

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

Section 1: Summary Outturn

Overview

- 1.1 The City Council had a General Fund net revenue budget in 2017/18 of £821.8m. Table 1 below summarises the net outturn position for 2017/18 against the revised budget, with further details in Annexes 1 to 3.

	Variance from budget over / (under) £m
Net Directorates outturn	12.683
Other net Corporate outturn	8.188
Sub Total overspend / (underspend)	20.871
Agreed use of reserves to support Pension Strain costs	(9.400)
Agreed use of reserves to support Waste Management	(6.660)
Residual overspend / (underspend)	4.871

- 1.2 Directorate overspends were primarily related to base budget pressures in Place Directorate although the overall Directorate position at outturn has improved by £6.6m since the Month 10 forecast. Full details can be seen in Section 2.
- 1.3 Gross corporate overspends of £24.1m occurred, primarily relating to Acivico (£9.5m) and non-delivery of the Council's Future Operating Model (£14.6m). There were offsetting underspends of £15.9m in Policy Contingency and other Corporate Items. Details of the net overspend of £8.2m (a deterioration of £0.1m compared to the month 10 Cabinet Report) can be seen in Section 3 and Table 3.
- 1.4 During the year, the specific use of reserves was approved to fund the Waste Management dispute (£6.6m) and to assist the budget position, relating to pension fund strain (£9.4m). These figures are as reported in the month 10 Revenue Monitoring report.
- 1.5 After taking account of this specific use of reserves, the City Council's final revenue outturn position was a net overspend of £4.9m compared with the approved budget. This is an overall improvement of £6.5m in the forecast position since Month 10 (£11.4m overspend).
- 1.6 The outturn overspend was in the context of demanding savings targets of £85.3m including finding 2017/18 solutions for £14.4m of savings achieved on a one off basis in 2016/17.

Structural Use of Reserves and Balances

- 1.7 The Council originally planned to use £46.6m of balances and reserves in 2017/18. Of this intended use, £42.2m was a structural use to balance the budget. This was to be funded from Capital Fund (£28.0m), Organisational Transition reserve (£12.5m) and one-off resources from previous years (£1.7m) as described in the Financial Plan 2017+. The remaining net £4.4m was a net combination of payments to and from reserves and temporary borrowing being repaid.
- 1.8 In order to balance the budget in year a further £20.9m of reserves has been required; £16.0m was described in the Month 10 revenue budget monitoring report to fund the waste dispute and relating to Pension Fund Strain plus a further £4.9m was used to finally balance the budget.
- 1.9 In addition, £11.7m of pension guarantees were funded by the use of loan arrangements from reserves to be repaid in future years from within existing budgets.
- 1.10 **In total £63.1m of reserves was used in order to structurally deliver the 2017/18 budget plus £11.7m to fund pension guarantees, which will be repaid from existing budgets in future years. This is directly comparable to the originally planned structural use of reserves of £42.2m.**
- 1.11 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 to grant reserves of £36.4m offset by the structural use of reserves of (£63.1m). Further details of reserves are provided in Section 4.

Section 2: Directorate Outturn

The outturn for each Directorate is shown in Table 2 below, with further details in Annex 1. A comparison of the outturn position with Month 10 is shown in Annex 2.

Table 2	A	B	C = B - A	D			E = C + D
Directorate	Final Revised Budget	Outturn Position	Outturn Variation [+ over / - (under)]	Year End Transfers to / (from) reserves			In Year Variation (under) / over spend
	£m	£m	£m	Grant £m	Other £m	Total £m	£m
Adult Social Care & Health Directorate	351.263	343.614	(7.649)	7.548	0.000	7.548	(0.101)
Children & Young People Directorate	211.610	214.508	2.898	(4.807)	3.676	(1.131)	1.767
Place Directorate	142.780	159.734	16.954	1.023	(2.894)	(1.871)	15.083
Economy Directorate	71.778	45.468	(26.310)	22.704	2.422	25.126	(1.184)
Strategic Services Directorate	34.349	31.767	(2.582)	0.032	0.963	0.995	(1.587)
Finance & Governance Directorate	25.199	27.296	2.097	0.399	(3.791)	(3.392)	(1.295)
Directorate Total	836.979	822.387	(14.592)	26.899	0.376	27.275	12.683
Less: Transfer from Schools Balances				7.279		7.279	
Directorate Total excluding Schools Balances				34.178	0.376	34.554	

The figures above include the costs of Pension Guarantees as required by proper accounting practice to be funded by the use of loan arrangements from reserves to be repaid in future years from within existing budgets. The total cost of these guarantees was £11.7m.

Commentary on budget areas

The following paragraphs comment on the major financial issues identified during the financial year compared with the final revised budget.

2.1 Adult Social Care and Health

There is a recommended net transfer to reserves of £7.5m, which would result in an underspend position of £0.1m after transfers. The detailed appropriations to/(from) reserves are reported in Annex 3.

The net underspend position is explained below.

	Overspend / (Underspend) £m
Net expenditure (+ over / - under)	(7.649)
Transfers to / (from) reserves	7.548
Net underspend	(0.101)
Explanation of variation after transfers	
Adult Social Care Packages	5.609
Packages of Care income	(4.364)
Extra Care Block Contract	1.898
Day Care and Residential Specialist Care Services	(1.122)
Adult Social Care and Health Commissioning	(1.660)
Adult Other Net Variations	(0.462)
Net underspend	(0.101)

The explanations for the (£0.1m) underspend after proposed transfers to reserves are as follows:

Adult Social Care Packages - £5.6m overspend

There continued to be a significant pressure on package of care budgets, particularly in relation to residential and nursing placements for Older Adults. However, this pressure has stayed broadly the same towards the end of the year and appears to be stabilising somewhat. Additional pressures during the year have been due to increasing prices for services particularly for clients with learning disabilities and an increase in commitments for residential services for older adults. Other cost pressures continued, including a higher than anticipated increase in average prices across all of Adult Social Care for all client groups. The Directorate has been successful in mitigating some of these increases through reviewing cost sharing arrangements with health on a package by package basis.

The procurement activity for implementing the Neighbourhood Networks Model is now being planned following an agreed procurement route. In addition, funding for the Local Area Coordinators has been agreed and plans are being developed for implementing. Further work is required to quantify the level of savings that can be achieved in future years through the implementation of these models.

A review of the Directorate Care Management system (Carefirst) has identified a number of cases where it appears the Council has paid providers in full for jointly funded packages. Work is ongoing with health partners to rectify this position. As the negotiations are on-going, however this did not lead to any savings in 2017/18.

The review of records on Carefirst letters has resulted in providers being contacted to validate details they hold against the data held on Carefirst. This will identify any discrepancies which may have led to overpayments. This work is on-going, so did not lead to any savings in 2017/18.

Packages of Care Income - additional income £4.4m

- Mental Health Joint Funding – additional income £1.6m
Health contributions in relation to Mental Health care packages have exceeded the budgeted level.
- Direct payments – recoupment of surplus income £2.0m
The service has been proactive in reviewing and recouping surplus funds in individual accounts. Significant recoupment was identified at the beginning of the year and this work continues as business as usual. Levels of Direct Payment assessment are steadily increasing.
- Review of income – additional income of £0.5m
The Directorate has reviewed charging policies across the full range of service areas.
- Other minor variations of £0.3m

Extra Care Block Contract – £1.9m overspend

The current arrangements for providing care where additional services were required led to these unbudgeted costs. This was mainly due to reductions in staffing costs not happening as fast as planned, and some services being commissioned at a greater level than budgeted. This is now being dealt with for the new financial year.

Day Care and Residential Services running costs and additional Income –£1.1m underspend

The Directorate has reviewed operational costs including transport and supplies and services and identified a range of one off savings across Day Care and Residential Services, mainly due to more efficient use of resources. Also, income from use of the Care Centres by Health has been higher than anticipated.

ASC&H Commissioning –£1.7m underspend

This underspend is mainly in relation to staff vacancies (£0.7m) and reductions in third sector grants awarded by the Council (£1.0m) pending new commissioning processes.

Other Variations – £0.4m underspend

There were pressures due to a higher than budgeted contribution to the bad debt provision, pension fund strain costs, and the need to undertake and review Deprivation of Liberty Safeguards. The latter pressure has reduced as the Directorate has changed the emphasis and prioritised cases most at risk. These pressures have been mitigated by reviews of all non-pay spending including energy, transport, training, ICT and other areas. More efficient processes have been implanted in the joint health Equipment Loans Store, and there have been higher than anticipated employee underspends in most areas of the Directorate. In Assessment and Support Planning this has been ahead of the planned restructure which will increase the number of people reporting to individual managers, change the approach to asset-based and develop a community offer by working more closely with the third sector.

2.2 Children & Young People

There is a recommended net transfer from reserves of £1.1m which would result in an overspend of £1.8m after transfers. The detailed appropriations to/(from) reserves are reported in Annex 3.

The net overspend position is summarised below:

	Overspend / (Underspend) £m
Net expenditure (+ over / - under)	2.898
Transfers to / (from) reserves	
Grant (including DSG and School balances)	(4.807)
Other	3.676
Net overspend	1.767
Explanation of variation after transfers	
Travel Assist	3.091
Early Years	0.054
PFI/BSF Contract	0.102
Unattached Playing Fields	0.289
Education Infrastructure Team	0.377
Other	(0.574)
Early Help & Children's Social Care	(1.572)
Net overspend	1.767

The explanation for the year end overspend of £1.8m after proposed net transfers from reserves is shown below:

Education General Fund – £3.4m overspend

Travel Assist – £3.1m overspend

The mitigations that were put in place to manage the deficit did not have the impact expected as a result of an increase in the number of eligible young people, a rise in costs related to agency Guides and issues with the main contractor of transport. Any new transport provision arranged increases the cost of delivery.

Early Years – £0.1m overspend

A net deficit of £0.1m arising from net unfunded costs arising from compliance works carried out at the 22 hub sites forming part of the new Health and Well Being contract.

PFI/BSF contracts – £0.1m overspend

There was a £0.1m overspend after taking into account of mitigations from the corporate inflation contingency.

Unattached Playing Fields – £0.3m overspend

Progress has been slow due to the complex legal and regulatory issues which need to be taken into account and can vary by playing field. Resources have now been identified to accelerate the work on an invest to save basis and identify funding / cost reduction solutions. However the full year benefit will only be realised in 2018/19.

Education Infrastructure Team £0.4m – overspend

A £0.1m overspend arose from a combination of less income from a reduced level of academisation than anticipated and buy back of the Education Infrastructure Team traded offer being less than expected. There were also unfunded costs of £0.1m on surplus properties maintained by the Directorate and other minor overspends of £0.2m.

Other Net Variations – £0.6m underspend

There were other net underspends of £0.6m including savings of £0.2m against the IT budgets after a review of commitments.

Early Help and Children's Social Care – £1.6m Underspend

No Recourse to Public Funds – £0.7m overspend

There has been an increase in the number of families presenting as having no recourse to funds during 2017/18. The pressure represents the costs in excess of the budget of providing accommodation and subsistence support for 2017/18.

Secure Remand Custody – £1.2m overspend

The pressure arose from the decrease in the Youth Justice Board (YJB) Secure Grant for 2017/18, an increase in the actual price charged by YJB, and a significant rise in both the number and type of bed night usage with more placements in higher cost Secure Training Centres and Secure Children's Homes.

Legal Disbursements – £1.2m overspend

There was £0.6m overspend related to the budget allocation not being adequate to cover the actual costs of disbursements following an exercise to re-base budgets. In addition there was an increase in costs relating to several cases in court of £0.6m.

Disabled Children's Services – £0.7m overspend

This related to costs of alternative community support packages for disabled children. In April a new formula was agreed to share residential placements with education costs with Special Education Needs Assessment and Review (SENAR). This resulted in additional costs of £1.3m previously charged to Dedicated School Grant being charged to this budget. This was partially offset by underspend of £0.6m.

Children's Placements – £1.7m underspend

This related to delayed opening of a specialist three bedded remand home of £0.4m and the overall costs of all current fostering, residential, supported accommodation and secure welfare placements underspending by £0.8m. Additional income of £0.5m is to be received in respect of contributions to specific complex care packages.

Youth Offending Service – £1.0m underspend

There was £0.7m staffing underspends within the Youth Offending Service due to managed vacancies to support mitigation of the Secure Remand budget overspend and other staffing underspends total £0.3m due to reduced costs of agency staff.

Externally commissioned residential and community based assessments – £0.2m underspend

There has been a reduction in the number of externally commissioned residential and community based assessments resulting in an underspend of £0.2m

Planned commissioned training and support activities – £0.5m underspend

There was an underspend of £0.5m on the cost of planned commissioned training and support activities

Unaccompanied Asylum Seeking Children – £1.1m additional grant income

This related to several cases which have been retrospectively approved by the Home Office from 2016/17 and additional information income for a further 29 national transfer cases.

Other net variations – £0.9m underspend

This included an underspend of £0.5m in relation to costs of support packages and financially assisted order payments as alternatives to care and an underspend of £0.3m due to a reduction in the number of Adoption interagency cases and the cost of adoption allowances. In addition there was other non pay underspends across various services of £0.1m

2.3 Place (excluding Housing Revenue Account)

There is a recommended net transfer from reserves of £1.9m which would result in an overspend of £15.1m after transfers. The detailed appropriations to/(from) reserves are reported in Annex 3.

The net overspend position is summarised below:

	Overspend / (Underspend) £m
Net expenditure (+ over / - under)	16.954
Transfers to / (from) reserves	(1.871)
Net overspend	15.083
Explanation of variation after transfers	
Waste Management Services	11.927
Community Sport and Events	2.561
Parks and Nature Services	1.168
Housing Options	0.107
Culture and Visitor Economy	0.964
Birmingham Adult Education Services	(0.893)
Other Place Services	(0.751)
Net overspend	15.083

The explanation of the net year end overspend of £15.1m after proposed transfers to reserves is shown below:

Waste Management Services – £11.9m overspend

The additional expenditure reflects an extra-ordinary set of circumstances during the transition to a modern and efficient service and the implementation of a new operating model. The major components of the overspend included:

- employees at £3.9m (being the continuation of the compressed working week and overtime)
- procurement of external waste collection service at £2.7m
- additional and fluctuating diversion of waste to landfill at £2.2m
- lower paper income of £0.9m (due to lower tonnages and commercial price volatility)
- greater fleet and vehicles expenditure at £1.6m (mainly maintenance)
- other operational costs at £0.9m (mainly new IT mobile systems)
- additional income of (£0.3m) (from third party waste income)

Community Sport and Events – £2.6m overspend

The major components included:

- £1.3m for the suspension of the planned externalisation of Alexander Stadium pending the hosting of the Commonwealth Games in 2022
- additional expenditure on other operational services of £1.3m (including the re-phasing of the closure of local leisure centres e.g. Tiverton Pool, pensions cost guarantees for externalised services, seasonal markets and international events – these costs were offset by some additional management fee income from externalised services)

Parks and Nature Services – £1.2m overspend

The major elements included:

- additional maintenance expenditure on parks of £0.2m (including exceptional spend for the management of unauthorised traveller sites e.g. prevention measures, legal enforcement)
- lower income of £0.4m (mainly the closure of key sites including Tower Ballroom) and the re-phasing of the Cofton Nursery re-development
- £0.4m due to delays in the disposal of underutilised park open spaces for the development of new housing
- other operational service expenditure of £0.2m (mainly investment in new IT systems)

Housing Options – £0.1m overspend

There was a major increase in the number of people in temporary accommodation towards the end of the financial year (including bed and breakfast). In total, there were more than 2,100 people in such accommodation (this being 40% more than the base assumptions). This continues to reflect national trends and policies including the welfare reforms, shortage in social/private housing and is projected to increase further in 2018/19 with the new obligations placed on local authorities under the Homeless Reduction Act.

Culture and Visitor Economy £1.0m overspend

The City Council has guaranteed a loan to Birmingham Museums Trust of £0.9m and as such the full cost has to be recognised in year. This is being funded from Reserves as discussed below and will be repaid in future years from existing budgets. There were other minor variations of £0.1m.

Birmingham Adult Education Services (£0.9m underspend)

The Service appropriated £0.9m from Grant Reserves in order to fund the overspend in Culture and Visitor Economy, which will be repaid in future years from existing budgets.

All Other Place Services (£0.8m net underspend)

There were minor overspends of £0.2m on Equalities and £0.3m on Markets. These were offset by underspends on Bereavement Services (£0.3m) and Regulatory Services (£0.4m) and other net underspends of (£0.6m) across the Directorate.

2.4 Economy Directorate

There are recommended net transfers to reserves of £25.1m which would result in underspend of £1.2m after transfers. The detailed appropriations to/(from) reserves are reported in Annex 3.

The key reasons are summarised below:

	Overspend / (Underspend) £m
Net expenditure (+ over / - under)	(26.310)
Transfers to / (from) reserves	25.126
Net underspend	(1.184)
Explanation of variation after transfers	
Planning & Development	(1.264)
Transportation & Connectivity	(0.429)
Housing Development	0.739
Highways & Infrastructure	(0.146)
Birmingham Property Services	0.128
Employment Services	(0.209)
Other Services	(0.003)
Net underspend	(1.184)

The explanation of the net year end underspend of £1.2m after proposed transfers to reserves is shown below:

Planning & Development - £1.3m underspend

This primarily related to additional planning related income and other underspends.

Transportation & Connectivity - £0.4m underspend

This was due in the main to income generated through recharges to projects and an unanticipated Property Searches New Burdens receipt from Government.

Housing Development - £0.7m overspend

This largely related to non-delivery of the income target in relation to INReach partially offset by increased income in Housing Development General and employee underspends.

Highways & Infrastructure - £0.1m underspend

This was due in the main to underspending on employees, maintenance, offset by lower than anticipated highways related income

Birmingham Property Services - £0.1m overspend

This was due in the main to a shortfall in property related income, delayed delivery of workforce efficiencies and other minor net negative variations, offset by underspends on employees, lease agreement expenditure, and additional net income.

Employment Services - £0.2m underspend

There was an increase in project income and a reduction in employee severance costs

2.5 Strategic Services

There are recommended net transfers to reserves of £1.0m which would result in an underspend of £1.6m after transfers. The detailed appropriations to/(from) reserves are reported in Annex 3.

The key reasons are summarised below.

	Overspend / (Underspend) £m
Net expenditure (+ over / - under)	(2.582)
Transfers to / (from) reserves	0.995
Net underspend	(1.587)
Explanation of variation after transfers	
Revenue & Benefits	(0.948)
Procurement	(0.544)
Business Improvement	(0.907)
Corporate Strategy	0.711
Other Services	0.101
Net underspend	(1.587)

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The explanation of the net year end underspend of £1.6m after proposed transfers to reserves is shown below:

Revenue & Benefits £1.0m underspend

This related to Housing Benefit Subsidy surplus.

Procurement- £0.5m underspend

This primarily related to overachievement on income.

Business Improvement £0.9m underspend

The underspend largely related to funded vacancies as part of the support services consolidation project.

Corporate Strategy- £0.7m overspend

This related to centrally held savings on the Corporate Strategy budget line offset by savings delivered across the Directorate

Other Net Variations- £0.1m overspend

There were other net overspend of £0.1m across the Directorate.

2.6 Finance & Governance

There are recommended net transfers from reserves of £3.4m which would result in an underspend of £1.3m after transfers. The detailed appropriations to/(from) reserves are reported in Annex 3.

The key reasons are summarised below:

	Overspend / (Underspend) £m
Net expenditure (+ over / - under)	2.097
Transfers to / (from) reserves	(3.392)
Net underspend	(1.295)
Explanation of variation after transfers	
City Finance	(1.315)
Directorate Wide Recharges	(0.125)
Business Transformation Legacy	(0.122)
NNDR Revaluation Income	0.208
Other Minor Variations	0.059
Net underspend	(1.295)

The explanation of the net year end underspend of £1.3m after proposed transfers to reserves is shown below:

City Finance £1.3m underspend

This primarily related to underspend on Voyager support offset by Finance transition costs including pension fund strain costs and shortfall in core income target

Directorate Wide Recharges £0.1m underspend

This related to refund due in respect of overpayment to the West Midlands Pension Fund (WMPF) relating to additional years payment which were based on WMPF estimates.

Business Transformation Legacy £0.1m underspend

The underspend is largely as a result of less expenditure on SAP development days than originally anticipated due to the re-profiling and reprioritising of work to be completed.

NNDR £0.2m overspend

This related to shortfall in NNDR revaluation refunds.

2.7 Dedicated Schools Grant (DSG)

There are recommended net transfers from reserves of £0.2m which would result in a year end overspend of £4.7m after transfers.

Proposed Transfers to / (from) reserves

- Non School DSG £2.3m - Savings on DSG funded earmarked Department for Education (DfE) priorities comprising of Disability Access Fund £0.3m, Growth and Falling Pupils Contingency Funds of £1.6m and £0.4m other minor variations have been appropriated to the reserve account.
- Schools Reserves (£2.5m) – There was an in year deficit of £2.5m related to Delegated Schools and this has been appropriated from school reserves. The school balance position was not known until year end, when all school expenditure was posted to the ledger.

The explanation of the net year end overspend of £4.7m after proposed transfer to reserves is shown below:

There was a deficit of £4.7m on centrally held DSG budgets at outturn. This primarily related to increasing numbers of pupils with Special Education Needs. The position has moved favourably by £1.9m comparing to Month 10 (£6.6m). This was mainly due to better than anticipated funding related to Early Years.

Section 3: Corporate Account Outturns

- 3.1 After transfers to reserves, the variations in corporate accounts, totalling a net overspend of £8.2m (before use of the Organisation Transition Reserve to mitigate the overall position) are listed in Table 3 below.

Table 3 – Corporate Accounts Outturn	
	£m
Explanation of total outturn variation	
Treasury Management	(7.334)
Airport Dividend 2017/18	(0.540)
Additional Business Rates Income	(3.342)
Construction Cost Dispute Reserve	(0.475)
Other	0.359
Other Corporate Items sub-total	(11.332)
Acivico	9.508
FOM	14.610
Sub-total Net Corporate overspend	12.786
Policy Contingency	(4.598)
Total Corporate Variations	8.188

3.2 Key areas are:

- There was an underspend of £7.3m in Treasury Management. A forecast underspend of £3.7m was reported at Month 10. There have been further movements of £3.6m at year end. The overall year end variation for Treasury Management is explained within Appendix 3 of the report.
- The Airport dividend received by the Council was £0.5m higher than budgeted.
- The Council has identified that £3.3m of Business Rates Income can be released to the General Fund. This was reported as a Corporate mitigation of £3.3m at Month 10.
- £0.5m of the reserve for a legal dispute regarding construction costs will no longer be needed following settlement of the case, and therefore can be released.
- £0.4m of other net overspends have been identified mainly related to balance sheet management and other minor variations.
- The above mitigations have been used to partially offset a £9.5m pressure relating to Acivico, a £7.5m increase from the pressure of £2.0m reported at Month 10. The total pressure relates to the write back of assumed profit share from Acivico's trading activities in 2017/18 and prior years, £1.6m, cost pressures from Council services managed by Acivico, £0.8m, mismatches in inter-company transactions, £2.1m, and from the estimated level of support required to ensure that Acivico could continue to meet its liabilities as they fall due, £5.0m.

- At Month 10, there were £14.6m of cross cutting savings related to the FOM that were not achievable. This remained the same.

Policy Contingency

- 3.3 When the Business Plan and Budget 2017+ was approved, this included funds held corporately for a number of items that needed to be agreed following finalisation of the year end position. Cabinet is therefore requested to endorse the following allocations from 2017/18

- £0.3m to fund the Commonwealth Games project expenditure
- £0.3m to fund contribution towards addressing Pension Fund under-recovery. The amount recovered from Directorates resulted in a minor under-recovery compared to the amount paid to the Pension Fund

The outturn figures have been completed after taking account of these items.

- 3.4 There is a proposed transfer to reserves of £5.0m from Policy Contingency for approved funding which will enable them to be carried forward and this relates to the following:

- Birmingham Museum and Art Gallery (BMAG) (£0.5m) – this is to be utilised in 2018/19 as part of the planned BMAG Development programme, in line with revised HLF funding regime.
- (£0.2m) Community Investment Tax Relief (CITR) / Social Investment Tax Relief (SITR) - Arts Fund – this is required should there be non compliance with the loan agreement in 2018/19
- High Speed 2 College (£0.3m) – the project is not yet complete and there are ongoing compensation, decommissioning and relocation claims
- Birmingham Jobs Fund (£0.3m) – the allocation is committed for 2017/18. However, as payments are not made until 26 weeks after the employment start date, a proportion of expenditure falls into the following financial year
- Mobile Investment Fund (£2.1m) – required to fund contractual commitments
- Youth Strategy (£1.2m) – Cabinet agreed in February 2016 that this funding is ring-fenced as match funding to Youth Promise Projects
- Other (£0.4m)

- 3.5 After these proposed transfers to reserves, there is a net underspend in Policy Contingency of £4.6m. This relates primarily to:

- Underspending on Specific Policy Contingency following a detailed review of commitments was included as part of the Month 10 Revenue Monitoring report (£1.5m)
- Underspend of (£0.3m) relating to Carbon Reduction Commitment
- Underspend of (£0.3m) in relation to Highways Maintenance
- Various underspends on inflation (£0.3m)
- Other policy contingency underspends (£0.6m)
- Underspend of the General Policy Contingency (£1.6m)

Section 4: Balances and Reserves

- 4.1 The Council originally planned to use £46.6m of balances and reserves in 2017/18. In year there were approved net contributions to reserves of £79.5m, primarily relating to the change in the Council's MRP Policy (£98.3m) offset by the approved use of the OTR (£16.0m). At year end there were further net contributions to reserves of £61.2m, mainly relating to contributions to grant reserves of £34.2m and a return of £23.6m which had been used to add to provisions in respect of NEC pension costs, but is no longer required.
- 4.2 Overall, Reserves and Balances increased by £94.1m in 2017/18. Excluding the contributions to reserves from the further changes to the Council's MRP Policy (£98.3m) and repayment of the provision no longer required in respect of NEC Pensions (£23.6m), reserves would have reduced by £27.8m.
- 4.3 Of the original £46.6m intended use of reserves and balances, £42.2m was a structural use to balance the budget corporately. This was funded from Capital Fund (£28.0m), Organisational Transition reserve (£12.5m) and one-off resources from previous years (£1.7m) as described in the Financial Plan 2017+. The remaining net £4.4m being a combination of payments to and from reserves and temporary borrowing being repaid.
- 4.4 In order to balance the budget a further £20.9m of reserves was required; £16.0m was from the OTR as described in the Month 10 revenue budget monitoring report and a further £4.9m was used to finally balance the budget.
- 4.5 In addition, £11.7m of pension guarantees were funded by the use of loan arrangements from reserves to be repaid in future years from within existing budgets.
- 4.6 **In total there was a structural use of £63.1m of reserves to deliver the 2017/18 budget plus £11.7m to fund pension guarantees, which will be repaid from existing budgets.**
- 4.7 The movements in accumulated General Fund balances and reserves are shown in Table 4.

Table 4 – Balances and Reserves Movements

Note: Positive number = balance in hand or contribution and negative number = overdrawn or use of balance

	Opening Balance 1st April 2017	Movements in 2017/18				Outturn 31st March 2018
		Original Budget	Approved in year	Year End	Total Movement	
Balances	£m	£m	£m	£m	£m	£m
General Fund Working Balance	28.9	0.0	0.0	0.0	0.0	28.9
Organisation Transition Reserve	69.8	(12.5)	(16.6)	0.8	(28.3)	41.5
Financial Resilience Reserve	0.0	0.0	98.3	0.0	98.3	98.3
Carry Forward Balances	2.1	0.0	(0.3)	0.0	(0.3)	1.8
Total Balances	100.8	(12.5)	81.4	0.8	69.7	170.5
Reserves						
Grants Reserves	132.3	(13.1)	15.3	34.2	36.4	168.7
Treasury Management	1.8	0.0	0.0	0.0	0.0	1.8
Capital Fund	49.7	(24.9)	0.0	18.5	(6.4)	43.3
Business Rates Reserves	0.0	3.4	0.0	7.1	10.5	10.5
One-off Use of Resources from previous year in 2017/18	1.7	(1.7)	0.0	0.0	(1.7)	0.0
Policy Contingency	10.0	0.0	(6.7)	4.3	(2.4)	7.6
Cyclical Maintenance	5.9	2.5	0.0	0.0	2.5	8.4
Other Reserves	67.1	(0.9)	(10.5)	3.6	(7.8)	59.3
Sub - Total Reserves	268.5	(34.7)	(1.9)	67.7	31.1	299.6
Schools balances (net of amounts borrowed)	42.5	0.6	0.0	(7.3)	(6.7)	35.8
Total Reserves	311.0	(34.1)	(1.9)	60.4	24.4	335.4
Total Reserves and Balances	411.8	(46.6)	79.5	61.2	94.1	505.9

4.8 The Council had planned in its original budget to use a net of (£46.6m) of balances and reserves in 2017/18 as follows:

- A planned use of (£12.5m) of the OTR in order to balance the overall budget.
- A net planned use of (£24.9m) of the Capital Fund.
- There were planned net contributions to other Corporate Reserves of £5.3m.
- Directorates planned to use (£14.5m) of Reserves.

4.9 The Council approved in year net contributions of £79.5m to balances and reserves in 2017/18 as follows:

- The Council reviewed its policy for setting aside funds in order to meet the cost of debt repayments. By backdating the implementation of the current Minimum Revenue Provision (MRP) policy to the start of the “Prudential system” in 2007/08, it was possible to create a Financial Resilience Reserve (FRR) of £98.3m in 2017/18.
- There was use of (£6.6m) of the OTR to fund the Waste Management dispute and (£9.4m) to assist the budget position, relating to Pension Fund Strain.
- £15.3m was placed into grant reserves to be spent in later years in line with the grant conditions.
- (£6.7m) was released from policy contingency reserve to release funding carried forward as part of previous years’ outturn reports.
- There were other approved net uses of Reserves of (£11.4m).

4.10 At year end, there are recommended transfers to Reserves and Balances of £61.2m, as below.

- There is a further recommended use of (£4.9m) of the OTR to fund the final net revenue overspend.
- There was a return of £5.6m borrowed from the Capital Fund which was used to add to provisions for potential liabilities in respect of NEC pension costs, but which is longer required and has been provided to the OTR.
- There was a return of £18.0m borrowed from the Capital Fund which was used to add to provisions for potential liabilities in respect of NEC pension costs, but which is longer required.
- Directorates have recommended transfers to Grants Reserves of £34.2m. These relate to grants received in 2017/18 but where associated expenditure will take place in later years.
- Other net transfers of £8.3m are recommended.

4.11 General reserves and grant reserves are resources that have been set aside to be spent in 2017/18 or future years for specific purposes. There is £299.6m relating to non-school earmarked reserves covering grant related reserves of £168.7m and earmarked reserves of £130.9m. This is a net increase in year of £31.1m in total earmarked reserves.

4.12 There was a net transfer to reserves of £36.4m for Grants and net transfers from other reserves of (£5.3m)

4.13 Further details of the movement in reserves are shown in Annex 3.

**ANNEX 1 TO
APPENDIX 1**

REVENUE OUTTURN SUMMARY

	Budget £m	Outturn £m	Variance £m
Directorates (excluding use of Reserves)	846.113	831.521	(14.592)
Policy Contingency	(16.554)	(26.118)	(9.564)
Corporate Accounts	(40.908)	(77.997)	(37.089)
Total	788.651	727.406	(61.245)
<u>Recommended transfers to / (from) reserves</u>			
General Reserves	(11.983)	(11.607)	0.376
Grants (including schools balances)	2.849	29.748	26.899
Capital Fund	(24.978)	(6.402)	18.576
Business Rates Section 31 Grant	0.000	5.329	5.329
Business Rates Pilot "no detriment" reserve	3.438	3.438	0.000
Cyclical Maintenance Reserve	2.540	2.540	0.000
Pallasades provision	0.000	2.322	2.322
Business Rates 17/18 Top Up Adjustment	0.000	1.809	1.809
One-off use of Resources from previous Year	(1.701)	(1.701)	0.000
Other	0.451	0.671	0.220
Policy Contingency	(6.667)	(1.701)	4.966
Sub-total transfers to / (from) reserves	(36.051)	24.446	60.497
<u>Corporate transfers to / (from) balances</u>			
Use of Organisation Transition Reserve (OTR) to balance out-turn	(29.080)	(29.080)	0.000
Transfer to OTR	0.000	5.619	5.619
Creation of Financial Resilience Reserve	98.283	98.283	0.000
Contribution to General Fund Working Balance	0.000	0.000	0.000
Sub-total transfers to / (from) balances	69.203	74.822	5.619
SUB-TOTAL	821.803	826.674	4.871
Council Tax	(308.545)	(308.545)	0.000
Business Rates	(394.654)	(394.654)	0.000
Top Up Grant	(123.463)	(123.463)	0.000
Revenue Support Grant	0.000	0.000	0.000
Collection Fund	4.859	4.859	0.000
Sub Total	(821.803)	(821.803)	0.000
Position after final transfers	0.000	4.871	4.871

Note: This is shown before the use of £4.9m of OTR to balance the budget.

A positive figure is expenditure / overspend or transfer to reserves / balances
A negative figure is income / underspend or transfer from reserves / balances

Comparison to Month 10 Revenue Monitoring Report

The comparison of outturn position to Month 10 Revenue Monitoring Report is summarised in the table below:

	Forecast Variation at Month 10 £m	Outturn Variation £m	Movement from M10 £m
Adult Social Care & Health Directorate	0.000	(0.101)	(0.101)
Children & Young People Directorate	1.842	1.767	(0.075)
Place Directorate	16.646	15.083	(1.563)
Economy Directorate	0.282	(1.184)	(1.466)
Strategic Services Directorate	1.446	(1.587)	(3.033)
Finance & Governance Directorate	(0.973)	(1.295)	(0.322)
Sub-total Directorates Gross Position	19.243	12.683	(6.560)
Policy Contingency	(1.500)	(4.598)	(3.098)
Acivico Overspend Funded Corporately	2.013	9.508	7.495
FOM	14.610	14.610	0.000
Other Corporate Items	(7.000)	(11.332)	(4.332)
Sub-total Corporate Gross Position before use of OTR	8.123	8.188	0.065
Sub-total Gross Position	27.366	20.871	(6.495)
Use of OTR - General	(9.400)	(9.400)	0.000
Use of OTR re Waste Management	(6.600)	(6.600)	0.000
Total net overspend / (underspend)	11.366	4.871	(6.495)

The principal areas of change compared with the Month 10 reported position were:

- Adults – a favourable movement of (£0.1m) related to minor variations across the service.
- CYP- a favourable movement of (£0.1m) related to minor variations across the service.
- Place – net favourable movement of (£1.6m). This related primarily to:
 - Waste Management favourable movement of (£0.5m) due to income being higher than forecast and an unforeseen favourable stock revaluation.
 - Community Sport and Events adverse movement of £0.6m due to overspends on the German Market and World Indoor Athletics.

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- Parks and Nature favourable movement of (£0.3m) due to lower than forecast spend on Grounds Maintenance and higher than forecast income.
- Markets had a favourable movement of (£0.4m) due to a combination of income being higher than forecast and expenditure less than forecast
- Income for Pest Control, Licensing and Environmental Health was higher than forecast (£0.5m)
- Other minor movements of (£0.5m)
- Economy – net favourable movement of (£1.5m) related to:
 - Birmingham Property Services net favourable movement of (£1.2m) mainly due to reduction in forecast lease agreement expenditure, increased capitalisation of project costs and increased property income.
 - Transportation & Connectivity net favourable movement of (£0.3m) due to increase income from recharges to projects.
 - InReach adverse movement of £0.3m due to delays in delivery.
 - Other minor net favourable movements of (£0.3m)
- Strategic Services – net favourable movement of (£3.0m) related to:
 - Corporate Strategy net favourable movement of (£0.1m) relating to confirmation of income from the WMCA
 - Procurement net favourable movement of (£0.4m) as a result of confirmation of additional external advertising income. Due to the markets inherent volatility, it is difficult to predict this income stream
 - Human Resources net favourable movement of (£0.6m) relating to lower than expected costs of the Career Transitions service and other services
 - Business Improvement net favourable movement of (£0.9m) relating to funded vacancies from recent consolidation of support services
 - Revenues and Benefits-higher than expected subsidy income of (£0.6m)
 - Customer Services net favourable movement of (£0.3m) – the service have successfully achieved savings that were originally to be met by use of reserves and mitigations
 - Other minor net favourable movements of (£0.1m)
- Finance & Governance – net favourable movement of (£0.3m) related to:
 - City Finance net favourable movement of (£0.1m)
 - Other minor net favourable movements of (£0.2m)
- Corporate Items – net adverse movement of £0.1m related to:
 - Additional underspend on Policy Contingency of (£3.1m)
 - Acivico adverse movement of £7.5m – see Section 3 for more details
 - Additional Treasury Management underspend of (£3.6m)
 - Airport Dividend higher than anticipated of (£0.5m)
 - Construction Cost Dispute Reserve released of (£0.5m)
 - Other overspends £0.3m

1. Other Reserves

There was a net movement in earmarked reserves of (£5.3m) as reported in 4.13.

- Net movement from the Capital Fund of (£6.4m) relating largely to its application to address the 2017/18 revenue position as planned, offset by potential liabilities in respect of NEC pension costs no longer required.
- Business Rates Section 31 grant – There is a surplus of £5.3m relating to compensatory grants for Business Rates Reliefs awarded during 2017/18. £3.2m of this has been assumed to be carried forward as per the Financial Plan 2018+. The remaining £2.1m will be carried forward to offset a shortfall in 2018/19 relating to section 31 grants as a result of Central Government announcements to correct previous overcalculations as a result of their error.
- Business Rates Pilot “no detriment” reserve – £3.4m has been put into reserves as planned as a contingency for any no detriment payments that may be required in the future.
- Business Rates 17/18 top up adjustment from Ministry for Housing, Communities and Local Government (MHCLG) – As part of the Final Settlement for 2018/19 the Government will be making an additional payment of £1.8m relating to an adjustment to the 2017/18 Business Rates Top-Up grant as a result of revaluation. This has been assumed in the Financial Plan 2018+ and so it will therefore be carried forward.
- Resources brought forward from 2016/17 for application as part of the approved budget of (£1.7m) have been used as planned
- Policy Contingency (£2.4m) – There were £6.7m appropriations from reserves as planned. In addition there were net appropriations to reserves of £4.3m made up of £5.0m to reserves for approved allocations for specific purposes not yet spent (see paragraph 1.28) and (£0.7m) transfer from reserves to fund the Future Council programme.
- General cyclical maintenance contributions totalling £2.5m
- Other net movements to Corporate reserves of £3.8m relating largely to a provision related to the Pallasades that was no longer required.
- There was a net use of (£11.6m) of other reserves over the year. There was (£12.0m) planned use of other reserves and £0.4m was contributed to reserves at the year end.
- These mainly related to Directorate usage of reserves, as discussed in section 2 overleaf.

2. Directorate Appropriations to/(from) Reserves

There were net budgeted transfers to Grant Reserves (including Schools Balances) of £2.8m and net budgeted transfers from Other Reserves of (£12.0m).

There were net unbudgeted transfers to Grant Reserves (including Schools Balances) of £26.9m and net unbudgeted transfers to Reserves of £0.4m.

The following is an analysis of the requested transfers to and from Reserves by Directorate:

Adults Social Care & Health

There were planned transfers to Grants Reserves of £5.4m and Other Reserves of £0.5m.

The key elements of the recommended net transfer to reserves of £7.5m are detailed below.

Proposed Transfers to / (from) reserves

Grants – £7.5m transfer to / (from) reserves

- Improved Better Care Fund (IBCF) £6.7m to assist the Directorate in implementing the substantial change programme
- Better Care Fund (BCF) £3.3m
- Section 256 (£1.8m) to support community based services
- Section 256 Pump Priming for Better Care Fund (£0.3m)
- Public Health Grant (£0.3m) - to manage the impact of reduction in the Public Health Grant and changes to the commissioned services
- Other net transfers from reserves (£0.1m)

Children & Young People

There were planned transfers from Grants Reserves of (£0.7m) and transfers from Other Reserves of (£4.7m).

The key elements of the recommended net transfer from reserves of £1.1m are detailed below.

Proposed Transfers to / (from) reserves

Grants – (£4.8m) transfer to / (from) reserves

- Section 106 - £0.1m to meet future requirement of Section 106 schemes
- Non-Schools Dedicated Schools Grant (DSG) carry forward £2.3m
- Schools use of reserve balances – (£2.5m)
- Transfer from schools balances – (£4.7m)

Other transfers – £3.7m to / (from) reserves

- Children's Trust Grant - £1.9m for set up, transition and early operational activities of the Children's Trust

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- Special Education Needs Reform Grant £0.6m - in line with the budget plan and in order to provide the funds for spend in future years
- High Needs Strategic Planning Fund £0.4m - the majority of the review and implementation of outcomes is expected to be carried out in 2018/19. This will also be used to support employee expenditure in 2018/19
- Troubled Families £0.2m- The five year programme still has two years to run and the fund will be utilised to see the programme through to the end of 2020.
- Controlling migration fund £0.2m - the grant was notified in February 2018 and it is to be used to develop tailored support services for young people
- SEND Preparation for Employment fund £0.2m – The grant was received in March and is to be used to provide job coach training for young people on work placements and to set up local supported internship forums
- Other net transfers to reserves £0.2m

Place

There were planned transfers from Grants Reserves of (£0.4m) and transfers from Other Reserves of (£2.8m).

The key elements of the recommended net transfer from reserves of £1.9m are detailed below.

Proposed Transfers to / (from) reserves

Grants – £1.0m transfer to / (from) reserves

- Section 106 (£0.5m) – to meet revenue costs of Section 106 schemes
- Modern Slavery Grant - £0.2m
- Trail Blazer Housing Option Grant - £0.2m
- Other net movement to reserves - £1.1m

Other transfers – (£2.9m) to / (from) reserves

- Local Innovation Fund - £1.0m to meet ward commitments in 2018/19
- (£0.9m) from reserves to meet the cost of the loan guarantee discussed below
- (£2.6m) from reserves to meet the cost of pension guarantees
- Other net movements from reserves – (£0.4m)

Economy

There were planned transfers to Grants Reserves of £0.6m and transfers from Other Reserves of (£0.5m).

The key elements of the recommended net transfer to reserves of £25.1m are detailed below.

Proposed Transfers to / (from) reserves

Grants – £22.7m transfer to / (from) reserves

- Highways Maintenance and Management PFI Reserve - £20.8m disputed sums deducted from monthly payments taken to reserve pending determination or agreement of disputes

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- Borrowing from Highways PFI – (£5.7m) net borrowing from Highways PFI reserves
- Highways PFI grant - £1.8m for actuarial revaluation of TUPE payment due to Amey and reimbursement of legal costs related to the ongoing dispute
- Unlocking Social and Economic Innovation Together project – £1.2m European Union advance payment to European Team acting as accountable body for multi partner project
- Business Development & Innovation Match Funding - £0.8m
- Community Infrastructure Levy (CIL) projects – £2.6m CIL ring-fenced for projects within local wards
- Other net movement to reserves £1.2m

Other transfers – £2.4m transfer to / (from) reserves

- Bus Lane Enforcement Equipment Renewal - £0.7m for use on transportation and highways related work as defined in legislation
- Youth Promise Plus- £0.9m for match funding the youth promise project and commitment in 2018/19
- Clean Air Zone - £0.5m for delivery of the Clean Air Zone agenda
- Other net movements to reserves - £0.3m

Strategic Services

There were planned transfers from Grants Reserves of (£0.2m) and transfers from Other Reserves of (£3.3m).

The key elements of the recommended net transfer to reserves of £1.0m are detailed below.

Proposed Transfers to / (from) reserves

Grants – net nil transfer to / (from) reserves

Other transfers – £1.0m transfer to / (from) reserves

- Housing Benefits Subsidy reserve - £1.5m in respect of the protecting against likely reductions in grant due to Universal Credit rollout and to fund the Housing Benefits Overpayments team.
- Benefit Service Transformation - £0.7m to fund transformation in the Benefits Service in response to grant changes.
- Benefits Universal Credit Transition Funding- £0.5m to provide funding in Benefits Services for the transition year following the implementation of Universal Credit in Birmingham
- Legal cost for construction cost dispute – (£0.4m)
- £0.6m to provide funding for the ICT landing team for 2020/21
- Revenue and Benefits – (£0.3m) to fund pension fund strain costs
- (£1.4m) to fund World Indoor Athletics championship in 2017/18
- Other net movements from reserves – (£0.2m)

Finance & Governance

There were planned transfers from Grants Reserves of (£1.8m) and transfers from Other Reserves of (£1.2m).

The key elements of the recommended net transfer from reserves of £3.4m are detailed below.

Proposed Transfers to / (from) reserves

Grants – £0.4m transfer to / (from) reserves

- Elections Individual Electoral Registration Grant- £0.4m receipts in advance

Other transfers – (£3.8m) transfer to / (from) reserves

- Insurance – (£2.4m) to fund expenditure in 2017/18
- Finance Birmingham Loan Contingency – (£0.9m) to fund in year impairment associated with the portfolio
- Shared Services – (£0.2m) to fund PFS costs
- WCCC Loan – (£0.5m) to be used to offset losses in the wider loans and investment portfolio
- Major Projects HS2 Growth Strategy- (£0.3m)
- Unidentified in year income pending further investigation – £0.9m
- Other net movements from reserves – (£0.4m)

Appendix 2: Capital Outturn 2017/18

1.0 Overview

- 1.1 The total capital outturn was £362.188m. This is £157.683m below the planned expenditure of £519.871m as follows:

	£m Previous Quarter 3	£m Quarter 4 Movements	£m Annual Total
2017/18 Original Budget	464.228		464.228
Change in budget	53.973	1.670	55.643
2017/18 Revised Budget	518.201	1.670	519.871
Less: Cumulative Slippage	(126.689)	(30.360)	(157.049)
Less: Forecast/actual (under) / overspends	(3.703)	3.069	(0.634)
Equals: Outturn	387.809	(25.621)	362.188

- 1.2 The City Council's capital monitoring analyses budget variations between:

- (1) Changes in the timing of budgeted expenditure, where the expenditure is still required but takes place later than planned (slippage) or earlier than planned (acceleration); and
- (2) Underspends or overspends, which represent a decrease or increase in the total capital cost of a project (which may be over several years).

Slippage of £(126.689)m and an underspend of £(3.703)m were reported previously at Quarters 2 & 3. Further slippage of £(30.360)m and a net underspend of £(0.634)m are now being reported at outturn 2017/18.

It is important to note that no resources will be lost as a result of the slippage. The resources and planned expenditure will be "rolled forward" into future years.

2. Reasons for variations

- 2.1 Annex 1 summarises actual capital expenditure for 2017/18 by Directorate. It also shows the further variations against the final budget over and above what has been reported previously.

Annex 2 describes the reasons for major variations in Quarter 4, by Directorate.

Annex 3 provides a full listing of the Capital Expenditure Programme outturn 2017/18.

3. Queen's Park Flood Alleviation Works

- 3.1 A Court Order was placed on the City Council in January 2016 to build and maintain a permanent flood protection barrier in Queen's Park, Harborne, following regular flooding of properties adjacent to the park. The flooding only occurred following the development of the properties that was completed in 2007 (attempts by residents to seek redress through the developer's insurance were unsuccessful as the developer ceased trading in 2012 and so action was taken against the Council leading to the Court Order).
- 3.2 The work was commenced in June 2017 and was commissioned of a contractor through the Miscellaneous Drainage Works Framework Agreement. The estimated total costs of the project are estimated at £0.9m (of which £0.1m was met from the 2016/17 revenue budget) and it is proposed to fund the remaining £0.8m from prudential borrowing over 40 years at an annual cost of £32,800. This will be met from the approved Park Services revenue resources. The costs incurred in 2017/18 of £0.58m are included in the Park Services capital expenditure. A Full Business Case report will be taken to the Cabinet member setting out the decisions which were taken and the options that were reviewed in responding to the Court Order.

4. Financing of Capital Expenditure

- 4.1 The proposed financing arrangements in respect of City Council capital expenditure in 2017/18 of £362.188m are summarised below:

Financing method	£m
Borrowing	150.022
Government Grants	87.961
Capital Receipts	49.231
Other Grants and Contributions	7.900
HRA use of Revenue Resources (incl. MRR)	50.069
Use of Revenue Resources	17.005
Total financing	362.188

- 4.2 The Budget 2017+ included a strategy to maximise the availability of capital receipts to fund equal pay liabilities, and to use the Government's capital receipts flexibility to meet the cost of eligible projects generating revenue

savings in later years. Accordingly, borrowing has been used to finance the outturn capital programme in place of capital receipts where possible, in order to maximise the availability of receipts for equal pay and the capital receipts flexibility.

- 4.3 Actual prudential borrowing of £150.0m is less than the £167.4m originally planned in the City Council Business Plan and Budget 2017+. This is due largely to slippage in the capital programme described above in relation to projects funded from prudential borrowing. Monitoring of the full prudential indicators at outturn is set out in Annex 6 to the Treasury Management annual report (Appendix 3).

								Annex 1
Capital Monitoring as at 31st March 2018								
Capital Expenditure 2017/18 by Directorate								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
	2017/18	New	2017/18	Previously	Further	Previously	Over/	2017/18
	Quarter 3	Schemes	Quarter 4	Reported	Slippage	Reported	(under)	Outturn
	Approved	&	Revised	Slippage	Quarter 4	Over/	spend	
	Budget	Resources	Budget			(under)	Quarter 4	
			(a+b)			spend		(e+f+g)
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Adult Social Care & Health	10,901	0	10,901	(3,906)	370	0	235	7,600
Children, Young People & Families	65,890	0	65,890	(18,971)	(992)	0	0	45,927
Place Directorate								
Non Housing Services	36,705	0	36,705	(9,764)	(3,311)	1,114	886	25,630
Housing Revenue Account	126,601	0	126,601	(8,701)	(7,179)	2,275	421	113,417
Housing Private Sector	50,017	0	50,017	(25,350)	(12,596)	270	(112)	12,229
Total Place Directorate	213,323	0	213,323	(43,815)	(23,086)	3,659	1,195	151,276
Economy Directorate								
Planning & Regeneration	54,332	1,670	56,002	(10,187)	(6,145)	(3,502)	1,214	37,382
Transportation	43,125	0	43,125	(15,000)	(133)	(268)	153	27,877
Highways	5,699	0	5,699	(873)	(373)	0	143	4,596
Birmingham Property Services	33,102	0	33,102	(1,465)	(376)	(774)	(248)	30,239
Total Economy Directorate	136,258	1,670	137,928	(27,525)	(7,027)	(4,544)	1,262	100,094
Finance & Governance Directorate	78,810	0	78,810	(23,272)	2,034	(2,815)	29	54,786
Strategic Services Directorate	13,019	0	13,019	(9,200)	(1,659)	(3)	348	2,505
	518,201	1,670	519,871	(126,689)	(30,360)	(3,703)	3,069	362,188

ADULT SOCIAL CARE & HEALTH		2017/18 £'000	Project Officer Narratives
Property Schemes	Previous Budget at Q3	2,052	Programme of Refurbishments of Older Adults Services and Learning Disability Services. All schemes are grant funded.
	New resources in Q4	0	
	Previously Reported Variance	(1,902)	Reported in previous Quarterly Monitoring Reports
	(slippage) /acceleration at Q4	737	Cabinet Members agreed in August 2015 to acquire a long leasehold interest in land owned by the Public Park in Harborne (Grove Park) a charitable trust. There has been a number of complex legal and charitable challenges and it had been expected that these would not be resolved until after the start of 2018/19. However, sufficient progress was made to complete the transaction in March 2018.
	(Under) / Overspend in Q4	0	
	Outturn	887	
Improvements to Social Care Delivery	Previous Budget at Q3	2,736	New and enhanced IT systems to support the delivery of Adults & Communities services.
	New resources in Q4	0	
	Previously Reported Variance	(907)	Reported in previous Quarterly Monitoring Reports
	(slippage) /acceleration at Q4	0	
	(Under) / Overspend in Q4	234	This scheme funds assistive equipment (e.g. hoists, wheelchairs and beds). Additional resources available under the Better Care Fund grant mean that additional expenditure on these adaptations and equipment can be charged against the capital element of the Better Care Fund.
	Outturn	2,063	
Independent Living	Previous Budget at Q3	4,603	Delivery of major adaptation schemes through the Disabled Facilities Grant.
	New resources in Q4	0	
	Previously Reported Variance	0	
	(slippage) /acceleration at Q4	(297)	In 2017 the Council commissioned new contracts for the provision of equipment and building works in relation to the Independent Living Service. As a result of a dispute arising from this process works are restricted to the provision of equipment and small or urgent works. As a consequence expenditure on these schemes has been lower than anticipated.
	(Under) / Overspend in Q4	0	
	Outturn	4,306	

CHILDREN, YOUNG PEOPLE AND FAMILIES		2017/18 £'000	Project Officer Narratives
Devolved Capital	Previous Budget at Q3	2,804	Allocated to Maintained Schools to fund capital works.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	0	
	(slippage) /acceleration at Q4	(859)	Spend is informed by 400+ school decisions and schools can carry forward their allocation for up to 3 years.
	(Under) / Overspend in Q4	0	
	Outturn	1,945	
Basic Need/Additional Primary Places	Previous Budget at Q3	38,641	Building programme aimed at expanding school provision in order to meet pupil place requirements.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(13,600)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	1,038	There have been a number of legal and charitable complications around the Uffculme lease for Chamberlain House and it had previously been expected that these would not be resolved until after the start of the new financial year. However, sufficient progress was made to complete the transaction toward the end of March 2018.
	(Under) / Overspend in Q4	0	Minor variation
	Outturn	26,079	
Early Years Schemes	Previous Budget at Q3	2,773	Funding for additional places in the nursery sector - mainly based at primary schools.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(1,300)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(771)	The final negotiations around the Early Years Health and Well Being contract has led to delays in commencing planned works at Fox Hollies, Castle Vale and Four Dwellings.
	(Under) / Overspend in Q4	0	
	Outturn	702	
IT Investment	Previous Budget at Q3	1,989	IT Investment in Children's Services.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(1,118)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(234)	Minor variations across a number of schemes
	(Under) / Overspend in Q4	0	
	Outturn	637	

PLACE DIRECTORATE - OTHER GENERAL FUND		2017/18 £'000	Project Officer Narratives
Waste Management Services	Previous Budget at Q3	5,387	Waste Depot Modernisation Programme and Mobile IT project. Phase 1 of the Depot Modernisation Programme will deliver improvements to Perry Barr and Lifford Depots and the Mobile IT Project.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(2,730)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(813)	Slippage relates to the Waste Depot redevelopment project budget reflecting a move from the redevelopment of three depots to two which result from the development of the Waste Strategy. Two new projects have been identified as priorities - these are at an early stage of development and require funding to be re-phased.
	(Under) / Overspend in Q4	0	
	Outturn	1,844	
Bereavement Services	Previous Budget at Q3	5,636	Development of the Cemetery at Sutton New Hall for the provision of additional burial plots.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	0	
	(slippage) /acceleration at Q4	(350)	The scheme has been delayed as weather conditions and frozen ground have prevented completion of the landscaping works. Completion is expected by summer 2018.
	(Under) / Overspend in Q4	(15)	
	Outturn	5,271	
Markets	Previous Budget at Q3	5,088	Relocation of Birmingham Wholesale Markets to Witton including purchase of land and construction of a building at a new site.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(342)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(1,235)	The variance is due to delay in the final fit out of traders' units at the new wholesale market and therefore slippage into 2018/19 in the Council's retrospective contributions towards traders' costs for this work. This arose from issues with the sprinkler system and roller shutter doors, and protracted negotiations with tenants to support their relocation from the current city centre market.
	(Under) / Overspend in Q4	22	
	Outturn	3,533	

PLACE DIRECTORATE - OTHER GENERAL FUND		2017/18 £'000	Project Officer Narratives
Adult Education & Youth	Previous Budget at Q3	758	Relocation of Brasshouse Adult Education Centre to the Library of Birmingham.
	New resources in Q4	0	
	<i>Previously Reported</i>	0	
	<i>Variance</i>		
	(slippage) /acceleration at Q4	(211)	Variances of less than £0.200m across 3 schemes
	(Under) / Overspend in Q4	0	
	Outturn	547	
Strategic Libraries	Previous Budget at Q3	570	Library of Birmingham - residual budgets to complete the fit out of a wide range of relatively small items and to complete works to doors and flooring.
	New resources in Q4	0	
	<i>Previously Reported</i>	0	
	<i>Variance</i>		
	(slippage) /acceleration at Q4	(180)	
	(Under) / Overspend in Q4	(60)	
	Outturn	330	

PLACE DIRECTORATE - HOUSING PRIVATE SECTOR GENERAL FUND		2017/18 £'000	Project Officer Narratives
Empty Homes	Previous Budget at Q3	550	Expenditure to bring privately owned long term void properties back into use through compulsory
	New resources in Q4	0	
	<i>Previously Reported</i>	0	
	(slippage) /acceleration at Q4	(325)	Underspend on demand-led Empty Properties programme due to a lower number of compensation payments agreed. The Empty Properties programme is funded on an on-going basis from a revolving fund as properties are bought and sold.
	(Under) / Overspend in Q4	0	
	Outturn	225	
Housing Related Loans - InReach	Previous Budget at Q3	36,584	Provision of loans to InReach (Birmingham) Limited - a wholly owned company of BCC which has been set
	New resources in Q4	0	
	<i>Previously Reported</i>	(17,580)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(9,845)	St Vincent Street (Embankment) - slippage due to ongoing resolution of contractual issues. Slippage on the INReach Voids programme due to delays in receiving Secretary of State consent. Brasshouse Centre - Delayed disposal of site to INReach due to ongoing valuation negotiations. Key Hill - Delayed disposal of site to INReach due to ongoing valuation negotiations.
	(Under) / Overspend in Q4	(270)	Changes to anticipated value of loans to INReach as scheme details are being developed.
	Outturn	8,889	
Housing Options	Previous Budget at Q3	12,868	Programme of refurbishment of temporary accommodation to improve services for the homeless.
	New resources in Q4	0	
	<i>Previously Reported</i>	(7,500)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at	(2,425)	Slippage on the Barry Jackson project due to delays in achieving planning consent.
	(Under) / Overspend in Q4	157	
	Outturn	3,100	

PLACE DIRECTORATE - HOUSING REVENUE ACCOUNT		2017/18 £'000	Project Officer Narratives
Housing Improvement Programme	Previous Budget at Q3	58,439	Capital Investment Programme - various projects to carry out improvements to stock including major structural works.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	6,468	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(1,524)	Reinstatement of previously accelerated spend projections, including Central Heating, Windows and Communal Decorations being lower than forecast at quarter 3 due to the capacity of contractors to carry out the additional works in 2017/18.
	(Under) / Overspend in Q4	(620)	Net underspend largely due to fire protection works that were anticipated on low rise flats based on indicative estimates but are no longer required and further reduction in kitchen and bathroom replacements in void properties. This is partially offset by an increase in structural investigations due to extensive investigative works being carried out in relation to external cladding and Large Panel Systems blocks due the complexity of the potential investment works required.
	Outturn	62,763	
Redevelopment	Previous Budget at Q3	63,282	Birmingham Municipal Housing Trust (BMHT) new build housing Stock Replacement Programme and Affordable Rent Programmes, together with related housing development, including sales and clearance.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(13,646)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(5,636)	Slippage on various BMHT schemes largely due to adverse weather conditions in the final quarter of the year and unanticipated delays with the supply of materials. Slippage on clearance schemes due to further delays in acquisitions including higher value commercial premises at Meadway; delays in letting demolition contracts at various sites due to the identification of asbestos and finalising contracts; and slippage on rehousing due to delays in in BMHT completions and complex rehousing issues at certain schemes.
	(Under) / Overspend in Q4	(173)	Minor variations across a number of schemes.
	Outturn	43,827	
Other Programmes	Previous Budget at Q3	4,880	Mainly capital works to void properties and major adaptation works to HRA properties.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	752	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(19)	
	(Under) / Overspend in Q4	1,214	Overspend largely due to additional adaptation investment carried out on Council dwellings funded from savings identified above and additional Right To Buy receipts. Note that this budget is responsive/ demand led, based on medical assessments of individual tenants needs.
	Outturn	6,827	

ECONOMY DIRECTORATE - REGENERATION		2017/18 £'000	Project Officer Narratives
Enterprise Zone - Paradise Circus Redevelopment	Previous Budget at Q3	18,771	The major redevelopment of the Paradise Circus site. An investment plan resourced by the LEP for projects / programmes delivering development and long term growth.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	0	
	(slippage) /acceleration at Q4	(4,921)	The original 2017/18 budget comprised an allowance for Phase 2 and Phase 2 works of £3.6m which have not taken place as Phase 1 works experienced delays from relocating Birmingham City University, impacts from the A38 Tunnel works, asbestos removal and more recently the principal contractor going into liquidation. A revised Business Case and budget is currently being prepared which will take on board revisions to the overall construction cost package and profiles to reflect these delays along with other associated project scope and cost increases.
	(Under) / Overspend in Q4	0	
	Outturn	13,850	
East Aston RIS	Previous Budget at Q3	2,000	East Aston Regional Investment Site - Advanced Manufacturing Hub (AMH). Programme of land acquisition, demolitions, remediation and site assembly to enable developers to relocate to a strategically important manufacturing site.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(1,375)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	648	Accelerated expenditure relating to acquisition of land, demolition and remediation costs.
	(Under) / Overspend in Q4	1,182	For this project there is a collaboration agreement with the Homes & Communities Agency to share in land disposal receipts in the East Aston RIS area. The spend relates to BCC paying the HCA their share of the proceeds of an old BCC plot of land and is fully funded by capital receipts.
	Outturn	2,455	
Unlocking Housing Sites	Previous Budget at Q3	3,000	Project for providing grants and/or loans to property developers to unlock sites with problems which make them uneconomical to develop. This project is demand led.
	New resources in Q4		
	<i>Previously Reported Variance</i>	(93)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(1,076)	This grant programme provides funding where housing projects have a viability/profitability gap. There is a due diligence process which requires projects to be appraised and approved before grants and construction commences. Although the programme is fully committed, the profile of the spend will tend to be towards the end of the programme in 2019.
	(Under) / Overspend in Q4	0	
	Outturn	1,831	

ECONOMY DIRECTORATE - REGENERATION		2017/18 £'000	Project Officer Narratives
Life Sciences	Previous Budget at Q3	0	Development of a new Biomedical Innovation Hub within the Birmingham Research Park Campus as a focal point and incubation facility for companies within the Biomedical/Life Sciences sectors by providing access to state of the art facilities and laboratories for new, small and early stage companies.
	New resources in Q4	1,670	Development of a new Biomedical Innovation Hub within the Birmingham Research Park Campus funded by Capital Receipts and approved by Cabinet in October 2013.
	<i>Previously Reported</i>	0	
	(slippage) /acceleration at	0	
	(Under) / Overspend in Q4	0	
	Outturn	1,670	

ECONOMY DIRECTORATE - EMPLOYMENT & SKILLS		2017/18 £'000	Project Officer Narratives
National College for High Speed Rail	Previous Budget at Q3	8,520	Construction of a new building that will serve as the operational training headquarters for High Speed Rail College at Birmingham.
	New resources in Q4	0	
	Previously Reported Variance	(3,502)	Reported in previous Quarterly Monitoring Reports
	(slippage) /acceleration at Q4	(202)	Having successfully opened in August 2017 the build cost came in under budget at around £0.200m. A number of desired works identified in the original specification could however not be completed before the funding cessation date of 31st March 2018. As a result an extension of funding is now being sought from the GBSLEP into 2018./19 to progress these works at a cost of £0.077m.
	(Under) / Overspend in Q4	0	
	Outturn	4,816	
ERDF Business Growth & Property investment	Previous Budget at Q3	5,153	ERDF Business Support Programmes comprises two projects - Business Growth Programme and Property Investment Programme to provide grant assistance targeted at up to 576 existing small and medium enterprises.
	New resources in Q4	0	
	Previously Reported (slippage) /acceleration at Q4	(1,107)	The BGP programme provides capital and revenue grants to SME's to support business investment and job creation funded from ERDF grant. Expenditure cannot commence until the project is appraised, approved and offered.
	(Under) / Overspend in Q4	0	
	Outturn	4,046	

ECONOMY DIRECTORATE - TRANSPORTATION		2017/18 £'000	Project Officer Narratives
Inner Ring Road schemes - Ashted Circus	Previous Budget at Q3	2,030	Ashted Circus - projects to reduce congestion on the Inner Ring Road.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(488)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	211	Forecast has been exceeded due to bringing forward some landscaping works. The LEP has actively encouraged accelerated grant drawdown from next financial year into this financial year which will fund this accelerated spend.
	(Under) / Overspend in Q4	0	
	Outturn	1,753	
Longbridge Connectivity	Previous Budget at Q3	2,856	A number of schemes at Longbridge to improve traffic management and accessibility for pedestrians and cyclists.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(806)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(207)	Delays on completion of statutory undertakers works due to unforeseen ground conditions which has led to subsequent delays on the Civil Works Programme.
	(Under) / Overspend in Q4	0	
	Outturn	1,843	
Journey Reliability	Previous Budget at Q3	1,349	Minor schemes comprising Journey Reliability; Peddimore Improvement Works; Heartlands Spine Road; Selly Oak New Road and other minor schemes <£0.100m.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(342)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	7	
	(Under) / Overspend in Q4	0	
	Outturn	1,014	

ECONOMY DIRECTORATE - TRANSPORTATION		2017/18 £'000	Project Officer Narratives
Holloway Circus	Previous Budget at Q3	1,759	Project to reduce congestion on the Inner Ring Road
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(1,059)	
	(slippage) /acceleration at Q4	1,098	Works are progressing well and ahead of programme. Funds from the Integrated Transport Block grant and Enterprise Zones totalling £0.775m and £0.324m respectively will need to be brought forward from 2018/19 to cover the 2017/18 overspend.
	(Under) / Overspend in Q4	0	
	Outturn	1,798	
Clean Air & Hydrogen Buses	Previous Budget at Q3	4,540	Clear Air Hydrogen Bus Pilot to ascertain the commercial viability of refuelling and operating hydrogen buses to contribute towards the zero emission impact required for Birmingham to achieve air quality compliance.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(3,050)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(490)	The Office for Low Emission Vehicles (OLEV) approved late slippage of £0.490m on the basis that £1m of grant for hydrogen infrastructure would be defrayed, but hydrogen buses procurement was delayed due to future bus operator negotiations.
	(Under) / Overspend in Q4	0	
	Outturn	1,000	

ECONOMY DIRECTORATE - HIGHWAYS		2017/18 £'000	Project Officer Narratives
Network Integrity	Previous Budget at Q3	4,071	The Network Integrity and Efficiency programme is made up of relatively small value schemes to enhance and protect the highway network and support the localism agenda through measures to address local transport issues identified at ward level. This is all funded by the Integrated Transport Block grant. It also includes a holding budget of ITB resources for funding the various schemes including Ward Minor Transport Measures above.
	New resources in Q4	0	
	<i>Previously Reported Variance</i>	(71)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(360)	Minor slippage of <£0.100m over a number of schemes.
	(Under) / Overspend in Q4	35	Minor variation.
	Outturn	3,675	

FINANCE & GOVERNANCE DIRECTORATE		2017/18 £'000	Project Officer Narratives
Gateway / Grand Central Residual Costs	Previous Budget at Q3	1,000	
	New resources in Q4	0	
	Previously Reported Variance	500	Reported in previous Quarterly Monitoring Reports
	(slippage) /acceleration at Q4	751	The increase in cost over forecast is attributable to the timing of compensation settlement with claimants which are commercial issues that are outside of the City Council's direct control and higher than anticipated professional fees being incurred in defending the City Council's position in respect of a significant on-going compensation claim.
	(Under) / Overspend in Q4	0	
	Outturn	2,251	
Capital Loans & Equity	Previous Budget at Q3	36,600	Capital Equity Investments.
	New resources in Q4	0	
	Previously Reported Variance	(2,600)	Reported in previous Quarterly Monitoring Reports
	(slippage) /acceleration at Q4	0	
	(Under) / Overspend in Q4	0	
	Outturn	34,000	
Commonwealth Games Preliminary Costs	Previous Budget at Q3	5,800	Commonwealth Games - acquisition of land.
	New resources in Q4	0	
	Previously Reported Variance	0	
	(slippage) /acceleration at Q4	(5,033)	Slippage due to ongoing negotiations to finalise valuation of land to be acquired including assessment of site conditions
	(Under) / Overspend in Q4	0	
	Outturn	767	

STRATEGIC SERVICES DIRECTORATE		2017/18 £'000	Project Officer Narratives
Corporate ICT Investment	Previous Budget at Q3	13,198	A ten year programme for enhancements to the Core ICT across Birmingham City Council made up of various projects including replacement servers, infrastructure and enhancements to software.
	New resources in Q4	0	
	Previously Reported Variance	(9,203)	<i>Reported in previous Quarterly Monitoring Reports</i>
	(slippage) /acceleration at Q4	(1,659)	Spend on the Corporate Investment Plan has been put on hold whilst BCC have been in negotiations with Capita with regards the ceasing of the Service Birmingham Joint Venture. This was approved by Cabinet in December 2017. Since then, BCC have been putting together a transition programme to reflect the new arrangements required for the future. This is going to Cabinet on 27th March after which date spend will resume.
	(Under) / Overspend in Q4	169	
	Outturn	2,505	

CAPITAL OUTTURN 2017/18 - HIGH LEVEL CEP					Annex 3
	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
<u>Adult Social Care & Health Directorate</u>					
Property Schemes	2,052	887	(1,165)	(1,902)	737
IT Schemes	565	13	(552)	(546)	(6)
Adults Carefirst Replacement Scheme	944	331	(613)	(551)	(62)
Improvements to Social Care Delivery	2,736	2,063	(673)	(907)	234
Independent Living	4,604	4,306	(298)	0	(298)
Total Adult Social Care & Health Directorate	10,901	7,600	(3,301)	(3,906)	605
<u>Children, Young People & Families Directorate</u>					
Aiming Higher for Disabled Children	183	183	0	0	0
Devolved Capital Allocation to Schools	2,804	1,945	(859)	0	(859)
Schools Condition Allowance	19,447	16,380	(3,067)	(2,953)	(114)
Basic Needs / Additional Primary Places	38,642	26,079	(12,563)	(13,600)	1,037
Early Years	2,773	702	(2,071)	(1,300)	(771)
IT Investment	1,989	637	(1,352)	(1,118)	(234)
Other minor schemes	52	1	(51)	0	(51)
Total Children, Young People & Families	65,890	45,927	(19,963)	(18,971)	(992)

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
<u>PLACE DIRECTORATE</u>					
Other - General Fund					
Sport - Swimming Pool Facilities	10,398	10,562	164	164	0
Waste Management Services	5,387	1,844	(3,543)	(2,730)	(813)
Parks	5,395	2,732	(2,663)	(2,766)	103
Bereavement Services	5,636	5,271	(365)	0	(365)
Markets	5,088	3,533	(1,555)	(342)	(1,213)
Community Initiatives	392	0	(392)	(392)	0
Regulation & Enforcement	368	215	(153)	(361)	208
Highways - Land Drainage & Flood Defence	1,176	41	(1,135)	(1,090)	(45)
Adult Education & Youth	758	546	(212)	0	(212)
Strategic Libraries	570	330	(240)	0	(240)
Museums & Arts	0	54	54	0	54
Community Libraries	1,482	479	(1,003)	(1,105)	102
Community Development & Play	48	15	(33)	(28)	(5)
Community Chest	1	0	(1)	0	(1)
Neighbourhood & Community Services Other	6	8	2	0	2
Other Services	0	0	0	0	0
Total Place Other GF	36,705	25,630	(11,075)	(8,650)	(2,425)

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
Private Sector Housing					
Empty Homes	550	225	(325)	0	(325)
Housing Related Loans	36,584	8,889	(27,695)	(17,580)	(10,115)
Housing Options	12,868	3,100	(9,768)	(7,500)	(2,268)
Other Programmes	15	15	0	0	0
Total Private Sector Housing GF	50,017	12,229	(37,788)	(25,080)	(12,708)
HRA					
Housing Improvement Programme	58,439	62,763	4,324	6,468	(2,144)
Redevelopment	63,282	43,827	(19,455)	(13,646)	(5,809)
Other Programmes	4,880	6,827	1,947	752	1,195
Total HRA	126,601	113,417	(13,184)	(6,426)	(6,758)
Total Place Directorate	213,323	151,276	(62,047)	(40,156)	(21,891)

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
<u>ECONOMY DIRECTORATE</u>					
<u>Planning & Regeneration Schemes</u>					
Major Projects					
Enterprise Zone - Paradise Circus	18,771	13,850	(4,921)	0	(4,921)
Enterprise Zone - Site Development & Access	2,500	0	(2,500)	(2,500)	0
Enterprise Zone - Southside Links	86	114	28	(71)	99
EZ Phase II - HS2 Site Enabling	1,000	0	(1,000)	(1,000)	0
Jewellery Quarter Cemetery	1,184	5	(1,179)	(1,134)	(45)
Unlocking Housing Sites	3,000	1,831	(1,169)	(93)	(1,076)
East Aston RIS	1,826	2,280	454	(1,375)	1,829
Life Sciences	3,108	2,135	(973)	(1,023)	50
Other	207	180	(27)	0	(27)
Public Realm					
Metro Centenary Square	7,774	7,223	(551)	(1,000)	449
Making the Connection	284	111	(173)	(81)	(92)
Longbridge	1,359	181	(1,178)	(1,160)	(18)
Other	610	326	(284)	(299)	15

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
Infrastructure					
One Station	251	7	(244)	(251)	7
A34 Corridor - Perry Barr	200	154	(46)	(200)	154
Other	4	16	12	0	12
Planning - Other	164	107	(57)	0	(57)
Total Planning & Regeneration Projects	42,328	28,520	(13,808)	(10,187)	(3,621)
Employment & Skills					
National College for HS2	8,520	4,816	(3,704)	(3,502)	(202)
ERDF Business Growth & Property Investment	5,153	4,046	(1,107)	0	(1,107)
Total Employment & Skills	13,673	8,862	(4,811)	(3,502)	(1,309)
Highways Programme					
Safer Routes to Schools	517	326	(191)	(200)	9
Section 106 & S278 Schemes	73	107	34	(51)	85
Network Integrity	4,071	3,675	(396)	(71)	(325)
Road Safety	692	290	(402)	(353)	(49)
Other minor schemes	346	198	(148)	(198)	50
Total Highways	5,699	4,596	(1,103)	(873)	(230)

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
<u>Transportation</u>					
Major Projects					
Ashted Circus	2,030	1,753	(277)	(488)	211
Metro Extension	6,493	6,497	4	(110)	114
Iron Lane	2,050	167	(1,883)	(1,950)	67
Minworth Unlocking	791	791	0	0	0
Battery Way Extension	656	563	(93)	(196)	103
Longbridge Connectivity	2,856	1,843	(1,013)	(806)	(207)
A457 Dudley Road	300	64	(236)	(100)	(136)
Peddimore	330	251	(79)	(80)	1
Journey Reliability	477	444	(33)	(342)	309
Tame Valley	614	78	(536)	(450)	(86)
Selly Oak New Road Phase 1B	240	241	1	(10)	11
Wharfdale Bridge	75	24	(51)	(50)	(1)
Snow Hill Station	218	280	62	0	62
Other	576	721	145	472	(327)

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
Inclusive & Sustainable Growth					
Holloway Circus	1,759	1,798	39	(1,059)	1,098
Bromford Gyratory	569	558	(11)	0	(11)
Southside / Hurst Street	952	464	(488)	(382)	(106)
Clean Air & Hydrogen Buses	4,540	1,000	(3,540)	(3,050)	(490)
Journey Reliability	872	570	(302)	0	(302)
Other	2,324	937	(1,387)	(1,360)	(27)
Walking & Cycling	12,897	7,685	(5,212)	(4,916)	(296)
Local Measures	9	13	4	0	4
Infrastructure Development	590	562	(28)	(60)	32
Section 106 / 278	556	573	17	(14)	31
Funding to be Allocated	351	0	(351)	(317)	(34)
Total Transportation	43,125	27,877	(15,248)	(15,268)	20
Birmingham Property Services					
Access to Buildings	231	0	(231)	(231)	0
Attwood Green Projects	449	209	(240)	(216)	(24)
Red Rose Shopping Centre	543	0	(543)	(543)	0
Arena Central	1,364	115	(1,249)	(1,249)	0
Council House Complex - Development Costs	370	324	(46)	0	(46)
NEC Wholly Owned Company	29,800	29,635	(165)	0	(165)
Other	346	(44)	(390)	0	(390)
Total Birmingham Property Services Projects	33,103	30,239	(2,864)	(2,239)	(625)
Total Economy Directorate	137,928	100,094	(37,834)	(32,069)	(5,765)

	2017/18	2017/18	2017/18	2017/18	2017/18
	Qtr 4 Revised Budget	Outturn	Variance	Previously Reported Variance	Further Variance at Outturn
	£'000's	£'000's	£'000's	£'000's	£'000's
<u>Finance & Governance Directorate</u>					
Revenue Reform Projects	40,599	17,488	(23,111)	(23,195)	84
Gateway / Grand Central Residual Costs	1,000	2,251	1,251	500	751
Corporate Resources	104	133	29	65	(36)
IT Projects	0	0	0	118	(118)
Digital Birmingham	0	0	0	(3)	3
Capital Loans & Equity Funds	30,187	34,000	3,813	(2,600)	6,413
SAP New Developments	1,120	147	(973)	(972)	(1)
Commonwealth Games Preliminary Costs	5,800	767	(5,033)	0	(5,033)
Total Finance & Governance Directorate	78,810	54,786	(24,024)	(26,087)	2,063
<u>Strategic Services Directorate</u>					
Corporate ICT Investment	13,019	2,505	(10,514)	(9,203)	(1,311)
Total Strategic Services Directorate	13,019	2,505	(10,514)	(9,203)	(1,311)
TOTAL CAPITAL PROGRAMME	519,871	362,188	(157,683)	(130,392)	(27,291)

TREASURY MANAGEMENT ANNUAL REPORT**1. Outline**

This report reviews the results of the full financial year as well as providing quarter 4 monitoring information in line with normal quarterly management reporting. The most significant elements of treasury management activity during 2017/18 were:

- At 31st March 2018, the Council's total loan debt net of treasury investments stood at £3,301.4m, compared to the net loan debt of £3,064.8m as at 31st March 2017.
- The increase in loan debt is largely due to additional borrowing for a 3-year advance payment in pension fund contributions made in April 2017.
- City Council treasury investments held at 31st March 2018 were £85.9m. The Council also held investments of £76.4m as accountable body.
- The City Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.
- Loan interest, repayment charges and associated costs totalled £200.1m gross, and (£77.7m) after recharges to other services. This was £105.6m below the budget of £27.9m. This was due largely to a one-off saving from the reprofiling of MRP charges of £98.3m, which was approved with the Council Plan and Budget 2018+.

2. Background

- 2.1 The City Council, like all local authorities, is permitted by government to finance capital investment and day to day cash flows from borrowing, in accordance with the prudential borrowing system. The Council's net loan debt at 31st March 2018 stood at £3,301.4m (excluding accountable body investments). This report reviews how the debt and associated investments were managed during the financial year 2017/18.
- 2.2 The City Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services which includes the requirement to present a treasury management Annual Report. CIPFA recently revised the Treasury Management Code in December 2017, and the full effect of this will be reflected in 2018/19 reporting.
- 2.3 Loans and investments are shown at nominal value unless otherwise indicated, consistent with budget and monitoring reports and the Prudential Indicators. The basis of accounting in the Financial Accounts is different in some cases where required by proper accounting practices.

3. The objective of treasury management

- 3.1 CIPFA defines the objective of Treasury Management as "the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". In balancing risk against return, Local Authorities should be more concerned to avoid risks than to maximise return. In particular, this requires a balance to be struck when borrowing between:
 - a) The security offered by long term fixed rate funding;
 - b) The expected cost of short term and variable rate funding, compared with long term funding

Similarly, when investing surplus funds the emphasis should be on the security of capital invested rather than maximising the rate of return.

4. Financial markets during 2017/18

- 4.1 In 2017/18 the UK economy showed signs of slowing, but the latest statistics show that this was far better than anticipated by many forecasts following the EU referendum in June 2016. The fall in sterling associated with the referendum result was beneficial to UK exports. Sterling has remained around 15% to 20% below its pre-referendum peak. Political and economic uncertainty remains, following the surprise General Election in June 2017 and the continuing lack of clarity on Brexit.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017, which was significant in that it was the first rate increase in ten years. However it was a reversal of the cut of 0.25% made in August 2016 following the referendum result. That increase resulted in higher money market rates. Market expectations have priced in a further 0.25% from May 2018 (and another 0.25% late in the financial year), which have impacted short-term borrowing levels, which also firmed significantly around year end as usual.

The change in sentiment in the outlook for interest rates led to significant volatility in UK Gilt yields, with lows in June and higher by the end of the financial year. The impact can be seen in the PWLB borrowing rates available to local authorities (see chart at Annex 1).

- 4.2 Credit risks for the Council's investments remained relatively stable during the year, reflecting continued recovery from the worst of the credit crunch.

5. Treasury strategy and activities during the year

- 5.1 The City Council's actual net loan debt at 31st March 2018 was £3,301.4m compared to the expected net loan debt at the time of the Original Budget in March 2017 of £3,787.4m. This is due to slippage in the capital expenditure and other cashflow movements across the Council. New long term loans taken amounted to £157.2m compared to the original assumption of £500.0m new long term borrowing. The lower than planned level of long term borrowing is due to the lower overall borrowing requirement.

- 5.2 The treasury strategy for the year:

- Maintained a balanced strategy which enabled the Council to benefit from current low short term interest rates, maintaining a significant short term and variable rate loan portfolio
- Acknowledged the risk that maintaining a significant short term and variable rate loan debt may result in increasing borrowing costs in the longer term, but balanced this against the savings arising from cheaper variable rates in the short term
- Reviewed treasury management activity in the context of the Council's current financial position together with the outlook for interest rates
- Continuously reviewed the advantages and disadvantages of different sources of borrowing.

- 5.3 Opportunities to improve risk management or make savings by prematurely repaying loans are kept under review. No loans were prematurely repaid during 2017/18.

- 5.4 The City Council's Treasury Strategy in recent years has sought to maintain a significant exposure to short-term and variable-rate borrowing in order to take advantage of cheaper short-term rates at around bank base rate. The variable and short term borrowing of £547.2m at 31st March 2017 (see Table 7.1) was

borrowed at an average rate of 0.65%. By borrowing the £547.2m short-term, savings were generated of £4.65m per annum compared with longer term borrowing rates. However, in order to manage the uncertain interest cost of short term borrowing, the short term debt portfolio size was kept broadly in line with the indicative £500m in the Strategy for the year.

- 5.5 The majority of the Council's borrowing needs during the year were met from short term borrowing, minimising interest costs. £157.2m of long term fixed rate borrowing was taken during the year, from a range of sources and from 2 years to 24 years maturity, at interest rates from 0.70% to 2.56% and averaging 1.5% (details are provided at Annex 2).
- 5.6 HRA loan debt is accounted for separately in accordance with the two pool debt system, which the City Council introduced following the reform of Housing Subsidy. The level of HRA loan debt has decreased from £1,123.0m to £1,090.2m, taking account new capital investment and HRA debt repayment provision (or MRP) in the year. No long term loans were taken for the HRA during the year, in order to maintain prudent exposure for the HRA to cheaper short term interest rates.

6. Investment management

- 6.1 Under the current treasury strategy, a working balance of around £40m short term investments is targeted in order to provide liquidity to meet cash flow fluctuations.
- 6.2 Treasury Investments are made in accordance with the creditworthiness criteria in the Treasury Management Policy and are also reported to Cabinet as part of the quarterly capital monitoring reports in line with the liquidity management objective for investments. Lending has continued to be limited to very short periods (of no longer than three months) to the institutions within the Treasury Management Policy's criteria. A range of information has been used to assess investment risk, in addition to credit ratings. Regular meetings are held to review outstanding investments and criteria for new investments in the light of developments in market conditions. None of the City Council's treasury investments has been impaired or suffered default.
- 6.3 Actual investments are reported quarterly to Cabinet as part of accountability for decisions made under treasury management delegations. Annex 3.1 lists all investments made during Quarter 4 of 2017/18 for the City Council.
- 6.4 Investments outstanding at 31st March 2018 are summarised as follows.

Period Outstanding	Value Invested £m	Average Interest Rate %
Instant Access	85.93	0.43%
Fixed Overnight	0.00	0.00%
Up to 3 months	0.00	0.00%
3 to 6 months	0.00	0.00%
Total	85.93	-

- 6.5 The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July 2017, and existing funds will have to be compliant by no later than 21st January 2019. As such the MMFs used during 2017/18 still maintained a Constant Net Asset Value (CNAV), but are expected to convert to the new Low Volatility Net Asset Value (LVNAV) structure during 2018/19.
- 6.6 The rules for UK banks' ring-fencing were finalised during 2017/18 by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. Barclays, the bank used by the Council for its day-to-day banking transactions, was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank. Standard & Poor's (S&P) upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.
- 6.7 The Council also continues to manage substantial funds as Accountable Body for an increasing number of Government programmes: the Growing Places Fund, the Regional Growth Fund and the Advanced Manufacturing Supply Chain Initiative (AMSCI). These funds are managed by the City Council but are not the Council's own money. The unspent balance of the funds at 31st March 2018 was £76.4m as set out in Annex 3.2. These funds are being invested in accordance with the Accountable Body agreements in very low-risk deposits with the UK Government (predominantly in the DMADF and Treasury Bills).

7. **Debt profile**

- 7.1 Long term borrowing is taken at a range of maturities to ensure that debt maturing in any year does not generally exceed 10% of total external debt, and that short-term/variable rate debt does not exceed the limit of 30% set in the City Council's prudential indicators (full maturity profile at Annex 4). This ensures that the Council is not overly exposed to the risk of high refinancing costs in any year. The following table summarises how the maturity profile of the Council's debt changed within the year.

Debt Profile (General Fund and HRA combined)	31.03.17	31.03.18	Average Interest
			Payable in 2017/18
	£m	£m	%
Fixed rate over 40 years	430.0	370.0	3.8
Fixed rate 20 to 40 years	1,189.7	1,212.3	4.7
Fixed rate 10 to 20 years	654.4	734.3	5.9
Fixed rate 5 to 10 years	270.3	283.3	5.3
Fixed rate 1 to 5 years	146.0	191.9	5.3
Fixed < 1 year (note 1)	45.0	48.3	3.3
Variable and short term	358.7	547.2	0.7
Gross Debt	3,094.1	3,387.3	
Investments < 1 year	(29.3)	(85.9)	0.4
Net Debt	3,064.8	3,301.4	

Nominal value of debt and excluding accruals; LOBO loans at final maturity

The average interest rate paid on all the City Council's debt in 2017/18 was 4.33%. This includes the cost of historic debt taken when fixed interest rates were higher.

The average maturity profile of 20.4 years assumes that Lender's Option Borrower's Option (LOBO) loans are repaid at their final maturity date. A full maturity profile at 31st March 2018 compared to 31st March 2017 is given in Annex 4.

At 31st March 2018 the debt portfolio included £162.3m LOBOs, less than 5% of the total portfolio. No LOBO loans have had their options called by the lenders since the arrangements were entered into, and given the current and forecast interest rate environment it is considered to be a very low risk that this will take place.

- 7.2 At 31st March 2018, the gross loan debt of the HRA and General Fund pools is summarised by maturity as follows:

Debt Profile	31.03.18	31.03.18	31.03.18
	HRA	GF	TOTAL
	£m	£m	£m
Fixed rate over 40 years	220.8	149.2	370.0
Fixed rate 20 to 40 years	520.0	692.3	1,212.3
Fixed rate 10 to 20 years	142.7	591.6	734.3
Fixed rate 5 to 10 years	49.4	233.9	283.3
Fixed rate 1 to 5 years	52.5	139.4	191.9
Fixed < 1 year	16.1	32.2	48.3
Variable and short term	88.7	458.5	547.2
Total Debt	1,090.2	2,297.1	3,387.3

Note: LOBO loans shown at final maturity

The Council's short term loan debt at 31 March 2018 is more balanced between the General Fund and the HRA than in previous years. The loans attributed to

the HRA at the Reform in April 2012 were all long term loans, but no additional long term borrowing has been taken for the HRA during the year, in order to maximise the HRA's exposure to cheaper short term interest rates.

8. Revenue cost of borrowing

- 8.1 The actual net cost of borrowing to corporate treasury budgets was (£77.7m). This is £105.6m below the budget, due largely to the one-off saving of £98.3m arising from a backdated reprofiling of MRP charges for debt repayment (approved by City Council in March 2018). The Treasury Management outturn is summarised in the table below:

	Budget £'m	Actual £'m	Variation £'m	Narrative
Gross interest payable	142.5	135.9	(6.6)	Interest savings arising mainly from lower than budgeted interest rates and improved cashflows
Interest receivable	(0.1)	(0.3)	(0.2)	
Revenue charge for debt repayment	148.4	63.2	(85.2)	One-off reduction in debt repayment provision due to reprofiling of MRP (£98.3m) partially offset by increased HRA debt repayment (£13.1m)
Early payment discount - Pension	(3.0)	(3.0)	0.0	
Contributions to (from) reserves	2.8	2.8	0.0	
Other Costs	(0.1)	1.5	1.6	
Total Treasury Management Budget	290.5	200.1	(90.4)	
<i>Less recharges to:</i>				
HRA	(76.4)	(89.4)	(13.0)	Largely due to a service decision to increase debt repayment from £24.8m to £37.9m
Other Services	(186.2)	(188.5)	(2.3)	
Net Corporate Treasury	27.9	(77.7)	(105.6)	

9. Prudential Indicators

- 9.1 The City Council is required under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities to set various prudential indicators and limits covering capital finance and treasury management. The outturn position against the Council's approved prudential indicators are attached at Annex 5 and 6. The City Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.
- 9.2 CIPFA revised the Prudential Indicators with effect from 2018/19, and future monitoring will be carried out in accordance with the revised indicators.

10. Risk management and performance

- 10.1 Risk management is at the centre of treasury performance and monitoring. The City Council has adopted the CIPFA Treasury Management Code's policy

recommendation that “the successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of its treasury management activities will be measured.”

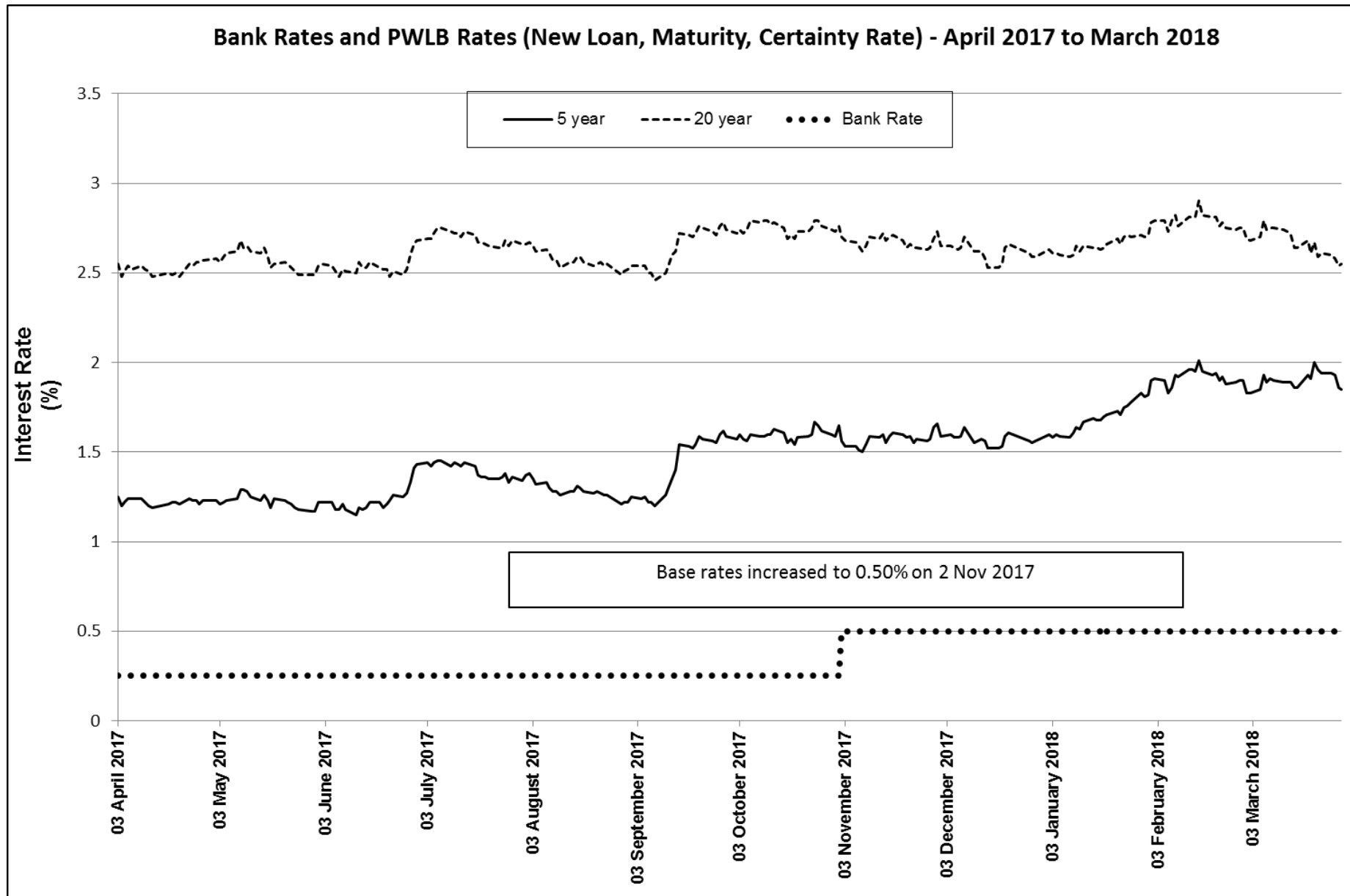
- 10.2 There is no single quantitative measure which summarises the management of the different types of treasury risk and their financial impact. Key reporting and review processes include:
- Quarterly monitoring reports to Cabinet provide an overview of key treasury decisions and indicators.
 - The adequacy of risk control arrangements are tested regularly by internal and external audit.
 - The City Council’s Treasury Management Policy and Strategy sets out policies, limits and strategies for managing treasury risks, which have been reviewed throughout this report.

Headline indicators include:

Has the Council complied with the CIPFA Treasury Management Code?	YES
Were the Council’s lending criteria complied with during the year?	YES
Did any treasury investments default in the year?	NO
Were the Council’s treasury prudential limits complied with?	YES
Were revenue costs kept within budget?	YES

11. Decisions taken under treasury management delegations

- 11.1 Each quarter, decisions taken by the Corporate Director of Finance and Governance and the treasury management team are reported to Cabinet as part of Capital and treasury monitoring. Long term borrowing decisions during Quarter 4 are included in Annex 2, and investment activity during Quarter 4 is reported at Annex 3 below.
- 11.2 During the quarter, revised terms were agreed under investment delegations with Millennium Point Property Ltd (MPPL) relating to the Council’s existing loan to the company, of which £11.6m remains outstanding. MPPL own Millennium Point which houses Thinktank, the Council’s science museum collection. The loan agreement enables the company to repay the loan at any time. The relevant market rates are now substantially lower than when the loan was agreed, and a reduction in the interest rate from 5.81% to 3.2% has been agreed, along with a revised repayment profile which brings forward full repayment from 2031 to 2028. The alternative was that MPPL repaid the loan, with loss of all the interest income. The reduction of around £300,000 in annual interest will be a cost to the Finance and Governance / Economy portfolios.



1st April 2017 - 31st March 2018

Annex 2

New Long Term Loans taken out during the year.

Date of loan	Loan	Counter Party	Interest Rate	Maturity Date
20 April 2017	£15m	Phoenix Life Limited	2.292%	20 April 2035
20 April 2017	£15m	Phoenix Life Limited	2.347%	20 April 2037
20 April 2017	£15m	Phoenix Life Limited	2.443%	20 April 2041
21 April 2017	£10m	Derbyshire County Council	0.80%	23 April 2019
28 April 2017	£5m	North Yorkshire County Council	0.80%	29 April 2019
28 April 2017	£2m	Rugby Borough Council	0.81%	30 April 2019
24 April 2017	£3m	Stevenage Borough Council	0.80%	24 April 2019
27 June 2017	£17.2m	PETPS (Birmingham) Pension Funding Scottish Limited Partnership	1.92%	31 July 2036
28 July 2017	£10m	Devon County Council	0.75%	29 July 2019
15 August 2017	£5m	Gloucester County Council	0.72%	15 August 2019
25 August 2017	£10m	Wandsworth Borough Council (London)	0.70%	27 August 2019
28 March 2018	£20m	PWLB	2.56%	28 March 2035
28 March 2018	£30m	PWLB	2.55%	28 March 2034

Long Term Loans prematurely repaid during the year.

Date of repayment	Loan/ (Repayment)	Counter Party	Interest Rate	Maturity Date	Premia/ (Discounts)
-------------------	----------------------	---------------	---------------	---------------	------------------------

No long term loans were prematurely repaid during the year.

Annex 3.1

Treasury Management Investment Details
1st January 2018 to 31st March 2018

New Investments Market Fixed Term Deposits

Date Out	Date In	Borrower	Amount £	Interest Rate
No fixed term deposits in this quarter				

In addition to the above deposits with individual institutions the Council uses money market funds and other call accounts where money may be added or withdrawn usually without notice. A summary of transactions for the quarter is as follows:

New Investments Call Accounts

	<u>No of Transactions</u>		Average Balance £	Average Rate Earned
	Investments	Withdrawals		
Barclays Bank PLC FIBCA A/C	25	22	6,763,850.20	0.30%
Svenska Handelsbanken	2	2	10,996,703.30	0.30%
HSBC	3	7	4,882,777.23	0.30%

New Investments Money Market Funds

	<u>No of Transactions</u>		Average Balance £	Average Rate Earned
	Investments	Withdrawals		
Aberdeen (SWIP)	1	2	55,555.56	0.38%
Amundi Money Market Fund	5	3	38,260,000.00	0.44%
Federated Money Market Fund	15	16	18,818,888.89	0.42%
CCLA	3	5	1,666,666.67	0.42%
Standard Life (Ignis) Sterling Liquidity	4	9	7,977,777.78	0.44%

Note

Investment activity in previous quarters has been reported in the relevant quarterly Capital & Treasury Monitoring to Cabinet. This appendix reports on the exercise of investment delegations to the Corporate Director of Finance & Governance in the last quarter of the financial year.

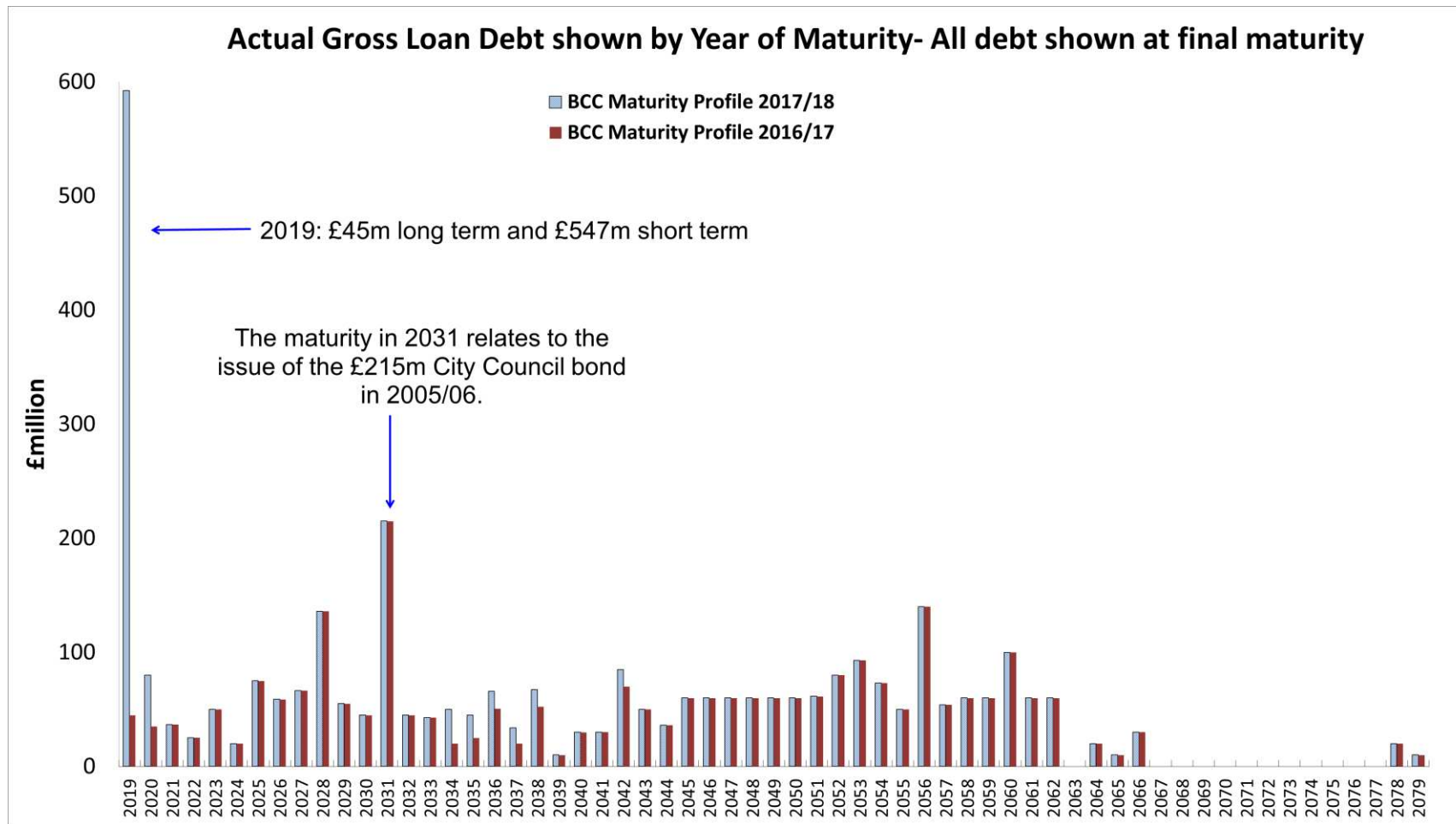
Annex 3.2

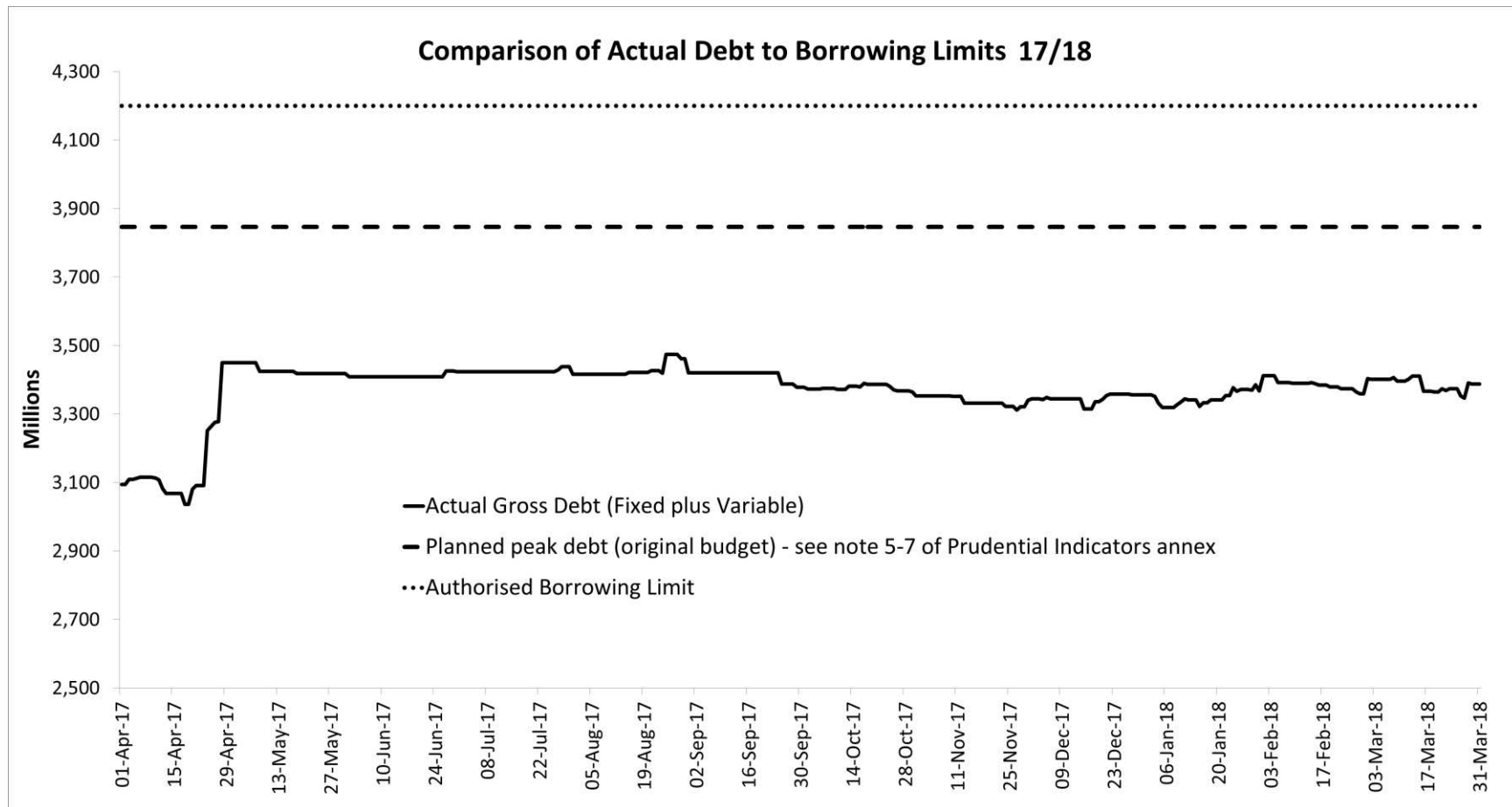
Accountable Body Investments - 31st March 2018

	Growing Places Fund	Advanced Manufacturing Supply Chain Initiative	Regional Growth Fund	Total
	£000	£000	£000	£000
Goldman Sachs Money Market Fund	2,886	4,677		7,563
JP Morgan Money Market Fund			1,504	1,504
Total Money Market Funds	2,886	4,677	1,504	9,067
Debt Management Office				0
Treasury Bills	43,370	23,989		67,359
Total Accountable Body investments	46,256	28,666	1,504	76,426

Note

This appendix shows amounts invested externally by the City Council as Accountable Body. These are separate from the Council's own investments.





Annex 6A

This appendix provides monitoring against the City Council's approved Prudential Indicators

DEBT AND PRUDENTIAL INDICATORS

WHOLE COUNCIL		17/18 Indicators £m	17/18 Outturn £m
Capital Finance			
1	Capital Expenditure - Capital Programme	464.2	362.2
2	Capital Expenditure - other long term liabilities	27.9	27.9
3	Capital expenditure	492.1	390.1
4	Capital Financing Requirement (CFR)	4,621.7	4,670.1
Planned Debt			
5	Peak loan debt in year	3,845.9	3,473.8
6	+ Other long term liabilities (peak in year)	471.0	472.4
7	= Peak debt in year	4,316.9	3,946.2
8	does peak debt exceed year 3 CFR?	no	no
Prudential limit for debt			
9	Gross loan debt	4,200.0	3,473.8
10	+ other long term liabilities	500.0	472.4
11	= Total debt	4,700.0	3,946.2

Notes

- 1 Forecast capital expenditure has increased since the indicator was set due to additions to the capital programme, as reported in the quarterly capital monitoring reports.
- 4 The Capital Financing Requirement represents the underlying level of borrowing needed to finance historic capital expenditure (after deducting debt repayment charges). This includes all elements of CFR including Transferred Debt.
- 5-7 These figures represent the forecast peak debt (which may not occur at the year end). The Prudential Code calls these indicators the Operational Boundary.
- 8 It would be a cause for concern if the City Council's loan debt exceeded the CFR, but this is not the case due to positive cashflows, reserves and balances. The Prudential Code calls this Borrowing and the capital financing requirement.
- 11 The Authorised limit for debt is the statutory debt limit. The City Council may not breach the limit it has set, so it includes allowance for uncertain cashflow movements and potential borrowing in advance for future needs.

Annex 6B

DEBT AND PRUDENTIAL INDICATORS

HOUSING REVENUE ACCOUNT		17/18	17/18
		Indicators	Outturn
		£m	£m
Capital Finance			
1	Capital expenditure	137.8	113.4
HRA Debt			
2	Capital Financing Requirement (CFR)	1,098.2	1,090.2
3	Statutory cap on HRA debt	1,150.4	1,150.4
Affordability			
4	HRA financing costs	96.5	101.8
5	HRA revenues	283.8	285.1
6	HRA financing costs as % of revenues	34.0%	35.7%
7	HRA debt : revenues	3.9	3.8
8	Forecast Housing debt per dwelling	£17,722	£17,678
9	Estimate of the incremental impact of new capital investment decisions on housing rents.	£0.00	£0.00
(expressed in terms of ave. weekly housing rent)			

Notes

- 2-3 The HRA Capital Financing Requirement (CFR) is being used by the Government as the measure of HRA debt for the purposes of establishing a cap on HRA borrowing for each English Housing authority.
- 4 Financing costs include interest and MRP (or depreciation in the HRA).
- 7 This indicator is not in the Prudential Code but is a key measure of long term sustainability. This measure is forecast to fall below 2.0 by 2026/27, which is two years later than previously forecast.
- 8 This indicator is not in the Prudential Code but is a key measure of affordability: the HRA debt per dwelling should not rise significantly over time.
- 9 The cost of borrowing for the Capital Programme represents the interest and repayment costs arising from any new prudential borrowing introduced in the capital programme since the last quarter, expressed in terms of an average weekly rent. The calculation excludes the cost of borrowing which is funded from additional income or savings. As all planned HRA borrowing is funded from additional income in this way, the impact is zero. The Prudential Code calls this the Estimate of the incremental impact of capital investment decisions on housing rents.

Annex 6C

DEBT AND PRUDENTIAL INDICATORS

GENERAL FUND		17/18	17/18
		Indicators	Outturn
		£m	£m
Capital Finance			
1	Capital expenditure (including other long term liabilities)	354.3	276.6
2	Capital Financing Requirement (CFR)	3,523.5	3,579.9
General Fund debt			
3	Peak loan debt in year	2,747.7	2,383.6
4	+ Other long term liabilities (peak in year)	471.0	472.4
5	= Peak General Fund debt in year	3,218.7	2,856.0
General Fund Affordability			
6	Total General Fund financing costs	265.6	161.1
7	General Fund net revenues	821.8	821.8
8	General Fund financing costs (% of net revenues)	32.3%	19.6%
9	Estimate of the incremental impact of new capital investment decisions on Council Tax.	£0.00	£0.00
Expressed in terms of Council Tax (Band D equiv)			
(impact already included in Council Tax increases assumed in LTFP)			

Note

- 4 Other long term liabilities include PFI, finance lease liabilities, and transferred debt liabilities.
- 6 Financing costs include interest and MRP (in the General Fund), for loan debt, transferred debt, PFI and finance leases.
- 8 This indicator includes the gross revenue cost of borrowing and other finance, including borrowing for the Enterprise Zone and other self-supported borrowing.
- 9 The incremental impact of new capital investment decisions represents the interest and repayment implications arising from any changes in forecast prudential borrowing in the capital programme since the last quarter, expressed in terms of Council Tax at Band D. Any implications are cumulative in later years as successive years' borrowing is added. Any impact has been funded within the Long Term Financial Plan and assumed Council Tax charges up to 2017/18. The calculation excludes the cost of borrowing which is funded from additional income or savings. At Quarter 1, all the changes in forecast prudential borrowing relate to self-funding projects, so there is no net incremental impact on Council Tax.

Annex 6D

PRUDENTIAL INDICATORS

TREASURY MANAGEMENT		17/18	17/18
		Indicators	Outturn
CIPFA Treasury Management Code			
1	Has the authority adopted the TM Code?	Yes	Yes
			Forecast
Interest rate exposures		Limit	Maximum
2	upper limit on fixed rate exposures	130%	91%
3	upper limit on variable rate exposures	30%	20%
Maturity structure of borrowing			Forecast
(lower limit and upper limit)		Limit	Year End
4	under 12 months	0% to 30%	20%
5	12 months to within 24 months	0% to 30%	2%
6	24 months to within 5 years	0% to 30%	3%
7	5 years to within 10 years	0% to 30%	11%
8	10 years to within 20 years	5% to 40%	20%
9	20 years to within 40 years	10% to 60%	36%
10	40 years and above	0% to 40%	7%
Investments longer than 364 days			
upper limit on amounts maturing in:			
		Limit	Forecast
11	1-2 years	200	0
12	2-3 years	100	0
13	3-5 years	100	0
14	later	0	0

Note

- 2-10 These indicators assume that LOBO loan options are exercised at the earliest possibility, and are calculated as a % of net loan debt.

HOUSING REVENUE ACCOUNT – FINANCIAL COMMENTARY 2017/18**1. Financial Background – 2017/18**

- 1.1. The HRA Self Financing Business Plan and Budget 2017+ formed a part of the overall Council Plan 2017+ that was approved at a full Council meeting on 28 February 2017 and this set out the long term financial strategy, asset management plans including new build, treasury management strategy, future rent projections and performance targets.
- 1.2. This HRA Self Financing Business Plan and Budget 2017+ established the budget strategy for 2017/18 and a balanced budget was approved for the financial year.

2. HRA Outturn 2017/18

- 2.1. An in-year break-even position was projected for the HRA (as reported to Cabinet as part of the monthly corporate revenue monitoring reports), maintaining the retained balance at £4.734m (including the minimum balance of £4.000m in accordance with previous External Audit recommendations).
- 2.2. The table below summarises the final approved budget for the year and compares this to the actual outturn (of a net in-year surplus of £0.082m) for all the key services.

Housing Revenue Account

	Revised Budget £'m	Actual Outturn £'m	Variation £'m
Rent Income/Recharge Income	(281.665)	(280.557)	1.108
Repairs	64.460	57.517	(6.943)
Local Housing Management Costs	69.692	66.678	(3.014)
Estate Services Costs	16.978	15.859	(1.119)
Revenue Funding of Capital (including MRR)	54.014	50.588	(3.426)
Capital Financing	51.691	51.933	0.242
Debt Repayment Provision	24.830	37.900	13.070
Net Position	0.000	(0.082)	(0.082)

- 2.3 The major variations during the year included:
 - Lower than budgeted net rental income, largely as a result of higher than budgeted numbers of properties sold to tenants exercising their Right to Buy (782 compared to a budget of 400)
 - Substantially lower than budgeted expenditure on repairs to Council dwellings, due mainly to reduced numbers of properties becoming void in the year (£2.979m) and lower than budgeted performance related payments to contractors (£4.141m)
 - Reduced local housing management and estate services costs, as a result of delayed equal pay payments (£2.748m) and a significant number of vacancies not filled as service redesigns are progressed.
 - Lower than budgeted revenue funding of capital investment, substantially due to greater than anticipated availability of capital receipts arising from Right to Buy sales (as noted above), resulting in a reduced reliance on revenue resources to support capital investment.

- 2.4 A debt repayment provision of £37.900m is proposed for 2017/18. This will reduce total HRA borrowing to £1.090bn at the year-end. This compares to a borrowing cap of £1.150bn. This strategy is proposed as this is considered the most financially efficient option for the HRA and maximises its capital financing flexibility. This also affords a future option for further new borrowing in the future at lower rates if this is necessary to support the capital expenditure programme.

3. Key Service Highlights for 2017/18

The following service achievements for 2017/18 should be noted:

3.1. Investment (further details are set out in the Capital Section of the Report)

- handover of a further 286 new affordable homes for rent under the BMHT programme
- completion of the programme for the replacement of windows, heating systems, rewires to continue the on-going maintenance of properties, benefitting more than 7,000 homes
- External funding of £4.785m secured substantially from Homes England (£4.753m)

3.2. Repairs Service

- the annual gas servicing programme was completed for all properties
- emergency repairs were completed in line with agreed timescales
- all responsive and right to repair jobs were undertaken or issued to repairs contractors for completion in line with agreed timescales
- all empty properties requiring repairs (where the property is to be relet) were completed or issued to repairs contractors for completion in line with agreed timescales

3.3. Local Housing and Estate Services

- year end current tenants arrears of £12.940m (or 4.7% of the total rent due) in line with the target
- delivery of key local estate services – night time security, caretaking, older peoples accommodation
- continuation of a low level of voids (626 at 31 March 2018 – equivalent to 1% of total dwellings) compared to a budget of 700 properties.

4. Housing Revenue Account Balances

- 4.1. The balances on the HRA are also accounted for separately and the position is set out in the table below.

	£'m
Balances at 31 March 2017	(4.734)
Surplus in year (see section 2.2 above)	(0.082)
Balances at 31 March 2018	(4.816)

COLLECTION FUND OUTTURN – 2017/18**1. Background**

- 1.1. The Council is required to establish and maintain a Collection Fund under the Local Government Finance Acts 1988 and 1992. The Fund accounts for the collection of Council Tax and Business Rates or National Non-Domestic Rates (NNDR) and the distribution of sums received to relevant authorities. These amounts are kept separate from the main activities of the Council which are accounted for in the General Fund. Transfers from the Collection Fund to the General Fund are made at a planned level and, therefore, if the actual position is better or worse than planned leading to a greater surplus/deficit than previously forecast, this will be rolled forward to be taken into account in the next budget setting round, which will be 2019/20 in this instance.

2. Council Tax**2.1. Council Tax Summary**

The Collection Fund position for 2017/18 applicable to the Council Tax element of the Fund is summarised below:

Table 1	£m	£m
Income:		
Council Tax Income due in 2017/18	(366.029)	
Adjustment to sums due for prior years	1.885	
Contribution to Bad Debt Provision	9.074	
Total Income		(355.070)
Budgeted Precepts 2017/18		
Birmingham City Council	313.597	
New Frankley in Birmingham Parish	0.046	
Sutton Coldfield Town Council	1.833	
West Midlands Police & Crime Commissioner	28.898	
West Midlands Fire and Rescue Authority	14.173	
Total Expenditure		358.547
2017/18 In Year Deficit		3.477
2016/17 Surplus b/fwd		(5.566)
Cumulative Council Tax Surplus c/fwd		(2.089)

- 2.2. The actual in-year deficit on the Council Tax element of the Collection Fund for 2017/18 was £3.5m. The cumulative balance brought forward from 2016/17 amounted to a surplus of £5.6m, giving a closing cumulative surplus at the end of 2017/18 of £2.1m.

2.3. A £2.3m cumulative surplus was forecast when setting the 2018/19 budget, resulting in a small deficit of £0.2m to be carried forward into future years. The make-up of this is summarised in table 2:

Table 2	£m	£m
Forecast Cumulative Surplus for 2017-18 Budget Setting		(2.258)
Decreased in year net growth after exemptions and discounts	1.320	
Improvement for reduced prior year adjustments	(1.151)	
		0.169
Cumulative Council Tax Surplus c/fwd		(2.089)

2.4. The Council's share of the surplus is £1.8m, which compares to a £2.0m surplus anticipated when the Council Tax for 2018/19 was set. This is a reduction of approximately £0.2m which will be taken into account when setting the budget for 2019/20. The allocation of the total accumulated surplus, from Council Tax at 31 March 2018 is outlined in Table 3:

Table 3	Forecast	Outturn	Variance
	£m	£m	£m
Council	(1.987)	(1.839)	0.148
Police & Crime Commissioner	(0.182)	(0.167)	0.015
Fire & Rescue Authority	(0.089)	(0.083)	0.006
Total Surplus	(2.258)	(2.089)	0.169

2.5. Council Tax Arrears

A summary of the Council Tax Arrears position for the end of 2017/18 is shown in Table 4.

Table 4	Prior Years	2017/18	Total
	£m	£m	£m
Balance b/f prior years	98.367		98.367
Adjustments	(1.885)		(1.885)
Due in year		366.029	366.029
Collected	(13.809)	(337.555)	(351.364)
Amounts Written Off	(11.578)	(0.107)	(11.685)
Credits Written On	1.105	0.006	1.111
Council Tax Arrears	72.200	28.373	100.573

A summary of the Council Tax Arrears position for 2017/18 compared with 2016/17 is shown in Table 5.

Table 5	31 March 2017	31 March 2018	Change
	£m	£m	£m
Council Tax Arrears Prior Years	71.456	72.200	0.744
Council Tax Arrears In Year	26.911	28.373	1.462
Council Tax Debtors	98.367	100.573	2.206

2.6. Provision for Doubtful Debts

The provision for bad and doubtful debts stands at £35.9m as at 31 March 2018, a slight decrease from the £37.4m set aside at the end of 2016/17. The 2017/18 year end provision is compared in Table 6 to the prior year:

Table 6	31 March 2017	31 March 2018	Change
	£m	£m	£m
Council Tax Arrears Debtors (Gross)	98.367	100.573	2.206
Less Provision for Bad or Doubtful Debts	(37.360)	(35.860)	1.500
Council Tax Debtors (Net)	61.007	64.713	3.706
Bad Debt Provision as % of Gross Debtors	38.0%	35.6%	-2.4%

During the year there has been a net amount of £10.6m written off relating to Council Tax debts (£11.7m debt write offs less £1.1m of credits written on) compared with £10.2m net write-offs in 2016-17. After making a further contribution to the provision for bad and doubtful debts of £9.1m in 2017/18, the overall provision has decreased by £1.5m.

2.7. Collection Performance

Set out below is the in-year collection performance for the past three years. This shows the in-year collection rates as reported to the Ministry for Housing Communities and Local Government (MHCLG) as required by the Final Quarterly Return for the Collection of Council Tax and Business Rates (QRC4).

The adjusted actual in year collection rate was 94.5% which includes adjustments as per QRC4 guidelines.

Table 7 shows the comparative prior year rates:

Table 7	Actual In Year Council Tax Collection Rates		
	2015/16	2016/17	2017/18
QRC4 Base	94.6%	94.6%	94.5%

The eventual collection rate for any year is expected to reach the estimated rate of 97.1% assumed when setting the budget. The Council will continue to collect outstanding debt in future years.

3. Business Rates - National Non-Domestic Rates (NNDR)

3.1. As of 1st April 2017 the Council has been part of a Business Rates Pilot for the local retention of 100% Business Rates. This means that the Council retains 99% of Business Rates income from 1st April 2017 with 1% being paid over to the West Midlands Fire & Rescue Authority. Prior to 1st April 2017 Business Rates was apportioned between Central Government (50%), The City Council (49%) and the West Midlands Fire & Rescue Authority (1%).

3.2. Business Rates Summary

The Collection Fund position for 2017/18 applicable to the Business Rates element of the Fund is summarised below:

Table 8	£m	£m	£m	£m
	Outside the EZ		Enterprise Zone (EZ)	
Business Rates Income due for 2017/18	(449.564)		(3.514)	
Adjustments for Prior Years	6.531		0.869	
Contribution to Appeals Provision	9.381		2.557	
		(433.652)		(0.088)
Contribution to Bad Debt Provision	9.038		0.053	
Cost Of Collection Allowance	1.893		-	
		10.931		0.053
Total Income		(422.721)		(0.035)
Expenditure:				
Budgeted Proportionate Shares 2017/18:				
Central Government	-		-	
Birmingham City Council	399.303		-	
West Midlands Fire and Rescue Authority	4.033		-	
Enterprise Zone	-		1.525	
Total Expenditure		403.336		1.525
2017/18 In Year Deficit/(Surplus)		(19.385)		1.490
2016/17 Deficit b/fwd	3.680		-	
Back Dated Appeals Spread Adjustment	-		-	
		3.680		-
Cumulative Business Rates Deficit/(Surplus) c/fwd		(15.705)		1.490

3.3. Excluding the Enterprise Zone (EZ) the actual in-year surplus on the Business Rates element of the Collection Fund for 2017/18 was £19.4m. The cumulative balance brought forward from 2016/17 amounted to a deficit of £3.7m. Therefore the closing position at the end of 2017/18 is a surplus of £15.7m. This is entirely due to the relatively low number of appeals lodged for the 2017/18 year as at 31st March 2018 following revaluation which came into effect on 1st April 2017. It is anticipated that this £15.7m will be required to be refunded in future years once Business Rates Appeals have been lodged. The Council has planned for this in its Council Plan and Budget 2018+.

3.4. A £14.4m cumulative surplus was forecast when setting the 2018/19 budget. There has therefore been an improvement of £1.3m (£15.7m less £14.4m) which will be carried forward and taken into account when setting the budget for 2019/20. This improvement is mainly due to a reduction in Business Rates Reliefs awarded compared with those that were anticipated when setting the budget for 2018/19.

3.5. The following table shows the proportionate shares of the 2017/18 Business Rates surplus compared with the forecast for the 2018/19 budget setting process:

Table 9:	Forecast	Outturn	(Improvement)/ Decline
	£m	£m	£m
Central Government (50% of 16/17 b/fwd)	1.840	1.840	0.000
Fire (1%)	(0.144)	(0.157)	(0.013)
BCC (49% of 16/17 b/fwd plus 99% of 17/18)	(16.116)	(17.388)	(1.272)
Total	(14.420)	(15.705)	(1.285)

3.6. Within the Enterprise Zone the actual in year income generated relating to Business Rates was £0.035m. This compares to £1.525m when the budget for 2017/18 was set resulting in a significant deficit of £1.490m. However, further compensatory grants are due into the General Fund of £1.262m for EZ related Business Rates Reliefs awarded during the year that Central Government have committed to fund.

3.7. Business Rates Arrears 2017/18

A summary of the Business Rates Arrears position for the end of 2017/18, including the element attributable to the Enterprise Zone, is shown in Table 10:

Table 10	Prior Years	2017-18	Total
	£m	£m	£m
NNDR Arrears b/fwd	95.232		95.232
Prior Year Adjustments/Net of Refunds	(7.400)		(7.400)
Due in year:			
Non EZ		449.564	449.564
Enterprise Zone (EZ)		3.514	3.514
Collected	(4.566)	(428.075)	(432.641)
Amounts Written Off	(11.117)	-	(11.117)
Credits Written On	1.864	0.024	1.888
Business Rates Arrears	74.013	25.027	99.040

A summary of the Business Rates Arrears position for 2017/18 compared with 2016/17 is shown in Table 11:

Table 11	31 March 2017	31 March 2018	Change
	£m	£m	£m
Business Rates Arrears Prior Years	72.017	74.013	1.996
Business Rates Arrears In Year	23.215	25.027	1.812
Business Rates Debtors	95.232	99.040	3.808

3.8. Provision for Doubtful Debts

The Business Rates Bad Debt provision has moved from £53.2m to £53.1m, a decrease of £0.1m. The 2017/18 year end provision is compared in Table 12 to the previous year:

Table 12	31 March 2017	31 March 2018	Change
	£m	£m	£m
Business Rates Arrears (Gross)	95.232	99.040	3.808
Less Provision for Bad or Doubtful Debts	(53.194)	(53.056)	0.138
Business Rates Debtors (Net)	42.038	45.984	3.946
Bad Debt Provision as % of Gross Debtors	55.9%	53.6%	(2.3%)

During the year there has been a net amount of £9.2m written off relating to Business Rates debts (£11.1m debt write offs less £1.9m of credits written on) compared with £10.7m net write-offs in 2016-17. After making a further contribution to the provision for bad and doubtful debts in 2017/18 of £9.1m, including £0.1m relating to the Enterprise Zone, the overall provision has decreased by £0.1m.

3.9. Collection Performance

For Business Rates the adjusted actual in year collection rate calculated was 97.1% (2016/17: 97.2%). This is the in-year collection rate as reported to the Ministry for Housing Communities and Local Government as required by the Final Quarterly Return for the Collection of Council Tax and Business Rates (QRC4) and is inclusive of allowable adjustments. Set out below is the QRC4 in-year collection performance for the past three years.

Table 13	Actual In Year Business Rates Collection Rates		
	2015/16	2016/17	2017/18
QRC4 Base	96.7%	97.2%	97.1%

The eventual collection rate for any year is expected to reach the estimated rate of 98.0% assumed when setting the budget. The Council will continue to collect outstanding debt in future years.