



Financial Monitoring

Note for Resources O&S Committee

1. Purpose

- 1.1 Budget Monitoring reports are now in a consistent and readable format, enabling Members to understand the changes between the financial periods, and see clearly where the main issues are.
- 1.2 Whilst the committee will continue to receive these monthly reports, we now need to move to more in-depth scrutiny of the main issues.
- 1.3 Firstly, Members are asked if there are any issues raised in the Budget Monitoring reports that are not covered below.
- 1.4 Secondly, Members are asked to consider the issues set out below through engagement with the Cabinet Member(s) and officer(s) present.

2. Summary

- 2.1 In July 2019, the Committee received the Month 2 Financial Monitoring report. Since then, the Quarter 1/Month 3 report has been submitted to Cabinet (30 July). The overall position at Month 3 is:
 - The Council set a net budget of £851.590m for 2019/20 at its meeting on 26 February 2019. This net budget is after assuming savings of £58.276m - a new savings programme of £46.191m and further savings of £12.085m to cover savings that were achieved on a one-off basis in 2018/19.
 - The forecast outturn is estimated to be an overspend of £17.440m (*£18.202m at Month 2*) – a base budget overspend of £8.631m and savings non-delivery of £8.809m. £0.134m of new savings have been identified and are included in the forecast.
 - In the total approved savings programme of £58.276m: £37.383m is on track; £11.044m is at risk; £6.749m is considered 'red' status and £3.234m as 'purple' non-deliverable, but with £1.040m of one-off mitigations to address savings non-delivery – and of which £1.010m/£1.318m with £1.000m of one-off mitigations is within Education & Skills Directorate and £3.387m/£1.700m within the Neighbourhoods Directorate. Directorates are asked to identify recovery plans to address these matters and bring proposals to Cabinet where there is a policy implication.
 - There were net additional requests for contributions to reserves of £7.885m at Month 3 (*at Month 2 there were net additional requests to use reserves of £2.781m*).



- A change has been introduced to “Invest to Save” measures from within the Specific policy Contingency of £3.172m available on a repayable basis to “Invest to Improve”, with allocations approved on a non-repayable basis of £2.174m from the Invest to Improve Fund and £0.600m from the Inflation budget within the Specific Policy Contingency.
- A Financial Monitoring Report for Month 4 has now been released. There is an improvement in the Directorates of £1.460m. In addition, £8.500m set aside for demography pressures within Policy Contingency is no longer required based on the latest assessment of client numbers. Hence, at Month 4 the forecast outturn is estimated to be an overspend of £7.481m – a base budget pressure of £0.296m and a non-savings delivery of £7.185m.
- £43.882m of savings are now considered to be on track or fully delivered, £4.437m are at risk and £10.091m are at red/purple savings non-delivery status - with £2.772m of one-off mitigations and £0.134m of new savings – of which £1.111m/£1.491m with £2.602m of one-off mitigations is within the Education & Skills Directorate and £2.734m/£2.187m within the Neighbourhoods Directorate.

2.2 For Directorates with a forecast base budget overspend and savings non-delivery in excess of £1m at Quarter1/Month3, the following issues are highlighted. Members will need to consider these matters in more detail with the relevant Cabinet Members and officers. Service issues that arise will then be passed on to the relevant O&S committees.

3. Education & Skills

3.1 Councillor Kate Booth, Cabinet Member for Children’s Wellbeing, Tim O’Neill, Director, Education and Skills, and Nichola Jones, AD, Inclusion and SEND have been invited to attend the October meeting.

Travel Assist/Home to School transport

3.2 At Month 3 the Education and Skills Directorate had a forecast overspend of £1.792m of which £2.212m related to Travel Assist. This was partially offset by net underspends of £0.420m. The forecast potential overspend on Travel Assist was revised to £2.897m (net £2.447m) as a result of the Home to School contract award report approved by Cabinet on 15 July 2019.

3.3 However, to ensure budgetary provision for this contract award and provide for the potential shortfall on savings, in awarding the contract, Cabinet agreed to underwrite the Education and Skills budget by up to £2.897m from the Budget Delivery Policy Contingency in the event that the additional cost of the contract could not be accommodated within the existing resources of the Education & Skills Directorate, subject to the production of a financial recovery plan. The Education and Skills Directorate is seeking to mitigate this overspend and the financial recovery plan is being prepared to address both Travel Assist pressures and other service areas, reviewed via Member led Star Chambers and via the Budget Programme Board led by the Chief Executive – there is no information on the timescales for this work.



- 3.4 There are additional risks of increased costs in a number of areas within Travel Assist unrelated to the Home to School contract which cannot be quantified yet.
- 3.5 At Month 4 the Education & Skills Directorate had a forecast overspend of £0.000m but with a £0.370m overspend reported for Travel Assist after offset by the application of Policy Contingency funding of £2.296m (of the £2.897m available). For Travel Assist, this is an increase overspend of £0.454m from £2.212m at Month 3 – an increase of £0.173m in non-delivery of savings and additional costs relating to the administration of ATG (the previous service provider) of £0.281m,.
- 3.6 Key future years issues include £2.488m red-rated savings non-delivery in 2020/21 and £1.484m potential costs of alternative provision. If the approved savings cannot be delivered, policy decisions will be required.

Early Years Day Nurseries

- 3.7 An overspend of £0.228m is forecast at Month 3 and £0.158m at Month 4, comprising a base budget pressure as a result of a delay to the transfer of BCC run day nurseries to Private, Voluntary and Independent sector provision and other minor variations. The improvement of £0.070m is due to the planned TUPE transfer of staff to BCHC.
- 3.8 There is a budget set aside of £0.250m to support the whole of the Early Years estate. Whilst work is ongoing to ensure that costs are minimised, it is not yet clear if this will be sufficient to cover all of the expected costs. The assumed income from leases to Private, Voluntary and Independent sector organisations (PVIs) of the Day Nurseries is based on calculated lease costs. However, it is possible that due to the state of some of the Day Nursery buildings, this could reduce as part of the negotiations with providers. The impact cannot be confirmed until the lease negotiations are fully complete.
- 3.9 The Cabinet Member has recently stated that there is no intention to close BCC's day nurseries provision.

Education PFI Reserve

- 3.10 At the 2018/19 Outturn the Council recognised the need to create an Education PFI Reserve in order to ensure that there are sufficient resources to fully finance the remaining life of the PFI contract to the extent that the unitary payments exceed the Government grant that will be received in future years. A significant amount of work has been undertaken reviewing the education PFI contracts. At Month 4, it is envisaged that an additional £3.383m will be needed in the PFI reserve to cover expected PFI liabilities to the end of 2019/20, with a peak of £8.764m in 2026/27 with the reserve being released over the term of the contract.

Dedicated Schools Grant

- 3.11 The Dedicated Schools Grant (DSG) is a highly prescribed and ring-fenced grant which is currently budgeted at £645.975m. It is the primary source of funding that is delegated/allocated to schools and other educational providers for their revenue costs as well as funding certain prescribed centrally managed provision. The total funding for Birmingham is £1,188.833m, of which



£542.975m is currently recouped by the Education Funding Authority (EFA) to directly passport funds to academies and free schools, leaving £645.975m to be allocated by the City Council.

3.12 The Quarter 1/Month 3 report highlights the following three budget risks that have not yet crystallised and the mitigations that are being considered to address these, including financial implications:

- High Needs – At the end of 2018/19 the cumulative deficit on High Needs was £16.037m. The directorate is developing and will be implementing a 5-year deficit recovery plan in 2019/20 – this includes £1.400m funding to be applied to innovate to save initiatives in the 2019/20 academic year. The use of £2.7m of non-schools DSG reserves will be used to to reduce the cumulative High Needs Block deficit to £13.3m;
- School Deficits – The directorate is supporting schools with deficits to either come out of deficit and/or stop them increasing their deficit position. As at 31/3/2019 the net balance on schools was £47.400m, which comprised £59.000m surplus balances and £12.600m deficit balances. The growing level of deficit is of increasing concern since where those deficits are not addressed and schools are directed to become academies due to poor educational performance, this adds to the financial pressure of the council – projected to be approximately £6.8m in 2019/20;
- Admissions and Appeals – The service could receive less income, approximately £0.100m due to unclear DfE guidance on charging of academies for admission appeals.

4. Neighbourhoods

4.1 Councillor John O'Shea, Cabinet Member for Street Scene and Parks, Councillor Sharon Thompson, Cabinet Member for Homes and Neighbourhoods and Rob James, Acting Director, Neighbourhoods and/or Julie Griffin, Acting AD, Housing and Darren Share, AD, Street Scene, have been invited to attend.

4.2 At Quarter 1/Month3, the Neighbourhoods Directorate has a forecast overspend of £13.993m and £12.956m at Month 4 - of which £6.330m at Month3/£5.440m at Month 4 is within Street Scene, £1.600m/£1.600m within Housing Services, £4.346m/£4.346m is within Neighbourhoods, £0.293m/£0.146m in Regulation and Enforcement and £1.424m/£1.424m is within Business Support. At Month 4, within the reported overspend, the forecast base budget overspend is £8.035m and savings non-delivery is £4.921m.

4.3 A deep dive review has been initiated within the Neighbourhoods Directorate and a recovery plan is being prepared to address these service areas for review and challenge via Member led Star Chambers and via the Budget Programme Board. There is no information on the timescales for this work.

4.4 The following areas have been identified for further scrutiny:



Street Scene

- 4.5 The Street Scene Service has a forecast overspend of £6.330m at Quarter1/Month 3 – forecast base budget overspend of £5.300m and £1.030m of savings non-delivery - of which £3.000m relates to repair and maintenance and hire costs of waste management vehicles. This is based on an assumption that the capital investment in replacement vehicles has a lead time of 6 to 9 months. A lower overspend at Month 4 of £5.440m – Waste Management £4.660m and Parks & Nature £0.780m - relates to lower prudential borrowing charges on the capital spend on vehicle replacement.
- 4.6 Whilst awaiting the permanent replacement of Waste Vehicles, the waste service will look to partially mitigate costs by switching from spot hires to a longer-term contractual commitment.

Housing Service

- 4.7 The Housing Service is showing a forecast overspend of £1.600m at Quarter 1/Month 3 - forecast base budget overspend of £1.550m and £0.050m of savings non-delivery - 43% of the current budget of £3.760m. There is no overall change at Month 4.
- 4.8 The overspend relates to Housing Options. If homelessness cases presenting increase beyond the capacity of housing services, costs may increase by an estimated £4.000m. Current projections for temporary accommodation suggest a net increase of 15 households per week.
- 4.9 There is a financial recovery plan being prepared to address this and other pressures in the directorate but there is no information on the timescales for this work.

Neighbourhoods Service

- 4.10 The Neighbourhoods Service has a forecast overspend of £4.346m at Quarter1/Month3 - forecast base budget overspend of £3.046m and £1.300m savings non-delivery. £3.990m of the overspend is for Community Sport but it is not clear what this relates to. There is no overall change at Month 4 - £3.212m base budget overspend and £1.134m savings non-delivery.

5. Next Steps

- 5.1 Members to consider whether there are:
- Any further issues they wish to pick up at the next meeting, and
 - Any particular service issues they wish to refer to other O&S committees.

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