APPENDIX A

Quarter 2 (Month 6) Financial Monitoring Report 2022/23

1. High Level Summary Financial Position

1.1 At the Council Meeting on the 22nd February 2022 Birmingham City Council approved a net revenue budget of £759.2m for the 2022/23 financial year. This report sets out the high-level financial performance against that budget at the end of Quarter 2.

1.2 The City Council's strategic aim is to deliver a balanced revenue position by the end of the financial year. To that end the council has identified a range of risks that if not addressed will result in an overspend of **£44.5m.** The council has therefore implemented a return to rigorous spending controls from July 2022.

1.3 While we have seen other Councils failing due to poor governance and decision making, weak procurement, low levels of reserves and over borrowing, Birmingham City Council is in a strong robust position with strong financial control and planning processes in place. Reserves are healthy and within recommended limits. Borrowing is not excessive and is reducing, and the Council scores well on the CIPFA Resilience Index Indicators.

1.4 The Council is a CIPFA 3 Star Financial Management Authority recognising the significant financial management improvements made across the organisation since 2019 and we are continuing to further improve and aim for a 4 Star rating by April 2023.

1.5 The City Council like all other local authorities is facing a number of financial challenges in 2022/23. The current cost of living crisis is impacting on our citizens, businesses, and the services we deliver, resulting in a greater demand for our services and reducing income generating opportunities. Examples including, rising energy costs, increases in the costs of goods and services and the impact from the war in Ukraine.

1.6 Due to the extraordinary economic situation nationally, it has been agreed that a high level exception based Financial Monitoring Report will be provided to Cabinet each month. More detailed reports will continue to be provided on a quarterly basis.

1.7 The cost of living crisis is so severe that at Cabinet on 6th September 2022, the Leader of the City Council declared a "Cost of Living Emergency".

1.8 There are a number of actions that have been taken already, including an additional £1.3m top up of the Household Support Fund, working with partners to promote debt prevention, and providing warm banks across the City.

1.9 As detailed in the covering report, Cabinet of the 11th October approved the use of up to £5.0m of the Financial Resilience Reserve (FRR) to fund costs of the associated with the cost of living emergency.

1.10 In the financial year 2021/22, the Council underspent by £17.8m. Cabinet on the 28thJune 2022 approved the transfer of this balance to the Financial Resilience Reserve (FRR) to be used to manage future budget risks.

1.11 Unlike many Councils we undertake a rolling review of our budget all year rather than as a one-off annual process, so are constantly looking at the pressures we are facing or may have to face in the future, giving us early warning and time to react and put in place actions to manage impacts.

1.12 We are constantly horizon scanning and alert to changes in rising costs and pressures on our budget. The introduction of the spend controls first put in place in November 2021 (and continuing this year), being an example which we saw work at the end of the last financial year.

1.13 The Council's Leadership Team (CLT) have adopted a set of budget management principles as well as striving to achieve Best In Class services and are always seeking value for money and continuous improvement in services for our citizens. CLT has agreed the principle that all overspends, demands, growth and pressures should be managed and contained at a Directorate level. Any residual gap must be managed across CLT collectively.

1.14 The Council will continue to lobby Government for fair funding where we can, and will continue seeking multi-year financial settlements to help councils plan with a greater degree of confidence.

1.15 Like previous financial years the Financial Plan for 2022/23 includes budgeted savings, these total £40.8m. There are also previously undelivered savings of £2.1m that are being monitored. Work is underway to ensure delivery of these savings with any risks to the delivery being managed and mitigated. Last year, 91% of savings were delivered and we will aim to deliver similar levels this year as well. At Quarter 2, 46% of savings are rated as delivered or on target, so significant progress still needs to be made. Further details are provided in Section 4.

1.16 We continue to recognise that there are a number of risks to balancing the budget. These risks must all be carefully gripped and managed at pace and offset by opportunities to make savings. We have returned to rigorous spend controls focusing on staffing, facilities management, and procurement. We have in place measures to ramp up the benefit of these controls and look for opportunities to implement other spend control panels focusing on specific areas of spend.

1.17 At this stage of the year, the value of risks that have been identified outweigh mitigations by **£44.6m**. This currently assumes all savings will be delivered. However, there is still time to bring the deficit down as not all of the potential mitigations can yet be quantified.

Table 1: Detail of risks and mitigations identified

Directorate	Risks	Gross Risk (£m)	Use of Contingency (£m)	Use of Reserve (£m)	Other Mitigations (£m)	Net Risk (£m)
Children & Families	Special Educational Needs Assessment and Review Service (SENAR)	4.900		(4.900)		**0.000**
Children & Families	Children & Young People Travel Service (formerly H2ST)	16.047				**16.047**
Children & Families	Birmingham Children's Trust (BCT)	23.900				**23.900**
City Operations	Parking Income Shortfall	4.300		(4.300)		**0.000**
City Operations	Street Lighting Electricity	5.700	(5.700)			**0.000**
City Operations	Sports and Leisure Income Shortfall	1.000		(1.000)		**0.000**
City Operations	Vehicle Fuel costs	1.500			(1.500)	**0.000**
City Operations	Street Scene - garage income pressure	1.100			(1.100)	**0.000**
City Operations	Street Scene - trade waste income pressure	1.000			(1.000)	**0.000**
City Operations	Street Scene - additional Waste Fleet cleansing	1.400			(1.400)	**0.000**
City Housing	Housing Options	5.400				**5.400**
City Housing	Private Sector Landlord Contract	1.200			(1.200)	**0.000**
Adult Social Care	Bad Debt Provision/Client Contributions	5.000			(5.000)	**0.000**
Adult Social Care	Packages of Care	1.771			(1.771)	**0.000**
Council Management	Additional costs of Oracle implementation	1.723				**1.723**
Corporate	Forecast costs of Pay Award above budget	14.000		(14.000)		**0.000**
Corporate	Forecast costs of energy for Corporate Estate above budget	10.900		(10.900)		**0.000**
Corporate	Cost of Living Emergency	5.000		(5.000)		**0.000**
Corporate	Use of Covid Reserve-not against specific lines	0.000		(2.500)		**(2.500)**
Total		**105.841**	**(5.700)**	**(42.600)**	**(12.971)**	**44.570**

1.18 Further details of risks and mitigations are provided in sections 2 and 3 of the report.

2 Potential Risks

2.1 All budgets contain risks and a number of risks were identified when setting the budget (as shown in Appendix E of the Financial Plan agreed by Council on 22nd February 2022).

2.2 In Appendix E, after weighting the risks for probability, there was a total risk of £118m. Given that not all risks would be expected to happen at the same time, a deflator of 70% was applied, leaving a total risk of £34.5m. This is more than covered by the General Fund Balance of £38.4m and the Financial Resilience Reserve (FRR) balance of £125.5m.

2.3 Below are details of the potential risks that have been identified by each of the operational divisions of the Council.

Children and Families-Forecast forecast risk of overspend £44.8m before mitigations, £39.9m after mitigations

2.4 **Special Educational Needs Assessment and Review Service (SENAR)-forecast risk of overspend £4.9m against a budget of £10.0m**

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.

There has been additional investment secured for the SENAR service to address the concerns of under resourcing. For 2021/22 that resulted in additional funding of £5.1m, and for 2022/23 £5.3m. As the funding has currently been allocated for two years only (to fund the required staffing levels whilst the baselining exercise is undertaken), it does not allow for permanent recruitment. At present there are significant numbers of interim staff in the service, and whilst this has resulted in an increase in compliance against the statutory measures, it does incur higher costs versus permanent posts.

The requested £5.1m and £5.3m were based on the activity/backlogs of statutory tasks identified at that point, however further investigations have resulted in additional statutory work requiring more Case Officers to be appointed and an increase in appeals requiring more Tribunal Officers to be appointed.

Financial modelling of staffing costs suggests a pressure of £4.9m. This forecast overspend of £4.9m will be managed from a combination of earmarked reserves held by the Directorate and amounts of policy contingency reserves already allocated to the Directorate for other purposes.

The service has been reviewed and extensive resource planning undertaken to ensure accurate requirements for the sustainable structure are known.

2.5 **Children & Young People Travel Service, formerly Home to School Transport (H2ST). Forecast risk of overspend £16.0m against a budget of £40.5m. Broken down as follows:**

- **£10.9m transport costs and £5.1m guides**

Service delivery was successful in September 2022, resulting in an improved service and satisfaction. The new academic year saw 99.9% of our routes operating daily.
Additional budget has been allocated to the service for 2022/23 due to significant financial pressures incurred in financial year 2021/22. However, it should be noted as per a Cabinet decision on the 7th June 2022, a significant proportion of this additional budget has been reallocated to transformation (£16.8m was originally allocated of which £6.6m was reallocated to transformation, with £10.2m remaining in the Business As Usual budget).

Reasons for the increase in spend within this service area are as follows:

- The growth in the number of children with EHCPs is an important factor in increasing demand for SEND transport. The number of EHCPs provided in Birmingham on an annual basis jumped from 802 in 2020 to 1230 in 2021.
- The increasing complexity of the needs of children with SEND is also a factor contributing to growing expenditure on SEND transport. Increasing numbers of children with complex medical needs or profound and multiple disabilities create a demand for more costly forms of transport. 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.
- Another factor affecting all local authorities, not just Birmingham City Council is the fact that an increasing percentage of children with EHCPs are being educated in special schools and when local special schools become full, the 'nearest suitable school' is further afield and therefore more costly in transport terms.
- Market Pressures such as driver wages and increased fuel costs are also contributing to increased spend.

Future actions to be taken by the service to address cost pressures include:

- Reviewing eligibility criteria, in consultation with parents, carers and young people
- Focussed actions within the improvement programme that help to mitigate cost pressures for SEND transport
- Improved Contract & Relationship Management
- Route Optimisation – such as reviewing single occupancy routes and a focused review of high-cost routes
- Demand Management – including the creation of a Pathway to Independence Travel Training Programme to support our children and young people to travel more independently
- Implementing a permanent staffing structure.

2.6 **Birmingham Children's Trust (BCT) forecast risk of overspend £23.9m against a budget of £211.5m.** BCT is a commissioned service. The Trust's financial position shows a pressure because of rising placement costs. The latest forecast is an overspend of £23.9m. The Trust has been able to report by exception on placement costs which highlights that the two areas of significant pressure relate to external residential placements and supported accommodation costs.

Budget pressures have resulted from the following:

- demand - an increase in the care population in line with forecasts of 3.7% with a cost impact to date of £3.6m; and
- demand, complexity of need and market failure - a “baked in” pressure of £8.5m carried forward from 2021/22 resulting from placement costs, the full year effect of which is circa £18m. This includes:
    - an increase in the number children with complex needs from 27 to 77 children with high-cost placements of £11.0m; and
    - market factors resulting from a combination of inflationary pressures and a lack of placement capacity £7.4m.

City Operations - forecast risk of overspend £16.0m before mitigations, balanced after known mitigations

2.7 **Highways & Infrastructure (forecast risk of overspend £10.0m against a budget of £54.8m)**

Pressure of £5.7m on street lighting electricity following significant cost increases and projected shortfall of £4.3m on Parking income. Parking income continues to under recover due to reduced demand following the success of strategies, such as the CAZ, to encourage movement away from using cars in the city centre and changing habits following the pandemic. Potential expenditure mitigations still need to be investigated. A review of the parking offer is underway and will inform a longer-term strategy.

2.8 **Neighbourhoods (forecast risk of overspend £1.0m against a budget of £21.9m)**

Pressures remain in the Leisure Service as external leisure providers continue their recovery to pre-covid levels, estimated to be achieved in the second half of the year. This results in risk of not receiving the full management fee due and requests from the providers for additional support pre recovery. Estimates potentially in the region of £1.0m. A strategy is being developed considering the in-year position and longer-term implications.

2.9 **Street Scene (forecast risk of overspend £5.0m against a budget of £92.34m)**

Expected income pressures within the Garage and Trade Waste due to same customer base as in 2021/22 where outturn overspends were £1.1m and £1.0m respectively. Additional Waste Fleet cleansing is due to cease at the end of September, however, has resulted in unfunded cost in the region of £1.4m. And the with significant increases in the cost of fuel there is projected cost pressure in the region of £1.5m.

2.10 Mitigations to the Street Scene risks are set out in paragraph 3.4.

City Housing – forecast risk of overspend £6.6m before mitigations, £5.4m after known mitigations

2.11 **Housing Options (forecast risk of overspend £5.4m against a budget of £15.7m)**

There are two material pressures in the Housing Options Service in 2022/23. The growth in demand for Temporary Accommodation (TA) has far exceeded the reductions made through the Housing Options prevention and supply initiatives. Currently there is a net growth in TA of 17 per week, and this is forecast to rise to 25 by the end of the year, due to the national economic situation. The budget for TA was based on a baseline net growth of 13 per week, with prevention activity reducing this by 5 per week and increased supply meeting the residual growth of 8 per week. The financial impact of this is modelled at £5.4m before any mitigations which the service are currently investigating.

2.12 **Private Sector Landlord (forecast risk of overspend £1.2m against budget of £15.7m)**

The Private Sector Landlord contract was delayed until August, which impacted on the availability of the correct type of housing available for temporary accommodation of larger families. This resulted in greater use of Emergency Night Rate accommodation, thus creating a one-off financial pressure of £1.2m.

2.13 Mitigations to the City Housing risks are set out in paragraph 3.5.

Council Management – forecast risk of overspend £1.7m

2.14 **ITDS (forecast risk of overspend £0.8m against a budget of £34.7m)**
This variance is as a result of additional implementation oracle implementation costs to ensure the system is fully functional. This includes the Enterprise Resource Planning (ERP) Roadmap (£0.5m), ERP functional support (£0.2m) and other embedding costs (£0.1m).

2.15 **Finance (forecast risk of overspend £0.3m against a credit budget of £7.0m)**
This variance is caused by additional staff required in Finance to oversee all feeder files that are entered into Oracle, as well as undertake the manual processes surrounding BACs, cheques and direct debits that previously were automated in SAP.

2.16 **Human Resources (forecast risk of overspend £0.5m against a budget of £10.2m)**
This variance is caused by one off resource needed to help imbed Oracle HR processes £0.4m and Oracle experts needed to fix certain HR processes in the system £0.1m.

Adult Social Care – forecast risk of overspend £6.8m overspend before mitigations, balanced after known mitigations

2.17 **Packages of Care - (forecast risk of overspend £6.8m against a budget of £231.5m)** – The Directorate is reporting a forecast overspend of £6.8m at month 6. Within the position, inflation held corporately of £6.8m is required and assumed to be received in the forecast outturn. Also included are anticipated additional contributions of £1.9m from the Better Care Fund towards the cost of hospital discharge invoices from Sevacare, however this funding has not yet been agreed. This leaves a risk of £5.0m relating to provision for non-collection of client contributions and in year income shortfall. There is also a £1.4m demand pressure relating to packages of care if current trends continue, and £0.4m other minor pressures.

2.18 Mitigations to the Adults Social Care risks are set out in paragraphs 3.6 to 3.8.

Other Directorate risks that are not included in the forecast

Place, Prosperity and Sustainability

2.19 Property Services have acquired four new Public Works Loan Board (PWLB) compliant properties in 2022/23 and are on course to achieve this year's rental acquisition saving target. However, delays in raising the first two quarters rent and service charge invoices due to Manhattan system interface difficulties, means that an accurate year-end projection cannot be determined. Furthermore, the arrears position remains uncertain following the two-year moratorium on rent collection as a result of Covid, and delays in raising invoices and posting income this year, which will impact on the level of bad debt provision required.

Corporate issues – forecast risk of overspend £29.9m before mitigations, balanced after mitigations

2.20 **The Pay Award (forecast risk of overspend £14.0m)**. The 2022/23 budget included a 2.5% increase for pay. It is estimated that the pay award of £1,925 per full time employee that has been offered (but not yet accepted) by the National Employers for Local Government Services will cost the Council general fund in the region of £14m more than the budgeted provision. This will be funded from the Financial Resilience Reserve (FRR).

2.21 **Corporate Estate Gas and Electricity cost (forecast risk of overspend £10.9m)**. The 2022/23 budget was set before the final prices for gas and electricity were set. These are now fixed for the year. Due to the very high increases in costs, there is a forecast pressure on gas and electricity costs for the corporate estates of £10.9m. This is also planned to be funded from the FRR.

2.22 **Cost of Living Emergency (priority spend £5.0m)** Cabinet in October approved £5.0m funding to support local people during the crisis, to be funded from the FRR.

Other corporate risks that are not included in the forecast

2.23 There are a number of savings that were listed as corporate savings in the MTFP that have not yet been distributed to Directorates. Work is ongoing to analyse the distribution of these savings and allocated them to Directorates. Until this is done, there continues to be a risk of non-delivery in year and a possible need to use the budget smoothing reserve.

2.24 There are risks of an economic downturn which could affect Business Rates income. There are risks that Collection Fund Income could also be affected if collection rates are less than budgeted or if growth in Council Tax Taxbase is less than anticipated.

2.25 There is always a risk that the Council could suffer a cyber attack. Investment and resources put into dealing with the cyber threat, but the threat remains, and other Councils have suffered financial impacts.

2.26 There is a risk that short-term and long-term interest rates rise above budgeted forecast, although the Council had taken a cautious view over the medium term and will continue to keep a close review of interest rates as the year progresses.

2.27 As always there remains a risk of industrial disputes effecting the work force of the City Council and communications channels are in place to have an open dialogue with unions to minimise this risk wherever possible.

2.28 There are risks that the cost of living crisis will increase demands from residents for council services, leading to increased costs. However, the Council is using £5.0m of the FRR to tackle this issue.

2.29 The Council is facing challenges in recruitment and retention in a number of services. Work is under way to find solutions and we have recently launched some high profile recruitment campaigns which is hoped will make the City Council an attractive employer.

2.30 There is a risk that the Council is not able to fully meet the target of capitalising £20m of transformation costs through use of Flexible Use of Capital Receipts. It is early in the financial year and this will be kept under close review.

2.31 There is a risk that there could be another serious outbreak of Covid-19 resulting in a national or local lockdown, or that another pandemic could materialise. While these risks are not wholly within the control of the council we must continue to plan and manage the delivery of services in an efficient and effective manner.

3 Potential Opportunities

3.1 Whilst we have a number of financial risks there are also opportunities to off set these risks which must continue to be maximised. It must be recognised that as detailed above in paragraphs 6.3 and 6.4, while there are significant balances in both the Financial Resilience Reserve (FRR) and General Fund Balance, these are one off funding sources and use of them should be the last resort once all other mitigations have been exhausted.

3.2 Below are details of the potential mitigations that have been identified by each of the operational divisions of the Council.

Children and Families – forecast mitigations of £4.9m

3.3 The Directorate has identified £4.9m of reserves that can be used to fund the SENAR pressures in 2022/23.

Street Scene – forecast mitigations of £5.0m

3.4 If the Tyesley plant continues to operate efficiently as it did last year and additional income is received from its electricity generation, combined with an underspend of £2.0m on borrowing costs from delayed fleet purchase, the Street Scene service may breakeven.

City Housing – forecast mitigations of £1.2m

3.5 There are a number of initiatives the service are exploring to mitigate the City Housing pressures in 2022/23. The Street Purchases Programme is a £60m capital project to increase the number of properties available to meet demand. As there is a lead in time to get these properties fully operational the full impact will not be seen until the later part of this financial year. There is also an opportunity to receive DLUHC grant funding for the service to set up a Letting Agency which once fully operational will help mitigate the above pressures on temporary accommodation. Other mitigations involve delays in recruitment resulting in a staffing underspend.

Adult Social Care – forecast mitigations of £6.8m

3.6 **Community & Social Work Operations – £3.8m Forecast Mitigation -** In Community and Social Work Operations there is an overall forecast underspend of £3.8m. This consists of £4.1m underspend on staffing and a small overspend in all non-staffing related areas such as supplies and services of £0.5m. The staffing underspend is due to the continuing vacancies which there has been difficulty in filling due to a National shortage of Social Workers and increasing difficulty to find agency staff to cover. Included in the forecasts is £1.4m of the Omicron grant money used to provide a retention payment to Social Workers. There are also (£0.2m) of additional contributions from the Better Care Fund towards social work teams and internal services.

3.7 **Quality & Improvement – £1.4m Forecast mitigation** – This reflects the use of the Omicron Grant reserve as referred to above. This is an anticipated unbudgeted reserve appropriation and costs relating to this will be incurred and is included within the Community & Social Work Operations Division to support retention payments to Social Workers.

3.8 **Commissioning – £1.6m Forecast mitigation** - The Service is reporting an underspend against employees of (£0.6m) linked to vacancies across the team and recharge income against base budget funded posts. Recruitment plans are ongoing and being discussed with relevant Head of Service and assumptions are currently that these will be filled during the latter part of 2022. There are also underspends projected of (£0.8m) 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. Assumed in the forecast underspend are (£0.2m) of contributions from the Better Care Fund towards third sector grants.

Corporate forecast mitigations of £43.5m

3.9 As set out in paragraphs 6.12 to 6.14, **£29.9m** of the FRR is planned to be used.

3.10 It is planned to use **£7.8m** of Covid Reserves to cover on-going effects of the pandemic, particularly shortfalls in car parking income and leisure management fees.

3.11 It is planned to use **£5.7m** of Policy Contingency that was set aside for energy inflation to cover the additional costs of street lighting electricity.

3.12 A review of reserves and balances is currently taking place to ensure that monies are being fully utilised for example Section 106 and Community Infrastructure Levy (CIL) and specific grants including Public Health.

3.13 We have returned to rigorous spend controls focusing on staffing, facilities management and procurement. We have in place measures to ramp up the benefit of these controls and look for opportunities to implement other spend control panels focusing on specific areas of spend

3.14 The MTFP contains a number of budget savings that are currently due to be delivered in future years and we will continue to explore the opportunities to deliver future years savings sooner.

3.15 The City Council is implementing a number of transformation programmes under the three pillars of People, Place and Fit for Purpose Council and where safe to do so these need to be delivered faster, meaning that the financial benefits are achieved ahead of schedule.

4 Savings / Income Targets

4.1 Like previous financial years the Financial Plan for 2022/23 includes budgeted savings, these total £40.8m. There are also previously undelivered savings of £2.1m that are being monitored.

4.2 The individual forecasts for each underlying savings / income target have been RAG rated and are summarised in table 2 below.

Table 2: Savings Risks 2022/23

Risk Profile	**Q 1 (£m)**	**Q 2 (£m)**	**% of target**
Delivered	2.549	5.036	12%
Low Risk	19.260	14.573	34%
Medium Risk	8.688	8.222	19%
High Risk	12.368	15.034	35%
Total	**42.865**	**42.865**	**100%**

4.3 At this stage in the financial year, this risk profile is as expected and reflects the known challenges in delivering these targets.

4.4 Table 2 shows that of the £42.9m savings / income to be delivered in 2022/23, £15.0m is currently rated high risk. Savings scored as high risk are not deemed as undeliverable and work is in progress to realise these targets. The budget gap detailed in table 1 assumes that all savings will be delivered, reduction in delivery will increase the gap.

4.5 There are improvements of £3.3m since Quarter 1 due to savings related to City Operations Business as Usual initiatives (£0.8m), Traded Services (£1.6m), New Ways of Working (NWoW) (£0.8m) and Customer Services (£0.1m), now being rated as medium risk.

4.6 There is also an improvement of £2.5m in savings ranked as delivered due to City Housing savings related to Dispersed Rental Income now having been delivered.

4.7 However, there are deteriorations of £4.5m related to reduced debt management costs and £1.3m related to CAB Premises-excluding Council House moving from medium to high risk, £2.0m related to SAP savings (for reduced application costs resulting from the change from SAP to Oracle) from low risk to medium risk, and £0.2m of savings related to the IT&D Service redesign have moved from low risk to high risk.

4.8 The main theme that results in savings targets being scored as high risk is the delivery of transformation dispersed savings from corporate initiatives including: Automation / Debt Recovery / Corporate Landlord / Customer Services / Workforce Transition / Procurement Savings.

4.9 These transformation programmes are at risk because these are corporately driven activities to release dispersed savings across services. These targets will be re-allocated to Directorates as programme work progresses.

4.10 Tables 4-7 summarise the savings in each of the RAG rating categories.

4.11 This tracking of savings / income targets is incorporated into the Corporate Programme Management Office monthly reporting to ensure programme delivery is tracked along with the delivery of savings / income targets to provide assurance and visibility of delivery.

Table 3: Savings that have been delivered (blue in Table 2 above)

Savings Type	£m
Corporate Finance Savings	2.100
Adults Transformation	0.025
Business As Usual Initiatives	2.388
People Services Target Op Model	0.523
Grand Total	**5.036**

Table 4: Savings that are rated as low risk (green in Table 2 above)

Savings Type	£m
Corporate Finance Savings	2.036
Adults Transformation	3.332
Business As Usual Initiatives	3.597
Corporate Landlord	0.500
Finance TOM	0.763
IT&D Service Redesign	1.000
New Ways of Working	0.495
Property Programme	2.850
Grand Total	**14.573**

Table 5: Savings that are rated as medium risk (amber in Table 2 above)

Savings Type	£m
1B Oracle Implementation	2.000
Corporate Finance Savings	1.000
Business As Usual Initiatives	2.132
Customer Servs	0.140
IT&D Service Redesign	0.500
New Ways of Working	0.800
Property Programme	0.050
Traded Services	1.600
Grand Total	**8.222**

Table 6: Savings that are rated as high risk (red in Table 2 above)

Savings Type	£m
Accounting / Funding	4.500
Automation	0.850
Business As Usual Initiatives	1.016
Customer Servs	0.250
Debt Recovery	1.000
IT&D Service Redesign	1.400
Procurement Savings	2.704
Property Programme	1.314
Workforce Savings	2.000
Grand Total	**15.034**

5 Policy Contingency

5.1 The 2022/23 budget includes a Policy Contingency budget of £48.0m, excluding savings to be allocated of £30.9m. The Policy Contingency budget is held centrally and not allocated to services at the start of the financial year. It is retained to protect against unplanned expenditure or when the costs of certain decisions which may be taken during the course of the financial year become clearer. Allocations will be made to services only after the demonstration of need and are subject to review and approval by the Chief Finance Officer with the exception of allocations from General Contingency which will be approved by Cabinet.

5.2 As set out in paragraph 3.11, it is planned to use £5.7m of the inflation contingency set aside to fund costs of energy.

5.3 It is also planned to use £6.8m of inflation contingency set aside for Adult Social Care, as set out in paragraph 2.18.

Table 7: Policy Contingency Budget 2022/23

Policy Contingency	Budget £m	Committed in Outturn Report £m	Committed in Quarter 2 £m	Remaining £m
Inflation Contingency	20.930		(12.534)	8.396
Delivery Plan	13.619			13.619
SEND Improvement	2.792			2.792
Workforce Equalities	2.000			2.000
Apprenticeship Levy	1.308			1.308
Short-term Improvement in the Council House	1.000			1.000
Loss of Income from Car Park Closures	0.252			0.252
Corporate Funding for Owning & Driving Performance (ODP) Culture Change Programme	0.129			0.129
Transport - Funding for Young People	1.228			1.228
General Contingency	4.724	(0.232)		4.492
Total Policy Contingency excluding savings	**47.982**	**(0.232)**	**(12.534)**	**35.216**
Contract Savings	(1.147)			(1.147)
Capitalisation of Transformation costs - to be allocated to services in 2022/23	(20.000)			(20.000)
Fit for Purpose savings	(9.802)			(9.802)
Total Savings to be allocated	**(30.949)**	**0.000**	**0.000**	**(30.949)**
Total Policy Contingency	**17.033**	**(0.232)**	**(12.534)**	**4.267**

6 Reserves

6.1 At the end of 2021/22, the Council had total reserves of £1,071.5m.

6.2 This included £230.1m of General Reserves and Balances, broken down by:

6.3 £38.4m General Fund Balance. This is more than 4.5% of the net budget, as approved by Cabinet in November 2020. There is no planned use of the General Fund Balance in 2022/23.

6.4 £125.5m of Financial Resilience Reserve (FRR), this is after the £17.8m underspend in 2021/22 was transferred to it. This provides extra financial resilience in these very uncertain times and will be used to manage in year risks if required.

6.5 £66.2m Delivery Plan Reserve (DPR). The DPR was established to enable the necessary investment required by the Council's Delivery Plan. It also contains the previous Invest to Save Reserve. It is expected that once business cases for the Delivery Plan projects have been finalised there will be further drawdowns during 2022/23. Details of these drawdowns will be included in future financial monitoring reports.

6.6 Whilst reserve levels are considered adequate, they require continuous monitoring. The Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to delivering planned savings, accumulated debt and associated financing costs and financial income collection.

6.7 During this financial year the Council will be undertaking a forensic review of all reserves to identify if there are any reserves that are no longer required for the purpose that they were originally created and will re purpose any that are identified.

6.8 The Council anticipated the net use of £283.2m of reserves in setting the 2022/23 budget. This is summarised in Table 8 together with the current forecast outturn balance. At Quarter 2, £5.9m of uses of reserves that were approved by Cabinet as part of the Outturn Report on June 28th have been reflected.

6.9 The table also reflects that the use of Section 31 Reserve will be £30.7m less than budgeted, as at the end of 2021/22 the deficit caused by granting of reliefs to businesses that is funded by the Government was less than expected when setting the budget.

6.10 The table further reflects that it is forecast that the following uses of and contributions to reserves will take place:

Delivery Plan Reserve – forecast use of £2.5m

6.11 The use of £2.5m of the Delivery Plan Reserve from the balance of funding approved by Cabinet in October 2021 for transformation of the Children & Families directorate.

Financial Resilience Reserve (FRR) – forecast use of £29.9m

6.12 The use of £14.0m of the FRR to fund costs of the Pay Award above the budgeted assumptions as described in paragraph 2.20.

6.13 The use of up to £10.9m of the FRR to fund costs of gas and electricity for the corporate estate that are above budget.

6.14 The use of £5.0m of the FRR to fund Cost of Living emergency as approved by Cabinet on 11th October.

Other Corporate Reserves – forecast use of £6.3m

6.15 The use of £7.8m of the Covid Reserve to fund shortfalls in income due to the on-going effects of changes in behaviours, such as in Car Parking and Leisure.

6.16 This is partly offset by a plan to contribute £4.0m to the Covid Reserve from grant maximisation of Public Health expenditure.

6.17 The use of £1.3m of Policy Contingency Reserves.

6.18 The use of the remaining £1.2m of the SEND Reserve to go towards funding the costs of interim staff in the SENAR Business As Usual team.

Grant Reserves – forecast use of £16.4m

6.19 The use of £16.4m of grant reserves, in particular, £15.0m of reserves related to Public Health.

Earmarked Reserves – forecast use of £5.0m

6.20 The use of £5.0m of earmarked reserves, largely being £4.8m of Education PFI Reserve, mainly to fund pressures in the SENAR service as described in paragraph 2.4.

Table 8: Forecast uses of and contributions to reserves

Reserves	Balance as at 31st March 2022	Original Budgeted (Use) / Contribution	Change approved in March and at Outturn 2021/22	Original Budgeted Use / (Contribution) not to be processed	Other forecast (Use) / Contribution	Total Forecast (Use) /Contribution	Forecast Outturn Balance at 31st March 2022
	£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)	(3.600)	0.000	(2.503)	(21.221)	44.975
Financial Resilience Reserve Gross	*146.962*	(29.956)	(1.300)	*0.000*	(29.900)	*(61.156)*	85.806
Net Borrowing from Financial Resilience Reserve	*(21.480)*	(0.912)	0.000	*0.000*	0.000	*(0.912)*	(22.392)
Financial Resilience Reserve Net	125.482	(30.868)	(1.300)	0.000	(29.900)	(62.068)	63.414
General Reserves and Balances	**230.060**	**(45.986)**	**(4.900)**	**0.000**	**(32.403)**	**(83.289)**	**146.771**
Other Corporate Reserves	322.891	(212.965)	(1.000)	30.652	(6.308)	(189.621)	133.270
Grant	340.642	(23.727)	0.000	0.000	(16.403)	(40.130)	300.513
Earmarked	82.053	(0.498)	0.000	0.000	(5.015)	(5.513)	76.541
Schools	79.888	0.000	0.000	0.000	0.000	0.000	79.888
Non Schools DSG	15.989	0.000	0.000	0.000	0.000	0.000	15.989
Subtotal Other Reserves	**841.464**	**(237.190)**	**(1.000)**	**30.652**	**(27.726)**	**(235.264)**	**606.200**
Grand total	**1071.524**	**(283.176)**	**(5.900)**	**30.652**	**(60.129)**	**(318.553)**	**752.971**

7 Medium Term Financial Plan (MTFP)

7.1 The Director of Council Management presented a Medium-Term Financial plan update report to Cabinet on 11th October. This contained details of the new pressures and opportunities and reported on the plans that are being developed to deal with the gap identified in 2023/24 in the Financial Plan for 2022-23.

7.2 Since the Financial Plan was agreed in February 2022, sound financial management work has been underway to close the £33m reported budget gap, including spend controls, benchmarking, a review of reserves to ensure that activities they were set aside for have been undertaken and that they can be drawn down, previous modelling assumptions and transformative work. However, the national economic situation and the rise in inflation since February means that all Councils are experiencing further pressures on their budgets. After taking all these changes into account there has been an increase in the net budget gap to £80m for 2023/24

7.3 The report updated the assumptions used in calculation of the Medium Term Financial Plan in light of the current economic situation as well as highlighting the work officers have been undertaking to identify and implement plans to close the Medium Term Financial gap, full details of which will be published and presented to Cabinet and Full Council in February 2023.

8 Delivery Plan

8.1 The Delivery Plan is designed to support transformation enabling work, which is increasingly focussing on invest to save initiatives that will improve citizen outcomes whilst reducing net service delivery costs. There is £13.6m set aside in Policy Contingency in the Financial Plan to fund projects that have already been approved. Further projects may be funded from the Delivery Plan

Reserve during the financial year, and these will be detailed in future financial monitoring reports.

9 Capital

9.1 As at Month 6 the 2022/23 capital spend is currently projected to be £676.5m, against a revised budget of £723,4m. This revised budget and forecast is after slippage brought forward from 2021/22 of £162.7m, new resources and rephasing of £29.0m and additional forecast slippage into future years of (£46.9m).

9.2 Movements between the original budget for 2022/23 and the forecast outturn at Month 6 are summarised by Directorate in the Table 9 below:

Table 9 – 2022/23 Forecast Outturn by Directorate

Capital Monitoring by Directorate 2022-23 Month 6

Directorate	(a) 2022/23 Original Budget £m	(b) Slippage / Acceleration from 2021/22 £m	(c) New Schemes, Resources & Rephasing	(d) 2022/23 Month 6 Revised Budget (a+b+c) £m	(e) Forecast Variation Month 6 £m	(f) 2022/23 Forecast Outturn (d+f) £m
Commonwealth Games	**11.535**	**7.881**	**0.000**	**19.416**	**0.000**	**19.416**
Council Management						
Development & Commercial	2.341	3.661	0.000	6.002	(2.041)	**3.961**
Corporately Held Funds	47.864	7.677	(0.600)	54.941	(7.620)	**47.321**
ICT & Digital	6.003	2.628	0.000	8.631	(1.826)	**6.805**
Total Council Management	**56.208**	**13.966**	**(0.600)**	**69.574**	**(11.487)**	**58.087**
City Operations						
Control Centre Upgrade	0.000	0.115	0.000	0.115	0.000	**0.115**
Street Scene	29.073	8.044	0.000	37.117	(0.834)	**36.283**
Private Sector Housing	1.650	1.428	0.000	3.078	5.664	**8.742**
Neighbourhoods	2.850	1.186	0.000	4.036	0.000	**4.036**
Regulation & Enforcement	0.057	0.263	0.000	0.320	0.000	**0.320**
Highways Infrastucture	30.850	2.542	(12.885)	20.507	(0.457)	**20.050**
Total City Operations	**64.480**	**13.578**	**(12.885)**	**65.173**	**4.373**	**69.546**
City Housing						
Housing Options Service	1.400	(0.554)	30.000	30.846	0.000	**30.846**
HRA	143.747	10.865	0.000	154.612	(34.349)	**120.263**
Total City Housing	**145.147**	**10.311**	**30.000**	**185.458**	**(34.349)**	**151.109**
Place, Prosperity & Sustainability						
Planning & Development	28.598	13.556	0.000	42.154	0.000	**42.154**
Transport & Connectivity	67.356	7.125	15.749	90.230	(5.420)	**84.811**
Housing Development	3.817	1.563	0.000	5.380	0.000	**5.380**
Perry Barr Residential Scheme	66.364	47.210	1.200	114.774	0.000	**114.774**
Property Services	32.358	43.345	0.000	75.703	0.000	**75.703**
Total Place, Prosperity & Sustainability	**198.493**	**112.799**	**16.949**	**328.242**	**(5.420)**	**322.822**
Children & Families	**46.138**	**5.622**	**(10.553)**	**41.207**	**0.000**	**41.207**
Adult Social Care	**9.715**	**(1.454)**	**6.076**	**14.337**	**0.000**	**14.337**
TOTAL	**531.715**	**162.703**	**28.988**	**723.406**	**(46.881)**	**676.525**

9.3 New Resources and Rephasing of £29.0m

9.3.1 The major reasons for the new resources and rephasing of £29.0m are as follows.

Table 10: Movements from the Original Budget 2022/23

Directorate	Amount in 22/23	Capital Project	Funding	Cabinet Approval
City Operations: Highways - Tame Valley Phase 3	£(11.0)m	The project has been amended within the finance system to reflect project reporting managerial lines, therefore, the budget has transferred from Transportation & Connectivity to Highways Infrastructure.	Government Grants	March 2022
City Housing: Housing Options	£30.0m	Temporary Accommodation Strategy : – Property Acquisitions	Prudential Borrowing	February 2022
Place, Prosperity & Sustainability – Transport & Connectivity	£15.7m	The re-phasing for new grants detailed within Transportation & Highways Capital Programme Report	Government Grants	March 2022
Place, Prosperity & Sustainability – Perry Barr Residential Scheme	£1.2m	Contribution towards the redevelopment of Perry Barr Train Station.	Community Infrastructure Levy (CIL)	June 2019
Children & Families – Devolved Capital Allocation to Schools	£1.6m	Budget adjustments of devolved capital grant to numerous schools in line with allocations from the Department of Education – as approved within the Schools Capital Programme Report	Government Grants	April 2022
Children & Families – Schools Condition Allowances	£(4.5)m	Rephasing the grant allocation from the Department of Education in line with the Schools Capital Programme Report 2022/23 approved by	Government Grants	April 2022

		Cabinet plus Slippage/Acceleration from 2021/22 .		
Children & Families – Basic Need – Additional School Places	£(9.1)m	rephasing the grant allocation from the Department of Education as above plus Slippage/Acceleration from the 21/22 Outturn.	Government Grants	April 2022
Children & Families – Children's Trust Accommodation	£1.7m	New allocation as part of a Rolling programme of Major capital works to Children's Social Care property and accommodation.	Corporate Prudential Borrowing	March 2022
Adult Social Care – Independent Living	£5.7m	Additional grant allocation from DLUHC to enable citizens to remain in their own homes.	Government Grants	May 2022
Other minor adjustments	£(2.3)m		Various	
Total	**£29.0m**			

9.3.2 **Forecast Slippage into future years - £46.9m.**

9.3.3 slippage of £46.9m of capital spend has been identified for re-phasing into future years.

9.3.4 The main reasons (variations > £1m) for the forecast variation are detailed below:

<u>Council Management – underspend of £11.5m</u>

9.4.1. **Capital Loans and Equity –** underspend of **£2.0m – At the half way stage an underspend is likely. A budget of** £0.5m has been retained for investment requests, although there are planned requests at present no deals on the horizon at present, but follow-on requests for existing investments are in progress for approval.

9.4.2. **Revenue Reform Projects** underspend of **£3.9m** - **£(3.9)m** - Slippage of £3.9m on the Digital Services Customer Programme, due to the scheme still being developed with an ambition of being best in class and deliver gold standard customer service. This represents the full budget which will be spent over the next three years. In year 1 of the programme £1.7m has been spent, and the outcomes of which are being reviewed by Customer Services Overview & Scrutiny and will result in a prioritisation of activities for the next three years. These will be presented to Cabinet by December 2022.

9.4.3. **SAP Investment** underspend of **£3.7m -** Slippage due to pending decision on the archiving facility and refinement of the ICT&D strategy.

9.4.4. **ICT & Digital** underspend of **£1.8m -** Slippage of £1.8m on the following schemes - Service Now £0.5m due to limited capacity and other priorities being greater; Corporate Voice £0.5m to enable a better commercial deal; £0.4m Brum Account Phase 3 due to resources both within BCC and the supply chain not being available due to pressures of Covid19 which delayed the start; £0.4m Other schemes due to delays in detailed planning of the programme.

<u>City Operations – overspend of £4.4m</u>

9.4.5. **Private Sector Housing – overspend of £5.7m -** There is a surplus on LAD2 funding due to project constraints in its delivery such as a post COVID hesitancy with engagement, industry issues and readiness for quality assurance measures and Supply chain issues.

This LAD2 surplus will be used on the forthcoming SWC (Sustainable Warmth competition) (Local Authority Delivery - LAD3) project which will have a greater focus on Private Owner occupier properties. Sustainable Warmth competition is protecting vulnerable households in England strategy.

As a result of utilising the LAD2 surplus for LAD3 there will be an overspend against the original budget (intended spend) on Private Sector Housing – all funded by the LAD 2 and 3 grants - and an equivalent underspend on the Social Housing (HRA Improvement) budget.

9.4.6. Other minor variation totalling slippage of £1.3m across numerous projects and programmes.

<u>Housing Directorate – net slippage of £34.3m -</u>

Housing Improvement Programme – Underspend of £5.6m – This is explained above under Private Sector Housing

9.4.7. **Housing Redevelopment -** underspend of **£28.7m – BMHT - Total variation for 2022/23 is £24.3m under the annual budget,** of which net slippage is £18.4m predominantly on schemes at Gressel Lane, Pool Farm, Yardley Brook, Bayley / Stoneycroft and Highgate Road. This is for a variety of reasons. Bayley Stoneycroft was delayed due to initially the Environment Agency works and then more recently utility work but is on site and will complete in 2023/24. Gressel Lane took longer through the planning and tender acceptance process but is on site with completion due June 23. Highgate Road was delayed through procurement and tender acceptance stages but will be under contract shortly following recent Cabinet Approval. Yardley Brook and Pool Farm viability are being reviewed because of cost increases rising from several factors and the options going forward.

Once on site, schemes are progressing well and in some cases for example Monmouth Road and Farnborough Road, are accelerating ahead of schedule. Net Underspends of £5.9m are mainly due to an exercise to seek partnership working with Registered Providers. The relevant sites including Partons Road, Magnet Sport Centre and their forecast spend have therefore been removed from the BMHT portfolio whilst these partnerships are developed and investigated. Some sites could return and if so, would require a budget but there is sufficient headroom to allow for that.

Clearance Programme - Total variation £4.4m of which net slippage of £4.2m is predominantly on Yardley Brook, Kings Norton Low Rise, Heather and Lavender Houses. Yardley Brook has been dependent on obtaining agreement from the Environment Agency for the remediation strategy. Kings Norton Low Rise phase 2 demolition has been delayed due to slowdown in rehousing due to Covid and lack of suitable larger properties. Heather and Lavender Houses have been used for Temporary Accommodation with lack of suitable accommodation delaying vacant possession. There is a £0.2m net underspend on Barberry and Heath Houses after final accounts were agreed.

<u>Place, Prosperity & Sustainability – slippage of £5.4m</u>

9.4.8. **Transport & Connectivity – Wharfdale Bridge Road –** Underspend of **£2.2m -** This funding is a contribution to Network Rail to carry out road improvements if they upgrade the bridge. The programme is slipping pending a decision to carry out the bridge works. This scheme is dependent on National Rail.

9.4.9. **Transport & Connectivity – Bristol Road Downgrading Project – slippage of £1.9m -** The scheme was initially delayed due to the Commonwealth

Games. Feedback received from consultation with various stakeholders has meant that preliminary design has had to be revisited. These design changes mean the construction will now be slipped from 2022/2023 into 2023/2024.

9.4.10. Other minor variations across numerous projects and programmes underspend of £1.3m.

Risks and Issues:

9.4.11. Delivery of the Capital Programme will be closely monitored over the year. There remain risks to delivery, particularly relating to cost pressures and material shortages for construction projects, these will be kept under review for each project and appropriate action taken to mitigate and reported here in future months.

10 Collection Fund

10.1 The overall net budget for Council Tax income including Parish and Town Council Precepts is £403.0m in 2022/23. In addition, the Council collects the precepts on behalf of the Fire and Police Authorities.

10.2 The in-year forecast for Council Tax is a surplus of £3.6m. Generally, a surplus or deficit on the Collection Fund impacts on the following year’s budget, which in this case will be 2023/24. The in-year surplus is mainly due to lower than forecast costs of Council Tax Support and other reliefs and discounts. However, given the economic situation, there is a risk that collection rates will be worse than budgeted. This will be closely monitored in year.

10.3 Under the 100% Business Rates Pilot that came into effect on 1st April 2017 the Council continues to retain 99% of all Business Rates collected under the Business Rates Retention Scheme with 1% being paid over to the West Midlands Fire Authority. The overall budgeted level of Business Rates in 2022/23 is £355.6m (excluding the Enterprise Zone), of which the Council’s retained share is £352.0m.

10.4 The in-year forecast Business Rates forecast is a deficit of £1.7m. Again, a surplus or deficit on the Collection Fund impacts on the following year’s budget. The in-year deficit is mainly related to a deficit on reliefs and is partially offset by extra Section 31 Grant of £1.1m.

11 Housing Revenue Account (HRA)

11.1 The HRA budget for 2022/23 is £431.485m of which £287.738m is revenue expenditure and £143.747m is capital expenditure. Overall, the HRA spend is forecast to remain within budget this year. Any variation to this will be managed from the ring fenced HRA reserve.

12 Dedicated Schools Grant (DSG)

12.1 The Dedicated Schools Grant (DSG) is the main funding stream for schools and education services. The allocation of DSG announced by the Department for Education (DfE) on 30th March 2022, was set at £1,374.2m for 2022/23 before deductions for academies, Business Rates and direct funding of high needs places by Education and Skills Funding Agency. The allocation after those deductions is £686.9m. This is allocated as follows: school block £377.2m, High Needs block £210.4m, Early Years block £83.0m and £16.3m Central School Services Block, which is held centrally for the Local Authority to carry out central functions on behalf of pupils in maintained schools and academies. It is anticipated that there will be a balanced position at year end.

13 Borrowing

13.1 Gross loan debt is currently £3,233m, with the year-end projection estimated to be £3,272m, below the planned level of £3,452m. The annual cost of servicing debt represents approximately 29.5% of the net revenue budget. The planned level of debt and annual cost of servicing debt includes over £200m borrowing for the Enterprise Zone (EZ), due to be financed from Business Rates growth within the EZ.

13.2 The Council resumed short-term borrowing in the last quarter, in line with the current Treasury Management Strategy, and this is currently at £304m. Short-term borrowing rates are currently higher than planned due to the unprecedented scale of interest rate rises since the Financial Plan was set. Given the rising interest rate environment, the Council has sought to reduce refinancing risk by taking long-term borrowing from the Public Works Loan Board (PWLB).

13.3 The outlook for borrowing costs remain uncertain as the Bank of England looks to bring inflation to target and the UK government loosens fiscal policy to boost growth; however further Bank Rate rises should be expected. Treasury Management costs for 2022/23 are still expected to remain at budget based on mitigations being taken such as maintaining a balanced loans portfolio, seeking out optimal borrowing rates and ensuring accurate cash flow projections. However, there is a risk that further volatility in the financial markets could push treasury management costs up before the end of the financial year.

13.4 Further Treasury Management information is contained in Annex 2 to this report.

14 Investment Property Portfolio

14.1 Details of changes in the Council's Investment Property Portfolio in Quarter 2 are provided in Annex 3, as well as confirmation that the CIPFA Treasury Code had been complied with, as has the Council's Service and Commercial Investment Strategy and its Investment Property Strategy.

15 Write offs

15.1 Annex 1 covers write offs of unrecoverable Housing Benefit.

List of Annexes

1. Write off details
2. Treasury Management Monitoring Dashboard
3. Investment Property Portfolio Monitoring Dashboard

Annex 1 Write Offs

1. Housing Benefit

1.1 In circumstances where Housing Benefit overpayments are identified as not being recoverable, or where recovery is deemed uneconomic, the City Council’s Financial Regulations and delegated powers allow for these overpayments and income to be written off. All possible avenues must be exhausted before such write offs are considered. Amounts already written off will still be pursued should those owing the Council money eventually be located or return to the city.

1.2 The cost to the council of writing off these irrecoverable sums will be charged to the City Council's provision set up for this purpose, which includes sums set aside in previous years to meet this need. It is, therefore, the appropriate account to be charged. There is no effect on the revenue account.

1.3 In 2022/23, from 1st July up to 30th September, further items falling under this description in relation to Benefit overpayments have been written off under delegated authority. The Table below details the gross value of amounts written off, which members are asked to note.

Table 1: Age Analysis of Debts written off under delegated authority

Age analysis	Over 6 years	3 to 6 years	Under 3 years	**Total**
	£m	£m	£m	£m
Benefit Overpayments	0.020	0.024	0.051	0.096
Total	**0.020**	**0.024**	**0.051**	**0.096**

1.4 Table 2 gives a more detailed age analysis of overpayments and income written off.

1.5 Table 3 gives detailed analysis of debt written off by range of value.

Table 2: Summary of Debts written off under delegated authority 01.4.22 – 30.6.22

Detail	Pre 2012	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total	No of Debtors
Housing Benefit debts written off under delegated authority	£2,783.84	£27.25	£2,118.79	£3,205.55	£5,839.23	£6,074.13	£9,176.42	£7,106.95	£8,212.21	£13,306.09	£22,078.54	£15,848.67	£95,777.67	166
TOTAL	£2,783.84	£27.25	£2,118.79	£3,205.55	£5,839.23	£6,074.13	£9,176.42	£7,106.95	£8,212.21	£13,306.09	£22,078.54	£15,848.67	£95,777.67	166
No of debts in Age band	15	2	10	7	18	28	19	46	38	37	90	135	445	

Table 3: Debts written off under delegated authority by value range:

Debt Size	Small		Medium		Large
Cases	**>£1,000**	**Cases**	**£1,001-£5,000**	**Cases**	**£5,000-£25,000**
147	£22,389.71	14	£37,123.74	5	£36,264.22

2. Business rates and Council Tax

2.1 There has been no resource at either officer or management level to process write offs in the last quarter due to the Council Tax Energy Rebate payment scheme and delays in installing Enforcement Manager software.

Annex 2.1

TREASURY MANAGEMENT MONITORING DASHBOARD: 30 SEPTEMBER 2022

		value	comparator	difference
1	**Gross loan debt**	**£m**	**£m**	**£m**
	at month end	**3,233**		
	year end Forecast (vs Plan)	3,272	3,452	-180
	year end Forecast (vs Pru Limit for loan debt)	3,272	4,126	-854

Forecast year end debt is currently below the year end plan. The Forecast year end debt is well within the prudential limit for loan debt, set for unplanned cashflow movements.

2	**short term borrowing**			
	at month end (vs Plan)	304	563	-259
	interest rate year to date on outstanding deals (vs assumption)	1.68%	1.00%	0.68%

Short term borrowing resumed in quarter 2 and is expected to increase further in the year, in line with the approved Strategy. Bank rate is expected to increase further having seen consecutive rises this year so future borrowing is likely to be above the planned rate.

3	**Treasury investments**			
	at month end (vs Plan)	71	40	31
	interest rate year to date on outstanding deals (vs assumption)	1.86%	0.75%	1.11%

Treasury investments are on average closer to the target of £40m although Bank Rate rises throughout the year mean that investment yields are higher than planned.

4	**Long term loans taken**			
	year to date (vs Plan)	25	90	-65
	ave. interest rate obtained (vs assumption)	4.02%	2.35%	1.67%

The £25m PWLB loan taken in September 2022 has been at a higher rate than planned due to the rise in gilt yields on the back of successive Bank Rate increases by the Bank of England. However this has reduced some refinancing risk from future interest rate rises.

5	**Assurance**	
	were Credit criteria complied with?	**yes**
	were investment defaults avoided?	**yes**
	was the TM Code complied with?	**yes**
	were prudential limits complied with?	**yes**

These are key performance indicators for treasury management which in normal circumstances should all be yes. Investment quality is kept under continual review with support from the Council's treasury advisers.

Annex 2.2

Treasury Management: portfolio overview			
This appendix summarises the Council's loan debt and treasury management investments outstanding			
	this quarter		last quarter
	30/09/2022		**30/06/2022**
	£m		**£m**
PWLB	**2,484.2**		**2,489.2**
Bonds	**373.0**		**373.0**
LOBOs	**71.1**		**71.1**
Other long term	**-**		**2.5**
Salix	**0.3**		**0.3**
Short term	**304.5**		**98.9**
Gross loan debt	**3,233.1**		**3,035.0**
less treasury investments	**(70.8)**		**(61.2)**
Net loan debt	**3,162.3**		**2,973.8**
Budgeted year end net debt	**3,496.6**		**3,496.6**
Prudential limit (gross loan debt)	**4,126.0**		**4,126.0**

Short term borrowing has increased in quarter 2 to meet the Council's borrowing requirements in line with the approved Strategy.

Treasury investments by source	
	£m
UK Government	**0.0**
Money Market Funds	**62.5**
Banks and Building Societies	**8.3**
	70.8

Treasury investments by credit quality			
			£m
AAA			**0.0**
AAAmmf			**62.5**
AA			**8.3**
A			**0.0**
			70.8

In line with the Strategy, the Council holds its treasury investments in diversified liquid funds of high credit quality.

Investments as Accountable Body

These are investments made as Accountable Body on behalf of others, and are not the Council's own money.

	Getting Building Fund	Growing Places Fund	AMSCI	Regional Growth Fund	GBSLEP Fund	LGF3	LGF4	NMCL	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
UK Government	2.3	0.0	30.1	0.0	0.0	0.0	0.0	0.0	**32.4**
Birmingham City Council[1]	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	**2.2**
Money Market Funds	0.6	7.3	11.5	7.8	0.0	0.2	1.9	3.2	**32.5**
	2.9	**7.3**	**41.6**	**7.8**	**2.2**	**0.2**	**1.9**	**3.2**	**67.1**

[1] These funds have been lent to the Council by agreement at a commercial rate

Annex 2.3

Treasury management: summary of delegated decisions in the quarter

This appendix summarises decisions taken under treasury management delegations to the Strategic Director of Council Management (Section 151 Officer) during the quarter.

1. Short term (less than 1 year)	**borrowing**		**investments**
	£m		£m
opening balance	**99**		**-61**
new loans/investments	**333**		**-538**
loans/investments repaid	**-128**		**528**
closing balance	**304**		**-71**

These loans and investments are for short periods from one day up to 365 days. Short term loans have increased to meet the Council's borrowing requirements, in line with the approved Strategy.

2. Long term borrowing:					
date	**lender**		**£m**	**rate**	**maturity**
23/09/2022	PWLB	Fixed Maturity Rate loan	25	4.02%	23/09/2032

Long term borrowing taken to reduce refinancing risk in an increasing interest rate environment.

3. Long term loans prematurely repaid:				
date	**lender**	**£m**	**rate**	**maturity**

No long term loans were prematurely repaid.
In line with treasury management practices, the Council will repay long term loans prematurely if this provides a financial saving to the Council.

4. Long term treasury investments made:				
date	**borrower**	**£m**	**rate**	**maturity**

No long term investments were made. The Council is a substantial net borrower and usually has cash to invest for relatively short periods.

ANNEX 3

INVESTMENT PROPERTY PORTFOLIO MONITORING DASHBOARD: QUARTER 2 2022/23

1 Portfolio objectives

The Portfolio is comprised of non-operational service properties which were historically held to earn a financial return.

2 Portfolio summary

as at 30 Sep 2022	budget £m	forecast £m	variance £m
Direct property	-22.63	-22.66	-0.03
Loans on property			
less portfolio prudential borrowing	3.39	3.15	-0.24
less management costs	2.60	2.60	0.00
net total	**-16.64**	**-16.93**	**-0.27**

3 Limit on borrowing for Investment Property Portfolio

as at 30 Sep 2022	value £m	limit £m	variance £m
gross prudential borrowing	48.32	100.00	51.68
borrowing repaid from sale proceeds	-16.88		16.88
net prudential borrowing	**31.44**	**100.00**	**68.56**

4 Portfolio completions to the quarter (acquisitions and disposals)

		£m
as at 30 Sep 2022	Sales	7.17
	Purchase	48.32

Commentary:

Acquisition of 9 Colmore Row approved by Cabinet on 28th June 2022.
Q2 disposals completed on Bolton Road & Small Heath Service Stations, 25-26 Smith Street Hockley and minors to total of £1.442m.

5 Planned activity in the coming quarter

Total disposals of £7.172m to date, with terms agreed on a further £3.555m of the total planned programme for disposals of £26.563m for 2022/23.

6 Assurance

was the CIPFA Treasury Code complied with?	yes
was the Council's Service and Commercial investment Strategy complied with?	yes
(the Strategy implements the requirements of the Government Investment Guidance)	
was the Council's Investment Property Strategy complied with?	yes

commentary:
All properties fully evaluated and disposed with in the appropriate manner.