

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

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| Report to: | CABINET | |
| Report of: | Director of Finance | |
| Date of Decision: | 16 May 2017 | |
| SUBJECT: | FINANCIAL OUTTURN 2016/17 | |
| Key Decision: No | Relevant Forward Plan Ref: 001933/2017 | |
| If not in the Forward Plan: (please "X" box) | Chief Executive approved | <input type="checkbox"/> |
| | O&S Chairman approved | <input type="checkbox"/> |
| Relevant Cabinet Member(s): | Councillor Ian Ward | |
| Relevant O&S Chairman: | Councillor Mohammed Aikhlaq | |
| Wards affected: | All | |

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| 1. Purpose of report: |
| 1.1 To present the City Council financial outturn for 2016/17, including the Revenue Outturn and Capital Outturn for the General Fund; the Treasury Management Annual Report; the Housing Revenue Account Outturn and the Collection Fund Outturn. |

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| 2. Decision(s) recommended: |
| 2.1 Note the City Council's Outturn position for 2016/17, as detailed in the report and appendices (the finalisation of the figures are subject to External Audit). |
| 2.2 Approve the approach to the use of Corporate and Directorate reserves and balances set out in Appendix 1, including the net transfer of £2.2m to Directorate reserves and transfer £8.1m of Policy Contingency to reserves |
| 2.3 Approve the utilisation of corporate funding of £30.0m to address the year end revenue outturn pressure |
| 2.4 Approve the allocations from Policy Contingency as set out in paragraph 1.16 of Appendix 1 |
| 2.5 Approve the financing of capital expenditure for 2016/17 as set out in Appendix 2. |
| 2.6 Approve an increase of £1.3m in the use of capital receipts to fund additional expenditure on existing revenue reform projects under the Government's capital receipts flexibility, as described in Appendix 2 paragraph 2.1. |
| 2.7 Approve a HRA debt repayment provision of £2.9m in 2016/17 as set out in Appendices 3 and 4. |

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| 3. Consultation | <p>Consultation should include those that have an interest in the decisions recommended.</p> <p>3.1 <u>Internal</u></p> <p>The Deputy Leader, Cabinet Members, the Chief Executive, Corporate Directors and Assistant Directors of Finance have been consulted in the preparation of this report.</p> <p>3.2 <u>External</u></p> <p>There are no requirements for external consultation on this report.</p> |
| 4. Compliance Issues: | <p>4.1 <u>Are the recommended decisions consistent with the Council's policies, plans and strategies?</u></p> <p>The Financial Outturn gives a summary of the City Council's financial activity during 2016/17 and the financial position at 31 March 2017. The budget against which the outturn position is compared was initially set out in the Business Plan 2016+ to Council and has been revised throughout the year. The outturn position is therefore in the context of a gross revenue budget of £3.1bn, with a savings requirement of £123.2m for the year 2016/17. This outturn report builds on the budget monitoring reports to Cabinet throughout the year.</p> <p>4.2 <u>Financial Implications</u> <u>(Will decisions be carried out within existing finances and Resources?)</u></p> <p>This report compares the actual financial performance in 2016/17 with the agreed revised budgets for Directorates. Although the overall outturn position of £29.8m represents a significant overspend, it is some £5m less than the position forecast at Month 10, with the call on reserves also therefore being reduced by this amount. It is essential that steps are now taken to manage ongoing budget pressures and the delivery of agreed savings for 2017/18 and beyond in order to reduce the risk of further calls on reserves in the current and future years. Detailed work is being undertaken by CLT and the Interim Chief Finance Officer to provide further assurance on this, and consider additional control measures to help mitigate the risk of further calls on reserves.</p> <p>4.3 <u>Legal Implications</u></p> <p>Section 151 of the 1972 Local Government Act requires the Director of Finance (as the responsible officer) to ensure proper administration of the City Council's financial affairs. This report forms the concluding part of the City Council's budgetary control cycle for 2016/17. Budgetary control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Cabinet Members, committees and members of the Corporate Leadership Team by the City Council in discharging the statutory responsibility.</p> |

4.4 Public Sector Equality Duty

There are no additional specific Equality Duty or Equality Analysis issues beyond any already assessed and detailed in the budget setting process and monitoring issues that have arisen in the year to date.

5. **Relevant background/chronology of key events:**

- 5.1 The appendices of this report provide information about the 2016/17 outturn position of the City Council, which will subsequently be incorporated into the 2016/17 Statement of Accounts of the Council, submitted to the Audit Committee for approval at the end of May 2017.
- 5.2 **Appendix 1 is the Revenue Outturn.** The overall outturn position is a £29.8m overspend compared with forecast year end net pressures of £35.4m reported at Month 10.
- 5.3 There was an overspend of £69.7m in Directorates. After recommended Directorate net transfers to reserves of £2.2m, services have net overspends of £71.9m.
- 5.4 There was an underspend position of £34.7m on corporate accounts. There was also an underspend of £7.4m on Policy Contingency after transfers to reserves of £8.1m to allow approved allocations for specific purposes to be carried forward.
- 5.5 It is proposed to utilise of £30.0m corporate funding (made up of use of the Capital Fund and the Organisation Transition Reserve) to address the year end pressure.
- 5.6 **Appendix 2 is the Capital Outturn.** For 2016/17, the outturn was £335.4m, £130.1m less than the capital budget of £465.5m. The Capital Outturn Report provides a narrative of the major variations for each Directorate.
- 5.7 The variation includes £136.3m of slippage, and £6.3m of net overspends.
- 5.8 It is important to note that no resources will be lost as a result of slippage. Both the resources and planned expenditure will be rolled forward into future years. Given the long term nature of such capital projects, it is always necessary to manage capital budgets across a number of financial years. The proposed financing of City Council capital expenditure in 2016/17 of £335.4m is summarised in Paragraph 3 of Appendix 2.

- 5.9 **Appendix 3** is the **Treasury Management Annual Report**. The City Council's net loan debt at 31 March 2017 stood at £3,064.8m, the Council staying within the prudential limit set by the Council in accordance with CIPFA's Prudential Code for Capital Finance. The treasury risks relating to borrowing and investment portfolios were managed in accordance with the approved strategy. The City Council had £358.7m of gross short-term and variable rate borrowing at 31 March 2017. This takes advantage of low short-term interest rates and is kept under regular review. The net corporate revenue costs of borrowing were £16.9m lower than the budget for the year.
- 5.10 **Appendix 4** summarises the **Housing Revenue Account Outturn**. This shows a year end surplus of £0.1m which is explained in Appendix 4. The surplus has been transferred to accumulated balances.
- 5.11 **Appendix 5** summarises the **Collection Fund Outturn**. The 2016/17 Council Tax outturn shows that the position, including the brought forward balance, gave a surplus of £5.6m. This was a slight deficit of £0.2m compared with the £5.8m surplus forecast when setting the 2017/18 budget. The Council's share of this outturn surplus was £4.9m (which was £0.2m less than that assumed when setting the budget).
- 5.12 The 2016/17 Business Rates outturn deficit was £23.9m compared with the £20.2m forecast when setting the 2017/18 budget. The variation from the forecast position was mainly as a result of the total estimated cost of appeals, deficit on Empty Property Relief and an increase in the provision for doubtful debts. The Council's share of this outturn deficit was £11.7m (which was £1.8m more than that assumed when setting the budget).
- 5.13 The change in the net outturn position for Council Tax and Business Rates compared to the forecast will not impact on the General Fund until 2018/19 and will be taken into account as part of the 2018/19 budget setting process.

6. Evaluation of alternative option(s):

- 6.1 The report formally presents the outturn position on the Council's main financial accounts for 2016/17.

7. Reasons for Decision(s):

- 7.1 The report concludes the financial reporting cycle for the 2016/17 year. It considers the outturn position and any impact on the resourcing of the 2017/18 budget.
- 7.2 This report seeks approval for
- (a) The approach to the use of Corporate and Directorate reserves and balances set out in Appendix 1, including the net transfer of £2.2m to Directorate reserves and transfer £8.1m of Policy Contingency to reserves
 - (b) utilisation of corporate funding of £72.1 to address the year end revenue outturn pressure
 - (c) The allocations from Policy Contingency as set out in paragraph 1.16 of Appendix 1.
 - (d) The financing of capital expenditure for 2016/17 as set out in Appendix 2.
 - (e) An increase of £1.3m in the use of capital receipts to fund additional expenditure on existing revenue reform projects under the Government's capital receipts flexibility, as described in Appendix 2 paragraph 2.1.
 - (f) A HRA debt repayment provision of £2.9m in 2016/17 as set out in Appendices 3 and 4.

Signatures

Date

Director of Finance

Deputy Leader

List of Background Documents used to compile this Report:

List of Appendices accompanying this Report (if any):

1. Revenue Outturn
2. Capital Outturn
3. Treasury Management Annual Report
4. Housing Revenue Account Outturn
5. Collection Fund Outturn

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| Report Version | 0.1 | Dated | 5 th May 2017 |
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