

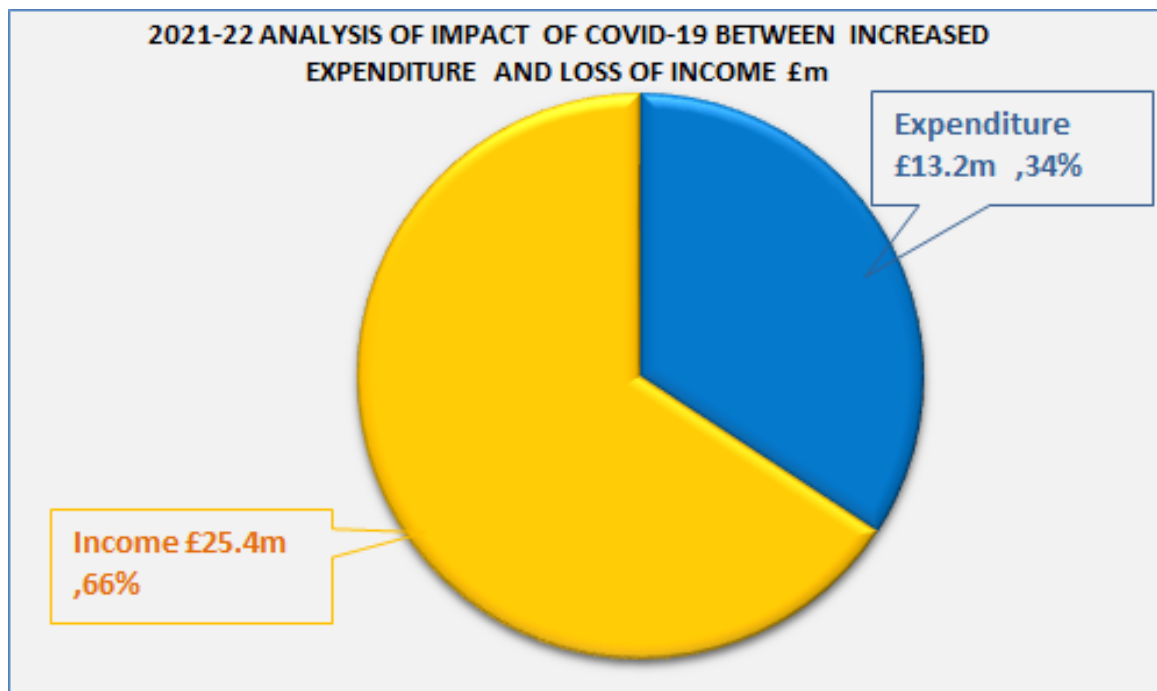
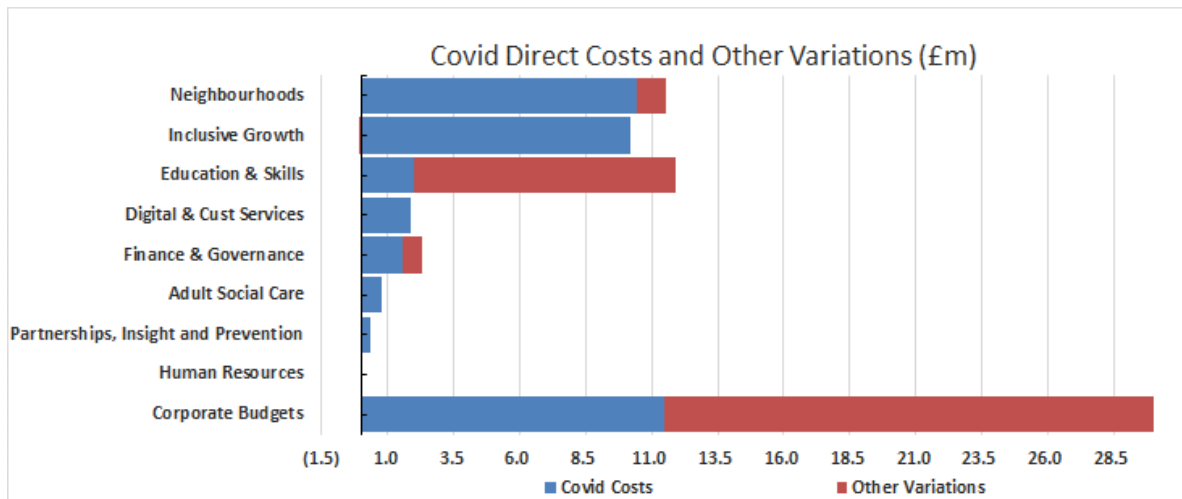
## Month 5 Financial Monitoring Report 2021-22

### 1. High Level Summary Financial Position

- 1.1. At Month 5, there is a forecast net revenue overspend on the Council's General Fund of **£34.2m** (Column E in table1) which represents 4.1% of the £828.7m budget and a £1.2m increase on the Month 4 position. There is a non-Covid issues underspend of **£7.2m** (Column D in table1) and a **£41.4m** (Column C in table1) overspend related to Covid-19.
- 1.2. The net covid-19 overspend of **£41.4m** (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 **£3.3m**, 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 increased by £0.6m since Month 4.

	Covid Variation	Non-Covid Variation	Total Variation
	£m	£m	£m
Directorate Sub Total	27.2	11.7	38.9
Corporate Budgets	11.5	19.1	30.5
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	(3.3)	0.0	(3.3)
City Council General Fund Sub Total	3.4	30.8	34.2
Transfer of Indirect Covid Costs	38.0	(38.0)	0.0
General Fund after transferring indirect costs	41.4	(7.2)	34.2

- 1.3. In terms of savings, **£17.2m** of the **£36.8m** savings targets are either delivered or on track which represents 47% (46% Month 4) of the total savings target. The £20.1m establishment saving, now shows £11.1m achieved following a further £0.5m contribution from DCS, leaving £4.1m at risk, and £5.0m considered unachievable.
- 1.4. The non-Covid position is a net underspend of **£7.2m** (Column D in table1). This includes following Directorate overspends; **£1.1m** relating to Neighbourhoods (Housing) and **£9.9m** for Education & Skills (Children's Trust). This represents a deterioration of **£0.6m** from Month 4. This includes the increase in corporate overspend of **£0.4m** due to the non-delivery of transportation saving.
- 1.5. 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 target and there is **£0.4m** increase due to non-delivery of transport saving.



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

Income loss forecast due to covid has decreased by £3.2m from Month 4, the improvement is mainly made of; Inclusive Growth (IG) of £1.3m and Digital Customer Service (DCS) of £2.3m however there is an increase of £2.2m in covid expenditure giving a net decrease of £1.0m.

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 4
	£m	£m	£m	£m	£m	£m
Education & Skills	297.724	309.625	2.005	9.896	11.901	0.190
Neighbourhoods	144.381	155.932	10.421	1.130	11.551	1.113
Inclusive Growth	113.022	123.139	10.170	(0.053)	10.117	(1.113)
Finance & Governance	22.788	25.120	1.569	0.763	2.332	0.295
Digital & Cust Services	33.654	35.499	1.845	0.000	1.845	(1.475)
Adult Social Care	337.238	338.031	0.793	0.000	0.793	0.120
Partnerships, Insight and Prevention	8.947	9.302	0.355	0.000	0.355	0.020
Human Resources	7.054	7.075	0.021	0.000	0.021	0.000
<b>Directorate Sub Total</b>	<b>964.808</b>	<b>1,003.723</b>	<b>27.179</b>	<b>11.736</b>	<b>38.915</b>	<b>(0.850)</b>
Corporate Budgets	(136.138)	(105.599)	11.470	19.069	30.539	0.400
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)	0.000
Income Loss Scheme Funding	0.000	(3.289)	(3.289)	0.000	(3.289)	1.606
<b>Corporate Subtotal</b>	<b>(136.138)</b>	<b>(140.874)</b>	<b>(23.805)</b>	<b>19.069</b>	<b>(4.736)</b>	<b>2.006</b>
<b>City Council General Fund</b>	<b>828.671</b>	<b>862.849</b>	<b>3.374</b>	<b>30.805</b>	<b>34.179</b>	<b>1.156</b>
Indirect Covid Costs			37.998	(37.998)	0.000	0.000
<b>General Fund after transferring indirect costs</b>	<b>828.671</b>	<b>862.849</b>	<b>41.372</b>	<b>(7.193)</b>	<b>34.179</b>	<b>1.156</b>
Financial Position as at M4	828.671	861.693	40.787	(7.764)	33.023	
<b>Movement from M4</b>	<b>0.000</b>	<b>1.156</b>	<b>0.585</b>	<b>0.571</b>	<b>1.156</b>	
<b>Movement from M4 %</b>	<b>0.00%</b>	<b>0.13%</b>	<b>1.43%</b>	<b>(7.35)%</b>	<b>3.50%</b>	

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

\*\* As shown at the end of Covid -19 incident impact below

**Table 2: 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	9.896	0.000	0.000	9.896
Finance & Governance	0.000	(0.278)	1.055	(0.014)	0.763
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	0.121	(0.121)	0.000	0.000
Inclusive Growth	0.329	(0.999)	0.617	0.000	(0.053)
Neighbourhoods	0.000	4.985	0.595	(4.450)	1.130
<b>Directorate Sub Total</b>	<b>0.329</b>	<b>17.202</b>	<b>(0.757)</b>	<b>(5.038)</b>	<b>11.736</b>
Corporate *	5.400	8.300	5.369	0.000	19.069
<b>Total</b>	<b>5.729</b>	<b>25.502</b>	<b>4.612</b>	<b>(5.038)</b>	<b>30.805</b>

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. In addition, further Garden and Bulky Waste income of £0.4m is anticipated.
- **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 £750.2m against the revised capital budget of £744.7m, representing a variation of £5.5m.
- 2.2. This is a decrease in projected overspend of £5.8m since Month 4. This is mainly due to slippage in relation to the A45 Cycle Route scheme.
- 2.3. Expenditure to date is £185.9m which is 25% of the year-end total forecast. In comparison spend to date at Period 5 in 2019/20 (prior to Covid-19) was 19%. Historically capital spend is low in the first few months of the financial year increasing over the summer months for example when school's 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 outturn.
- 2.4. Capital Receipts so far amount to £14.8m against the £65m Asset Review programme and £23m against the £35m Business As Usual programme.

Table 3: Summary 2021/22 Capital Programme Financial Position

	Spend to date	Quarter 1 Budget	Budget Changes Period 4-5	Revised Period 5 Budget	Forecast net overspend/ (slippage)	Forecast Outturn
	£m	£m	£m	£m	£m	£m
General Fund	143.8	623.6	10.7	634.3	(6.6)	627.7
HRA	42.1	110.4	0.00	110.4	12.1	122.5
<b>TOTAL</b>	<b>185.9</b>	<b>734.0</b>	<b>10.7</b>	<b>744.7</b>	<b>5.5</b>	<b>750.2</b>

### 3. Key Issues

#### Non Covid-19 Related Issues

- 3.1. **Afghan Refugees;** Three funding schemes are available for Local Authorities to support Afghan citizen resettlement. ARAP (Afghan Resettlement and Assistance Policy), under which BCC has already committed to welcoming 80 individuals, ACRS (Afghan Citizens Resettlement Scheme), and grant funding to top up housing costs. BCC has already started welcoming people under ARAP, ACRS is not yet open, and the latter has not yet had sufficient details provided to comment on.
- 3.2. The resettlement schemes include funding of £20,520 per individual for welcome, integration and support, £4,500 per child for education provision for one year, and £850 per adult for English language provision. Housing is funded through the introduction amount, benefits, and additional grant funding to meet any gap between cost and benefits. Based on existing resettlement schemes, which attract the same funding offer, this is considered sufficient for the costs of administering and providing services required. The risk in this scheme is if families cannot fund their housing once the top up is removed, and present as homeless at that stage. The impact on wider BCC services over the longer term cannot be estimated without knowledge of the individuals and families and what skills and needs they bring, but without doubt are minimised by the successful implementation of resettlement.

#### Education and Skills

- 3.3. There is a forecast **overspend of £9.9m** relating to non Covid-19 expenditure for the Directorate, **an improvement of £0.1m from Month 4;**
- 3.4. There is a forecast overspend for **Inclusion and SEND** of £5.3m. The forecast overspend is on Travel Assist made up of £3.9m transport costs and £1.4m on guides. The basis for projection is 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.

- 3.5. The council have terminated a contract with North Birmingham Travel, the additional cost of the alternative provider (procured at short notice and including set up costs) is estimated to be up to £3.290m (worst case). This additional cost of contract will be taken from the Financial Resilience Reserve. As costings become more certain they will be reported through the routine financial reporting updates to Cabinet.
- 3.6. 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.
- 3.7. There is a forecast overspend for **Birmingham Children's Trust** of £4.8m 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.

- 3.8. The Interim Director of Council Management and the Interim Director of Education and Skills have commissioned CIPFA to carry out a budget sufficiency review of the Education and Skills budget.

## Neighbourhoods

- 3.9. There is a forecast **overspend of £1.1m** relating to non Covid-19 expenditure for the Directorate, **an improvement of £0.3m from Month 4;**
- 3.10. **Housing General Fund (projected year end £1.5m overspend):**
- The Housing Options service, the forecast overspend is due to projected temporary accommodation demand levels over the course of the year reflecting significant

increase following the lifting of the eviction ban. We have seen an increase at the end of July which is earlier than anticipated – this is being monitored to understand if short term or the beginning of the expected increase trend. The position includes mitigation of £1.0m through the use of additional Hostel accommodation at Oscott Gardens towards the end of financial year.

- The projected overspend includes a mitigation of £1.0m from the use of additional Hostel accommodation at Oscott Gardens with a planned phased introduction of 200 units commencing December 2021. There are a number of risks associated with the delivery of this project which may delay the implementation date beyond December, but the intention is to still have 200 units fully operational in this financial year. Delays will have a detrimental impact the forecast position
- Implementation of the new operating model with an early intervention and prevention focus continues. Initial modelling of the temporary accommodation position and impact of early intervention and prevention model was undertaken in October 2020, this indicated potential pressure in 2021/22 of £7.4m. The increase anticipated at the time of doing the initial modelling has not fully materialised partly due to the extension of the eviction ban – placements in April were lower by 219 resulting in a lower potential pressure this year. Modelling continues as part of the monthly monitoring process

3.11. There is a forecast overspend of £0.2m for the **Street Scene service**, comprising pressures totalling £4.7m offset by mitigations of £4.5m. Details of major variances are below:

- This is an improvement of £0.4m, mainly due to further Garden and Bulky Waste income of £0.4m being anticipated.

3.12. **Neighbourhoods Service (projected year end £0.7m underspend):** This has not changed since Month 4.

### **Adult Social Care.**

3.13. There is a forecast **balanced position for the Directorate on non Covid-19 expenditure.**

3.14. **Packages of Care – £1.9m overspend** – Month 5 forecast is reporting a forecast overspend of £1.2m for Older Adults driven by increased activity within the Sevacare budget offset by increased income; and a forecast overspend of £0.8m for Younger Adults driven by decreased income offset by reduced Day Care expenditure, predominantly in Learning Disabilities. The Sevacare contract is funded by Better Care funding and discussions are needed as to whether this overspend can be too.

3.15. **Community & Social Work Ops – £1.0m underspend** - The Service is currently reporting an underspend at Month 5 against employees and this is a movement of £0.1m from Month 4. 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. Underspends in general non-pay budgets are offsetting the staffing overspend and are linked to the phased reopening of Day Centres.



- 3.16. **Commissioning – £0.6m 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 are also underspends of £0.3m against the overall third sector grant budget linked to lower than anticipated activity in this area, and this is an increase of £0.2m from Month 4.

## **Finance & Governance**

- 3.17. There is a forecast **overspend of £0.8m** relating to non Covid-19 expenditure for the Directorate, a deterioration of £0.5m from the Month 4 forecast.
- 3.18. Following negotiations re 2020-21 income, Ocean provided the latest forecast at July 2021 which forecast a £0.4m shortfall in digital advertising income. This is a new variation at Month 5 and will be reviewed as the ongoing impact of the economic recovery from Covid for the advertising sector becomes known. Potential mitigations will be explored, although planning permission will be required to add new sites to the portfolio to increase net yield.
- 3.19. £0.3m overspend Civic Catering. The full impact, for Civic Catering, of Covid and the temporary closure of the Council House, for renovations, is under review. Possible mitigations are also being investigated.
- 3.20. £0.1m overspend other minor variations, this is a new variation at Month 5. Potential mitigations include recruitment to procurement vacancies to reduce spend on interim and agency staff.

## **Emerging Risks not included in Forecast**

- 3.21. There are a number of risks that are not included in the forecast outturn.
- 3.22. 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.
- 3.23. 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. £11.1m has been achieved, £5.0m has been rated red and reflected in the outturn while further £4.1m 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 £4.1m to the outturn.

## **Other Risks that cannot be quantified**

- 3.24. There are a number of risks that can not be quantified. These include the following:
- Recovery from Covid
  - Economic impact of Covid
  - Brexit
  - Housing and homelessness
  - Highways Re-procurement
  - Clean Air Zone impact on Parking Income

## **Savings Programme**



3.25. The savings programme for 2021/22 totals **£36.8m**. **£19.6m** of savings is either at risk or undeliverable. **£17.2m** of the saving is either achieved or on target, which is **46.7%** of the target.

Table 4

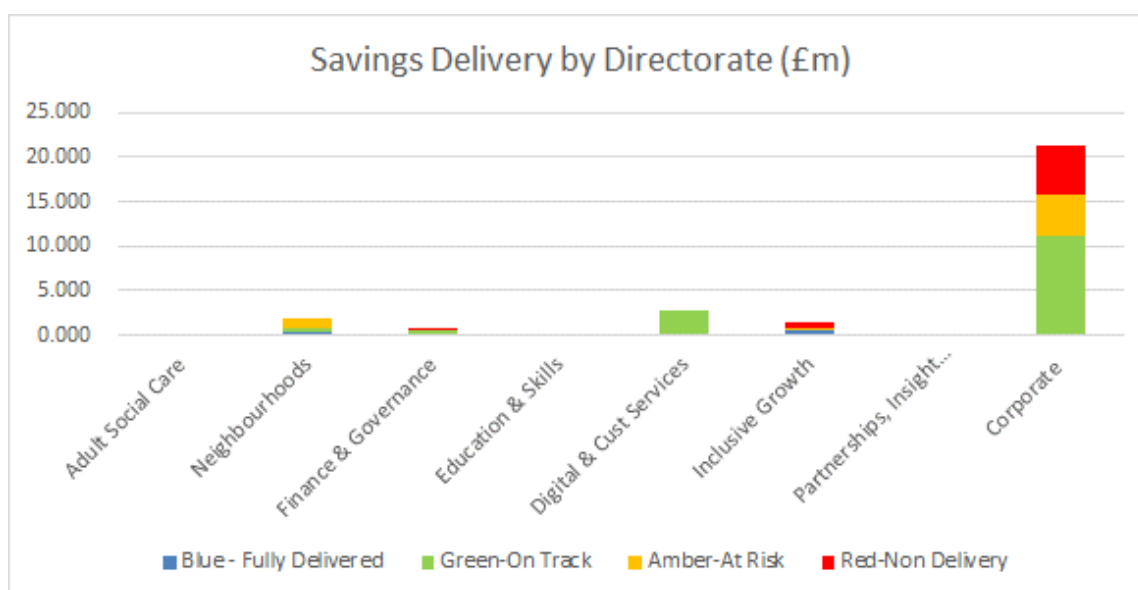
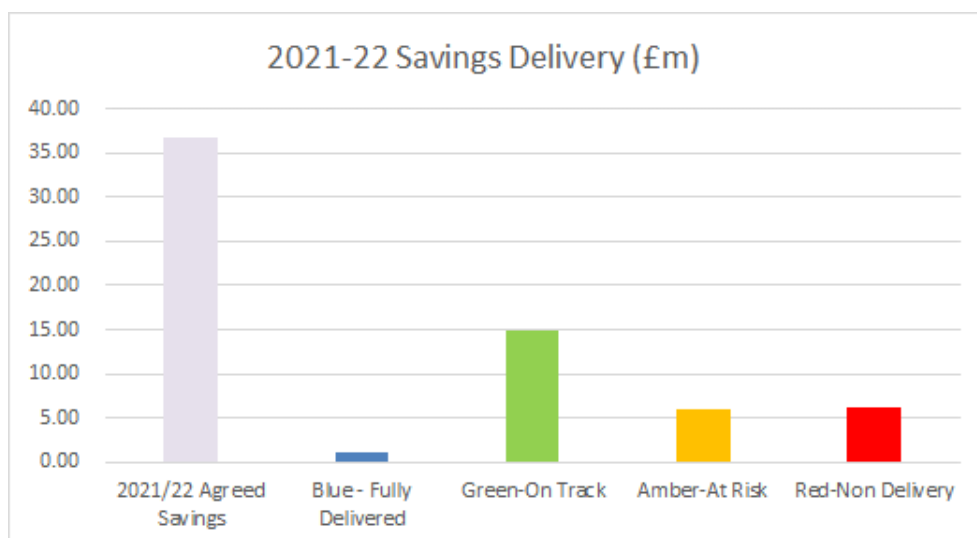
Directorate	Non-Delivery of Saving		Saving at Risk	Saving Delivered and on Track	Total Saving
	Delayed Because of Covid-19	High Risk & Undeliverable			
	£m	£m	£m	£m	£m
Neighbourhoods	0.000	0.000	(1.008)	(0.850)	(1.858)
Adult Social Care	0.000	0.000	(7.500)	(1.293)	(8.793)
Inclusive Growth	(0.322)	(0.329)	(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	(5.400)	(4.809)	(11.070)	(21.279)
<b>Directorate Sub Total</b>	<b>(0.438)</b>	<b>(5.729)</b>	<b>(13.473)</b>	<b>(17.193)</b>	<b>(36.833)</b>

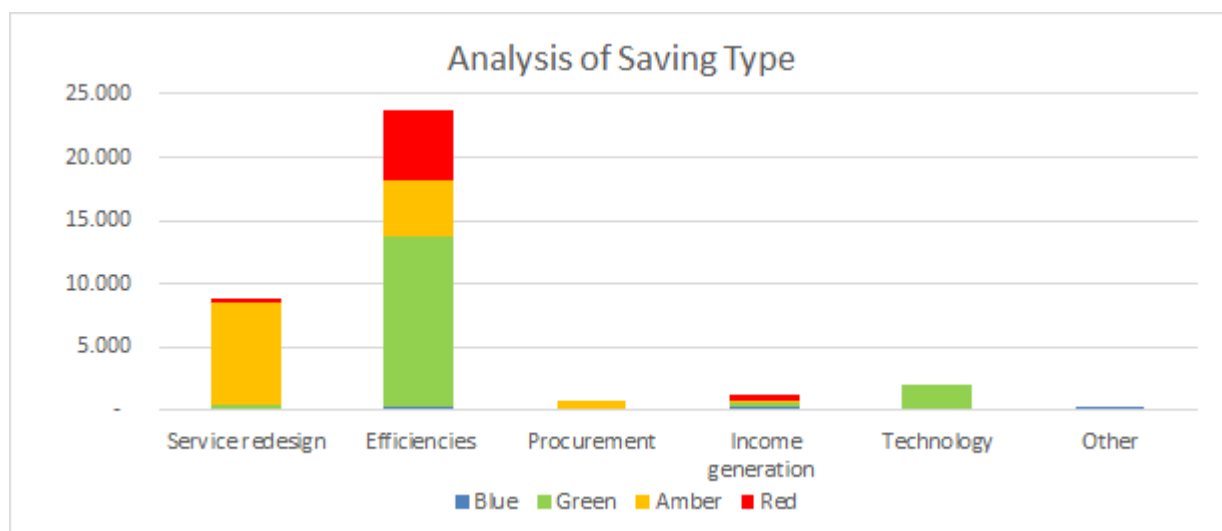
3.26. The key highlights are:

- **Corporate** has the largest saving target of £21.2m, of which 52% has been achieved, £11.1m 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. DCS has delivered a saving of £0.5m and ASC has reduced it establishment saving by £0.2m.
- **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 £1.3m 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 M3	Further Savings estimated at P5	Total
Directorate	£m	£m	£m
Adult Social Care	2.353	0.555	2.908
Education & Skills	0.455		0.455
Inclusive Growth	1.252		1.252
Neighbourhoods	1.302		1.302
Digital & Customer Services	0.000	0.451	0.451
Finance & Governance	1.100	0.100	1.200
Partnerships, Insight & Prevention	0.503		0.503
<b>Total Directorates</b>	<b>6.965</b>	<b>1.106</b>	<b>8.071</b>
Unallocated Increment Budget remaining	2.999		2.999
<b>Total</b>	<b>9.964</b>	<b>2.212</b>	<b>11.070</b>





### Covid-19 Major Incident Financial Impact

- 3.27. 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.
- 3.28. 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.
- 3.29. The summary below sets out the forecast Covid-19 financial position at Month 5.

**Table 6: Forecast Covid Position**

<b>Forecast Covid-19 financial position</b>	<b>Covid cost £m</b>
Directorate covid overspend	27.179
Corporate budgets overspend	11.470
Indirect Covid costs	37.998
<b>Total Covid-19 overspend</b>	<b>76.647</b>
Application of Tranche 5 Funding Budget 2021	(12.515)
Covid grants carried forwards	(17.471)
Specific Grant Funding	(2.000)
Income compensation	(3.289)
<b>Total Covid income</b>	<b>(35.275)</b>
<b>Net deficit</b>	<b>41.372</b>

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

### **Balance Sheet Section**

#### **Total Sundry debt**

3.31. The Council's total sundry debt position at end of July 21 stood at £72.7m. This was a decrease of £6.7m compared to end of July 20 when total debt was £79.4m.

3.32. This is a positive position and the efforts to continue to drive down the city's sundry debt are ongoing. The position with the older (+ 90 days) debts remains "static" so the concerted effort and focus adopted will continue on these items.

3.33. The targeted approach to debt adopted includes continually looking at recovering current debt sooner, considering payment at point of order and improving our understanding of the Council's top 50 debtors.

#### **Top 50 Debtors Profile**

3.34. As at July 21 the value of the top 50 aged debtors (+ 90 days) was £7.8m which is 10.7% of total sundry debt. Analysis of this debt shows that £2.4m is highly likely to be or has been recovered, £4.1m is in the balance and £1.3m is high risk and unlikely to be or will not be recovered. Example being insolvent companies with no assets.

3.35. Directorate reports detailing their top debtors and recovery actions to progress these items are being produced and reviewed on a monthly basis.