

Quarter 1 (Month 3) 2022/23 Financial Monitoring Report – Resources Overview & Scrutiny Committee

28 July 2022



BE BOLD BE BIRMINGHAM



Financial Challenge

- National picture: post pandemic recovery ongoing, impact of Brexit, economic shock from war in Ukraine, rising price inflation
- The Government have announced that councils in England will receive a two year funding settlements from next year to help them plan with a greater degree of confidence
- We have seen Councils failing – poor governance and decision making, weak procurement, low levels of reserves and over borrowing
- Birmingham is in a strong robust position
- CIPFA Resilience Indicators – level of borrowing and reserves are key, along with delivery of savings and a strong budget process.

BCC Position is strong

- CIPFA 3 star Financial Management authority, positive external audit and growing national reputation. Working to achieve 4 star by April 2023
- Have strong reserves and balances
- Level of borrowing reducing
- Focus on Value for Money and transformation to deliver best in class services
- Spend controls remain in place – staffing, FM and procurement
- Have a rolling budget approach in place, so risks and impacts identified early
- Not without financial challenge - we have £33m gap in our budget from next year – working to close it.

Quarter 1 Financial Monitoring Report – 26th July Cabinet

- This report is the first in the annual cycle of reports
- Due to the need to concentrate resources on Oracle implementation, this is a very high level report
- A number of risks are identified, split between - risks in the Financial Plan 2022-23, and new risks
- Opportunities have been identified
- Forecasting a balanced budget by year end, assumed that all risks will be mitigated
- Increase in Capital budget due to slippage from 2021/22
- No major issues identified in HRA, DSG or Treasury Management
- Collection Fund income is expected to be on target.

High Level Risks

- **Adult Social Care** social care demand, potential shortfalls in client contributions, and potential gap between the costs of the Fair Cost of Care exercise and grant received.
- **Children & Families** SENAR, Home to School Transport, and BCT placement costs.
- **City Operations** Parking Income shortfall, Leisure Management Fees shortfall, and inflationary pressures on electricity and fuel.
- Potential for Pay Award above budgeted 2.5%, extra 1% = £4m.
- General inflationary pressures.
- Savings that have not yet been distributed to Directorates.
- Ability to fully meet the target of capitalising £20m of transformation costs through use of Flexible Use of Capital Receipts.

Opportunities for mitigation

- Potential for staffing underspends in CPMO, CDU, SEP, and across the Council generally
- On-going expenditure controls, recruitment, procurement and FM
- Extra income from areas such as Digital Mail and bringing enforcement in-house
- Use of Policy Contingency budget set aside to fund electricity pressures.