturn position is after recommended net transfers from reserves of £5.0m. The net transfer from reserves predominately funds actual spend in year including Self-Isolation Payments from grants and part funding of a Housing Benefit Subsidy Provision in Digital and Customer Services and ERP and project spend in People Services. Further details are provided in Appendix 3.

Table 1 – 2022-23 Provisional Outturn Summary of Council Management, excluding Commonwealth Games

Council Management Directorate	Current Budget	Outturn	Outturn Variation over/(under) spend	Recommended Transfer to/ (from) Reserves	In Year Variation over/(under) spend
	£m	£m	£m	£m	£m
Director of Council Management	(0.177)	0.073	0.250	0.000	0.250
Director of Digital and Customer Services	0.090	0.390	0.300	0.000	0.300
Revenues and Benefits	1.725	5.808	4.083	(4.129)	(0.046)
ITDS	9.793	8.745	(1.048)	(2.155)	(3.203)
Customer Services	21.219	19.769	(1.450)	0.679	(0.771)
Audit	2.160	1.473	(0.687)	0.062	(0.625)
City Solicitor	6.918	7.220	0.302	0.000	0.302
Development and Commercial	4.412	1.353	(3.059)	1.071	(1.988)
Finance	(19.421)	(19.421)	0.000	0.000	0.000
Programmes, Performance and Improvement	5.718	5.123	(0.595)	0.000	(0.595)
People Services	9.808	10.200	0.392	(0.523)	(0.131)
Directorate	42.245	40.733	(1.512)	(4.995)	(6.507)

* Below is further detailed commentary where the variations are above or equal £0.5m

2. Detailed Service Highlights (where a material variance)

2.1 Director of Council Management (£0.2m overspend) – £0.2m other minor variations being mainly KPMG consultancy for a range of support activity including Council Management Directorate Target Operating Model design support, directorate communications strategy and heads of service/all staff

Appendix 1B

event support, directorate staff engagement support, newsletter and pulse survey support. A balanced position was reported at Month 10.

2.2 Digital and Customer Services (£3.7m underspend) – An improvement since Month 10 when an overspend of £3.9m was reported.

a) £3.2m ICT and Digital service underspend, made up of an underspend of £2.4m on the Prudential borrowing repayment budget, £1.4 underspend on suppliers and service. An overspend of £0.6m on employee cost, as vacancies covered by agencies cost more. Minor overspends in third party payments, transportation and premises of £0.2m. Minor over recovery of income £0.2m. Budgets to be realigned in 23/24.

b) £0.8m Customer and Business Support service underspend, due to substantial number of vacancies, as difficulties in recruiting roles has increased the recruitment lead time and high staff turnover. This includes £0.1m overspend reported on digital mail. This variance is caused by an 18% inflationary increase in postage costs from November 2022 and is unchanged since Month 10.

c) Revenue and Benefits (Balanced)

- £1.2m underspend on Employees, due to difficulties in recruitment (which were exacerbated by the backlogs in work due to additional work required for payment support schemes to support residents during COVID. This meant that demand for Revenues and Benefits staff significantly increased across the country
- £2.7m underspend on supplies and services, £1.4m over recovery on recharge income and £2.2m underspend on below the line.
- The above underspends partly funded the: -
 - £1.3m overspend on third party payments
 - £5.4m overspend on transfer payments
 - £0.8m under recovery of non-rechargeable income

d) Director of Digital and Customer Services minor overspend of £0.3m. Budget to be realigned in 23/24. This is an improvement since Month 10 when an overspend of £3.9m was reported. This improvement was because the shortfall in Court Cost income of £3.7m in Revenue and Benefits was reduced to £2.9m and the draw down of reserve of £2.5m.

Appendix 1B

- 2.3 Audit (£0.6m underspend) – The underspend reflects the success of the statement reconciliation exercise which drew to a conclusion in year. The exercise sought to identify and recover from suppliers' overpayments that has occurred for any reason, unrecognised credits, unallocated cash, and any unidentified duplicate payments. In addition, the exercise sought to identify any missed VAT that could be recovered from HMRC. The exercise recovered significant funds as a one off in year contribution. This is an improvement since Month 10 when a balanced position was reported.
- 2.4 City Solicitor (£0.3m overspend) – £1.1m overspend Legal Services, including £0.9m savings not achieved and £0.2m other minor variations. Savings were calculated as being deliverable at the time of agreement dependent on further work but have subsequently not been able to deliver the anticipated benefits relating to leveraging non-General Fund funding sources.
- 2.5 Governance (£0.8m underspend) – including £0.6m underspend Local Election staffing, and £0.2m other minor variations. A balanced position was reported at Month 10.
- 2.6 Development and Commercial (£2.0m underspend) – An improvement since Month 10 when a balanced position was reported, the £2.0m underspend includes:
- a) £0.4m overspend City Catering, other minor variations.
 - b) £0.2m overspend Procurement, other minor variations.
 - c) £0.2m overspend City Cleaning, other minor variations
 - d) £1.6m underspend traded services. The budget headroom awarded for pay and price increases in line with inflation was not required as the traded services, primarily Cityserve, delivered a net £0.4m underspend against budget without the need to call on this.
 - e) £0.9m underspend Cityserve, due to
 - £0.4m favourable variance: Increased income generation including food uplift income and rebates.
 - £0.3m favourable variance: Head office vacancies and delay in implementing bid writing team – awaiting conclusion of service redesign.

Appendix 1B

- £0.2m favourable variance: Numerous minor head office expenditure variance including premises, transportation, equipment and other supplies & services
- f) £0.2m underspend Development and Commercial Finance, other minor variations.
- g) £0.1m underspend Birmingham City Labs, other minor variations
- 2.7 Finance (balanced) – a £0.5m overspend has been funded from the planned use of reserves (and Oracle overspends have been funded from corporately-held reserves). Variations include:
- a) £1.5m overspend non-delivery of budgeted ERP savings to be funded by underspends across the Finance Service and planned use of reserves.
 - b) £0.7m overspend KPMG support. £0.3m cost of support for bank reconciliation work, £0.2m cost of capacity and capability review and £0.5m cost of Strategic and Technical Advice for Finance reporting to be funded by underspends across Finance Service and £0.3m Policy Contingency funding.
 - c) £1.8m underspend prudential borrowing and computing budgets for legacy borrowing, SAP development and support and general computing costs. Funding will be used to support SAP archive and maintenance and Oracle process costs ongoing.
- 2.8 Programmes, Performance and Improvement (£0.6m underspend) – An improvement since Month 10 when a balanced position was reported, the £0.6m underspend includes:
- a) £0.5m underspend Corporate Performance team employee vacancies due to filling new structure following service redesign.
 - b) £0.1m underspend Improvement & Change team employee vacancies
- 2.9 People Services (£0.1m underspend), including:
- a) £0.7m overspend HR Services, mainly cost of interims and reduced income; offset by
 - b) £0.8m underspend HR Schools, mainly vacancy savings and additional income.

c) A balanced position was reported at Month 10.

3. Commonwealth Games

3.1 Commonwealth Games (CWG) has a balanced position. This outturn position is **after** recommended net transfers to reserves of £31.2m. The transfer to reserves predominately funds the Legacy Portfolio to fulfil the Council's commitments and ambitions to realise a legacy value for the city of Birmingham arising from hosting the Commonwealth Games. Further details are provided in Appendix 3.

Table 2 – 2022-23 Provisional Outturn Summary of Council Management, Commonwealth Games

Council Management Directorate	Current Budget £m	Outturn £m	Outturn Variation over/(under) spend £m	Recommended Transfer to/ (from) Reserves £m	In Year Variation over/(under) spend £m
Commonwealth Games	50.699	19.460	(31.239)	31.239	0.000

3.2 The £31.2m underspend is recommended for appropriation to reserves to give a balanced position. This is made up of the following elements:

- a) Overall £25m underspend against the core CWG budget – this represents the Council's share of the overall underspend against the core CWG budget. This was the result of strong and disciplined management of the CWG budgets and in particular the active management of all contingencies, including those relating to security and exceptional costs as a result of the COVID pandemic.
- b) A further £6m underspend in relation to City Readiness budgets – these budgets were intended to be available to supplement BAU budgets for key elements such as street cleaning, city dressing etc., and as a result of robust financial and operational management, the extent to which this additional funding was required was somewhat lower than budgeted for.
- c) An additional contribution of £2.6m from the Birmingham 2022 Organising Committee – this is made specifically to finance the reinstatement of Perry Park (including provision of a play area) following the temporary installation of a Transport Mall and to fund the discharge of remaining associated planning obligations.

Appendix 1B

- d) Proposed spending of £2.3m to be funded from this reserves, to fund the Commonwealth Games Legacy Programme and the City Readiness Programme.

4.1 Appendix 1C: Children & Families

1. Summary

1.1. The Children & Families directorate has an overspend of **£42.2m** which represents 12.6% of the net budget. This outturn position is **after** recommended net transfers to reserves of £2.1m. Further details are provided in Appendix 3.

Table 1: 2022-23 Provisional Outturn Summary of Children & Families

C&F Directorate	Current Budget	Outturn	Outturn Variation over/(under) spend	Recommended Transfer to/ (from) Reserves	In Year Variation over/(under) spend
	£m	£m	£m	£m	£m
Education & Early Years	10.797	7.884	(2.913)	2.631	(0.282)
Children & Young People Travel Service	36.819	54.974	18.155	0.000	18.155
Inclusion & SEND	10.830	16.873	6.043	0.000	6.043
Lifelong Learning & Employability	28.689	27.054	(1.635)	1.302	(0.333)
Birmingham Children's Trust	218.226	242.226	24.000	0.000	24.000
Strategic Leadership	25.746	24.892	(0.854)	0.992	0.138
Commissioning	3.946	1.270	(2.676)	2.520	(0.156)
Directorate	335.053	375.173	40.120	7.445	47.565
Use of Reserves to Fund SENAR Pressure				(5.345)	(5.345)
Directorate (after Use of Reserves)	335.053	375.173	40.120	2.100	42.220

Please note that the £7.4m transfer to reserves shown in this table differs to the £8.3m shown in table 3 as this table excludes £0.9m contributions to reserves related to the DSG.

2. Detailed Service Highlights (where a material variance)

2.1 Below is further detailed commentary where the variations are above or equal £0.5m

Children and Young Person's Travel Service

2.2 The service is reporting a £18.2m overspend for 2022/23, split by £13.4m transport cost overspend and £4.8m guides cost overspend. This is in line with the Month 10 forecast for this service.

2.3 The reasons for the overspend within this service area are as follows:

- a) The growth in the number of children with EHCPs is an important factor in increasing overall demand for SEND transport. The number of EHCPs provided in Birmingham on an annual basis increased from 802 in 2020 to 1,230 in 2021, and 1,341 in 2022.

- b) The increasing complexity of the needs of children with SEND was also a major factor, contributing to growing expenditure on SEND transport. Increasing numbers of children with complex medical needs, profound and multiple disabilities, created a demand for more costly forms of transport such as specially equipped buses, and more skilled passenger assistants who could provide medical support in an emergency. At the same time, increasing numbers of children presenting with extremely challenging behaviour have led to greater use of individual taxi journeys for this cohort.
- c) Another factor affecting all local authorities, not just Birmingham City Council was, an increasing percentage of children with EHCPs, being educated in special schools and when local special schools became full, the 'nearest suitable school' was further afield and therefore more costly in transport terms.
- d) Market Pressures, including driver wages and increased fuel costs also contributed to the increased spend. This was further compounded by the fact that existing contracts with service providers were negotiated a long time ago and were no longer cost-effective. As a result, transport provider costs continued to grow. Steps are being taken to revise the transport framework in its entirety and work has started with service providers to establish a new and more cost-efficient framework. We hope to see the cost benefits of the new framework from 2023/24.

2.4 As part of the Council's Medium Term Financial Plan an uplift of £20.9m was agreed for 2023/24 recognising the pressure the service was experiencing.

Inclusion & SEND

2.5 Special Educational Needs Assessment and Review Service (SENAR) Service is reporting an overspend of £5.1m, a reduction of £1.7m from Month 10 forecast. This is due to:

- a) In February 2021, a restructure of the service was initiated, and all permanent staff placed under a S188 notice. The Ofsted inspection in May 2021 reported that the SENAR service was extremely under resourced and unable to meet its statutory responsibilities. Due to the Ofsted inspection and resulting commissioner appointment, this restructure was paused pending

further investigation and baselining of what the service requires to fulfil its statutory responsibilities.

- b) There has been additional investment secured from BCC for the SENAR service to address the concerns of under resourcing. For 2022/23 this was an additional £5.3m. As the funding was temporary (to fund the required staffing levels whilst the baselining exercise was undertaken), it has not allowed for permanent recruitment. During 2022/23 there were significant numbers of interim staff in the service covering roles from the Head of Service to lower graded support officers, and whilst this has resulted in an increase in compliance against the statutory measures, it does incur higher costs versus permanent posts. The requested £5.3m was based on the activity/backlogs of statutory tasks identified at that point in time, however further investigations resulted in additional statutory work requiring more Case Officers to be appointed, and an increase in appeals requiring more Tribunal Officers to be appointed.
- c) The staffing needs within the service have been under constant review throughout the year, this has resulted in reducing the number of interim staff, and therefore a reduction in spend on the service, reducing the £6.8m overspend down to £5.1m. The redesign of the service has commenced, which will allow a robust drive to create a permanent workforce.

2.6 This overspend of £5.1m will be mitigated in its entirety by earmarked reserves held by the Directorate and policy contingency already allocated to the Directorate for other purposes.

2.7 A request for the ongoing budget required for the service was approved through the MTFP process, to the value of £11.1m in 2023/24, reducing to £8.9m in 25/26 and ongoing. The service will now be able to actively pursue the permanent recruitment and no ongoing pressure is anticipated.

SENDIASS

2.8 SENDIASS is a free, confidential service that offers impartial information, advice and support to families of children and young people with special educational needs or disabilities, and young people themselves (aged 16+). The service is reporting a total overspend of £0.9m, broken down as follows:

- a) SENDIASS Core Team - Overspend of £0.5m, due to additional staff recruited during the Covid-19 period have accounted for this overspend. This overspend is limited to 2022/23. A paper went to Cabinet in February 2023 and agreed to an internal future delivery model for the service. A proportionate budget has been set for 2023/24 according to the revised structure.
- b) SENDIASS Early Help - Overspend of £0.4m. This overspend is limited to 2022/23 and has not continued past March 2023 into 2023/24 as the service has transferred to Birmingham Children's Trust and been absorbed within their existing Early Help offer.
- c) The outturn figure is in line with the forecast position reported at Month 10.

Birmingham Children's Trust (BCT)

2.9 BCT is a commissioned service. The 2022/23 outturn position is a net pressure of £24.0m, as a result of:

- a) The forecast rise in the care population for 2022/23 has again proven to be very accurate, however the number of unaccompanied asylum-seeking children (UASC) has increased significantly and was not planned. This together with complexity of need and a continued rise in the number of children in high-cost placements has resulted in a gross cost pressure of £26.7m for 2022/23.
- b) Management action and efficiencies delivered across the Trust, together with additional grant from the Household Support Fund and use of the Supporting Families reserve, has provided off-setting savings of £2.7m, reducing the overall deficit to £24.0m. This is in line with the target the Trust set itself in the last quarter of the year. The last reported projection for the Trust was a net pressure of £26.5m as of 30 November 2022. At that point the Trust stated it was now reducing its' overspend by around £0.5m per month and was aiming to reduce the overall position to £24.0m by the year end.
- c) As reported previously complexity of need continues to impact with the number of children with a placement cost more than £5,000 per week increasing to over 80 children. At the same time activity across Family Group Conferencing, Breaking the Cycle and Safer Families work demonstrates significant levels of cost avoidance of £17m per annum.

2.10 As part of the Council's Medium Term Financial Plan an uplift of £23.6m was agreed for 2023/24 recognising the pressure the Trust was experiencing. This included £3.6m for demography based on the levels of demand forecast, with the balance of £20m against placement costs.

Appendix 1D: City Operations

1. Summary

1.1. The provisional outturn for the City Operations Directorate is an overspend of £6.3m which represents 3.2% of the net budget. This outturn position is after recommended net transfers from reserves of £5.8m. Further details are provided in Appendix 3.

Table 1: Provisional Outturn Position

	Budget	Outturn	Outturn Variance over/ (under) spend	Recommend ed Transfer to / (from) Reserves	Variance
	£m	£m	£m	£m	£m
Street Scene	94.723	91.888	(2.835)	2.708	(0.127)
Neighbourhoods	22.329	22.150	(0.179)	(0.045)	(0.224)
Regulation & Enforcement	5.788	8.461	2.673	(1.485)	1.188
Highways & Infrastructure	55.048	67.837	12.789	(7.031)	5.758
Community Safety	2.714	2.552	(0.162)	0.020	(0.142)
Central Recharges	16.707	16.544	(0.163)	0.000	(0.163)
Directorate	197.309	209.432	12.123	(5.833)	6.290

2. Key Divisional Highlights (where a material variance)

Street Scene (£0.1m underspend)

1.2. The net position comprises a number of significant pressures mainly within waste collection offset by underspends within waste disposal. The pressures are predominately within staffing, vehicle hire & maintenance and income levels in the Garage and Trade Waste services. Offsetting underspends were delivered primarily on prudential borrowing due to delays in fleet vehicle purchase, the waste disposal contract due to plant efficiency and low diversion to landfill and additional electricity income due to increases in market prices.

- 1.3. The main pressure within the service is on employee budgets with an overspend of £6.3m. Staffing pressures remain in the service due to previous reductions in budget related to delivery of service redesign, however, the redesign has not been delivered and there is a high level of agency use.
- 1.4. Vehicle budgets overspent by £2.7m due to the levels of vehicle hire and repairs & maintenance requirements – this follows the increasing age of the fleet and delays in vehicle replacement. The overspend includes additional fuel costs of £1.1m.
- 1.5. Spend on equipment and supplies overspent by £2.7m primarily due to additional costs in the provision of anti-graffiti activity, personal protective equipment and bin purchase.
- 1.6. Income pressures continue to be seen within the Garage and Trade Waste service with shortfalls of £0.9m and £1.7m respectively due to reductions in demand and customer base. The Landscape Practice Group under achieved its income budget by £0.6m.
- 1.7. Overspends have been partially offset by underspends within the waste disposal contract due to efficient operations at the Tyesley plant and low levels of waste diverted to landfill – this delivered an underspend of £6.2m. Additional income of £5.0m was achieved from electricity generation following increases in market prices and income from the sale of recyclables. Bulky and garden waste delivered additional income of £1.0m. Delays in the fleet replacement capital programme have led to an underspend of £2.8m on prudential borrowing spend.

Neighbourhoods (£0.2m underspend)

- 1.8. The main pressures have been in Leisure Services this year through a combination of high energy costs, finalisation of covid support to external providers and pressures on income. With Covid support and energy pressures funded corporately, the pressure on income remains within the service outturn at £0.7m. Bad debt provision of £0.5m has been made following delays to loan repayments. Mitigation of £1.1m has been delivered through holding vacant posts and an underspend of £0.3m on prudential borrowing.

Regulation and Enforcement (£1.2m overspend)

- 1.9. The Coroners service overspent by £0.9m mainly due to increased cost from the new court whilst keeping the existing in operation. The overspend includes £0.5m from the cost of a major inquest which is expected to run into several million over the next 4-5 years.
- 1.10. The Bereavement service overspent by £2.0m primarily due to income underachieving by £1.4m. Supplies budgets overspent by £0.6m due to high cost of materials.
- 1.11. Environmental, Pest Control and Mortuary services underspent by £0.4m with underspends across employees of £0.2m offset by supplies costs £0.3m pressure, with higher than expected fixed penalty notice income of £0.5m from litter patrols.
- 1.12. The Private Sector Housing service underspent by £0.7m within employees and training in respect of inspections and improvements to houses in multiple occupation. The Registration service over-achieved income by £0.6m.

Highways & Infrastructure (£5.8m overspend)

- 1.13. The main pressures are £5.5m on street lighting electricity following significant energy cost increases and a net shortfall of £1.5m on Parking due to parking income pressures. Parking income continues to under recover due to reduced demand following the success of strategies, such as the Clean Air Zone, to encourage movement away from using cars in the city centre and changing habits following the pandemic. Overspends were partially offset by an employee underspend of £0.7m across Highways services due to vacancies and additional income of £0.3m from temporary traffic regulation orders for road closures.

Appendix 1E: Place, Prosperity and Sustainability Directorate

1. Summary

- 1.1 Place, Prosperity and Sustainability Directorate underspent by £1.0m which represents 1.7% of the net budget.
- 1.2 The outturn position is after net transfers of £28.1m to reserves. This largely relates to net contributions of £18.7m to the Clean Air Zone Reserve (held within the Transport & Connectivity Division) and £5.0m to Section 106 Grant Reserves (held within the Planning Division). These income streams are ringfenced to be spent on these specified items. These contributions to reserves enable the Council to hold this income to spend on the purposes specified, in future financial years. Further details are provided in Appendix 3.

Table 1: 2022-23 Outturn Summary of Place, Prosperity and Sustainability

Place, Prosperity & Sustainability Directorate	Current Budget	Outturn	Outturn Variation over/(under) spend	Recommended Transfer to/ (from) Reserves	In Year Variation over/(under) spend
	£m	£m	£m	£m	£m
PPS Director	10.278	8.779	(1.499)	0.250	(1.249)
Planning	5.569	(1.840)	(7.409)	6.863	(0.546)
Development	(0.474)	0.200	0.674	0.400	1.074
Housing Development	0.527	(0.005)	(0.532)	0.371	(0.161)
Investment & Valuation	(12.567)	(12.600)	(0.033)	(0.223)	(0.256)
Corporate Landlord	9.496	9.756	0.260	0.495	0.755
Transport & Connectivity	48.817	28.540	(20.277)	19.676	(0.601)
Route to Zero	0.957	0.709	(0.248)	0.248	0.000
Directorate	62.603	33.539	(29.064)	28.080	(0.984)

Please note that the £28.1m net transfer to reserves differs from the net contributions shown in Table 3 of £22.2m, mainly because the £28.1m also includes corporate adjustments of £5.9m. There is no impact on the final outturn position for this Directorate.

*Below is further detailed commentary where the variations are above or equal £0.5m.

2. Detailed Service Highlights (where a material variance)

Place, Prosperity & Sustainability Director – £1.2m underspend

- 2.1 This is driven by underspends mainly relating to staffing, supplies and services.

Planning - £0.5m underspend

- 2.2 This underspend is mainly related to Planning Strategy and Policy employee underspending of (£0.5m)

Development - £1.1m overspend

2.3 This is driven by Planning Applications income shortfall of £1.6m due to a reduction in the volume of planning applications. This was slightly offset by Pre-application income over-recovery of £0.2m and Planning and Development had a staff underspend of £0.3m.

Investment & Valuation – £0.3m underspend

2.4 This underspend relates to:

- a) Additional commercial rental income of £1.7m mainly arising from new acquisitions during 2022/23 such as 9, Colmore Row and The Parade, Sutton Coldfield
- b) Fall out of prudential borrowing costs (£0.2m) underspend i.e. elements of Wholesale Markets borrowed at a shorter term
- c) Net commercial property premises costs of £1.5m overspend arising from increased gas and electricity costs of £0.5m, void unit costs of £0.3m, waste management £0.2m, service charge income £0.6m under-recovery
- d) Staffing costs £0.2m overspend
- e) Public Hubs net saving target £0.2m not achieved

Corporate Landlord - £0.8m overspend

2.5 Undelivered savings related to CAB premises (excluding Lancaster Circus) £1.3m

2.6 Business Rates (£0.6m) underspend mainly as a result of refunds on Council House and Extension due to closure as a result of refurbishment.

2.7 Rental income £0.2m under-recovery as a result of Childrens Trust vacation of Sutton New Road and other tenants at Woodcock Street

2.8 Water services (£0.2m) underspend

2.9 Other minor variations £0.1m overspend including £0.050m undelivered Council House commercialisation savings.

Transport & Connectivity - £0.6m underspend

2.10 Property Strategy net underspend of £0.2m arising from employee underspends and additional recharges and other minor underspends of £0.4m. This position is after reserve contributions, as explained in paragraph 1.2 above.

Appendix 1F: City Housing

1. Summary

1.1 The City Housing directorate has an overspend of **£15.6m** which represents 97.8% of the net budget: A result of statutory homeless assessments increasing 45% in 3 years, and inflationary pressures in the housing market, despite improved prevention rates of 50%. This outturn position is **after** recommended net transfers to/from reserves of £3.7m. This is a £0.1m transfer from reserves to fund in year spend on homelessness prevention relating to gambling addiction, and a £3.8m transfer to reserves for Landlord Incentives funded from ringfenced DLUHC grant which was received 22/23 but will be spent in 23/24. Further details are provided in Appendix 3.

Table 1: 2022-23 Provisional Outturn Summary of City Housing

	Current Budget £m	Outturn £m	Variance £m	Reserves Transfer £m	In year variation £m
Housing Options	16.280	28.462	12.182	3.744	15.926
Shelforce	(0.369)	(0.723)	(0.354)	0.000	(0.354)
Directorate	15.911	27.739	11.828	3.744	15.572

2. Detailed Service Highlights (where a material variance)

- 2.1 Staffing (£2.2m underspend) – Due to £1.8m employee underspend covered by £0.5m agency use. Spend control has impacted on workforce spend, but the main cause of underspend is recruitment and retention issues in priority areas, impacting on other areas of the service due to stretched resources. Remaining £0.9m underspend is due to late opening and occupancy within Oscott Gardens Homeless Centre and vacancies in Hostels.
- 2.2 Temporary Accommodation (£15.2m overspend) – B&B overspend £9.7m due to increased demand and limited alternatives resulting in reliance upon B&B, a picture seen nationally. Private Sector Leased accommodation overspend of £3.9m due to difficulties in securing larger properties, resulting in use of accommodation on Emergency Night Rates. Homeless Centre overspend of

£1.8m due to early 2022 delays in available units at Oscott Gardens. Dispersed Property over-recovery of income (£0.6m) due to increased use of this form of accommodation to mitigate cost impacts of B&B alternative. These issues are mitigated in the future through the TA Investment Strategy, to ensure suitable and cost-effective supply is available over the medium term while the prevention efforts take hold, and longer-term supply of affordable homes is increased through Place, Prosperity & Sustainability. Other minor variations net £0.4m overspend mainly due to additional legal fees. The overspend on Temporary Accommodation has worsened by £5.8m since Month 10 due to increases of £2.0m on B&B, £2.7m on Private Sector Leased accommodation and £1.1m on Hostels, £0.4m on other (mainly legal fees), offset by improvement of £0.4m on Dispersed Property.

- 2.3 Bad Debt Provision (£2.9m overspend) – Billing and process issues due to systems infrastructure and reduced ability of residents to fund during cost of living crisis.
- 2.4 Shelforce (£0.4m underspend) – This is an overall £0.7m surplus, against a budgeted £0.3m. £0.3m is a one-off backdated rent refund on premises occupied and the remainder is surplus generated due to increased orders fulfilled for fittings to HRA owned properties through the Repairs and Maintenance contract.

Appendix 1G: Strategy, Equalities and Partnership

1. Summary

1.1 The SEP directorate has an underspend of £0.125m due to net employee underspends of £0.021m and a £0.104m underspend on the Leader's Development Fund. This outturn position is after recommended net transfers to reserves of £10.0m, as a result of underspends against the Public Health Grant.

Table 1: 2022-23 Outturn Summary of SEP Directorate

SEP Directorate	Current Budget	Outturn	Outturn Variation over/(under) spend	Recommended Transfer to/ (from) Reserves	In Year Variation over/ (under) spend
	£m	£m	£m	£m	£m
Communications & Marketing	1.870	1.884	0.014	0.000	0.014
Public Health	0.000	(9.809)	(9.809)	9.809	0.000
Insight, Policy and Strategy	1.157	1.444	0.287	0.074	0.361
Chief Executive	0.716	0.734	0.018	0.000	0.018
Director of SEP	(0.561)	(0.336)	0.225	0.139	0.364
Equalities	1.070	0.608	(0.462)	0.000	(0.462)
Strategic Partnerships, External Affairs and Corporate Leadership	2.318	1.898	(0.420)	0.000	(0.420)
Directorate	6.570	(3.577)	(10.147)	10.022	(0.125)

Appendix 1H: Corporate Accounts

1.1 The table below sets out the final variations on corporate costs against budget:

Table 1: Corporate Accounts Outturn

Corporate Accounts Outturn	£m
Cost of Pay Award above budgeted inflation rate	15.127
Cost of Energy above budgeted inflation rate	5.596
Cost of Living crisis	1.000
Ukraine Response Programme	0.653
Top Up to Household Support Fund	0.487
Sub-total Corporate Pressures funded by use of FRR	22.863
Balance Sheet Management	
Capitalisation	(3.871)
Agency Pay Award	1.182
Grant Maximisation	(0.338)
Corporate Bad Debt Provision	7.752
Treasury Management	(8.704)
Policy Contingency	(13.808)
Pension Strain/Redundancies/Equal Pay Legal Costs	(4.049)
Unallocated Income and Expenditure	0.240
Sub-total Other Corporate Variations	(21.595)
Forecast Oracle overspend funded from Delivery Plan Reserve	3.318
Employee Underspends on Adults to cover Workforce Savings Target	2.000
Use of Policy Contingency to fund electricity and fuel costs	(5.500)
Underachievement of Savings funded from Budget Smoothing Reserve	8.897
Postponing contribution to Cyclical Maintenance Reserve	(0.590)
Total Corporate Costs	9.393

Variations

1.1. The overspend of £9.4m on the budget includes:

- a) Corporate Pressures-funded by use of the Financial Resilience Reserve, including:

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- There was a cost of £15.1m for Pay Inflation that was not budgeted for in 2022/23.
- There is a cost of £5.6m for Energy costs above budget for the Corporate Estate. Please note this was previously forecast to be £10.9m.
- There is a cost of £1.0m to fund support for residents during the cost-of-living crisis. Please note this was previously forecast to be £5.0m.
- There is a cost of £0.7m to support the Ukraine Response Programme.
- There is a cost of £0.5m to fund the Top Up to the Household Support Grant.

1.2. Other Corporate budget variations include:

- a) The Council has been able to capitalise expenditure that would otherwise be charged to revenue, thus providing a saving of £3.9m.
- b) There is a cost of £1.2m for pay inflation costs of agency staff.
- c) Grant maximisation related to Public Health delivered savings of £0.3m.
- d) There is a corporate Bad Debt Provision of £7.8m to provide extra provision across Directorates following issues with implementation of the ERP system. This is an overspend as there is no Corporate budget for Bad Debt provisions.
- e) There is a provisional underspend of £8.7m on Treasury Management cost. Further details are provided in Appendix 7.
- f) There is a provisional underspend of £13.8m on Policy Contingency, described in paragraph 1.5 of this appendix.
- g) There is a net underspend of £4.0m on budgets for Pension Strain, Redundancies, and Equal Pay legal costs (set aside to deal with previous offers sent to employees).
- h) There is a net overspend of £0.2m on unallocated income and expenditure.

1.3. The overall corporate variation also includes the overspend of £3.3m on the ERP project, the use of £2.0m of Adult Social Care employee underspend to cover the Workforce Savings Target, the non delivery of £8.9m of savings to be funded from the Budget Smoothing Reserve, the use of £5.5m of Policy Contingency set aside for energy costs related to street lighting, offset by a saving of £0.6m from postponing a contribution to the Cyclical Maintenance Reserve.

Policy Contingency

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1.4. Release of Specific Policy Contingency – Since the Month 10 Report, the Section 151 Officer has approved the following releases of Specific Policy Contingency in year:

- a) £0.5m to fund SEND Improvement. It is planned to move the remainder of the £2.8m budget to Policy Contingency Reserve.
- b) £1.3m to fund the Apprenticeship Levy.
- c) £4.5m to fund expenditure on the Delivery Plan. It is planned to move the remainder of the £13.6m budget back in to the Delivery Plan Reserve.

1.5. Policy Contingency Outturn – There is a net underspend on Policy contingency of £13.8m as set out in the table below. An underspend of £9.5m had already been reported in the Quarter 3 forecast. The remaining underspends arise from the budgeted provision for costs proving to be higher than was required, and the avoidance of unnecessary expenditure.

Table 2: Policy Contingency Outturn

Name of Policy Contingency	Amount of Overspend/ (Underspend) £m
Inflation	(8.536)
Workforce Equalities	(2.000)
Apprenticeship Levy	(0.055)
Short-term Improvement in the Council House	(1.000)
Loss of Income from Car Park Closures	(0.252)
Corporate Funding for Owning & Driving Performance (ODP) Culture Change Programme	(0.129)
Policy Contingency allocated not required	(0.159)
General Contingency	(1.677)
Total Policy Contingency Underspend	(13.808)

Appendix 3 – Recommended Reserves movements

1. Reserves position:

1.1 This appendix shows the recommended reserves movements, for Cabinet approval, as a result of the 2022/23 outturn position.

Table 1: Recommended changes to Reserves at Outturn (page 1 of 4)

Detailed Breakdown of Proposed (Use of)/ Contribution to Reserves at Outturn			Budget Approved *	Changes Proposed at Outturn	Reserves Released at Outturn	(Use) /Contribution at Outturn
Directorate making request	Reserve	Reason for request	£m	£m	£m	£m
Corporate	Financial Resilience Reserve	Budgeted use to fund changes in MRP	(4.000)			(4.000)
Corporate	Financial Resilience Reserve	Budgeted use of DRF Contributions in 2022/23	(25.000)			(25.000)
Corporate	Financial Resilience Reserve	Budgeted use of FRR to fund Route to Zero (R20)	(0.956)			(0.956)
Corporate	Financial Resilience Reserve	Budgeted Net Borrowing from FRR	(0.912)			(0.912)
Corporate	Financial Resilience Reserve	Use of FRR to top up Household Support Grant		(0.487)		(0.487)
Corporate	Financial Resilience Reserve	Use of FRR to fund Pay Award		(15.127)		(15.127)
Corporate	Financial Resilience Reserve	Use of FRR to fund Energy costs		(5.596)		(5.596)
Corporate	Financial Resilience Reserve	Use of FRR to fund Cost of Living Crisis		(1.000)		(1.000)
Corporate	Financial Resilience Reserve	Use of FRR to fund shortfalls in Adult Social Care and City Housing income		(6.400)		(6.400)
Corporate	Financial Resilience Reserve	Use of FRR to fund Graffiti Street Art		(0.378)		(0.378)
Corporate	Financial Resilience Reserve	Use of FRR to fund Cleaner Streets		(3.000)		(3.000)
Corporate	Financial Resilience Reserve	Use of FRR to fund shortfall in Leisure Income		(0.917)		(0.917)
Corporate	Financial Resilience Reserve	Use of FRR to fund Ukraine Response Programme		(0.653)		(0.653)
Corporate	Financial Resilience Reserve	Contribution to FRR from National Levy Account Surplus received from Government at the end of 2022/23		3.004		3.004
Corporate	Financial Resilience Reserve	Charging Overspend to the FRR		(5.545)		(5.545)
Corporate	Delivery Plan Reserve	Budgeted use of DPR to fund Birmingham Childrens Trust inflation	(3.300)			(3.300)
Corporate	Delivery Plan Reserve	Budgeted use of DPR to fund Early Help improvements	(0.845)			(0.845)
Corporate	Delivery Plan Reserve	Budgeted use of DPR Drawdown approved in 2021/22 but delayed until 2022/23	(13.619)			(13.619)
Corporate	Delivery Plan Reserve	Budgeted use of DPR Funding of New Ways of Working approved in 2021/22 but delayed	(3.715)			(3.715)
Corporate	Delivery Plan Reserve	Budgeted use of DPR to fund SEND improvements	(2.792)			(2.792)
Corporate	Delivery Plan Reserve	Budgeted use of DPR to Implement Transport Saving	(0.074)			(0.074)
Corporate	Delivery Plan Reserve	Budgeted use of DPR to fund Work Place Parking Levy	(0.360)			(0.360)
Corporate	Delivery Plan Reserve	Budgeted Net Repayment to DPR	6.743			6.743
Corporate	Delivery Plan Reserve	Budgeted Contribution to DPR	2.844			2.844
Corporate	Delivery Plan Reserve	Use of DPR to fund Early Intervention & Prevention		(2.463)		(2.463)
Corporate	Delivery Plan Reserve	Use of DPR to fund transformation in Children & Families		(1.699)		(1.699)
Corporate	Delivery Plan Reserve	Use of DPR to fund Oracle improvements		(3.318)		(3.318)
Corporate	Delivery Plan Reserve	Contingency		9.081		9.081
	Subtotal (Use of)/Contribution to General Reserves		(45.986)	(34.498)	0.000	(80.484)
Corporate	Covid Reserve	Use of Covid Reserves to cover on-going costs/loss of income	(8.700)	(3.800)		(12.500)
Corporate	Income Compensation re Collection Fund	Use of reserve carried forwards from 2020/21	(7.827)			(7.827)
Corporate	Business Rates S31 Grant Income	Funding received from Government to compensate for Business Rates refunds announced by the Government	(124.412)	(8.734)		(133.146)
Corporate	Council Tax Hardship Fund Reserve	Budgeted use of reserve	(16.992)			(16.992)
Corporate	Corporate Events Reserve	Budgeted use of reserve	(1.500)			(1.500)
Corporate	Offshoring	Budgeted Repayment	0.454			0.454
Corporate	Community Recovery Plan Reserve	Budgeted use of reserve	(9.067)			(9.067)
Corporate	Budget Smoothing Reserve	Use of reserve to fund savings not delivered in 2022/23		(8.897)		(8.897)
Corporate	Budget Smoothing Reserve	Use of reserve to fund costs to Birmingham Childrens Trust of retention payments		(1.347)		(1.347)
Corporate	SEND/Inspection Reserve	Use of reserve carried forwards from 2020/21		(1.181)		(1.181)
Corporate	Insurance Reserves	To fund insurance costs incurred in 2022/23	2.000	(3.968)		(1.968)
Corporate	Policy Contingency	Budgeted use of reserve	(7.005)			(7.005)
Corporate	Policy Contingency- Pay Review	Use of Policy Contingency Reserve set aside to fund project		(0.312)		(0.312)
Corporate	Policy Contingency-3 Cities	Use of Policy Contingency Reserve set aside to fund project		(0.066)		(0.066)
Corporate	Policy Contingency-Transport - Funding for Young People	To continue funding project in 2023/24 following slippage		1.228		1.228
Corporate	Policy Contingency-SEND Improvement	To continue funding project in 2023/24 following slippage		2.267		2.267
Corporate	Policy Contingency-Job Evaluation	To continue funding project in 2023/24 following slippage		2.748		2.748
Corporate	Policy Contingency-SEND Audit	To continue funding project in 2023/24 following slippage		0.013		0.013
Corporate	Policy Contingency-Invest to Improve Fund	Use of Policy Contingency Reserve set aside to fund project		(0.253)		(0.253)
Corporate	Policy Contingency-Variou	Policy Contingency Reserves released to support Children & Families position			(0.449)	(0.449)
Corporate	Policy Contingency-Variou	Policy Contingency Reserves released to support overall bottom line			(0.348)	(0.348)
Corporate	Cyclical maintenance reserve - General	Release of reserves to support overall bottom line	0.000		(8.234)	(8.234)
Corporate	Cyclical maintenance reserve -LoB	To fund cyclical maintenance of the Library of Birmingham in future years following slippage of planned works in 2022/23	(1.100)	0.876		(0.224)
Corporate	General Consolidated Reserves	Release of reserves to support overall bottom line			(0.249)	(0.249)
Corporate	VAT Reserve	Release of reserves to support overall bottom line			(1.455)	(1.455)
Corporate	Discretionary Support for Energy Bills Rebate Reserve	To fund discretionary support in 2022/23 from funding received from Government at the end of 2021/22		(3.606)		(3.606)
Corporate	Capital Fund	Budgeted Contributions to Capital Fund	0.275			0.275
Corporate	Business Rates Volatility Reserve	Budgeted Use of Volatility Reserve	(8.432)			(8.432)
Corporate	Commonwealth Games Reserves	Budgeted use of reserve	(31.249)			(31.249)
Corporate	Community Recovery Plan Reserve	Use of reserve set aside to fund project		(0.204)		(0.204)
Corporate	Equal Pay Legal Costs Reserve	Reserve set aside to fund potential costs in future years		1.207		1.207
Corporate	Unidentified Income Reserve	A contribution of £4.5m to the reserve less the release of £3.4m of reserve from previous years no longer required		1.108		1.108
Corporate	Lease Smoothing Reserve	Use of leasing reserve set up to cover technical accounting charges in future years		(1.779)		(1.779)
Corporate	Corporate Finance & Governance Reserve	Use of reserve previously set aside	0.000	(0.534)		(0.534)
Corporate	Other Net Uses of Corporate Reserves					0.000
	Subtotal (Use of)/Contribution to Corporate Reserves		(213.555)	(25.234)	(10.735)	(249.524)

Table 2: Recommended changes to Reserves at Outturn (page 2 of 4)

Directorate making request	Reserve	Reason for request	Budget Approved Period 9* £m	Changes Proposed at Outturn £m	Reserves Released at Outturn £m	(Use) /Contribution at Outturn £m
Children and Families	Section 106	Net Contributions to Section 106 Reserves	(1.274)	3.195		1.921
Children and Families	Grand Central Birmingham and HS2	Slippage in projects to be funded from reserve	(0.002)	0.002		0.000
Children and Families	Work Local Programme (Lone Parents)	Slippage in projects to be funded from reserve	(0.076)	0.076		0.000
Children and Families	Sectors Project- Black and Minority	Slippage in projects to be funded from reserve	(0.012)	0.012		0.000
Children and Families	Strategic Libraries	Funding programme from reserve	0.000	(0.051)		(0.051)
Children and Families	Rev Grant Lifelong Learning (Education & Skills Funding)	Funding for Adult Education is ring-fenced and will be utilised in future years.	(0.500)	0.580		0.080
Children and Families	LACES	Funding programme from reserve	(0.095)	0.065		(0.030)
Children and Families	Library of Birmingham	Funding programme from reserve	0.000	(0.024)		(0.024)
Children and Families	Lozells Youth Provision	To fund activities for young people during school holidays reducing violent behaviour	0.000	0.500		0.500
Children and Families	Youth Promise Plus	Slippage in projects to be funded from reserve	(0.007)	0.007		0.000
Children and Families	Virtual School Head Extension Grant	Slippage in projects to be funded from reserve	(0.152)	0.236		0.085
Children and Families	Section 31 Grant Post 16 PP+ DFE pilot	Funding programme from reserve	0.000	0.155		0.155
Children and Families	Family Hubs (Non Ringfenced Grant)	Grant funding to be used in future years		1.890		1.890
Children and Families	Virtual School ESFA Natonal Tutoring Programme	targeted academic support delivered by tutors and mentors for Locked After Children. Unspent grant from 22/23 to be clawed back.		0.128		0.128
Children and Families	Virtual School Pupil Premium Plus Grant	DFE Pupil Premium Grant for Looked After Children. Unspent grant from 22/23 to be clawed back.		0.291		0.291
						0.000
City Operations	- HLS Sutton	Grant funding to be used in future years		0.069		0.069
City Operations	- HLS Grasslands	Grant funding to be used in future years		0.016		0.016
City Operations	- HLS Lickeys	Grant funding to be used in future years		0.004		0.004
City Operations	Section 106	Net Contributions to Section 106 Reserves		2.254		2.254
City Operations	Pocket Parks Grant	Release of Reserves to support Corporate position			(0.016)	(0.016)
City Operations	Regional Intelligence Team	Grant funding to be used in future years		0.017		0.017
City Operations	Future Parks Accelerator Fund Grant	Grant funding to be used in future years		0.085		0.085
City Operations	Highways PFI Grant	Funds required for delivery of Highways PFI contract		(22.401)		(22.401)
City Operations	Underpayments & Disputed Sum Reserve	Funds required for delivery of Highways PFI contract		11.863		11.863
City Operations	Highways Commuted Sums	Commuted Sums received to be applied in future years for highway maintenance	(0.140)	0.845		0.706
City Operations	Boosting Action on Surface Water	Funding to Update Local Surface Water Modelling and Mapping information in Key areas		(0.015)		(0.015)
City Operations	Highways Act (1980) - Section 38 Developer Contributions	Funding for Future Supervision until Adoption		0.378		0.378
City Operations	Rural Payments Agency	Grant funding to be used in future years		0.045		0.045
Place, Prosperity & Sustainability	Climate KIC Reserve	Slippage in projects to be funded from reserve	(0.029)	0.029		0.000
Place, Prosperity & Sustainability	SUMPS UP Project	Release of Reserves to support Corporate position			(0.014)	(0.014)
Place, Prosperity & Sustainability	Climate KIC Reserve	Slippage in projects to be funded from reserve	(0.027)	0.012		(0.015)
Place, Prosperity & Sustainability	My Neighbourhood 325227	Release of Reserves to support Corporate position			(0.003)	(0.003)
Place, Prosperity & Sustainability	Section 106 Reserves	Net contributions into Section 106 Reserves		4.530		4.530
Place, Prosperity & Sustainability	CIL - City Wide Projects	Net use of CIL in year to fund project costs		(0.423)		(0.423)
Place, Prosperity & Sustainability	CIL- Other	Net contribution to ward-based CIL to fund project costs in future years		0.095		0.095
Place, Prosperity & Sustainability	Clean Air Zone Grant Allocation	Slippage in projects to be funded from reserve	(1.700)	1.683		(0.017)
Place, Prosperity & Sustainability	City Region Sustainable Transport Settlements (CRSTS)	Use of Grant received in advance to fund activities in 2022/23		(0.658)		(0.658)
Place, Prosperity & Sustainability	Brexit Funding	Use of Grant received in advance to fund activities in 2022/23		(0.042)		(0.042)
Place, Prosperity & Sustainability	Food Trails Horizon	Use of Grant received in advance to fund activities in 2022/23		(0.149)		(0.149)
Place, Prosperity & Sustainability	Ladywood Regeneration: Homes Eng Grant	Use of Grant received in advance to fund activities in 2022/23		(0.043)		(0.043)
Place, Prosperity & Sustainability	Levelling Up Fund (LUF)Capacity Funding Tranche 1	Use of Grant received in advance to fund activities in 2022/23		(0.008)		(0.008)
Place, Prosperity & Sustainability	General Neighbourhood Planning	New grant received - project starting 2022/23		(0.043)		(0.043)
Place, Prosperity & Sustainability	ERDF Property Investment Programme (PIP)	Grant funding to be used in future years		0.063		0.063
Place, Prosperity & Sustainability	Planning Software Improvement Fund	Grant funding to be used in future years		0.400		0.400
Place, Prosperity & Sustainability	HS2 Decarbonisation	Grant funding to be used in future years		0.030		0.030
Place, Prosperity & Sustainability	PropTech - Digital Solutions Citizen Engagement Planning	Grant funding to be used in future years		0.250		0.250
Place, Prosperity & Sustainability	UK Shared Prosperity Fund (WMCA)	Grant funding to be used in future years		0.345		0.345

Table 2: Recommended changes to Reserves at Outturn (page 3 of 4)

Directorate making request	Reserve	Reason for request	Budget Approved Period 9*	Changes Proposed at Outturn	Reserves Released at Outturn	(Use) /Contribution at Outturn
			£m	£m	£m	£m
Adult Social Care	Section 256 - Frail Elderly Fund	Budgeted use of reserve	(1.111)	0.000		(1.111)
Adult Social Care	Syrian Refugee Programme	To fund services for Syrian refugees in 2023/24	(0.755)	(0.596)		(1.351)
Adult Social Care	Better Care Fund - Carry Forward	Slippage in projects to be funded from reserve	(5.463)	2.253		(3.210)
Adult Social Care	PURE - ESF	Funding programme from reserve	0.000	0.137		0.137
Adult Social Care	Rough Sleeping Initiative	Funding programme from reserve	(0.108)	(0.071)		(0.179)
Adult Social Care	Out of Hospital Care	Slippage in projects to be funded from reserve	(0.404)	0.217		(0.188)
Adult Social Care	Community Discharge Grant	Funding programme from reserve	0.000	0.183		0.183
Adult Social Care	Clinically Extremely Vulnerable (CEV) Grant Covid	Budgeted use of reserve	(0.723)	0.000		(0.723)
Adult Social Care	DA Support - Capacity Build Officer	Funding programme from reserve	(0.015)	(0.023)		(0.038)
Adult Social Care	DA Support- Third Party Grant	To provide safe accommodation and support for all victims of domestic abuse.	(1.625)	2.389		0.764
Adult Social Care	Respite Rooms Pilot	Budgeted use of reserve	(0.089)			(0.089)
Adult Social Care	RTOF-Refugee Transition Outcome	Slippage in projects to be funded from reserve	(0.038)	0.038		0.000
Adult Social Care	Housing First	Funding programme from reserve	0.000	(0.422)		(0.422)
Adult Social Care	Rough Sleeping Accommodation Programme	To fund services over coming years	0.000	0.449		0.449
Adult Social Care	Covid-Omicron Support Grant	Funding programme from reserve	0.000	(0.700)		(0.700)
Adult Social Care	UK Resettlement Scheme	To fund services over coming years	0.000	0.335		0.335
Adult Social Care	Afghan Resettlement Scheme	To fund services over coming years	0.000	0.190		0.190
Adult Social Care	MILE Project	To fund services over coming years	0.000	0.022		0.022
Adult Social Care	Changing Places Fund	To fund services over coming years	0.000	0.089		0.089
Adult Social Care	Asylum Dispersals	To fund services over coming years	0.000	0.574		0.574
Adult Social Care	Homes For Ukraine	To fund services over coming years	0.000	4.025		4.025
Adult Social Care	Fairer Futures (Learning Disabilities) Fund	To fund services over coming years	0.000	7.204		7.204
Adult Social Care	Ukrainian Oncology Families	To fund services over coming years	0.000	0.137		0.137
Adult Social Care	LDA - Market Shaper/ Provider Development	To fund services over coming years	0.000	0.075		0.075
Adult Social Care	DOLS Assessments	To fund services over coming years	0.000	4.400		4.400
Adult Social Care	Asylum, Migration and Integration Fund (AMIF)	To fund services over coming years	0.000	0.045		0.045
Adult Social Care	Challenge Funds - Learning & Disability	To fund services over coming years	0.000	5.500		5.500
Adult Social Care	Challenge Funds - Older People	To fund services over coming years	0.000	3.103		3.103
						0.000
City Housing	Gambling Commission	Use of grant to fund 2 year pilot scheme preventing homelessness due to		(0.056)		(0.056)
City Housing	Homelessness Accommodation Leasing Project	To fund grant expenditure in 2023/24, as agreed with DLUHC		3.800		3.800
						0.000
Council Management	Self Isolation Payments Grant	To fund Self Isolation payments made to claimants in 22/23	0.000	(1.522)		(1.522)
Council Management	Local Digital Cyber Fund	Release of Reserves to support Corporate position	0.000	0.000	(0.170)	(0.170)
Council Management	Local Digital Fund Round 5-Field Worker Platform	Release of Reserves to support Corporate position	0.000	0.000	(0.350)	(0.350)
Council Management	Local Digital Fund Round 5-Placements Portal	To fund services over coming years	0.000	0.326		0.326
Council Management	Benefits Burdens Funding	To fund services over coming years	0.000	0.131		0.131
Council Management	Council Tax Rebates Final Assessment New Bur	To fund services over coming years	0.000	0.647		0.647
Council Management	Business Rates Relief New Burdens and Licence	To fund services over coming years	0.000	0.862		0.862
						0.000
Strategy, Equality and Partnerships	Public Health	To fund Public Health expenditure in current year and future years	(3.783)	8.907		5.124
Strategy, Equality and Partnerships	Prevent - counter extremism	Budgeted use of reserve	(0.009)			(0.009)
Strategy, Equality and Partnerships	EU migration fund	Budgeted use of reserve	(0.054)			(0.054)
Strategy, Equality and Partnerships	Community Safety Strategy - BCSP	Budgeted use of reserve	(0.029)			(0.029)
Strategy, Equality and Partnerships	Community Safety Strategy - BCSP	Budgeted use of reserve	(0.050)			(0.050)
Strategy, Equality and Partnerships	City Board - Citizen Engagement & Visioning Project	Budgeted use of reserve	(0.074)			(0.074)
Strategy, Equality and Partnerships	Public Health - Test and Trace	Budgeted use of reserve, partly slipped into 2023/24	(5.000)	1.499		(3.501)
Strategy, Equality and Partnerships	Public Health - Operation Eagle	To fund community search testing programme in response to Covid 19	0.000	(0.009)		(0.009)
Strategy, Equality and Partnerships	Public Health - Rough Sleepers Grant	Use of reserve to support the delivery of the Gov't's rough sleeping strategy	0.000	(0.169)		(0.169)
Strategy, Equality and Partnerships	Public Health - Obesity Trailblazers	Use of reserve from Dept of Health & Social Care Grant to formulate and deliver plans to tackle childhood obesity.	0.000	(0.133)		(0.133)
Strategy, Equality and Partnerships	Public Health - Vaccine Champions	Use of reserve from DH&SC Grant to fund community vaccine Champions in response to Covid 19	0.000	(0.185)		(0.185)
Strategy, Equality and Partnerships	Public Health - Fast Track Cities	Use of reserve from Grant from NHS England & NHS Improvement to support the delivery of the Fast Track Cities initiative, partly slipped into 2023/24	(0.094)	0.056		(0.039)
Strategy, Equality and Partnerships	Public Health - additional drug treatment crime and harm reduction	Grant from Public Health England to fund additional drug treatment crime and harm reduction activity to be used in future years	0.000	0.464		0.464
Strategy, Equality and Partnerships	Public Health - Children and Families Weight Mgt	Use of Reserve from Dept of Health & Social Care Grant to support children and families weight management	0.000	(0.267)		(0.267)
Strategy, Equality and Partnerships	Public Health - Better Mental Health	Use of reserve from Grant from Public Health England for Better Mental Health project	0.000	(0.331)		(0.331)
Strategy, Equality and Partnerships	Public Health - Adult Weight Management	Use of reserve from Grant from Public Health England for Adult Weight Mgt project	(0.290)	(0.048)		(0.338)
Strategy, Equality and Partnerships	Public Health - Oral Health Improvement	Grant to be used in future years	0.000	(0.017)		(0.017)
Strategy, Equality and Partnerships	Public Health - Oral Health Food Banks	Use of Grant from NHS England & NHS Improvement for oral health food banks	0.000	0.000		0.000
Strategy, Equality and Partnerships	City Board - Citizen Engagement & Visioning Project	Grant to be used in future years		0.074		0.074
Strategy, Equality and Partnerships	Public Health - NHSEI Fund 2 Oral Health	Grant to be used in future years		0.040		0.040
Strategy, Equality and Partnerships	Botulinum Toxin and Cosmetic Fillers Children Act Grant	Grant to be used in future years		0.041		0.041
Strategy, Equality and Partnerships	Charging Reform Implementation Support Grant	Grant to be used in future years		0.098		0.098
						0.000
Various	Other Net (Uses) of/Contributions to Grant Reserves					0.000
	Subtotal (Use of)/Contribution to Grant Reserves		(23.727)	41.050	(0.552)	16.771

Table 2: Recommended changes to Reserves at Outturn (page 4 of 4)

Directorate making request	Reserve	Reason for request	Budget Approved * £m	Changes Proposed at Outturn £m	Reserves Released at Outturn £m	Proposed (Use) /Contribution at Outturn £m
Children and Families	Youth Promise Plus-Delivery Costs	Slippage in projects to be funded from reserve	(0.144)	0.142		(0.002)
Children and Families	Youth Promise Plus-Match Funding	Slippage in projects to be funded from reserve	(0.131)	0.131		0.000
Children and Families	EWS Fixed Penalty	Release of Reserves to support Directorate position	0.000	0.000	(0.195)	(0.195)
Children and Families	Education PFI Reserve	Release of Reserves to support Directorate position	1.232	(0.564)	(4.701)	(4.033)
Children and Families	LOB - Archives Development Fund	Funding programme from reserve	0.000	(0.072)		(0.072)
Children and Families	School Improvement Grant	Budgeted use of reserve	(0.301)	0.000		(0.301)
Children and Families	C&F Transformation	To fund projects in future years		0.992		0.992
Children and Families	Commissioning Transport Transformation	To fund projects in future years		0.630		0.630
Adult Social Care	Grant to streamline LA Adult Social Care Assessments	To fund projects in future years	0.000	0.548		0.548
Council Management	Audit - POCA Reserve	Slippage in projects to be funded from reserve	(0.020)	0.012		(0.008)
Council Management	Finance Birmingham Loan Contingency	In keeping with the nature of this reserve, any in-year surpluses or in-year impairments are transferred to/from this reserve to support transactions associated with the portfolio.	0.000	(0.090)		(0.090)
Council Management	ITDS Landing Team	Funding programme from reserve	0.000	(0.270)		(0.270)
Council Management	Local Election Costs - Not Assigned	Budgeted use of reserve	(1.020)	0.000		(1.020)
Council Management	ITDS transition Reserve	Funding programme from reserve	0.000	(0.448)		(0.448)
Council Management	ERP System Temporary Reserve	Budgeted use of reserve	(3.371)	0.000		(3.371)
Council Management	Procurement Training Reserve	Budgeted use of reserve	(0.150)	0.000		(0.150)
Council Management	Housing Benefit Subsidy Reserve	Budgeted use of reserve and use to fund provision for 2022/23 claim	(2.000)	(2.376)		(4.376)
Council Management	Customer Services Access Strategy Programme Project Support	To fund projects in future years	0.000	0.679		0.679
Council Management	ITDS Business Enablement Programme Slippage	Release of Reserves to support Corporate position	0.000	0.000	(1.197)	(1.197)
Council Management	Schools HR IT (Website)	Funding programme from reserve	0.000	(0.115)		(0.115)
Council Management	Schools HR IT	Funding programme from reserve	0.000	(0.130)		(0.130)
Council Management	Corporate HR	Funding programme from reserve	0.000	(0.080)		(0.080)
Council Management	Tech Refresh Lancaster Circus	Funding programme from reserve	0.000	(0.616)		(0.616)
Council Management	Corporate HR	Funding programme from reserve	0.000	(0.210)	(0.003)	(0.213)
Council Management	Service Now	Funding programme from reserve	0.000	(0.176)		(0.176)
Council Management	Revenues Invest to Deliver Business case	Release of Reserves to support Corporate position	0.000	0.000	(1.602)	(1.602)
Council Management	Cyber Security Programme	Release of Reserves to support Corporate position, and contributing to be able to fund projects in future years	0.000	1.590	(1.780)	(0.190)
Council Management	Future Major Events Reserve	To fund projects in future years	0.000	1.096		1.096
Council Management	BCL Accommodation Move Reserve	To fund projects in future years	0.000	0.065		0.065
Council Management	Statement of Recoveries	To fund projects in future years	0.000	0.050		0.050
Council Management	Apprentice Levy Cfwd	To fund projects in future years	0.000	0.015		0.015
Council Management	Avoidance of overstatement of LWP costs in 22-23 following duplication of corrections of Faster BACS payments which hit 23-24 but related to 22-23	Creating negative reserve to deal with duplication to be corrected in 2023/24	0.000	(0.270)		(0.270)
Council Management	Technology Roadmap - Critical Investments 2023-24	To fund projects in future years	0.000	0.936		0.936
Corporate	WMP Grant - Resilience Team	Resilience Team staffing costs incurred to deliver CWG security & resilience.		(0.029)		(0.029)
Corporate	CWG Legacy Programme	To fund CWG Legacy Programme spend in 2022/23.	(1.769)	(0.402)		(2.171)
Corporate	CWG City Operations/ Readiness	To fund CWG City Readiness Programme in 2022/23 in preparation for the Games.	(2.672)	(1.881)		(4.553)
Council Management	CWG Legacy Portfolio	To fulfil the Council's commitments and ambitions to realise a legacy value for the city of Birmingham arising from hosting the Commonwealth Games.	0.000	31.000		31.000
Council Management	Alexander Stadium Transport Mall	Reinstatement works to Perry Park following the removal of the Transport Malls used during Games time.	0.000	2.551		2.551
City Operations	Proceeds of Crime Act (POCA) - Illegal Money Lending Team	To fund community & crime prevention projects ringfenced under the Act		(0.259)		(0.259)
City Operations	Proceeds of Crime Act (POCA) - Trading Standards	To fund community & crime prevention projects ringfenced under the Act		(0.189)		(0.189)
City Operations	BMT Loan Guarantee	Repayment of BMT loan		0.092		0.092
City Operations	Licensing Entertainment/General	Ring fenced deficit to be recovered from fees in future years		(0.744)		(0.744)
City Operations	Major Events (Subvention)	Net drawdown funding events programme		(0.224)		(0.224)
City Operations	Maintenance of Bereavement Infrastructure Assets	Use of reserve to maintain assets		(0.145)		(0.145)
City Operations	Localisation - Post COVID Recovery	Use of Reserve to assist the essential post covid community recovery program to enable and enhance stability capacity building and support recovery		(0.172)		(0.172)
City Operations	Local Grants Vol Organisations/Leader's Portfolio Funding	Use of reserve to fund projects in 2022/23		(0.039)		(0.039)
City Operations	Parks Pool Cyclical Maintenance	As per Cabinet report 2018, Parks service providing revenue contribution to fund capital safety works in future years		0.250		0.250
City Operations	Highways Commuted Sums	Commuted Sums received from other BCC Directorates to be applied in future years for highway maintenance.	(0.002)	0.021		0.020
City Operations	Permanent Loss of Parking Bays (Car Parking Commuted Sums)	Budgeted use of reserve	(0.020)	0.000		(0.020)
City Operations	Bus Lane Enforcement Equipment Renewal (TVV)/Ring-fenced Income	In Year surplus to reserves to fund agreed schedule of capital projects in future years.		2.559		2.559
City Operations	Environmental H&S Vue Cinema	Use of reserve as set aside in 2021/22	0.000	(0.063)		(0.063)
City Operations	Museums Repair and Maintenance	Ongoing works slipped across financial years - budget carried forward to fund	0.000	0.027		0.027
City Operations	Tourism Development Fund	Use of reserve set aside for production of Tourism Strategy	0.000	(0.050)		(0.050)
City Operations	Hostile Vehicle Mitigation	To fund projects in future years		0.020		0.020
City Operations	Neighbourhood Action Co-Ordinators	To fund projects in future years		0.194		0.194
City Operations	Windrush	To fund projects in future years		0.050		0.050
City Operations	Celebrating Communities	To fund projects in future years		0.080		0.080
City Operations	Selective Licensing Scheme	Ring fenced deficit to be recovered from fees in future years		(0.100)		(0.100)
City Operations	Additional Licensing Scheme	Ring fenced deficit to be recovered from fees in future years		(0.001)		(0.001)
City Operations	NRSW Permits	Ring fenced deficit to be recovered from fees in future years		(0.281)		(0.281)
Place, Prosperity & Sustainability	Speed Camera	Surplus from Speed Cameras to fund expansion and maintenance	(0.040)	(0.029)		(0.069)
Place, Prosperity & Sustainability	General Maintenance Tenants	Additional collection from tenants carried forward to 22/23 service charge	0.000	(0.012)		(0.012)
Place, Prosperity & Sustainability	Portfolio Reserve	Use of Reserve to fund Graduates cost in 2021/22	(0.290)	0.041		(0.249)
Place, Prosperity & Sustainability	Graduate Hub	To fund Graduate costs in 2021/22	0.000	0.138		0.138
Place, Prosperity & Sustainability	Invest to Save - Commercial Property - Investment Strategy	Use of Invest to Save Reserve to engage Avison Young to bring forward	0.000	(0.253)		(0.253)
Place, Prosperity & Sustainability	Invest to Save -Public Hubs	Delay in use of Invest to Save budget to engage consultants to bring forward Public Hubs proposals (colocate of services), which has been superseded by NWO	0.000	0.000		0.000
Place, Prosperity & Sustainability	Invest to Save - Work Place Parking Levy	Proposal to levy additional business rates where employee car parking is provided and been postponed due to Covid but not cancelled	0.000	0.360		0.360
Place, Prosperity & Sustainability	Health & Safety Surveys	Use of funding as part of four year programme of surveys finishing in 2023/24 to identify H&S requirements for non-HRA/non-schools property portfolio	0.000	0.093		0.093
Place, Prosperity & Sustainability	Route to Zero	Use of reserve to fund project in 2022/23	0.000	0.248		0.248
Place, Prosperity & Sustainability	CAZ Projects	Operating Balance on CAZ - To fund Relevant CAZ Projects	10.200	15.289		25.489
Place, Prosperity & Sustainability	Apprentice Reserve	To fund in future years	0.000	0.233		0.233
	Subtotal (Use of)/Contribution to Earmarked Reserves		(0.498)	49.840	(9.478)	39.864
Children and Families	Non-Schools Dedicated Schools Grant (DSG)	Carry forward of DSG Grant				
	Subtotal Non Schools DSG		0.000	0.000	0.000	0.000
Children and Families	DSG-High Needs	Contribution to Higher Needs Block as agreed in Repayment Plan	0.000	4.057		4.057
	Subtotal School's Reserves		0.000	4.057	0.000	4.057
	Total (Use of)/Contribution to Reserves		(283.766)	35.216	(20.765)	(269.315)

Appendix 4 – Collection Fund

1. Background

- 1.1. The Council is required to establish and maintain a Collection Fund under the Local Government Finance Acts 1988 and 1992. The Fund accounts for the collection of Council Tax and Business Rates (also known as National Non-Domestic Rates (NNDR)) and the distribution of sums received to relevant authorities. These amounts are kept separate from the main activities of the Council which are accounted for in the General Fund.
- 1.2. In the budget for each financial year, the Council forecasts the expected income from Council Tax and Business Rates. The Council then requests a transfer from the Collection Fund into the General Fund for this budgeted level of income. This income is not ringfenced and can be spent on any General Fund service.
- 1.3. Throughout that financial year, the Council monitors the actual amount of income collected from Council Tax and Business Rates over the current year and preceding years. Every year, the Council forecasts the position in the January near the end of the financial year, and this forecast is taken into account in setting the next year's budget (the 2023/24 budget in this case). If the income is higher than forecast, that constitutes a Collection Fund surplus; if the income is lower than forecast, that constitutes a Collection Fund deficit. Any surplus or deficit is taken into account at the next budget and charged back to the General Fund. For the 2022/23 outturn position, this was taken into account when setting the 2024/25 budget.

2. Council Tax

2.1. The Collection Fund position for 2022/23 applicable to the Council Tax element of the Fund is summarised below:

Table 1	£m	£m
Income:		
Council Tax Income due in 2022/23	(491.813)	
Adjustment to sums due for prior years	11.639	
Contribution to Bad Debt Provision	9.589	
Total Income		(470.585)
Budgeted Precepts 2022/23		
Birmingham City Council	401.152	
New Frankley in Birmingham Parish	0.044	
Sutton Coldfield Town Council	1.843	
West Midlands Police & Crime Commissioner	48.456	
West Midlands Fire and Rescue Authority	17.575	
Total Expenditure		469.070
2022/23 In Year (Surplus)/Deficit		(1.515)
2021/22 Surplus b/fwd		(14.249)
Cumulative Council Tax (Surplus)/Deficit c/fwd		(15.764)

2.2. The actual in-year surplus on the Council Tax element of the Collection Fund for 2022/23 was £1.5m. The cumulative balance brought forward from 2021/22 amounted to a surplus of £14.2m, giving a closing cumulative surplus at the end of 2022/23 of £15.8m.

2.3. An £18.1m cumulative surplus was forecast when setting the 2022/23 budget. The final cumulative surplus is £2.3m lower, resulting in a deficit of £2.3m to be carried forward into future years. The detail of this is summarised in table 2:

Table 2	£m	£m
Forecast Cumulative Surplus position for 2023/24 Budget Setting		(18.114)
Reduction in Growth	0.663	
Changes to Exemptions and Discounts	0.850	
Decrease in Council Tax Support (CTS)	(0.260)	
Prior Year Adjustments, mainly change in Bad Debt Provision	1.140	
Other	(0.043)	
		2.349
Cumulative Council Tax (Surplus)/ Deficit c/fwd		(15.764)

2.4. The Council's share of the £15.8m surplus is £13.5m, which compares to a surplus of £15.6m anticipated when the Council Tax for 2023/24 was set. This £2.0m deterioration will be taken into account when setting the budget for 2024/25. The allocation of the total accumulated surplus, from Council Tax at 31 March 2023 is outlined in Table 3:

Table 3	Forecast (Surplus) /Deficit	Outturn	Variance
	£m	£m	£m
Council	(15.564)	(13.545)	2.019
Police & Crime Commissioner	(1.871)	(1.628)	0.243
Fire & Rescue Authority	(0.679)	(0.591)	0.088
Total Surplus	(18.114)	(15.764)	2.349

Council Tax Arrears

2.5. A summary of the Council Tax Arrears position for the end of 2022/23 is shown in Table 4.

Table 4	Prior Years	2022/23	Total
	£m	£m	£m
Balance b/f prior years	155.755		155.755
Due in year		491.813	491.813
Collected	(20.672)	(430.443)	(451.115)
Amounts Written Off	(11.385)	(0.106)	(11.491)
Credits Written On	1.798	0.000	1.798
Council Tax Arrears	125.495	61.264	186.759

2.6. A summary of the Council Tax Arrears position for 2022/23 compared with 2021/22 is shown in Table 5.

Table 5	31-Mar-22	31-Mar-23	Change
	£m	£m	£m
Council Tax Arrears Prior Years	113.718	125.495	11.777
Council Tax Arrears In Year	42.036	61.264	19.227
Council Tax Debtors	155.755	186.759	31.004

Provision for Doubtful Debts

2.7. The provision for bad and doubtful debts is £73.6m at 31 March 2022, £9.6m more than the amount set aside at the end of 2021/22. The 2022/23 year end provision is compared in Table 6 to the prior year:

Table 6	31-Mar-22	31-Mar-23	Change
	£m	£m	£m
Council Tax Arrears Debtors (Gross)	155.755	186.759	31.004
Less Provision for Bad or Doubtful Debts	(64.050)	(73.639)	(9.589)
Council Tax Debtors (Net)	91.705	113.120	21.415
Bad Debt Provision as % of Gross Debtors	41.1%	39.4%	-1.7%

- 2.8. It should be noted that whilst the Bad Debt Provision has decreased as a percentage of gross debtors. This is because a greater proportion of the debtors relate to the most recent year, and are thus considered more likely to be collected.
- 2.9. During the year there has been a net amount of £9.7m written off relating to Council Tax debts (£11.5m debt write offs less £1.8m of credits written on) compared with £2.2m net write-ons in 2021/22. (A write-on is where the debt due to the Council increases. This might be because the Council has received income for a debt that it had previously written off, and now needs to write the debt back on to the system in order to be able to match the income received against it.)
- 2.10. After making a further contribution to the provision for bad and doubtful debts of £19.3m in 2022/23, the overall provision has increased by £9.6m.

Collection Performance

- 2.11. Table 7 details the in-year collection performance for the past three years. This shows the in-year collection rates as reported to the DLUHC, as required by the Final Quarterly Return for the Collection of Council Tax and Business Rates (QRC4).
- 2.12. The adjusted actual in year collection rate was 92.9% which includes adjustments as per the QRC4 guidelines. Table 7 shows the comparative prior year rates:

Table 7	Actual In Year Council Tax Collection Rates		
	2020/21	2021/22	2022/23
QRC4 Base	92.6%	92.9%	90.2%

- 2.13. In 2020/21, there was a significant reduction in collection rates due to the impact of Covid-19. This continued in 2021/22. In 2022/23, collection rates were affected by the cost-of-living crisis. Issues with implementation of the new finance system also delayed enforcement action. However, it is hoped that the collection rate over time will reach the estimated rate of 96.85% assumed when setting the 2022/23 budget since the Council will continue to collect outstanding debt in future years.

3. Business Rates - National Non-Domestic Rates (NNDR)

- 3.1. In 2022/23 the Council has continued to be part of a Business Rates Pilot for the local retention of 100% Business Rates. This means that the Council retains 99% of Business Rates income with 1% being paid over to the West Midlands Fire & Rescue Authority. This has been in place since 1st April 2017 (before which, Business Rates was apportioned between Central Government 50%, The City Council 49% and the West Midlands Fire & Rescue Authority 1%).
- 3.2. The Collection Fund position for 2022/23 applicable to the Business Rates element of the Fund is summarised below:

Table 8	£m	£m	£m	£m
	Outside the EZ		Enterprise Zone (EZ)	
Business Rates Income due for 2022/23	(393.098)		(18.223)	
Contribution to Appeals Provision	33.490		4.848	
		(359.609)		(13.375)
Contribution to Bad Debt Provision (incl credits written on)	27.109		0.547	
Cost Of Collection Allowance	1.819		-	
		28.928		0.547
Total Income		(330.680)		(12.828)
Expenditure:				
Budgeted Proportionate Shares 2021/22:				
Central Government	-		-	
Birmingham City Council	352.038		-	
West Midlands Fire and Rescue Authority	3.556		-	
Enterprise Zone	-		7.926	
Total Expenditure		355.594		7.926
2022/23 In Year Deficit/(Surplus)		24.914		(4.902)
2021/22 (Surplus) b/fwd	(20.510)		-	
		(20.510)		-
Cumulative Business Rates Deficit/(Surplus) c/fwd		4.404		(4.902)
Section 31 Grant Compensation Deficit/(Surplus)		7.408		
Total Deficit / (Surplus) after Section 31 Surplus		11.812		(4.902)

- 3.3. After taking into account Section 31 Grant Compensation shortfall of £7.4m, excluding the Enterprise Zone (EZ), the actual in-year deficit on the Business Rates element of the Collection Fund for 2022/23 was £32.3m. The cumulative balance brought forward from 2021/22 amounted to a surplus of £20.5m. Therefore, the closing position at the end of 2022/23 is a deficit of £11.8m.

3.4. A £16.2m surplus was forecast for the Council's share when setting the 2023/24 budget and the main reasons for the deterioration of £27.9m can be explained as follows:

- a) Provision for Doubtful Debt £12.5m deterioration – The overall collection rate was lower than anticipated due to the Cost of Living crisis and issues with the implementation of new Finance system also delayed enforcement action.
- b) Provisions for Appeals £11.5m deterioration – In the last few months of the year, there was a very large increase in the number of appeals lodged, in particular against the 2017 Business Rates valuations. March 2023 was the last date at which appeals against the 2017 list could be lodged. Until these are settled, the Council has to be prudent and provide for these.
- c) Reliefs £1.8m deterioration -There has been an increase in reliefs awarded, excluding Retail Relief and Covid Additional Relief Scheme (CARF). In particular, there was an increase of £1.7m in relief for empty properties, which is not funded by Section 31 Grants.
- d) Growth Forecast £0.5m deterioration – Whilst there has been growth in the gross debit since the budgets were set, it was slightly less than anticipated.
- e) Section 31 Grants to the General Fund £5.6m deterioration. The decreases in reliefs mentioned below were offset by reductions in compensatory grants.

3.5. This has been partially offset by:

- a) Retail Relief £0.7m (favourable movement). These decreases in reliefs were offset by reductions in compensatory grants mentioned above.
- b) CARF £3.2m (favourable movement). These decreases in reliefs were offset by reductions in compensatory grants mentioned above.

3.6. Table 9 shows the movement between the forecast and outturn surplus / deficit:

Table 9		£m	£m
Forecast Cumulative (Surplus) for 2023/24 Budget Setting (BCC Share)			(16.195)
Forecast Deficit due to anticipated growth less than budgeted		2.166	
Actual Deficit due to less growth		2.705	
			0.539
Forecast Surplus due to less reliefs to Retail Properties		(29.342)	
Actual Surplus due to less reliefs to Retail Properties		(30.034)	
			(0.692)
Forecast Deficit due to reliefs re CARF Scheme		27.610	
Actual Deficit due to reliefs to CARF Scheme		24.364	
			(3.246)
Forecast Surplus due to decrease in other reliefs		(0.829)	
Actual Deficit due to increase in other reliefs		0.929	
			1.758
Forecast Deficit due to increase in provision for doubtful debts		2.758	
Actual Deficit due to decrease in provision for doubtful debts		15.224	
			12.465
Forecast Deficit due to increase in provision for appeals		-	
Actual Deficit due to increase in provision for appeals		11.477	
			11.477
Forecast Deficit in Section 31 funding		1.748	
Actual Deficit in Section 31 funding		7.334	
			5.586
Cumulative Business Rates Deficit c/fwd (BCC Share)			11.693

3.7. Table 10 shows the proportionate shares of the 2022/23 Business Rates deficit compared with the forecast for the 2023/24 budget setting process:

Table 10:	Forecast	Outturn	(Improvement)/ Decline
	£m	£m	£m
Central Government (nil for 2022/23)	0.000	0.000	0.000
Fire (1%)	(0.164)	0.119	0.283
BCC (99%)	(16.195)	11.693	27.888
Total	(16.359)	11.812	28.170

3.8. The Council's share of the deficit at outturn is £11.7m, which is £27.9m worse than the position anticipated when the budget for 2023/24 was set. This £27.9m deterioration will be taken into account when setting the budget for 2024/25.

3.9. Within the Enterprise Zone (EZ) the actual in year income generated relating to Business Rates was £12.8m. This compares to £7.9m when the budget for 2022/23 was set resulting in a significant surplus of £4.9m. However, the EZ manage the programme based upon actual income raised rather than assumed budgets and therefore do not commit spend based on budgets.

Business Rates Arrears 2022/23

3.10. A summary of the Business Rates Arrears position for the end of 2022/23, including the element attributable to the Enterprise Zone, is shown in Table 11:

Table 11	Prior Years	2022/23	Total
	£m	£m	£m
NNDR Arrears b/fwd prior years	121.091		121.091
Adjustments/Net of Refunds	-		-
Due in year:			
Non EZ		393.098	393.098
Enterprise Zone (EZ)		18.223	18.223
Collected	(13.732)	(343.968)	(357.699)
Amounts Written Off	(11.255)	-	(11.255)
Credits Written On	(0.877)	-	(0.877)
Business Rates Arrears	95.228	67.354	162.582

3.11. Table 12 shows a summary of the Business Rates Arrears position for 2022/23 compared with 2021/22:

Table 12	31 March 2022	31 March 2023	Change
	£m	£m	£m
Business Rates Arrears Prior Years	90.331	95.228	4.897
Business Rates Arrears In Year	30.760	67.354	36.594
Business Rates Debtors	121.091	162.582	41.491

Provision for Doubtful Debts

3.12. The Business Rates Bad Debt provision has increased from £81.4m to £96.9m, an increase of £15.5m, as detailed in table 13 below:

Table 13	31 March 2022	31 March 2023	Change
	£m	£m	£m
Business Rates Arrears (Gross)	121.090	162.582	41.492
Less Provision for Bad or Doubtful Debts	(81.423)	(96.947)	(15.524)
Business Rates Debtors (Net)	39.667	65.635	25.968
Bad Debt Provision as % of Gross Debtors	67.2%	59.6%	-7.6%

3.13. It should be noted that whilst the Bad Debt Provision has decreased as a percentage of gross debtors, this is because a greater proportion of the debtors relate to the most recent year, and are thus considered more likely to be collected.

3.14. During the year there was a net amount of £12.1m of debt written off relating to Business Rates debts compared with £3.9m net write-ons in 2021/22. After making a further contribution to the provision for bad and doubtful debts in 2022/23 of £27.6m including amounts relating to the Enterprise Zone, the overall provision has increased by £15.5m.

Collection Performance

3.15. For Business Rates the adjusted actual in year collection rate calculated was 90.1% (2021/22 95.8%). This is the in-year collection rate as reported to the Department for Levelling Up, Housing and Communities formerly the Ministry for Housing Communities and Local Government as required by the Final Quarterly Return for the Collection of Council Tax and Business Rates (QRC4) and is inclusive of allowable adjustments.

3.16. Table 14 shows the QRC4 in-year collection performance for the past three years.

Table 14	Actual In Year Business Rates Collection Rates		
	2020/21	2021/22	2022/23
QRC4 Base	91.3%	95.8%	90.1%

3.17. There has been a decrease of 5.7% in the reported in year collection rate compared to 2021/22. This is largely due to the impacts of the Cost of Living crisis and issues with implementation of the new finance system also delayed enforcement action

3.18. The service will focus more on the collection of Business rates moving forward. However, it is hoped that the eventual collection rate over time will reach the estimated rate of 97.0% assumed when setting the 2022/23 budget as the Council will continue to collect outstanding debt in future years.

4. Overall Position

4.1 Taken together, the forecast position for the Council's share of the Collection Fund and related income streams was a surplus of £33.8m to be carried forward and taken into account in setting the budget for 2023/24 (£15.6m surplus for Council Tax and a £16.2m surplus for Business Rates).

4.2 At year end, there has been a deterioration of £29.9m, £2.0m for Council Tax and a £27.9m for Business Rates. This deterioration will be rolled forward to be taken into account in the next budget setting round, which will be 2024/25 in this instance. However, it is planned that there will be a use of the Business Rates Volatility Reserve to smooth out the effects of increasing provisions for Bad Debts and Appeals.

Appendix 5: Capital

1. Overview

1.1 The capital programme provisional outturn spend position for the 2022/23 financial year is £407.0m. This is £330.8m below the 2022/23 planned spend of £737.8m as shown in the table below:

	£m Previous Month 9	£m Movements since Month 9	£m Annual Total
2022/23 Original Budget	531.716		531.716
Change in budget	196.835	9.260	206.095
2022/23 Revised Budget	728.551	9.260	737.811
Less: Cumulative Slippage	(146.593)	(184.169)	(330.762)
= Outturn (Expenditure in year)	581.958	(174.909)	407.049

1.2 The Capital programme had projected slippage of £(146.6)m for the year at Month 9. Details of this can be found in the Month 9 Corporate Monitoring Report presented to Cabinet in February 2023. Further slippage of £(184.2)m is now being reported as the outturn for 2022/23. This means that full year slippage is £(330.8)m as shown in the table above.

1.3 The Month 9 and previous in year monitoring reports were against the backdrop of the lack of finance reports and significant data cleansing issues experienced within the new Oracle system. The forecasts were largely reliant on non-ledger management information and records. A significant amount of manual effort has been undertaken to be able to produce the financial outturn within the Oracle system.

1.4 It is important to note that no financial resources will be lost as a result of the slippage. The resources and planned expenditure could be, if approved or required, “rolled forward” into future years. A detailed review of the 2023/4 and beyond capital programme is being undertaken in light of the Council’s financial pressures.

1.5 For 2023/24 and beyond strict rules will apply to budget changes during the year to ensure transparency where additional resources have been provided or taken back for projects are over and underspending.

2. Reasons for variations

- 2.1 Annex A summarises the capital expenditure for 2022/23 by Directorate. It also shows the variations since Month 9 against the final budget, which is in addition to what has been reported previously.
- 2.2 Annex B provides details of the budget changes between Month 9 and year end and describes the reasons for the major variations.
- 2.3 The cumulative spend is £(330.8)m less than the latest approved budget for the 2022/23 financial year.
- 2.4 The reasons for these variations have been reported in quarterly financial monitoring reports to Cabinet throughout the year and the major variations are summarised here as follows:

Council Management - Total directorate variation of £(37.8)m.

- 2.5 The main variances are:
 - a) Revenue Reform Projects – Slippage of £(25.2)m – This budget was available to fund eligible projects to support transformational projects as and when required. There has been slippage against a number of projects. The budget has been slipped into future years as the government has extended the flexibility to use capital receipts for transformational projects until March 2025. The existing projects have been subjected to review to ensure they are still required in 23/24 and beyond.
 - b) Corporate Capital Contingency – Slippage of £(3.6)m – A contingency budget of £5m was set at the start of the year for unforeseen events. £1.4m has been allocated to fund new projects, as approved by Cabinet in March and April 2022.

City Operations Directorate. Total directorate variation of £(36.8)m.

- 2.6 The main variances are as follows:
 - a) Street Scene – Waste Management Services – Slippage of £(13.7)m –The additional slippage since Month 9 was £(12.0)m due to the delayed purchase

of waste management vehicles. The Service has been awaiting confirmation of proposals contained in a new environment act which will identify specific statutory requirements in respect of the collection & disposal of food. This will impact on the type of refuse vehicles that will need to be procured.

- b) Private Sector Housing – Slippage of £(2.0)m – Further net slippage of £(7.9)m from the Month 9 position due mainly to the Energy Efficiency Programme. This was a result of
- i. Data analysis:
 - a. Reliability of data and a
 - b. Limited numbers of ‘off gas’ properties due to the demographic.
 - ii. Tenant engagement:
 - a. Difficulties in engaging with residents due to lack of understanding around retrofit and energy efficiency measures, language barriers made communicating with targeted areas difficult, lack of understanding of the complex customer journey that is a requirement of the PAS accreditation and a lack of understanding around the energy efficiency measures that are chosen to be installed vs the measures that are on the medium term plan.
 - iii. Time restrictions: Residents become disengaged and inconvenienced due to the time taken for the completion of the schemes.
 - iv. Cost caps: due to cost caps set by Government, it is difficult to complete multi-measures needed to achieve the energy efficiency saving required and some measures cost in excess of the cost cap due to increases in the cost of materials and labour.

Neighbourhoods - Alexander Stadium Legacy Project – Slippage of £(5.9)m

- 2.7 The project has not proceeded as rapidly as expected, as the detailed design and contractor engagement has been substantially more time consuming than anticipated, and the high levels of inflation in the economy have generated

substantial challenges in being able to deliver the required works within the available funding. As a result of this, only limited workstreams within the overall project were delivered during 2022/23, with other elements continuing to be developed and value engineered to allow delivery within the available resources.

Highways Infrastructure – Tame Valley Phase 3 - Slippage of £(10.0)m –

- 2.8 The slippage relates to the amendment of a contract but has no major impact on the project completion date. The contract commencement date was 8th March 2022 with a contract delivery period of 4 years 9 months. The formal award of the contract was delayed due to inflationary pressure concerns raised by the Contractor. The contract was amended and was formally contracted in June 2023. Although the access delay has extended the contractual completion from December 2026 to February 2027, the latest planned completion of the works is expected to be July 2026.

City Housing. Total variation of £(83.2)m.

- 2.9 The main variations are as follows:
- a) Housing Improvement Programme – net slippage of £(28.4)m – The net slippage relates to high value Fire Protection and Structural Investment related projects due to delays in design and licence agreements with leaseholders. Additionally, this was further impacted by the transition of contractors in March 22 from Wates to Equans (East and West) and the procurement of the South which Fortem retained.
 - b) A net underspend of £1.0m is due to a change in the nature and emphasis of the works undertaken in particular around the Structural Investigation Budget and savings on procurement and final account settlements. The net underspend has been utilised to offset overspends in other areas of the HRA capital programme.
 - c) **Housing Redevelopment BMHT – net slippage of £(33.1)m** – Additional slippage of £(4.2)m from the Month 9 position. The construction sector experienced unprecedented growth in house-building activity in 2022/23. This has contributed to a substantial increase in some material prices, with certain parts in short supply with extended lead-in times, affecting

programme delivery. This, combined with a construction labour shortage, resulted in cost increases and slippage on a few projects. While there are slippages on the housing development capital programme, there is clear distinction between delivery slippage and reprofiling. This has aided in identifying areas where variances from the budget are the consequence of timely strategic decisions rather than the failure to deliver. This analysis will be used in combination with the ongoing monitoring of the budget profiles. Contributing factors to slippage are:

- i. Delays in planning consent
- ii. Tender returns and value
- iii. Dependencies – where the project delivery is dependent on external contractors (such as statutory energy suppliers), this can result in significant slippage.
- iv. Final accounts and snagging
- v. Project planning – optimism bias; funding may need to be made available if risks such as planning consent do not materialise, which can lead to delivery slippage.

2.10 The projects relating to most of the slippage are:

- a) Delay to tender process at Highgate Road scheme, Brockworth and Sherstone schemes (£0.279m)
- b) Delay due to supply chain issues and material shortage at Monmouth Road (£1.77m) and Stoney/Bayley schemes (£0.862m)
- c) Strategic review of Yardley Brook scheme to consider delivery options in partnership with Registered Providers (£0.265m)
- d) Strategic review to route to market of Bromford scheme (£0.196m)
- e) Strategic review of Property Acquisition and housing development programme to develop robust governance and process (£1.2m).
- f) Housing Redevelopment Clearance – slippage of £(4.4)m - The lack of suitable, available social housing has largely impacted on the rehousing of households in clearance schemes and obtaining vacant possession of

residential buildings programmed for demolition. Other factors causing delays have included environmental issues and planning conditions. Therefore, demolition programmes forecast to take place during 2022/23 are now anticipated to being completed during 2023/24 and 2024/25.

Places, Prosperity & Sustainability. Total variation of £(156.6)m.

2.11 The main variances are as follows:

- a) **Enterprise Zone - Other – slippage of £(23.8)m** – Slippage relates to Digbeth Public Realm -Delays to the project have led to the WMCA / MMA providing a revised project programme. There is therefore a need to revise the project milestone, financial profile, output and outcome dates as set-out within the FBC. A single payment will be made at the end of the scheme once the outputs have been achieved, the Digbeth section 5 works have been handed over from the MMA to WMCA (November 2023) and the claim evidence has been verified and quality of the works has been fully assured.
- b) **Planning & Development Other Major – Projects -slippage of £(3.6)m** - The slippage relates to the ERDF funded Business Growth Programme 2. Funding was extended until 30th June 2023, which has enabled a substantial amount of grant claims to be processed before the deadline, which should enable most of the revised budget to be spent.
- c) **Brum Breathes & Route to Zero – slippage of £(30.3)m** – The slippage relates to Clean Air Zone (CAZ) mitigation fund. The spend is demand led involving fairly low levels of grant expenditure to private individuals, organisations, and companies. While the CAZ Team has made continuous efforts to encourage applications for the funds (and has revised the offer wherever possible), the delayed launch of the CAZ, higher than assumed levels of compliance in key vehicle types and the current cost of living crisis has meant that demand for CAZ grants is relatively low and is not expected to improve significantly for the foreseeable future.
- d) **Active Travel – slippage of £(20.1)m** – Slippage due to the majority of proposed works not being on site, however work to Aldridge Road Cycle Route has recommenced and Shaftmoor Lane & Cycle Signage design

works is nearing completion with the procurement process about to commence subject to the necessary financial approvals. There will be no loss of resources due to the slippage and the budgets will be rephased in line with the revised Transportation & Highways Delivery Programme Report going to Cabinet in December 2023.

- e) **Housing Development InReach – slippage of £(5.4)m** – This budget was to provide additional equity investment into InReach Ltd, a wholly owned subsidiary of the Council supporting the Private Rented Sector, as it undertook its next project at Key Hill. As a result of pressures in the supply chain and increased costs the business case has been updated and requires strategic review to determine if this is a suitable delivery vehicle to achieve the Council's strategic objective.
- f) **Perry Barr Residential Scheme – net slippage of £(40.9)m** – Whilst the initial site assembly and infrastructure for the entire PBRS scheme and base construction of plots 6-9 (the first 968 dwellings) was largely completed by 31 March 2023, other elements (including subsequent construction phases and the internal fitout of properties) has continued at a more measured pace than previously envisaged, reflecting market conditions and a need to ensure that subsequent properties constructed appropriately reflect typologies most needed in the area. In addition, costs have been tightly controlled throughout the construction phase, resulting in a lower than anticipated drawdown of contingency sums held within the overall project at this stage, resulting in a subsequent reduction in expenditure for 2022/23, helping to reduce the financial risk for delivery the remaining elements of the scheme in future years. Work is under way to refresh the financial modelling for the remainder of the scheme, to ensure that the overall regeneration scheme is effectively delivered within the resources available.

Children & Families. Total variation of £(10.652)m.

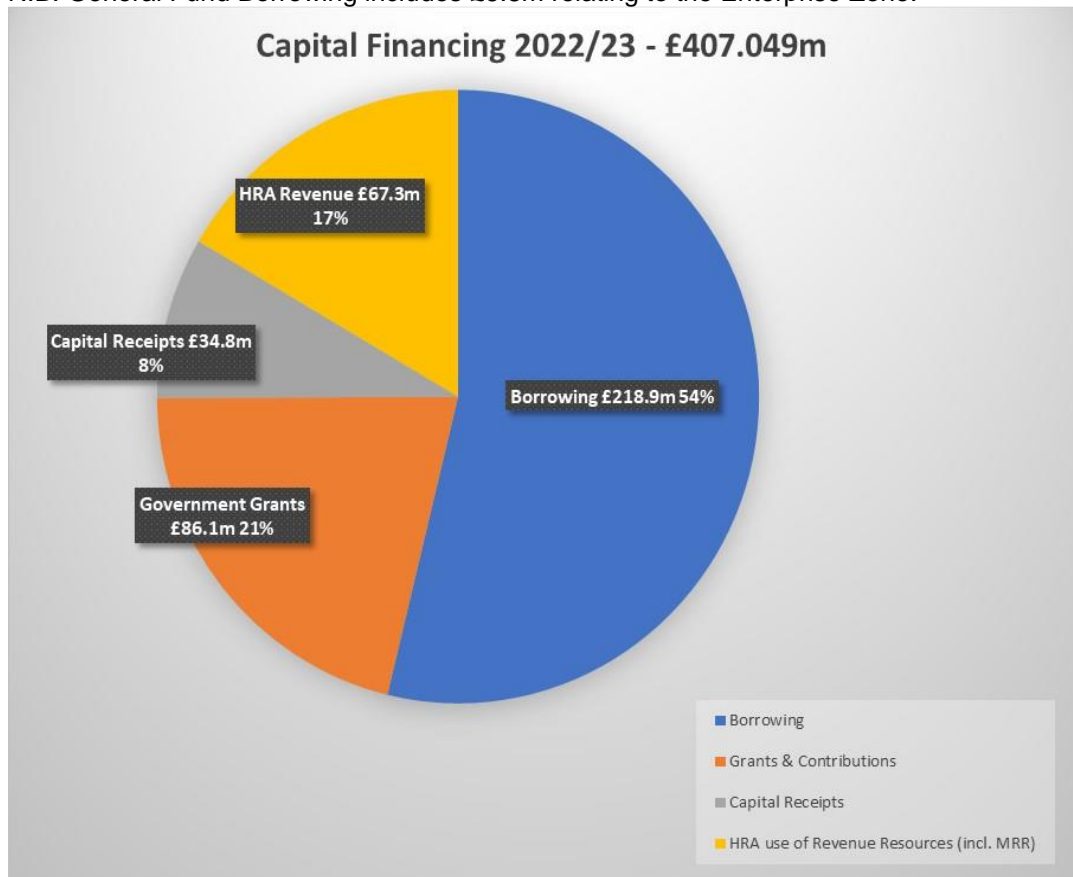
2.12 The main variance is Basic Need – Additional School Places. £(8.7)m slippage pending the development of schemes such as North Birmingham Academy and also due to the additional secondary school places required for 2023/24+. There are also the other secondary school options that are currently under consideration.

3. Financing of Capital Expenditure

3.1 The proposed financing arrangements in respect of the City Council capital expenditure in 2022/23 of £407.0m are summarised in the table and graph below:

Financing Method	HRA £m	GF £m	TOTAL £m
Borrowing (including Enterprise Zone)	1.361	217.521	218.882
Government Grants & Contributions	1.223	84.851	86.074
Capital Receipts	17.453	17.300	34.753
Revenue Resources (incl MRR for HRA)	67.340	0.000	67.340
TOTAL FINANCING	87.377	319.672	407.049

N.B. General Fund Borrowing includes £6.8m relating to the Enterprise Zone.



Appendix 5: Capital

Annexes A and B

Capital Outturn 2022-23 by Directorate					
Directorate	(a) 2022/23 Month 9 Approved Budget	(c) New Schemes & Resources	(a) 2022/23 Month 12 Revised Budget	(b) 2022/23 Outturn	(c) 2022/23 Variation
	£m	£m	£m	£m	(b-a) £m
Commonwealth Games	19.416	0.000	19.416	11.688	(7.728)
Council Management					
Development & Commercial	6.002	0.000	6.002	4.127	(1.875)
Corporately Held Funds	53.577	0.000	53.577	24.453	(29.124)
SAP Investments	0.000	0.000	0.000	0.000	0.000
ICT & Digital	11.643	0.000	11.643	4.840	(6.803)
Total Council Management	71.222	0.000	71.222	33.420	(37.802)
City Operations					
Control Centre Upgrade	0.115	0.000	0.115	1.121	1.006
Street Scene	37.218	0.000	37.218	21.281	(15.937)
Private Sector Housing	3.078	0.000	3.078	1.093	(1.985)
Neighbourhoods	5.296	9.260	14.556	8.369	(6.187)
Regulation & Enforcement	2.998	0.000	2.998	0.093	(2.905)
Highways Infrastructure	20.309	0.000	20.309	9.481	(10.828)
Total City Operations	69.014	9.260	78.274	41.438	(36.836)
City Housing					
Housing Options Service	30.846	0.000	30.846	14.882	(15.964)
HRA	154.612	0.000	154.612	87.377	(67.235)
Total City Housing	185.458	0.000	185.458	102.259	(83.199)
Place, Prosperity & Sustainability					
Planning & Development	42.367	0.000	42.367	11.744	(30.623)
Transport & Connectivity	89.673	0.000	89.673	23.361	(66.312)
Housing Development	5.380	0.000	5.380	0.000	(5.380)
Perry Barr Residential Scheme	114.774	0.000	114.774	73.898	(40.876)
Property Services	75.703	0.000	75.703	62.292	(13.411)
Total Place, Prosperity & Sustainability	327.897	0.000	327.897	171.295	(156.602)
Children & Families	41.207	0.000	41.207	30.555	(10.652)
Adult Social Care	14.337	0.000	14.337	16.394	2.057
TOTAL	728.551	9.260	737.811	407.049	(330.762)

Appendix 5: Capital

Capital Outturn 2022/23 - Outturn Variations						
		2022-23 Capital Outturn				
		Period 12 Budget £m	2022/23 Outturn £m	Period 12 Variation £m	Period 9 Variation £m	Movement from Period 9 £m
	Ref.					
COMMONWEALTH GAMES 2022						
CWG Alexander Stadium		8.376	6.788	(1.588)	(4.629)	3.041
CWG Organising Cttee		11.040	4.900	(6.140)	(6.606)	0.466
TOTAL COMMONWEALTH GAMES		19.416	11.688	(7.728)	(11.235)	3.507
COUNCIL MANAGEMENT						
Development & Commercial						
Gateway/Grand Central Residual Costs		3.461	4.127	0.666	0.000	0.666
Capital Loans & Equity		2.541	0.000	(2.541)	(2.041)	(0.500)
Total Development & Commercial		6.002	4.127	(1.875)	(2.041)	0.166
Corporately Held Funds						
Revenue Reform Projects	CM1	41.734	16.486	(25.248)	(3.900)	(21.348)
Corporate Capital Contingency		3.636	0.000	(3.636)	(3.636)	0.000
ERP Implementation	CM2	4.487	7.967	3.480	0.000	3.480
Total Corporately Held Funds		49.857	24.453	(25.404)	(7.536)	(17.868)
SAP Investments		3.720	0.000	(3.720)	(3.720)	0.000
ICT & Digital Services						
ICT & Digital	CM3	11.643	4.840	(6.803)	(3.303)	(3.500)
Total Digital & Customer Services Directorate		11.643	4.840	(6.803)	(3.303)	(3.500)
TOTAL COUNCIL MANAGEMENT		71.222	33.420	(37.802)	(16.600)	(21.202)
CITY OPERATIONS						
Control Centre Upgrade						
Control Centre Upgrade - CCTV Cameras		0.115	1.121	1.006	0.000	1.006
Total Control Centre Upgrade		0.115	1.121	1.006	0.000	1.006
Street Scene						
Waste Management Services	CO1	31.746	18.002	(13.744)	0.000	(13.744)
Parks & Nature Conservation		5.472	3.279	(2.193)	0.000	(2.193)
Total Street Scene		37.218	21.281	(15.937)	0.000	(15.937)
Private Sector Housing	CO2	3.078	1.093	(1.985)	5.884	(7.869)
Neighbourhoods						
Community, Sport & Events		4.528	3.235	(1.293)	0.053	(1.346)
Alexander Stadium Legacy Project	CO3	9.260	3.401	(5.859)	0.000	(5.859)
Neighbourhoods		(0.006)	0.749	0.755	0.000	0.755
Cultural Development		0.774	0.984	0.210	0.000	0.210
Total Neighbourhoods		14.556	8.369	(6.187)	0.053	(6.240)
Regulation & Enforcement						
Bereavement		2.502	0.081	(2.421)	0.000	(2.421)
Markets Services		0.000	0.003	0.003	0.000	0.003
Mortuary/Coroners		0.496	0.009	(0.487)	0.000	(0.487)
Illegal Money Lending		0.000	0.000	0.000	0.000	0.000
Total Regulation & Enforcement		2.998	0.093	(2.905)	0.000	(2.905)
Highways / Flood Management		2.792	2.002	(0.790)	(0.850)	0.060
Tame Valley Phase 3	CO4	17.517	7.479	(10.038)	(0.457)	(9.581)
Highways Infrastructure		20.309	9.481	(10.828)	(1.307)	(9.521)
TOTAL CITY OPERATIONS		78.274	41.438	(36.836)	4.630	(41.466)
CITY HOUSING						
Housing Options Service		30.846	14.882	(15.964)	(13.000)	(2.964)
Housing Revenue Account						
Housing Improvement Programme	CH1	93.355	64.964	(28.391)	(15.110)	(13.281)
Redevelopment	CH2	59.088	21.781	(37.307)	(28.908)	(8.399)
Other Programmes		2.169	0.632	(1.537)	(0.900)	(0.637)
Total Housing Revenue Account		154.612	87.377	(67.235)	(44.918)	(22.317)
TOTAL CITY HOUSING		185.458	102.259	(83.199)	(57.918)	(25.281)

Appendix 5: Capital

Capital Outturn 2022/23 - Outturn Variations						
		2022-23 Capital Outturn				Movement from Period 9
	Ref.	Period 12 Budget £m	2022/23 Outturn £m	Period 12 Variation £m	Period 9 Variation £m	£m
PLACE, PROSPERITY & SUSTAINABILITY						
Planning & Development						
Major Projects						
Enterprise Zone - Paradise Circus		6.078	3.331	(2.747)	(0.767)	(1.980)
Enterprise Zone - Other	PPS1	27.796	3.959	(23.837)	(5.470)	(18.367)
Other Major Projects	PPS2	8.069	4.437	(3.632)	0.000	(3.632)
Total Major Projects		41.943	11.727	(30.216)	(6.237)	(23.979)
Public Realm		0.424	0.017	(0.407)	0.000	(0.407)
Infrastructure		0.000	0.000	0.000	0.000	0.000
Total Planning & Development		42.367	11.744	(30.623)	(6.237)	(24.386)
Transport Connectivity						
Major Schemes						
A457 Dudley Road		9.503	8.349	(1.154)	(0.703)	(0.451)
Birmingham City Centre Retail Core Public Realm		2.744	2.008	(0.736)	(0.644)	(0.092)
Wharfdale Bridge		2.687	0.000	(2.687)	(2.637)	(0.050)
Other (Major Schemes)		10.529	1.263	(9.266)	(7.669)	(1.597)
Total Major Schemes		25.463	11.620	(13.843)	(11.653)	(2.190)
Brum Breathes & Route To Zero	PPS3	32.297	1.965	(30.332)	(17.904)	(12.428)
Active Travel	PPS4	22.917	2.794	(20.123)	0.000	(20.123)
Public Transport		2.016	3.967	1.951	(1.645)	3.596
Infrastructure Development		3.270	1.798	(1.472)	(2.470)	0.998
Places for People (Local Neighbourhoods)		3.690	0.873	(2.817)	0.000	(2.817)
Section 278/106		0.020	0.344	0.324	0.000	0.324
Local Measure		0.000	0.000	0.000	0.000	0.000
Total Transport Connectivity		89.673	23.361	(66.312)	(33.672)	(32.640)
Housing Development						
In Reach	PPS5	5.380	0.000	(5.380)	0.000	(5.380)
Total Housing Development		5.380	0.000	(5.380)	0.000	(5.380)
Perry Barr Residential Scheme	PPS6	114.774	73.898	(40.876)	0.000	(40.876)
Property Services						
Property Strategy & Public Hub		64.458	49.030	(15.428)	(17.458)	2.030
Other Schemes		11.245	13.262	2.017	0.000	2.017
Total Property Services		75.703	62.292	(13.411)	(17.458)	4.047
TOTAL PLACE, PROSPERITY & SUSTAINABILITY		327.897	171.295	(156.602)	(57.367)	(99.235)
CHILDREN & FAMILIES						
Education & Early Years						
Devolved Capital Allocation to Schools		2.979	2.048	(0.931)	0.000	(0.931)
School Condition Allocations		12.230	14.864	2.634	0.000	2.634
Basic Need - Additional School Places		21.208	12.497	(8.711)	(8.104)	(0.607)
IT Investment		1.498	0.030	(1.468)	0.000	(1.468)
Other Minor Projects		0.000	0.001	0.001	0.001	0.000
Other Major Projects (Children's Trust Accom)		2.962	1.105	(1.857)	0.000	(1.857)
Total Education & Early Years		40.877	30.545	(10.332)	(8.103)	(2.229)
Skills & Employability						
Birmingham Libraries		0.330	0.010	(0.320)	0.000	(0.320)
Total Skills & Employability		0.330	0.010	(0.320)	0.000	(0.320)
TOTAL CHILDREN & FAMILIES		41.207	30.555	(10.652)	(8.103)	(2.549)
ADULT SOCIAL CARE DIRECTORATE						
Adult Care & Health						
Property Schemes		0.273	0.000	(0.273)	0.000	(0.273)
Adults IT		0.733	0.006	(0.727)	0.000	(0.727)
Telecare / TEC		0.388	0.173	(0.215)	0.000	(0.215)
Independent Living		12.943	16.215	3.272	0.000	3.272
TOTAL ADULT SOCIAL CARE		14.337	16.394	2.057	0.000	2.057
TOTAL CAPITAL PROGRAMME		737.811	407.049	(330.762)	(146.593)	(184.169)

Appendix 6: Treasury Management***PROVISIONAL TREASURY MANAGEMENT ANNUAL REPORT*****1. Summary**

1.1 The most significant elements of treasury management activity during 2022/23 were:

- a) At 31st March 2023, the Council's total loan debt net of treasury investments stood at £3,184.5m, compared to net loan debt of £2,961.5m as at 31st March 2022.
- b) The Council's treasury investments held at 31st March 2023 were £105.6m. The Council also held investments of £50.1m as accountable body.
- c) The Council did not breach any of its prudential limits set under the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance.
- d) Treasury management net borrowing costs totalled £216.9m; after recharges to other services the costs were £124.0m. This meant treasury costs were £8.7m below the budget, after including the costs for the Council's other long term liabilities.

2. Background

2.1 The Council, like all local authorities, is permitted by government to finance capital investment and day to day cash flows from borrowing, in accordance with the prudential borrowing system. The Council's net loan debt at 31st March 2023 stood at £3,184.5m (excluding accountable body investments). This report reviews how the debt and associated investments were managed during the 2022/23 financial year.

2.2 The Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services which includes the requirement to present a treasury management annual report.

2.3 CIPFA published its revised Prudential Code and Treasury Management Code in late December 2021 and recommended a soft implementation for 2022/23 with full implementation by 2023/24. The Council already complies with the core principles of the revised Prudential Code and the revised Treasury Management Code.

2.4 Loans and investments are shown at nominal value unless otherwise indicated, consistent with budget and monitoring reports and the Prudential Indicators. The basis of accounting in the Financial Accounts is different in some cases where required by proper accounting practices.

3. The objective of Treasury Management

3.1 CIPFA defines the objective of Treasury Management as “the management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks”.

3.2 In balancing risk against return, local authorities should be more concerned to avoid risks than to maximise return. This requires a balance to be struck when borrowing, between:

- a) The security offered by long term fixed rate funding
- b) The expected cost of short term and variable rate funding, compared with long term funding

3.3 When investing surplus funds, the emphasis should be on the security of capital invested rather than maximising the rate of return.

4. Economic Review 2022/23

4.1 The global economic outlook remained weak during 2022/23, characterised by high energy and commodity prices and high inflation whilst the war in Ukraine continued. Global central bank rhetoric and actions focussed on combatting inflation through interest rate rises.

4.2 UK inflation as measured by the annual Consumer Price Index (CPI) started the financial year at 5.5% before peaking at 11.1% in October 2022; CPI remained above 10% for the remainder of the financial year. In response, the Bank of England raised rates at every subsequent meeting of the Monetary Policy Committee, from 0.75% in March 2022 to 4.25% by March 2023. The Bank of England had also expressed concern about the tightness of the labour market with wage growth a threat to controlling inflation.

4.3 In the US, annual inflation peaked at 9.1% in June 2022 before slowing in consecutive months to 5% in March 2023. During this period the Federal Reserve

continued raising rates to 4.75%-5.00% by its March 2023 meeting. Eurozone CPI inflation also slowed to 6.9% in March 2023 after peaking at 10.6% in October 2022; the European Central Bank also raised rates over this period to 3% in March 2023.

- 4.4 Gilt yields remained volatile over the year with the concerns over inflation and how long the Bank of England would continue to tighten monetary policy. The start of 2023 saw additional volatility due to fears about the banking sector following the failure of Silicon Valley bank in the US and the purchase of the Swiss investment bank Credit Suisse by UBS.
- 4.5 Credit Risk Default Swaps (CDS) for UK banks, an indicator of credit risk, were also volatile during the financial year. CDS prices rose and fell sharply following the announcement and reversal of the mini budget in September 2022. CDS prices again increased swiftly in March 2023 following uncertainty over the banking sector.

5. Treasury Strategy and activities during the year

- 5.1 The Council's treasury management strategy for 2022/23, included as part of the Financial Plan 2022-26, was approved by full Council on 22 February 2022.
- 5.2 The Council's actual net loan debt at 31st March 2023 was £3,184.5m compared to the expected net loan debt at the time of the Original Budget in February 2022 of £3,496.6m. Actual net loan debt was lower due to slippage in the capital programme.
- 5.3 Long term loans taken during the year amounted to £95m, slightly above the planned assumption of £90m. Long term loans include a £30m PWLB loan taken in March 2023 for one year duration to replace short term borrowing. This was because the availability of short term loans at financial year end were greatly reduced and PWLB rates had also dipped. The Treasury team have the authority to make tactical decisions whilst staying within the Treasury Management Policy and Strategy.
- 5.4 The Treasury Strategy implemented in the year:
- a) Maintained a balanced strategy which enabled the Council to benefit from lower short term interest rates, by maintaining a significant short term and variable rate loan portfolio.

- b) Acknowledged the risk that maintaining a significant short term and variable rate loan debt may result in increasing borrowing costs in the longer term, but balanced this against the savings arising from cheaper variable rates in the short term.
 - c) Reviewed treasury management activity in the context of the Council's current financial position together with the outlook for interest rates.
 - d) Continuously reviewed the advantages and disadvantages of different sources of borrowing.
 - e) Opportunities to improve risk management or make savings by prematurely repaying loans were kept under review.
- 5.5 The Council's Treasury Strategy in recent years has sought to maintain a significant exposure to short-term and variable-rate borrowing in order to take advantage of cheaper short-term rates at around Bank Rate. Variable short term borrowing was £306.5m at 31st March 2023 (see Table 7.1). This was borrowed at an average rate of 3.41%. In anticipation of rate rises during the year, the Council sought to agree short term forward loan deals in advance and fixed for longer durations than 3 months. This strategy helped to keep the average rate achieved over the year below the average market rate.
- 5.6 The short term debt portfolio size remained below the £600m indicated in the Treasury Management Strategy, as the Council's borrowing needs during the year were lower than forecast. The majority of the Council's borrowing needs during the year were still met from short term borrowing, helping to minimise its interest costs.
- 5.7 The Council continues to use the Public Works Loan Board (PWLB), a lending facility operated on behalf of HM Treasury, for long term borrowing needs. In August 2021 HM Treasury published revised guidance on the PWLB lending terms with further detail on the use of PWLB loans. The revised lending terms mean PWLB loans could not be used by local authorities who are planning to purchase investment assets primarily for yield. The Council confirmed to HM Treasury that it does not intend to invest primarily for yield.
- 5.8 Annex A shows that PWLB rates remained on an upward trajectory in line with gilt yields, and as the Bank of England made successive interest rate rises to combat inflation. PWLB rates were particularly volatile following the announcement and reversal of the mini budget in September 2022. Subsequent intervention in the

gilts market from the Bank of England caused yields to come down sharply and the Council used this opportunity to lock in rates for a £40m loan from the PWLB.

- 5.9 The Council did explore market alternatives for long term borrowing, in particular forward starting long term loans with private lenders that would allow rates to be locked in a year or 2 years in advance, for a small premium. The Council decided not to pursue this due to market uncertainty in interest rate forecasts with some views that rates may actually start to come down in the near future.
- 5.10 HRA (Housing Revenue Account) loan debt is accounted for separately in accordance with the two pool debt system, which the Council introduced following the reform of Housing Subsidy. During 2022/23, the level of HRA loan debt slightly increased from £1,069.3m, to £1,070.1m, taking into account appropriations made to the HRA. No long term loans were taken for the HRA during the year and short term borrowing represented 17% of the total HRA loan debt in 2022/23 (was 16% in 2021/22).

6. Investment Management

- 6.1 Treasury investments are made in accordance with the creditworthiness criteria in the Treasury Management Policy and are also reported to Cabinet as part of the quarterly capital monitoring reports in line with the liquidity management objective for investments. Under the current treasury strategy, a working balance of around £40m short term investments is targeted in order to provide liquidity to meet cash flow fluctuations.
- 6.2 As at 31 March 2023, the Council's treasury investments held were £105.6m.
- 6.3 Lending has continued to be limited to short periods of less than a year. The Council retained lending to the institutions within the Treasury Management Policy's criteria, mainly Money Market Funds (MMFs), UK bank call accounts and the UK Government's Debt Management Account Deposit Facility (DMADF). A range of information has been used to assess investment risk, in addition to credit ratings. Regular meetings are held to review outstanding investments and criteria for new investments in the light of developments in market conditions.
- 6.4 From April 2022, the UK government imposed economic sanctions on Russia following its invasion of Ukraine and the prolonged war there. The Council

continued to ensure it had no direct or indirect treasury investment exposure to Russia and Belarus.

- 6.5 Actual investments are reported quarterly to Cabinet as part of accountability for decisions made under treasury management delegations. Annex C1 lists all investments made during Quarter 4 of 2022/23 for the Council.
- 6.6 Investments outstanding at 31st March 2023 are summarised as follows:

Period Outstanding	Value Invested £m	Weighted Average Interest Rate %
Instant Access	105.6	4.05%
Fixed Overnight	0.0	0.00%
Up to 3 months	0.0	0.00%
3 to 6 months	0.0	0.00%
Total	105.6	4.05%

- 6.7 The Council also continues to manage substantial funds as Accountable Body for an increasing number of Government programmes: they include the Growing Places Fund, the Regional Growth Fund and the Local Growth Fund, amongst others. These funds are managed by the Council but are not the Council's own money. The unspent balance of the funds at 31st March 2023 was £50.1m as set out in Annex C2.
- 6.8 Accountable Body funds are invested in accordance with the Accountable Body agreements in high credit quality deposits such as the government's DMADF and MMFs.

7. Debt profile

- 7.1 Long term borrowing is taken at a range of maturities to ensure that debt maturing in any year does not generally exceed 10% of total external debt, and that short-term/variable rate debt does not exceed the limit of 30% set in the Council's prudential indicators. This ensures that the Council is not overly exposed to the risk of high refinancing costs in any year. A full maturity profile at 31st March 2023

compared to 31st March 2022 is given in Annex C4. The following table summarises how the maturity profile of the Council's debt changed within the year:

Debt Profile (General Fund and HRA combined)	31.03.22	31.03.23
	£m	£m
Fixed rate over 40 years	80.0	80.0
Fixed rate 20 to 40 years	1,286.2	1,276.2
Fixed rate 10 to 20 years	689.0	696.3
Fixed rate 5 to 10 years	607.7	539.4
Fixed rate 1 to 5 years	220.7	336.6
Fixed < 1 year (note 1)	87.5	55.1
Variable and short term	136.7	306.5
Gross Debt	3,107.8	3,290.1
Investments < 1 year	(146.3)	(105.6)
Net Debt	2,961.5	3,184.5

Note: LOBO loans shown at final maturity

- 7.2 The average interest rate paid on all the Council's debt in 2022/23 was 4.49%, an increase on the average rate of 4.43% paid in 2021/22. In 2022/23 the Council did take some new debt in the higher interest rate environment.
- 7.3 The above maturity profile assumes that Lender's Option Borrower's Option (LOBO) loans are repaid at their final maturity date. At 31st March 2023 the debt portfolio included £71.1m LOBOs, just over 2% of the total portfolio. In the previous low interest rate environment, no LOBO loans had their options called by the lenders since the arrangements were entered into.
- 7.4 Given the current and forecast higher interest rate environment there is a risk that LOBO loan options may be called in the future. In May 2023 (the following financial year), Dexia Bank, as the lender, did exercise its option to increase the rate on its £10m LOBO loan with the Council. In response, the Council, as the borrower, exercised its right to prepay the loan in full.
- 7.5 During 2022/23, the Council continued to engage with its treasury management advisors for opportunities to refinance or restructure its external loans portfolio.

This includes opportunities to repay its LOBO loans early; as in previous restructuring of its LOBO loans, the Council will only do so if it is financially advantageous.

8. Revenue cost of borrowing

8.1 The net cost of borrowing to corporate treasury budgets was £124.0m. The underspend of £10.9m against the corporate treasury budget was mainly due to the Council being able to capitalise more of its interest costs meaning that overall financing costs to the treasury revenue budget was lower. The final treasury budget has an underspend of £8.7m following prudent voluntary revenue provision made for highways PFI.

8.2 The Corporate Treasury Management outturn for 2022/23 is summarised in the following table:

	Budget £m	Actual £m	Variation £m
Gross interest payable	127.5	123.0	(4.5)
Interest receivable	(0.1)	(2.7)	(2.6)
Revenue charge for debt repayment	109.4	108.7	(0.7)
Other Costs	(8.0)	(12.1)	(4.1)
Net Treasury costs	228.8	216.9	(11.9)
<i>Less recharges to:</i>			
HRA	(52.6)	(49.0)	3.6
Other Services	(41.3)	(43.9)	(2.6)
Net Corporate Treasury costs	134.9	124.0	(10.9)
Other Long Term Liabilities	(36.2)	(34.0)	2.2
Total	98.7	90.0	(8.7)

9. Prudential Indicators

9.1 The Council is required under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities to set various prudential indicators and limits covering capital finance and treasury management. The

outturn position against the Council's approved prudential indicators is attached at Annex C5. The Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.

10. Risk management and performance

10.1 Risk management is at the centre of treasury performance and monitoring. The Council has adopted the CIPFA Treasury Management Code's policy recommendation that "the successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of its treasury management activities will be measured."

10.2 There is no single quantitative measure which summarises the management of the different types of treasury risk and their financial impact. Key reporting and review processes include:

- a) Quarterly monitoring reports to Cabinet provide an overview of key treasury decisions and indicators.
- b) The adequacy of risk control arrangements are tested regularly by internal and external audit.
- c) The Council's Treasury Management Policy and Strategy sets out policies, limits and strategies for managing treasury risks, which have been reviewed throughout this report.

10.3 As an additional tool for risk and performance management, the Council's Treasury Management Panel, consisting of senior Finance Officers and treasury officers, met regularly during the year to act as an advisory body, providing guidance, support and scrutiny to decisions made by treasury officers. The panel includes the S151 officer and the Head of Internal Audit.

10.4 During 2022/23, the Council's Treasury Management Panel reviewed:

- a) The impact of increasing interest rates on Council borrowing;
- b) The Department for Levelling Up, Housing and Communities (DLUHC) initial consultation and interim response for proposed changes to MRP regulations;
- c) Treasury decisions taken for new PWLB loans to reduce refinancing risks;
- d) The increasing risk of LOBO loan options being called in a higher interest rate environment;

e) Banking sector risk following the failure of regional banks in the US and Credit Suisse in Europe; and

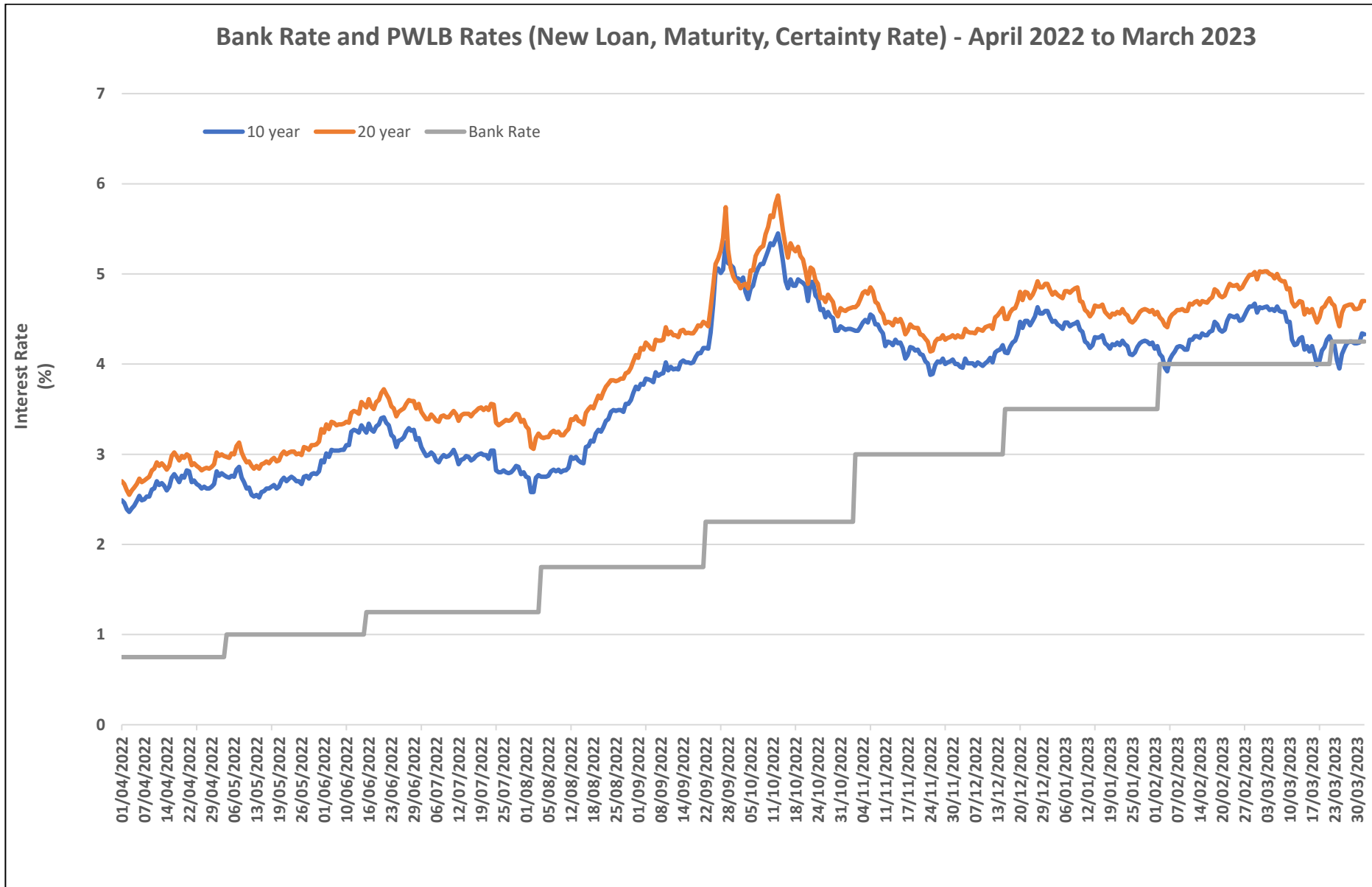
f) The new discounted HRA rate available from the PWLB.

10.5 Headline indicators include:

Has the Council complied with the CIPFA Treasury Management Code?	YES
Were the Council's lending criteria complied with during the year?	YES
Were treasury investment defaults avoided in the year?	YES
Were the Council's treasury prudential limits complied with?	YES
Were revenue costs kept within budget?	YES

11. Decisions taken under treasury management delegations

11.1 Each quarter, decisions taken by the Chief Finance Officer and the treasury management team are reported to Cabinet as part of Capital and treasury monitoring. Long term borrowing decisions during Quarter 4 are included in Annex B, and investment activity during Quarter 4 is reported at Annexes C1 and C2 below.



Long Term Loans details

1st April 2022 - 31st March 2023

New Long Term Loans taken out during the year.

Date of loan	Loan	Counter Party	Interest Rate	Maturity Date
23 September 2022	£25m	PWLB	4.02%	23 September 2032
06 October 2022	£40m	PWLB	4.50%	06 October 2062
10 February 2023	£30m	PWLB	3.98%	10 February 2024

New Long Term Loans to fund LOBO refinancing.

Date of loan	Loan	Counter Party	Interest Rate	Maturity Date
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None

Long Term Loans prematurely repaid during the year.

Date of repayment	Loan/ (Repayment)	Counter Party	Interest Rate	Maturity Date	Premia/ (Discounts)
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None

Treasury Management Investment Details

1st January 2023 to 31st March 2023

Investments - Fixed Term Deposits

Date Out	Date In	Borrower	Amount £	Interest Rate
16/01/2023	19/01/2023	DMO DMADF	12,500,000	3.32%
15/02/2023	24/02/2023	DMO DMADF	19,000,000	3.82%
20/03/2023	28/03/2023	DMO DMADF	29,000,000	3.82%

In addition to the above fixed term deposits the Council uses money market funds and call accounts where money may be added or withdrawn usually without notice. A summary of transactions for the quarter is as follows:

Investments - Call Account

	<u>No of Transactions</u>		Average	Average
	Investments	Withdrawals	Balance £	Rate Earned
Barclays Bank PLC FIBCA A/C	2	2	4,955,786	3.20%
HSBC	1	2	3,033,574	1.16%
Santander	1	1	433,333	2.35%

Investments - Money Market Funds

	<u>No of Transactions</u>		Average	Average
	Investments	Withdrawals	Balance £	Rate Earned
Aberdeen Standard Liquidity Fund	9	7	21,225,556	3.71%
Morgan Stanley Money Market Fund	9	16	38,637,778	3.76%
CCLA MMF	4	4	31,938,889	3.76%
Deutsche Money Market Fund	6	10	22,616,667	3.69%
Federated Money Market Fund	12	16	8,505,779	3.70%

Note

This appendix reports on the exercise of investment delegations to the Director of Council Management (Section 151 Officer) in the last quarter of the financial year.

Investment activity in previous quarters has been reported in the relevant quarterly Capital & Treasury Monitoring to Cabinet.

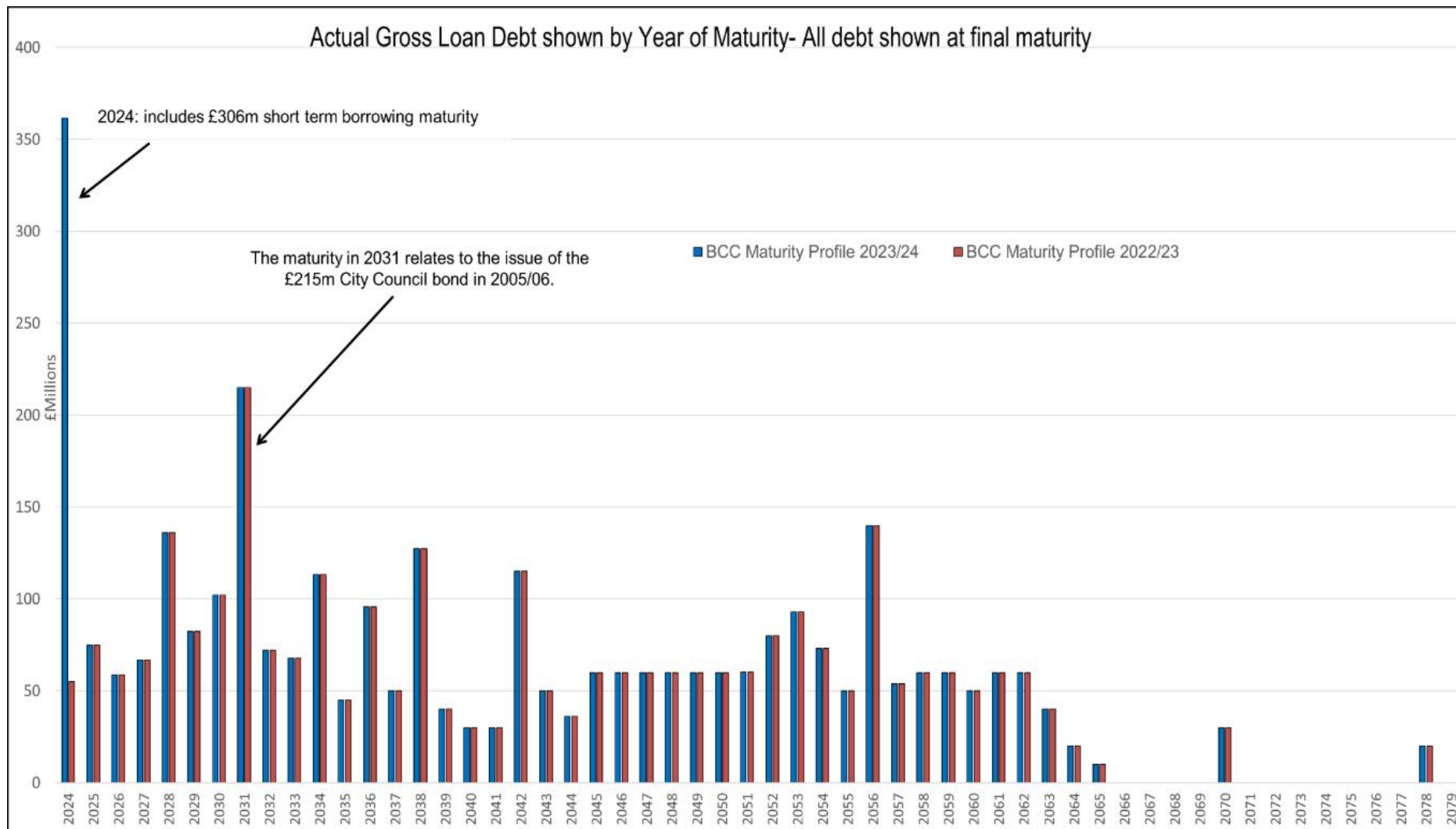
Accountable Body Investments - 31st March 2023

	LGIM Money Market Fund £000	Debt Management Office £000	Total £000
Advanced Manufacturing Supply Chain Initiative (AMSCI)	12,889	30,532	43,421
Growing Places Fund (GPF)	3,865		3,865
Local Growth Fund 3 (LGF3)	244		244
Local Growth Fund 4 (LGF4)	1,868		1,868
National Manufacturing Competitiveness Levels (NMCL)	228		228
Regional Growth Fund (RGF)	449		449
	19,543	30,532	50,075

Note

This appendix shows amount invested by The Council as Accountable Body.

These are separate from The Council's own investments.



This appendix provides monitoring against the Council's approved Prudential Indicators

DEBT AND PRUDENTIAL INDICATORS

WHOLE COUNCIL		22/23	22/23
		Indicators	Outturn
		£m	£m
Capital Finance			
1	Capital Expenditure - Capital Programme	531.7	421.3
2	Capital Expenditure - other long term liabilities	33.0	34.1
3	Capital expenditure	564.7	455.4
4	Capital Financing Requirement (CFR)	4,639.1	4,713.6
Planned Debt			
5	Peak loan debt in year	3,556.1	3,303.1
6	+ Other long term liabilities (peak in year)	374.0	374.6
7	= Peak debt in year	3,930.1	3,677.7
8	does peak debt exceed CFR?	no	no
Prudential limit for debt			
9	Gross loan debt	4,126.0	3,303.1
10	+ other long term liabilities	374.0	374.6
11	= Total debt	4,500.0	3,677.7

Notes

- 1 There is a net decrease in capital expenditure due to a revised capital programme.
- 4 The Capital Financing Requirement represents the underlying level of borrowing needed to finance historic capital expenditure (after deducting debt repayment charges). This includes all elements of CFR including Transferred Debt.
- 5-7 These figures represent the forecast peak debt (which may not occur at the year end). The Prudential Code calls these indicators the Operational Boundary.

- 8 It would be a cause for concern if the Council's loan debt exceeded the CFR, but this is not the case due to positive cashflows, reserves and balances.
- 11 The Authorised limit for debt is the statutory debt limit. The City Council may not breach the limit it has set, so it includes allowance for uncertain cashflow movements and potential borrowing in advance for future needs.

DEBT AND PRUDENTIAL INDICATORS

HOUSING REVENUE ACCOUNT		22/23	22/23
		Indicators	Outturn
		£m	£m
Capital Finance			
1	Capital expenditure	143.7	87.2
HRA Debt			
2	Capital Financing Requirement (CFR)	1,129.6	1,070.8
Affordability			
3	HRA financing costs	103.8	106.0
4	HRA revenues	287.7	287.7
5	HRA financing costs as % of revenues	36.1%	36.9%
6	HRA debt : revenues	3.9	3.7
7	Forecast Housing debt per dwelling	£19,272	£18,270

Notes

- 3 Financing costs include interest and depreciation rather than Minimum Revenue Provision (MRP) in the HRA.
- 6 This indicator is not in the Prudential Code but is a key measure of long term sustainability.
- 7 This indicator is not in the Prudential Code but is a key measure of affordability: the HRA debt per dwelling should not rise significantly over time.

DEBT AND PRUDENTIAL INDICATORS

GENERAL FUND		22/23	22/23
		Indicators	Outturn
		£m	£m
Capital Finance			
1	Capital expenditure (including other long term liabilities)	421.0	368.3
2	Capital Financing Requirement (CFR)	3,509.4	3,642.8
General Fund debt			
3	Peak loan debt in year	2,426.5	2,232.3
4	+ Other long term liabilities (peak in year)	374.0	374.6
5	= Peak General Fund debt in year	2,800.5	2,606.9
General Fund Affordability			
6	Total General Fund financing costs	223.0	224.5
7	General Fund net revenues	759.2	759.2
8	General Fund financing costs (% of net revenues)	29.4%	29.6%

Note

- 4 Other long term liabilities include PFI, finance lease liabilities, and transferred debt liabilities.
- 6 Financing costs include interest and MRP (in the General Fund), for loan debt, transferred debt, PFI and finance leases.
- 8 This indicator includes the revenue cost of borrowing and other finance, including borrowing for the Enterprise Zone and other self-supported borrowing.

DEBT AND PRUDENTIAL INDICATORS

TREASURY MANAGEMENT		22/23	22/23
		Indicators	Outturn
1	General Fund impact of an unbudgeted 1% rise in interest rates	£3.1m	£0.9m
2	Variable rate exposures vs upper limit 30%	18%	12%
Maturity structure of borrowing		Indicators	Outturn
(lower limit and upper limit)		Year End	Year End
3	under 12 months	17%	11%
4	12 months to within 24 months	2%	2%
5	24 months to within 5 years	7%	8%
6	5 years to within 10 years	15%	16%
7	10 years to within 20 years	22%	21%
8	20 years to within 40 years	35%	39%
9	40 years and above	2%	3%
Investments longer than 364 days			
upper limit on amounts maturing in:			
		Limit	Outturn
10	1-2 years	400	0
11	2-3 years	100	0
12	3-5 years	100	0
13	Later	0	0

Note

- 1 Based on year end debt borrowing less investments, with less than one year to maturity. High investment balances at year end has meant a 1% increase in interest rates would have resulted in a net credit to the Council.
- 2-9 These indicators assume that LOBO loan options are exercised at the earliest possibility and are calculated as a % of net loan debt.
- 2 The limit on variable rate exposures is a local indicator.