

Birmingham City Council

Report to Cabinet

11TH OCTOBER 2022



Subject: FINANCIAL MONITORING REPORT 2022/23
MONTH 5 (UP TO 31ST AUGUST 2022)

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

Relevant Cabinet Member: Councillor Yvonne Mosquito – Finance & Resources

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

Report author: Director of Finance (Deputy S151 Officer) – Sara Pitt

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|---|---|---|
| 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: 010523/2022 | | |
| Is the decision eligible for call-in? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Does the report contain confidential or exempt information? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| If relevant, provide exempt information paragraph number or reason if confidential: | | |

1 Executive Summary

- 1.1 The monthly finance report attached as Appendix A is part of the City Council's robust financial management arrangements.

2 Recommendations

That the Cabinet:-

- 2.1 Approves that up to £5.0m of the Financial Resilience Reserve (FRR) is used to fund the costs of the Cost of Living Emergency, as set out in paragraph 4.1.
- 2.2 Approves the delegation of expenditure on the Cost of Living Emergency, as set out in paragraph 4.2.
- 2.3 Notes that due to the extraordinary national economic circumstances, an update on the financial position will be provided to Cabinet each month, rather than just quarterly during the 2022/23 financial year. A more detailed report will be provided quarterly. We will also continue to provide the monthly report to Resources Overview & Scrutiny Committee.
- 2.4 Notes that at Month 5 the City Council's strategic aim continues to be to deliver a balanced revenue position by the end of this financial year.
- 2.5 Notes that the Council faces a number of financial challenges in 2022/23. However, the Council is in a strong robust position with strong financial planning processes in place. Reserves are healthy and within recommended limits.
- 2.6 Notes that due to the ongoing improvements in the restructuring of cost centres to improve financial management this is a high level report. A more detailed report will be available at quarter 2.

3 Background

- 3.1 At the meeting on 22nd February 2022, the Council agreed a net revenue budget for 2022/2023 of £759.2m to be met by government grants, council tax and business rates. Appendix A sets out the high level financial position at Month 5.

4 Key Issues

Revenue position

- 4.1 As described in Appendix A paragraphs 1.8 to 1.12, Cabinet is asked to approve the use of up to £5.0m of the FRR to fund the Cost of Living Emergency.
- 4.2 Cabinet is asked to approve that authority for this expenditure is delegated to the Director of Strategy, Equality and Partnerships and the Section 151 officer, in consultation with the appropriate Cabinet Members.

Revenue position

- 4.3 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 an early warning and time to react and put in place actions to manage impacts.
- 4.4 The Director of Council Management will be presenting a Medium Term Financial Plan update report to this meeting providing an update on the financial pressures the Council is facing and the mitigating actions being taken.

- 4.5 Appendix A sets out in Section 7 a number of risks that have been identified at this stage in the year. Whilst there are potential pressures, there is sufficient time for these to be quantified and mitigating actions taken to ensure a balanced revenue position by the end of the year.
- 4.6 In Section 8 of Appendix A, a number of opportunities to reduce expenditure are described. More details will be provided in later reports.

Capital Programme

- 4.7 A capital budget of £531.7m was set in the Financial Plan 2022/23 and approved by full Council on the 22nd February 2022. Following slippage of £162.7m at the end of 2021/22 which was approved by Cabinet on 26th July 2022 the Capital budget for 2022/23 is now £694.4m
- 4.8 Like all financial years capital spend is weighted towards the later end of the year, and often spend will slip in to the following year due to the complex nature of many of the capital projects.
- 4.9 Further details will be provided in the Quarter 2 report.

Treasury Management

- 4.10 Gross loan debt is currently £3,210m, compared to £3,035m at quarter 1, with no foreseen risks to the year-end 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 currently includes over £200m borrowing for the Enterprise Zone (EZ), due to be financed from Business Rates growth within the EZ.
- 4.11 The Council's treasury investments are currently £44m, against a planned level of £40m. The Council's cash balances are no longer at elevated levels from government support for Covid and energy relief and the Council has resumed short-term borrowing, as per the Treasury Management Strategy.

5 Options considered and Recommended Proposal

- 5.1 CLT have recently adopted a set of budget management principles to ensure the delivery of a balanced budget this year whilst delivering Best in Class Services. These principles include the agreement that all overspends, demands, growth and pressures should be managed and contained at a Directorate level. Any residual gap must be managed across CLT collectively in order to achieve a balanced budget by the end of the year.
- 5.2 As referred in paragraph 7.3 of the Month 4 Financial Monitoring report presented to Resources Overview and Scrutiny Committee on 8 September 2022, the Council is returning 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.

6 Consultation

- 6.1 The Leader and Cabinet Members, Directors and the City Solicitor have been consulted in the preparation of this report.
- 6.2 There are no additional issues beyond consultations carried out as part of the budget setting process for 2022/23.

7 Risk Management

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

8 Compliance Issues:

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

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

8.2 Legal Implications

- 8.2.1 Section 151 of the 1972 Local Government Act requires the Chief Finance Officer (as the responsible officer) to ensure the proper administration of the City Council's financial affairs. Budget control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Directorates and members of the Corporate Management Team by the City Council in discharging the statutory responsibility. This report meets the City Council's requirements on budgetary control for the specified area of the City Council's Directorate activities.
- 8.2.2 Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions.

8.3 Financial Implications

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

8.4 Procurement Implications (if required)

- 8.4.1 N/A

8.5 Human Resources Implications (if required)

- 8.5.1 N/A

8.6 Public Sector Equality Duty

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

9 Background Documents

- 9.1 City Council Financial Plan 2022/23 approved at Council 22nd February 2022
- 9.2 Quarter 1 Financial Monitoring Report approved by Cabinet 26th July 2022
- 9.3 M4 – Resources Overview and Scrutiny Committee 8th September 2022