

# BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>CABINET</b>	
<b>Report of:</b>	<b>Strategic Director of Finance &amp; Legal</b>	
<b>Date of Decision:</b>	<b>17 May 2016</b>	
<b>SUBJECT:</b>	<b>FINANCIAL OUTTURN 2015/16</b>	
<b>Key Decision: No</b>	<b>Relevant Forward Plan Ref: 001382/2016</b>	
<b>If not in the Forward Plan: (please "X" box)</b>	<b>Chief Executive approved</b>	<input type="checkbox"/>
	<b>O&amp;S Chairman approved</b>	<input type="checkbox"/>
<b>Relevant Cabinet Member(s):</b>	<b>Councillor Ian Ward</b>	
<b>Relevant O&amp;S Chairman:</b>	<b>Councillor Waseem Zaffir</b>	
<b>Wards affected:</b>	<b>All</b>	

### 1. Purpose of report:

- 1.1 To present the City Council financial outturn for 2015/16, 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:

- 2.1 Note the City Council's Outturn position for 2015/16, 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 £5.108m to Directorate reserves and transfer £5.071m of Policy Contingency to reserves
- 2.3 Approve the utilisation of £10.047m from corporate accounts and Policy Contingency to address the year end pressure on People Directorate
- 2.4 Approve the allocations from Policy Contingency as set out in paragraph 1.10 of Appendix 1
- 2.5 Approve the financing of capital expenditure for 2015/16 as set out in Appendix 2.
- 2.6 Approve a HRA debt repayment provision of £19.750m in 2015/16 as set out in Appendices 3 and 4.

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<b>3.</b>	<b>Consultation</b>
	Consultation should include those that have an interest in the decisions recommended.
3.1	<p><u>Internal</u></p> <p>The Deputy Leader, Cabinet Members, the Chief Executive, Assistant Chief Executive, Strategic Directors and Assistant Directors of Finance have been consulted in the preparation of this report.</p>
3.2	<p><u>External</u></p> <p>There are no requirements for external consultation on this report.</p>
<b>4.</b>	<b>Compliance Issues:</b>
4.1	<p><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 2015/16 and the financial position at 31 March 2016. The budget against which the outturn position is compared was initially set out in the Business Plan 2015+ to Council and has been revised throughout the year and this outturn report builds on the budget monitoring reports to Cabinet throughout the year.</p>
4.2	<p><u>Financial Implications</u> (Will decisions be carried out within existing finances and Resources?)</p> <p>This report compares the actual financial performance in 2015/16 with the agreed revised budgets for Directorates.</p>
4.3	<p><u>Legal Implications</u></p> <p>Section 151 of the 1972 Local Government Act requires the Strategic Director - Finance and Legal (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 2015/16. 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	<p><u>Public Sector Equality Duty</u></p> <p>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.</p>

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

- 5.1 The appendices of this report provide information about the 2015/16 outturn position of the City Council, which will subsequently be incorporated into the 2015/16 Statement of Accounts of the Council, submitted to the Audit Committee for approval at the end of May 2016.
- 5.2 **Appendix 1 is the Revenue Outturn.** The outturn shows an overspend of £4.901m in Directorates (made up of an overspend of £15.956m in People Directorate, offset by total underspends of £11.055m in other Directorates). After recommended Directorate net transfers to reserves of £5.108m (made up of transfers from reserves of £5.909m within People Directorate, offset by transfers to reserves of £11.017m in other Directorates) services have net overspends of £10.009m compared with year end net pressures of £9.087m reported at Month 10.
- 5.3 There was an underspend position of £4.407m on corporate accounts. There was also an underspend of £8.404m on Policy Contingency after transfers to reserves of £5.071m for approved allocations for specific purposes not yet utilised.
- 5.4 It is proposed to utilise £10.047m of the underspend on both the Policy Contingency and corporate accounts to address the year end pressure on People Directorate. The other Directorates have a minor net in year underspend of £0.038m, after reserve movements.
- 5.5 The overall outturn position of £2.802m underspend is in the context of a gross revenue budget of £3.2bn, with a savings requirement of £110.255m for the year 2015/16.
- 5.6 **Appendix 2 is the Capital Outturn.** For 2015/16, the outturn was £458.001m, £105.052m less than the capital budget of £563.053m. The Capital Outturn Report provides a narrative of the major variations for each Directorate.
- 5.7 The variation includes £113.487m of slippage, and £8.436m 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. The proposed financing of City Council capital expenditure in 2015/16 of £458.001m 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 2016 stood at £2,986.8m, 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 £267.3m of gross short-term and variable rate borrowing at 31 March 2016. This takes advantage of low short-term interest rates and is kept under regular review. The net corporate revenue costs of borrowing were £16.1m lower than the budget for the year.
- 5.10 **Appendix 4** summarises the **Housing Revenue Account Outturn**. This shows a year end surplus of £0.150m which is explained in Appendix 4. The surplus has been transferred to accumulated balances.
- 5.11 **Appendix 5** summarises the **Collection Fund Outturn**. The 2015/16 Council Tax outturn shows that the position, including the brought forward balance, gave a surplus of £8.106m. This was an improvement of £1.519m compared with the £6.587m surplus forecast when setting the 2015/16 budget and was mainly as a result of the net movement in the sums set aside for bad and doubtful debt. The Council's share of this outturn surplus was £7.116m (which was £1.335m more than that assumed when setting the budget).
- 5.12 The 2015/16 Business Rates outturn deficit was £42.180m compared with the £36.648m forecast when setting the 2016/17 budget. The variation from the forecast position was mainly as a result of the total estimated cost of appeals, deficit on Empty Property Relief, an increase in the provision for doubtful debts and an element of growth not yet realised but expected to be received in future years. The Council's share of this outturn deficit was £20.668m (which was £2.710m more than that assumed when setting the budget).
- 5.13 The combined net outturn position for Council Tax and Business Rates was a deficit of £1.375m. The position will not impact on the General Fund until 2017/18 and will be taken into account as part of the 2017/18 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 2015/16.

<b>7.</b>	<b>Reasons for Decision(s):</b>
7.1	The report concludes the financial reporting cycle for the 2015/16 year. It considers the outturn position and any impact on the resourcing of the 2016/17 budget.
7.2	<p>This report seeks approval for</p> <ul style="list-style-type: none"> <li>(a) The approach to the use of Corporate and Directorate reserves and balances set out in Appendix 1, including the net transfer of £5.108m to Directorate reserves and £5.071m of Policy Contingency to reserves</li> <li>(b) The utilisation of £10.047m from corporate accounts and Policy Contingency to address the year end pressure on People Directorate</li> <li>(c) The allocations from Policy Contingency as set out in paragraph 1.10 of Appendix 1.</li> <li>(d) The financing of capital expenditure for 2015/16 as set out in Appendix 2.</li> <li>(e) A HRA debt repayment provision of £19.750m in 2015/16 as set out in Appendices 3 and 4.</li> </ul>

<b>Signatures</b>		<b><u>Date</u></b>
Strategic Director – Finance & Legal	.....	.....
Deputy Leader	.....	.....

<b>List of Background Documents used to compile this Report:</b>

<b>List of Appendices accompanying this Report (if any):</b>
<ul style="list-style-type: none"> <li>1. Revenue Outturn</li> <li>2. Capital Outturn</li> <li>3. Treasury Management Annual Report</li> <li>4. Housing Revenue Account Outturn</li> <li>5. Collection Fund Outturn</li> </ul>

<b>Report Version</b>	1.0	<b>Dated</b>	6 <sup>th</sup> May 2016
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