Quarter 3 Financial Exception Report

1. High Level Summary Financial Position

1.1. This reports on the major financial issues for the Council at Quarter 3. Elsewhere on the Cabinet agenda the Financial Plan 2021-2025 sets out the future financial position.

1.2. At the end of December, the Council's **General Fund** is forecasting a net **underspend** of **£8.9m** (Column E in table1) which represents -1.0% of the £852.9m budget. This underspend is made up of a **£13.7m** underspend on non-Covid issues and a **£4.8m** overspend related to the **Covid-19** emergency.

1.3. The net covid-19 overspend of **£4.8m** (Column C in table1) is after applying funding; £84.3m government grant, an estimate of funding for income loss of £21.9m (Column E) which has increased by £2.3m since Quarter 2, and proposed school meal funding £6.4m. The funding gap is being dealt with as a corporate issue.

1.4. The non-Covid net underspend of **£13.7m** (Column D in table1) is an improvement of £12.5m since Quarter 2 (Column D) position.

1.5. Cabinet have been asked to approve in principle the transfer of any non-ring-fenced underspend at year-end into the Delivery Plan Reserve to provide for further resources to support the investment into the delivery of the Delivery Plan.

1.6. On 22nd October the Council was informed of a further £44.2m of un-ringfenced Covid-19 related grant. It was approved by Cabinet on November 10th in the quarter 2 Report that this is transferred to specific Covid reserve to manage the ongoing pandemic through the higher risk winter months. On 31st October the Government announced further national lockdown measures. It has been announced that Birmingham will move into Covid Tier 4. Since that announcement in January 2021 the country has gone into third national lockdown, it was stated the lockdown would last at least six weeks as the UK tackles increasing coronavirus numbers and severe pressure on the NHS. The Council is working through the funding implications.

1.7. The Adult Social Care Directorate's current Transformation Programme is now substantially complete. It has achieved the existing planned substantial savings and will achieve further savings this year from the early delivery of additional savings planned for 2021/22 which increases confidence in the saving in the medium term financial plan.

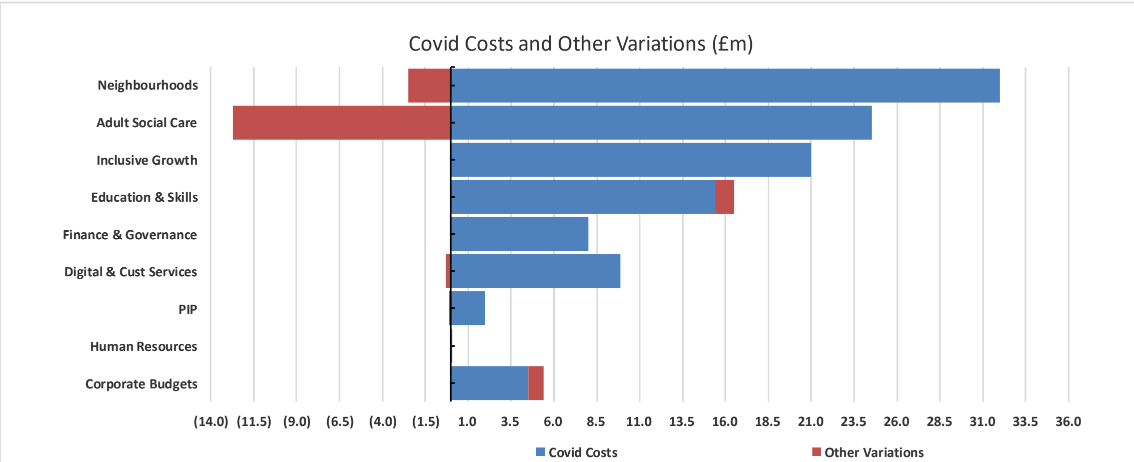
1.8. The Government has also announced £100m of national funding to support leisure centres. It has issued the instructions on how to claim for losses for a period from December 2020 to March 2021. The Council and its Leisure providers have submitted a claim of £2.9m, which was submitted as per the 15 January deadline.

1.9. Brexit: Two key risks have been identified: European Union citizens are losing access to certain benefits and services on 1st January 2020. The Department for Work and Pensions (DWP) have confirmed that EEA nationals granted settled status will have the same access to benefits as comparable British citizens. It is the right of EEA citizens with pre-settled status that is for which there is a need for clarity from Government. There are Business & Service Continuity Assessments being conducted for a number of issues such as economic impact, European Union settlement scheme, new Immigration bill, border plans, and new regulations.

1.10. An establishment review with the exception of key frontline services is underway and this will have a part year impact on budget delivery in 2020-21 and the full impact of the changes will be seen in 2021-22. The non-delivery of saving in 2020-21 has been partly offset by one-off mitigation actions including directorates not filling vacant posts. For 2021-22 and beyond the Council will build an establishment baseline based on a business-as-usual position that protects council jobs and services and reflects the Medium Term Financial Plan (MTFP) and future workforce budgets. The Council will then continue to adopt the new workforce management practices, establishment controls and corporate and directorate governance (including workforce boards) to ensure that it keeps to the baselines and maintains transparency over the non Business As Usual (BAU) workforce and budgets. The Council does not envisage any redundancies as a direct result of this work as the outcomes are likely to be deleted vacancies and reduced agency cost. Additional resourcing requirements over and above the BAU baseline, either as part of invest to save programmes or where separately funded (such as Covid) will be managed against the specific budgets set aside for such activities.

1.11. Directorates are reporting that £20.0m of the £27.1m savings targets are either delivered or on track. This represents 73.7% of the total savings target and this is an improvement of £5.5m on quarter 2. Directorates continue to work towards ensuring that these savings are brought on track and are delivered.

1.12. Since Quarter 2 the net overspend has fallen by **£19.7m** (Column E). The cost of the Covid-19 emergency has decreased by a further **£7.2m** (Column C) in quarter 3, the improvement in cost forecast has partly been due to proposed funding of Covid school meal costs from the Hardship Fund £6.4m. There was also a decrease of **£12.5m** in non covid-19 costs since Quarter 2 (Column D). This is mainly a result of an improvement of £8.9m in Adults which is result of delivering the saving plan and making saving on care packages. The non-Covid-19 position is reported in more detail in section 2 below.



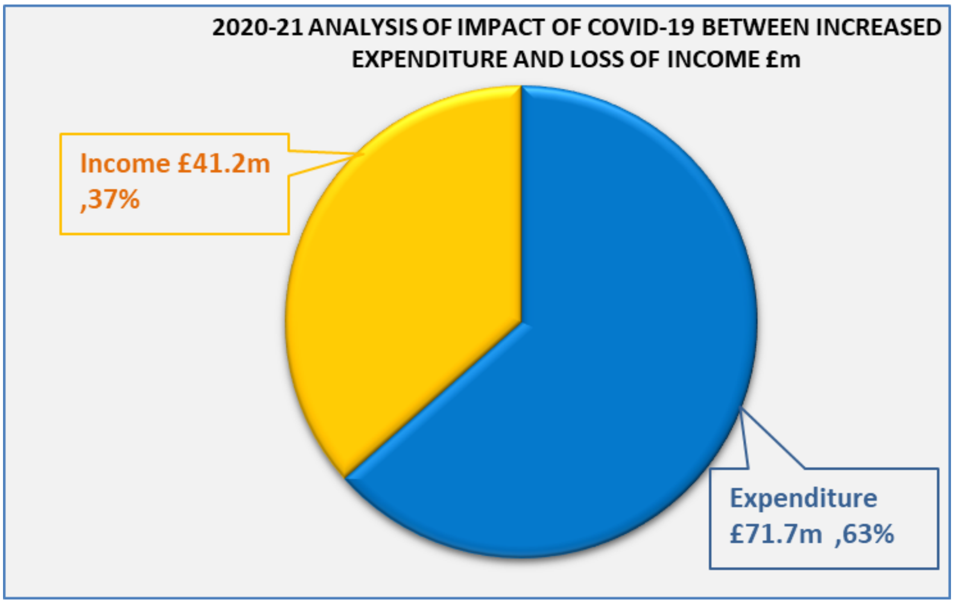


Table 1

Table 1:High Level Summary	A	B	C	D	E	F
Directorate	Current Budget	Forecast Outturn	Covid 19 Financial Impact Included *	Over/(Under) spend Non Covid costs	Total Over/(Under) Spend **	Movement in Total Over/(Under) Spend From Q2***
	£m	£m	£m	£m	£m	£m
Neighbourhoods	126.574	156.074	32.000	(2.500)	29.500	(4.111)
Inclusive Growth	105.734	126.680	20.992	(0.046)	20.946	1.094
Education & Skills	277.527	294.028	15.384	1.117	16.501	(1.559)
Adult Social Care	329.078	340.925	24.547	(12.700)	11.847	(11.270)
Digital & Cust Services	30.231	39.802	9.854	(0.283)	9.571	4.242
Finance & Governance	15.426	23.400	7.996	(0.023)	7.973	(0.012)
Partnerships, Insight and Prevention	7.396	9.271	1.999	(0.124)	1.875	0.468
Human Resources	6.554	6.648	0.094	0.000	0.094	0.193
Directorate Sub Total	**898.519**	**996.827**	**112.867**	**(14.559)**	**98.308**	**(10.955)**
Corporate Budgets	(45.586)	(40.181)	4.500	0.905	5.405	(0.026)
Proposed School Meals Funding	0.000	(6.400)	(6.400)	0.000	(6.400)	(6.400)
Covid Funding	0.000	(84.278)	(84.278)	0.000	(84.278)	0.000
Income Loss Scheme Funding	0.000	(21.938)	(21.938)	0.000	(21.938)	(2.338)
Corporate Subtotal	**(45.586)**	**(152.797)**	**(108.116)**	**0.905**	**(107.211)**	**(8.764)**
City Council General Fund	**852.933**	**844.030**	**4.751**	**(13.653)**	**(8.903)**	**(19.719)**
Financial Position as at Q2	852.933	863.749	**11.920**	**(1.104)**	**10.816**	
Movement from previous Q2	0.000	(19.719)	(7.170)	(12.549)	**(19.719)**	
Movement from previous Q2 %	0.00%	(2.28)%	(60.15)%	1137.02%	**(182.31)%**	

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

***This excludes Covid-19 risk, see paragraph 3.41 below*

**** This shows the movement from previous quarter.*

Table 2:High Level Summary	A	B	C	D	E	F	G	H	I	J	K
Directorate	**Current Budget**	**Forecast Outturn**	**Covid 19 Financial Impact Included ***	**Over/(Under) spend Non Covid costs**	**Total Over/(Under) Spend ****	**Covid 19 Financial Impact Included Q2**	**Over/(Under) spend Non Covid costs Q2**	**Total Over/(Under) Spend Q2**	**Movement Covid 19 cost from Q2**	**Movement in Non Covid cost From Q2**	**Movement in Total Over/(Under) Spend From Q2*****
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Neighbourhoods	126.574	156.074	32.000	(2.500)	**29.500**	34.411	(0.800)	**33.611**	(2.411)	(1.700)	(4.111)
Inclusive Growth	105.734	126.680	20.992	(0.046)	**20.946**	20.381	(0.528)	**19.852**	0.611	0.482	1.094
Education & Skills	277.527	294.028	15.384	1.117	**16.501**	15.077	2.983	**18.060**	0.307	(1.866)	(1.559)
Adult Social Care	329.078	340.925	24.547	(12.700)	**11.847**	26.947	(3.830)	**23.117**	(2.400)	(8.870)	(11.270)
Digital & Cust Services	30.231	39.802	9.854	(0.283)	**9.571**	5.029	0.300	**5.329**	4.825	(0.583)	4.242
Finance & Governance	15.426	23.400	7.996	(0.023)	**7.973**	7.985	0.000	**7.985**	0.011	(0.023)	(0.012)
Partnerships, Insight and Prevention	7.396	9.271	1.999	(0.124)	**1.875**	1.407	0.000	**1.407**	0.592	(0.124)	0.468
Human Resources	6.554	6.648	0.094	0.000	**0.094**	0.035	(0.134)	**(0.099)**	0.059	0.134	0.193
Directorate Sub Total	**898.519**	**996.827**	**112.867**	**(14.559)**	**98.308**	**111.272**	**(2.009)**	**109.263**	**1.594**	**(12.549)**	**(10.955)**
Corporate Budgets	(45.586)	(40.181)	4.500	0.905	**5.405**	4.526	0.905	**5.431**	(0.026)	0.000	(0.026)
Proposed School Meals Funding	0.000	(6.400)	(6.400)	0.000	**(6.400)**	0.000	0.000	**0.000**	(6.400)	0.000	(6.400)
Covid Funding	0.000	(84.278)	(84.278)	0.000	**(84.278)**	(84.278)	0.000	**(84.278)**	0.000	0.000	0.000
Income Loss Scheme Funding	0.000	(21.938)	(21.938)	0.000	**(21.938)**	(19.600)	0.000	**(19.600)**	(2.338)	0.000	(2.338)
Corporate Subtotal	**(45.586)**	**(152.797)**	**(108.116)**	**0.905**	**(107.211)**	**(99.352)**	**0.905**	**(98.447)**	**(8.764)**	**0.000**	**(8.764)**
City Council General Fund	**852.933**	**844.030**	**4.751**	**(13.653)**	**(8.903)**	**11.920**	**(1.104)**	**10.816**	**(7.170)**	**(12.549)**	**(19.719)**
Financial Position as at Q2	852.933	863.749	11.920	(1.104)	**10.816**						
Movement from previous Q2	0.000	(19.719)	(7.170)	(12.549)	**(19.719)**						
Movement from previous Q2 %	0.00%	(2.28)%	(60.15)%	1137.02%	**(182.31)%**						

Analysis of Non covid pressure faced by Directorate

Directorate	non delivery of savings £m	expenditure variations £m	income variations £m	one-off mitigations £m	Non Covid 19 Financial Impact Included £m
Neighbourhoods	0.6	(0.2)	3.9	(6.8)	(2.5)
Adult Social Care	0.0	(5.2)	(7.4)	0.0	(12.6)
Inclusive Growth	0.9	0.0	1.5	(2.6)	(0.2)
Education & Skills	0.0	1.2	(0.1)	0.0	1.1
Finance & Governance	0.0	(0.7)	1.8	(1.1)	0.0
Digital & Cust Services	0.0	(0.3)	0.0	0.0	(0.3)
Partnerships, Insight and Prevention	0.0	3.7	(3.8)	0.0	(0.1)
Human Resources	0.0	0.5	0.3	(0.8)	0.0
Directorate Sub Total	1.5	(1.0)	(3.8)	(11.3)	(14.6)

There was no over delivery of saving identified by the directorates.

One off mitigation: actions taken by Directorates to deliver a balance budget for 2020-21, which also includes mitigation for non-delivery of savings target. (over £0.5m).

1.13 Neighbourhoods: mitigations of £6.8m have been identified for 2020/21. These include £4.0m related to delayed Prudential Borrowing, £1.6m other mitigations in Street Scene (including the “Love your Street” initiative delay), £0.5m in Housing General Fund through reductions in temporary accommodation costs and £0.5m in Neighbourhoods service area primarily through holding vacant posts pending the implementation of a new operating model

1.14 Inclusive Growth: One-off measures are mainly from not filling the vacant positions**.**

1.15 Finance and Governance: One-off mitigations actions have been taken, £1.0m saving due vacancies not been filled.

1.16 Human Resources: There are one-off mitigations actions that have been identified but not yet approved includes use of reserves carried forward from previous year.

2. Capital Programme

2.1. Capital Expenditure

Table 4 Overall Capital Budget position as at the end of Quarter 3

	Spend to date	Quarter 2 Approved Budget	New Schemes & Resources	Revised Budget Quarter 3	Forecast net slippage	Forecast Outturn
	£m	£m	£m	£m	£m	£m
General Fund	224.3	742.3	11.5	753.8	340.8	413.0
HRA*	70.7	114.9	0.0	114.9	8.6	106.4
TOTAL	295.0	857.2	11.5	868.7	349.4	519.4

NB: HRA = Housing Revenue Account

2.2. Capital expenditure for the year 2020/21 is forecast at £519.4m against the revised quarter 3 capital budget of £868.7m. This is an increased slippage of £216.3m from the position reported at quarter 2.

2.3. The forecast net slippage of £349.3m comprises £342.9m of slippage and £6.4m of forecasted net savings. Of the total £310.5m is Covid related and £38.8m non-Covid related.

2.4. Expenditure to date is £295.0m, 34% of the year-end total forecast.

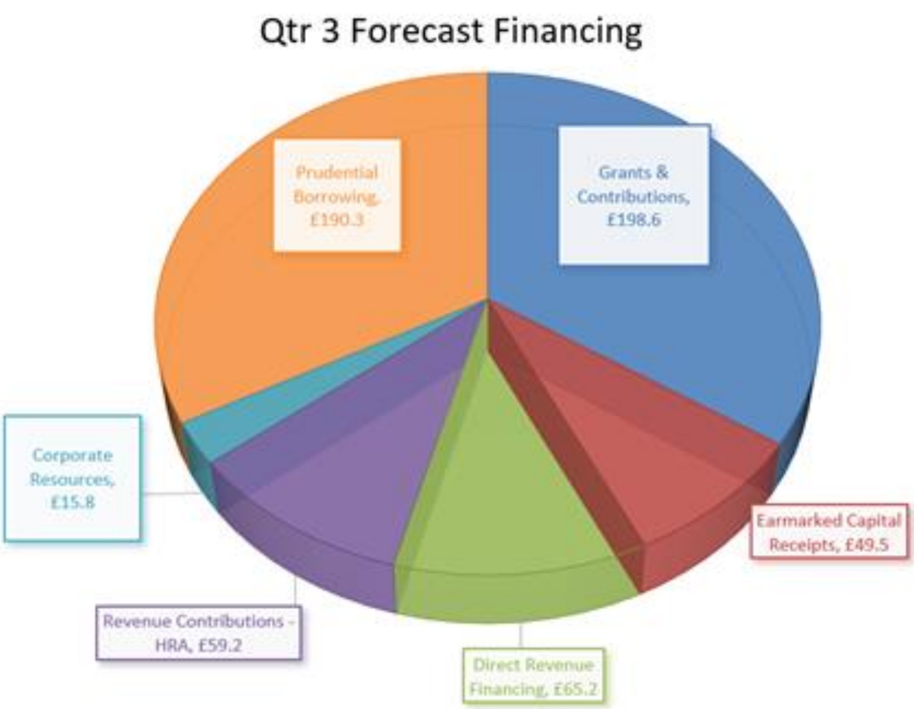
2.5. The proposed Quarter 3 budget of £868.7m has increased from the Quarter 2 budget approved by Cabinet (of £857.2m) by £11.5m. The major increases are:

Table 5: Approved increases to the Capital Budget

Directorate	Amount in 21/22	Capital Project	Funding	Approval
	£m			
Neighbourhoods - Waste Management Services	1.3	Relocation of Montague Street & Redfern Road	Capital receipt from sale of Montague Street	13/10/20
Neighbourhoods – Parks & Nature Conservation	0.3	Ward End Park Lakeside Renewal Project	Community Infrastructure Tariff, Corporate Resources, ERDF, HS2, & BMHT	17/03/20
Neighbourhoods – Illegal Money Lending Team	0.1	Acquisition of vehicles	Direct Revenue Funding	08/09/20
Inclusive Growth – Emergency Active Travel Fund	4.1	To fund emergency interventions to make cycling & walking safer	Tranche 2 of Emergency Active Travel Fund grant from DfT	08/09/20
Inclusive Growth – Walking & Cycling	0.2	A45 Coventry Road Cycle Route	WMCA – Transforming Cities Fund	03/12/20
Inclusive Growth – Network Integrity & Efficiency	0.1	Royal Orthopaedic Hospital Traffic Regulation Order 2020	Funded by the Royal Orthopaedic Hospital Trust	11/11/20
Adult Social Care – Independent Living	1.5	MHCLG notification of increased Disabled Facilities Grant	MHCLG Grant	MHCLG letter 8/12/20
Education & Skills – Birmingham Adult Education	1.3	Aston Learning Centre: Purchase of Freehold interest	Prudential Borrowing	21/7/20
Inclusive Growth – Property Services	0.7	Feasibility study for Council House Major Works of 26m	Policy Contingency Reserve	13/10/20
Inclusive Growth – other projects	1.9	Wholesale Market Enabling works	Prudential borrowing	8/09/20
Total	**11.5**			

Table 6: Summary of Capital Project Funding for Quarter 3			
	General Fund £m	Housing Revenue Account (HRA) £m	Total £m
Forecast Capital expenditure	413.0	106.4	519.4
Forecast Funding			
Grants and contributions	(194.4)	(4.3)	(198.6)
Earmarked Receipts	(27.8)	(21.7)	(49.5)
Direct Revenue Financing	0.0	(65.2)	(65.2)
Corporate Resources	(15.8)	0.0	(15.8)
Prudential Borrowing	(175.0)	(15.3)	(190.3)
Total Funding	(413.0)	(106.4)	(519.4)

2.6 The pie chart below shows how the forecast outturn at Quarter 3 of £519.4m is planned to be financed.



3. Key Issues

Non Covid-19 Related Issues

Education and Skills

3.1. There is a non Covid overspend forecast for the directorate of £1.1m (a reduction of £1.9m from Quarter 2, due mostly to a £1.8m reduction in the Children's Trust forecast overspend). The majority of the current overspend (£1.0 million) originates from the Children's Trust. The latest forecast from the Children's Trust consists of pressures primarily around pay (caseloads and Independent Reviewing Officers) and placement costs. Children in Care numbers are currently 1,999 and at the same time last year the numbers were 1,997, indicating that the numbers have remained fairly static, with no spike (contrary to initial expectations when schools reopened, and more referrals were expected). Savings have arisen from reductions around external residential placement, the cessation of the Priory contract and reduction in external fostering placements. Additional pressure is being largely been managed by a number of savings measures, including managing demand at the front door to ensure admissions into care are appropriate; ensuring the most appropriate cost of a placement is secured according to need; pursuing step down options for existing residential placements; ongoing review of all supported accommodation packages to ensure validity of placement; and, pursuing financial contributions to placements for children with complex needs, in additional to the specific savings highlighted above.

3.2. The Education and Skills Directorate together with Birmingham and Solihull Clinical Commissioning Group published a 'written statement of action' in July 2019, in response to the DfE, to make improvements to the special educational needs and disability (SEND) service. It is anticipated that any financial impact on the Local Authority will be met from the Dedicated Schools Grant (DSG). The provisional 2021/22 DSG settlement has indicated another substantial funding increase (12%) for High Needs. There are substantial pressures from both demography (pupil numbers) and increased complexity of provision, but the additional funding provides scope to also address the improvements necessary and outlined in the 'written statement of action'. A programme of transformation projects designed to meet the written statement of action is being implemented within High Needs Block funding, including building SEND health and education local teams and local provision in mainstream schools; developing responsive, flexible and effective local specialist provision; and, improving early identification and intervention for SEND.

3.3. There remains a concern around schools with financial deficits. The number of schools in deficit has only grown by a small amount (from 38 to 40), but the total deficit amount has risen substantially from £7.2m to £9.0m; where maintained schools convert to Academy status with a sponsor the licenced deficit falls to the Council. The Local Authority has contacted all schools with deficits and is currently reviewing the robustness of deficit recovery plans. In addition, specific actions (including regular monitoring, meetings with schools, implementation of Interim Executive Boards, negotiations with Department for Education and alternate funding sources) are all being implemented to minimise the impact on the Council's budget.

3.4. In home to school transport there is an overspend on Travel Assist of £0.3m expected, relating primarily to the additional costs of interim staff to support transformation and systems implementation costs in 2020/21. There is also a shortfall in contributions to pupil transport (as fewer pupils use the service during lockdown). However, recurring savings in subsequent years from better route planning and other transformation activity should offset these in-year pressures.

3.5. The Local Authority has been facing considerable additional pressure on home to school provision, as a result of Covid, including an additional 181 routes in order to provide appropriate social distancing. Currently, the Department for Education (DfE) has provided additional grant funding to cover the Autumn term (£1.6m), but there is no indication of whether DfE funding will continue in the Spring term (and beyond). The current presumption made in the forecast is that as Covid persists and additional routes continue to be required, then additional DfE funding will be made available. Conversely, if routes are reduced due to reduced demand (as fewer pupils attend school) then savings may accrue, but there is no certainty over this. The impacts of Covid and the need for social distancing are still evolving, making accurate financial forecasting for this service particularly difficult

Neighbourhoods

3.6. The 2019/20 outturn for Neighbourhoods was an overspend of £19.3m and for 2020/21 £23m of additional budget was allocated to Neighbourhoods to address the issues that were present in 2019/20.

3.7. At the end of Quarter 3 the non Covid-19 forecast for the Neighbourhoods Directorate is an underspend of £2.5m. The forecast improved by £1.7m on that reported on Quarter 2.

3.8. Street Scene service underspend of £0.4m: The service is projecting pressures totalling £5.4m offset by mitigations of £5.8m giving a net underspend of £0.4m. The main mitigation is an underspend of £4.0m on borrowing costs due to delays in procurement of the new fleet. It is anticipated that 20 vehicles out a total of 76 will be delivered and in use by the end of March 2021. This will result in a reduction in the pressures identified against the repair and maintenance and hire of vehicle budgets which is currently being quantified. The main pressures include £1.9m on maintenance and vehicle hire due to old and mechanically less reliable vehicles being past their natural life, income pressure within Trade Waste projected to be £1.5m behind budget, a shortfall on fleet garage income of £0.5m due to a reduction in custom, £0.2m of utility and NNDR pressures at Waste Management Depots and pressure of £0.3m on the waste procurement project due to the use of external legal advice.

3.9. Housing underspend of £0.8m: Bed and Breakfast is the main cost driver within the temporary accommodation service therefore both cost and demand projections continue be monitored. The Non Covid-19 financial position is mainly due to a forecast underspend of £0.8m within Housing due to a reduction in the cost charged by providers of bed and breakfast accommodation over the first half of the year. The service continues to mitigate pressures, including £0.5m income target against the Selective Licensing scheme. The scheme was not launched due to regulation changes and legal advice; however, a review is currently taking place to determine viability and a way forward and is currently being mitigated pending outcome of the review.

3.10. The Neighbourhoods service continues to project an £2.1m underspend due to holding vacant posts pending implementation of a new operating model.

3.11. Regulation and Enforcement is forecasting income pressure of £0.7m in Bereavement and Markets. The Bereavement pressure is due to budgeted mausoleum income which is currently unachievable, and the Markets income shortfall is part of a review into viability of the Markets.

Adult Social Care.

3.12. Director – (projected year end £0.7m overspend) - This is a movement from Month 6 of £0.7m due to increased costs relating to IT Projects, backdated and in year STP support costs and re-allocation of Winter Pressures funding totalling £0.5m from Commissioning & Community & Social Work Support.

3.13. Community & Operational - £7.7m underspend - The Directorate's Transformation Programme is now substantially complete with the roll-out of the Customer Journey restructure in September and the Early Intervention Programme over the coming months in order to deliver existing planned sustainable savings. Both the Customer Journey & Early Intervention structures savings totalling £7.7m will be achieved in year, £1.3m due to the early delivery of 2021/22, £3.4m due to the phased reduction in the use of agency staff through to the end of October. The reduction from Quarter 2 of £3.0m relates to held vacancies within Early Intervention while the programme is rolled out.

3.14. Health Packages of Care - £5.7m underspend - The current packages of care forecast includes Health funding for hospital discharges and prevention packages up to the end of October 2020. It is anticipated that the funding and support will continue until it is reassessed (or to 31st March at the latest), as clients are reassessed in respect of their on-going needs. However, there is risk of significant costs still to be quantified in relation to support to the care market in respect of actual costs incurred and it is anticipated that there is currently a significant level of hidden demand which will impact when lockdown is fully eased. To date the Council has claimed £8.7m from Health which is one-off due to temporary arrangements put in place during Covid. The Council has also now received a £1.2m inflationary increase in Better Care Fund funding to packages of care which has just been agreed with Clinical Commissioning Groups.

Inclusive Growth

3.15. The directorate is forecasting minor underspend below £0.050m.

3.16. The Council is currently working with Birmingham Highways Ltd to re-procure the subcontract for its Highway Maintenance and Management PFI contract. Affordability will be assessed taking account of the total cost of a re-procured contract and available resources, with the outcome being factored in as part of setting future Council budgets.

3.17. On the 6th April 2020 the Council received approval from Government to delay the implementation of the Birmingham Clean Air Zone until no earlier than January 2021 and activities associated with delivery were scaled back reflecting the delays experienced and also the need for the Council to redeploy staff to support the Covid-19 response. The Council has remained committed to the Clean Air Zone and the implementation date has now been set for 1st June 2021.

3.18. The forecast for commercial property rental income is lower than anticipated. Property Services are undertaking a review to confirm the accuracy of the forecast. This uncertainty in conjunction with the yet to be confirmed impacts of Covid-19 mean that there is a risk that the current forecast pressures could increase.

3.19. The Directors of the Council's wholly owned company, InReach (Birmingham) Ltd, have made the decision not to progress with one of the planned schemes, Brasshouse, due to a combination of factors that have increased the level of risk. The Council expenditure over the programme was budgeted at £43m, through a mix of equity and loan investments, and was to deliver an annual net income stream rising to £0.9m following the final loan drawdown. The company continues to deliver a net income stream resulting from the original Embankment scheme and current plans are to progress with the remaining smaller scheme.

Digital & Customer Services

3.20. At the end of Quarter 3 the Digital & Customer Service Directorate, after taking account of management actions, is forecasting an underspend of £0.3m against a net budget of £30.2m, the overspend represents 1.0% of the net budget. This is an improvement of £0.6m since Quarter 2 due to budget centralisation and the active management of vacant posts.

New Oracle Back office system (Enterprise Resources Planning)

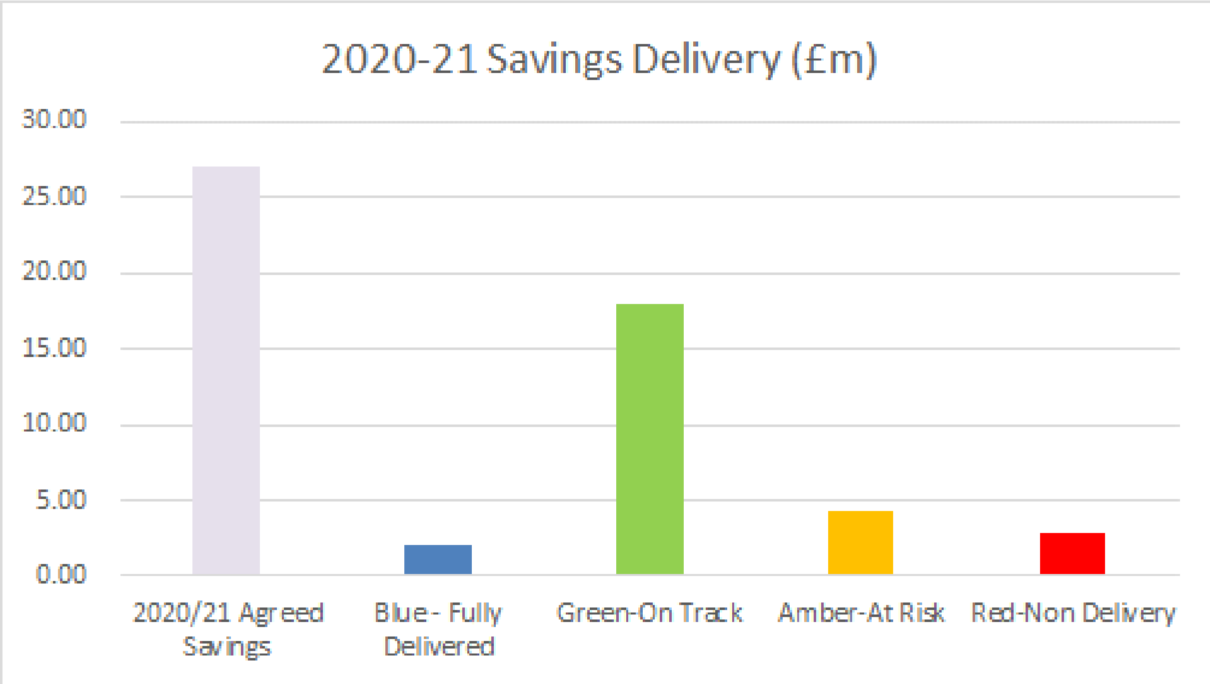
3.21. The programme, as a result of an assurance process, and the closure of the Design Phase is going through a reset phase to establish and quantity financial and non-financial risks. A revised Business Case report to Cabinet is planned for March 2021.

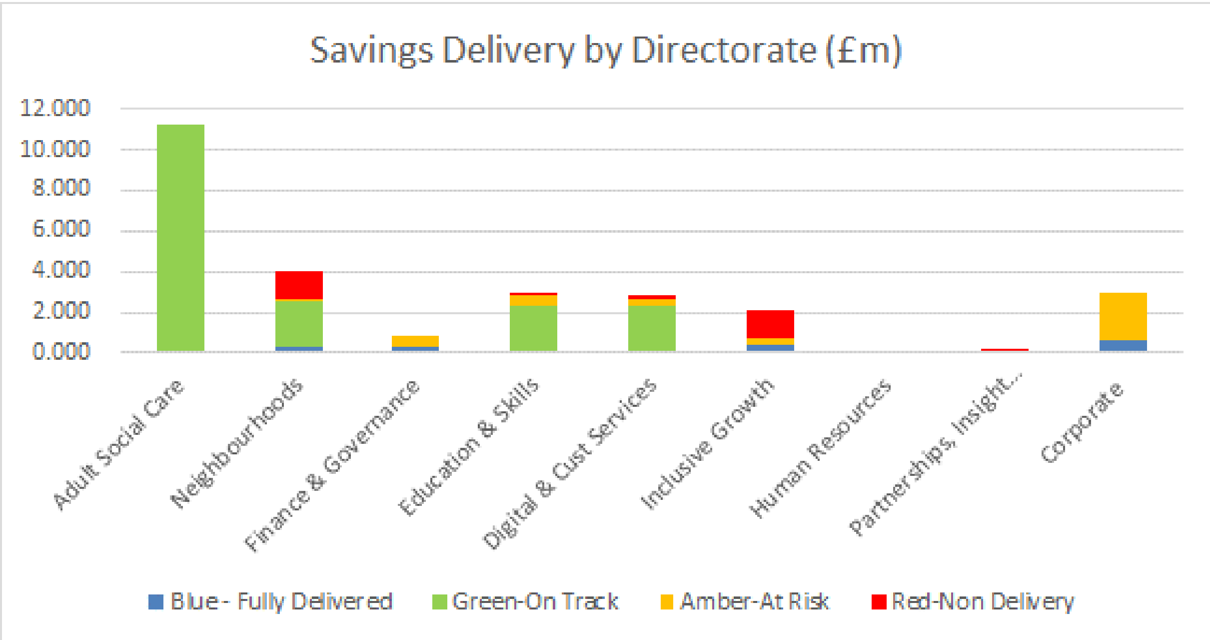
Savings Programme

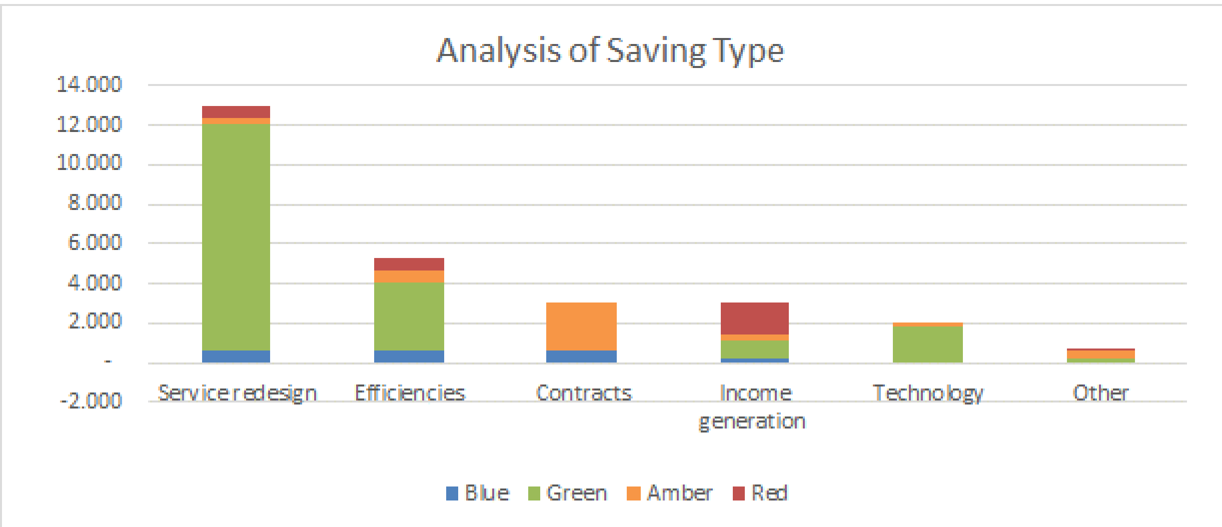
Directorate	Non-Delivery of Saving: Delayed Because of Covid-19 £m	Non-Delivery of Saving: High Risk & Undeliverable £m	Saving at Risk £m	Saving Delivered and on Track £m	Total Saving £m
Neighbourhoods	0.7	0.6	0.2	2.5	4.0
Adult Social Care	-	-	-	11.2	11.2
Inclusive Growth	0.5	0.9	0.3	0.4	2.1
Education & Skills	-	0.0	0.5	2.3	2.9
Finance & Governance	-	-	0.5	0.4	0.9
Digital & Cust Services	0.2	-	0.3	2.4	2.9
Partnerships, Insight and Prevention	0.0	-	-	0.1	0.1
Human Resources	-	-	-	0.1	0.1
Corporate	-	-	2.4	0.6	3.0
Total	1.4	1.5	4.2	20.0	27.1

3.22. The £27.1m savings programme for 2020-21 (shown in the following charts) is now showing £20.0m as delivered or on track (£14.5m at Quarter 2). This improvement of £5.5m is largely due to saving targets that were at risk in Quarter 2 now moved to being on track for Adults Social Care £4.4m and £1.0m Neighbourhoods. There are £4.2m of savings at risk (reduced by £4.4m since Quarter 2) and savings classed as undeliverable or non-delivered of £2.9m which has seen an improvement of £1.1m since quarter 2. Covid-19 has impacted savings delivery. The key areas at risk or non-deliverable (those over £0.5m) are:

- **Neighbourhoods** has £0.2m savings that are at risk and £1.3m savings that are unlikely to be achieved, of which £0.7m are related to Covid. One-off mitigations have been identified in 2020/21 to fully meet this target. The savings are planned to be achieved from 2021/22 after the completion of the Housing Service Redesign.
- **Contract savings** cut across all directorates and are shown corporately. The target is £3.0m of which £0.7m has been delivered so far, leaving £2.3m at risk. While a delivery plan exists, this is now considered a risk as Covid-19 has caused services to reappraise their planned procurements.
- **Finance & Governance** has £0.5m savings at risk, mainly related to savings based on reducing external legal spend. If not achieved, these will be mitigated from general underspends, mainly from vacancies.
- **Education & Skills** has £0.5m savings at risk - these largely relate to an increased commercialisation target for the Adult Education Service that was set in 2019/20 at £1.2m and reduced this year to £0.8m, but which is still unlikely to be fully delivered. It is being partly mitigated this year through a restructure of the service and savings from elsewhere in Skills & Employability.
- **Digital & Customer Services** has £0.3m savings at risk mainly due to delays and potential income losses related to Covid-19.
- **Inclusive Growth** has £0.3m savings at risk and £1.4m that are unlikely be achieved, mainly due to delays and risks to income caused by Covid-19


2020-21 Savings Delivery (£m)
30.00
25.00
20.00
15.00
10.00
5.00
0.00
2020/21 Agreed Savings
Blue - Fully Delivered
Green-On Track
Amber-At Risk
Red-Non Delivery


Savings Delivery by Directorate (£m)
12.000
10.000
8.000
6.000
4.000
2.000
0.000
Adult Social Care
Neighbourhoods
Finance & Governance
Education & Skills
Digital & Cust Services
Inclusive Growth
Human Resources
Partnerships, Insight...
Corporate
Blue - Fully Delivered
Green-On Track
Amber-At Risk
Red-Non Delivery


Analysis of Saving Type
14.000
12.000
10.000
8.000
6.000
4.000
2.000
-
-2.000
Service redesign
Efficiencies
Contracts
Income generation
Technology
Other
Blue
Green
Amber
Red

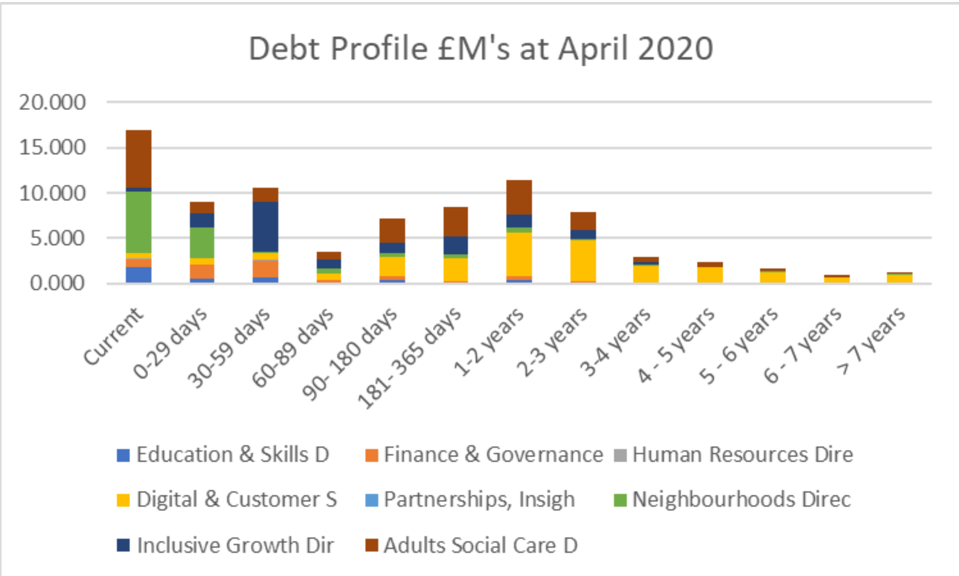
Borrowing

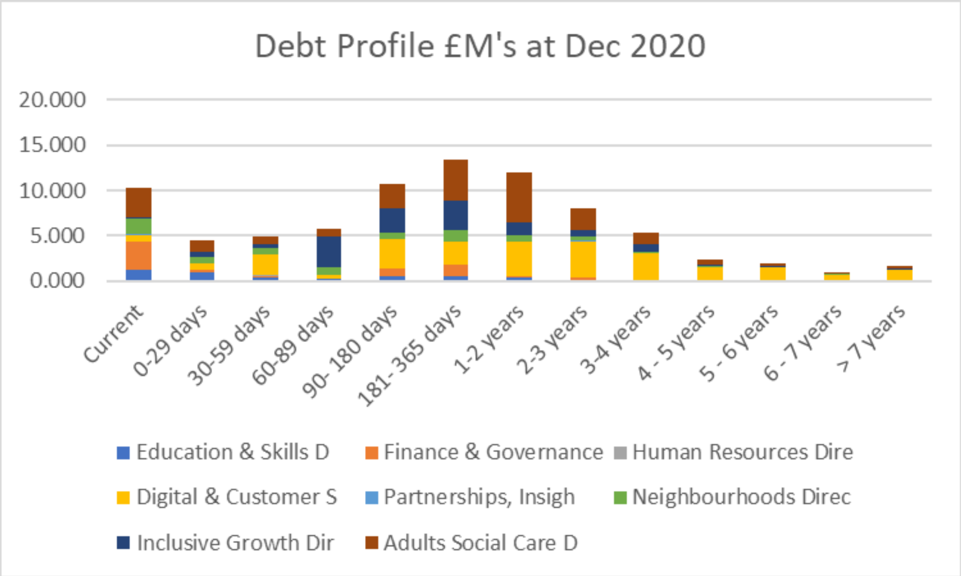
3.23. The annual cost of servicing debt represents approximately 30% of the budget. Currently borrowing is £3,420m, with the year-end projection likely to be below the planned level of £3,832m. Some government grants have been received early and there is slippage in spending on the capital programme. There does remain uncertainty about the impact of Covid-19 on future cashflows.

Level of Debt and Provision

3.24. Before explaining the current position, it is worth noting that the ability to provide clear insight to all of the issues within sundry debt is limited at this time, primarily due to poor reporting capability. We currently have an external provider in Finance completing a short piece of work to understand how we can data mine the information held within the corporate system to provide this greater insight. For example, we need to provide a clear differential between debt which is legitimately longer term and what is truly overdue.

3.25. The Council's sundry debt position at the beginning of December stood at £79.553m. Whilst marginally better than the debt position at the start of the year (£0.803m), the key issue is there has been a significant shift in the profiling of debt as shown in the graphs below. There has been a £6.980m decrease in the amount of debt due immediately and an increase of £6.177m in aged debt. The biggest increases in aged debt are for the periods 90 to 179 days (£4.553m) and 180-365 days (£4.896m). The service areas and the Accounts Receivable team are working together, maximising what debt we can bring in and working with the service areas to make sure we are having the appropriate discussions with customers to schedule payments. Work is focusing in particular in the commercial area of debt for action plans for now and when policies and restrictions are lifted at the end of March 2021.





3.26. This shift in commercial debt is primarily due to COVID which has impacted in a number of ways. There has been Government and local decisions made not to chase any commercial rent and trade waste debt, both of which have seen a significant increase in aged debt, most of which is likely to be overdue. There has been an increase in individual overdue debt due to furlough or redundancy. There has been limited support the Council can get from collection agencies due to restrictions in engaging with businesses and citizens and the court system is dealing with a significant backlog due to the courts shutting down earlier in the year. We are working with those service areas to agree approaches to how the aged debt can be recovered through

3.27. The Council debt profile is influenced by not only the payment of debt but also the amount of transactional activity within the service areas. Unsurprisingly, the Council has transacted approximately 80% of volume and 87% of monetary value of the normal invoice values it would expect within the current year. This explains some of the drop off in the value of debt which is current.

3.28. To prevent the position getting significantly worse, there is a more targeted approach to debt, looking at the current debt to recover this sooner, looking at services which could move to payment at point of order and understanding the Council's top 50 debtors, an analysis of which is given below.

Top 50 Debtors Profile

3.29. Further work has been done analysing the Top 50 sundry debtors and developing action plans. As at the start of December, the value of the top 50 debtors was £10.747m which is 13.5% of total sundry debt. Analysis of the debt shows the that of this money, £7.156m is highly likely to be recovered, £1.873m will probably be recovered, and £1.718m is high risk. Of that high-risk debt, £0.925m is to be written off in the current financial year. The debt profile is spread across the following directorates.

Directorate	Value £M	Nature of Debt
Adults	2.256	Primarily residential care provision
Digital & Customer Services	2.046	Includes £1.945 BCT payment which has now been paid.
Education and Skills	0.686	Various debts
Finance and Governance	1.751	Majority of debt is with suppliers to schools for school meals
Inclusive Growth	3.799	Majority of debt is commercial rent
Neighbourhoods	0.209	Markets debt

3.30. The age profile of the debt is such that £2.950m is prior to 2019. Of this, £1.498m is high risk (this includes the £0.925m to be written off this year), £0.722m will probably be recovered, and £0.731m is highly likely to be recovered. The biggest areas of aged debt are for Residential Care Cost (£1.542m) and Commercial Rents (£1.083m). All of the commercial rents aged debt is high risk.

3.31. Action plans have been recorded for all of these debts and these will be subject to monthly reviews. The next stage is to provide a report for the top 20 debtors for each directorate with associated action plans for each of these.

Policy Contingency

3.32. The Council Financial Plan and Budget 2020-2024 reflected £35.3m for Specific Policy contingency budget in 2020/21 and £5.5m for General Policy Contingency budget. At quarter 2, the Council had committed £8.5m of Specific and £3.5m of General Policy Contingency.

3.33. At Month 9, there were further proposed uses of £3.3m of Specific Policy Contingency, namely £2.0m from the Modernisation Fun, £0.8m for additional Interim Staff, £0.3m for addition temporary HR Resources and £0.2m for Inflation.

3.34. There was also a proposed use of £1.5m of General Policy Contingency to support the Commonwealth Games Programme Team.

3.35. If the above proposals were agreed, the balance on Policy Contingency would be £24.0m.

Council Tax and Business Rates

3.36. The monitoring arrangements for the Collection Fund include reporting on the in-year position for Council Tax and Business Rates. The impact of any surplus or deficit is taken into account as part of the setting of the following years budget.

3.37. Taken together, the anticipated position for the Collection Fund and related income streams is a deficit of £57.4m to be carried forward and taken into account in setting the budget for 2020/21 (£7.3m deficit for Council Tax and a £50.1m deficit for Business Rates).

3.38. It should be noted that the Government has stated that local authorities will be compensated in 2021/22 for 75% of the in-year loss in Collection Fund Income. The Council estimates that it will receive in the region of £39.6m based on the guidance issued by the Government. The Council can also spread any deficit incurred in 2020/21 over the following three years. The deficit less the 75% compensation will be reflected in the Council's budget for 2021/22 and subsequent years.

Covid-19 Major Incident Financial Impact

3.39. The Council has now received in total £128.5m of un-ringfenced Covid-19 related grant funding from the government. This includes £44.2m that was received in November. The government has announced an income loss scheme where after 5% deductible, the council will be compensated for 75p in every pound in sales, fees and charges losses due to Covid-19. The council currently estimates that this could provide £21.9m of additional funding, the council must submit a quarterly bid for income lost, £6.5m was received during Quarter 3. The government has also announced several ring-fenced grants for additional reliefs and support schemes which are being spent on the additional measures set out in government guidance.

3.40. The financial impact of covid-19 has decreased by £7.2m compared to quarter 2. The Medium Term Financial Plan Refresh Report approved by the Cabinet in November 2020, approved the funding of £6.4m for eligible additional food and school meal costs from the uncommitted balance on the Hardship Fund (Column C in Table 1). The summary below sets out the Covid-19 financial position

	£m
Directorate covid overspend	112.867
Corporate budgets overspend	4.500
Total Covid-19 overspend	**117.367**
Covid grants (tranches 1- 4)	128.478
Income compensation	21.938
School meals funding	6.400
Total Covid income	**156.816**
Net (surplus)	**(39.449)**
Contribution to reserve	44.200
Net deficit	**4.751**

3.41. There are further Covid-19 financial risks which have been quantified at £11.3m, which are reported through emergency cells on a weekly basis. There is an ongoing review of risks to ensure that they reflect the latest circumstances. This is a significant decrease compared to the £18.2m estimated at Quarter 2.

Housing Revenue Account (HRA)

3.42. There is an overall forecast net surplus of (£1.4m) on the HRA which will be used to increase the HRA revenue reserves to (£9.9m), 4% of net rental income. This is an improvement of £1.4m since Quarter 2.

3.43. There were improvements on income (£0.7m), repairs (£0.5m), estate services (£0.3m), general management (£0.9m), bad debt provision (£0.9m) and capital financing (£2.5m), partially offset by a £4.4m increase in revenue contributions to fund additional capital investment on fire protection, heating systems, rewires, kitchens and bathrooms.

HRA Covid-19 pressures

3.44. The HRA is currently reporting Covid-19 related pressures of £6.0m. The key risk on the HRA is the level of current arrears which has increased due to Covid-19. The current forecast is an overspend of £4.8m on bad debt provision, but this could increase if the economic impacts worsen. Additional costs on other areas of expenditure resulting from Covid-19 include personal protective equipment and signage, current forecast at £0.4m.