

Birmingham City Council

Report to Cabinet

11TH FEBRUARY 2020



Subject: FINANCIAL MONITORING REPORT QUARTER 3 (UP TO 31ST DECEMBER 2019)

Report of: Chief Finance Officer

Relevant Cabinet Member: Councillor Tristan Chatfield

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

Report author: Becky Hellard, Interim Chief Finance Officer

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 006759/2020 / 007463/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report forms part of the City Council's robust arrangements for controlling its revenue and capital expenditure.
- 1.2 Each Directorate's financial performance to date is shown, together with the risks and issues identified to date in the Corporate Revenue and Capital Budget Monitoring documents for Period 9, which are appended to this report as Appendices A and B.
- 1.3 The latest Treasury Management position is shown in the Treasury Management Report for Period 9, which is appended to this report as Appendix C.

- 1.4 The latest Investment Portfolio position is shown in the Investment Portfolio Report for Period 9, which is appended to this report as Appendix D.

2 Recommendations

That the Cabinet:-

- 2.1 Notes the City Council's 2019/20 forecast revenue budget position and the pressures and savings identified as at 31st December 2019 resulting in a forecast underspend of £1.5m.
- 2.2 Notes the latest monitoring position in respect of the City Council's savings programme and the present risks identified in its delivery.
- 2.3 Approves the resource allocation within General Policy Contingency as set out in paragraph 3.4.
- 2.4 Approves the proposed allocation of grant as set out in paragraph 3.5.
- 2.5 Approves the transfer to Reserves from Specific Policy Contingency as set out in paragraph 3.6.
- 2.6 Approves the proposed changes in uses of and contributions to Reserves as set out in paragraph 3.7.
- 2.7 Approves the writing off of debts over £0.025m as described in paragraph 3.8.
- 2.8 Approves the purchase of shares as described in paragraph 3.9.
- 2.9 Approves the revised 10 year+ capital programme of £3,376.9m.
- 2.10 Notes the forecast capital expenditure in 2019/20 of £502.5m.
- 2.11 Notes the Treasury Management and Investment Property Portfolio reports.

3 Background

- 3.1 At the meeting on 26th February 2019, the Council agreed a net revenue budget for 2019/20 of £851.6m to be met by government grants, council tax and business rates payers.
- 3.2 The Council is forecasting a revenue underspend of £1.5m. The forecast variations in each Directorate are detailed in Section 2 and Annexes 1-10 of the Corporate Revenue Budget Monitoring document attached as Appendix A. Directorate risks relating to the Savings Programme and measures being undertaken to alleviate these are detailed in Section 3, Annexes 1-10 and Annex 12 of Appendix A.
- 3.3 Risks and mitigations that have not been reflected in the forecast position are detailed in Section 4 and Annexes 1-10 of Appendix A.

- 3.4 It is proposed to utilise £0.04m of General Policy Contingency to fund costs of the Apprenticeship Levy that are in excess of the allocation that is funded by Specific Policy Contingency, as set out in Appendix A Annex 13 paragraph 1.1.
- 3.5 It is proposed to award a grant of £0.1m to the Midlands Art Centre (MAC) in line with the Council's continued commitment to support Arts Organisations, as set out in Appendix A Annex 7 paragraph 1.3.
- 3.6 It is proposed to transfer £9.1m from the Budget Delivery Contingency within Specific Policy Contingency to Reserves, as set out in Appendix A Annex 13 paragraph 1.4
- 3.7 Proposed changes in use of reserves are summarised in the table below:

The specific detail can be seen in Appendix A, Annex 11.

Summary (Use of) / Contribution to Reserves					
Reserve	Original Budgeted (Use) /Contribution	Budget Approved Period 6	Changes Proposed Since Period 6	Forecast Proposed (Use) /Contribution at Period 9	Variance to Original
	£m	£m	£m	£m	£m
General Reserves*	(5.910)	(5.910)	0.000	(5.910)	0.000
Corporate	11.861	9.365	9.997	19.362	7.501
Subtotal All Corporate	5.951	3.455	9.997	13.452	7.501
Other Reserves					
Grant	(29.206)	(14.834)	66.668	51.833	81.040
Earmarked	(3.719)	(8.876)	5.123	(3.753)	(0.034)
Schools	0.000	0.000	0.000	0.000	0.000
Non Schools DSG	0.000	(1.199)	0.000	(1.199)	(1.199)
Subtotal Other	(32.926)	(24.910)	71.791	46.881	79.807
Total	(26.975)	(21.455)	81.787	60.333	87.307

* Agreed as part of the Reserves Policy

- 3.8 The schedule at Appendix A, Annex 17 summarises debts recommended for write off of over £0.025m.
- 3.9 It is proposed to approve the purchase of shares instead of loans for up to 20% of the Council's planned investment in InReach Ltd, its wholly owned housing company.
- 3.10 The Full Council meeting of the 26th February 2019 also agreed a 10 year capital programme of £3,192.3m.
- 3.11 Appendix B covers capital monitoring. The capital budget has decreased by a net £170.5m since Quarter 2 to £3,376.9m.
- 3.12 The Capital forecast outturn for 2019/20 is £502.5m against a budget of £636.2m, a variation of £133.7m primarily relating to acceleration associated with programmes within Finance and Governance (£11.4m), Adult Social Care (£3.0m) and Commonwealth Games - Alexander Stadium (£2.2m) and slippage associated with programmes within Inclusive Growth (£78.9m), Neighbourhoods

(£31.4m), Finance and Governance (£12.6m), Adult Social Care (£6.9m), Digital and Customer Services (£6.4m) and Commonwealth Games – Organising Committee (£6.2m). Further details and narratives on all major variations to the 2019/20 Quarter 3 budget are explained in Appendix B6.

- 3.13 At Quarter 3 there is a net forecast overspend of £57.1m against the overall capital programme mainly due to a forecast increase of £64.1m against the current Housing Revenue Account new build programme. Further details and narratives on all major variations to the Quarter 3 budget are explained in Appendix B6.
- 3.14 Appendix C monitors Treasury Management, which is on track.
- 3.15 Appendix D monitors the Investment Property Portfolio as agreed in the Strategy Report approved by July Cabinet.

4 Options considered and Recommended Proposal

- 4.1 Directors, in striving to manage their budgets, have evaluated all the options available to them to maintain balance between service delivery and a balanced budget.

5 Consultation

5.1 Internal

- 5.1.1 Cabinet Members, Corporate Directors, the City Solicitor, Human Resources and Assistant Directors of Finance have been consulted in the preparation of this report.

5.2 External

- 5.2.1 There are no additional issues beyond consultations carried out as part of the budget setting process for 2019/20.

6 Risk Management

- 6.1 The monitoring of the Council's budget and the identification of actions to address issues arising, as set out in this report, are part of the Council's arrangements for the management of financial issues.

7 Compliance Issues:

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

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

7.2 Legal Implications

- 7.2.1 Section 151 of the 1972 Local Government Act requires the Chief Finance Officer (as the responsible officer) to ensure the proper administration of the

City Council's financial affairs. Budget control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Directorates and members of the Corporate Management Team by the City Council in discharging the statutory responsibility. This report meets the City Council's requirements on budgetary control for the specified area of the City Council's Directorate activities.

7.3 Financial Implications

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

7.4 Procurement Implications (if required)

7.4.1 N/A

7.5 Human Resources Implications (if required)

7.5.1 N/A

7.6 Public Sector Equality Duty

7.6.1 There are no additional Equality Duty or Equality Analysis issues beyond any already assessed in the year to date. Any specific assessments needed shall be made by Directorates in the management of their services.

8 Background Documents

8.1 City Council Financial Plan 2019-2023 approved at Council 26th February 2019

8.2 Financial Monitoring 2019/20 Quarter 1 approved by Cabinet 30th July 2019

8.3 Financial Monitoring 2019/20 Quarter 2 approved by Cabinet 29th October 2019