

Birmingham City Council

Report to Cabinet

28TH JUNE 2022



Subject: PROVISIONAL FINANCIAL OUTTURN 2021/2022
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: 010136/22		
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 provisional financial outturn report for 2021/22 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 2021/22, with an underspend of **£17.8m** in a year where the Covid pandemic continued to have a legacy impact.

2 Recommendations

That the Cabinet:

- 2.1 Notes the City Council's Revenue Budget Provisional Outturn position for 2021/22 of £17.8m underspend, as detailed in the report and appendix (the finalisation of the figures remains on going and they will then be subject to External Audit)
- 2.2 Approves the transfer of the £17.8m revenue budget underspend to the Financial Resilience Reserve (FRR), as set out in paragraph 4.1.
- 2.3 Approves the other uses of and contributions to Grant and Earmarked Reserves and Balances set out in paragraph 4.13.
- 2.4 Approves the use of £1.0m of the Council Tax Hardship Reserve in 2022/23 to provide extra funding for Local Welfare Provision, as set out in paragraphs 4.14 to 4.16.
- 2.5 Approves the use of £1.3m of the FRR in 2022/23 to fund an extra 10% top-up to the allocation of £12.8m from the Government's Household Support Fund for the City, as set out in paragraph 4.17.
- 2.6 Approves the use of £0.2m of General Policy Contingency in 2022/23 for JNC staffing in Place, Prosperity & Sustainability as part of the new Council structure as set out in paragraph 4.19.
- 2.7 Notes the resource allocations within Specific and General Policy Contingency for Pension Fund costs, the Apprenticeship Levy, Highways Maintenance, and a JNC position, as set out in paragraph 4.18, these have already been agreed by the S151 Officer under delegated authority.
- 2.8 Approves the financing of capital expenditure for 2021/22 as set out in Appendix A Annex B.
- 2.9 Notes the Treasury Management Annual Report as set out in Appendix A Annex C, and that the Council remained within its prudential limits set under the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance
- 2.10 Notes the Housing Revenue Account outturn position as set out in Appendix A Annex D and the transfer of the balance to the ring fenced HRA reserve.
- 2.11 Notes the outturn position on the Collection Fund as set out in Appendix A Annex E, and how the final outturn position is taken into account when setting future years budgets

3 Background

- 3.1 On 23rd February 2021, the Council agreed a net revenue budget for 2021/22 of £828.7m funded by government grants, council tax and business rates.
- 3.2 The appendices of this report provide information about the 2021/22 outturn position of the Council, which will subsequently be incorporated into the Council's draft 2021/22 Statement of Accounts, which are statutorily due for handover to audit and public inspection by 31 July 2022. Audit Committee will consider for approval the draft statement of accounts at its meeting on 19 July 2022.
- 3.3 As the Council's accounts are being finalised and still subject to external 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 general fund provisional outturn at the end of 2021/22 is an underspend of **£17.8m**. This underspend will be transferred to The Financial Resilience Reserve.
- 4.2 The revenue Outturn is detailed in Appendix A. There is a balanced position after transferring the underspend of £17.8m to reserves as set out in paragraph 2.2. This is summarised in Table 1 in Appendix A.
- 4.3 This is after applying **£17.5m** of un-ringfenced Covid-19 related grant funding from the government received in 2020/21 carried forward into 2021/22, **£5.9m** of Public Health Grant to fund Covid related spending in 2021/22, funding received for income losses of **£2.8m** and **£11.5m** pressures funded in the 2021/22 budget from the application of Tranche 5 of Government Covid funding.
- 4.4 Savings of **£33.6m** were delivered in 2021/22, which represent **91%** of the savings programme planned in the budget.
- 4.5 The Housing Revenue Account underspent by **£4.1m** and this will be transferred to the ring fenced Housing Revenue Account for future use by the HRA.
- 4.6 The Dedicated Schools Grant (DSG) underspent by **£8.3m**, which will be transferred to the Ring Fenced DSG reserve. This underspend is after allocating £5m as agreed in the High Needs Block deficit repayment plan and £0.5m for Developing Local Provision (DLP).
- 4.7 The capital programme outturn spend position for the 2021/22 financial year is **£528.1m**. This is **£236.4m** below the planned expenditure of **£764.4m**. The variance is largely due to slippage of £262.9m offset by £26.6m net overspend.
- 4.8 At the 31st March 2022, the Council's gross loan debt stood at **£3,107.8m** and **£146.3m** of investments were held. The Council also held investments of **£73.8m** as an accountable body. The Council did not breach any of its prudential limits.

Treasury management net borrowing costs totalled **£234.7m** gross. This was **£0.9m** over the budget after including the Council's other long term liabilities.

- 4.9 The Council share of the Council Tax outturn is a deficit of **£3.5m**, compared to a deficit of £15.8m forecast when setting the 2022/23 budget. The improvement is mainly due to decreases in the provision for bad debts.
- 4.10 The Council share of the Business Rates outturn is a surplus of **£0.5m** compared with a £19.8m forecast deficit when setting the 2021/22 budget. Again, the improvement is mainly due to decreases in the provision for bad debts.
- 4.11 The change in the net outturn position for Council Tax and Business Rates will not impact on the General Fund until 2023/24 and will be taken into account as part of the 2023/24 budget setting process.

Reserves

- 4.12 At the start of the financial year, the Council held reserves balances of £1,062.3m. At the end of the year, if the proposed transfers are approved, there will be an increase of reserves balances to £1,071.6m.
- 4.13 This increase includes transfers to and uses of reserves, with full details set out in Appendix A Annex A10. General Fund reserves including the Financial Resilience Reserve total £230m and the specific Earmarked Reserves total £841.6m. This level of reserves is considered to be robust for the size of the City Council and demonstrates good resilient financial management.

Local Welfare Provision

- 4.14 Birmingham's Local Welfare Provision (LWP) is a discretionary scheme which helps vulnerable people in short-term crisis with food and essential items. It is grant-based, which means people who receive help from it will not have to repay anything. The scheme is funded on an annual basis and once the fund has been exhausted for that financial year, there are no further awards. The Council is currently under additional pressure due to the rising level of Local Welfare Provision claims. This follows a two-year period of gradual rising in claims. Looking ahead, the challenges facing people on low incomes are considerable with numerous issues potentially impacting on personal budgets (e.g. energy prices, inflation, loss of Covid support measures). Further pressure on this scheme has come from the 50% cuts in discretionary housing payments from central government.
- 4.15 It is proposed to set-up an "emergency team" of staff on an initial 12-month contract with an option to extend. The team would consist of 8 Grade 3 benefit officers who would initially concentrate on LWP backlog but could be utilised to address other spikes in workload. This would also enable the additional staff currently undertaking the work, to return to their normal duties and tackle the rise in housing benefit work outstanding. The additional staffing costs are around £350,000, and additional supplement for the LWP fund is £650,000.

- 4.16 The emergency team is set up in 2022/23 as proposed in paragraph 4.15 above and is funded from the utilisation of £1.0m of the Council Tax Hardship Reserve.

Household Support Grant Top Up

- 4.17 It is recommended that £1.3m of the FRR is used in 2022/23 to fund a 10% top up to the £12.8m received from the Government for the Household Support Grant to give extra support to families and pensioners struggling with the cost-of-living crisis.

Policy Contingency

- 4.18 The following allocations in 2021/22 of Specific and General Policy Contingency have been 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	Pension Fund Costs - Contingency for under recovery	0.718	Annex A8 para 2.2
Specific Policy Contingency	Apprenticeship Levy	1.143	Annex A8 para 2.2
Specific Policy Contingency	Highways Maintenance	0.077	Annex A8 para 2.2
General Policy Contingency	Place, Prosperity & Sustainability JNC Position	0.059	Annex A8 para 2.1

- 4.19 The use of £0.2m of General Policy Contingency in 2022/23 is recommended to be used to fund JNC staffing in Place, Prosperity & Sustainability as part of the new Council structure.

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 City Council Financial Plan 2021-25, 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 2021/22 and the provisional financial position at 31 March 2022. The budget against which the outturn position is compared was initially set out in the

City Council Financial Plan 2021-25 to the Council and has been revised throughout the year.

8.1.3 Total City Council revenue spend was budgeted at around £3.8 billion. This includes the General Fund, HRA, delegated Schools budgets, etc.

8.1.4 The General Fund net controllable budget was £828.7m (excluding benefit payments, HRA, delegated schools budgets) with a savings requirement of £36.7m for 2021/22 (including savings achieved on a one-off basis in 2020/21). 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.

8.3 Financial Implications

8.3.1 The Corporate Revenue and Capital Budget Monitoring within Appendix A gives 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 2021-25 approved at Council 23rd February 2021

9.2 Quarter 1 Financial Monitoring Report approved by Cabinet 27th July 2021

9.3 Quarter 2 Financial Monitoring Report approved by Cabinet 9th November 2021

Quarter 3 Financial Monitoring Report approved by Cabinet 8th February 2022