

# **CORPORATE REVENUE BUDGET MONITORING REPORT 2017/18 MONTH 4**

**(up to 31<sup>st</sup> July 2017)**

## **Section**

|           |  |           |
|-----------|--|-----------|
| <b>1.</b> | <b>Executive Summary.....</b>                                | <b>3</b>  |
| <b>2.</b> | <b>Detailed Revenue Commentaries by Directorate....</b>      | <b>5</b>  |
| <b>3.</b> | <b>Corporate Summary of the Savings Programme .....</b>      | <b>17</b> |
| <b>4.</b> | <b>Resource Allocations and Other Corporate Updates.....</b> | <b>18</b> |

## **Appendices**

|           |  |           |
|-----------|--|-----------|
| <b>1.</b> | <b>Financial Position analysed by Directorate.....</b> | <b>19</b> |
| <b>2.</b> | <b>Policy Contingency.....</b>                         | <b>21</b> |
| <b>3.</b> | <b>Overall Savings Programme .....</b>                 | <b>22</b> |
| <b>4.</b> | <b>Write offs.....</b>                                 | <b>25</b> |

**1. Executive Summary**

- 1.1 Birmingham City Council set its net revenue budget of £821.8m on 28<sup>th</sup> February 2017. This included a savings programme of £70.9m in 2017/18, growing to £171.4m in 2020/21. In addition there are savings from 2016/17 of £14.4m where delivery still needs to be monitored, including where they were met on a one-off basis. Total savings to be met in 2017/18 are therefore £85.3m.
- 1.2 At Month 4, a high level forecast projection indicates underspends of £2.3m in the base budget delivery and £18.0m of savings that are not fully achieved in 2017/18, giving a combined net pressure of £15.7m at year end on the budget of £821.8m. The overall position is summarised in Table 1 overleaf.
- 1.3 The net overspend of £15.7m is primarily related to the Future Operating Model (£15.7m), Children and Young People Directorate (£4.8m) and Place Directorate (£4.4m). These have been offset by planned mitigations from Budget Planning work of £4.0m and Corporate mitigations of £5.2m. The increase of £2.2m since Month 2 relates largely to pressures on Travel Assist and the Future Operating Model, offset by corporate mitigations.
- 1.4 There are small forecast overspends in Economy and Strategic Services Directorates of £0.6m and £0.5m respectively and a net underspend in Finance & Governance of £1.1m.
- 1.5 Adult Social Care and Health are forecasting a balanced position. Delays in delivering the savings can be partially mitigated by the application of one off funding from the Improved Better Care Fund (iBCF) and the residual challenge can be accommodated by underspends in the base budget.
- 1.6 It is recognised that this presents a major challenge to the Council and work is ongoing to address this. The position is receiving close scrutiny by the Corporate Leadership Team (CLT) and is being reported to Budget Board on a monthly basis and to Cabinet on a bi-monthly basis.
- 1.7 Further analysis of the Base Budget position can be seen in Appendix 1 and the Savings Programme in Appendix 3.
- 1.8 Section 2 of this report details the overall position on the Base Budget and Savings Programme by Directorate.
- 1.9 Section 3 of this report details the summary position on the Savings Programme.

**Table 1 - Summary forecast position of base budget and risks relating to savings programme**

| Directorate                            | Current Budget<br>£m | Net Base Budget Overspend<br>as at |               |                | Savings not Deliverable (after mitigations)<br>as at |               |                | Total Forecast Overspend<br>as at |               |                |
|--|----------------------|------------------------------------|---------------|----------------|--|---------------|----------------|-----------------------------------|---------------|----------------|
|  |                      | Month 4<br>£m                      | Month 2<br>£m | Movement<br>£m | Month 4<br>£m  | Month 2<br>£m | Movement<br>£m | Month 4<br>£m                     | Month 2<br>£m | Movement<br>£m |
| Adult Social Care & Health Directorate | 336.892              | (1.260)                            | (3.774)       | 2.514          | 1.260  | 3.774         | (2.514)        | 0.000                             | 0.000         | 0.000          |
| Children & Young People Directorate    | 210.895              | 2.206                              | 0.727         | 1.479          | 2.588  | 2.588         | 0.000          | 4.794                             | 3.315         | 1.479          |
| Place Directorate                      | 139.897              | 2.809                              | 1.270         | 1.539          | 1.602  | 2.374         | (0.772)        | 4.411                             | 3.644         | 0.767          |
| Economy Directorate                    | 72.317               | 0.000                              | 0.000         | 0.000          | 0.571  | 0.000         | 0.571          | 0.571                             | 0.000         | 0.571          |
| Strategic Services Directorate*        | 24.849               | 0.000                              | 0.000         | 0.000          | 0.480  | 0.537         | (0.057)        | 0.480                             | 0.537         | (0.057)        |
| Finance & Governance Directorate*      | 18.736               | (1.146)                            | (0.601)       | (0.545)        | 0.090  | 0.090         | 0.000          | (1.056)                           | (0.511)       | (0.545)        |
| Sub-total Directorates                 | 803.586              | 2.609                              | (2.378)       | 4.987          | 6.591  | 9.363         | (2.772)        | 9.200                             | 6.985         | 2.215          |
| Policy Contingency                     | (9.331)              | 0.000                              | 0.000         | 0.000          | 0.000  | 0.000         | 0.000          | 0.000                             | 0.000         | 0.000          |
| Other Corporate Items                  | 27.548               | (4.900)                            | 0.000         | (4.900)        | 11.374   | 6.400         | 4.974          | 6.474                             | 6.400         | 0.074          |
| City Council General Fund              | 821.803              | (2.291)                            | (2.378)       | 0.087          | 17.965   | 15.763        | 2.202          | 15.674                            | 13.385        | 2.289          |
| Housing Revenue Account                | 0.000                | 0.000                              | 0.000         | 0.000          | 0.000  | 0.000         | 0.000          | 0.000                             | 0.000         | 0.000          |

\* To be restated to reflect organisational change

Notes:

1. The total forecast overspend position at Month 3 was £20.2m and the Month 4 position has improved by £4.5m compared with this.

## 2. Detailed Revenue Commentaries by Directorate

The following paragraphs comment on the major financial issues identified at this point in the year. Detailed figures for each Directorate are shown in Appendix 1.

### 2.1 Adult Social Care & Health

The Directorate is forecasting a balanced position (overall no movement since Month 2). This is made up of net savings deemed to be not fully achieved in 2017/18 of £9.6m offset by base budget underspends of £1.3m and additional income including the use of £8.3m from the Improved Better Care Fund (iBCF), which had not been budgeted for.

Although the overall net position has remained the same since Month 2, there have been movements within the overall position. These are largely due to an increase of £2.5m on base budget pressure since Month 2 relating to increase on the cost of care packages offset by reductions in undeliverable savings on Younger Adult Day Care and Better Care at Home.

The new interim Director of Adult Social Care and Health has been in post since April 2017. He has undertaken a review of the budget, savings programmes and the use of resources in the Directorate. He has identified a number of changes which are required to balance the budget in the short term and to establish a sustainable adult social care service in the long term. Inevitably, some of these changes will take time to deliver but actions are being taken to make progress at pace.

#### Base Budget forecast

There is a forecast year-end underspend of £1.3m at Month 4 (Month 2 £3.8m underspend). This relates to the following:

- Mental Health Joint Funding – £1.4m additional income  
This relates to Health contributions in relation to Mental Health care packages that are exceeding the budgeted level
- Direct Payments (DP)- Recoupment of surplus income £1.5m  
The service has been proactive in reviewing and recouping surplus funds in individual accounts, this work is anticipated to continue. Some further analysis may need to be undertaken to confirm that the correct levels of DP assessment are taking place and that services are available in the local areas for DP recipients to purchase. The Directorate will continue to monitor this position closely.
- Business Change - £1.1m underspend  
This relates largely to underspend on staff vacancies across the service.
- Review of Non-pay costs- £0.5m underspend  
The Directorate is reviewing all non-pay budgets including energy, transport, training and other areas in order to mitigate the shortfall in savings delivery.

- Review of income - £0.5m underspend  
The Directorate is reviewing all charging policies across the full range of service areas. This is an initial estimate of the additional income from this review.
- Care Packages/External Placement - £2.4m overspend  
The number of people supported through an external placement has risen in July. The main changes are in relation to bed based care packages and Direct Payment relating to transition cases and Older Adults care. The Directorate is working with health partners to move citizens from the acute care settings to Enhanced assessment beds (EAB). Analysis shows that 70% of older adults still need long term placements following their stay in EAB beds. Further discussions are taking place with our health partners regarding the efficiency and effectiveness of the EAB pathway. This will be part of the system wide analysis work funded from the Improved Better Care Fund (iBCF).

External places continues to be a volatile area of spend which will be closely monitored.

- Extra Care Block Contract - £1.8m overspend  
This service was previously provided in-house by Specialist Care Services (SCS). As part of the reshaping of SCS, it was decided that part of the service could be better sourced externally. The overspend situation has arisen because of the proposed reduction in internal staffing did not take place and the total number of hours commissioned was greater than required. The Directorate will mitigate this situation by adjusting staffing within SCS in the light of the current VR trawl and by identifying areas where the hours commissioned can be reduced.
- Commissioning Centre of Excellence - £0.8m underspend  
This underspend is mainly due to staff vacancies across the service.
- Deprivation of Liberty Safeguards - £0.2m overspend  
There continue to be pressures arising from the numbers of cases requiring review in this area.
- Other Variations £0.1m overspend  
There are other minor overspends across the Directorate totalling £0.1m.

### **Savings Programme forecast**

There is a net forecast of £1.3m savings not achievable in 2017/18 at Month 4 (Month 2 £3.8m). This is made up of £9.6m of savings considered not fully achieved in 2017/18 offset by the use of £8.3m from the iBCF as identified in Appendix 3. These unachievable savings are summarised below:

- £1.5m Enablement – A refreshed business case has been produced and the main risk associated with this saving continues to be challenging from the unions.

Given the risks associated with this saving, £1.5m of the £2m saving has been identified as part of £8.3m iBCF mitigation funding.

- £4.5m Integrated Community Social Work and Review – There is a risk that the anticipated in year savings may be overly ambitious. There are a number of distinct savings lines that make the overall savings target of £5m. It is anticipated the savings of £0.5m on the Care First audit will be met. A review and action across the whole system is taking place to save the required £4.5m this financial year. Mitigation has been allocated from the iBCF to enable this review to take place. Work and plan is being developed to deliver savings for future years.
- £2.0m Supporting People – The budget savings target for Supporting People / third Sector is £3.2m for 2017/18. A review has identified £1.2m of savings. Proposals have been agreed to utilise the balance from the iBCF to retain preventative services whilst a longer term strategic approach is developed.
- £0.8m External Day Centres – There are risks linked to the ambitious nature of proposals and timelines for consultation. A plan is in place to deliver £0.2m. Actions are being taken to explore other ways to deliver the remaining savings of £0.8m. These require a new plan and link to proposals which will require full public consultation and will not therefore be deliverable in 2017/18. Existing work is being reviewed to ensure a consistent approach across internal and external provision with a view to identifying efficiencies across both. Any changes introduced will be reflected in the Interim Contract.
- £0.2m Residential Care (Residential Block Contracts) – There is a risk of delays due to legal issues. There may not be sufficient time for the mitigating action to deliver the in year required savings of £1.0m. The Extra Care Sheltered Housing service is being reviewed for additional savings. Enhanced Assessment Beds (EAB) are now being funded via BCF and iBCF
- £0.4m Internal Care Review (Care Centres) – This is unlikely to make savings in 2017/18. An action plan is in place to reduce the costs across the remaining three care centres. It should be noted that the £0.3m saving carried forward from 2016/17 is on track to be delivered.
- £0.2m Internal Care Review (Learning Disability Short Breaks) – There is a potential shortfall against the saving carried forward from 2016/17.

These have been offset by the use of £8.3m from the iBCF to stabilise the current Adult Social Care position. This includes actions to support communities and community based organisations to develop offers that support diversion and avoidance from social care services and to channel shift all Carers assessments to community based Carers Hub, with associated support embedded within communities. It will also develop a more citizen centred approach to social work that develops the community model and alleviates some of the pressures in the health economy and reconfiguration of enablement services that focus on those with the greatest reablement potential and align care pathways for both community and out of hospital care.

The Directors of Children's and Adults' services have agreed to establish a project to review services and expenditure in the area of transitions. The first step is to prepare a baseline position which will be undertaken by officers in commissioning and operational services and officers in performance and finance. Meetings to initiate this project are underway.

The Directorate has developed a contingency list to further mitigate against shortfalls in savings delivery and establish a robust financial position for future years. Initial estimates of these mitigations have been included in the Month 4 position.

## **2.2 Children & Young People**

The Directorate is forecasting an overspend of £4.8m. (Month 2 £3.3m) The adverse movement since Month 2 primarily relates to increase on base budget pressure relating to Travel Assist.

### **Base Budget forecast**

The base budget pressure of £2.2m (Month 2 £0.8m) relates to the following:

- Education General Fund – £2.0m pressure
  - Travel Assist £1.7m- Structural changes and mitigations are being pursued but it may not be until September before the Directorate can quantify the financial impact these will have on mitigating the forecast deficit.
  - PFI / BSF contracts £0.1m– There is a forecast net deficit of £0.1m after taking into account of mitigations from the specific contingencies for inflation.
  - Unattached Playing Fields £0.1m – 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. Earmarked resources have now been identified to accelerate the work on an invest to save type basis and come up with funding / cost reduction solutions. The full year benefit will only be realised in 2018/19. As such, for 2017/18 there are anticipated unfunded net costs of approximately £0.1m.
  - Baverstock Academy £0.1m - Following a decision by the Department of Education (DfE) to close Baverstock Academy, the vacated building and site is being handed back to BCC. The DfE will not be recompensing the Council for the associated costs with maintaining a surplus site while decisions are made on its future despite strong representations at the highest level. The service anticipates £0.1m of costs associated with security and maintenance of the site.
- Early Help & Children's Social Care- £0.2m



- No Recourse to Public Funds (NRPF) £0.7m - In recent months there has been an increase in the number of families who are presenting as having no recourse to funds. The pressure represents the forecast costs of providing accommodation and subsistence support for 2017/18 assuming there are no changes to volumes or cost of cases. Several actions are being taken in an attempt to mitigate the position including:
  - Implementation of credit checks on presenting families (Islington model)
  - A review of families granted leave to remain but without recourse to public funds which are still being supported by NRPF team
  - Work with Children's Advice and Support Service (CASS) managers to achieve 'point of contact' savings with accommodation costs being no longer than one night
  - Work with Birmingham City Council (BCC) Fraud Team to undertake a review of sample cases to see what support can be provided to address any possible fraud not identified through current assessment process.

The full financial impact of these actions is still to be determined and is not reflected in the forecast above.

- Secure Remand Custody Cost £0.7m - Judges and magistrates determine if a young person is to be remanded to custody in order to protect the public or protect the young person from self-harm or suicide. Based on the vulnerability assessment of the young person the Youth Justice Board (YJB) then allocates a bed for the remand placement. There are three bed types; Youth Offending Institute (YOI), Secure Training Centres (STC) and Secure Children's Homes (SCH) with STC and SCH beds costing significantly more than YOI's. Any under 15 is remanded to an STC or SCH as is any over 15 assessed as vulnerable.

The forecast pressure arises due to:

- A further decrease in the Youth Justice Board Secure Grant for 2017/18, with the grant for bed nights having decreased by £0.4m – 54% over the past five years
- An increase in the actual price to be charged by YJB for the three bed types
- A shift in the profile of bed night usage with more young people being accommodated in STC's and SCH's, thus at higher costs

- Legal Disbursement Pressure £0.7m

This relates to budget allocation not being adequate to cover the actual costs of disbursements following an exercise to re-base budgets. This exercise is to be reviewed.

These have been offset by a number of mitigations as below:

- A delay in the opening of a specialist three bedded remand home, not now expected to open until December will result in an underspend of £0.4m.
- There will be delay in planned staffing recruitment within the Youth Offending service which will result in an underspend of £0.5m if all

vacancies are not filled in for remainder of the year. This situation will be reviewed on a month to month basis based on the emerging risks and activities within the service

- There has been a reduction in the number of externally commissioned residential and community based assessments resulting in an expected underspend of £0.1m
- There has been a reduction in the costs of commissioned training activities of £0.1m
- Additional income of £0.3m has been received in respect of several Unaccompanied Asylum Seeking Children (UASC) cases which have been retrospectively approved by the Home Office following the provision of additional information
- An underspend of £0.5m is expected in relation to costs of support packages and financially assisted order payments as alternatives to care

The service continues to review service budgets and activities in order to identify further mitigations to deliver a balanced budget.

### **Savings Programme forecast**

There are forecast savings not fully achieved in 2017/18 of £2.6m (no movement since Month 2) as summarised below.

- £2.5m Early Years – In terms of implementing the new Health & Wellbeing Contracts and reconfiguration of the Early Years and Childcare Team – both of which are programmed for September. The consultation took longer than expected and this led to a delay in implementation of at least two months, which will impact on delivery of the required savings target – specifically a forecast shortfall of £2.5m
- £0.1m Education Playing Fields – 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. Earmarked resources have now been identified to accelerate the work on an invest to save type basis and come up with funding / cost reduction solutions. The full year benefit will only, however, be realised in 2018/19. As such for 2017/18 unfunded net costs will still be incurred

### **2.3 Place (excluding Housing Revenue Account)**

The Directorate is reporting a forecast variation of £4.4m (Month 2 £3.7m), made up of pressures on the base budget of £2.8m and savings not fully achieved in 2017/18 of £1.6m.

The main reasons for the increase of £0.7m since Month 2 are:

- The estimated General Fund costs of £0.8m for the contingency recovery plans that have been implemented relating to the Waste Services industrial dispute
- Additional pressures on Regulatory Services of £0.6m, mainly Pest Control and Coroners
- These pressures have been offset by the transfer of £0.7m undeliverable savings from Place to Economy relating to InReach

### Base Budget forecast

A base budget pressure of £2.8m (Month 2 £1.3m) is forecast at Month 4 relating to pressures of £4.2m offset by mitigations of £1.4m as outlined below:

- **Waste Management Services- £2.9m pressure**  
This includes a sum of £2.1m that is based on the financial impact of the delay in the introduction of the new contract until the start of October and the proposed property numbers per collection round. The remaining £0.8m relates to estimated costs of the contingency recovery plans that have been implemented for the Waste Services industrial dispute
- **Neighbourhood and Community Services- £0.1m net pressure**  
There are pressures on the Neighbourhood Advisory Information Service (NAIS) of £0.3m and Community Development of £0.2m. These are offset by savings of £0.4m on Legal Entitlement Advisory Service (LEAS) and Management Services including vacancy savings relating to the Library of Birmingham
- **Community Sport & Events- £0.4m net pressure**  
This relates to the externalisation of Alexander Stadium of £1.1m, offset by £0.4m relating to additional management fee income from Sparkhill Pool along with non-domestic rate relief and the use of maintenance reserves at Harborne Pool
- **Regulatory Services- £0.6m pressure**  
There is a £0.4m pressure on the Coroners Service and a £0.2m net pressure relating to Environmental Health and Pest Control.
- **Other variations- £0.3m pressure**  
There are other variations on a range of services including Markets of £0.1m and Equalities and Community Cohesion of £0.2m.
- **Net Mitigations- £1.4m**  
A number of mitigations have been identified to offset the above pressures including:
  - Parks self-funded borrowing savings of £0.1m
  - Bereavement Services maintenance savings plus additional income from car parking and grave sales of £0.4m
  - Use of non-grant reserves in Adult Education of £0.2m
  - Use of Culture and Visitor Economy Reserves of £0.3m
  - Resilience and Other Services £0.4m

Place Directorate is currently investigating a number of residual savings options from programmes that have been implemented that could be used to reduce the base budget pressures and risks on the Savings Programme. These include the potential to charge the relevant proportion of the additional costs of the Coroners Service to Solihull MBC and potential additional income from the Library of Birmingham.

These will continue to be investigated and will be reported on further in future monitoring reports.

### **Savings Programme forecast**

The 2017/18 Savings Programme has savings of £1.6m that may not be delivered at Month 4. These are summarised below.

- £0.1m Local Car Park charges – Charges are implemented but there is a potential price sensitivity
- £0.7m Parks – relating to Cofton Nursery income targets of £0.3m from 2016/17 and the disposal of unwanted / underutilised parks land of £0.4m
- £0.2m Waste Management – this is part of the proposed new operating model
- £0.1m Asset and Property Disposal Programme – There is slippage in the identification of suitable properties
- £0.2m Health and Wellbeing Centres – Decommissioning of centres is behind schedule
- £0.3m Markets – There are legal constraints on changes to leases

## **2.4 Economy**

Economy is forecasting an overspend of £0.6m at Month 4 (Month 2 balanced position). This is made up of savings not deliverable in 2017-18 in relation to InReach for whom the responsibility has been transferred from Place to Economy Directorate.

### **Base Budget forecast**

The Directorate is reporting a balanced position on base budget.

### **Savings Programme forecast**

The Directorate is forecasting £0.6m of savings not deliverable in 2017-18 relating to InReach. Through recent discussions at CLT it was agreed that the responsibility for InReach, the Council's wholly owned housing development company, would be transferred from the Place Directorate to the Economy Directorate with effect from Month 4.

There are delays in the development of further market rented homes at a number of specific sites which resulted in non-deliverable of savings of £0.6m. The Directorate is looking at the acquisition of either land or completed stock for InReach. If suitable sites / properties are identified for acquisition, this would result in mitigations.

## **2.5 Strategic Services**

The Directorate is forecasting an overspend of £0.5m (no movement since Month 2). This is made up of savings that are not expected to be delivered in 2017/18. However, they are seeking to take mitigating action to offset this deficit and progress will be reported on in future reports.

### **Base Budget forecast**

A break-even position has been forecast on the base budget.

### **Savings Programme forecast**

The savings which are not expected fully achievable of £3.2m in 2017/18 are identified below.

- £0.3m Workforce proposals which required changes to terms and conditions
- £0.7m Human Resources – HR are working on plans to deliver this and this will be reported on in future monitoring reports
- £2.1m Efficiency savings from 2016/17
- £0.1m cost recovery of Council Tax and Business Rates summons not deliverable due to legal challenges

These have been offset by £2.7m of mitigations relating to the following:

- £0.5m Housing Benefit Subsidy
- £0.3m surplus in advertising
- £0.8m use of balances from 2016/17
- £0.1m annual impact of accounting for the recoupment of Legal Fees plus interest as a result of Council Tax Debt being secured by charging orders
- £1.0m Invest to Save proposals from council tax collection fund as a result of reduced single person discounts being claimed following reviews

## 2.6 Finance & Governance

The Directorate is forecasting an underspend position of £1.1m at Month 4 (Month 2 £0.5m underspend). This is made up of an underspend on base budget of £1.2m and savings not fully achieved in 2017/18 of £0.1m. The movement of £0.6m since Month 2 primarily related to Acivico (which has now transferred to Other Corporate Items) and pressures on Shared Services.

### Base Budget forecast

There is a forecast underspend of £1.2m on the base budget. This relates largely to underspends of £1.0m on the SAP Development budget, Audit of £0.2m on employee vacancies and other minor underspends of £0.2m across the Directorate, offset by £0.2m overspend on Shared Services.

### Savings Programme forecast

There are forecast savings not fully achieved in 2017/18 of £0.1m relating to paying suppliers faster in exchange for discounts. The council receives a financial benefit each time one of its suppliers accesses early payment in return for a discount. However, if they don't choose early payment then the Council do not get the discount. Demand has been less than anticipated.

## 2.7 Housing Revenue Account

A balanced HRA Budget was approved for 2017/18 (expenditure of £281.7m funded by equivalent income). The budget was based on the continuing national rent policy of -1% that will be implemented in each year from 2016/17 to 2019/20.

At this early stage of the year, a balanced year-end position is projected. The current budgets and the forecast year-end financial position are summarised in the table below:

| <b>Service</b>                             | <b>Current Budget<br/>£m</b> | <b>Year End Variation<br/>Projection<br/>£m</b> |
|--|------------------------------|---|
| Rent/Service Charges (net of Voids)        | (281.7)                      | 0.0   |
| Repairs and Maintenance                    | 64.5                         | (4.3)   |
| Contributions for Capital Investment       | 54.0                         | 0.0   |
| Capital Financing Costs                    | 76.5                         | 5.9   |
| Local Office / Estate Services / Equal Pay | 86.7                         | (1.6)   |
| <b>Net Position</b>                        | <b>0.0</b>                   | <b>0.0</b>                                      |

The projected savings on the Repairs Service reflect strong contract management and lower operational expenditure on empty properties. This, combined with projected savings on operational costs, will be utilised for debt repayment or if necessary to ensure that additional investment is made in high rise tower blocks following the tragedy in London.

The overall strategy for debt repayment is considered appropriate as this is prudent and considered value for money (as interest payments on debt outstanding are greater than interest received on balances). It is also in line with the HRA Self-financing Business Plan for the repayment of debt (the debt repayment has already been re-profiled to take into account the new national rent policy and is expected to be significantly higher by 2025/26 compared to the original plans that were established in April 2012).

## **2.8 Dedicated Schools Grant (DSG)**

Work is ongoing to make the necessary savings and cost reductions within the High Needs area of DSG. A £5.4m year-end deficit is currently forecast. This will not impact on the General Fund.

There are issues around the funding of school deficits where they convert to academies under a sponsor Trust. Allied to this are redundancy costs incurred by schools which also fall to the Local Authority. While there is some DSG funding, it is limited and ultimately the funding responsibility will fall onto the Council. The position is being closely monitored with a strong focus on holding schools to account.

## **2.9 Collection Fund**

The monitoring arrangements for the Collection Fund include reporting on the in-year position for Council Tax and Business Rates. However, for the most part, the impact on the budget is as set out in the Council Financial Plan 2017+, with any surplus or deficit being required to be carried forward and taken into account as part of the 2018/19 budget setting process.

### **Council Tax**

The overall net budget for Council Tax income is £310.4m in 2017/18. In addition, the Council collects the precepts on behalf of the Fire and Police Authorities. A surplus is forecast for the year of which the Council's share is £2.0m (£2.2m in year less £0.2m deficit brought forward from 2016/17). The in year surplus of £2.2m is made up of £0.9m of additional net growth in Council Tax over and above the budget and £1.3m due to the review of Single Person Discounts as part of a Revenues invest to save project. This will have an ongoing positive impact on the Council Tax base in future years which will be taken into account in the budget setting process for 2018/19.

£1.0m of the total surplus is planned to be used to mitigate savings delivery issues in Strategic Services in 2017/18 on a one off basis. This assumption is reflected in the Strategic Services monitoring position elsewhere in the report.

## Business Rates

Under the 100% Business Rates Pilot that came into effect on 1st April 2017 the Council retains 99% of all business rates collected under the Business Rates Retention Scheme with 1% being paid over to the West Midlands Fire Authority. The overall budgeted level of Business Rates in 2017/18 is £403.3m (excluding the Enterprise Zone), of which the Council's retained share is £399.3m.

An in-year deficit is forecast of which the Council's share is £0.3m. This is due mainly to net growth after reliefs of £1.5m over and above the budget less £1.8m of additional provision required for backdated appeals.

However, included within the £1.5m of in year net growth are additional reliefs of £2.6m relating to support for small businesses due to the effects of revaluation on their business rates liabilities. This will be offset by a grant from Central Government following the reconciliation of the final outturn position. These reliefs have not yet been awarded whilst the scheme to be implemented by the Council is finalised.

In addition, further grants are anticipated to be received as compensation for specific types of reliefs awarded due to government policy, including further small business relief. These grants impact on the General Fund and will be taken into account in 2017/18. There is a forecast increase in this income of £0.5m compared with the budget. When combined with the £2.6m referred to above, total additional grants of £3.1m are anticipated.

The overall in year forecast position on Business Rates related resources is a surplus of £2.8m (£0.3m deficit offset by £3.1m of additional government grants). It is anticipated that £1.4m of this surplus will be paid over to the Combined Authority as a requirement of the 100% Business Rates Pilot in order to honour the devolution deal agreement relating to Business Rates growth. The Council's share of this surplus, as a result, is anticipated to be £1.4m.

In addition to the in-year position, a cumulative deficit was brought forward from 2016/17 (over and above that budgeted for) which has previously been reported in the 2016/17 Outturn Report. The Council's share is £1.8m.

An overall forecast deficit of £0.4m relating to the Council's share of Business Rates related resources is anticipated. (£1.4m in year surplus less £1.8m deficit brought forward).



### 3. Corporate Summary of the Savings Programme

- 3.4 The Month 4 analysis of the Savings Programme shows that Directorates consider £51.7m (60.6%) of the savings forecast will be delivered in 2017/18 and £103.2m (60.2%) is still considered to be a reasonable estimate of savings by 2020/21. At this stage, £33.7m (39.4%) is not fully achieved in 2017/18, with £15.7m of mitigations identified. The overall Directorate position at Month 4 is summarised for the City Council in Tables 2 and 3.

**Table 2 – Analysis of 2017/18 Savings Programme**

|  | On Track<br>£m | One Off<br>£m | At Risk<br>£m | Undeliverable<br>£m | Total<br>£m   |
|--|----------------|---------------|---------------|---------------------|---------------|
| Adults & Communities                                   | 4.748          | 1.700         | 1.732         | 9.560               | 17.740        |
| Children and Young People                              | 3.244          | 0.000         | 5.566         | 2.588               | 11.398        |
| Economy  | 8.667          | 0.000         | 0.000         | 0.571               | 9.238         |
| Place  | 13.660         | 0.000         | 0.000         | 1.602               | 15.262        |
| Strategic Services                                     | 12.010         | 0.900         | 0.000         | 3.180               | 16.090        |
| Finance & Governance                                   | 0.066          | 0.000         | 0.000         | 0.790               | 0.856         |
| Cross Cutting  | (0.620)        | 0.000         | 0.000         | 15.374              | 14.754        |
| <b>Total Savings</b>                                   | <b>41.775</b>  | <b>2.600</b>  | <b>7.298</b>  | <b>33.665</b>       | <b>85.338</b> |
| Mitigations  |                |               |               | 15.700              |               |
| <b>Net delayed and undeliverable after mitigations</b> |                |               |               | <b>17.965</b>       |               |

**Table 3 – Savings not fully achieved**

|  | 2017/18<br>£m | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m |
|--|---------------|---------------|---------------|---------------|
| Adults & Communities   | 1.260         | 16.470        | 16.282        | 16.282        |
| Children and Young People                                      | 2.588         | 2.463         | 12.463        | 12.463        |
| Economy  | 0.571         | 3.560         | 3.560         | 3.560         |
| Place  | 1.602         | 2.474         | 2.494         | 2.514         |
| Strategic Services   | 0.480         | 3.087         | 3.087         | 3.087         |
| Finance & Governance   | 0.090         | 0.090         | 0.090         | 0.090         |
| Cross Cutting  | 11.374        | 25.774        | 30.174        | 30.174        |
| <b>Net undeliverable and delayed savings after mitigations</b> | <b>17.965</b> | <b>53.918</b> | <b>68.150</b> | <b>68.170</b> |

- 3.5 The summary is based on a detailed review of each of individual saving. An overview of forecast savings not fully achieved on an ongoing basis by project for each Directorate is shown at Appendix 3.
- 3.6 There are £15.4m of cross cutting savings that are considered to be not fully achieved in 2017/18. These relate to the Future Operating Model. These have been offset by an assumed £4.0m delivery of additional savings generated from the Budget Planning work due to be carried out shortly.

## **4. Resource Allocations and Other Corporate Updates**

### **4.1 General Policy Contingency**

The balance on the General Policy Contingency at Month 4 is £2.2m.

### **4.2 Formula to Calculate Devolution Deal Funding to WMCA**

As part of the Devolution Deal with the Government, the West Midlands Combined Authority (WMCA) will receive 50% of the real terms growth in business rates income from 2016/17 onwards (i.e. the 50% share that the Government would have retained). For 2016/17 this will be a grant paid by the Government to local authorities to then pass to the WMCA. From 2017/18 onwards the resource will need to be passed from each local authority in the Pilot to the WMCA as the resource is now retained locally.

When the Devolution Deal was agreed, the formula to calculate this resource was not. It is recommended that delegated authority is granted to the Section 151 Officer to negotiate and agree the formula with central government for payment of the 2016/17 grant and with the WMCA and other Pilot authorities for payments from 2017/18 and beyond and to make payments to the Combined Authority for the 2016/17 and 2017/18 onwards as set out above.

### **4.3 Other Corporate Mitigations**

Further corporate mitigations of £5.2m have been identified as part of this report. This relates to £3.7m for Treasury Management as a result of revised projections for the amount and level of interest rates of the borrowing requirement since the budget for 2017/18 was set. There is also £1.5m underspend on Specific Policy Contingency following a detailed review of commitments.

These have been offset by £0.3m relating to Acivico, which has transferred from Strategic Services.

## Financial Position analysed by Directorate - budget pressures (including budget savings)

| Division of Service Area                                 | FULL YEAR BUDGET |                |                | YEAR END                          |                                   |                |
|--|------------------|----------------|----------------|-----------------------------------|-----------------------------------|----------------|
|  | Original Budget  | M'ments        | Revised Budget | Base Budget Pressures / (Savings) | Savings Programme not Deliverable | Total          |
|  | £'m              | £'m            | £'m            | £'m                               | £'m                               | £'m            |
| Corporate Director                                       | 9.672            | (6.547)        | 3.125          | (9.196)                           |                                   | (9.196)        |
| Adult Packages of Care                                   | 166.167          | 7.675          | 173.842        | 5.900                             | 0.688                             | 6.588          |
| Assessment & Support Planning                            | 37.358           | (0.087)        | 37.271         | 0.080                             |                                   | 0.080          |
| Specialist Care Services                                 | 40.972           | (1.300)        | 39.672         | 1.846                             | 0.572                             | 2.418          |
| Commissioning Centre of Excellence                       | 40.826           | (0.072)        | 40.754         | 1.225                             |                                   | 1.225          |
| Business Change  | 42.088           | 0.140          | 42.228         | (1.115)                           |                                   | (1.115)        |
| Public Health  | 0.000            | 0.000          | 0.000          | 0.000                             | 0.000                             | 0.000          |
| <b>Adults Social Care &amp; Health Directorate Total</b> | <b>337.083</b>   | <b>(0.191)</b> | <b>336.892</b> | <b>(1.260)</b>                    | <b>1.260</b>                      | <b>(0.000)</b> |
| Education and Skills                                     | 65.455           | 10.164         | 75.619         | (0.275)                           | 2.588                             | 2.313          |
| Schools Budgets  | (152.219)        | (9.314)        | (161.532)      | (0.000)                           | 0.000                             | (0.000)        |
| Children With Complex Needs                              | 107.589          | 0.600          | 108.189        | 2.437                             | 0.000                             | 2.437          |
| Early Help & Childrens Soc Care                          | 162.753          | (0.105)        | 162.648        | 0.122                             | 0.000                             | 0.122          |
| Business Change  | 33.571           | (0.381)        | 33.190         | (0.079)                           | 0.000                             | (0.079)        |
| Accounting Adjustment/MRP Component of Contract Payments | (7.219)          | 0.000          | (7.219)        | 0.000                             | 0.000                             | 0.000          |
| <b>Children and Young People Directorate Total</b>       | <b>209.929</b>   | <b>0.965</b>   | <b>210.895</b> | <b>2.206</b>                      | <b>2.588</b>                      | <b>4.794</b>   |
| Community Sports & Events                                | 6.503            | 0.730          | 7.233          | 0.350                             | 0.230                             | 0.580          |
| Fleet and Waste Management                               | 57.843           | (0.292)        | 57.551         | 2.845                             | 0.167                             | 3.012          |
| Parks and Nature Conservation                            | 12.408           | 0.037          | 12.445         | (0.094)                           | 0.706                             | 0.612          |
| Bereavement Services                                     | (3.236)          | 0.023          | (3.213)        | (0.434)                           | 0.000                             | (0.434)        |
| Markets  | (0.926)          | 0.003          | (0.923)        | 0.075                             | 0.300                             | 0.375          |
| Business Support   | 1.049            | (0.004)        | 1.045          | 0.000                             | 0.000                             | 0.000          |
| Equalities, Cohesion & Safety                            | 0.413            | 0.001          | 0.414          | 0.183                             | 0.000                             | 0.183          |
| Engineering & Resilience Services                        | 0.888            | 0.006          | 0.894          | (0.099)                           | 0.099                             | 0.000          |
| Regulatory Services                                      | 7.469            | 0.668          | 8.137          | 0.634                             | 0.000                             | 0.634          |
| Private Sector Housing                                   | (1.239)          | (0.226)        | (1.466)        | 0.000                             | 0.000                             | 0.000          |
| Neighbourhood Community Services                         | 28.594           | 0.318          | 28.912         | 0.146                             | 0.000                             | 0.146          |
| Birmingham Adult Education                               | (0.130)          | 0.020          | (0.110)        | (0.200)                           | 0.000                             | (0.200)        |
| Central Support Costs                                    | 15.720           | (0.449)        | 15.271         | (0.297)                           | 0.100                             | (0.197)        |
| Housing Revenue Account                                  | 0.000            | 0.000          | 0.000          | 0.000                             | 0.000                             | 0.000          |
| Culture & Visitor Economy                                | 10.730           | 0.600          | 11.330         | (0.300)                           | 0.000                             | (0.300)        |
| City Centre Management                                   | 0.059            | 0.000          | 0.059          | 0.000                             | 0.000                             | 0.000          |
| Housing Options  | 4.987            | 0.057          | 5.044          | 0.000                             | 0.000                             | 0.000          |
| Shelforce  | (0.100)          | 0.000          | (0.100)        | 0.000                             | 0.000                             | 0.000          |
| Accounting Adjustment/MRP Component of Contract Payments | (2.626)          | 0.000          | (2.626)        | 0.000                             | 0.000                             | 0.000          |
| <b>Place Directorate Total</b>                           | <b>138.405</b>   | <b>1.492</b>   | <b>139.897</b> | <b>2.809</b>                      | <b>1.602</b>                      | <b>4.411</b>   |
| Planning & Development (City Centre, EZ & BDI)           | 2.452            | 0.001          | 2.453          | 0.000                             | 0.000                             | 0.000          |
| Planning & Development (Strategy & Planning)             | 4.793            | (0.005)        | 4.788          | 0.000                             | 0.000                             | 0.000          |
| Business and Customer                                    | 9.459            | 2.782          | 12.241         | 0.000                             | 0.000                             | 0.000          |
| Transportation and Connectivity                          | 47.949           | 0.000          | 47.949         | 0.000                             | 0.000                             | 0.000          |
| Housing Development                                      | (0.026)          | 0.000          | (0.026)        | 0.000                             | 0.571                             | 0.571          |
| Highways and Infrastructure                              | 37.831           | 0.000          | 37.831         | 0.000                             | 0.000                             | 0.000          |
| Birmingham Property                                      | (1.933)          | 0.351          | (1.582)        | 0.000                             | 0.000                             | 0.000          |
| Employment Services                                      | 4.005            | 2.324          | 6.329          | 0.000                             | 0.000                             | 0.000          |
| GBSLEP Executive   | 0.177            | (0.177)        | 0.000          | 0.000                             | 0.000                             | 0.000          |
| Accounting Adjustment/MRP Component of Contract Payments | (37.666)         | 0.000          | (37.666)       | 0.000                             | 0.000                             | 0.000          |
| <b>Economy Directorate Total</b>                         | <b>67.041</b>    | <b>5.276</b>   | <b>72.317</b>  | <b>0.000</b>                      | <b>0.571</b>                      | <b>0.571</b>   |

## Appendix 1

| Division of Service Area                | FULL YEAR BUDGET |                |                | YEAR END                          |                                   |                |
|---|------------------|----------------|----------------|-----------------------------------|-----------------------------------|----------------|
|   | Original Budget  | M'ments        | Revised Budget | Base Budget Pressures / (Savings) | Savings Programme not Deliverable | Total          |
|   | £'m              | £'m            | £'m            | £'m                               | £'m                               | £'m            |
| Corporate Strategy                      | 2.383            | (0.012)        | 2.371          | 0.000                             | (0.001)                           | (0.001)        |
| Procurement                             | (1.643)          | 0.075          | (1.568)        | 0.000                             | (0.250)                           | (0.250)        |
| Human Resources                         | 7.052            | 0.518          | 7.570          | 0.000                             | 1.400                             | 1.400          |
| Elections Office                        | 1.775            | 0.000          | 1.775          | 0.000                             | 0.000                             | 0.000          |
| Legal & Democratic Services             | 5.330            | 0.010          | 5.340          | 0.000                             | 0.000                             | 0.000          |
| Revenues & Benefits                     | (1.088)          | 0.070          | (1.018)        | 0.000                             | (0.743)                           | (0.743)        |
| Core ICT                                | (1.013)          | 0.000          | (1.013)        | 0.000                             | 0.000                             | 0.000          |
| Charities & Trusts                      | 0.050            | 0.030          | 0.080          | 0.000                             | 0.000                             | 0.000          |
| Customer Services                       | 9.606            | (0.058)        | 9.548          | 0.000                             | 0.074                             | 0.074          |
| Communications                          | 1.763            | 0.000          | 1.763          | 0.000                             | 0.000                             | 0.000          |
| <b>Strategic Services Total</b>         | <b>24.216</b>    | <b>0.633</b>   | <b>24.849</b>  | <b>0.000</b>                      | <b>0.480</b>                      | <b>0.480</b>   |
| City Finance                            | 8.109            | (0.534)        | 7.575          | (1.190)                           | 0.030                             | (1.160)        |
| Birmingham Audit                        | 2.158            | 0.000          | 2.158          | (0.178)                           | 0.000                             | (0.178)        |
| Business Transformation                 | 39.740           | 0.000          | 39.740         | 0.000                             | 0.000                             | 0.000          |
| Directorate Wide Rec                    | (34.146)         | 0.000          | (34.146)       | 0.000                             | 0.000                             | 0.000          |
| Shared Services Centre                  | 2.119            | 0.000          | 2.119          | 0.222                             | 0.060                             | 0.282          |
| Insurance                               | (0.006)          | 0.000          | (0.006)        | 0.000                             | 0.000                             | 0.000          |
| Corporate Resources                     | 1.613            | 0.052          | 1.665          | 0.000                             | 0.000                             | 0.000          |
| Major Projects                          | 0.063            | 0.000          | 0.063          | 0.000                             | 0.000                             | 0.000          |
| Business Loans & Other                  | (0.582)          | 0.150          | (0.432)        | 0.000                             | 0.000                             | 0.000          |
| <b>Finance &amp; Governance Total</b>   | <b>19.068</b>    | <b>(0.332)</b> | <b>18.736</b>  | <b>(1.146)</b>                    | <b>0.090</b>                      | <b>(1.056)</b> |
| <b>Total Directorate Spending</b>       | <b>795.743</b>   | <b>7.843</b>   | <b>803.586</b> | <b>2.609</b>                      | <b>6.591</b>                      | <b>9.200</b>   |
| Policy Contingency                      | (1.980)          | (7.351)        | (9.331)        | 0.000                             | 0.000                             | 0.000          |
| Other Corporate Items                   | 28.040           | (0.492)        | 27.548         | (4.900)                           | 11.374                            | 6.474          |
| <b>Centrally Held Total</b>             | <b>26.060</b>    | <b>(7.843)</b> | <b>18.217</b>  | <b>(4.900)</b>                    | <b>11.374</b>                     | <b>6.474</b>   |
| Proposed Transfers to / (from) reserves |                  |                |                | 0.000                             | 0.000                             | 0.000          |
| <b>Net Budget Requirement</b>           | <b>821.803</b>   | <b>(0.000)</b> | <b>821.803</b> | <b>(2.291)</b>                    | <b>17.965</b>                     | <b>15.674</b>  |
| Housing Revenue Account                 | 0.000            | 0.000          | 0.000          | 0.000                             | 0.000                             | 0.000          |

## Policy Contingency Month 4 Monitoring to 31st July 2017

Table 1

|   | Original Budget<br>2017/18 | Approvals /<br>Adjustments in<br>Voyager | Revised Budget<br>2017/18 | Approvals /<br>Allocations not<br>yet in Voyager as<br>at 31st July | Proposals<br>awaiting approval<br>at 31st July | Underspend<br>on Policy<br>Contingency | Remaining<br>Contingency if<br>proposals<br>approved |
|---|----------------------------|--|---------------------------|---|--|--|--|
|   | £'000                      | £'000                                    | £'000                     | £'000   | £'000  | £'000                                  | £'000  |
| Car Park Closure Resources  | 252                        |  | 252                       |   |  |  | 252  |
| Carbon Reduction  | 1,034                      |  | 1,034                     |   |  |  | 1,034  |
| Auto-enrolment in Pension Fund                                    | 300                        |  | 300                       |   |  |  | 300  |
| Inflation Contingency   | 7,542                      |  | 7,542                     |   | (1,260)  | (1,500)                                | 4,782  |
| Highways Maintenance  | 1,000                      |  | 1,000                     |   | (661)  |  | 339  |
| Improvement Expenditure   | 6,951                      |  | 6,951                     | (206)   |  |  | 6,745  |
| Apprenticeship Levy   | 1,303                      |  | 1,303                     |   |  |  | 1,303  |
| Capital Receipts Flexibility                                      | (8,740)                    |  | (8,740)                   |   |  |  | (8,740)  |
| Subtotal Specific Contingency                                     | 9,642                      | 0  | 9,642                     | (206)   | (1,921)  | (1,500)                                | 6,015  |
| General Contingency (see Table 2)                                 | 2,988                      | (684)                                    | 2,304                     | (150)   |  | 0                                      | 2,154  |
| <b>Total Contingency excluding Future Operating Model savings</b> | <b>12,630</b>              | <b>(684)</b>                             | <b>11,946</b>             | <b>(356)</b>  | <b>(1,921)</b>                                 | <b>(1,500)</b>                         | <b>8,169</b>   |
| Future Operating Model - savings to be allocated                  | (14,610)                   |  | (14,610)                  |   |  |  | (14,610)   |
| <b>Total Contingency including Future Operating Model savings</b> | <b>(1,980)</b>             | <b>(684)</b>                             | <b>(2,664)</b>            | <b>(356)</b>  | <b>(1,921)</b>                                 | <b>(1,500)</b>                         | <b>(6,441)</b>                                       |

Table 2 - General Policy Contingency

|   | £'000        |
|---|--------------|
| Budget for 2017/18                        | 2,988        |
| Carry forward of underspends from 2016/17 | 16           |
| Less: Allocations to date                 |              |
| Commonwealth Feasibility Study            | (300)        |
| CITR / SITR Art Loan                      | (150)        |
| Moseley Pool                              | (400)        |
| <b>Sub-total revised budget</b>           | <b>2,154</b> |

**Directorate Savings Programme – Position at Month 4****Adults Social Care and Health savings not forecast to be achieved ongoing**

| Ref                | Description   | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|--------------------|---|--------------------------------|--|--|--|
|                    | Improved Better Care Fund   | (8.300)                        | 0.000                                  | 0.000                                  | 0.000                                  |
| HW3                | Enablement  | 1.500                          | 0.000                                  | 0.000                                  | 0.000                                  |
| HW11               | Adult Community Access Points   | 0.000                          | 0.500                                  | 0.500                                  | 0.500                                  |
| HW5                | Better Care at Home (Single handed Project)                                       | 0.000                          | 2.700                                  | 2.700                                  | 2.700                                  |
| MYR1               | Integrated Community Social Work & Review and audit of Care First payments system | 4.500                          | 5.500                                  | 5.500                                  | 5.500                                  |
| HW1                | Supporting People   | 2.000                          | 3.800                                  | 3.800                                  | 3.800                                  |
| HW8                | External Day Centres  | 0.800                          | 1.800                                  | 1.800                                  | 1.800                                  |
| HW9                | Residential Care (Residential Block contracts)                                    | 0.188                          | 0.188                                  | 0.000                                  | 0.000                                  |
| HW10 & MYR6        | Adults - Eligibility (Top ups)<br>Adult Social Care High Cost Provision           | 0.000                          | 1.480                                  | 1.480                                  | 1.480                                  |
| MIA18*             | Internal Care Review - Care Centres   | 0.400                          | 0.000                                  | 0.000                                  | 0.000                                  |
| MIA21*             | Internal Care Review - Learning Disability Short Breaks                           | 0.172                          | 0.000                                  | 0.000                                  | 0.000                                  |
| MIA5 (16/17)       | Internal Care Services - Younger Adults Day Care.                                 | 0.000                          | 0.502                                  | 0.502                                  | 0.502                                  |
| <b>Grand Total</b> |   | <b>1.260</b>                   | <b>16.470</b>                          | <b>16.282</b>                          | <b>16.282</b>                          |

**Children's and Young People savings not forecast to be achieved ongoing**

| Ref                | Description   | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|--------------------|---|--------------------------------|--|--|--|
| P22*               | Step up of previous Early Years savings   | 2.500                          | 0.000                                  | 0.000                                  | 0.000                                  |
| MIA2*              | Design and Implement a new approach to Transitioning children with complex needs and Disabilities [SEND] and move away from a high dependency model | 0.000                          | 0.000                                  | 10.000                                 | 10.000                                 |
| MIA3 (16/17)       | Promote independent travel and reduce reliance on council funded transport.   | 0.000                          | 2.463                                  | 2.463                                  | 2.463                                  |
| P24 (15/16)        | Partial Development of Education Playing Fields.  | 0.088                          | 0.000                                  | 0.000                                  | 0.000                                  |
| <b>Grand Total</b> |   | <b>2.588</b>                   | <b>2.463</b>                           | <b>12.463</b>                          | <b>12.463</b>                          |

## Place savings not forecast to be achieved ongoing

| Ref                | Description   | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|--------------------|---|--------------------------------|--|--|--|
| EGJ7*              | Business Support Commercial Model   | 0.000                          | 0.052                                  | 0.072                                  | 0.092                                  |
| JS1 & EGJ6         | Museum & Heritage Service   | 0.000                          | 1.000                                  | 1.000                                  | 1.000                                  |
| JS5 & PL40ga       | Local Car Park Charges  | 0.099                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN45*              | Disposal of unwanted/under utilised parks land (8 acres per year)   | 0.200                          | 0.000                                  | 0.000                                  | 0.000                                  |
| HN5                | Street Cleaning & Refuse Collection (Waste Mgm Efficiency & Income Targets Prog)  | 0.062                          | 0.000                                  | 0.000                                  | 0.000                                  |
| HN3                | Charging for traders to access Household Recycling Centres - (Waste Management Efficiency Savings and Income Targets Programme)   | 0.075                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN6*               | Reduce Reuse Recycle - Reconfiguration of waste collection services including review management arrangements for waste collection service once current waste disposal contract expires in 2019 - Waste Management Efficiency Savings and Income Targets Programme (Waste Disposal Contract) | 0.075                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN7*               | Reduce Reuse Recycle - Reduce failures/failed waste collections - Waste Management Efficiency Savings and Income Targets Programme  | 0.021                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN15*              | Reduce Reuse Recycle - Align Clinical Waste collections with NHS policy - Waste Management Efficiency Savings and Income Targets Programme  | 0.035                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN21*              | Removal of Universal Superloos  | (0.101)                        | 0.000                                  | 0.000                                  | 0.000                                  |
| HN7                | Asset & Property Disposal Programme   | 0.100                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN26*              | Discontinue Non Framework Contract at Health and Wellbeing Centres  | 0.230                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN26 (16/17)       | Discontinue subsidies Non Framework Contract at Health and Wellbeing Centres  | 0.000                          | 0.316                                  | 0.316                                  | 0.316                                  |
| SN28 (16/17)       | Reduction in costs (Parks)  | 0.000                          | 0.300                                  | 0.300                                  | 0.300                                  |
| SN32 (16/17)       | Income Generation from Cofton Nursery   | 0.306                          | 0.306                                  | 0.306                                  | 0.306                                  |
| SN45 (16/17)       | Disposal of unwanted/under utilised parks land (8 acres per year)   | 0.200                          | 0.200                                  | 0.200                                  | 0.200                                  |
| PL26 (16/17)       | Markets   | 0.300                          | 0.300                                  | 0.300                                  | 0.300                                  |
| <b>Grand Total</b> |   | <b>1.602</b>                   | <b>2.474</b>                           | <b>2.494</b>                           | <b>2.514</b>                           |

## Economy savings not forecast to be achieved ongoing

| Ref                | Description  | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|--------------------|--|--------------------------------|--|--|--|
| JS4a               | Reduction in the West Midlands Combined Authority Levy (Transport)                 | 0.000                          | 0.910                                  | 0.910                                  | 0.910                                  |
| JS4b               | Combined Authority contribution reduction  | 0.000                          | 0.250                                  | 0.250                                  | 0.250                                  |
| CC26               | Council administrative buildings reduction   | 0.000                          | 2.400                                  | 2.400                                  | 2.400                                  |
| MYR4               | InReach - Extension of Market Renting Scheme                                       | 0.271                          | 0.000                                  | 0.000                                  | 0.000                                  |
| SN40               | Options for extending Council's rented property office (INReach housing programme) | 0.300                          | 0.000                                  | 0.000                                  | 0.000                                  |
| <b>Grand Total</b> |  | <b>0.571</b>                   | <b>3.560</b>                           | <b>3.560</b>                           | <b>3.560</b>                           |

## Finance &amp; Governance savings not forecast to be achieved ongoing

| Ref                | Description   | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|--------------------|---|--------------------------------|--|--|--|
| E25 (16/17)        | Support Services  | 0.700                          | 0.700                                  | 0.700                                  | 0.700                                  |
| CC22 (16/17)       | Pay suppliers faster in exchange for discounts                        | 0.060                          | 0.060                                  | 0.060                                  | 0.060                                  |
| WOC2 (16/17)*      | Improving Efficiencies  | 0.030                          | 0.030                                  | 0.030                                  | 0.030                                  |
|                    | Mitigation of E25 (16/17) - GR/IR income collection                   | (0.500)                        | (0.500)                                | (0.500)                                | (0.500)                                |
|                    | Mitigation of E25 (16/17) - Duplicate payments to suppliers recovery. | (0.200)                        | (0.200)                                | (0.200)                                | (0.200)                                |
| <b>Grand Total</b> |   | <b>0.090</b>                   | <b>0.090</b>                           | <b>0.090</b>                           | <b>0.090</b>                           |

## Cross cutting savings not forecast to be achieved ongoing

| Ref                          | Description  | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|------------------------------|--|--------------------------------|--|--|--|
| CC2 / WOC2 /<br>E20/E24/E25* | Future Operating Model / Improving efficiencies -<br>Future year step-up's yet to be allocated / ISS<br>Savings - (excluding WOC implementation costs) | 15.374                         | 29.774                                 | 34.174                                 | 34.174                                 |
|                              | 0 Proposed mitigations   | (4.000)                        | (4.000)                                | (4.000)                                | (4.000)                                |
| <b>Grand Total</b>           |  | <b>11.374</b>                  | <b>25.774</b>                          | <b>30.174</b>                          | <b>30.174</b>                          |

## Strategic Services savings not forecast to be achieved ongoing

| Ref                | Description  | 2017/18<br>Undeliverable<br>£m | 2018/19<br>Shortfall /<br>(Surplus) £m | 2019/20<br>Shortfall /<br>(Surplus) £m | 2020/21<br>Shortfall /<br>(Surplus) £m |
|--------------------|--|--------------------------------|--|--|--|
|                    | Proposed one-off mitigations in 2017/18                          | (2.550)                        | 0.000                                  | 0.000                                  | 0.000                                  |
| (blank)            | Proposed mitigations   | (0.150)                        | (0.150)                                | (0.150)                                | (0.150)                                |
| WOC1*              | Workforce proposals requiring changes to terms<br>and conditions | 0.281                          | 0.281                                  | 0.281                                  | 0.281                                  |
| E22                | Revenues   | 0.150                          | 0.150                                  | 0.150                                  | 0.150                                  |
| E5*                | Make Digital Birmingham self-funding                             | 0.000                          | 0.050                                  | 0.050                                  | 0.050                                  |
| E20b (16/17)       | Human Resources  | 0.680                          | 0.680                                  | 0.680                                  | 0.680                                  |
| E20d.9 (16/17)     | Corporate Strategy   | 0.006                          | 0.006                                  | 0.006                                  | 0.006                                  |
| WOC2 (16/17)*      | Improving efficiencies   | 1.415                          | 1.422                                  | 1.422                                  | 1.422                                  |
| WOC2 (16/17)       | Improving efficiencies   | 0.648                          | 0.648                                  | 0.648                                  | 0.648                                  |
| <b>Grand Total</b> |  | <b>0.480</b>                   | <b>3.087</b>                           | <b>3.087</b>                           | <b>3.087</b>                           |



## Write-off of Irrecoverable Housing Benefit, Council Tax and Business Rates

### a. Irrecoverable Housing Benefit

In circumstances where Housing Benefit overpayments are identified as not being recoverable, or where recovery is deemed uneconomic, the City Council's Financial Regulations and delegated powers allow for these overpayments and income to be written off. All possible avenues must be exhausted before such write offs are considered. Amounts already written off will still be pursued should those owing the Council money eventually be located or returned to the city.

The cost to the Council of writing off these irrecoverable sums will be charged to the City Council's provision set up for this purpose, which includes sums set aside in previous years to meet this need. There is no direct effect on the revenue account.

Cabinet are requested to approve the writing off of one separate Housing Benefit debt to the Council which is greater than £0.025m totalling £0.033m as detailed in Section (c) of this Appendix.

In 2017/18, from 1<sup>st</sup> June 2017 to 31<sup>st</sup> July 2017, further items falling under this description in relation to Benefit overpayments have been written off under delegated authority. The table below details the total approved gross value of these amounts written off of £0.6m, which Members are asked to note.

| <b>Age analysis</b>  | Up To<br>2011/12 | 2012/13 to<br>2014/15 | 2015/16 to<br>2017/18 | <b>Total</b> |
|----------------------|------------------|-----------------------|-----------------------|--------------|
|                      | £m               | £m                    | £m                    | £m           |
| Benefit Overpayments | 0.045            | 0.232                 | 0.353                 | 0.630        |
| <b>Total</b>         | <b>0.045</b>     | <b>0.232</b>          | <b>0.353</b>          | <b>0.630</b> |

Section (d) of this Appendix gives a more detailed age analysis of overpayments and income written off.

### b. Irrecoverable Council Tax & Business Rates

All Council Tax and Business Rates are due and payable. However, there are certain instances where the amount of the bill needs to be either written off or reduced (e.g. where people have absconded, have died, have become insolvent or it is uneconomical to recover the debt).

If an account case is subject to this, then consideration is given to write the debt off subject to the requirement for Service Birmingham Revenues to consider all options to recover the debt, prior to submitting for write off. However, once an account has been written off, if the debtor becomes known to the Revenues Service at a later date, then the previously written off amount will be reinstated and pursued.

In respect of Business Rates, where a liquidator is appointed, a significant period of time is taken to allow for the company's affairs to be finalised and to subsequently determine if any monies are available to be paid to creditors. Once it is established this is not to

## Appendix 4

happen, a final search of Companies House is undertaken to confirm the company has been dissolved.

Cabinet are requested to approve the writing off of business rates debts to the Council which are greater than £0.025m, totalling £1.1m as detailed in Section (c) of this Appendix. Further information in respect of these is available on request.

In 2017/18, from 1<sup>st</sup> June 2017 to 31<sup>st</sup> July 2017, further items falling under this description in relation to Council Tax and Business Rates have been written off under delegated authority. The table below details the total approved gross value of these amounts written off of £2.6m, which Members are asked to note.

| <b>Age analysis</b> | <b>Up To<br/>2011/12</b> | <b>2012/13-<br/>2014/15</b> | <b>2015/16-<br/>2017/18</b> | <b>Total</b> |
|---------------------|--------------------------|-----------------------------|-----------------------------|--------------|
|                     | £m                       | £m                          | £m                          | £m           |
| Council Tax         | 1.679                    | 0.222                       | -                           | 1.901        |
| Business Rates      | 0.697                    | -                           | -                           | 0.697        |
| <b>TOTAL</b>        | <b>2.376</b>             | <b>0.222</b>                | <b>-</b>                    | <b>2.598</b> |

Section (e) of this Appendix gives a more detailed age analysis of overpayments and income written off.

c. Write OffsHousing Benefit and Business Rates

| Case No.               | Supporting Information<br>Further information in respect of the Business Rates Write Offs listed below is available on request.   | Total Debt<br>£ |
|------------------------|---|-----------------|
| <b>Housing Benefit</b> |   |                 |
| 1                      | Liability Period(s)/Account Ref Number(s)<br>Housing Benefit due for period 18/7/05-20/7/12 – 3100216523  | 33,416.64       |
| <b>Business Rates</b>  |   |                 |
| 1                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 07/05/04 to 19/03/07 – 6004291358  | £35,615.30      |
| 2                      | Liability Period(s)/Account Ref Number(s)<br>Property 1 - Business Rates due for the period 19/09/04 to 07/11/06 – 6005369793 - £98,266.68<br>Property 2 - Business Rates due for the period 29/09/04 to 28/05/06 – 6005369873 - £91,526.15   | £189,792.83     |
| 3                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 01/04/05 to 31/03/08 - 6003284664  | £34,183.37      |
| 4                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 01/08/05 to 29/06/06 - 6003658686  | £55,188.74      |
| 5                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 28/02/05 to 06/07/05 - 6003626917  | £38,111.57      |
| 6                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 01/04/97 to 09/07/15 - 6003587464  | £45,725.09      |
| 7                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 01/04/99 to 31/01/02 - 6003106016  | £25,500.18      |
| 8                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for period 01/10/97 to 31/03/00 - 6003175102  | £25,386.71      |
| 9                      | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 15/05/01 to 31/03/03 – 6003101011  | £25,275.67      |
| 10                     | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for period 11/04/00 to 06/10/03 - 6003116338  | £26,474.85      |
| 11                     | Liability Period(s)/Account Ref Number(s)<br>Property 1 - Business Rates due for the period 01/04/13 to 06/03/14 6004781177 - £13,194.01<br>Property 2 - Business Rates due for the period 01/04/13 to 03/07/14 6004781166 - £15,364.38<br>Property 3 - Business Rates due for the period 01/04/13 to 03/07/14 6004854646 - £9,167.81 | £37,726.20      |
| 12                     | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 05/07/00 to 31/03/03 – 6003142849  | £34,694.25      |
| 13                     | Liability Period(s)/Account Ref Number(s)<br>Business Rates due for the period 01/08/04 to 31/03/05 - 6004018119  | £45,555.02      |
| 14                     | Liability Period(s)/Account Ref Number(s)   | £50,957.79      |

**Appendix 4**

|                             |  |                      |
|-----------------------------|--|----------------------|
|                             | <b>Business Rates due for the period 01/04/00 to 29/03/01 - 6002713662</b>   |                      |
| <b>15</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 01/04/01 to 28/04/05 – 6003575022</b> | <b>£27,422.14</b>    |
| <b>16</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 01/04/01 to 31/03/06 - 6003560863</b> | <b>£53,310.66</b>    |
| <b>17</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 01/04/01 to 08/02/11 – 6002914881</b> | <b>£26,122.28</b>    |
| <b>18</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 24/03/99 to 21/01/03 - 6003100336</b> | <b>£26,637.36</b>    |
| <b>19</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 01/04/04 to 25/08/05 - 6003110716</b> | <b>£38,073.30</b>    |
| <b>20</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 06/03/00 to 15/08/04 - 6003206771</b> | <b>£35,747.69</b>    |
| <b>21</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 21/01/05 to 31/07/05 - 6003569984</b> | <b>£31,714.12</b>    |
| <b>22</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 01/04/03 to 31/08/05 - 6003580178</b> | <b>£68,743.56</b>    |
| <b>23</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 07/06/04 to 22/11/07 - 6003650773</b> | <b>£46,306.73</b>    |
| <b>24</b>                   | <b>Liability Period(s)/Account Ref Number(s)</b><br><b>Business Rates due for the period 14/09/04 to 30/07/06 - 6003570061</b> | <b>£36,469.93</b>    |
| <b>TOTAL BUSINESS RATES</b> |  | <b>£1,060,735.34</b> |

d. Age analysis of Overpayments and Debts written off under delegated authority by Revenues and Benefits Division

| Detail  | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15  | 2015/16  | 2016/17  | 2017/18 | Total    | No of Debtors |
|---|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|---------|----------|---------------|
| Housing Benefit debts written off under delegated authority | £14,963 | £4,979  | £4,016  | £4,360  | £1,438  | £15,040 | £35,786 | £73,748 | £122,377 | £128,824 | £174,144 | £50,397 | £630,072 | 896           |

| Debt Size |          |        |                |       |                 |       |          |
|-----------|----------|--------|----------------|-------|-----------------|-------|----------|
| Small     |          | Medium |                | Large |                 | Total |          |
| Cases     | >£1,000  | Cases  | £1,001- £5,000 | Cases | £5,000- £25,000 | Cases |          |
| 733       | £167,900 | 145    | £305,282       | 18    | £156,889        | 896   | £630,072 |

**e. Age analysis of overpayments and debts written off under delegated authority by Revenues and Benefits Division**

| Detail   | 1997-2006/7       | 2007/08         | 2008/09         | 2009/10         | 2010/11         | 2011/12         | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total             |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|---------|---------|---------|---------|-------------------|
| Council tax written off under delegated authority    | £952,781          | £141,462        | £164,276        | £188,535        | £231,629        | £222,345        | -       | -       | -       | -       | -       | £1,901,028        |
| Business rates written off under delegated authority | £62,177           | £138,142        | £497,079        | -               | -               | -               | -       | -       | -       | -       | -       | £697,398          |
| <b>TOTAL</b>   | <b>£1,014,958</b> | <b>£279,604</b> | <b>£661,355</b> | <b>£188,535</b> | <b>£231,629</b> | <b>£222,345</b> |         |         |         |         |         | <b>£2,598,426</b> |

**Debt size analysis of overpayments and debts written off under delegated authority by Revenues and Benefits Division**

| Grouped by value                                     | Small (<£1,000)   |             | Medium (£1,000 - £5,000) |            | Large (>£5,000) |           | TOTAL             |             |
|--|-------------------|-------------|--------------------------|------------|-----------------|-----------|-------------------|-------------|
|  | Value             | Cases       | Value                    | Cases      | Value           | Cases     | Value             | Cases       |
| Council Tax written off under delegated authority    | £1,792,900        | 9379        | £102,538                 | 82         | £5,610          | 1         | £1,901,048        | 9462        |
| Business Rates written off under delegated authority | £127,385          | 313         | £388,140                 | 169        | £181,873        | 25        | £697,397          | 507         |
| <b>TOTAL</b>   | <b>£1,920,285</b> | <b>9692</b> | <b>£490,678</b>          | <b>251</b> | <b>£187,483</b> | <b>26</b> | <b>£2,598,446</b> | <b>9969</b> |