

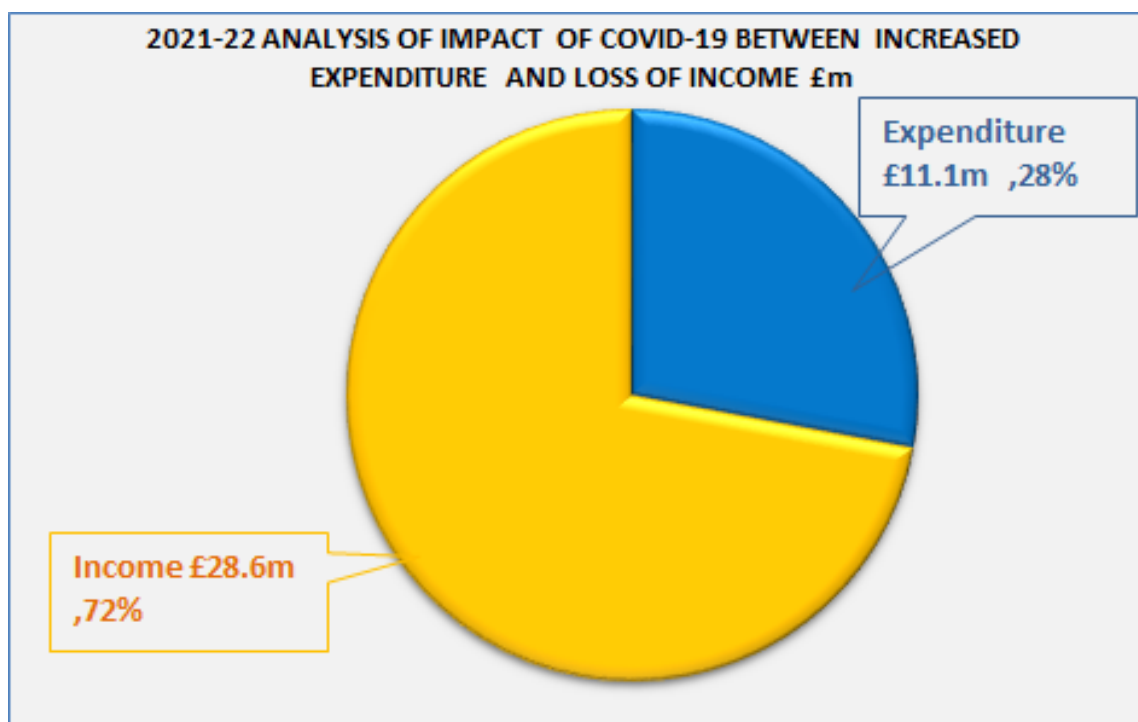
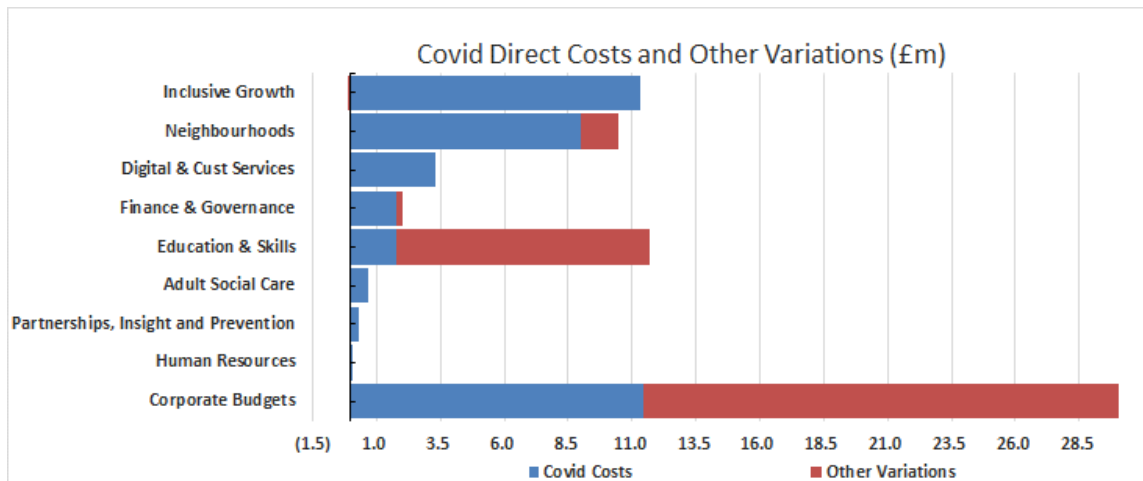
Month 4 Financial Monitoring Report 2021-22

1. High Level Summary Financial Position

- 1.1. At Month 4, the Council's General Fund is forecasting a net overspend of **£33.0m** (Column E in table1) which represents 4.0% of the £828.7m budget and a £5.6m deterioration on the quarter 1 position. There is a non-Covid issues underspend of **£7.8m** (Column D in table1) and a **£40.8m** (Column C in table1) overspend related to Covid-19.
- 1.2. The net covid-19 overspend of **£40.8m** (Column C in table1) is after applying funding; **£17.5m** of un-ringfenced Covid-19 related grant funding from the government received in 2020/21 carried forward into 2021/22, an estimate of government funding for income losses of **£4.9m**, release of **£2.0m** from specific grant funding and **£12.5m** pressures funded in the 2021/22 budget from the application of Tranche 5 government funding. It is also after applying an estimated **£38.0m** cost from the redeployment of staff on a similar basis to that reported in the 2020-21 outturn. We will continue to look to maximise the use of other specific covid funding to reduce this estimated cost. The net Covid overspend has decreased by £1.6m since quarter 1.

	Covid Variation	Non-Covid Variation	Total Variation
	£m	£m	£m
Directorate Sub Total	28.2	11.6	39.8
Corporate Budgets	11.5	18.7	30.1
Application of Tranche 5 Funding Budget 2021/22	(12.5)	0.0	(12.5)
Covid Funding	(17.5)	0.0	(17.5)
Specific Grant Funding	(2.0)	0.0	(2.0)
Income Loss Scheme Funding	(4.9)	0.0	(4.9)
City Council General Fund Sub Total	2.8	30.2	33.0
Transfer of Indirect Covid Costs	38.0	(38.0)	0.0
General Fund after transferring indirect costs	40.8	(7.8)	33.0

- 1.3. In terms of savings, **£16.9m** of the **£36.8m** savings targets are either delivered or on track which represents 46% (43% quarter 1) of the total savings target. The £20.1m establishment saving, now shows £10.8m achieved following a further £0.7m contribution from Adult Social Care and a further £0.1m from Finance & Governance, leaving £4.4m at risk, and £5.0m considered unachievable.
- 1.4. The non-Covid position is a net underspend of **£7.8m** (Column D in table1). This includes following Directorate overspends; **£1.5m** relating to Neighbourhoods (Housing) and **£10.0m** for Education & Skills. This represents a deterioration of £7.2m. The corporate overspend has increased by £1.3m to reflect the latest increased pay offer made to the trade unions of 1.75%.
- 1.5. Cabinet in July approved the drawdown of £5.1m from the Financial Resilience Reserve (FRR) to facilitate the further improvement to the SEND service. This is factored into the forecast.
- 1.6. The forecast corporate overspend is **£18.7m**. **£5.4m** of this is due to a shortfall in collection fund deficit support from the government expected to be received compared to the forecast when the budget was set. **£8.3m** is forecast for the cost of the latest pay offer and **£5.0m** reflects the forecast underachievement of the establishment savings.



The Pie chart shows the total Covid overspend split between income and expenditure across the directorates and including the corporate overspend.

Table 1

Table 1:High Level Summary	A	B	C	D	E	F
Directorate *	Current Budget	Forecast Outturn	Covid 19 Financial Impact Included	Over/(Under) spend Non Covid costs	Total Over/(Under) Spend *	Movement since Month 3
	£m	£m	£m	£m	£m	£m
Education & Skills	292.012	303.723	1.760	9.951	11.711	6.887
Inclusive Growth	113.136	124.366	11.334	(0.104)	11.230	(0.360)
Neighbourhoods	144.479	154.917	8.982	1.456	10.438	(0.526)
Digital & Cust Services	33.017	36.337	3.320	0.000	3.320	0.000
Finance & Governance	22.905	24.942	1.775	0.262	2.037	0.286
Adult Social Care	337.410	338.083	0.673	0.000	0.673	0.051
Partnerships, Insight and Prevention	8.745	9.080	0.335	0.000	0.335	0.000
Human Resources	7.305	7.326	0.021	0.000	0.021	0.000
Directorate Sub Total	959.008	998.773	28.200	11.565	39.765	6.338
Corporate Budgets	(130.338)	(100.199)	11.470	18.669	30.139	1.300
Application of Tranche 5 Funding Budget 2021/22	0.000	(12.515)	(12.515)	0.000	(12.515)	0.000
Covid Funding	0.000	(17.471)	(17.471)	0.000	(17.471)	0.000
Specific Grant Funding	0.000	(2.000)	(2.000)	0.000	(2.000)	(2.000)
Income Loss Scheme Funding	0.000	(4.895)	(4.895)	0.000	(4.895)	0.000
Corporate Subtotal	(130.338)	(137.080)	(25.411)	18.669	(6.742)	(0.700)
City Council General Fund	828.671	861.693	2.789	30.234	33.023	5.638
Indirect Covid Costs			37.998	(37.998)	0.000	0.000
General Fund after transferring indirect costs	828.671	861.693	40.787	(7.764)	33.023	5.638
Financial Position as at M3	828.671	856.055	42.374	(14.989)	27.385	5.638
Movement from M3	0.000	5.638	(1.587)	7.225	5.638	0.000
Movement from M3 %	0.00%	0.66%	(3.75)%	(48.20)%	20.59%	0.00%

* The above table has been sorted according to the total over/under spend (largest to smallest)

**This excludes Covid-19 risk, see paragraph 3.21 below

Table 2

Table 2:High Level Summary											
	A	B	C	D	E	F	G	H	I	J	K
Directorate	Current Budget	Forecast Outturn	Covid 19 Financial Impact Included	Over/(Under) spend Non Covid costs	Total Over/(Under) Spend	Covid 19 Financial Impact Included M3	Over/(Under) spend Non Covid costs M3	Total Over/(Under) Spend M3	Movement Covid 19 cost from M3	Movement in Non Covid cost From M3	Movement in Total Over/(Under) Spend From M3**
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Education & Skills	292.012	303.723	1.760	9.951	11.711	1.430	3.394	4.824	0.330	6.557	6.887
Inclusive Growth	113.136	124.366	11.334	(0.104)	11.230	11.954	(0.364)	11.590	(0.620)	0.260	(0.360)
Neighbourhoods	144.479	154.917	8.982	1.456	10.438	8.354	2.610	10.964	0.628	(1.154)	(0.526)
Digital & Cust Services	33.017	36.337	3.320	0.000	3.320	3.320	0.000	3.320	0.000	0.000	0.000
Finance & Governance	22.905	24.942	1.775	0.262	2.037	1.751	0.000	1.751	0.024	0.262	0.286
Adult Social Care	337.410	338.083	0.673	0.000	0.673	0.622	0.000	0.622	0.051	0.000	0.051
Partnerships, Insight and Prevention	8.745	9.080	0.335	0.000	0.335	0.335	0.000	0.335	0.000	0.000	0.000
Human Resources	7.305	7.326	0.021	0.000	0.021	0.021	0.000	0.021	0.000	0.000	0.000
Directorate Sub Total	959.008	998.773	28.200	11.565	39.765	27.787	5.640	33.427	0.413	5.925	6.338
Corporate Budgets	(130.338)	(100.199)	11.470	18.669	30.139	11.470	17.369	28.839	0.000	1.300	1.300
Application of Tranche 5 Funding Budget 2021/22	0.000	(12.515)	(12.515)	0.000	(12.515)	(12.515)	0.000	(12.515)	0.000	0.000	0.000
Covid Funding	0.000	(17.471)	(17.471)	0.000	(17.471)	(17.471)	0.000	(17.471)	0.000	0.000	0.000
Specific Grant Funding	0.000	(2.000)	(2.000)	0.000	(2.000)	0.000	0.000	0.000	(2.000)	0.000	(2.000)
Income Loss Scheme Funding	0.000	(4.895)	(4.895)	0.000	(4.895)	(4.895)	0.000	(4.895)	0.000	0.000	0.000
Corporate Subtotal	(130.338)	(137.080)	(25.411)	18.669	(6.742)	(23.411)	17.369	(6.042)	(2.000)	1.300	(0.700)
City Council General Fund	828.671	861.693	2.789	30.234	33.023	4.376	23.009	27.385	(1.587)	7.225	5.638

Table 3: Analysis of Non covid pressure faced by Directorates

Directorate	non delivery of savings £m	expenditure variations £m	income variations £m	one-off mitigations £m	Non Covid 19 Financial Impact Included £m
Education & Skills	0.000	9.951	0.000	0.000	9.951
Neighbourhoods	0.000	5.046	0.610	(4.200)	1.456
Finance & Governance	0.000	(0.765)	1.033	(0.006)	0.262
Digital & Cust Services	0.000	0.000	0.000	0.000	0.000
Human Resources	0.000	(0.578)	1.152	(0.574)	0.000
Partnerships, Insight and	0.000	4.055	(4.055)	0.000	0.000
Adult Social Care	0.000	(0.714)	0.714	0.000	(0.000)
Inclusive Growth	0.329	(1.036)	0.603	0.000	(0.104)
Directorate Sub Total	0.329	15.959	0.057	(4.780)	11.565
Corporate *	5.000	8.300	5.369	0.000	18.669
Total	5.329	24.259	5.426	(4.780)	30.234

1.6 **One off mitigation:** actions taken by Directorates to deliver a balanced budget for 2021-22, which also includes mitigation for non-delivery of savings target (over £0.5m):

- **Neighbourhoods:** The main mitigation is an underspend of £3.0m on borrowing costs due to delays in procurement of the new fleet. Out of a total of 74 new vehicles that have been ordered 31 vehicles were delivered and in use by the end of March 2021 with the remaining 43 received in June.
- **Human Resources:** The one-off mitigations actions are the use of reserves carried forward from previous year that will be considered as part of Outturn.

2. Capital Expenditure

- 2.1. Capital expenditure for the year 2021/22 is forecast at £746.3m against the revised capital budget of £734.9m. The overspend of £11.3m is due mainly to increased works identified for the HRA Improvement programme and will be funded by additional contributions from the Housing Revenue Account.
- 2.2. Expenditure to date is £119.8m which is 16% of the year-end forecast. In comparison spend to date at Period 4 in 2019/20 (prior to Covid-19) was 14%. Historically capital spend is low in the first few months of the financial year increasing over the summer months for example when schools are closed and construction works can be carried out. There are also a number of large projects e.g. the Commonwealth Games and the Perry Barr Residential Scheme where spend is now starting to increase in line with the forecast.
- 2.3. The revised budget is a £0.9m increase from the budget approved at Quarter 1 by Cabinet in July.

Table 1: Summary 2021/22 Capital Programme Financial Position

	Spend to date	Quarter 1 Budget	Budget Changes Period 4	Revised Period 4 Budget	Forecast net overspend/ (underspend)	Forecast Outturn
	£m	£m	£m	£m	£m	£m
General Fund	89.7	623.6	0.94	624.5	(0.8)	623.8
HRA	30.1	110.4	0.00	110.4	12.1	122.5
TOTAL	119.8	734.0	0.94	734.9	11.3	746.3

3. Key Issues

Non Covid-19 Related Issues

Education and Skills

- 3.1. The Directorate is forecasting a **£10.0m overspend relating to non Covid-19 expenditure**;
- 3.2. **Inclusion and SEND** is currently forecasting an overspend on Travel Assist made up of **£3.943m** transport costs and **£1.380m** on guides. The projection for Travel Assist has increased by £1.900m due to the basis for projection being revised from modelling using 2020/21 data to modelling based on 2021/22 actual expenditure to date extrapolated for the remainder of the year. Management information on activity and costs is required for this projection to be more accurately refined. The forecast on Travel Assist assumes a successful bid of £1.7m for transformation costs funded through the Flexible Use of Capital Receipts.
- 3.3. In May 2021 Birmingham hosted Ofsted and CQC to conduct their Local Area SEND Revisit in order to establish if the partnership has made sufficient progress against the 13 areas of significant weakness identified in the 2018 inspection. The outcome of this revisit has now been published, with Birmingham making sufficient progress in 1 of the 13 areas of significant weakness. As a result of the revisit, there is a need for a SEND Improvement Programme for the city which will require significant one-off investment from the general fund, alongside ongoing investment from the HNB and General Fund to address capacity issues within the system. Cabinet has approved in July 2021 extra funds to address the capacity issues. A bid for one-off transformation costs has also been submitted to the S151 Officer.
- 3.4. Birmingham Childrens Trust is now forecasting a £4.8m overspend as follows:

The outturn position for 2020/21 highlighted a cost pressure of £3m against placements which would carry forward into 2021/22. The Month 4 position for the Trust is now forecast to overspend £4.8m and this entirely relates to placement costs, and can be broken down as follows:

- £2.4m supported accommodation
- £1.3m disabled children
- £1.1m shortfall in contributions from partners

Whilst some of this can be attributed to an increase in the care population, the rate of increase in the number of children in care has actually reduced from around 6% to less than 3%. A key reason for the increase in placement costs is that children's needs are increasing in complexity, including mental health and trauma caused by domestic abuse and exploitation. The shortfall in income contributions is also a cause for concern, particularly health given the complexity of need.

The Trust continues to promote better outcomes for children and its Stronger Families initiative is intended to place more children with their families which in turn is expected to reduce costs by £2m this year. This benefit has already been factored into the forecast for the year.

Neighbourhoods

- 3.5. The Directorate is forecasting an overspend of **£1.5m overspend relating to non Covid-19 expenditure**;
- 3.6. **Housing General Fund (projected year end £1.5m overspend):**
- The Housing Options service is forecasting a net year end overspend due to delay in the implementation of the new operating model and restructuring of the service. The number of placements requiring bed & breakfast accommodation is forecast to increase at an average rate of 10 per week over the remainder of the year. Preventative measures will not be fully operational this financial year resulting in a demand led pressure of £1.5m. The eviction ban was lifted in May 2021 and there is an expectation that numbers will start to rise from September 2021 – the forecast currently makes provision for this; however, it is difficult to predict the extent of this on presentations.
 - A business case has been developed which identifies the use of additional hostels units and potential street purchases. Once this has been approved it is expected there will be a phased use of this facility and in 2021/22 the net reduction in temporary accommodation costs will be in the region of £1.0m. This is factored into the forecast.
- 3.7. **Street Scene service** is forecasting an overspend of £0.6m, comprising pressures totalling £4.8m offset by mitigations of £4.2m. Details of major variances are below:
- The Trade Waste Service is forecasting a shortfall of income of £0.4m as a result of losing a major contract. The service is working towards securing new clients to mitigate this pressure. The Waste Vehicle Garage service is forecasting an income shortfall of £0.8m due to reduced client base compounded by servicing arrangements for new grounds maintenance fleet moving external.
 - There is a forecast overspend of £1.5m associated on maintenance and vehicle hire due to old and mechanically less reliable vehicles being past their natural life and forecast overspend of £0.3m against the Landscape Practice Group resulting from non-achievement of income.
 - The main mitigation is an underspend of £3.0m on borrowing costs due to delays in procurement of the new fleet. Out of a total of 74 new vehicles that have been ordered 31 vehicles were delivered and in use by the end of March 2021 with the remaining 43 received in June.
- 3.8. **Neighbourhoods Service (projected year end £0.7m underspend):** The main variance is an underspend £0.4m relating to running costs within Leisure and community centres, and additional income of £0.2m within Neighbourhood Advice Service to the Adults Directorate.

Adult Social Care.

- 3.9. The Directorate is forecasting a **balanced position on non Covid-19 expenditure**.
- 3.10. **Packages of Care – (projected year end £1.7m overspend)** – At Month 4 Packages of Care is reporting a forecast overspend of £1.4m for Older Adults driven by increased activity within the Sevacare budget along with decreased client income; and a forecast overspend of £0.3m for Younger Adults driven by decreased income offset by reduced Day Care expenditure, predominantly in Learning Disability. The Sevacare contract is

funded by Better Care funding and discussions are needed as to whether this overspend can be funded too.

- 3.11. **Community & Social Work Ops – (projected year end (£1.1m) underspend)** - The Service is currently reporting an underspend against employees of (£1.1m) and this is an adverse movement of £0.5m from Month 3. This is linked to held vacancies and is partially offset with the use of agency, and there is a recruitment campaign to fill these vacancies, together with supporting the overall Council establishment savings. There are underspends in general non pay budgets which are offsetting a staffing overspend and are linked to the phased reopening of Day Centres.
- 3.12. **Commissioning – (£0.4m) underspend** – The Service is reporting an underspend against employees of (£0.3m) linked to vacancies across the team and recharge income against base budget funded posts. Recruitment plans are being discussed with relevant Head of Service and assumptions are currently that these will be filled within the next few months. There is a minor underspend of (£0.1m) against the overall third sector grant budget.

Emerging Risks not included in Forecast

- 3.13. There are a number of risks that are not included in the forecast outturn.
- 3.14. The Trade Unions have been offered a pay award of 1.75% by the Employer's side, although this has not been accepted. The estimated cost of a pay award of 1.75% of £8.3m has been built into the forecast. There is a risk that a higher pay award is agreed. Each extra 0.5% increase would cost £2.3m per annum.
- 3.15. There is a risk that savings that are rated as amber are not achieved in full. The largest single element of the saving target is the £20.1m of the establishment savings. £10.7m has been achieved, £5.1m has been rated red and reflected in the outturn while further £4.4m is currently rated as amber and been assumed to be delivered by the end of the year, if this is not achieved it would add a further £4.4m to the outturn.

Savings Programme

- 3.16. The savings programme for 2021/22 totals **£36.8m**. **£19.9m** of savings is either at risk or undeliverable. **£16.9m** of the saving is either achieved or on target, which is **46%** of the target.

Table 4

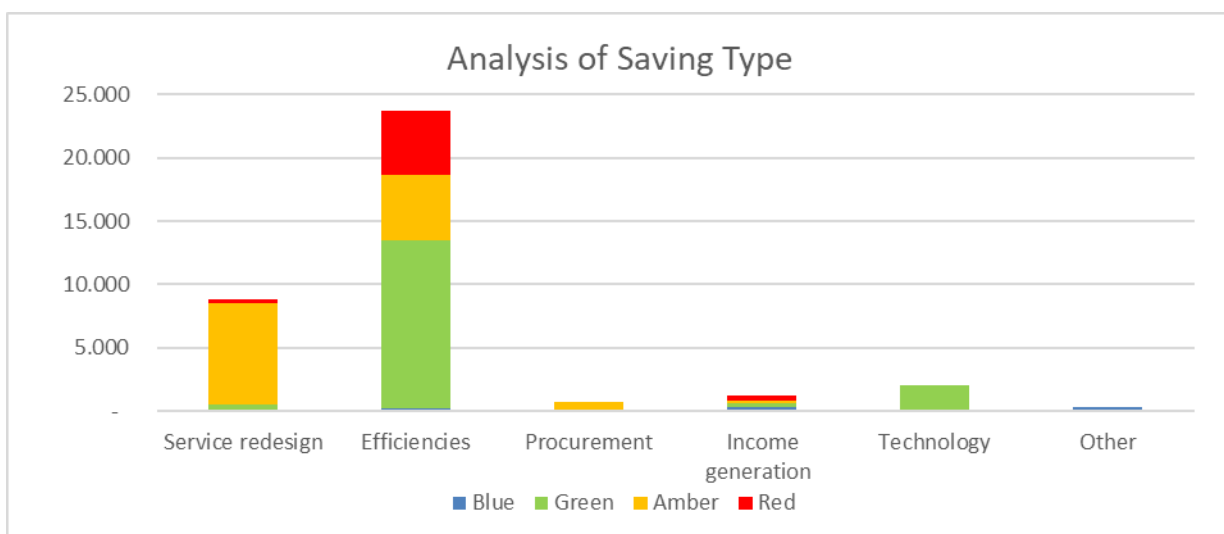
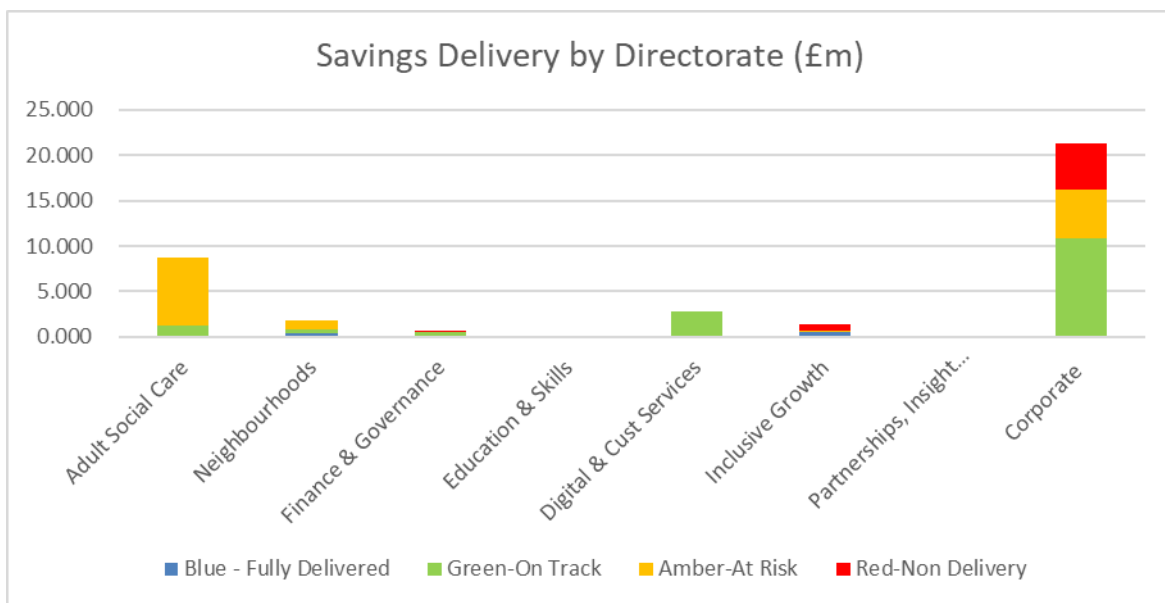
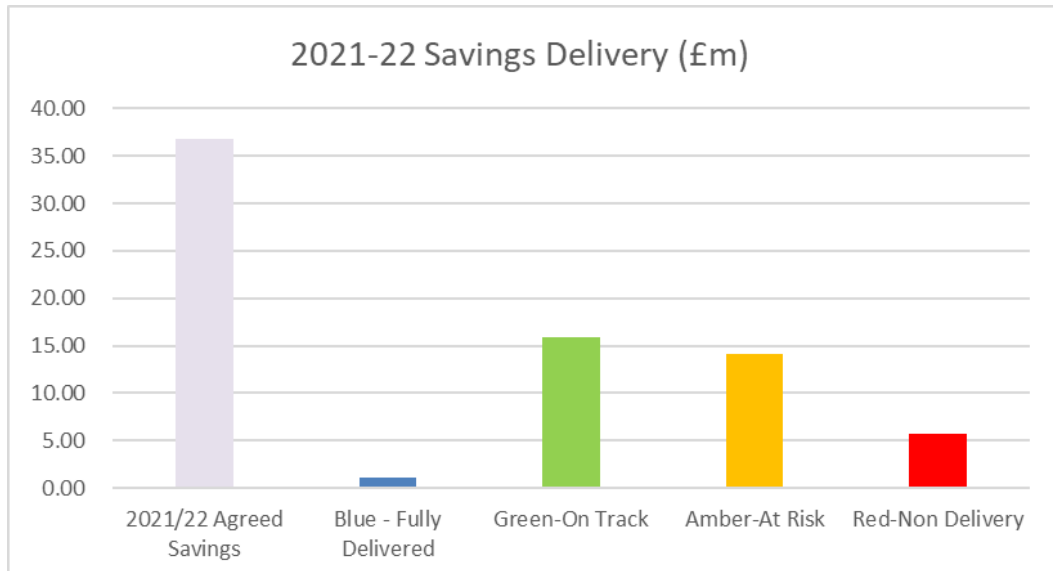
Directorate	Non-Delivery of Saving				
	Delayed Because of Covid-19	High Risk & Undeliverable	Saving at Risk	Saving Delivered and on Track	Total Saving
	£m	£m	£m	£m	£m
Neighbourhoods	0.000	0.000	(1.008)	(0.850)	(1.858)
Adult Social Care	0.000	0.000	(7.500)	(1.293)	(8.793)
Inclusive Growth	(0.322)	(0.329)	(0.156)	(0.547)	(1.354)
Education & Skills	0.000	0.000	0.000	(0.050)	(0.050)
Finance & Governance	(0.116)	0.000	0.000	(0.544)	(0.660)
Digital & Cust Services	0.000	0.000	0.000	(2.825)	(2.825)
Partnerships, Insight and Prevention	0.000	0.000	0.000	(0.014)	(0.014)
Human Resources					
Corporate	0.000	(5.000)	(5.492)	(10.787)	(21.279)
Directorate Sub Total	(0.438)	(5.329)	(14.156)	(16.910)	(36.833)

3.17. The key highlights are:

- **Corporate** has the largest saving target of £21.2m, of which 50% has been achieved, £10.8m achieved is from the £20.1m establishment saving. The reminder of the saving has currently been assessed as at risk or unachievable in the current financial year. Further details of how much of the establishment savings have been achieved are shown below. Adults Social Care has delivered a further £0.723m of establishment savings.
- **Adult Social Care** has a saving target of £8.8m of which 15% of the saving has been achieved. The £7.5m of saving is currently been assessed as being at risk due to uncertainty around demand in community and hospital settings. The increased demand from hospital discharges is currently being analysed.
- **Inclusive Growth** has £1.4m savings target of which £0.5m has been achieved and the rest has been assessed as at risk or undeliverable. £0.2m Capital receipts from disposals of ring-fenced commercial portfolio properties to mitigate future CAB savings are being monitored for deliverability. Due to Covid, £0.3m rental growth assumptions proposed under the Property Strategy have been delayed and £0.3m savings related to the Public Hub Programme have been delayed until the full programme of New Ways of Working can be implemented for non-Central Admin Buildings properties.
- **Neighbourhoods** has £1.9m savings target. The current assessment is that £1.0m of savings are at risk due to delay in implementation of various programmes, street service redesign, car parks commercialisation. However, there are no savings that are unlikely to be achieved.

Table 5: Achievement of Establishment Savings

	Savings achieved at Qtr 1	Further Savings estimated at P4	Total
Directorate	£m	£m	£m
Adult Social Care	2.353	0.723	3.076
Education & Skills	0.455		0.455
Inclusive Growth	1.252		1.252
Neighbourhoods	1.302		1.302
Digital & Customer Services	0.000		0.000
Finance & Governance	1.100	0.100	1.200
Partnerships, Insight & Prevention	0.503		0.503
Total Directorates	6.965	0.823	7.788
Unallocated Increment Budget remaining	2.999		2.999
Total	9.964	0.823	10.787



Covid-19 Major Incident Financial Impact

- 3.18. In terms of Covid resources, the Council carried forward £17.5m of un-ringfenced government Covid-19 grant funding from 2020/21. There is an estimated £4.9m of income that can be reclaimed from the government Income loss scheme through to the scheme end on the 30th June. The Council also funded £12.5m of Covid pressures in the 2021/22 budget through the use of tranche 5 of the governments un-ringfenced grant funding.
- 3.19. The government has also announced several ring-fenced grants for additional reliefs and support schemes which are being spent on the additional measures set out in government guidance.
- 3.20. The summary below sets out the forecast Covid-19 financial position at Month 4.

Table 6: Forecast Covid Position

	Covid cost
Forecast Covid-19 financial position	£m
Directorate covid overspend	28.200
Corporate budgets overspend	11.470
Indirect Covid costs	37.998
Total Covid-19 overspend	77.668
Application of Tranche 5 Funding Budget 2021	(12.515)
Covid grants carried forwards	(17.471)
Specific Grant Funding	(2.000)
Income compensation	(4.895)
Total Covid income	(36.881)
Net deficit	40.787

- 3.21. There are further Covid-19 financial risks which have been quantified at £5.0m which relate to Adult Social Care.

Balance Sheet Section

There are no exceptional balance sheet issues to report.