BIRMINGHAM CITY COUNCIL

RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

THURSDAY, 19 JULY 2018 AT 14:00 HOURS
IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB

A G E N D A

1 **NOTICE OF RECORDING/WEBCAST**

The Chairman to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

2 **APOLOGIES**

To receive any apologies.

3 **DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

3 - 6 4 **RESOURCES O&S ACTION NOTES, 21 JUNE 2018**

To confirm the action notes of the meeting held on 21 June 2018.

7 - 92 5 **FINANCIAL OUTTURN REPORT 201718**

To consider the Cabinet report (considered on 24th May) on the City Council financial outturn for 2017/18, including the Revenue Outturn and Capital Outturn for the General Fund; the Treasury Management Annual Report; the Housing Revenue Account Outturn and the Collection Fund Outturn

93 - 104 6 **BIRMINGHAM INDEPENDENT IMPROVEMENT PANEL STOCKTAKE REPORT**

To consider the Birmingham Independent Improvement Panel Stock-take report as it relates to the Committee's finance remit.

105 - 116 7 **TRAVEL ASSIST**

To consider the report to Cabinet on Travel Assist, in light of the Financial Outturn Report 2017/18

117 - 118 8 **RESOURCES O&S COMMITTEE WORK PROGRAMME, JULY 2018**

To consider the Committee's work programme

9 **REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)**

To consider any request for call in/councillor call for action/petitions (if received).

10 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

11 **DATE OF THE NEXT MEETING**

The next meeting is scheduled to take place on Thursday, 20 September 2018 at 1400 hours in Committee Room 6, Council House.

12 **AUTHORITY TO CHAIRMAN AND OFFICERS**

Chairman to move:-

'In an urgent situation between meetings, the Chairman jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.

BIRMINGHAM CITY COUNCIL

RESOURCES O&S COMMITTEE – PUBLIC MEETING

1400 hours on Thursday 21 June 2018, Committee Room 6

Present:

Councillor Albert Bore (Chair)

Councillors Zaheer Khan and Meirion Jenkins

Also Present:

Jayne Power, Scrutiny Officer
Emma Williamson, Head of Scrutiny Services

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1. NOTICE OF RECORDING/WEBCAST

The Chairman advised the meeting to note that this meeting will be webcast for live and subsequent broadcast via the Council's Internet site (www.birminghamnewsroom.com) and that members of the press/public may record and take photographs.

2. APOLOGIES

Apologies were received from Councillors Josh Jones, Ewan Mackey and Paul Tilsley.

3. APPOINTMENT OF RESOURCES OVERVIEW AND SCRUTINY COMMITTEE CHAIR, DEPUTY CHAIR AND MEMBERS

The Chair advised that one nomination had been received for Deputy Chair from Councillor Josh Jones.

- The appointment of Councillor Josh Jones as Deputy Chair was agreed.

4. DECLARATIONS OF INTERESTS

None.

5. RESOURCES OVERVIEW AND SCRUTINY COMMITTEE – TERMS OF REFERENCE 2018/19

(See document No 1)

The Terms of Reference were noted.

6. DRAFT EXECUTIVE/SCRUTINY PROTOCOL

(See document No 2)

The Chair told Members that the draft protocol had been discussed at a meeting of the O&S Chairs that morning and that further changes were being made. These changes would take account of the need to help with policy development and to pick up in a measured but ad-hoc way any issues which may arise. The amended protocol will be re-issued to O&S Chairs and feedback will be sought from Cabinet Members. It will then be issued in its final form to O&S members.

RESOLVED:-

- The final version of the protocol will be issued members of the Committee.

7. PRIORITIES FOR THE YEAR AND WORK PROGRAMME

(See document No 3)

Members discussed priorities for the forthcoming year and the following were among the main points raised:

- The Chair told Members that he had met with one of the Cabinet Members whose portfolios reflect this committee's remit and will be meeting with the other two;
- The Month 2 budget monitoring report to Cabinet would provide the Committee with some issues to look at and the Chair said that this would be circulated to Members when available and he would then consult with them, either individually or collectively, around any areas of concern;
- The Chair went on to say that it was clear from the 2017/18 financial outturn report that the use of reserves was greater than envisaged at the start of the budget year with £20m or so more being used from reserves to balance the budget than anticipated plus pension fund strain cost. However, it was agreed that this would be best looked at by Audit Committee;
- One long term piece of work which had been indicated as worth exploring in discussion with the Cabinet Member for Finance and Resources was around the financial planning process. The Chair therefore suggested that Committee spends a period of time – say 3 to 4 months – looking at approaches to financial planning taken by some of the other core cities;
- July agenda to be agreed over the next couple of weeks.

RESOLVED:-

- Month 2 Monitoring Report to be circulated to Members when available;
- Agenda for July meeting to be agreed.

8. RESOURCES OVERVIEW AND SCRUTINY COMMITTEE – DATES OF MEETINGS 2018/19

The dates were agreed.

9. REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)

None.

10. OTHER URGENT BUSINESS

None.

11. AUTHORITY TO CHAIRMAN AND OFFICERS

Agreed.

The meeting ended at 1428 hours.

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**CABINET**
Report of:	**CORPORATE DIRECTOR - FINANCE & GOVERNANCE**
Date of Decision:	**24TH MAY 2018**
SUBJECT:	**FINANCIAL OUTTURN 2017/18**
Key Decision: Yes / No	**Relevant Forward Plan Ref: 003681/2018**
If not in the Forward Plan: (please "X" box)	**Chief Executive approved** ☐ **O&S Chair approved** ☐
Relevant Cabinet Member(s) or Relevant Executive Member:	**Councillor Ian Ward**
Relevant O&S Chair:	**Councillor Mohammed Aikhlaq**
Wards affected:	**All**

1. Purpose of report:

1.1 To present the City Council financial outturn for 2017/18, including the Revenue Outturn and Capital Outturn for the General Fund; the Treasury Management Annual Report; the Housing Revenue Account Outturn and the Collection Fund Outturn.

2. Decision(s) recommended:

That the Cabinet :-

2.1 Note the City Council's Outturn position for 2017/18, as detailed in the report and appendices (the finalisation of the figures is subject to External Audit).

2.2 Approve the use of reserves and balances set out in Appendix 1.

2.3 Approve the financing of capital expenditure for 2017/18 as set out in Appendix 2.

2.4 Approve the creation of a HRA debt repayment provision of £37.9m in 2017/18 as set out in Appendices 3 and 4.

2.5 Note the outturn position on the Collection Fund as set out in Appendix 5.

Lead Contact Officer(s): Clive Heaphy, Corporate Director – Finance & Governance

Telephone No: 0121 303 2950

E-mail address: clive.heaphy@birmingham.gov.uk

3. Consultation

Consultation should include those that have an interest in the decisions recommended

3.1 Internal

3.1.1 The Leader, Cabinet Members, the Chief Executive, Corporate Directors, and Assistant Directors of Finance have been consulted in the preparation of this report.

3.2 External

3.2.1 There are no requirements for external consultation on this report.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

4.1.1 The budget represents the financial resources allocated to achieving the Council's policies and objectives.

4.1.2 The Financial Outturn gives a summary of the City Council's financial activity during 2017/18 and the financial position at 31 March 2018. The budget against which the outturn position is compared was initially set out in the Financial Plan 2017+ to Council and has been revised throughout the year.

4.1.3 Total City Council spend was budgeted at around £3bn. This includes the General Fund, HRA, delegated Schools budgets etc.

4.1.4 The General Fund net controllable budget was £821.8m (excluding benefit payments, HRA, delegated schools budgets) with a savings requirement of £85.3m for 2017/18 (including savings achieved on a one-off basis in 2016/17). This outturn report builds on the budget monitoring reports to Cabinet throughout the year.

4.2 Financial Implications (How will decisions be carried out within existing finances and Resources?)

4.2.1 This report compares the agreed budgets with actual financial performance in 2017/18.

4.2.2 Against an net overall budget of £821.8m, the overall outturn position is an overspend of £20.9m (2.5%), offset by an agreed use of reserves of £16.0m as identified at month 10. This results in an overall overspend of £4.9m for the year. Whilst this represents a significant overspend, it is some £6.5m less that the position forecast at Month 10, with the call on reserves also therefore being reduced by this amount.

4.2.3 It is essential that steps are now taken to manage ongoing budget pressures and the delivery of agreed savings for 2018/19 and beyond in order to reduce the risk of further calls on reserves in the current and future years. Detailed work is being undertaken by

Council Management Team and the Corporate Director, Finance and Governance to provide further assurance on this, and consider additional control measures to help mitigate the risk of further calls on reserves.

4.2.4 The original budget contained a planned use of reserves of £42.2m. The outturn shows that £63.1m of reserves were used in order to structurally deliver the 2017/18 budget plus a further £11.7m to fund pension guarantees, which will be repaid from existing budgets in future years.

4.2.5 However, the overall reserves and balances position increased by £94.1m in 2017/18. This was primarily due to

i) the Council's policy decision to change its Minimum Revenue Provision policy, which generated an unplanned reserve of £98.3m,

ii) the beneficial repayment of a provision no longer in respect of NEC Pensions £23.6m' and

iii) contributions from Directorates to grant reserves of £36.4m

iv) offset by the structural use of reserves of £63.1m.

4.3 Legal Implications

4.3.1 Section 151 of the 1972 Local Government Act requires the Corporate Director, Finance & Governance (as the responsible officer) to ensure proper administration of the City Council's financial affairs. This report forms the concluding part of the City Council's budgetary control cycle for 2017/18. Budgetary control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Cabinet Members, committees and members of the Council Management Team by the City Council in discharging the statutory responsibility.

4.4 Public Sector Equality Duty (see separate guidance note)

4.4.1 There are no additional specific Equality Duty or Equality Analysis issues beyond any already assessed and detailed in the budget setting process and monitoring issues that have arisen in the year to date.

5. Relevant background/chronology of key events:

5.1 The appendices of this report provide information about the 2017/18 outturn position of the City Council, which will subsequently be incorporated into the 2017/18 Statement of Accounts of the Council, submitted to the Audit Committee for approval at the end of May 2018.

5.2 **Appendix 1** is the **Revenue Outturn**. The overall outturn position shows a £20.9m overspend before use of Reserves – with service directorates having net overspends of £12.7m while corporate areas showed an overspend position of £8.2m.

5.3 After the specific use of Reserves agreed at Period 10 of £16.0m (to fund the Waste Management dispute (£6.6m) and Pension Fund Strain costs (£9.4m)) a £4.9m overspend resulted. This compared with forecast year end net pressures of £11.4m reported at Month 10 – an overall improvement of £6.5m in the outturn position compared to the previous forecasts.

5.4 It proposed to utilise £4.9m reserves (made up of use of the Organisation Transition Reserve) to address the year end deficit.

5.5 The original budget envisaged £42.2m of Reserves to balance the budget. In order to balance the budget at year-end a further £20.9m has been required. Thus in total, £63.1m of reserves were used to structurally deliver the 2017/18 budget, plus £11.7m to fund pension guarantees, which will be repaid from existing budgets in future years.

5.6 Appendix 2 is the **Capital Outturn**. For 2017/18, the outturn was £362.2m, £157.7m less than the capital budget of £519.9m

5.7 The Capital Outturn Report provides a narrative of the major variations for each variation includes £157.1m of slippage, and £0.6m of net underspends.

5.8 It is important to note that no resources will be lost as a result of slippage. Both the resources and planned expenditure will be rolled forward into future years. Given the long term nature of such capital projects, it is always necessary to manage capital budgets across a number of financial years. The proposed financing of City Council capital expenditure in 2017/18 of £362.2m is summarised in Paragraph 3 of Appendix 2.

5.9 **Appendix 3** is the **Treasury Management Annual Report.** The City Council's net loan debt at 31 March 2018 stood at £3,301.4m, the Council staying within the prudential limit set by the Council in accordance with CIPFA's Prudential Code for Capital Finance. The treasury risks relating to borrowing and investment portfolios were managed in accordance with the approved strategy. The City Council had £547.2m of gross short-term and variable rate borrowing at 31 March 2018. This takes advantage of low short-term interest rates and is kept under regular review. The net corporate revenue costs of borrowing were £105.6m lower than the budget for the year, largely due to a one-off saving from the reprofiling of MRP charges of £98.3m, which was approved with the Council Plan and Budget 2018+.

5.10 **Appendix 4** summarises the **Housing Revenue Account Outturn**. This shows a year end surplus of £0.1m which is explained in Appendix 4. The surplus has been transferred to accumulated balances.

5.11 **Appendix 5** summarises the **Collection Fund Outturn**. The 2017/18 Council Tax outturn shows that the position, including the brought forward balance, gave a surplus of £2.1m. This was a slight deficit of £0.2m compared with the £2.3m surplus forecast when setting the 2018/19 budget. The Council's share of this outturn surplus was £1.8m (which was £0.2m less than that assumed when setting the budget).

5.12 The 2017/18 Business Rates outturn surplus was £15.7m compared with the £14.4m forecast when setting the 2018/19 budget. The variation from the forecast position was mainly due to a reduction in Business Rates Reliefs awarded compared to those that were anticipated when setting the budget. The Council's share of this outturn surplus was £17.4m (which was £1.3m more than that assumed when setting the budget), with the Fire Authority's share being £0.1m and the Government receiving a deficit of £1.8m.

5.13 The change in the net outturn position for Council Tax and Business Rates compared to the forecast will not impact on the General Fund until 2019/20 and will be taken into account as part of the 2019/20 budget setting process.

6. Evaluation of alternative option(s):

6.1 The report formally presents the outturn position on the Council's main financial accounts for 2017/18.

7. Reasons for Decision(s):

7.1 The report concludes the financial reporting cycle for the 2017/18 year. It considers the outturn position and any impact on the resourcing of the 2018/19 budget.

7.2 This report seeks approval for the recommendations set out in paragraphs 2.1 to 2.5

Signatures		**Date**
Corporate Director – Finance & Governance	………………………………….	………………...
Leader	………………………………….	…………………

List of Background Documents used to compile this Report:

1. City Council Financial Plan 2017+ approved at Council 28th February 2017

List of Appendices accompanying this Report (if any):

1. Revenue Outturn
2. Capital Outturn
3. Treasury Management Annual Report
4. Housing Revenue Account Outturn
5. Collection Fund Outturn

PROTOCOL
PUBLIC SECTOR EQUALITY DUTY

1 The public sector equality duty drives the need for equality assessments (Initial and Full). An initial assessment should, be prepared from the outset based upon available knowledge and information.

2 If there is no adverse impact then that fact should be stated within the Report section 4.4 and the initial assessment document appended to the Report duly signed and dated. A summary of the statutory duty is annexed to this Protocol and should be referred to in section 4.4 of executive reports for decision and then attached in an appendix; the term ‘adverse impact’ refers to any decision-making by the Council which can be judged as likely to be contrary in whole or in part to the equality duty.

3 A full assessment should be prepared where necessary and consultation should then take place.

4 Consultation should address any possible adverse impact upon service users, providers and those within the scope of the report; questions need to assist to identify adverse impact which might be contrary to the equality duty and engage all such persons in a dialogue which might identify ways in which any adverse impact might be avoided or, if avoidance is not possible, reduced.

5 Responses to the consultation should be analysed in order to identify:

(a) whether there is adverse impact upon persons within the protected categories

(b) what is the nature of this adverse impact

(c) whether the adverse impact can be avoided and at what cost – and if not –

(d) what mitigating actions can be taken and at what cost

6 The impact assessment carried out at the outset will need to be amended to have due regard to the matters in (4) above.

7 Where there is adverse impact the final Report should contain:

- a summary of the adverse impact and any possible mitigating actions (in section 4.4 or an appendix if necessary)
- the full equality impact assessment (as an appendix)
- the equality duty (as an appendix).

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1 The Council must, in the exercise of its functions, have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

3 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

4 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(a) tackle prejudice, and

(b) promote understanding.

5 The relevant protected characteristics are:
(a) marriage & civil partnership
(b) age
(c) disability
(d) gender reassignment
(e) pregnancy and maternity
(f) race
(g) religion or belief
(h) sex
(i) sexual orientation

Section 1: Summary Outturn

Overview

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

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

1.2 Directorate overspends were primarily related to base budget pressures in Place Directorate although the overall Directorate position at outturn has improved by £6.6m since the Month 10 forecast. Full details can be seen in Section 2.

1.3 Gross corporate overspends of £24.1m occurred, primarily relating to Acivico (£9.5m) and non-delivery of the Council's Future Operating Model (£14.6m). There were offsetting underspends of £15.9m in Policy Contingency and other Corporate Items. Details of the net overspend of £8.2m (a deterioration of £0.1m compared to the month 10 Cabinet Report) can be seen in Section 3 and Table 3.

1.4 During the year, the specific use of reserves was approved to fund the Waste Management dispute (£6.6m) and to assist the budget position, relating to pension fund strain (£9.4m). These figures are as reported in the month 10 Revenue Monitoring report.

1.5 After taking account of this specific use of reserves, the City Council's final revenue outturn position was a net overspend of £4.9m compared with the approved budget. This is an overall improvement of £6.5m in the forecast position since Month 10 (£11.4m overspend).

1.6 The outturn overspend was in the context of demanding savings targets of £85.3m including finding 2017/18 solutions for £14.4m of savings achieved on a one off basis in 2016/17.

Structural Use of Reserves and Balances

1.7 The Council originally planned to use £46.6m of balances and reserves in 2017/18. Of this intended use, £42.2m was a structural use to balance the budget. This was to be funded from Capital Fund (£28.0m), Organisational Transition reserve (£12.5m) and one-off resources from previous years (£1.7m) as described in the Financial Plan 2017+. The remaining net £4.4m was a net combination of payments to and from reserves and temporary borrowing being repaid.

1.8 In order to balance the budget in year a further £20.9m of reserves has been required; £16.0m was described in the Month 10 revenue budget monitoring report to fund the waste dispute and relating to Pension Fund Strain plus a further £4.9m was used to finally balance the budget.

1.9 In addition, £11.7m of pension guarantees were funded by the use of loan arrangements from reserves to be repaid in future years from within existing budgets.

1.10 **In total £63.1m of reserves was used in order to structurally deliver the 2017/18 budget plus £11.7m to fund pension guarantees, which will be repaid from existing budgets in future years. This is directly comparable to the originally planned structural use of reserves of £42.2m.**

1.11 However, the overall reserves and balances position increased by £94.1m in 2017/18. This was primarily due to

i) the Council's policy decision to change its Minimum Revenue Provision policy, which generated an unplanned reserve of £98.3m,

ii) the beneficial repayment of a provision no longer in respect of NEC Pensions £23.6m and

iii) contributions to grant reserves of £36.4m offset by the structural use of reserves of (£63.1m). Further details of reserves are provided in Section 4.

Section 2: Directorate Outturn

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

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

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

Commentary on budget areas

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

2.1 Adult Social Care and Health

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

The net underspend position is explained below.

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

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

<u>Adult Social Care Packages - £5.6m overspend</u>
There continued to be a significant pressure on package of care budgets, particularly in relation to residential and nursing placements for Older Adults. However, this pressure has stayed broadly the same towards the end of the year and appears to be stabilising somewhat. Additional pressures during the year have been due to increasing prices for services particularly for clients with learning disabilities and an increase in commitments for residential services for older adults. Other cost pressures continued, including a higher than anticipated increase in average prices across all of Adult Social Care for all client groups. The Directorate has been successful in mitigating some of these increases through reviewing cost sharing arrangements with health on a package by package basis.

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

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

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

Packages of Care Income - additional income £4.4m

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

Extra Care Block Contract – £1.9m overspend
The current arrangements for providing care where additional services were required led to these unbudgeted costs. This was mainly due to reductions in staffing costs not happening as fast as planned, and some services being commissioned at a greater level than budgeted. This is now being dealt with for the new financial year.

Day Care and Residential Services running costs and additional Income –£1.1m underspend
The Directorate has reviewed operational costs including transport and supplies and services and identified a range of one off savings across Day Care and Residential Services, mainly due to more efficient use of resources. Also, income from use of the Care Centres by Health has been higher than anticipated.

ASC&H Commissioning –£1.7m underspend
This underspend is mainly in relation to staff vacancies (£0.7m) and reductions in third sector grants awarded by the Council (£1.0m) pending new commissioning processes.

Other Variations – £0.4m underspend
There were pressures due to a higher than budgeted contribution to the bad debt provision, pension fund strain costs, and the need to undertake and review Deprivation of Liberty Safeguards. The latter pressure has reduced as the Directorate has changed the emphasis and prioritised cases most at risk. These pressures have been mitigated by reviews of all non-pay spending including energy, transport, training, ICT and other areas. More efficient processes have been implanted in the joint health Equipment Loans Store, and there have been higher than anticipated employee underspends in most areas of the Directorate. In Assessment and Support Planning this has been ahead of the planned restructure which will increase the number of people reporting to individual managers, change the approach to asset-based and develop a community offer by working more closely with the third sector.

2.2 Children & Young People

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

The net overspend position is summarised below:

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

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

Education General Fund – £3.4m overspend

<u>Travel Assist – £3.1m overspend</u>
The mitigations that were put in place to manage the deficit did not have the impact expected as a result of an increase in the number of eligible young people, a rise in costs related to agency Guides and issues with the main contractor of transport. Any new transport provision arranged increases the cost of delivery.

<u>Early Years – £0.1m overspend</u>
A net deficit of £0.1m arising from net unfunded costs arising from compliance works carried out at the 22 hub sites forming part of the new Health and Well Being contract.

<u>PFI/BSF contracts – £0.1m overspend</u>
There was a £0.1m overspend after taking into account of mitigations from the corporate inflation contingency.

<u>Unattached Playing Fields – £0.3m overspend</u>

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

Education Infrastructure Team £0.4m – overspend
A £0.1m overspend arose from a combination of less income from a reduced level of academisation than anticipated and buy back of the Education Infrastructure Team traded offer being less than expected. There were also unfunded costs of £0.1m on surplus properties maintained by the Directorate and other minor overspends of £0.2m.

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

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

No Recourse to Public Funds – £0.7m overspend
There has been an increase in the number of families presenting as having no recourse to funds during 2017/18. The pressure represents the costs in excess of the budget of providing accommodation and subsistence support for 2017/18.

Secure Remand Custody – £1.2m overspend
The pressure arose from the decrease in the Youth Justice Board (YJB) Secure Grant for 2017/18, an increase in the actual price charged by YJB, and a significant rise in both the number and type of bed night usage with more placements in higher cost Secure Training Centres and Secure Children's Homes.

Legal Disbursements – £1.2m overspend
There was £0.6m overspend related to the budget allocation not being adequate to cover the actual costs of disbursements following an exercise to re-base budgets. In addition there was an increase in costs relating to several cases in court of £0.6m.

Disabled Children's Services – £0.7m overspend
This related to costs of alternative community support packages for disabled children. In April a new formula was agreed to share residential placements with education costs with Special Education Needs Assessment and Review (SENAR). This resulted in additional costs of £1.3m previously charged to Dedicated School Grant being charged to this budget. This was partially offset by underspend of £0.6m.

Children's Placements – £1.7m underspend
This related to delayed opening of a specialist three bedded remand home of £0.4m and the overall costs of all current fostering, residential, supported accommodation and secure welfare placements underspending by £0.8m. Additional income of £0.5m is to be received in respect of contributions to specific complex care packages.

Youth Offending Service – £1.0m underspend
There was £0.7m staffing underspends within the Youth Offending Service due to managed vacancies to support mitigation of the Secure Remand budget overspend and other staffing underspends total £0.3m due to reduced costs of agency staff.

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

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

Unaccompanied Asylum Seeking Children – £1.1m additional grant income
This related to several cases which have been retrospectively approved by the Home Office from 2016/17 and additional information income for a further 29 national transfer cases.

Other net variations – £0.9m underspend
This included an underspend of £0.5m in relation to costs of support packages and financially assisted order payments as alternatives to care and an underspend of £0.3m due to a reduction in the number of Adoption interagency cases and the cost of adoption allowances. In addition there was other non pay underspends across various services of £0.1m

2.3 Place (excluding Housing Revenue Account)

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

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

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

<u>Waste Management Services – £11.9m overspend</u>
The additional expenditure reflects an extra-ordinary set of circumstances during the transition to a modern and efficient service and the implementation of a new operating model. The major components of the overspend included:

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

<u>Community Sport and Events – £2.6m overspend</u>
The major components included:

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

<u>Parks and Nature Services – £1.2m overspend</u>
The major elements included:

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

<u>Housing Options – £0.1m overspend</u>
There was a major increase in the number of people in temporary accommodation towards the end of the financial year (including bed and breakfast). In total, there were more than 2,100 people in such accommodation (this being 40% more than the base assumptions). This continues to reflect national trends and policies including the welfare reforms, shortage in social/private housing and is projected to increase further in 2018/19 with the new obligations placed on local authorities under the Homeless Reduction Act.

Culture and Visitor Economy £1.0m overspend
The City Council has guaranteed a loan to Birmingham Museums Trust of £0.9m and as such the full cost has to be recognised in year. This is being funded from Reserves as discussed below and will be repaid in future years from existing budgets. There were other minor variations of £0.1m.

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

All Other Place Services (£0.8m net underspend)
There were minor overspends of £0.2m on Equalities and £0.3m on Markets. These were offset by underspends on Bereavement Services (£0.3m) and Regulatory Services (£0.4m) and other net underspends of (£0.6m) across the Directorate.

2.4 Economy Directorate

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

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

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

Planning & Development - £1.3m underspend
This primarily related to additional planning related income and other underspends.

Transportation & Connectivity - £0.4m underspend
This was due in the main to income generated through recharges to projects and an unanticipated Property Searches New Burdens receipt from Government.

Housing Development - £0.7m overspend
This largely related to non-delivery of the income target in relation to INReach partially offset by increased income in Housing Development General and employee underspends.

Highways & Infrastructure - £0.1m underspend
This was due in the main to underspending on employees, maintenance, offset by lower than anticipated highways related income

Birmingham Property Services - £0.1m overspend
This was due in the main to a shortfall in property related income, delayed delivery of workforce efficiencies and other minor net negative variations, offset by underspends on employees, lease agreement expenditure, and additional net income.

Employment Services - £0.2m underspend
There was an increase in project income and a reduction in employee severance costs

2.5 Strategic Services

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

The key reasons are summarised below.

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

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

Revenue & Benefits £1.0m underspend
This related to Housing Benefit Subsidy surplus.

Procurement- £0.5m underspend
This primarily related to overachievement on income.

Business Improvement £0.9m underspend
The underspend largely related to funded vacancies as part of the support services consolidation project.

Corporate Strategy- £0.7m overspend
This related to centrally held savings on the Corporate Strategy budget line offset by savings delivered across the Directorate

Other Net Variations- £0.1m overspend
There were other net overspend of £0.1m across the Directorate.

2.6 Finance & Governance

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

The key reasons are summarised below:

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

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

City Finance £1.3m underspend
This primarily related to underspend on Voyager support offset by Finance transition costs including pension fund strain costs and shortfall in core income target

Directorate Wide Recharges £0.1m underspend
This related to refund due in respect of overpayment to the West Midlands Pension Fund (WMPF) relating to additional years payment which were based on WMPF estimates.

Business Transformation Legacy £0.1m underspend
The underspend is largely as a result of less expenditure on SAP development days than originally anticipated due to the re-profiling and reprioritising of work to be completed.

NNDR £0.2m overspend
This related to shortfall in NNDR revaluation refunds.

2.7 Dedicated Schools Grant (DSG)

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

Proposed Transfers to / (from) reserves

- Non School DSG £2.3m - Savings on DSG funded earmarked Department for Education (DfE) priorities comprising of Disability Access Fund £0.3m, Growth and Falling Pupils Contingency Funds of £1.6m and £0.4m other minor variations have been appropriated to the reserve account.

- Schools Reserves (£2.5m) – There was an in year deficit of £2.5m related to Delegated Schools and this has been appropriated from school reserves. The school balance position was not known until year end, when all school expenditure was posted to the ledger.

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

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

Section 3: Corporate Account Outturns

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

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

3.2 Key areas are:

- There was an underspend of £7.3m in Treasury Management. A forecast underspend of £3.7m was reported at Month 10. There have been further movements of £3.6m at year end. The overall year end variation for Treasury Management is explained within Appendix 3 of the report.

- The Airport dividend received by the Council was £0.5m higher than budgeted.

- The Council has identified that £3.3m of Business Rates Income can be released to the General Fund. This was reported as a Corporate mitigation of £3.3m at Month 10.

- £0.5m of the reserve for a legal dispute regarding construction costs will no longer be needed following settlement of the case, and therefore can be released.

- £0.4m of other net overspends have been identified mainly related to balance sheet management and other minor variations.

- The above mitigations have been used to partially offset a £9.5m pressure relating to Acivico, a £7.5m increase from the pressure of £2.0m reported at Month 10. The total pressure relates to the write back of assumed profit share from Acivico's trading activities in 2017/18 and prior years, £1.6m, cost pressures from Council services managed by Acivico, £0.8m, mismatches in inter-company transactions, £2.1m, and from the estimated level of support required to ensure that Acivico could continue to meet its liabilities as they fall due, £5.0m.

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

Policy Contingency

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

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

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

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

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

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

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

Section 4: Balances and Reserves

4.1 The Council originally planned to use £46.6m of balances and reserves in 2017/18. In year there were approved net contributions to reserves of £79.5m, primarily relating to the change in the Council's MRP Policy (£98.3m) offset by the approved use of the OTR (£16.0m). At year end there were further net contributions to reserves of £61.2m, mainly relating to contributions to grant reserves of £34.2m and a return of £23.6m which had been used to add to provisions in respect of NEC pension costs, but is no longer required.

4.2 Overall, Reserves and Balances increased by £94.1m in 2017/18. Excluding the contributions to reserves from the further changes to the Council's MRP Policy (£98.3m) and repayment of the provision no longer required in respect of NEC Pensions (£23.6m), reserves would have reduced by £27.8m.

4.3 Of the original £46.6m intended use of reserves and balances, £42.2m was a structural use to balance the budget corporately. This was funded from Capital Fund (£28.0m), Organisational Transition reserve (£12.5m) and one-off resources from previous years (£1.7m) as described in the Financial Plan 2017+. The remaining net £4.4m being a combination of payments to and from reserves and temporary borrowing being repaid.

4.4 In order to balance the budget a further £20.9m of reserves was required; £16.0m was from the OTR as described in the Month 10 revenue budget monitoring report and a further £4.9m was used to finally balance the budget.

4.5 In addition, £11.7m of pension guarantees were funded by the use of loan arrangements from reserves to be repaid in future years from within existing budgets.

4.6 **In total there was a structural use of £63.1m of reserves to deliver the 2017/18 budget plus £11.7m to fund pension guarantees, which will be repaid from existing budgets.**

4.7 The movements in accumulated General Fund balances and reserves are shown in Table 4.

Table 4 – Balances and Reserves Movements

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

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

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

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

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

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

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

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

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

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

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

REVENUE OUTTURN SUMMARY

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

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

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

Comparison to Month 10 Revenue Monitoring Report

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

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

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

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

    - Parks and Nature favourable movement of (£0.3m) due to lower than forecast spend on Grounds Maintenance and higher than forecast income.
    - Markets had a favourable movement of (£0.4m) due to a combination of income being higher than forecast and expenditure less than forecast
    - Income for Pest Control, Licensing and Environmental Health was higher than forecast (£0.5m)
    - Other minor movements of (£0.5m)

- Economy – net favourable movement of (£1.5m) related to:
    - Birmingham Property Services net favourable movement of (£1.2m) mainly due to reduction in forecast lease agreement expenditure, increased capitalisation of project costs and increased property income.
    - Transportation & Connectivity net favourable movement of (£0.3m) due to increase income from recharges to projects.
    - InReach adverse movement of £0.3m due to delays in delivery.
    - Other minor net favourable movements of (£0.3m)

- Strategic Services – net favourable movement of (£3.0m) related to:
    - Corporate Strategy net favourable movement of (£0.1m) relating to confirmation of income from the WMCA
    - Procurement net favourable movement of (£0.4m) as a result of confirmation of additional external advertising income. Due to the markets inherent volatility, it is difficult to predict this income stream
    - Human Resources net favourable movement of (£0.6m) relating to lower than expected costs of the Career Transitions service and other services
    - Business Improvement net favourable movement of (£0.9m) relating to funded vacancies from recent consolidation of support services
    - Revenues and Benefits-higher than expected subsidy income of (£0.6m)
    - Customer Services net favourable movement of (£0.3m) – the service have successfully achieved savings that were originally to be met by use of reserves and mitigations
    - Other minor net favourable movements of (£0.1m)

- Finance & Governance – net favourable movement of (£0.3m) related to:
    - City Finance net favourable movement of (£0.1m)
    - Other minor net favourable movements of (£0.2m)

- Corporate Items – net adverse movement of £0.1m related to:
    - Additional underspend on Policy Contingency of (£3.1m)
    - Acivico adverse movement of £7.5m – see Section 3 for more details
    - Additional Treasury Management underspend of (£3.6m)
    - Airport Dividend higher than anticipated of (£0.5m)
    - Construction Cost Dispute Reserve released of (£0.5m)
    - Other overspends £0.3m

1. Other Reserves

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

- Net movement from the Capital Fund of (£6.4m) relating largely to its application to address the 2017/18 revenue position as planned, offset by potential liabilities in respect of NEC pension costs no longer required.

- Business Rates Section 31 grant – There is a surplus of £5.3m relating to compensatory grants for Business Rates Reliefs awarded during 2017/18. £3.2m of this has been assumed to be carried forward as per the Financial Plan 2018+. The remaining £2.1m will be carried forward to offset a shortfall in 2018/19 relating to section 31 grants as a result of Central Government announcements to correct previous overcalculations as a result of their error.

- Business Rates Pilot “no detriment” reserve – £3.4m has been put into reserves as planned as a contingency for any no detriment payments that may be required in the future.

- Business Rates 17/18 top up adjustment from Ministry for Housing, Communities and Local Government (MHCLG) – As part of the Final Settlement for 2018/19 the Government will be making an additional payment of £1.8m relating to an adjustment to the 2017/18 Business Rates Top-Up grant as a result of revaluation. This has been assumed in the Financial Plan 2018+ and so it will therefore be carried forward.

- Resources brought forward from 2016/17 for application as part of the approved budget of (£1.7m) have been used as planned

- Policy Contingency (£2.4m) – There were £6.7m appropriations from reserves as planned. In addition there were net appropriations to reserves of £4.3m made up of £5.0m to reserves for approved allocations for specific purposes not yet spent (see paragraph 1.28) and (£0.7m) transfer from reserves to fund the Future Council programme.

- General cyclical maintenance contributions totalling £2.5m

- Other net movements to Corporate reserves of £3.8m relating largely to a provision related to the Pallasades that was no longer required.

- There was a net use of (£11.6m) of other reserves over the year. There was (£12.0m) planned use of other reserves and £0.4m was contributed to reserves at the year end.

- These mainly related to Directorate usage of reserves, as discussed in section 2 overleaf.

2. Directorate Appropriations to/(from) Reserves

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

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

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

Adults Social Care & Health

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

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

Proposed Transfers to / (from) reserves

Grants – £7.5m transfer to / (from) reserves
- Improved Better Care Fund (IBCF) £6.7m to assist the Directorate in implementing the substantial change programme
- Better Care Fund (BCF) £3.3m
- Section 256 (£1.8m) to support community based services
- Section 256 Pump Priming for Better Care Fund (£0.3m)
- Public Health Grant (£0.3m) - to manage the impact of reduction in the Public Health Grant and changes to the commissioned services
- Other net transfers from reserves (£0.1m)

Children & Young People

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

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

Proposed Transfers to / (from) reserves

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

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

Other transfers – £3.7m to / (from) reserves
- Children's Trust Grant - £1.9m for set up, transition and early operational activities of the Children's Trust

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

Place

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

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

Proposed Transfers to / (from) reserves

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

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

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

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

Economy

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

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

Proposed Transfers to / (from) reserves

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

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

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

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

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

Strategic Services

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

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

Proposed Transfers to / (from) reserves

Grants – net nil transfer to / (from) reserves

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

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

Finance & Governance

There were planned transfers from Grants Reserves of (£1.8m) and transfers from Other Reserves of (£1.2m).
The key elements of the recommended net transfer from reserves of £3.4m are detailed below.

Proposed Transfers to / (from) reserves

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

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

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

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

Appendix 2: Capital Outturn 2017/18

1.0 Overview

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

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

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

(1) Changes in the timing of budgeted expenditure, where the expenditure is still required but takes place later than planned (slippage) or earlier than planned (acceleration); and

(2) Underspends or overspends, which represent a decrease or increase in the total capital cost of a project (which may be over several years).

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

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

2. Reasons for variations

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

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

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

3. Queen's Park Flood Alleviation Works

3.1 A Court Order was placed on the City Council in January 2016 to build and maintain a permanent flood protection barrier in Queen's Park, Harborne, following regular flooding of properties adjacent to the park. The flooding only occurred following the development of the properties that was completed in 2007 (attempts by residents to seek redress through the developer's insurance were unsuccessful as the developer ceased trading in 2012 and so action was taken against the Council leading to the Court Order).

3.2 The work was commenced in June 2017 and was commissioned of a contractor through the Miscellaneous Drainage Works Framework Agreement. The estimated total costs of the project are estimated at £0.9m (of which £0.1m was met from the 2016/17 revenue budget) and it is proposed to fund the remaining £0.8m from prudential borrowing over 40 years at an annual cost of £32,800. This will be met from the approved Park Services revenue resources. The costs incurred in 2017/18 of £0.58m are included in the Park Services capital expenditure. A Full Business Case report will be taken to the Cabinet member setting out the decisions which were taken and the options that were reviewed in responding to the Court Order.

4. Financing of Capital Expenditure

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

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

4.2 The Budget 2017+ included a strategy to maximise the availability of capital receipts to fund equal pay liabilities, and to use the Government's capital receipts flexibility to meet the cost of eligible projects generating revenue savings in later years. Accordingly, borrowing has been used to finance the outturn capital programme in place of capital receipts where possible, in order to maximise the availability of receipts for equal pay and the capital receipts flexibility.

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

Annex 1

Capital Monitoring as at 31st March 2018

Capital Expenditure 2017/18 by Directorate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TREASURY MANAGEMENT ANNUAL REPORT

1. Outline

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

- At 31st March 2018, the Council's total loan debt net of treasury investments stood at £3,301.4m, compared to the net loan debt of £3,064.8m as at 31st March 2017.

- The increase in loan debt is largely due to additional borrowing for a 3-year advance payment in pension fund contributions made in April 2017.

- City Council treasury investments held at 31st March 2018 were £85.9m. The Council also held investments of £76.4m as accountable body.

- The City Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.

- Loan interest, repayment charges and associated costs totalled £200.1m gross, and (£77.7m) after recharges to other services. This was £105.6m below the budget of £27.9m. This was due largely to a one-off saving from the reprofiling of MRP charges of £98.3m, which was approved with the Council Plan and Budget 2018+.

2. Background

2.1 The City Council, like all local authorities, is permitted by government to finance capital investment and day to day cash flows from borrowing, in accordance with the prudential borrowing system. The Council's net loan debt at 31st March 2018 stood at £3,301.4m (excluding accountable body investments). This report reviews how the debt and associated investments were managed during the financial year 2017/18.

2.2 The City Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services which includes the requirement to present a treasury management Annual Report. CIPFA recently revised the Treasury Management Code in December 2017, and the full effect of this will be reflected in 2018/19 reporting.

2.3 Loans and investments are shown at nominal value unless otherwise indicated, consistent with budget and monitoring reports and the Prudential Indicators. The basis of accounting in the Financial Accounts is different in some cases where required by proper accounting practices.

3. The objective of treasury management

3.1 CIPFA defines the objective of Treasury Management as "the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". In balancing risk against return, Local Authorities should be more concerned to avoid risks than to maximise return. In particular, this requires a balance to be struck when borrowing between:

a) The security offered by long term fixed rate funding;

b) The expected cost of short term and variable rate funding, compared with long term funding

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

4. Financial markets during 2017/18

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

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

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

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

5. Treasury strategy and activities during the year

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

5.2 The treasury strategy for the year:

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

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

5.4 The City Council's Treasury Strategy in recent years has sought to maintain a significant exposure to short-term and variable-rate borrowing in order to take advantage of cheaper short-term rates at around bank base rate. The variable and short term borrowing of £547.2m at 31st March 2017 (see Table 7.1) was borrowed at an average rate of 0.65%. By borrowing the £547.2m short-term, savings were generated of £4.65m per annum compared with longer term borrowing rates. However, in order to manage the uncertain interest cost of short term borrowing, the short term debt portfolio size was kept broadly in line with the indicative £500m in the Strategy for the year.

5.5 The majority of the Council's borrowing needs during the year were met from short term borrowing, minimising interest costs. £157.2m of long term fixed rate borrowing was taken during the year, from a range of sources and from 2 years to 24 years maturity, at interest rates from 0.70% to 2.56% and averaging 1.5% (details are provided at Annex 2).

5.6 HRA loan debt is accounted for separately in accordance with the two pool debt system, which the City Council introduced following the reform of Housing Subsidy. The level of HRA loan debt has decreased from £1,123.0m to £1,090.2m, taking account new capital investment and HRA debt repayment provision (or MRP) in the year. No long term loans were taken for the HRA during the year, in order to maintain prudent exposure for the HRA to cheaper short term interest rates.

6. Investment management

6.1 Under the current treasury strategy, a working balance of around £40m short term investments is targeted in order to provide liquidity to meet cash flow fluctuations.

6.2 Treasury Investments are made in accordance with the creditworthiness criteria in the Treasury Management Policy and are also reported to Cabinet as part of the quarterly capital monitoring reports in line with the liquidity management objective for investments. Lending has continued to be limited to very short periods (of no longer than three months) to the institutions within the Treasury Management Policy's criteria. A range of information has been used to assess investment risk, in addition to credit ratings. Regular meetings are held to review outstanding investments and criteria for new investments in the light of developments in market conditions. None of the City Council's treasury investments has been impaired or suffered default.

6.3 Actual investments are reported quarterly to Cabinet as part of accountability for decisions made under treasury management delegations. Annex 3.1 lists all investments made during Quarter 4 of 2017/18 for the City Council.

6.4 Investments outstanding at 31st March 2018 are summarised as follows.

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

6.5 The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July 2017, and existing funds will have to be compliant by no later than 21st January 2019. As such the MMFs used during 2017/18 still maintained a Constant Net Asset Value (CNAV), but are expected to convert to the new Low Volatility Net Asset Value (LVNAV) structure during 2018/19.

6.6 The rules for UK banks' ring-fencing were finalised during 2017/18 by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. Barclays, the bank used by the Council for its day-to-day banking transactions, was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank. Standard & Poor's (S&P) upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

6.7 The Council also continues to manage substantial funds as Accountable Body for an increasing number of Government programmes: the Growing Places Fund, the Regional Growth Fund and the Advanced Manufacturing Supply Chain Initiative (AMSCI). These funds are managed by the City Council but are not the Council's own money. The unspent balance of the funds at 31st March 2018 was £76.4m as set out in Annex 3.2. These funds are being invested in accordance with the Accountable Body agreements in very low-risk deposits with the UK Government (predominantly in the DMADF and Treasury Bills).

7. Debt profile

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

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

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

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

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

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

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

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

Note: LOBO loans shown at final maturity

The Council's short term loan debt at 31 March 2018 is more balanced between the General Fund and the HRA than in previous years. The loans attributed to the HRA at the Reform in April 2012 were all long term loans, but no additional long term borrowing has been taken for the HRA during the year, in order to maximise the HRA's exposure to cheaper short term interest rates.

8. Revenue cost of borrowing

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

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

9. Prudential Indicators

9.1 The City Council is required under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities to set various prudential indicators and limits covering capital finance and treasury management. The outturn position against the Council's approved prudential indicators are attached at Annex 5 and 6. The City Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.

9.2 CIPFA revised the Prudential Indicators with effect from 2018/19, and future monitoring will be carried out in accordance with the revised indicators.

10. Risk management and performance

10.1 Risk management is at the centre of treasury performance and monitoring. The City Council has adopted the CIPFA Treasury Management Code's policy recommendation that "the successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of its treasury management activities will be measured."

10.2 There is no single quantitative measure which summarises the management of the different types of treasury risk and their financial impact. Key reporting and review processes include:

- Quarterly monitoring reports to Cabinet provide an overview of key treasury decisions and indicators.
- The adequacy of risk control arrangements are tested regularly by internal and external audit.
- The City Council's Treasury Management Policy and Strategy sets out policies, limits and strategies for managing treasury risks, which have been reviewed throughout this report.

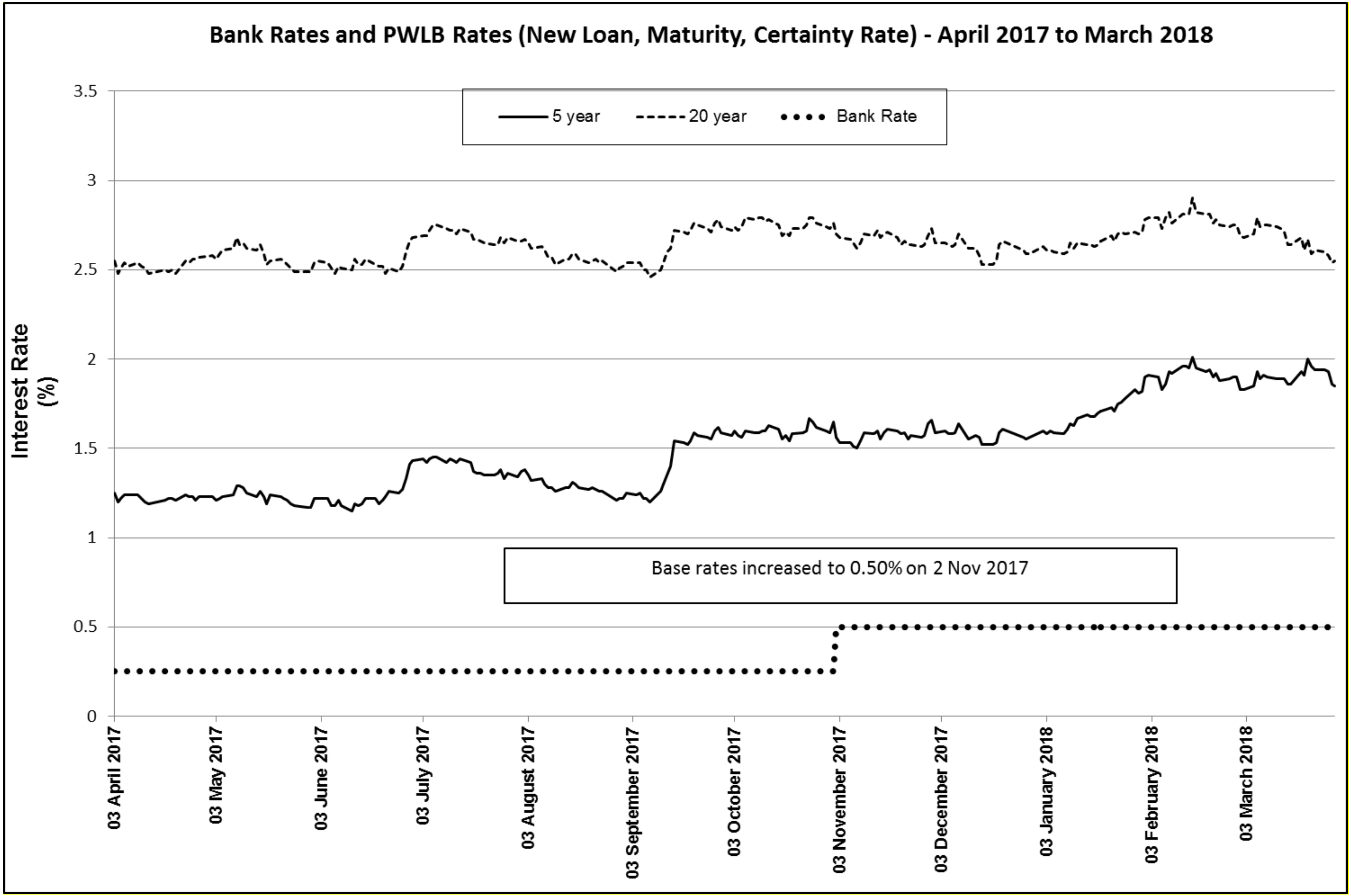
Headline indicators include:

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

11. Decisions taken under treasury management delegations

11.1 Each quarter, decisions taken by the Corporate Director of Finance and Governance and the treasury management team are reported to Cabinet as art of Capital and treasury monitoring. Long term borrowing decisions during Quarter 4 are included in Annex 2, and investment activity during Quarter 4 is reported at Annex 3 below.

11.2 During the quarter, revised terms were agreed under investment delegations with Millennium Point Property Ltd (MPPL) relating to the Council's existing loan to the company, of which £11.6m remains outstanding. MPPL own Millennium Point which houses Thinktank, the Council's science museum collection. The loan agreement enables the company to repay the loan at any time. The relevant market rates are now substantially lower than when the loan was agreed, and a reduction in the interest rate from 5.81% to 3.2% has been agreed, along with a revised repayment profile which brings forward full repayment from 2031 to 2028. The alternative was that MPPL repaid the loan, with loss of all the interest income. The reduction of around £300,000 in annual interest will be a cost to the Finance and Governance / Economy portfolios.


Bank Rates and PWLB Rates (New Loan, Maturity, Certainty Rate) - April 2017 to March 2018
5 year
20 year
Bank Rate
Interest Rate (%)
3.5
3
2.5
2
1.5
1
0.5
0
Base rates increased to 0.50% on 2 Nov 2017
03 April 2017
03 May 2017
03 June 2017
03 July 2017
03 August 2017
03 September 2017
03 October 2017
03 November 2017
03 December 2017
03 January 2018
03 February 2018
03 March 2018

1st April 2017 - 31st March 2018

Annex 2

New Long Term Loans taken out during the year.

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

Long Term Loans prematurely repaid during the year.

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

No long term loans were prematurely repaid during the year.

Annex 3.1

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

New Investments Market Fixed Term Deposits

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

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

New Investments Call Accounts

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

New Investments Money Market Funds

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

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

Annex 3.2

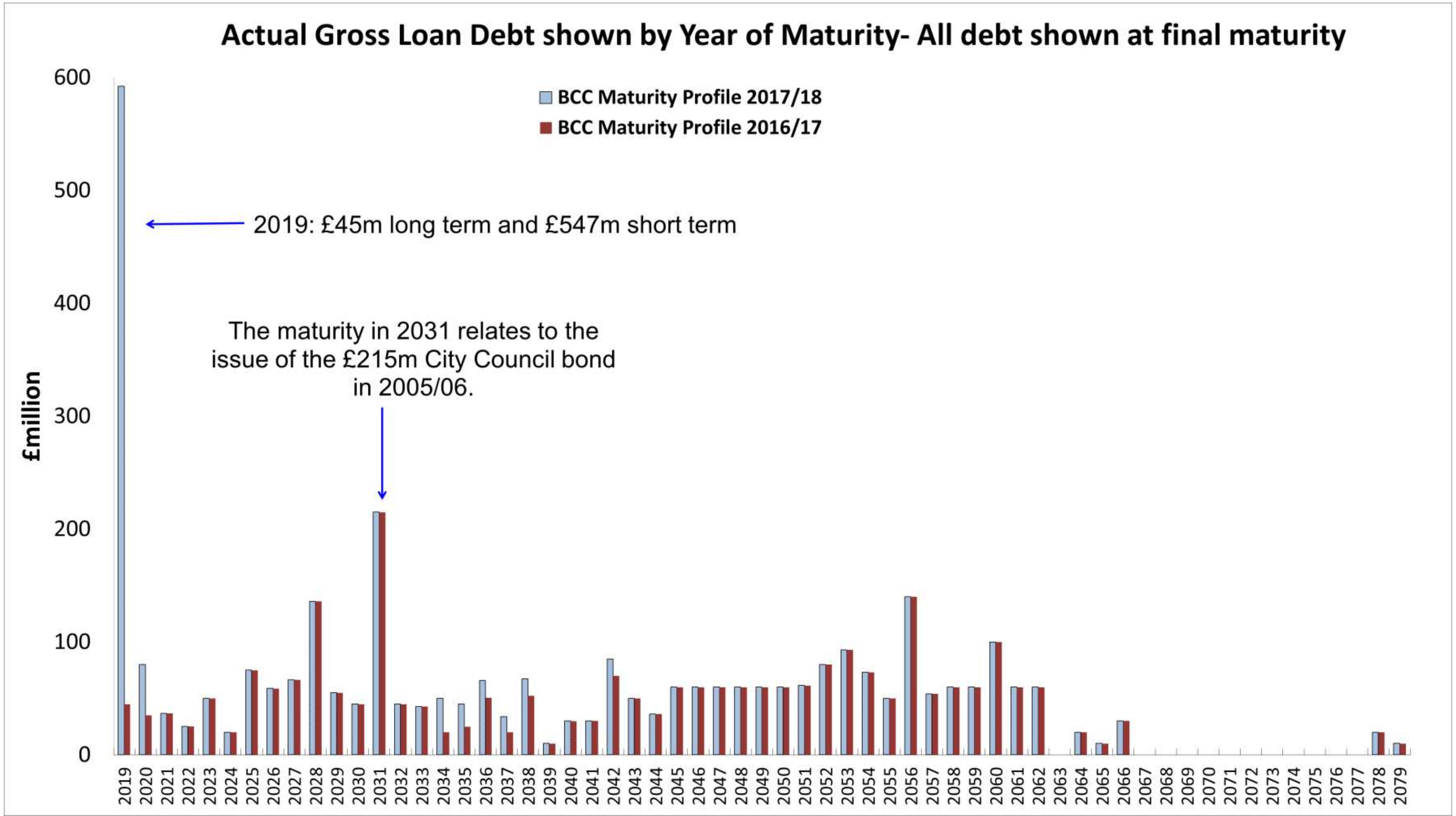
Accountable Body Investments - 31st March 2018

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

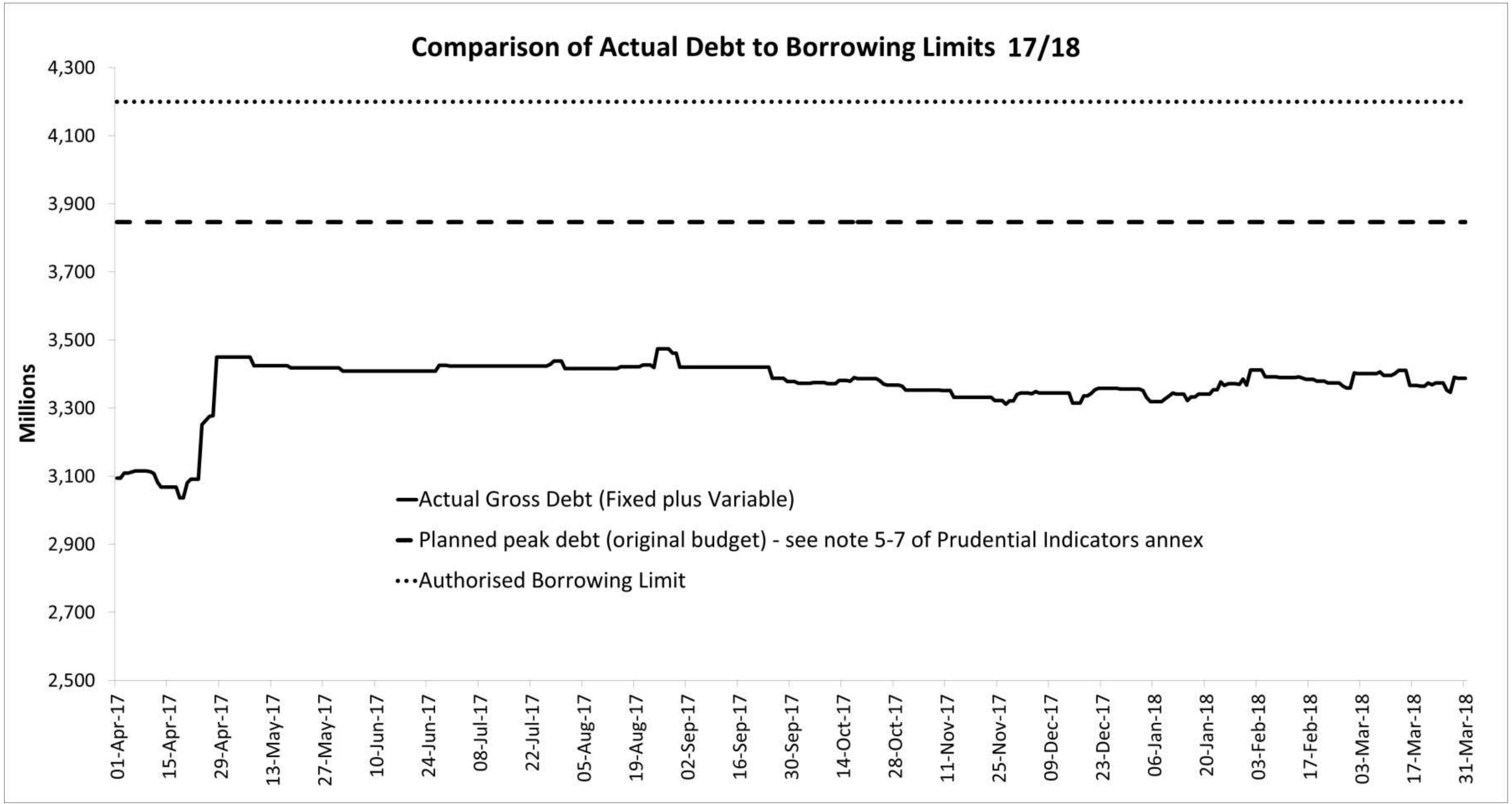
Note

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

Annex 4


Actual Gross Loan Debt shown by Year of Maturity- All debt shown at final maturity
BCC Maturity Profile 2017/18
BCC Maturity Profile 2016/17
2019: £45m long term and £547m short term
The maturity in 2031 relates to the issue of the £215m City Council bond in 2005/06.
£million
600
500
400
300
200
100
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079

Annex 5


Comparison of Actual Debt to Borrowing Limits 17/18
Millions
4,300
4,100
3,900
3,700
3,500
3,300
3,100
2,900
2,700
2,500
Actual Gross Debt (Fixed plus Variable)
Planned peak debt (original budget) - see note 5-7 of Prudential Indicators annex
Authorised Borrowing Limit
01-Apr-17
15-Apr-17
29-Apr-17
13-May-17
27-May-17
10-Jun-17
24-Jun-17
08-Jul-17
22-Jul-17
05-Aug-17
19-Aug-17
02-Sep-17
16-Sep-17
30-Sep-17
14-Oct-17
28-Oct-17
11-Nov-17
25-Nov-17
09-Dec-17
23-Dec-17
06-Jan-18
20-Jan-18
03-Feb-18
17-Feb-18
03-Mar-18
17-Mar-18
31-Mar-18

Annex 6A

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

DEBT AND PRUDENTIAL INDICATORS

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

Notes

1 Forecast capital expenditure has increased since the indicator was set due to additions to the capital programme, as reported in the quarterly capital monitoring reports.

4 The Capital Financing Requirement represents the underlying level of borrowing needed to finance historic capital expenditure (after deducting debt repayment charges).This includes all elements of CFR including Transferred Debt.

5-7 These figures represent the forecast peak debt (which may not occur at the year end). The Prudential Code calls these indicators the Operational Boundary.

8 It would be a cause for concern if the City Council's loan debt exceeded the CFR, but this is not the case due to positive cashflows, reserves and balances. The Prudential Code calls this Borrowing and the capital financing requirement.

11 The Authorised limit for debt is the statutory debt limit. The City Council may not breach the limit it has set, so it includes allowance for uncertain cashflow movements and potential borrowing in advance for future needs.

Annex 6B

DEBT AND PRUDENTIAL INDICATORS

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

Notes

2-3 The HRA Capital Financing Requirement (CFR) is being used by the Government as the measure of HRA debt for the purposes of establishing a cap on HRA borrowing for each English Housing authority.

4 Financing costs include interest and MRP (or depreciation in the HRA).

7 This indicator is not in the Prudential Code but is a key measure of long term sustainability. This measure is forecast to fall below 2.0 by 2026/27, which is two years later than previously forecast.

8 This indicator is not in the Prudential Code but is a key measure of affordability: the HRA debt per dwelling should not rise significantly over time.

9 The cost of borrowing for the Capital Programme represents the interest and repayment costs arising from any new prudential borrowing introduced in the capital programme since the last quarter, expressed in terms of an average weekly rent. The calculation excludes the cost of borrowing which is funded from additional income or savings. As all planned HRA borrowing is funded from additional income in this way, the impact is zero. The Prudential Code calls this the Estimate of the incremental impact of capital investment decisions on housing rents.

Annex 6C

DEBT AND PRUDENTIAL INDICATORS

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

Note

4 Other long term liabilities include PFI, finance lease liabilities, and transferred debt liabilities.

6 Financing costs include interest and MRP (in the General Fund), for loan debt, transferred debt, PFI and finance leases.

8 This indicator includes the gross revenue cost of borrowing and other finance, including borrowing for the Enterprise Zone and other self-supported borrowing.

9 The incremental impact of new capital investment decisions represents the interest and repayment implications arising from any changes in forecast prudential borrowing in the capital programme since the last quarter, expressed in terms of Council Tax at Band D. Any implications are cumulative in later years as succesive years' borrowing is added. Any impact has been funded within the Long Term Financial Plan and assumed Council Tax charges up to 2017/18. The calculation excludes the cost of borrowing which is funded from additional income or savings. At Quarter 1, all the changes in forecast prudential borrowing relate to self-funding projects, so there is no net incremental impact on Council Tax.

Annex 6D

PRUDENTIAL INDICATORS

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

Note

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

HOUSING REVENUE ACCOUNT – FINANCIAL COMMENTARY 2017/18

1. Financial Background – 2017/18

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

1.2. This HRA Self Financing Business Plan and Budget 2017+ established the budget strategy for 2017/18 and a balanced budget was approved for the financial year.

2. HRA Outturn 2017/18

2.1. An in-year break-even position was projected for the HRA (as reported to Cabinet as part of the monthly corporate revenue monitoring reports), maintaining the retained balance at £4.734m (including the minimum balance of £4.000m in accordance with previous External Audit recommendations).

2.2. The table below summarises the final approved budget for the year and compares this to the actual outturn (of a net in-year surplus of £0.082m) for all the key services.

Housing Revenue Account

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

2.3 The major variations during the year included:

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

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

3. Key Service Highlights for 2017/18

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

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

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

3.2. Repairs Service

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

3.3. Local Housing and Estate Services

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

4. Housing Revenue Account Balances

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

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

COLLECTION FUND OUTTURN – 2017/18

1. Background

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

2. Council Tax

2.1. Council Tax Summary

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

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

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

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

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

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

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

2.5. Council Tax Arrears

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

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

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

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

2.6. Provision for Doubtful Debts

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

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

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

2.7. Collection Performance

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

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

Table 7 shows the comparative prior year rates:

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

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

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

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

3.2. Business Rates Summary

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

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

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

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

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

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

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

3.7. Business Rates Arrears 2017/18

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

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

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

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

3.8. Provision for Doubtful Debts

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

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

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

3.9. Collection Performance

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

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

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

Birmingham City Council

Improvement Stock-take Report

29 June 2018

Introduction

"The first lesson I would take from the fact that BIIP has been in place a long time, too long really. This is because we failed to address some of the issues that were in the Kerslake review and we need to get on and do this.... We have got to do the work that enables them to have the confidence in this organisation."

The Leader of the Council – May 2018

The Kerslake Report was published in December 2014 and the Birmingham Independent Improvement Panel (BIIP) was established in January 2015. Since then, the Council has undergone significant changes in the leadership of the organisation, and has provided regular update reports that have been published alongside the Birmingham Independent Improvement Panel's letters to the Secretary of State regarding Birmingham City Council's progress.

The Council wants to secure better outcomes for the citizens of Birmingham in a challenging and fast-moving financial, social and economic environment. The Council is therefore committed to addressing issues raised by the 2014 Kerslake Report and subsequently the Birmingham Independent Improvement Panel (BIIP).

Following the all-out elections in May 2018, the Leader and Deputy Leader have been elected for a four year period, cementing a degree of continuity and stability and paving the way for strategic long term planning. The new Chief Executive was appointed in April 2018 and some early decisions have brought some more stability to the Council Management Team, with a permanent Chief Finance Officer, Assistant Chief Executive and clarity around roles that need to be filled. The Council commenced a recruitment process for a permanent Director of Children's Services and Director of Public Health in June 2018.

The Council and the Panel have accordingly agreed that a collaborative approach provides us with the best opportunity to achieve the required Council improvements. Both the Council and Panel will therefore meet on a regular basis with the Ministry of Housing, Communities and Local Government (MHCLG) and co-operate together in order to drive progress against a clear set of improvement plans.

At the heart of the improvement agenda are elements of sound organisational governance as reflected in the Local Government Association's criteria for an effective organisation:

- Effective political leadership and managerial leadership, working as a constructive partnership;
- A good understanding of the local context which informs a shared long-term vision and a clear set of priorities that is translated through a healthy organisational culture and understood by the workforce and partners;
- Effective governance and decision-making arrangements that respond to challenges and manage performance, change, transformation and disinvestment;
- Capacity and resources focused in the right areas in order to deliver the agreed priorities, supported by relevant organisational and workforce development; and
- A financial plan in place to ensure its long-term viability and evidence it is being implemented successfully

This stock-take report represents the Council's self-assessment against these criteria which is underpinned by a suite of detailed corporate governance and service improvement plans. It provides a précis of the Council's position up to March 2018, indicates some of the changes that are being made in this financial year and highlights priority areas for improvement. The structure of the report seeks to be consistent with previous updates provided to the BIIP and Secretary of State to ensure comparability.

Critical Issues

The Council is approaching these challenges, however, in the context of extensive failures in past corporate governance. Historically, senior officer advice given to Elected Members prior to decision-making has been variable and there have been failures to implement the difficult decisions that Elected Members have taken. Many such examples have been conducted without requisite transparency for the benefit of Elected Members or the citizens of Birmingham.

The corporate governance plan, referred to in this stock-take report, aims to address that challenging history by building on the work already undertaken to fundamentally change the culture of the organisation. This includes a whole-system review approach to role definition of Elected Members and Officers, staff/union engagement procedures and formal decision-making processes.

The last three years have been especially problematic in relation to financial ‘grip’ within BCC. The level of savings delivered has fallen below the planned level, and other spending pressures have also emerged, which has meant that additional uses of reserves have been required over and above original plans to balance and deliver the budget since 2015/16. Further planned structural uses of reserves are required in 2018/19. If the Council is to move towards financial stability then it must ensure that it develops robust spending and saving plans. If problems are identified in year, resolutions must be identified from within existing budgets, with use of reserves being the option of last resort.

As the Council confronts the financial challenge, it will also need to improve the transparency of its reporting and decision-making as, previously, both the scale and nature of these financial issues were not always apparent to Elected Members or citizens. In addition to changes to financial reporting, the Council signalled a significant change in approach with the publication of the out-turn report for 2017-18. For 2018-22, the Council will adopt a priority-based budgeting approach that will align the use of financial resources with its policy priorities, and involving consideration of performance and unit cost information. The budget setting process will also focus on exploration of the opportunities for service re-design and partnership working and with links to the development of capital and asset strategies. In this way, the Council can streamline the resources it uses to make a best fit with the priorities of the Council and reduce spend on lower priority areas.

Political Leadership

This section concerns effective political leadership working as a constructive partnership, with clear definition of roles and a shared agenda with the Council's senior officer team.

The period since 2014 has been marked by significant turnover in the senior political and managerial leadership through voluntary or negotiated departure and recourse to interim appointments. This enabled major organisational change to be secured but was experienced by many as disruptive and protracted.

The INLOGOV report (2017) provides a baseline of issues for political groups to consider and subsequently tackle. All such issues remain pertinent in 2018 and make up an important part of the Council's corporate governance programme, including:

- The need to look beyond the BCC 'bubble' to understand emerging best practice around public service reform;
- Hierarchies within BCC can impede the development of effective working relationships between officers, Members and partners;
- A tension is developing between the new and more traditional ways of working;
- There is a call for more collaborative approaches;
- A blurring of officer, elected Member and partner roles is taking place; and
- A softer set of skills will be needed in future, including listening, learning from others and engaging with residents in a variety of ways.

The judge's findings in relation to the waste dispute of 2017 highlighted member-officer relations and local disagreements about role definition, with the judge noting that, "neither party (officers or members) comes out of this sorry saga with any credit at all."

From 2018, in line with a key recommendation of the 2014 Kerslake report, inaugural elections following boundary changes have ushered in a common four year term for councillors, with the next 'all out' election in 2022. Subsequently the Leader and Deputy Leader, elected by the controlling Labour Group, enjoy a four-year term as part of a review of Labour group protocol. The number of councillors has been reduced from 120 to 101, based on one or two-member wards. The Council also recruited, through permanent appointment in early 2018, a Chief Executive, Assistant Chief Executive and a Chief Finance Officer, while extending the contract for the Director of Adult Social Care and Health for two years. This provides internal stability to deliver long-term strategic planning and culture change, although the external environment continues to be marked by significant uncertainties and challenges.

Importantly, the Cabinet from May 2018 is more diverse, with half the ten Cabinet Members being women and four of the ten Cabinet Members from black and minority ethnic (BAME) communities. It is also a significantly younger cabinet than previously. The Cabinet changes also highlighted the improved emphasis on financial grip and internal challenge with the creation of a new Finance and Resources portfolio. Progress has been made over recent years with improved interaction between political groups, including ensuring the Council holds regular cross-party leaders' meetings. These are marked by a good tone, level of honesty and support.

Also, whilst historically the quality and timeliness of formal reports and advice has not been efficient (resulting in the lateness of reports, slow decision-making and poor pre-meeting briefings) these processes are formally under 'lean' review as part of an overhaul of committee support arrangements.

The Council's vision and priorities agreed by all party leaders in 2017 has continued to be the focus for the Council's activity, delivery and performance arrangements. This is being updated to reflect the new administration's manifesto, while providing a strong platform for service reform over the four year period. Performance monitoring against identified key performance indicators (KPIs) has been central to the revised approach to the performance management framework introduced in 2017-18, but this will now be thoroughly reviewed to ensure alignment to the new Council Plan agreed by Cabinet in June 2018. It will bring in changes that will provide comparability with peer cities and aim to promote a more consistent focus on outcomes and encourage 'stretch' in terms of our performance ambitions.

The Overview and Scrutiny committee structure and support function has also been reviewed on a cross-party basis with the findings reported to Full Council in March 2018. Whilst not all recommendations have been implemented fully by the Executive (for example, political balance of Committee Chairs) the Leader has committed to outlining a clear rationale back to the Co-ordinating Overview and Scrutiny Committee in the spirit of openness and transparency.

A Modern and Progressive Organisational Culture

Effective political and managerial working must be underpinned by an organisational culture that promotes shared working across Directorates, encourages transparency and honesty, and supports leaders to take personal responsibility of issues and challenges

Culture change is a long-term endeavour, requiring sustained commitment from the entire body of Elected Members and Senior Leadership community of officers. Effective mechanisms and processes are required to gain wider ownership and buy-in from employees. The Kerslake Report in 2014 identified a 'council knows best' attitude and the need to look outside and learn from others. It also called for the clarification of officer/member roles, referring to these being blurred in Birmingham. The Council has accepted this as a governance hallmark to be demonstrably achieved. Members have spent time looking at good practice in comparable city authorities, visiting with officers Oldham, Leeds, Manchester and, most recently, Bristol and Nottingham.

The Council's formal member/officer protocol, in turn framed by BCC values and behaviours, is an important new development, but ensuring widespread understanding of it and building the confidence that everyone will meet its standards in their day-to-day interactions needs to be culturally embedded. Implementation of the protocol will be carefully monitored and reported to the Panel. Meanwhile, a new induction programme ('Welcome/Welcome back') event for the councillors elected in 2018 has begun. It covers themes about council structures, functions, standards and ethics, alongside round table conversations with officers about how to appropriately influence the organisation. It seeks to develop better understanding about councillors' roles and enables councillors to explore how to appropriately pursue ward casework.

Working with Members is shaped by the Council's People Strategy. Promoting appropriate values and behaviours are a key part of this strategy and these are widely publicised across the organisation. The strategy promotes a culture of resilience and transparency to aid the tackling of difficult decisions in a challenging environment.

The Council will now undertake work to ensure that the People Strategy is 'owned' by the workforce at all levels since recent insights, evidenced by weak staff survey responses, suggest that this is not currently the case. There is a need, therefore, to reinforce a new organisational culture programme which will be developed internally through staff, member and partner engagement. The workforce plan flowing from the workforce strategy will define a new 'culture dashboard' with appropriate performance measures and timelines for monitoring improvements. This will also be reported to the Panel.

Low staff survey response rates indicated significant silo-working, detachment of senior management and a lack of effective communication. It is accepted that internal communications has not always been cross-directorate, strategic and timely and there are ongoing improvements being made to establish a consistent one-council approach.

The Chief Executive and Council Management Team (CMT) are committed to developing a joint, overarching approach to communications. A specific internal communications strategy, informed by LGA's recommendations for improving communications, is being developed. There will also be ongoing training for Members around internal communications networks to enable more agile provision of information.

Managerial Leadership

This section concerns effective managerial leadership working as a constructive partnership, with clear definition of roles and a shared agenda with the Council's Elected Members.

As noted above, since the Kerslake Report the Council has seen a high degree of turnover in critical senior positions, a high proportion of interim post holders and extensive unfilled vacancies. Prior to and since the Kerslake report publication, the organisation has lost a wealth of experience and skills at all levels through rounds of redundancies necessitated by cuts in local government funding and spending. This has proved challenging and has been reflected in some of the staff survey responses relating to senior management and leadership (e.g. only 21.6% of respondents felt the Chief Executive and strategic directors keep their promises (2016 survey)). However, it is accepted that the Council was not proactive about redesigning and implementing its redundancy and other human resources policies which prevented it from retaining and developing the talent and experience needed in the way other councils have managed to do so. It is also accepted that key staff survey responses have remained consistently low both prior to and since the Kerslake review (e.g. only 35.6% of respondents to the 2016 survey agreed that senior managers were sufficiently visible and accessible to staff at all levels and only 33.3% agreed that the Council is good at engaging employees in decision making).

Steps are being taken to enhance organisational leadership, including:

- A re-invigorated approach to the Executive and Management Team meetings whereby significant time was committed throughout late May and June to review the 'State of the City', develop a new Council Plan and associated performance framework and then move towards an early Medium Term Financial Plan and associated budget cycle;

- A senior officer development programme with induction, information, guidance and peer support;

- Dedicated sessions of the Extended Leadership Team (ELT) of JNC officers' whereby development sessions will from now on be taking place on a monthly basis with crucial topics being covered, such as good governance, equal pay, the Council Plan and performance framework and the Medium Term Financial Plan and Budget process. The emphasis for these renewed ELT sessions on peer learning and joint policy development is supporting 'one Council working' across directorates and professional disciplines;

- Changes to Council Management Team (CMT) arrangements to embed rigour and forward planning and use of technology to address staff resistance to change (for example, Chief Executive updates, blogs and use of yammer).

In parallel there will be comprehensive and transparent advice to Members with effective implementation of decisions, the reinstatement of a rigorous forward plan, implementation of a revised budget and performance board, with monthly updates and senior officer engagement in the overview and scrutiny work programme. Both will be tracked and evaluated as part of Corporate Governance Improvement Plan monitoring.

Strategic Planning, Financial and Performance Management

Effective corporate and financial framework to ensure strategic focus, transparency and governance

The Council's vision, priorities and values were reviewed and agreed in 2016/17 and a delivery plan was produced with directorates and Cabinet Members for the 2018+ budget. A refresh following the May 2018 elections and the new Cabinet involves integrated planning and priority sessions for EMT/CMT in June to plan for 2018–2022 aligned to the medium term financial plan (MTFP). Informed by the administration's election manifesto and insight data, including detailed demographics and resident opinion, it will address service priorities and demand pressures facing directorates.

Performance Management had made some improvements in some respects since the Kerslake Review. CMT monthly performance boards since April 2017 have consisted of the key areas of focus for identified KPIs at a council, service and organisational level.

It is apparent, however, that current KPIs are not all outcome-focused and the Council does not make sufficient use of available customer insight data or consistently compare its performance to other core cities or leading council benchmarks. Taken together this limits confidence in existing performance targets. Equally, the performance cycle is not adaptable enough to inform in-year decisions, strategies, plans or resource deployment where adjustments are required. This leads to a lack of peer learning, a tendency to avoid self-critique and there is insufficient focus on achieving performance stretch. The council performance appraisal system – reviewed and updated in 2016 – requires further adjustment. It is currently misaligned and inconsistently applied. Despite historically leading to performance-related pay increments, the model has limited quality assurance and no peer-validation or strategic talent management arrangements.

To address these issues there will be a further strategic review of the performance framework in concert with the production of the Council Plan 2018-2022. Each month CMT and EMT sessions will consider clear performance, budget and risk profiles and act to address resource or performance-led interventions in a timely manner. There will be a strategic review of the current appraisal system assessing 'best in class' public and private sector examples and a revised performance appraisal system will be introduced in 2018.

Financial Planning

As with the rest of the local government sector, government funding cuts combined with significant local expenditure pressures in core service areas have amplified the challenges faced by the Council requiring deep financial cuts to be made. In the seven years to March 2018, the Council had taken some £642m out of its the annual budget and anticipates having to make further annual cuts of £123m by 2021/22 which would represent total annual savings of £765m over the eleven-year period. Inevitably reductions of this magnitude over a relatively short time period have impacted on front line and back office services and by

March 2022, the Council will have taken more than 50% from its net annual budget. Partly in response to this, and partly because the Council has not taken or effectively implemented the difficult political decisions required to ‘grip’ and address its financial challenges the Council has reached to its reserves to stabilise its financial position. This has exacerbated the challenges the Council will face in the next two years.

While it is the national policy position of the LGA and the national Labour Group to challenge the central government policy of austerity, we recognise that this is no excuse for failing services or lack of moral purpose. The Council is now committed to embracing innovative and more efficient ways of working, including doing much more in partnership, in order to meet the expectations of residents and achieve the standards set by our national peers.

The last three years have been especially problematic in BCC, as highlighted in the external auditor’s reports of 2016 and 2017, where an adverse value for money conclusion was included in the 2017 audit opinion. The audit reports focussed on the Council continuing to take action to manage the emerging trend of under-delivery of savings and recommended that the officer and political leadership work together to ensure the Council’s financial stability remains a top priority. The level of savings delivered has fallen below the planned level, and other spending pressures have also emerged, which has meant that additional uses of reserves have been required over and above original plans to balance and deliver the budget since 2015/16.[1] Indeed in 2017/18, against a planned use of reserves of £46.6m, the Council needed to use £63.1m (including £9.5m one-off in respect of a subsidiary) and a further structural use of reserves of £28.6m is required in 2018/19. At month 2 of the 2018-19, the Council is forecasting an overspend of circa £27m in addition to use of structural reserves. Steps are currently being taken by the Cabinet member and Council Management Team to eliminate this overspend by seeking mitigations from services. In parallel, the Council will be reviewing its client-based approach and efficacy of trading ventures. The immediate challenge is to ensure that this requirement does not grow and the reporting cycle has been brought forward by 3 weeks to ensure timely reporting to assist decision-making and mitigations.

If the Council is to achieve long-term financial sustainability, it must ensure that it develops and delivers robust spending and saving plans consistent with its spending priorities. To achieve this there will need to be much greater accountability for Directors and Cabinet Members and an enhanced role for EMT in overseeing financial performance. The Council will adopt a priority-based budgeting approach that will align the use of financial resources with its policy priorities, integrate revenue and capital planning and consider performance, benchmarking and unit cost information in developing its plans. The budget setting process will focus on exploiting opportunities for service re-design and partnership working and link better to the development of capital and asset strategies. In this way, the Council will more effectively than has previously been the case streamline the resources it uses to better reflect the priorities of the Council and more effectively reduce spend on lower priority areas.

Beginning in 2018/19, access to Directorate reserves used as mitigations for base budget issues and savings non-delivery has been removed and Directorates now hold only grant

[1] In 2016/17, Directorates overspent by £71.9m. The Directorate overspend was primarily down to savings non-delivery in Adult, Social Care and Health and Place Directorates as well as some base budget pressures. Corporate mitigations, including use of capital receipts flexibility, were identified totalling £42.1m. 2017/18 showed a similar picture with Directorates overspent by £12.7m. The Directorate overspend was primarily down to base budget pressures in Place Directorate and some savings non-delivery across most Directorates. Furthermore, Corporate overspends of £24.1m occurred in 2017/18 relating to ACIVICO (£9.5m) and non-delivery of the Council’s Future Operating Model (£14.6m). Corporate underspends were identified of £15.9m. In total, therefore, there was the need to use £12.9m of additional reserves taking the total use of reserves for 2017-18 to £63m.

and ring-fenced account reserves for specific items of expenditure. Where a service identifies that its budget is going off-track there will be a hierarchical approach to bringing the budget back on-track:

1. The service will be expected to identify recovery plans and/or new savings proposals to bring its own overall spending back in line with the agreed budget;
2. Where such mitigation is not possible, CMT will consider how it may re-balance budgets across the Council to achieve the same aim;
3. Only with these routes exhausted and so as a last resort would CMT and Cabinet consider whether it would be appropriate to apply reserves.

To support this, the Finance function itself is being redesigned to promote effective business partnering supported by a strong technical core – with 20% less resource. Achieving this ambition and changing how the Council manages its finances will demand a broader set of skills and will require a fresh injection of new thinking.

Community Cohesion

Community cohesion is a key priority for the Council. Recent progress has included a partner summit in December 2017, which enabled proactive engagement with local partners and city exemplars; the hosting of an MHCLG working session; and follow-up engagement to seek to achieve alignment between national, WMCA and local strategies. Our new Community Cohesion Strategy was taken to Cabinet in June 2018. Through this new strategy we will be seeking to frame the language and priority themes around cohesion in the city; redefine the Council's role as a convening and enabling presence (rather than dominating); and champion ongoing learning around excellent practice in the city with a series of community and partnership engagement sessions taking place from July to September 2018 and an annual practice-sharing summit in November each year.

Commonwealth Games

Birmingham was confirmed as the host city of the 2022 Commonwealth Games on 21 December 2018. A great deal of work went into securing this decision during the later months of 2017/18. Work began on addressing the many opportunities and challenges associated with host-city status in the first week of January with the creation of a Commonwealth Games Project Team, which is leading on the work internally. A Project Director was successfully appointed and started work with the Council on 29 May 2018.

The Project Team has created an internal governance structure which draws upon the expertise within the Council. A small Project Management Office function coordinates the projects work which is driven within the business, taking a whole council approach, learning from the best practice of Glasgow, Manchester and Gold Coast approaches to the games.

The project's immediate deliverables, and first successes, were the delivery of the handover element of the closing ceremony and the athletes' homecoming as part of the Gold Coast games. The handover was seen by hundreds of millions of people around the world and showed Birmingham at its vibrant and diverse best. This event was delivered in 8 weeks, on time and on budget, to significant acclaim.

Current priorities include the Capital Programme comprised of the Athletes Village, Stadium, Aquatics Centre and Transport infrastructure. As these are the most time pressured and fundamental products required for the Games, work has progressed at pace to ensure we are able to deliver them in good time.

A fundamental ingredient to the success of Birmingham 2022 Commonwealth Games will be the partnership governance arrangements between the key strategic partners. Mirroring our own internal arrangements these have been mobilised since February 2018 with key meetings between chief executives from BCC, the sponsoring Government department (DCMS), the Commonwealth Games Federation and associated delivery partners, the West Midlands Combined Authority, Transport for West Midlands and West Midlands Police.

The Commonwealth Games represents a tremendous opportunity for the city and the Council. It promises to be a catalyst for improvement and a driver of quality and excellence in the city's service delivery and a platform for national and international leadership. The Council is, however, aware of the scale of the undertaking and the fact that the Games present a series of substantial strategic and reputational risks. These risks are being overtly assessed and managed through the Council's CWG programme arrangements.

City Partnerships

The vision for Birmingham is to be a city of growth where every child, citizen and place matters. The broad priorities of children, housing, jobs and skills and health have been in place for many years, for such investment is a long-term, complex process. These themes command a consensus across partners and have been in place for many years. The Council, however, has received support to further develop the city vision by recreating a partnership framework to do so, with shared purpose and objectives.

A recent review of partnership activity highlighted significant gaps in the quality and efficacy of 'products' that reflect how well partnership working is operating in practice – such as the Joint Strategic Needs Assessment , annual Public Health reports, learning arising from statutory reviews and formal planning around shared accountability frameworks. It is apparent that the partnerships the Council is involved in operate in silos, and do not appropriately link across, share insight or effectively build and use capacity in the city. The Council intends to build on recent successes, e.g. the setting up of the Children's Trust, and maintain a transparent and proactive approach to maximise learning and facilitate collaboration with other partners.

The Leader's partnership summit held in January 2018 began discussions with partners, reinforced the importance of previously agreed city vision themes and secured a commitment to develop a shared outcomes framework and undertake a partnerships structural review. Work to create an accountability and performance framework for the city vision themes to deliver is needed; for a different, enabling form of city leadership; to maximise opportunities (such as the Commonwealth Games and HS2); to move towards a more integrated operating model; and crucially to improve outcomes for residents — as evidenced by the recent challenging CQC report. Work is underway to support a further round of partnership engagement in July 2018, and building positive partnership behaviours and a shared ethos is at the heart of personal development processes for senior Elected Members and officers alike.

Local Leadership

The Kerslake Review called for a new model for devolution. After a slow start and some initiatives that were not fully implemented across all wards or maintained, significant progress is being achieved in this area. There has been recent work to develop a new ward-based approach alongside the transition to the new wards and four-yearly elections and to establish a positive approach to the development of further parish councils within the city. Thus, Cabinet endorsed a policy statement in March 2018 *Localism in Birmingham*. An important Overview and Scrutiny Committee review highlighted failings in our current work with the two existing parishes and the need to put in place a more responsive approach.

Cabinet consequently endorsed a Green Paper, *Working Together in Neighbourhoods,* which responds to the Overview & Scrutiny report on parishes and sets out a broad direction of travel, including a process for creating further parish councils and for developing local devolution deals to enable services to be delivered at the local level where appropriate.

The Green Paper was published shortly prior to the May election and will be followed by a 'summer of engagement' and a White Paper in the autumn. The role of the Assistant Leaders and the Cabinet Committee has now been wound up and Cabinet member accountability has been tightened-up within the Homes and Neighbourhoods portfolio. This work will be taken forward with the input of a Cross-Party Working Group, as recommended by the O&S report. The Group will include external experts, for example the National Association of Local Councils or representatives of parish councils from elsewhere in the country. At the same time, a new operations group will be put in place to ensure better working with the existing parish councils.

The City Council does, however, face serious challenges in identifying the necessary resources to maintain or enhance support to councillors and their ward work. The new ward-based approach hinges on the ability to hold regular Ward Forums to engage residents and organisations, and on the production of a Ward Plan setting out service and place improvement priorities. Diminished internal resources make this difficult, especially in the context of the switch to single-member wards and the increase in the number of wards from 40 to 69. There are also resource implications in the Council's commitment to improving the responsiveness of local services. A senior-level working group will seek contributions from the city's diverse and strong civil infrastructure (neighbourhood forums, community development trusts, residents' associations and social enterprises). This work will be completed during 2018-19 and will inform the budget process.

Regional and National Leadership

Collaboration with the Combined Authority, the elected Mayor and the other West Midlands authorities has developed over the past year as the new framework of governance we have created is bedded in. A busy year has included the agreement of a further devolution deal and major steps forward on priorities such as transport investment and housing, as well as piloting new local industrial strategies. Birmingham has been at the heart of these developments through both member engagement and officer capacity. The City Council is also the lead city on industrial strategy within the Core Cities group.

The Council Leader has the important portfolio of Economic Growth for the Combined Authority and the Council is consequently actively supporting this role through regular briefings from the CA leadership team and clear officer responsibilities within BCC. We have, meanwhile, established a system to engage identified lead officers in all aspects of the CA agenda. The Council's Strategic Policy Team will be at the heart of work led by the local authority chief executives to develop a shared policy agenda with the CA and to take forward further work with government identified in the second devolution deal.

Service Improvement Blocks

In addition to the Corporate Governance Improvement Plan there are four service areas which will be subject to additional focus as part of our improvement journey. These will be embedded into the council planning and performance framework for ongoing evaluation and review. These are:

- Adult Social Care
- Education

- Children’s Social Care
- Waste Management

How Success will be Monitored

In order to appropriately monitor the Council’s progress, the Council intends to deliver a ‘mixed methodology’ approach to evaluation. In part, this will rely on formal performance management using industry-standard metrics and comparing Birmingham with peers nationally. There will be monthly performance monitoring of the delivery against the Council Plan and improvement plans through CMT and the Council’s Cabinet, and all such information will be transparently shared with the BIIP and MHCLG.

The Council and BIIP will monitor early indications (the ‘tracers’) of improvement in social outcomes, through our adherence to the 2018-19 budget and stronger grip on issues such as homelessness, skills, community cohesion, waste and equal pay.

It will be crucial for Birmingham to look beyond its own practices and evidence base in order to improve. The Council will continually look to professional bodies, peers and national associations whose frameworks Birmingham can use to benchmark excellence and maturity. In some cases, we are using published frameworks to self-assess against and monitor internally over time. In others, we are proposing to engage these third-party bodies in targeted pieces of evaluation work to ensure objective evaluation of progress.

Ultimately, Elected Member, staff, partner and citizen feedback will be the most important test of whether things have changed. In addition to use of formal feedback mechanisms such as the residents’ survey or citizens’ panel, we feel that is important to regularly ‘take the temperature’ with some key internal and external audiences throughout 2018-19. We have devised a simple, ongoing evaluation method against our corporate governance improvement plan. For a set of key stakeholders - for example, key Cabinet Members and Committee Chairs, the Chief Executive and statutory Council officers, Audit (internal and external) and statutory partnership chairs - we will have a structured conversation on a monthly basis to ascertain their appreciation of the Council’s progress (actions) and quality (maturity) of those outputs, along with an opportunity to note specific comments or concerns. We will seek to share such insights with MHCLG and the BIIP as part of our regular updates, and feel that such qualitative approaches to evaluation will augment the more formal reporting regime.

BIRMINGHAM CITY COUNCIL

PUBLIC

Report to:	**CABINET**
Report of:	**Corporate Director Children & Young People** **Corporate Director Adult Social Care & Health**
Date of Decision:	**26th June 2018**
SUBJECT:	**TRAVEL ASSIST SERVICE**
Key Decision: Yes	**Relevant Forward Plan Ref: 005164/2018**
If not in the Forward Plan: **(please "X" box)**	**Chief Executive approved** ☐ **O&S Chair approved** ☐
Relevant Cabinet Member(s) or Relevant Executive Member:	**Cllr Jayne Francis - Education, Skills & Culture** **Cllr Kate Booth - Children's Well-being** **Cllr Paulette Hamilton - Health & Social Care** **Councillor Brett O'Reilly - Finance & Resources**
Relevant O&S Chair:	**Cllr Mariam Khan - Learning, Culture & Physical Activity** **Cllr Mohammed Aikhlaq – Children's Social Care** **Cllr Rob Pocock - Health & Social Care** **Cllr Sir Albert Bore - Resources**
Wards affected:	**All**

1. Purpose of report:

1.1 This report provides details of proposals to proceed on three key areas required to modernise and improve the Council's Home to School Transport Service (Travel Assist). These are:

- Consultation on a new draft 0-25 Policy for Home to School Transport, replacing three separate existing policies.
- Development of a new evidence-based Commissioning Strategy for the service to determine the optimum delivery models (see **Appendix 1**).
- An extension via Single Contract Negotiation, to the current Transport Services Framework and all associated call off order under the Framework with the current suppliers. The proposed extension is for a 14 month period, commencing 1st September 2018 for call offs 1,2,3,4,5,6 and expiring on 31 October 2019.

1.2 The report on the private agenda contains confidential information in relation to proposals. The two reports - public and private - must be read together, as this public report does not repeat information contained in the private report.

2. Decision(s) recommended:

That Cabinet:

2.1 Approves the principles and timescales in the commissioning plan (attached as **Appendix 1**) outlining the approach to be taken in commissioning and procuring new service delivery.

2.2 Agrees to a consultation on a new draft 0-25 policy for Home to School Transport.

2.3 Notes that a further Cabinet report will be presented in the autumn seeking approval for the new policy and proposed procurement strategy.

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3. Consultation:

Consultation should include those that have an interest in the decisions recommended

3.1 Internal

3.1.1 Consultations have taken place with the following:

- The Interim Assistant Director for SEND, Children & Young People Directorate
- The Director of Commissioning & Procurement, Strategic Services Directorate
- The Interim Assistant Director for Commissioning, Children & Young People Directorate
- Council Management Team
- The Travel Assist Manager
- The Head of Service, SENAR, Children & Young People Directorate
- The Commissioning and Contract Management Board
- Service Manager, Funerals and Protection of Property/Transport Operations Service

3.1.2 This report has been drafted in consultation with officers from Legal and Governance, Finance and Corporate Procurement and Commissioning.

3.2 External

- All current suppliers listed in **Appendix 1 of private report.**
- Special School Head-teachers.
- Full consultation with service users, including children, families and schools will be undertaken as part of the policy development process and procurement

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

4.1.1 The recommended decisions are consistent with the Council policies, plans and strategies; and the Education Improvement Plan 2017-18.

- The Council has a statutory duty to make transport arrangements for eligible children with Special Educational Needs and Disabilities (SEND) and to provide free transport to eligible children based on distance, safe walking routes and low income. Some children and adults have needs that require specialist vehicles and escorts; this can be provided under the proposed contract.

- Having access to appropriate travel assistance ensures every child is supported to attend school. Regular reviews of travel plans will support the development of increased independence where appropriate.

- Supporting educational attainment and independence helps to tackle the causes of deprivation and inequality through improving educational performance and confidence. Supporting families with caring responsibilities for vulnerable adults enables carers that are of working age to be in employment and have access to affordable day care for relatives.

- Due to the nature of the work, the suppliers are based locally

4.1.2 Birmingham Business Charter for Social Responsibility (BBC4SR)

Due to the value of spend for some suppliers being below £200,000, the Birmingham Business Charter for Social Responsibility will not apply to them.

For those suppliers with whom we spend £200,000 or more per annum, as part of the contract review and extension we will seek to put in place new charter actions plans for all contractors

The design of a new contract will include consultation on what social value can be sought from the contract. In part this will be through pre-market engagement to determine the social value opportunities.

4.2 Financial Implications
(How will decisions be carried out within existing finances and Resources?)

4.2.1 The Travel Assist Service continues to face severe financial pressures in 2018/19 which it is seeking to address. It is therefore important that any renegotiation and extension of the existing contract reflects value for money and any future changes to the service and commissioning strategy is set within the context of a robust financial plan for the whole service.

4.3 Legal Implications

4.3.1 The Council has a duty under Section 508A Education Act 1996 to promote sustainable modes of travel.

4.3.2 The Council also has a duty under Section 508B Education Act 1996 to make suitable home to school travel arrangements for eligible children.

4.3.3 The Council is under a duty to have regard to statutory guidance issued by the Department for Education when carrying out its duties in relation to home to school travel and transport, including when making and consulting on policy changes

4.3.4 As a part of the negotiations of any extension the contracts will be reviewed to ensure they are up to date with current legal requirements, e.g. GDPR. A contract variation will be agreed with these improved terms as part of the process

4.4 Public Sector Equality Duty (see separate guidance note)

4.4.1 An Equality Impact Assessment will be completed alongside the final Cabinet report and will inform the consultation for a new policy and commissioning strategy.

5. Relevant background/chronology of key events:

5.1 Background

5.1.1 Birmingham's Travel Assist Service provides a variety of transport options to over 4,200 children on a daily basis, with an additional 1,500 receiving bus passes and has an overall budget of £18.4m for 2018/19. The majority of the children using the service have requirements related to SEND but the service also supports looked after children; children in temporary accommodation and other vulnerable groups. The service operates more than 590 routes and has a range of support options including: 1-to-1's; mini bus/coach transport; Travel Guides; Personal Transport Budgets; Bus Passes and Independent Travel Training. The latter has been introduced over the last 18 months and has been extremely well received by schools with many developing their own complimentary programmes.

5.1.2 Since 2016 the service has been the subject of a root and branch review, delivering 90% of planned changes. Consequently complaints have reduced, operational efficiency has improved (lower number of staff and a faster turn-around for applications) through better use of IT and lean processes and external relationships have improved with key stakeholders such as Headteachers.

5.1.3 However, these changes have been incremental, and there are now two outstanding issues that, if addressed, could make the step change required to improve the service,, ensure resources are best used to support children and families and generate potential cost savings. These are a new commissioning process and a new 0-25 travel policy.

5.1.4 Travel Assist is part of a group of services that support families with children with SEND. These include SENAR, Early Support and Access to Education. The SEND and Inclusion Commission looked at the whole life-cycle of support and made recommendations that will ultimately impact upon transport provision. One key proposal is to develop more local provision within the city, reducing the need for children to travel long distances to a suitable education placement. Another important aspect of the Commission findings is the need to focus on independence, working with families and young people much earlier in the child's life to develop important skills (such as travelling independently) and preparing for adulthood.

5.1.5 Travel Assist is experiencing an increase in demand. Over 330 additional families successfully applied for specialist transport during the 2017/18 academic year and the numbers of children being transported across the city have grown year on year, in line with an increase in Education, Health and Care Plans. The increase in the number of children on mini-buses has put the service under enormous strain, particularly with regards to travel guides and sufficient and suitable tail hoist vehicles to allow for wheelchair access. The service simply cannot continue to provide transport in the manner it has to date, and the full range of options available, including Personal Transport Budgets and bespoke solutions for families must be developed and considered.

5.1.6 Using regularly updated service data and evidence, including examples of best practise from elsewhere, new small scale models of delivery (school ownership of transport; joint working with the Adults fleet; pick-up points) have been launched in recent months and have subsequently impacted positively upon market conditions. All these changes present, for the first time since August 2016, an opportunity to transform how the service operates across the city and supports children and families by introducing a hybrid model of delivery. A new commissioning strategy and plan will outline what this could look like, alongside the development of a new policy informed through consultation with families, schools and stakeholders.

5.2 <u>0-25 Travel Policy</u>

5.2.1 At present the Council has three different policies/approaches for transport based on the ages of children: 4/5-16; 16-18; 19+. There has been a lack of consistency and clarity in their application, for example, what is meant by terms such as 'discretionary' and 'exceptional circumstances'.

5.2.2 The Council has a duty under Section 508A Education Act 1996 to promote sustainable modes of travel. The Council also has a duty under Section 508B Education Act 1996 to make suitable home to school travel arrangements for eligible children.

5.2.3 When considering existing policies from other Local Authorities, Birmingham should be doing more to help families consider and adopt independent travel options. Too many of our children are still on buses for far too long which affects their readiness to learn and, in some cases, school attendance and behaviour. The service is still too reactive and does not provide enough support, working with other SEND-focused services, early in a child's life to plan for and support families as their children grow older.

5.2.4 The key principles proposed in the new policy (to be consulted upon) will be in line with the SEND and Inclusion Commission recommendations and reflect national good practice. Proposed changes include:

- A focus on independent travel training and alternative modes of transport
- Support for parents with transitions and reducing dependency on the system and the Council
- A review of transport where families live very close to school (in line with other local authorities and national guidance)
- Changing the appeals process
- Greater clarity of the application process and eligibility for parents (what we will and won't do)
- Clarity concerning the rights and responsibilities of parents, schools, BCC and the transport provider
- Transparency regarding budgets
- Packages of support with other SEND-related services
- The green transport agenda/emission reductions in line with the Councils clean air strategy

5.2.5 The draft policy and consultation process will include comprehensive modelling of future demand across the city, to better plan transport options, reduce travel times, build and move provision in line with the SEND and Inclusion Strategy and inform the new commissioning and procurement process. It will include working with the market to understand how we can improve the logistics of the service and if appropriate adopt the expansion of pick-up points. This work will require close working across teams including: Travel Assist; Finance; Legal and Governance; Commissioning and Procurement, SENAR, Early Support, data and performance.

5.3 Extension of the existing contract and new Commissioning Plan

5.3.1 The existing contract has been in place since 2009 and expires in August 2018.

5.3.2 A new commissioning strategy will address issues that have hindered previous procurement attempts and ensure that the market can respond adequately to demand, including the requirement for accessible vehicles.

5.3.3 The 0-25 policy consultation will inform the commissioning process. Greater focus will be placed on support for children and families to develop independence from an early age, and through key transition periods. Any new procurement process will also need to be in line with the Green Agenda.

5.4.4 In the short term the existing contract needs to be extended to ensure there is no break in provision and the Council can continue to deliver its statutory duties.

5.4 Next steps

- Clear Commissioning Plan, Governance Structure (Commissioning Strategy Board) to be developed over the summer 2018.

- Review and re-negotiation of the terms of the existing contract from September 2018 in order to reflect value for money and the use of a range of new delivery models.

- A further Cabinet report will be presented in the autumn seeking approval for the new policy following consultation, describing the commissioning approach for the service and to approve the procurement strategy with appropriate delegations for the award.

6. Evaluation of alternative option(s):

6.1 There is insufficient time to procure a new framework that will be suitably effective in addressing any issues in the market, such as meeting the air quality standards, to enable mobilisation to start before the 2018/19 academic year.

6.2 The extension period will allow a travel strategy for young people with SEND to be developed, encompassing a whole review of the service requirements. It will allow Commissioning and Procurement to have early engagement with the market to seek innovative solutions to meet the outcomes identified. If the service were to enter directly into a procurement process, without a comprehensive commissioning plan, the likelihood is that this process will not result in the desired outcomes for children and families, and may lead to a repeat of previous unsuccessful procurement attempts.

6.3 The council could opt not to consult upon a new policy and continue with the existing three policies/approaches. However, this would not support the intention to reduce ambiguity with regards to the application and appeals process, and would undermine efforts to move towards greater individual independence.

7. Reasons for Decision(s):

7.1 To enable time for a new commissioning strategy and plan for the Travel Assist service to be put in place and the resulting procurement from the strategy to be completed.

7.2 To allow for the commissioning process to be informed by a new 0-25 policy for travel assistance.

Signatures

		Date
Councillor Jayne Francis Cabinet Member for Education, Skills and Culture	……………………………………..	……………………
Councillor Kate Booth Cabinet Member for Children's Well-being	……………………………………..	…………………….
Councillor Paulette Hamilton Cabinet Member for Health & Social Care	……………………………………..	……………………..
Councillor Brett O'Reilly Cabinet Member for Finance & Resources	…………………………………….	……………………..
Colin Diamond Corporate Director Children & Young People	……	15/06/2018 ……………………
Graeme Betts Corporate Director Adults Social Care & Health	……………………………………….	………………….

List of Background Documents used to compile this Report:

Home to school travel and transport guidance – Statutory guidance for local authorities - July 2014

Post -16 transport to education and training – Statutory guidance for local authorities - October 2017

List of Appendices accompanying this Report (if any):

1. Timescales and Milestones for a Commissioning Approach

Report Version **V6** **Dated 15/06/18**

Appendix 1

Overview of a Commissioning Approach for Travel Assist

1. Outline Timescales and Phases

DEFINE AND DESIGN - **June to October 2018** – establish programme, develop the commissioning strategy, initial supply market testing and Cabinet approval

DEVELOP – **October to March 2019** – Pre-procurement: modelling, specification, supply market development and invitation to tender

DEPLOY – **Start March 2019** – procurement (assuming a 6 month OJEU procurement following the restricted procedure, Supplier Qualification, tender and evaluation, preferred supplier, agree contract terms and contract award)

DELIVER – **Start November 2019** - mobilisation and implementation, stabilise into BAU.

2. Outline Plan – Define and Design

Establish the programme and governance (programme board) and key workstreams/ subject matter experts for:

- The **SRO/ Business Lead**
- **Programme Management**
- **HR**-potential TUPE implications and to oversee consultation and union engagement
- **Communications and Engagement**-internally and with partners, the voice of the child, parent and school
- **Commissioning/procurement**-pre procurement market testing/engagement, stimulation and development, manage the full procurement process, assess and mitigate residual impacts of any services that may stop and/or move to the supplier and/or specify any BCC services that the supplier will be reliant upon
- **Contract Management** – review and update existing contracts to ensure fit for purpose for continuing delivery and maintain on-going service improvements
- **New policy development and approvals**-will require full consultation
- **Data Modelling**-service demand now and in the future and profile of demand based on current locations, children and schools

- **Buildings and School Planning**-part of demand/data modelling based on current locations of schools and where they should ideally be in the future. Explore potential invest to save opportunities. Link to the SEND/Inclusion and Placement strategies

- **Finance**-service modelling, evaluation of suppliers, opportunities for invest to save

- **Legal-**legal compliance with statutory duties, new policy and procedures and new contract

- **Equality Assessment**

- **ICT**-for any technology changes, including applications

- **Mobilisation/implementation**-to include establishing the **Intelligent Client Function** (contract management).

- **Green Agenda/Air Quality**

Modelling of the Service:

- Options Appraisal including “do nothing” or “de minimus” using the evidence base
- Evaluation of best practice elsewhere
- Links to the existing SEND, Inclusion and Placement Strategies
- Understanding the current baseline demand and performance of the service
- Future (next 3-5 years and 10yrs+) projected demands and performance (based on assumptions of what will be changing in the future)
- Opportunities for joint working, for example with neighbouring local authorities
- Design and development of the performance KPIs for the service
- Assess risks and retain a robust register with appropriate mitigations through the commissioning and procurement life-cycle

3. Develop

- Supply market evaluation, development and stimulation to ensure a broad supply base and not a reliance on a single supplier (or if there is one main supplier then it is a hybrid delivery with other parties and partners involved in delivery) to seek innovative solutions to meet our outcomes.

- Mitigation of the risk that the existing supplier will be the only tender submitted for this service (and validation of their capacity, capability, safety and financial soundness).

- Produce (and agree) Service Specification and Invitation to Tender (procurement) documentation

4. Proposed principles for the Commissioning process

1. A 5-7 year contract with the supplier (or suppliers) rather than 2 years, allowing provider(s) to invest in new, cleaner vehicles

2. Must be in line with the SEND and Inclusion Strategy and the Admissions Strategy

3. In the future more children will travel independently

4. There will be shorter assisted journeys (in terms of distance and time) with children being placed in schools as near to their home and community as possible

5. Demand for the service will reduce over time (as more children travel independently and the SEND/Inclusion and Placements strategies are implemented)

6. The service will deliver within budget and the cost per child will reduce over time

7. We will have a hybrid delivery model which will ensure:
   - No reliance on a single supplier
   - Introduce flexibility so one supplier can cover for another
   - No single supplier can overstretch and not deliver
   - The quality and reliability of the service will improve

8. There will be joined up delivery options with partners, providing economy of scale but also opportunities to work differently with partners. For example, health, other local authorities, Combined Authority, adults and the Children's Trust

9. We will have a supplier (or suppliers) and service which can deliver to an agreed set of performance measures around:

   - Capacity
   - Quality (reliability)
   - Safety
   - Being, and remaining, financially sound
   - Improved efficiency and performance

10. A service designed which can meet the current and future demand and will flex to meet the projected profile and needs of families and their children in the future

11. Subject to full consultation, there will be a revised and modernised policy for evaluation of what the service provides and the appeals process:

    - It will create a service that is clear and transparent, with consistent approvals and appeals processes (that everyone can understand)
    - The new policy will support the modelling of the numbers of children using the service and enable effective demand profiling & management
    - A broader range of provision will be included – taking into account the new models (in-house; school-led; school to pick-up)
    - It will be underpinned by an extended Independent Travel Training programme

12. The contract will ensure delivery of the Council's Social Value Policy through:

    - Pre-market engagement to determine the social value opportunities
    - Adherence to the Birmingham Business Charter for Social Responsibility

- Adoption of the Birmingham Living Wage by the supply chain

13. There will be compliance with the green agenda and delivery options which ensure ongoing compliance

Resources O&S Committee: Work Programme 2018/19	
Chair	Cllr Sir Albert Bore
Deputy Chair	Cllr Josh Jones
Committee Members:	Cllrs Muhammad Afzal, Meirion Jenkins, Zaheer Khan, Narinder Kaur Kooner, Ewan Mackey, Paul Tilsley
Committee Support:	Scrutiny Team: Emma Williamson (464 6870) and Jayne Power (303 4810)
	Committee Manager: Marie Reynolds (464 4104)

1 Meeting Schedule

Date	Item	Officer contact
21 June 2018	Work Programme Discussion *Outcome*: to determine the work programme priorities for the year	Emma Williamson/Jayne Power, Scrutiny Office
19 July 2018	Financial Outturn Report 2017/18 Birmingham independent Improvement Panel Stock-take Report Travel Assist	Emma Williamson/Jayne Power, Scrutiny Office
20 September 2018		
18 October 2018		
15 November 2018		
13 December 2018		
17 January 2019		
14 February 2019		
14 March 2019		
11 April 2019		

2 Other Meetings

Call in

Petitions

None scheduled

Councillor Call for Action requests

None scheduled

3 Forward Plan for Cabinet Decisions

Leader		
000812/2015	Winning Resources for Birmingham City Council Priorities -Standing Item	31 Jul 18

Deputy Leader		
000288/2015	ICT Investment and Strategy – PUBLIC	26 Jun 18
005244/2018	Future of Human Resources and Finance Systems	21 Aug 18

Cabinet Member Finance and Resources		
003629/2017	Commissioning Security for Council Premises - PUBLIC	18 Sep 18
005292/2018	Procurement Strategy for the Major Construction Projects and Capital Works Programmes Framework - PUBLIC	18 Sep 18
005353/2018	Birmingham City Council – A One Council approach to Commercialisation - PUBLIC	18 Sep 18
004831/2018	Review of Building Consultancy (Acivico) Ltd - Public	09 Oct 18
004833/2018	Commissioning review of Birmingham City Laboratories (BCL) - Public	09 Oct 18