

APPENDIX A

MONTH 8 Financial Monitoring Report 2021/22

1. High Level Summary Financial Position

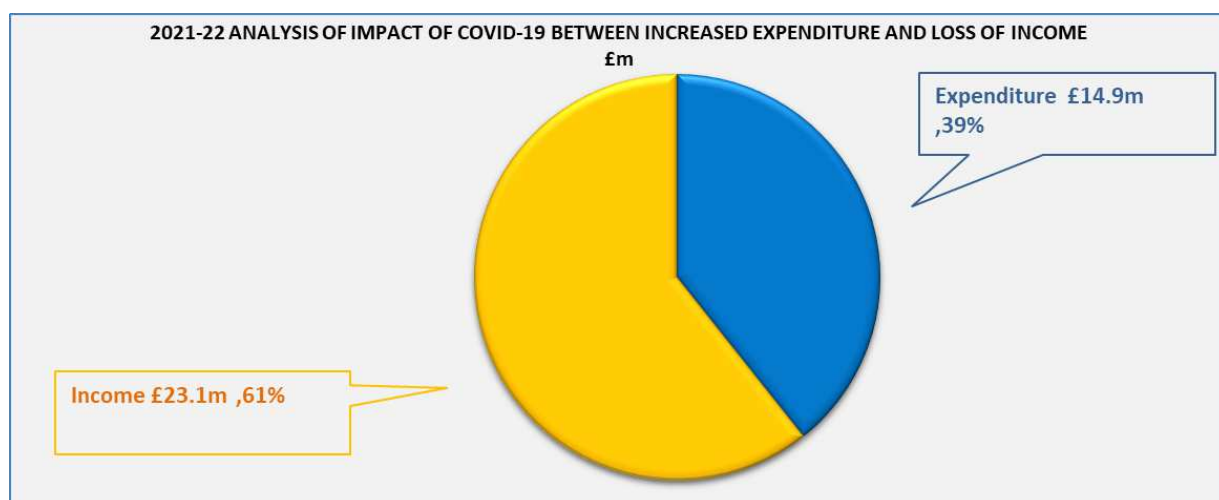
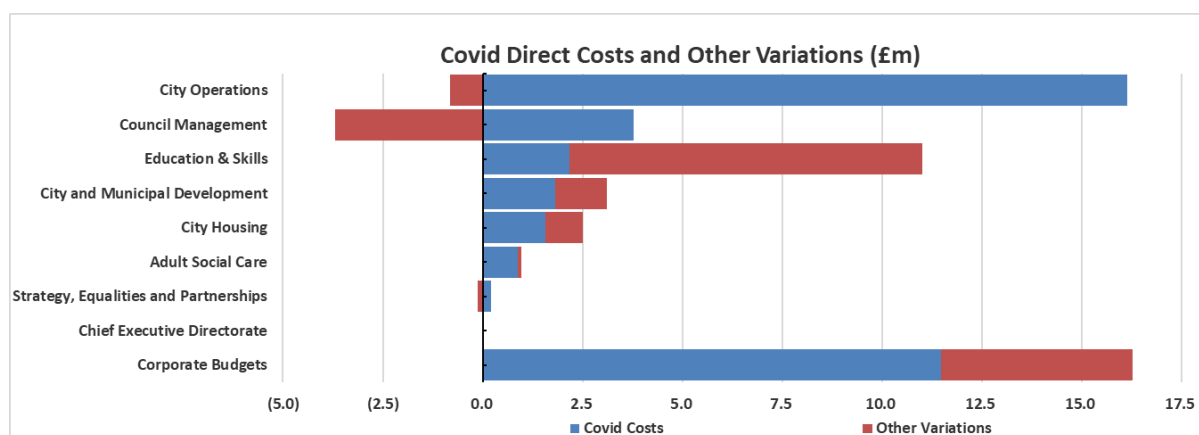
- 1.1. At the end of Month 8, there is a forecast net revenue overspend on the Council's General Fund of **£7.5m** (Column E in table 2) which represents 0.9% of the £828.7m budget and a **£2.7m** improvement since Month 6. This is made up of a **£26.7m** (Column D in table 2) revenue budget non-Covid underspends and a **£34.2m** (Column C in table 2) overspend related to the direct covid related expenditure and reduction in income.
- 1.2. Direct covid related expenditure and reduction in income of **£34.2m** (Column C in table 2) is after applying funding; **£17.5m** of un-ringfenced Covid-19 related grant funding from the government received in 2020/21 carried forward into 2021/22, release of **£3.0m** from specific grant funding, **£6.0m** of Public Health Grant to fund Covid related spending in 2021/22, an estimate of funding for income losses of **£2.8m** and **£12.5m** pressures funded in the 2021/22 budget from the application of Tranche 5 of Government Covid funding. It is also after applying an estimate of **£38.0m** cost from the redeployment of staff on a similar basis to that reported in the 2020/21 outturn. The covid overspend has worsened by £1.3m since Month 6. We will continue to look to maximise the use of other specific covid funding to reduce this estimated cost.

Table 1 : High level position.	Covid Variation	Non-Covid Variation	Total Variation
	£m	£m	£m
Directorate Sub Total	26.5	6.5	33.1
Corporate Budgets	11.5	4.8	16.3
Application of Tranche 5 Funding Budget 2021/22	(12.5)	0.0	(12.5)
Covid Funding	(17.5)	0.0	(17.5)
Specific Grant Funding	(3.0)	0.0	(3.0)
Public Health Grant	(6.0)	0.0	(6.0)
Income Loss Scheme Funding	(2.8)	0.0	(2.8)
City Council General Fund Sub Total	(3.8)	11.3	7.5
Transfer of Indirect Covid Costs	38.0	(38.0)	0.0
General Fund after transferring indirect costs	34.2	(26.7)	7.5

- 1.3. In terms of savings, **£27.4m** of the **£36.7m** savings targets are either delivered or on track which represents 75% of the total savings target with a further 18% (**£6.5m**) anticipated to be delivered, as shown in table 6 of this report. This represents an improvement of **£7.6m** saving that are delivered or on track since month 6. The **£20.1m** establishment saving, currently shows **£14.5m** achieved and **£5.5m** is at risk.
- 1.4. To help manage costs and mitigate the forecast overspend the council has introduced a series of spending controls. The key area of spend, staffing, properties / facilities management, and procurement have all implemented spending control panel and gateways to scrutinise and reduce expenditure. These controls were implemented in November and in this month 8 monitoring report it is too early to identify the impact and saving achieved

from these controls. Details of the spend controls will be included in all future monitoring reports.

- 1.5. The revenue budget non-Covid position is a net underspend of **£26.7m** (Column D in table 2). This is an improvement of **£4.0m** on month 6. This includes improvement of £2.3m Adult Social Care, £1.6m City Operations, £1.0m Education & Skills, £0.9m Council Management off set by deterioration of £1.9m City & Municipal Development – Commercial Rent Income. Further details are provided in section 3.
- 1.6. The direct covid related expenditure and reduction in income is **£34.2m** overspend, including indirect covid spending of **£38.0m**, and is shown in table 2 (column C in table 2) below.
- 1.7. For individual directorate positions please see table 2 below.
- 1.8. The corporate position is detailed below in table 2. The headlines are :-
 - £5.4m shortfall in local tax support funding expected to be received compared to the forecast when the budget was set.
 - The likely under achievement of £0.4m of transport savings.
 - Reminder that there is a forecast cost of £8.3m for potential costs of a pay award if this is agreed at 1.75% which has from month 6 been offset by a £9.3m forecast underspend of Policy Contingency.
 - At Month 6 it was identified that £6.0m can be allocated from the Public Health Grant to fund Covid related expenditure.



- 1.9. The Pie chart shows the direct covid related expenditure and reduction in income overspend split between income and expenditure.
- 1.10. Income loss forecast due to covid has decreased by £1.4m from Month 6. However, there is an increase of £2.3m across covid expenditure giving a directorates net deterioration of £0.7m. There is also a decrease of £0.4m in forecast funding for income loss, resulting in net increase of £1.3m overall in the direct covid related expenditure and reduction in income.

Table 2

Table 2 :High Level Summary						
Directorate *	A	B	C	D	E	F
	Current Budget	Forecast Outturn	Covid 19 Financial Impact Included	Over/(Under) spend Non Covid costs	Total Over/(Under) Spend *	Movement since Month 6
	£m	£m	£m	£m	£m	£m
City Operations	185.123	200.448	16.133	(0.808)	15.325	(1.233)
Education & Skills	298.196	309.209	2.165	8.848	11.013	(0.888)
City and Municipal Development	61.099	64.212	1.810	1.303	3.113	2.091
City Housing	13.231	15.729	1.568	0.930	2.498	0.052
Adult Social Care	337.238	338.196	0.888	0.070	0.958	(2.246)
Strategy, Equalities and Partnerships	3.923	4.004	0.211	(0.130)	0.081	(0.130)
Council Management	54.496	54.567	3.773	(3.702)	0.071	(0.743)
Chief Executive Directorate	0.500	0.500	0.000	0.000	0.000	0.000
Directorate Sub Total	953.806	986.865	26.548	6.511	33.059	(3.097)
Corporate Budgets	(125.136)	(108.878)	11.470	4.788	16.258	0.000
Application of Tranche 5 Funding Budget 2021/22	0.000	(12.515)	(12.515)	0.000	(12.515)	0.000
Covid Funding	0.000	(17.471)	(17.471)	0.000	(17.471)	0.000
Specific Grant Funding	0.000	(3.000)	(3.000)	0.000	(3.000)	0.000
Public Health Grant	0.000	(6.000)	(6.000)	0.000	(6.000)	0.000
Income Loss Scheme Funding	0.000	(2.838)	(2.838)	0.000	(2.838)	0.396
Corporate Subtotal	(125.136)	(150.702)	(30.354)	4.788	(25.566)	0.396
City Council General Fund	828.671	836.164	(3.806)	11.299	7.493	(2.701)
Indirect Covid Costs			37.998	(37.998)	0.000	0.000
General Fund after transferring indirect costs	828.671	836.164	34.192	(26.699)	7.493	(2.701)
Financial Position as at M6	828.671	838.865	32.923	(22.729)	10.194	
Movement from M6	0.000	(2.701)	1.269	(3.97)	(2.701)	
Movement from M6 %	0.000%	(0.32)%	3.85%	17.47%	(26.50)%	

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

Table 3 Analysis of Non-covid pressure faced by Directorate

	Non delivery of savings £m	Expenditure variations £m	Income variations £m	One-off mitigations £m	Non Covid 19 Financial Impact Included £m
City Operation	1.508	2.303	0.511	(5.130)	(0.808)
Education & Skills	0.000	7.725	1.123	0.000	8.848
Council Management	0.200	(1.679)	(1.134)	(1.089)	(3.702)
City Housing	0.000	3.009	(2.079)	0.000	0.930
City and Municipal Development	0.277	(2.013)	3.039	0.000	1.303
Adult Social Care	0.000	1.145	(1.075)	0.000	0.070
Chief Executive	0.000	0.000	0.000	0.000	0.000
Strategy, Equalities and Partnerships	0.000	(0.130)	0.000	0.000	(0.130)
Directorate Sub Total	1.985	10.360	0.385	(6.219)	6.511
Corporate	0.400	8.300	5.369	(9.281)	4.788
Total	2.385	18.660	5.754	(15.500)	11.299

- 1.11 **One off mitigation:** actions taken by Directorates to deliver a balanced budget for 2021-22, which also includes mitigation for non-delivery of savings target (over £0.5m).
- 1.12 **City Operations:** The main mitigation is an underspend of £3.6m on borrowing costs due to delays in procurement of the new fleet. Out of a total of 74 new vehicles that have been ordered 31 vehicles were delivered and in use by the end of March 2021 with the remaining 43 received in June 2021. In addition, further Garden and Bulky Waste income of £0.5m is anticipated. The Parks service has identified internal mitigations totalling £1m within Grounds Maintenance Service.
- 1.13 **Council Management:** There are one-off mitigations actions that have been identified including the use of Policy Contingency and the use of reserves carried forward from previous year that will be considered as part of the quarter 3 report and finalised at the Outturn.
- 1.14 **Corporate:** £9.3m underspend in policy contingency.
- 1.15 **City and Municipal :-** total overspend has worsened to a total forecast over spend of £3.1m this is largely as a result of income from commercial property being lower than previously forecast.

2. Capital Expenditure

- 2.1. Capital expenditure for the year 2021/22 is forecast at £708.1m against a revised capital budget of £785.1m, representing a net underspend of £77.0m. A review of the capital programme is currently underway to review all schemes with a view to reduce or delay borrowing costs where possible. Any reduction or delay in borrowing costs will result in a positive impact on the Council's General Fund. Full details of the review will be included in the quarter 3 financial monitoring report to Cabinet.
- 2.2. This is a net decrease in forecast spend of £31.4m since Month 6 against the revised Month 8 budget. This is mainly due to net forecast slippage within the Council Management Directorate (£10.5m), and within the City & Municipal Development Directorate (£12.7m). Further details for the major variations (greater than £1m) are provided in Section 2.8 below.

- 2.3. Expenditure to date is £303.0m which is 42% of the year-end total forecast. In comparison spend to date at Month 8 in 2019/20 (the year prior to Covid-19) was 37%.
- 2.4. Capital Receipts are a key element of the programme and at Month 8 they are £46.7m, being £17.2m of the £65m Asset Review programme and £29.5m of the £35m Business as Usual programme. Further detail is provided in paragraph 3.4 below.

Table 4: Summary 2021/22 Capital Programme Financial Position

	Spend to date	Month 6 Budget	Budget Changes Month 8	Revised Budget Month 8	Forecast net overspend/ (slippage)	Forecast Outturn
	£m	£m	£m	£m	£m	£m
General Fund	232.0	636.5	30.3	666.8	(82.5)	584.3
HRA	71.0	118.3	0.0	118.3	5.5	123.8
TOTAL	303.0	754.8	30.3	785.1	(77.0)	708.1

- 2.5. The revised budget is a £30.3m increase from the budget at month 6.

- 2.6. Table 5: Movements from the Month 6 to month 8 Budget

Directorate	Budget Increase 21/22	Capital Project	Funding	Cabinet Approval
City & Municipal Development	£25.6m	Perry Barr Residential Scheme	Prudential Borrowing & Capital Receipts	July 2021
Adult Social Care	£3.9m	Independent Living	MHCLG Disabled Facilities Grant	Not Applicable
City & Municipal Development: Planning & Development	£0.6m	Bordesley Park Wheels (Site Development)	Prudential Borrowing	October 2021
City & Municipal Development: Transportation	£0.2m	Walsall to Birmingham Sprint Contribution to West Midland Combined Authority	Grant	Not Applicable
Total	£30.3m			

2.7. Table 6: Year End forecast by Directorate

Capital Forecast 2021/22 by Directorate							
Directorate	(a) 2021/22 Period 6 Budget	(b) 2021/22 Period 7 & 8 Budget Movements	(c) 2021/22 Period 8 Revised Budget	(d) 2021/22 Spend to Date	(e) Previously Reported Variation	(f) Forecast Variation Movement Since Period 6	(g) 2021/22 Forecast Outturn
	£m	£m	(a+b) £m	£m	£m	£m	(c+e) £m
Commonwealth Games	72.5	0.0	72.5	44.0	0.0	0.0	72.5
Council Management							
Development & Commercial	1.1	0.0	1.1	1.8	0.0	4.7	5.8
Corporately Held Funds	88.4	0.0	88.4	2.9	(13.6)	(15.4)	59.4
ICT & Digital	9.3	0.0	9.3	1.6	(1.3)	0.2	8.2
Total Council Management	98.8	0.0	98.8	6.3	(14.9)	(10.5)	73.4
City Operations							
Control Centre Upgrade	0.3	0.0	0.3	0.0	0.0	0.0	0.3
Street Scene	39.3	0.0	39.3	16.1	0.0	(2.1)	37.2
Private Sector Housing	2.7	0.0	2.7	0.2	0.0	0.0	2.7
Neighbourhoods	3.2	0.0	3.2	0.1	(1.2)	0.0	2.0
Regulation & Enforcement	1.6	0.0	1.6	1.2	0.0	0.0	1.6
Highways Infrastructure	4.7	0.0	4.7	1.2	0.0	(1.4)	3.3
Total City Operations	51.7	0.0	51.7	18.8	(1.2)	(3.5)	47.0
City Housing							
Housing Options Service	2.1	0.0	2.1	0.0	0.0	0.0	2.1
HRA	118.3	0.0	118.3	71.0	5.5	0.0	123.8
Total City Housing	120.4	0.0	120.4	71.0	5.5	0.0	125.9
City & Municipal Development							
Planning & Development	53.3	0.6	53.9	28.2	0.0	0.0	53.9
Transport & Connectivity	82.6	0.2	82.8	12.9	(26.0)	(13.6)	43.2
Housing Development	1.6	0.0	1.6	0.0	0.0	0.0	1.6
Perry Barr Residential Scheme	156.8	25.6	182.4	94.1	0.0	0.0	182.4
Property Services	60.6	0.0	60.6	4.3	0.0	0.0	60.6
Total City & Municipal Development	354.9	26.4	381.3	139.5	(26.0)	(13.6)	341.7
Education & Skills	46.9	0.0	46.9	15.7	(9.0)	(3.0)	34.9
Adult Social Care	9.6	3.9	13.5	7.7	0.0	(0.7)	12.8
TOTAL	754.7	30.3	785.0	302.9	(45.6)	(31.3)	708.1

Slippage in capital Programme (£31.3m) since Month 6

2.8. **Council Management** – net slippage of £10.5m

2.9. Gateway / Grand Central Residual Costs – acceleration of £4.7m.

The budget has been accelerated from 2022/23 to meet the cost of compensation payments made earlier than anticipated to ex-tenants of the former Pallasades Shopping Centre. In addition, solicitors have been engaged to provide legal advice regarding the ongoing negotiations with Network Rail.

2.10. Revenue Reform Projects – slippage of £15.4m

2.11. ICT - Slippage of £5.4m within 3 projects, Customer Programme slippage of £3.9m – this is due to spend being delayed pending Cabinet approval, now anticipated in December 2021. Cyber Security £1.1m slippage due to the forecast being reprofiled in line with current spending plans this does not have an impact on the service delivery or project costs. Insight Programme £0.4m slippage based on assumption that some infrastructure data storage spend will be utilised next year.

2.12. In addition £10m slippage within the Inclusive Growth Delivery Plan pending the identification of eligible projects within the current financial year. The forecast can be accelerated at a later date if necessary.

- 2.13. **City Operations** – slippage of £3.5m
- 2.14. **Waste Management Services** –Tyseley Energy recovery facility (ERF) Plant – Slippage of £2.1m
The Essential Programme for Tyseley ERF is a five year engineering programme, which has been reprofiled to ensure that it has no impact on the overall completion of the programme.
- 2.15. **Highways Infrastructure** – slippage of £1.4m
The slippage relates to a few projects that have been delayed until 2022/23 in the Flood Management programme. This is due to the Perry Barr & Witton and Bromford Flood Alleviation Schemes, and to take into account HS2 hydraulic modelling. Further announcements are expected from the Environment Agency as to the partnership funding arrangements and additional funding streams which could help make schemes ‘stack up’ for future outline business cases.
- 2.16. **City & Municipal Development** - slippage of £12.7m
- 2.17. **Birmingham City Centre Retail Core Public Realm** – slippage of £5.8m
Due to proximity of Commonwealth Games, a high level decision was taken to reduce the scope of works to avoid any clashes during the games. Works this year will include the fountain in Victoria Square being refurbished along with some minor cosmetic repairs in the area. The rest of the planned works will now take place after the Commonwealth Games.
- 2.18. **Brum Breathes & Route to Zero** – slippage of £4.2m
Slippage relates to spend against the original Mitigations Budget profile as a result of the delayed implementation of the Clean Air Zone (CAZ). This budget is also demand led with spend taking place after actions required are confirmed i.e. Taxi & HGV upgrades, Non-compliant Car Scrappage and support to encourage more use of Public Transport. As a result spend may accelerate before year end or have further slippage into next financial year.
- 2.19. **Active Travel** – slippage of £2.1m
The slippage relates to the Commonwealth Games Public Realm schemes - there have been delays in getting the full business case approved in 2021-22, this delay has had an impact on key milestones of the project. The works will be delivered in time for the Commonwealth Games, but construction has been pushed back to end of the financial year rather than starting in February 2022 as originally planned.
- 2.20. **Education & Skills** – slippage of £3m
- 2.21. **Schools Condition Allowance** – slippage of £3m
A combination of delays in Academisations and some of the final balances for Academy Conversions being lower than forecasted, this funding will be slipped into future years to support further conversions.
- Risks and Issues**
- 2.22. The impact of Brexit on the construction industry is still ongoing and together with the continuing impact of Covid 19 and economic recovery casts greater uncertainty particularly about the supply and import of materials and labour. This applies to most projects within the capital programme and the impact of this situation will continue to be continuously monitored.
- 2.23. **Dudley Road Scheme** – Levelling Up funding approved:
Delivery of the revised main scheme has been estimated at £20.7m. Levelling Up Funding of £19.9m was approved in October 2021. The revised funding structure, taking account of this grant allocation, has now been reflected within the capital programme and the scheme will progress to full implementation after the Commonwealth Games.

2.24. Revenue Reform Projects (Flexible Use of Capital Receipts) – Revenue expenditure which qualifies as being eligible for funding under the Flexible Use of Capital Receipts i.e. Transformational spend that results in revenue savings at Month 8 is £3.3m. Currently this is forecast to spend below budget at £29.0m due to slippage of £17.1m - more detailed monitoring of this spend is provided in Table 4 below:

2.25. Table 7 – Flexible Use of Capital Receipts

Capital Monitoring Period 8 2021-22						
Flexible Use of Capital Receipts						
Directorate	(a) 2021/22 Period 6 Revised Budget	(b) Period 7 & 8 Budget Adjust's	(c) Period 8 Revised Budget	(d) 2021/22 Spend to Date	(e) Forecast Variation Period 8	(f) 2021/22 Forecast Outturn
	£m	£m	(a+b) £m	£m	£m	(c+e) £m
Council Management Directorate:						
Corporately Held Funds:						
Redundancy & Pension Strain	0.0	0.0	0.0	0.5	0.0	0.0
Travel Assist	0.1	0.0	0.1	0.0	0.0	0.1
Tyseley ERF & Transfer Station	0.7	0.0	0.7	0.0	0.0	0.7
Business Improvement & Change	1.8	0.0	1.8	1.8	0.0	1.8
Finance Transformation Involvement	1.3	0.0	1.3	0.0	0.0	1.3
Service Innovation & SAP	0.0	0.0	0.0	0.0	0.0	0.0
Cyber Security	3.0	0.0	3.0	0.5	(1.4)	1.6
Insight Programme	1.1	0.0	1.1	0.0	(1.0)	0.1
Customer Programme	5.6	0.0	5.6	0.0	(3.9)	1.7
Eclipse IT Support	0.7	0.0	0.7	0.0	0.0	0.7
Early Interventions Transformation	0.5	0.0	0.5	0.0	0.0	0.5
Community Equipment	0.2	0.0	0.2	0.0	0.0	0.2
Life Courses Project	1.8	0.0	1.8	0.0	0.0	1.8
Flexible Use of Capital Receipts - Other	10.7	0.0	10.7	0.0	0.0	10.7
Inclusive Growth Delivery Plan	15.0	0.0	15.0	0.0	(10.0)	5.0
Birmingham Childrens Partnership	1.1	0.0	1.1	0.0	0.0	1.1
Total Corporately Held	43.7	0.0	43.7	2.9	(16.3)	27.4
ICT & Digital Services:						
ITD Transition Programme	0.2	0.0	0.2	0.0	0.0	0.2
Application Platform Modernisation	1.7	0.0	1.7	0.4	(0.5)	1.2
Networks & Security	0.0	0.0	0.0	0.0	0.0	0.0
Insight	0.1	0.0	0.1	0.0	0.0	0.1
Field Work Project	0.4	0.0	0.4	0.0	(0.4)	0.0
Total ICT & Digital Services	2.4	0.0	2.4	0.4	(0.8)	1.6
TOTAL	46.1	0.0	46.1	3.3	(17.1)	29.0

2.26. Review of the Disposals Programme & Expected Capital Receipts – The 2021/22 budgeted target of capital receipts is £100.0m. At present £46.7m of receipts have been achieved (this includes £13.3m for the CHEP site in Bickenhill that was received and accounted for at the end of 2020/21) £17.2m against the £65m Asset Review programme and £29.5m against the Business as Usual programme. It should be noted that the disposals programme is back-end loaded meaning that majority of receipts are due to be received towards the end of the 2021/22 financial year and relate to a small number of high value cases.

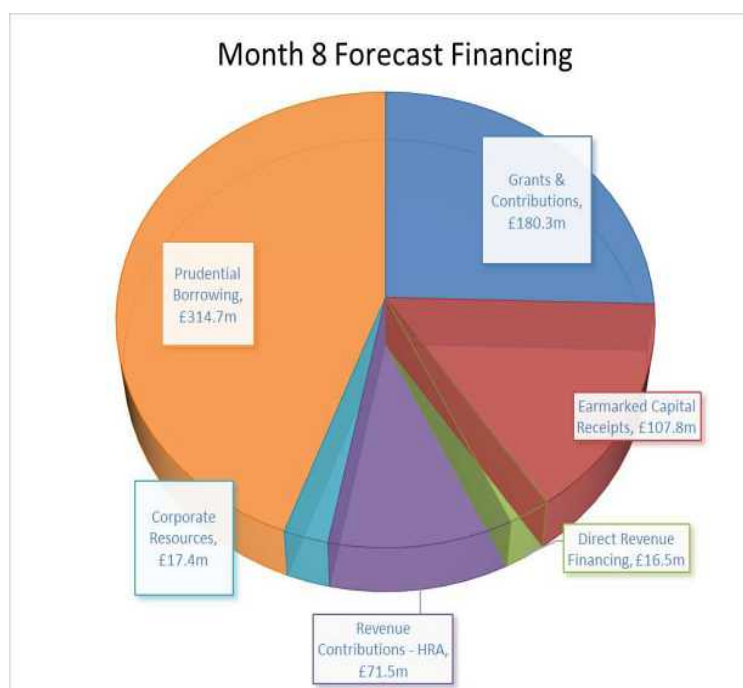
2.27. Table 8 – Capital and Disposals Programme 2021/22

Capital Receipts & Disposals Programme 2021/22	
	2021/22 £m
Budget	100.0
Achieved at Month 8	46.7
Further Anticipated Receipts	53.3

Financing the Month 8 Forecast Outturn

2.28. The Month 8 forecast outturn will be financed as shown in the pie chart Table 6 –

Forecast Financing Chart - £708.1m



2.29. Table 9 Summary of Capital Funding Month 8 2021-22

Summary of Capital Funding Month 8 2021-22

	General Fund £m	Housing Revenue Account £m	Total £m
Forecast Capital Expenditure	584.3	123.8	708.1
Forecast Funding:			
Grants & Contributions	(169.0)	(11.3)	(180.3)
Earmarked Receipts	(80.9)	(26.9)	(107.8)
Direct Revenue Funding - HRA		(71.5)	(71.5)
Direct Revenue Funding – General Fund	(16.5)		(16.5)
Corporate Resources	(17.4)	0.0	(17.4)
Prudential Borrowing	(300.5)	(14.1)	(314.6)
Total Funding	(584.3)	(123.8)	(708.1)

3. Key Issues

Non Covid-19 Related Issues (Significant variance above £0.5m)

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

Education and Skills

- 3.3. At the end of Month 8, there is a forecast **overspend of £8.8m** relating to revenue budget non-Covid expenditure for the Directorate. This is £1.0m improvement **since Month 6**.
- 3.4. There is a forecast overspend for **Inclusion and SEND of £5.3m**. The forecast overspend is on Travel Assist made up of £3.9m transport costs and £1.4m on guides. The basis for projection is 2021/22 actual expenditure to date extrapolated for the remainder of the year. Management information on activity and costs is required for this projection to be more accurately refined. A project diagnostic group has now been established to calculate a more accurate projection during December 2021 ahead of quarter 3 budget monitoring reporting. The forecast on Travel Assist does not include the costs of transformation activity for which additional one-off funding of £2.7m has been approved by the Cabinet on 12 October 2021.
- 3.5. The council have terminated a contract with North Birmingham Travel, the additional cost of the alternative provider (procured at short notice and including set up costs) is estimated to be up to £3.3m (worst case). This additional cost of contract will be taken from the Financial Resilience Reserve. As costings become more certain they will be reported through the routine financial reporting updates to Cabinet.
- 3.6. In May 2021 Birmingham hosted Ofsted and CQC to conduct their Local Area SEND Revisit in order to establish if the partnership has made sufficient progress against the 13 areas of significant weakness identified in the 2018 inspection. The outcome of this revisit has now been published, with Birmingham making sufficient progress in 1 of the 13 areas of significant weakness. As a result of the revisit, there is a need for a SEND Improvement Programme for the city which will require significant one-off investment from the general fund, alongside ongoing investment from the High Needs Block (HNB) and General Fund to address capacity issues within the system. Cabinet approved in July 2021 extra funds to address the capacity issues and also a bid for one-off transformation costs was approved 12th October 2021 by Cabinet.

- 3.7. There is a forecast overspend for **Birmingham Children's Trust** is **£4.2m**, this is an improvement of £0.6m since month 6 details of overspend are as follows:
- 3.8. The outturn position for 2020/21 highlighted a cost pressure of £3.0m against placements which would carry forward into 2021/22. The latest position for the Trust is now forecast to overspend by £4.2m. There are pressure of £6.2m as shown below, which has been reduced by £1.9m (see paragraph 3.10 for more details).
- *£3.4m supported accommodation*
 - *£1.6m disabled children*
 - *£1.2m shortfall in contributions from partners*
- 3.9. Whilst some of this can be attributed to an increase in the care population, the rate of increase in the number of children in care has actually reduced from around 6% to less than 3%. A key reason for the increase in placement costs is that children's needs are increasing in complexity, including mental health and trauma caused by domestic abuse and exploitation. The shortfall in income contributions is also a cause for concern, particularly health given the complexity of need.
- 3.10. Despite other pressures in the system, the Trust have achieved one-off mitigations, delivered savings and additional income which total £1.9m which reduce the overall forecast pressure to £4.2m.
- 3.11. The Trust continues to promote better outcomes for children and its Stronger Families initiative is intended to place more children with their families which in turn is expected to reduce costs by £2.0m this year. This benefit has already been factored into the forecast for the year
- 3.12. The Director of Council Management and the Director of Education and Skills have commissioned the Chartered Institute of Public Finance & Accountancy (CIPFA) to carry out a budget sufficiency review of the Education and Skills budget. The Local Government Association (LGA) will also support with work in this area. This work should conclude December 2021.

City Housing

- 3.13. At the end of Month 8, there is a forecast **overspend of £0.9m** relating to revenue budget non-Covid expenditure Homelessness Service. The overspend has increased by **£0.1m** since Month 6.

Housing General Fund projected year end £1.1m overspend:

- 3.14. The forecast overspend is due to projected temporary accommodation demand levels over the course of the year reflecting significant increase following the lifting of the eviction ban at the end of May. Current modelling assumes continuation of current demand levels of 20 per week until the end of December reducing to 15 per week until the end of March. This continues to be monitored. Resulting cost pressure is **£2.7m**. The major pressure is seen in the additional use of leased properties which are cheaper than bed & breakfast placements but more expensive than the block and framework contracts as they are paid on a nightly rate.
- 3.15. The service expects to deliver additional Hostel accommodation from February 2022 rather than December 2021. This will be 95 units rather than the previously reported 200

units from December. This is expected to reduce the overspend by **£0.3m**. There are a number of risks associated with the delivery of this project and any further delay will have a detrimental impact the forecast position.

- 3.16. Other mitigations have been explored generating a further underspend of **£1.3m**. This includes savings in procurement of commissioned services and alternative funding sources £0.4m, the implementation of a new contract for leased properties in February 2022 which will relieve the pressure on using night rate placements £0.3m and furniture and other underspends £0.6m.

City Operations

- 3.17. At the end of Month 8, there is a forecast underspend of £0.8m relating to revenue budget non-Covid expenditure for the Directorate. There has been an improvement of £1.6m since Month 6.

- 3.18. **Street Scene service** is reporting a forecast overspend of **£1.0m**, details of major variances are below:

- The Trade Waste Service forecast a shortfall of income of **£0.8m** as a result of losing a major contract. The service is working towards securing new clients to mitigate this pressure. Improvement of £0.4m since month 6 due to the Trade Waste Service securing new clients.
- The Waste Vehicle Garage service is forecasting an income shortfall of **£0.8m** due to reduced client base. This has been exacerbated by the procurement of new grounds maintenance fleet which will be covered by warranty arrangements in the first year of operation thereby reducing the reliance on the internal garage service. However, after the warranty Month lapses, the Vehicle Garage service will be able to repair these vehicles where required.
- **£1.2m** maintenance and vehicle hire due to old and mechanically less reliable vehicles being past their natural life.
- The employee overspend has deteriorated and is forecast to be **£2.1m** overspent due to further delays in implementing the Street Scene Service re-design.
- **£0.4m** estimated costs of operating non-compliant vehicles in the Clean Air Zone (CAZ).
- There are a number of other minor pressures which when aggregated together total **£1.6m** overspend. This includes Non-delivery of savings relating to the disposal of parks land income and from commercial projects not being delivered in 2021/22 due to delays.
- The total overspends of **£6.5m** has been in part mitigated by underspend of £5.1m: **£3.6m** underspend on borrowing costs due to delays in procurement of the new fleet. Out of a total of 74 new vehicles that have been ordered 31 vehicles were delivered and in use by the end of March 2021 with the remaining 43 received in June.
£1.0m – Underspend with the Grounds Maintenance Service.
£0.5m additional income from Garden and Bulky Waste is anticipated.

- 3.19. **Neighbourhoods Service (projected year end £1.2m underspend):**

- 3.20. Underspend of £0.6m relating Community and Leisure facilities. The position has improved by removing the £0.4m previously reported pressure for the replacement of boilers in two Community Centres, the way forward for this will now be considered through the

appropriate spend control panel approval. There is additional income of £0.2m within Neighbourhood Advice Service, and £0.1m savings on prudential borrowing costs.

- 3.21. For month 8 there are further planned savings of £0.1m identified in respect of the Major Events budget and £0.1m relating to ward forums.
- 3.22. In addition there is a forecast net underspend within the City Centre Management Service, of £0.1m relating to an improved income position partly offset by a minor pressure on supplies related spend.

Adult Social Care

- 3.23. At the end of Month 8, the directorate has a **forecast an overspend of £0.1m** relating to revenue budget non-Covid expenditure. This is an improvement of £2.3m since Month 6.
- 3.24. **Packages of Care.** The Month 8 forecast is reporting an overspend of £1.9m for Older Adults (OA) driven by increased activity slightly offset by increased client income and a forecast underspend of £0.5m for Young Adults (YA) driven by reduced activity (predominantly Day Care in Adults with a Learning Disability (LD)) partially offset by a reduction in income. The Better Care Funding (BCF) of £2.0m was added to the budget in month 8 to fund the Sevacare overspend.
- 3.25. **Community & Social Work Ops – (forecast zero variance at year end)** - The Service is currently reporting a nil variation.
- 3.26. **Commissioning – £1.0m underspend** – The Service is reporting an underspend against employees of £0.7m linked to vacancies across the team and recharge income against base budget funded posts. Recruitment plans are being discussed with relevant Head of Service and assumptions are currently that these will be filled within the next few months. There are also underspends of £0.3m against the overall third sector grant budget.
- 3.27. **Director – £0.4m underspend** – The service forecast an underspend of **£0.1m** due to reduced Access to Work and Professional Fees expenditure, together with **£0.2m** lower than anticipated Pensions Increase Act and annual pension costs for early retirement together with minor underspends of **£0.1m** against direct employees and non-pay budgets.

City & Municipal Development Directorate

- 3.28. At the end of Month 8, there is a forecast overspend of **£1.3m** relating to revenue budget non-Covid expenditure for the Directorate. There has been a deterioration of **£1.9m** since Month 6.
- 3.29. Property Services are now forecasting an overspend of £2.3m at year-end due to the inclusion of a commercial rent forecast based upon Quarter 2 actuals and Manhattan data for the remainder of the year of £2.9m (excluding Covid impact of £1.1m), an increase of £2.6m, despite an anticipated acquisition at year-end which will generate an additional £0.5m in 2021/22. To date, Property Services have been unable to confirm the forecast until improvements to Manhattan reporting had been completed in order to provide the necessary granularity on how and where any under recovery was emerging in comparison to 2020/21 actuals. At this point, although the Manhattan improvements have yet to be completed, Property Services acknowledge that the level of invoiced rent will not be at the level as last year due to disposals. However, there is a partial mitigation with an additional £0.8m of prudential borrowing fall-out from the former Working for the Future programme.

- 3.30. Furthermore, extended agency cover for vacant posts to end of December has increased by £0.2m with net income pressures from capitalisation and fees and charges of £0.3m.
- 3.31. The Transportation and Connectivity service is forecasting a year end underspend largely related to a £0.3m underspend on Integrated Transport Levy Payments (ITA Levy) to the West Midlands Combined Authority (WMCA) and £0.3m surplus in income from project officer recharges to Capital projects.

Council Management Directorate

- 3.32. At the end of Month 8, there is a forecast non covid **underspend of £3.7m**, (an improvement of £0.9m since Month 6).
- 3.33. The overall underspend is largely relating to Housing Benefit Overpayment recovery performing better than last year, the ongoing review of supported exempt accommodation (SEA) is identifying Landlords where this status is not applicable resulting in clawback of overpaid Housing Benefit. Overpayment recoveries from the Department of Work and Pensions are also performing better than last year. Improved collection of overpayments has contributed to a revised expected surplus on our benefit subsidy claim of **£3.5m** for 2021/22
- 3.34. **Emerging Risks not included in Forecast**
- 3.35. There are a number of risks that are not included in the forecast outturn.
- 3.36. The Trade Unions have been offered a pay award of 1.75% by the Employer's side, although this has not been accepted. A potential pay award of 1.75% that could cost £8.3m has been built into the forecast. There is a risk that a higher pay award is agreed. Each extra 0.5% increase would cost £2.3m per annum.
- 3.37. There is a risk that savings that are rated as amber are not achieved in full

Other Risks that cannot be quantified

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

Savings Programme

- 3.39. The savings programme for 2021/22 of £36.7m of which £9.4m of savings is either at risk or undeliverable. £27.4m of the saving is either achieved or on target, which is 75% of the target with a further 18% (£6.5m) anticipated to be delivered. This represents an improvement of £7.6m saving that are delivered or on track since month 6.

Table 10 Summary of Saving programme.

Directorate	Non-Delivery of Saving		Saving at Risk	Saving Delivered and on Track	Total Saving
	Delayed Because of Covid-19	High Risk & Undeliverable			
	£m	£m	£m	£m	£m
Adult Social Care	0.000	0.000	0.000	8.793	8.793
City Operations	0.000	1.508	0.000	0.673	2.181
Council Management	0.116	0.200	0.031	3.038	3.385
Education & Skills	0.000	0.000	0.000	0.050	0.050
City & Municipal Development	0.322	0.329	0.156	0.238	1.045
Corporate	0.000	0.400	6.291	14.588	21.279
Directorate Sub Total	0.438	2.437	6.478	27.38	36.733

3.40. The **£36.7m** savings programme for 2021-22 is now showing **£27.4m** as delivered or on track.

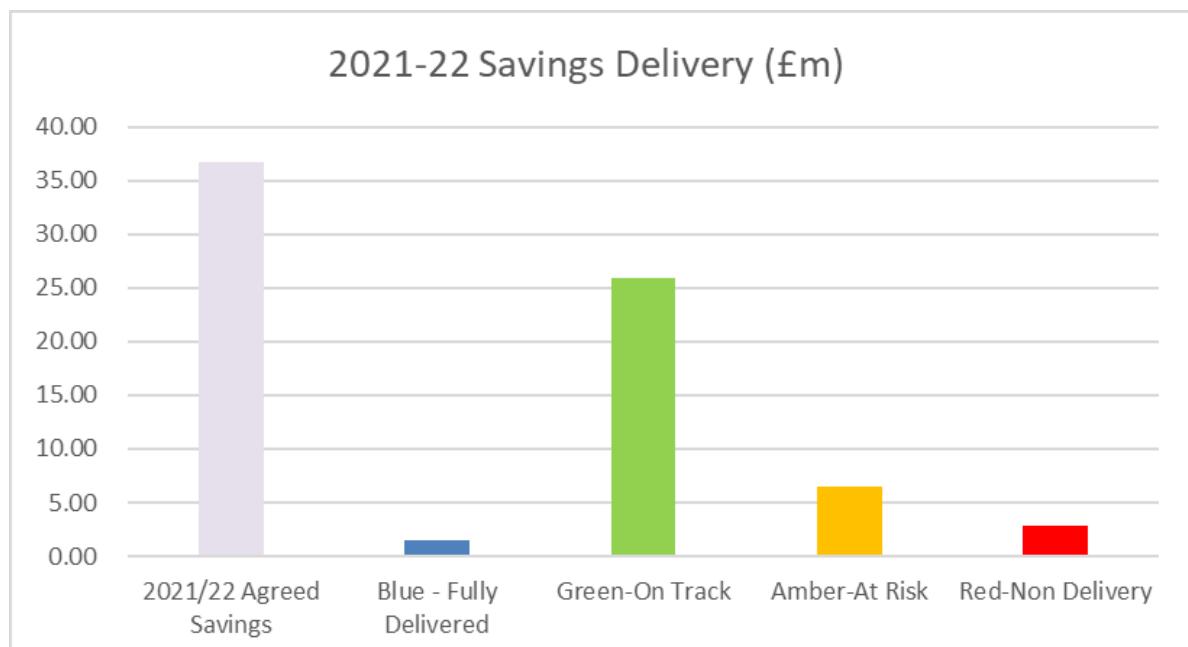
- **Corporate** has the largest saving target of £21.2m, of which 68% has been achieved, £14.5m is from the £20.1m establishment saving. The remainder of the saving is assessed as at risk £5.5m in the current financial year. None of the establishment savings are now considered unachievable.
- **Adult Social Care** has a saving target of £8.8m, 100% is either delivered or track to be delivered.
- **City & Municipal Development** has £1.0m savings target of which £0.2m has been achieved and the rest has been assessed as at risk or undeliverable.
 - **£0.3m** non-delivery of the commercial property rental growth saving due to Covid delay.
 - **£0.3m** non-delivery of Public Hub Programme; property related savings have been delayed due to Covid. Proposals now to be considered as part of programme of New Ways of Working however this is not anticipated to be deliverable in 2021/22.
 - **£0.2m** is at risk of non-delivery Capital receipts from disposals of ring-fenced commercial portfolio properties to mitigate future Central Admin Buildings (CAB) savings are being monitored for deliverability.
- **City Operations** has £2.2m savings target. The current assessment is that £1.5m of those savings are considered unlikely to be delivered. The key highlights of which are:
 - **£0.6m** Street Services redesign there is a risk this saving will not be achieved in 2021/22.
 - **£0.2m** Consultation of land sales saving will not be achieved in 2021/22.
 - **£0.2m** implementation of commercialisation programme (car parks) there is a risk this saving will not be achieved.
 - **£0.5m** continued extensive hire of vehicles and associated repairs and maintenance costs there is a risk that the revenue savings from the Waste Management Replacement Strategy capital project will not be achieved.
- **Council Management** has £3.4m saving target of which £3.1m has been achieved and there is £0.3m of saving that unlikely to be delivered.

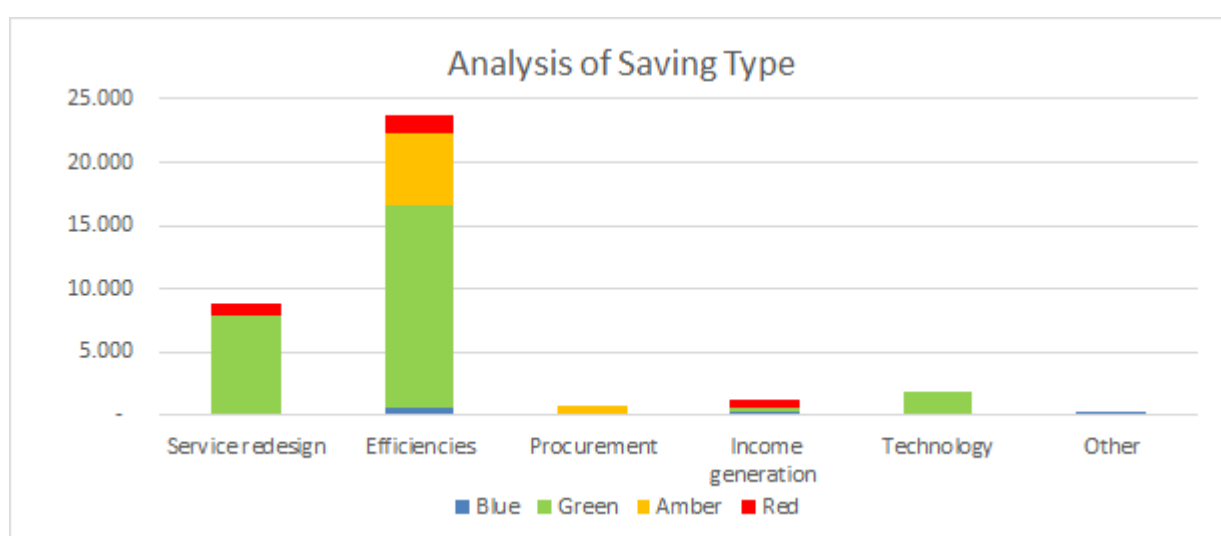
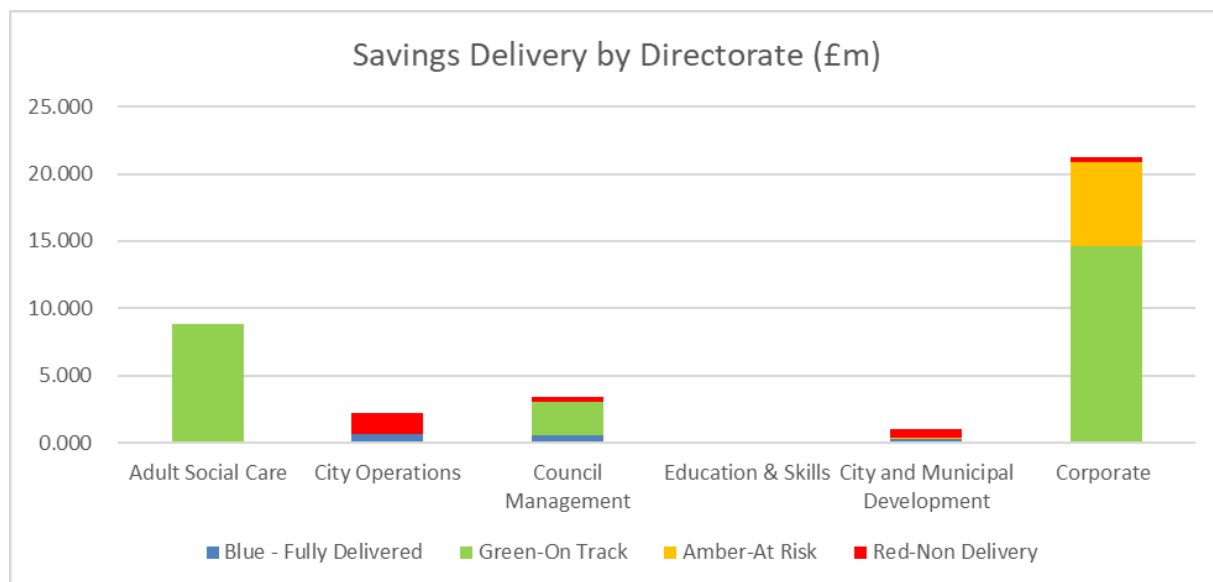
- Workforce related savings totalling **£0.2m** will not be achieved in 21/22 due to delayed restructure of the IT&D Service, however the service expects to mitigate this non delivery of savings via efficiency gains on other budget lines
- Covid-19 Related: Savings of **£0.1m** are considered unlikely to be achieved as the planned development of business is on hold due to the impact of Covid on the events market and closure of the Council House.

Table 11: Achievement of Establishment Savings

- £14.5m of establishment saving have been delivered and it is anticipated that the remaining £5.7m will be delivered.

	Savings achieved at M6	Further Savings estimated at P8	Total
Directorate	£m	£m	£m
Adult Social Care	5.695	0.000	5.695
Education & Skills	0.455	0.000	0.455
City & Municipal Development	1.152	0.000	1.152
City Operations	0.820	0.000	0.820
City Housing	1.182	0.000	1.182
Council Management	1.651	0.000	1.651
Strategy, Equalities and Partnerships	0.503	0.130	0.633
Total Directorates	11.458	0.130	11.588
Unallocated Increment Budget remaining	3.000	0.000	3.000
Total	14.458	0.130	14.588





Covid-19 Major Incident Financial Impact

- 3.41. The Council has carried forward £17.5m of un-ringfenced Covid-19 related grant funding from the government. In addition, there is an estimated £2.8m of income that can be reclaimed from the Governments Income loss scheme up to the scheme end on the 30th June.
- 3.42. The Council has funded £12.5m of covid pressures in the 2021/22 budget through the use of Tranche 5 of Government un-ringfenced grant funding.
- 3.43. £6.0m of Public Health Grant will be released to fund Covid related spending in 2021/22.
- 3.44. Ring-fenced grants for additional reliefs and support schemes are being spent on the additional measures set out in government guidance.
- 3.45. The summary in table 12 below sets out the forecast Covid-19 financial position at Month 8.

Table 12

Table 11 : Forecast Covid-19 financial position	Covid cost £m
Directorate covid overspend	26.548
Corporate budgets overspend	11.470
Indirect Covid costs	37.998
Total Covid-19 overspend	76.016
Application of Tranche 5 Funding Budget 2021	(12.515)
Covid grants carried forwards	(17.471)
Specific Grant Funding	(3.000)
Public Health Grant	(6.000)
Income compensation	(2.838)
Total Covid income	(41.824)
Net deficit	34.192

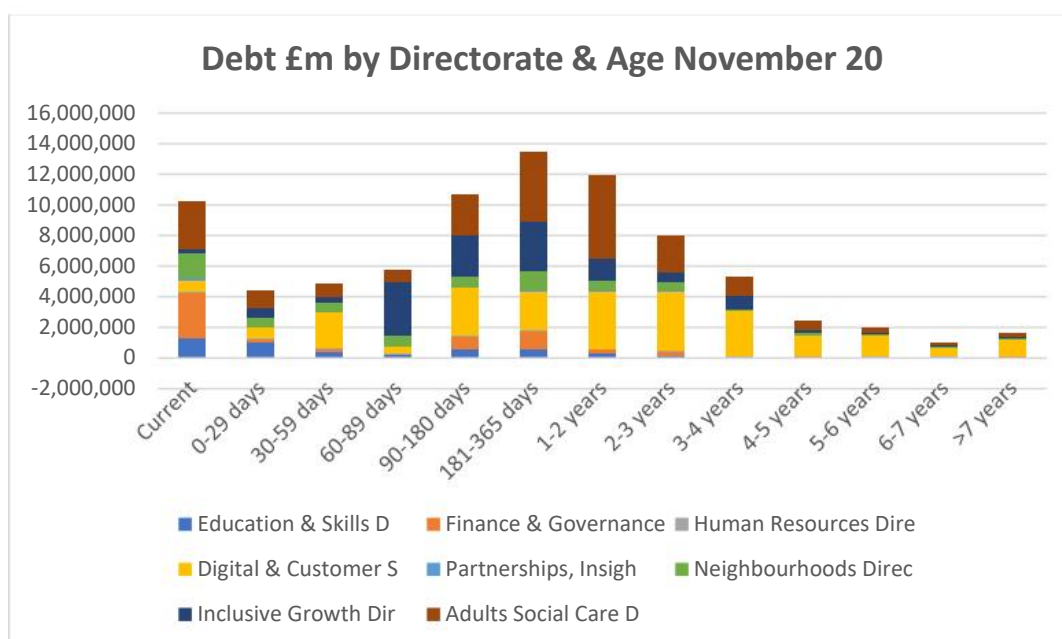
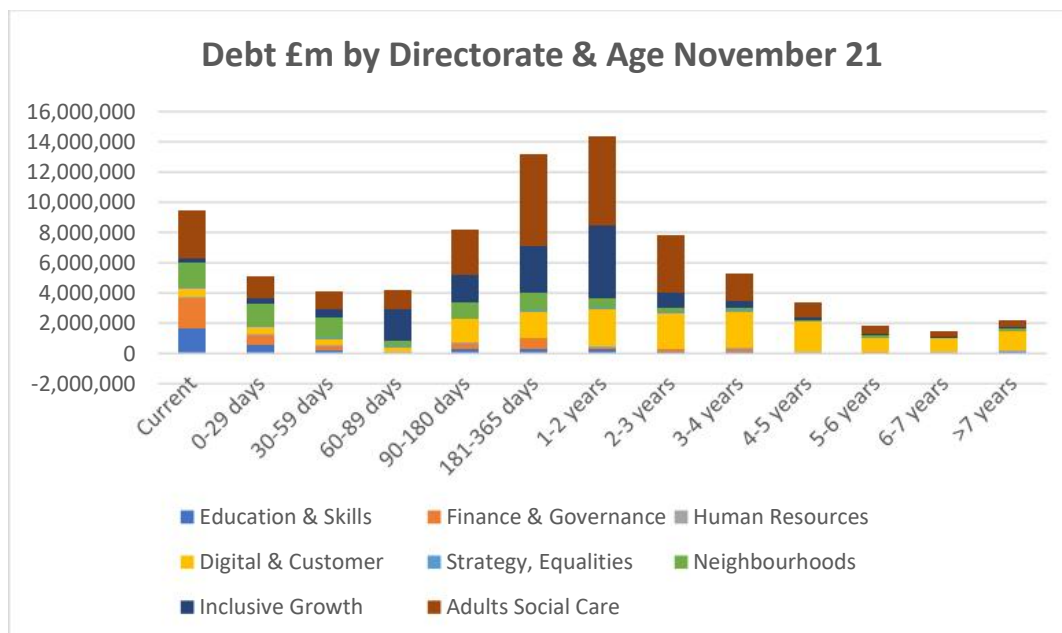
3.46. There are further Covid-19 financial risks which have been quantified at £5.0m which are around Adult Social Care.

4. Balance Sheet Section Borrowing

- 4.1. The annual cost of servicing debt represents approximately 27% of the budget. Gross loan debt is currently £3,170m, with the year-end projection likely to be below the planned level of £3,722m. Some government grants have been received early and there has been a reduced borrowing requirement for the capital programme. The annual cost of servicing debt represents approximately 27% of the budget.
- 4.2. Positive cashflows within the local government sector mean that the Council's treasury investments remain temporarily higher at £123m against a planned level of £40m. This has meant the Council has been able to delay some of its short term and long-term borrowing needs. Uncertainty remains about the continued impact of Covid on the Council's cashflow.

Level of Debt and Provision

- 4.3. The Council's total sundry debt position at end of November 21 stood at £76.1m. This was a decrease of £3.4m compared to end of November 20 when total debt was £79.5m.



- 4.4. The tables above show there are year on year decreases in all age bands up to 12 months overdue. Overall, these age bands are down by £5.4m. This positive position is due to the ongoing efforts to continually drive down the city's sundry debt.
- 4.5. The debts in the age band 1 – 2 years however show a year on year increase of £2.4m so there will be a continuation of the concerted effort and focus on these items. The factors contributing to this position include e.g. Government legislation / local decisions in place which are frequently reviewed.
- 4.6. The targeted approach adopted will continue and this includes understanding the Council's top 50 debtors, analysis of which is given below.

Top 50 Debtors Profile

- 4.7. As at November 2021 the value of the top 50 aged debtors (+ 90 days) was £8.7m which is 10.6% of the total sundry debt. Analysis of this debt shows that £2.4m is highly likely to be or has been recovered, £4.90m is in the balance and £1.40m is high risk and unlikely to be or will not be recovered.

Table 13 – top 50 aged debtors

RAG Summary	£m	No. debts
Highly likely to be or has been recovered	2.40	10
In the balance	4.90	28
Unlikely to be or will not be recovered	1.40	12
TOTALS	8.70	50

4.8. The profile of the £8.7m is spread across directorates as shown in table below

Table 14 – Top 50 debts by department

Directorate	Value £m	Nature of debts
Adult Social Care	4.0	Residential care provision & NHS contributions
Finance & Governance	0.5	Suppliers of meals & the schools receiving meals
Inclusive Growth	3.8	Commercial property rents & development charges
Neighbourhoods	0.2	Market rents & supplies to contractors
Education	0.1	NHS recharges
Digital & Customer	0.1	Overpaid Housing Benefit
TOTAL	8.70	

4.9. Action plans have been recorded for all these debts which are subject to monthly reviews. Reports for the top 20 debtors for each directorate continue to be produced with associated action plans for each of these.