

Birmingham City Council

Report to Cabinet

26TH JULY 2022



Subject: FINANCIAL MONITORING REPORT 2022/23
QUARTER 1 (UP TO 30TH JUNE 2022)

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

Relevant Cabinet Member: Councillor Yvonne Mosquito – Finance & Resources

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

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

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: 010137/2022		
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 quarterly 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 an increase in the Capital Budget for 2022/23 of £162.7m as set out in paragraph 4.6. Resulting in a revised capital budget of £694.4m
- 2.2 Approves the writing off of a debt over £0.025m as described in paragraph 4.11.
- 2.3 Notes that the Council faces a number of 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.
- 2.4 Notes that due to the 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.
- 2.5 Notes the Treasury Management and Investment Portfolio Reports that are included in Appendix A at Annex 2 and 3.
- 2.6 Notes that under authority delegated by Cabinet on 16 April 2019 to the Cabinet Member for Finance and Resources, the council accepted an offer from BEIS (Department for Business, Energy & Industrial Strategy) to extend and recycle the Advanced Manufacturing Supply Chain Initiative (AMSCI) and Regional Growth Funds (RGF) awards and to amend the National Manufacturing Competitive Levels (NMCL) programme. These funds are held as Accountable Body by the council and are under fund management by Finance Birmingham Ltd (FB) and their sister company, Frontier Development Capital Ltd (FDC). Further detail is provided in Appendix A Annex 4.

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 Quarter 1.

4 Key Issues

Revenue position

- 4.1 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.
- 4.2 The Director of Council Management will be presenting a Medium Term Financial plan update report to Cabinet in October providing an update on the financial pressures the Council is facing and the mitigating actions being taken.
- 4.3 Appendix A sets out in Section 12 a number of risks that have been identified at this early 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.

- 4.4 In Section 13 of Appendix A, a number of opportunities to reduce expenditure are described. More details will be provided in later reports.

Capital Programme

- 4.5 A capital budget of £531.7m was set in the Financial Plan 2022/23 and approved by full Council on the 22nd February 2022. 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.
- 4.6 Following slippage at the end of 2021/22, Cabinet is asked to approve an increase of £162.7m in the revised Capital budget for 2022/23 from £531.7m to £694.4m.

Treasury Management and Investment Portfolio

- 4.7 Gross loan debt is currently £3,035m, with the year-end projection estimated to be £3,272m, this is below the planned level of £3,452m. The annual cost of servicing debt represents approximately 29.5% of the net revenue budget.
- 4.8 The Council's treasury investments are currently at £61m, 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 expects to resume short term borrowing from the next quarter.
- 4.9 Details are set out in the Appendix A Annex 2.
- 4.10 The Investment Portfolio is reported in Appendix A Annex 3.

Write-Offs

- 4.11 The schedule at Appendix A, Annex 1 paragraph 1.3 summarises debts recommended for write off of over £0.025m.

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.
- a balanced budget by the end of the year

6 Consultation

- 6.1 The Leader, the Cabinet Member for Finance and Resources, Directors, the City Solicitor and the Director HR & Organisational Development 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 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.
- 8.2.3 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