

Birmingham City Council

Report to Cabinet

9TH FEBRUARY 2021



Subject: FINANCIAL MONITORING REPORT
QUARTER 3 (UP TO 31ST DECEMBER 2020)

Report of: Chief Finance Officer – Rebecca Hellard

Relevant Cabinet Member: Councillor Tristan Chatfield – Finance & Resources

Relevant O &S Chair(s): Councillor Sir Albert Bore – Resources

Report author: Chief Finance Officer – 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: 007786/2021		
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 The quarterly finance report attached as Appendix A is part of the City Council's robust financial management arrangements. This report is slimmer than previous quarterly reports, reflecting both a focus on important issues and Finance resources being directed to primarily work on the budget proposals presented elsewhere in the agenda in the Financial Plan 2021-2025.

2 Recommendations

That the Cabinet:-

- 2.1 Notes the City Council's 2020/2021 forecast at 31st December 2020 of a net underspend of £8.9m, comprising an overspend on Covid-19 of £4.8m, offset by non-Covid underspends of £13.7m.
- 2.2 Approves in principle that any non-ring-fenced underspend at year-end is transferred to the Delivery Plan Reserve to provide enabling investment.
- 2.3 Notes that the Government's Income Loss scheme is estimated to provide £21.9m of additional funding.
- 2.4 Notes that the Government also announced £100m of national funding to support leisure centres. The Council and its Leisure providers have submitted a claim of £2.9m, which was submitted as per the 15 January 2021 deadline.
- 2.5 Notes the Council is forecasting a non-covid net underspend of £13.7m, which is an improvement of £12.5m for non covid-19 costs since Quarter 2.
- 2.6 Notes that Directorates are reporting that £20.0m of the £27.1m savings targets are either delivered or on track. This represents 73.7% of the total target and is a £5.5m improvement on quarter 2 with Directorates continuing to work towards ensuring that these savings are brought on track and are delivered.
- 2.7 Notes the forecast capital expenditure in 2020/2021 of £519.4m.
- 2.8 Approves the allocations of Policy Contingency as set out in paragraph 4.12 and notes the allocations set out in paragraph 4.11.
- 2.9 Notes the Treasury Management and Investment Portfolio Reports that are included in Appendix A.
- 2.10 Approves the writing off of debts over £0.025m as described in paragraph 4.9.

3 Background

- 3.1 At the meeting on 25th February 2020, the Council agreed a net revenue budget for 2020/2021 of £852.9m to be met by government grants, council tax and business rates payers. Appendix A sets out the full financial position at Quarter 3.

4 Key Issues

- 4.1 The Council is forecasting a net revenue underspend of **£8.9m** which represents -1.0% of the £852.9m budget. There is a **£4.8m** overspend related to the Covid-19 emergency after applying initial £84.3m government grant received and the estimated £21.9m from the Income loss funding scheme. This position does not include risks or 2021/22 onwards financial implications. While the Covid-19 impact is being presented in Directorates, the funding gap is being dealt with as a corporate issue. The Covid overspend is offset by **£13.7m** of non-Covid related net underspends across the Council.

- 4.2 The Government has also announced £100m of national funding to support leisure centres. It has issued the instructions on how to claim for losses for a period from December 2020 to March 2021. The Council and its Leisure providers have submitted a claim of £2.9m, which was submitted as per the 15 January deadline.
- 4.3 The Council has received to date £128.5m of un-ringfenced Covid-19 related grant funding from the government. The government has also announced that it will provide funding for income loss due to Covid-19, which is currently been estimated at £21.9m by the council. The un-ring fenced funding of £128.5m includes £44.2m funding for the Council was announced on October 22nd. We intend to set this aside in a specific Covid reserve to manage the ongoing pandemic through the higher risk winter months. There are also several ring-fenced grants for additional reliefs and support schemes which are being spent on the additional measures set out in government guidance.
- 4.4 Corporate and Directorate mitigation actions have reduced the reported net overspend of £10.8m in Quarter 2 to a net underspend of £8.9m. These include the use of £6.4m from the Hardship Fund for school meal funding and the £11.2m savings delivery from Transformation Programme by Adult Social Care.

Capital Programme

- 4.5 Capital spend is currently projected to be £519.4m for 2020/21, after projected £349.3m comprises £342.9m of slippage and £6.4m of forecasted net savings. The full multi-year capital programme is projected to be £3,305.6m.
- 4.6 The overall capital programme in 2020/21 has been adversely affected by Covid 19, by both delays and cost increases, and a number of uncertainties still remain which are yet to be fully quantified. It is likely that this impact on the capital spend will remain for the remainder of this financial year and into next year. Details of the Capital Programme are set out in Appendix A in Section 3 and Annexes 3 and 4.

Treasury Management and Investment Portfolio

- 4.7 The Covid-19 pandemic has had a significant impact on Treasury Management decision making in the quarter. Details are set out in the Appendix A Annex 2.
- 4.8 The Investment Portfolio is reported in Appendix A Annex 5.

Write-Offs

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

Policy Contingency

4.10 The original policy contingency budget for 2020/21 was £40.8m. Following allocations previously approved, the budget was £28.8m.

4.11 Cabinet is asked to note the following allocations of Specific Policy Contingency approved by the Section 151 Officer under delegated authority as shown below.

Use of	Reason	Value (£m)	Reference to Paragraph in Appendix A
Specific Policy Contingency	Inflation Contingency	0.2	3.32
Specific Policy Contingency	Potential Additional Interim Staff	0.8	3.33
Specific Policy Contingency	HR Additional Temporary Resources	0.3	3.34

4.12 Cabinet is asked to approve the following allocation of General Policy Contingency as shown below. Further details are provided in the relevant paragraph in Annex A.

Use of	Reason	Value (£m)	Reference to Paragraph in Appendix A
General Policy Contingency	Commonwealth Games Project Team Costs	1.5	3.35
Specific Policy Contingency	Modernisation Fund-Other re Delivery Plan	2.0	3.36

4.13 If these uses are approved, the Policy Contingency budget will be £24.0m.

5 Options considered and Recommended Proposal

5.1 Directors, in striving to manage their budgets, have evaluated all the options available to them to maintain balance between service delivery and a balanced budget.

6 Consultation

6.1 Cabinet Members, Directors, the City Solicitor, Human Resources and Assistant Directors of Finance 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 2020/21.

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.

8.3 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 2020-2024 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