

# Birmingham City Council

## Report to Cabinet

29<sup>TH</sup> JUNE 2021



**Subject:** FINANCIAL OUTTURN 2020/2021  
**Report of:** Interim Director of Council Management – Rebecca Hellard  
**Relevant Cabinet Member:** Councillor Tristan Chatfield – Finance & Resources  
**Relevant O &S Chair(s):** Councillor Mohammed Aikhlaq - Resources  
**Report author:** Interim Director of Council Management – Rebecca Hellard

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: 008576/2021		
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 The financial outturn report for 2020/21 is attached at Appendix A, together with the Capital Report as Appendix A Annex B, the Treasury Management Annual Report as Appendix A Annex C, the Housing Revenue Account outturn as Appendix A Annex D and the outturn position on the Collection Fund as Appendix A Annex E.

- 1.3 The report presents a healthy financial position for the Council at the end of the financial year 2020/21, a year dominated by the Covid pandemic.

## **2 Recommendations**

That the Cabinet:

- 2.1 Notes the City Council's Outturn position for 2020/21, as detailed in the report and appendix (the finalisation of the figures is subject to External Audit)
- 2.2 Approves the transfer of £8.2m of the £78.7m revenue underspend to the Delivery Plan Reserve, as set out in paragraph 4.19.
- 2.3 Approves the transfer of £12.1m of the revenue underspend to the City Clean Up Reserve, as set out in paragraph 4.13.
- 2.4 Approves the transfer of £2.0m of the revenue underspend to the Major Events Reserve, as set out in paragraph 4.12
- 2.5 Approves the transfer of £5.5m of the revenue underspend to the General Policy Contingency Reserve and the increase of £5.5m in the General Policy Contingency Budget in 2021/22 by approving the release of this amount from the reserve as set out in paragraph 4.14.
- 2.6 Approves the transfer of £10.0m of the revenue underspend to Community Recovery Plan Reserve, as set out in paragraph 4.15.
- 2.7 Approves the transfer of £36.4m of the revenue underspend to the Budget Smoothing Reserve, as set out in paragraph 4.16.
- 2.8 Approves the transfer of £2.5m of the revenue underspend to the Council House Refurbishment Reserve, as set out in paragraph 4.17.
- 2.9 Approves the transfer of £2.0m of the revenue underspend to a SEND Reserve, as set out in paragraph 4.18.
- 2.10 Approves the transfer of £17.5m to the Covid Reserve, as set out in paragraph 4.3.
- 2.11 Approves the other uses of and contributions to Grant and Earmarked Reserves and Balances set out in paragraphs 4.20.
- 2.12 Notes the reallocation from the Financial Resilience Reserve (FRR) to General Fund Reserve as agreed by Cabinet on 10 November 2020 as set out in Appendix A paragraph 4.21.
- 2.13 Notes the transfer to the Delivery Plan Reserve of the balances on the Invest to Save Reserve and the Capital Fund Reserve as set out in paragraph 4.22
- 2.14 Approves the further transfer to the Delivery Plan Reserve from earmarked Policy Contingency Reserve as set out in paragraph 4.23.

- 2.15 Approves the use of £1.8m of the Delivery Plan Programme Management Reserve in 2021/22 that is proposed to be carried forwards from 2020/21 as set out in paragraph 4.24.
- 2.16 Approves the use of £15.5m of Improved Better Care Fund (IBCF) Reserves in 2021/22 that are proposed to be carried forwards from 2020/21 as set out in paragraph 4.25.
- 2.17 Approves the use of £12.1m of City Clean Up Reserves in 2021/22 that are proposed to be carried forwards from 2020/21 as set out in paragraph 4.26.
- 2.18 Approves the use of £2.5m of Council House Refurbishment Reserve in 2021/22 that are proposed to be carried forwards from 2020/21 as set out in paragraph 4.27.
- 2.19 Notes the resource allocations with Specific and General Policy Contingency as set out in paragraph 4.28.
- 2.20 Approves the use of £0.4m of General Policy Contingency in 2021/22 to fund improvements in Home to School Transport, as set out in paragraph 4.29.
- 2.21 Approve the financing of capital expenditure for 2020/21 as set out in Appendix A Annex B.
- 2.22 Approves the delegation of authority to the Director of Council Management to approve additional equity investments to InReach (Birmingham) Limited as set out in paragraph 4.30.
- 2.23 Approves additional investment to the HRA Housing Improvement Programme in 2021/22 as set out in paragraph 4.31.
- 2.24 Notes the Treasury Management Annual Report as set out in Appendix A Annex C.
- 2.25 Notes the Housing Revenue Account outturn position as set out in Appendix A Annex D.
- 2.26 Note the outturn position on the Collection Fund as set out in Appendix A Annex E.

### **3 Background**

- 3.1 On 25th February 2020, the Council agreed a net revenue budget for 2020/21 of £852.9m to be met by government grants, council tax and business rates.
- 3.2 The appendices of this report provide information about the 2020/21 outturn position of the Council, which will subsequently be incorporated into the Council's audited 2020/21 Statement of Accounts, which are statutorily due for publication by 30 September 2021. Audit Committee will consider for approval the draft statement of accounts at its meeting on 28 September 2021.

- 3.3 As Council's accounts are still subject to audit there may be further accounting entries or post balance sheet events that require a revision to the outturn for the year. The Director of Council Management will make any necessary changes, and will report any significant impact on the reported outturn position in a quarterly monitoring report

#### 4 **Outturn**

- 4.1 The revenue Outturn is detailed in Appendix A. There is a **balanced position** after transferring **£17.5m** of Covid Grant to an earmarked Covid Reserve and transferring an underspend of **£78.7m** to reserves as set out in paragraphs 2.1 to 2.7. This is summarised in Table 1 in Appendix A.
- 4.2 There was a **£78.7m underspend** on the General Fund excluding Covid, principally from net underspends in directorates of £24.8m, corporate underspends of £5.0m, and the impact of a transfer of £48.9m of cost from redeployment of staff due to covid to be funded from the unringfenced government Covid grant. Before considering the £48.9m redeployment cost, there has been an overall improvement of £16.2m on the non Covid position reported to Cabinet at Quarter 3. The outturns for each directorate are detailed in Annexes A1-A8 of the attached outturn report.
- 4.3 There was a net Covid **underspend** of **£17.5m** after applying funding from the government in the form of £128.5m in unringfenced grant and reimbursement of sales fees and charges income losses of £20.7m. This underspend will be transferred to a Covid Reserve to meet the already emerging Covid financial pressures and risks in 2021/22.
- 4.4 Savings of **£21.0m** were delivered in 2020/21, which represent **77.6%** of the savings programme planned in the budget.
- 4.5 There is a balanced position in the Housing Revenue Account after a net recommended appropriation to reserves of £2.7m.
- 4.6 The Outturn position for Schools funded by Dedicated Schools Grant (DSG) will be reported in the Final Accounts.
- 4.7 The capital programme spend for 2020/21 was **£501.3m**, this is £382.9m below the planned expenditure of **£884.2m**. The variance is due to largely Covid related slippage of £386.7m along with a net overspend of £3.9m.
- 4.8 At 31st March 2021, the Council's total loan debt stood at **£3,162.3m** and **£193.6m** of investments were held. The Council also held investments of £93.6m as an accountable body. The Council did not breach any of its prudential limits. Treasury management costs totalled **£255.5m gross**, and £131.4m after recharges to other services, £0.1m below the budget of £131.5m.

- 4.9 The 2020/21 Council Tax outturn is a deficit of **£15.3m**, compared to a deficit of £8.4m forecast when setting the 2021/22 budget. The variation is mainly due to increases in the provision for bad debts .
- 4.10 The 2020/21 Business Rates outturn deficit was **£52.9m** compared with the £50.6m forecast when setting the 2021/22 budget.
- 4.11 The change in the net outturn position for Council Tax and Business Rates will not impact on the General Fund until 2022/23 and will be taken into account as part of the 2022/23 budget setting process.

### **Reserves**

- 4.12 It is proposed to transfer £2.0m of the revenue underspend to the Major Events Reserve to enhance the Council's flexibility to support Major Events when the opportunity arises.
- 4.13 It is proposed to transfer £12.1m of the revenue underspend to a City Clean Up Reserve to provide resources for activity to help clean up our City.
- 4.14 It is proposed to transfer £5.5m of the revenue underspend to the General Policy Contingency Reserve and release this sum into the 2021/22 General Policy Contingency Budget in 2021/22 by using £5.5m of reserves proposed to be carried forwards from 2020/21. This will provide extra risk cover in 2021/22.
- 4.15 It is proposed to transfer £10.0m of the revenue underspend to a Community Recovery Plan Reserve to provide resource for activity to help our communities to recover from the effects of Covid.
- 4.16 It is proposed to transfer £36.4m of the revenue underspend to the Budget Smoothing Reserve to provide flexibility in addressing the structural budget gap over the medium term.
- 4.17 It is proposed to transfer £2.5m of the revenue underspend to the Council House Refurbishment Reserve to fund revenue costs of the refurbishment in 2021/22.
- 4.18 It is proposed to transfer £2.0m of the revenue underspend to a SEND Reserve to set aside resources for Education and Skills to continue to invest in SEND improvement and respond to challenges raised through external revisits.
- 4.19 It is proposed to transfer the remaining £8.2m of the £78.7m underspend to the Delivery Plan Reserve.
- 4.20 Cabinet is asked to approve the other uses of and contributions to Reserves as set out in Appendix A paragraphs 2.36 to 2.42.
- 4.21 Cabinet is asked to note the reallocation from the Financial Resilience Reserve (FRR) to General Fund Reserve as agreed by Cabinet on 10 November 2020 as set out in Appendix A paragraph 2.44.

- 4.22 Cabinet is asked to note the reallocation being made of £49.9m from the Capital Fund earmarked revenue reserve to the Invest To Save Reserve in order to create the new Delivery Plan Reserve as set out in Appendix A paragraph 2.45. This was approved in the Financial Plan 2021 – 2025.
- 4.23 Cabinet is asked to approve the transfer to the Delivery Plan Reserve £1.5m of earmarked Policy Contingency Reserves that are no longer required, as set out in Appendix A paragraph 2.46.
- 4.24 Cabinet is asked to approve that £1.8m of the proposed Delivery Plan Programme Management Reserve is utilised in 2021/22. These funds were originally planned to be used in 2020/21, but it is now proposed that the reserves are used in 2021/22.
- 4.25 Cabinet is asked to approve that £15.5m of Improved Better Care Fund (IBCF) Reserves is utilised in 2021/22 to support programmes of work as agreed by the Council and Health partners.
- 4.26 Cabinet is asked to approve that £12.1m of City Clean Up Reserves is utilised in 2021/22 to help clean up our City.
- 4.27 Cabinet is asked to approve that £2.5m of Council House Refurbishment Reserve is utilised in 2021/22 to help refurbish the Council House.

### **Policy Contingency**

- 4.28 Cabinet is asked to note the following allocations in 2020/21 of Specific and General Policy Contingency approved by the Section 151 Officer under delegated authority as shown below.

<b>Use of</b>	<b>Reason</b>	<b>Value (£m)</b>	<b>Reference to Paragraph in Appendix A</b>
Specific Policy Contingency	Apprenticeship Levy	1.093	Annex A para 2.2
Specific Policy Contingency	Pension Fund Costs - Contingency for under recovery	1.239	Annex A para 2.2
Specific Policy Contingency	Modernisation Fund Other-Home to School Transport	0.575	Annex A para 2.2
Specific Policy Contingency	Short-term Council House Improvement	0.300	Annex A para 2.2
Specific Policy Contingency	Inflation Contingency	1.000	Annex A para 2.2
General Policy Contingency	Route to Zero	0.082	Annex A para 2.1

- 4.29 Cabinet is asked to approve the use of £0.4m of General Policy Contingency in 2021/22 to fund improvements in Home to School Transport. This is in line with the Cabinet decision of 15 December 2020.

### **InReach**

- 4.30 Cabinet is asked to delegate authority to the Director of Council Management to approve additional equity investments to InReach (Birmingham) Limited to ensure an optimum tax efficient funding structure is maintained, funded from corporate capital resources and subject to a full business case for each development being approved, noting that the total combined investments across

both equity and loans is to remain with the total aggregate limit of £100m, approved through the 18 October 2016 Cabinet Report 'Facilitating the Private Rented Sector Housing Programme'.

## **Housing**

- 4.31 Cabinet is asked to approve an additional £5.070m investment to the HRA Housing Improvement Programme in 2021/22 through an in-year HRA revenue contribution

## **5 Options considered and Recommended Proposal**

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

## **6 Consultation**

- 6.1 There is no consultation required on the financial outturn.

## **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.
- 8.1.2 The Financial Outturn gives a summary of the City Council's financial activity during 2020/21 and the financial position at 31 March 2021. The budget against which the outturn position is compared was initially set out in the City Council Financial Plan 2020-24 to the Council and has been revised throughout the year.
- 8.1.3 Total City Council revenue spend was budgeted at around £3 billion. This includes the General Fund, HRA, delegated Schools budgets, etc.
- 8.1.4 The General Fund net controllable budget was £852.9m (excluding benefit payments, HRA. Delegated schools budgets) with a savings requirement of £27.1m for 2020/21 (including savings achieved on a one-off basis in 2019/20). This outturn report builds on the budget monitoring reports to Cabinet throughout the year.

### **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** The Council is also utilising its power to invest for any purpose relevant to its functions under any enactment; or for the purposes of the prudent management of its financial affairs (s.12 Local Government Act 2003) in the report under section 4.30.

### **8.3 Financial Implications**

- 8.3.1 The Corporate Revenue and Capital Budget Monitoring documents attached give details of monitoring of 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 2020-24 approved at Council 25th February 2020
- 9.2 Quarter 1 Financial Monitoring Report approved by Cabinet 21st July 2020
- 9.3 Quarter 2 Financial Monitoring Report approved by Cabinet 10 November 2020
- 9.4 Quarter 3 Financial Monitoring Report approved by Cabinet 9 February 2021