

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: CABINET
Report of: CORPORATE DIRECTOR - FINANCE & GOVERNANCE
Date of Decision: 24TH MAY 2018
SUBJECT: FINANCIAL OUTTURN 2017/18

Key Decision: Yes / No
If not in the Forward Plan: Relevant Forward Plan Ref: 003681/2018
(please "X" box) Chief Executive approved
Relevant Cabinet Member(s) or O&S Chair approved
Relevant Executive Member: Councillor Ian Ward
Relevant O&S Chair: Councillor Mohammed Aikhlaq
Wards affected: All

1. Purpose of report:

- 1.1 To present the City Council financial outturn for 2017/18, 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.

2. Decision(s) recommended:

That the Cabinet :-

- 2.1 Note the City Council's Outturn position for 2017/18, as detailed in the report and appendices (the finalisation of the figures is subject to External Audit).
- 2.2 Approve the use of reserves and balances set out in Appendix 1.
- 2.3 Approve the financing of capital expenditure for 2017/18 as set out in Appendix 2.
- 2.4 Approve the creation of a HRA debt repayment provision of £37.9m in 2017/18 as set out in Appendices 3 and 4.
- 2.5 Note the outturn position on the Collection Fund as set out in Appendix 5.

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3. Consultation

Consultation should include those that have an interest in the decisions recommended

3.1 Internal

3.1.1 The Leader, Cabinet Members, the Chief Executive, Corporate Directors, and Assistant Directors of Finance have been consulted in the preparation of this report.

3.2 External

3.2.1 There are no requirements for external consultation on this report.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

4.1.1 The budget represents the financial resources allocated to achieving the Council's policies and objectives.

4.1.2 The Financial Outturn gives a summary of the City Council's financial activity during 2017/18 and the financial position at 31 March 2018. The budget against which the outturn position is compared was initially set out in the Financial Plan 2017+ to Council and has been revised throughout the year.

4.1.3 Total City Council spend was budgeted at around £3bn. This includes the General Fund, HRA, delegated Schools budgets etc.

4.1.4 The General Fund net controllable budget was £821.8m (excluding benefit payments, HRA, delegated schools budgets) with a savings requirement of £85.3m for 2017/18 (including savings achieved on a one-off basis in 2016/17). This outturn report builds on the budget monitoring reports to Cabinet throughout the year.

4.2 Financial Implications (How will decisions be carried out within existing finances and Resources?)

4.2.1 This report compares the agreed budgets with actual financial performance in 2017/18.

4.2.2 Against an net overall budget of £821.8m, the overall outturn position is an overspend of £20.9m (2.5%), offset by an agreed use of reserves of £16.0m as identified at month 10. This results in an overall overspend of £4.9m for the year. Whilst this represents a significant overspend, it is some £6.5m less than the position forecast at Month 10, with the call on reserves also therefore being reduced by this amount.

4.2.3 It is essential that steps are now taken to manage ongoing budget pressures and the delivery of agreed savings for 2018/19 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

Council Management Team and the Corporate Director, Finance and Governance to provide further assurance on this, and consider additional control measures to help mitigate the risk of further calls on reserves.

- 4.2.4 The original budget contained a planned use of reserves of £42.2m. The outturn shows that £63.1m of reserves were used in order to structurally deliver the 2017/18 budget plus a further £11.7m to fund pension guarantees, which will be repaid from existing budgets in future years.
- 4.2.5 However, the overall reserves and balances position increased by £94.1m in 2017/18. This was primarily due to
- i) the Council's policy decision to change its Minimum Revenue Provision policy, which generated an unplanned reserve of £98.3m,
 - ii) the beneficial repayment of a provision no longer in respect of NEC Pensions £23.6m' and
 - iii) contributions from Directorates to grant reserves of £36.4m
 - iv) offset by the structural use of reserves of £63.1m.

4.3 Legal Implications

4.3.1 Section 151 of the 1972 Local Government Act requires the Corporate Director, Finance & Governance (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 2017/18. 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 Council Management Team by the City Council in discharging the statutory responsibility.

4.4 Public Sector Equality Duty (see separate guidance note)

4.4.1 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 2017/18 outturn position of the City Council, which will subsequently be incorporated into the 2017/18 Statement of Accounts of the Council, submitted to the Audit Committee for approval at the end of May 2018.

5.2 **Appendix 1** is the **Revenue Outturn**. The overall outturn position shows a £20.9m overspend before use of Reserves – with service directorates having net overspends of £12.7m while corporate areas showed an overspend position of £8.2m.

- 5.3 After the specific use of Reserves agreed at Period 10 of £16.0m (to fund the Waste Management dispute (£6.6m) and Pension Fund Strain costs (£9.4m)) a £4.9m overspend resulted. This compared with forecast year end net pressures of £11.4m reported at Month 10 – an overall improvement of £6.5m in the outturn position compared to the previous forecasts.
- 5.4 It proposed to utilise £4.9m reserves (made up of use of the Organisation Transition Reserve) to address the year end deficit.
- 5.5 The original budget envisaged £42.2m of Reserves to balance the budget. In order to balance the budget at year-end a further £20.9m has been required. Thus in total, £63.1m of reserves were used to structurally deliver the 2017/18 budget, plus £11.7m to fund pension guarantees, which will be repaid from existing budgets in future years.
- 5.6 **Appendix 2 is the Capital Outturn.** For 2017/18, the outturn was £362.2m, £157.7m less than the capital budget of £519.9m
- 5.7 The Capital Outturn Report provides a narrative of the major variations for each variation includes £157.1m of slippage, and £0.6m of net underspends.
- 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 2017/18 of £362.2m 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 2018 stood at £3,301.4m, 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 £547.2m of gross short-term and variable rate borrowing at 31 March 2018. This takes advantage of low short-term interest rates and is kept under regular review. The net corporate revenue costs of borrowing were £105.6m lower than the budget for the year, largely due to a one-off saving from the reprofiling of MRP charges of £98.3m, which was approved with the Council Plan and Budget 2018+.
- 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 2017/18 Council Tax outturn shows that the position, including the brought forward balance, gave a surplus of £2.1m. This was a slight deficit of £0.2m compared with the £2.3m surplus forecast when setting the 2018/19 budget. The Council's share of this outturn surplus was £1.8m (which was £0.2m less than that assumed when setting the budget).
- 5.12 The 2017/18 Business Rates outturn surplus was £15.7m compared with the £14.4m forecast when setting the 2018/19 budget. The variation from the forecast position was mainly due to a reduction in Business Rates Reliefs awarded compared to those that were

anticipated when setting the budget. The Council's share of this outturn surplus was £17.4m (which was £1.3m more than that assumed when setting the budget), with the Fire Authority's share being £0.1m and the Government receiving a deficit of £1.8m.

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 2019/20 and will be taken into account as part of the 2019/20 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 2017/18.

7. Reasons for Decision(s):

7.1 The report concludes the financial reporting cycle for the 2017/18 year. It considers the outturn position and any impact on the resourcing of the 2018/19 budget.

7.2 This report seeks approval for the recommendations set out in paragraphs 2.1 to 2.5

Signatures

Date

Corporate Director – Finance & Governance

Leader

List of Background Documents used to compile this Report:

1. City Council Financial Plan 2017+ approved at Council 28th February 2017

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

PROTOCOL PUBLIC SECTOR EQUALITY DUTY

- 1 The public sector equality duty drives the need for equality assessments (Initial and Full). An initial assessment should, be prepared from the outset based upon available knowledge and information.
- 2 If there is no adverse impact then that fact should be stated within the Report section 4.4 and the initial assessment document appended to the Report duly signed and dated. A summary of the statutory duty is annexed to this Protocol and should be referred to in section 4.4 of executive reports for decision and then attached in an appendix; the term 'adverse impact' refers to any decision-making by the Council which can be judged as likely to be contrary in whole or in part to the equality duty.
- 3 A full assessment should be prepared where necessary and consultation should then take place.
- 4 Consultation should address any possible adverse impact upon service users, providers and those within the scope of the report; questions need to assist to identify adverse impact which might be contrary to the equality duty and engage all such persons in a dialogue which might identify ways in which any adverse impact might be avoided or, if avoidance is not possible, reduced.
- 5 Responses to the consultation should be analysed in order to identify:
 - (a) whether there is adverse impact upon persons within the protected categories
 - (b) what is the nature of this adverse impact
 - (c) whether the adverse impact can be avoided and at what cost – and if not –
 - (d) what mitigating actions can be taken and at what cost
- 6 The impact assessment carried out at the outset will need to be amended to have due regard to the matters in (4) above.
- 7 Where there is adverse impact the final Report should contain:
 - a summary of the adverse impact and any possible mitigating actions (in section 4.4 or an appendix if necessary)
 - the full equality impact assessment (as an appendix)
 - the equality duty (as an appendix).

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

- 1 The Council must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 4 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) tackle prejudice, and
 - (b) promote understanding.
- 5 The relevant protected characteristics are:
 - (a) marriage & civil partnership
 - (b) age
 - (c) disability
 - (d) gender reassignment
 - (e) pregnancy and maternity
 - (f) race
 - (g) religion or belief
 - (h) sex
 - (i) sexual orientation

