Birmingham City Council

Report to Cabinet

24 June 2025

Title:	**Provisional Outturn Report – General Fund budget, Housing Revenue Account budget, Dedicated Schools Grant budget and the Capital Programme**
Lead Cabinet Portfolio:	Councillor John Cotton, Leader of the Council Councillor Karen McCarthy, Cabinet Member for Finance
Relevant Overview and Scrutiny Committee:	Councillor Sir Albert Bore, Chair of Corporate and Finance Overview & Scrutiny Committee
Report Author:	Timothy Bell, Interim Head of Financial Planning
Authorised by:	Carol Culley Executive Director Finance and S151 Officer
Is this a Key Decision?	No
If this is a Key Decision, is this decision listed on the Forward Plan?	Not Applicable

Reason(s) why not included on the Forward Plan:	Not Applicable
Is this a Late Report?	No
Reason(s) why Late:	Not Applicable
Is this decision eligible for 'call in?'	Yes
If not eligible, please provide reason(s):	Not Applicable

Wards:	All
Does this report contain exempt or confidential information?	No
Has this decision been included on the Notification of Intention to consider Matters in Private?	Not Applicable
Reasons why not included on the Notification:	Not Applicable

1 EXECUTIVE SUMMARY

1.1 This report presents the provisional outturn for Birmingham City Council for the 2024/25 Financial year, covering the General Fund Revenue Budget, Housing Revenue Account (HRA), Dedicated Schools Grant (DSG), Collection Fund, Capital Programme, and Treasury Management.

1.2 On 5 March 2024, the Council agreed a net revenue budget for 2024/25 for the Council's General Fund of £1,151m, along with budgets for the HRA, DSG and Capital programme. To set this budget, the Council required £225.9m of Exceptional Financial Support (EFS), approved by the Ministry of Housing, Communities and Local Government (MHCLG), allowing the Council to sell assets and use the capital receipts to address the General Fund budget shortfall.

1.3 **The Council's General Fund Revenue Budget**, shows a net overspend of £182.1m. This is £43.8m below the planned EFS funded deficit of £225.9m, a favourable movement of £33.0m since the last report. This £43.8m underspend is driven by a £63.2m underspend across Directorates, equivalent to 5.2% of Net Directorate Expenditure, offset by a £19.4m overspend in Corporate budgets. (Section 5 refers)

1.4 It should be noted that the General Fund provisional outturn position, **prior to** any transfers to reserves and carry forward requests, is **£220.0m** below the EFS funded deficit of £225.9m. Alongside robust actions being taken to deliver cost control and improve income this underlying underspend is also due to: a) advance receipt of grants (which need to be recognised as income now); b) project budgets that applied across more than one financial year; and, c) the receipt of one-off income and lower treasury management costs:

a) **Directorate transfers to reserves (£114.5m) [see table 8, 9 and 10].** These primarily relate to grant income received in-year that is intended to support activity across multiple financial years. Under accounting regulations these balances have to be carried forward as a reserve. This includes £46m Highways PFI funds for reinvestment in future PFI programme works.

b) **Carry forwards for specific programmes of work (£12.7m) [see table 11]** – namely the Brindley Oracle Programme, Equal Pay work and funding for the Improvement and Recovery Plan. Here a funding envelope was agreed for multi-year programmes to go into the budget before the delivery requirements and hence drawdown needed this year was fully profiled. The carry forward in respect of the IRP is for collective application, not specific to directorates that have underspent their allocation in 2024/25.

c) **Corporate reserve transfers (£48.9m) [see table 7]** relate to lower treasury management costs mainly due to an opportunity to refinance a large loan (see 1.13 below) , the receipt of a one-off dividend, and other favourable one-off movements. It is recommended these are transferred to corporate reserves to mitigate future capital financing risks, particularly increases in the Council's Minimum Revenue Provision (MRP) requirements, and to support the delivery of the capital programme. These decisions will be subject to review as part of the final accounts process and the ongoing assessment of the Council's EFS position, with any material changes to be reported back to Cabinet and Audit Committee.

1.5 At the start of 2024/25, the Council held **reserves balances** of £797.9m (this figure is subject to the external audit of the 2023/24 accounts). Subject to Cabinet approval, reserves are projected to increase by £179.2m to £977.1m at 31 March 2025 (Section 7 refers), of which £19.3m is budgeted contributions to reserves and £160.0m is other proposed contributions to reserves. Of this total, **only £187.0m (19.1%) is within general reserves and balances,** which is the figure available for general use. The remainder, **£790.1m (80.9%)** are for **specific committed purposes and do not represent available resources**;

1.6 The Collection Fund (i.e. the Council's share of Council Tax and Business Rates income) is showing a £10.4m surplus compared to budget (after addressing Section 31 Grant Income). The change in the net outturn position for Council Tax, Business Rates, and Section 31 Grant Income will not impact on the General Fund until 2026/27 and will be taken into account as part of the 2026/27 budget setting process (**Section 6** refers);

1.7 The HRA overspent by £20.6m in 2024/25 mainly as part of its plan to increase capital investment through using its brought forward reserves. This is a movement of £15.0m from the last report. The overspend also includes revenue repairs pressures due to the current condition of the Stock, requiring damp and mould remedial work, and attracting a large number of disrepair and litigation costs. The additional expenditure will be funded from the Ring Fenced HRA revenue reserve which will decrease reserve from £62.1m to £41.5m. (**Section 9** refers);

1.8 The DSG underspent by £4.9m, a primarily due to underspends on the High Needs block such as underspend on the Developing Local Provision programme (ring-fenced to 2025/26), lower medical funding and NHS charges than anticipated, and unfilled vacancies. This underspend will be transferred to the Ring Fenced DSG reserve (**Section 10** refers);

1.9 The Capital Programme saw net slippage of £156.9m against a revised programme of £623.8m. This reflects rephasing of delivery timelines across major schemes (**Section 11** refers); and

1.10 Treasury management net borrowing costs totalled £248.5m; after recharges to other services the corporate costs were £180.8m, an underspend of £19.7m. This is mainly related to one-off ‘windfall’ events - increased interest received from cash balances and savings associated with the refinancing of the Council’s loans portfolio. It is proposed that this underspend in transferred to the Capital Fund Reserve. (**Section 12** refers);

1.11 A provision was made in the 2024/25 financial year in relation to potential Equal Pay liabilities, funded through capitalisation under the terms of the EFS agreed with MHCLG. To simplify reporting, and as this provision is supported by EFS funding, it is not reflected within the 2024/25 outturn position. However, in accordance with accounting standards, it will be included within the Council’s 2024/25 Statement of Accounts.

1.12 Whilst the outturn position is relatively positive in the context of the use of £225.9m EFS. The Council is facing significant risks including a budget gap of £83.1m in 2026/27, rising to £158.9m in 2028/29.

1.13 The relatively positive financial position is dependent on the continued delivery of the ambitious savings programmes, being able to manage demand for services within the expected level and continued trends on interest rates and inflation. The Council has an ambitious programme of regeneration and development for the City, alongside a programme of organisational change which mean it is prudent to maintain the level of reserves set out in this report.

2 COMMISSIONERS' REVIEW

2.1 The overall outturn position of an increased underspend is positive, and the council should be congratulated on the delivery of the vast majority of savings in 2024/25, especially given the circumstances surrounding the development of the 2024/25 budget. The Council's finances, however, continue to be very fragile and there is considerable work to be done before stability returns. It is worth reflecting on the recent Spending Review which showed that finances for local authorities will continue to be under severe pressure for the medium term.

2.2 The Spending Review also appears to indicate that all local authorities will be expected to increase Council Tax by 5% but this will need to be confirmed later. Members also need to reflect that whilst the underspend is welcome, it is against a budget that would have been unlawful without EFS as the Council could not set a balanced budget. This underspend must therefore be treated as earlier delivery of required savings and needs to be stripped out of the base.

2.3 Over recent reports Commissioners have made many comments relating to improvements required to the management of the capital programme. This report starkly highlights the need for improvement as it shows that less than 50% of the non-housing capital programme has been delivered. Commissioners support the initial programme of work developed by the Council to address some of the current weaknesses. It will be considerable work to completely overhaul the current approach, but many improvements can be made quickly.

2.4 Commissioners are supportive of the more detailed analysis of the outturn that will be undertaken to inform future budgets and implications for the 2025/6 budget. There is plenty to learn from the details included in this report, including the identification of new savings.

3 RECOMMENDATIONS

That Cabinet notes:

3.1 The City Council's provisional General Fund outturn position for 2024/25, showing an underspend of £43.8m (**Section 5** refers).

3.2 That without Exceptional Financial Support (EFS) from Government, the Council would have a deficit of £182.1m.

3.3 The Collection Fund outturn (Council Tax, Business Rates, and Section 31 Grant income) and its impact on the General Fund (**Section 6** refers);

3.4 The Council's forecast reserves balance of £977.1m as at 31 March 2025 (**Section 7** refers);

3.5 The allocations from Specific Contingency, approved by the Section 151 Officer under delegated authority (**Section 8** refers);

3.6 The Housing Revenue Account (HRA) overspend of £20.6m for 2024/25 and the transfer from the ring fenced HRA reserve (**Section 9** refers);

3.7 The Dedicated Schools Grant (DSG) underspend of £4.9m and its transfer to the DSG reserve (**Section 10** refers);

3.8 The capital programme outturn for 2024/25, showing a £156.9m underspend against a revised budget of £623.8m (**Section 11** refers); and

3.9 The Treasury Management Annual Report, confirming the Council remained within its prudential limits set under the Local Government Act 2003 and CIPFA's Prudential Code (**Section 12** refers).

That Cabinet approves:

3.10 The use of, and changes to, Grant and Earmarked Reserves and Balances (**Section 7 and Appendix 2** refer);

3.11 The contributions to Carry Forwards (**Section 7** refers);

3.12 The carry forward of £156.9m from the 2024/25 capital programme into future years to complete planned projects (**Section 11** refers);

OFFICIAL

3.13 The financing arrangements for capital expenditure for 2024/25 (**Section 11** refers);

3.14 That the Section 151 Officer is authorised to make necessary changes, with any further movements reported to Audit Committee, and if appropriate, to Cabinet and the Finance and Resources Overview and Scrutiny Committee;

3.15 The budget virements made in Quarter 4 of 2024/25, to ensure alignment of budgets with cost centres (**Section 13** and **Appendix 6** refer).

3.16 That outstanding individual debts of more than £25k relating to Irrecoverable Business Rates and Housing Benefit Debts are written off. These require Cabinet approval as per the Council's constitution. Details of these debts are included in **Appendix 7**. Further information in respect of these is available on request.

4 KEY INFORMATION

Context

4.1 This report sets out the provisional outturn for 2024/25, covering the Council's General Fund, Housing Revenue Account (HRA), Dedicated Schools Grant (DSG), Collection Fund, Capital Programme, and Treasury Management.

Proposal and Reasons for Recommendations

4.2 Cabinet is asked to note the provisional outturn for 2024/25 and to approve the use of, and changes to, Grant and Earmarked Reserves and Balances, the write-off of irrecoverable debts, the budget virements made in Quarter 4 to ensure budgets are correctly aligned, the carry forward of unspent capital budgets into future years, and the financing arrangements for capital expenditure in 2024/25. These recommendations are necessary to ensure compliance with the Council's statutory financial duties under the Local Government Act 2003 and to meet best practice standards set out in CIPFA's Prudential Code and Financial Management Code, which require local authorities to maintain sound financial planning, governance, and control.

Other Options Considered

4.3 Throughout the year, Directors have actively reviewed and considered a range of options to manage service delivery within their allocated budgets. This includes implementing cost control measures, reviewing service models, deferring or reprioritising non-essential expenditure, and maximising income opportunities where appropriate. These options have been assessed through the Council's established governance processes, including regular budget monitoring, challenge sessions, and Cabinet oversight. This approach is consistent with the Council's duty under Section 151 of the Local Government Act 1972 to ensure the proper administration of its financial affairs, and aligns with the expectations set out in CIPFA's Financial Management Code, which emphasises the importance of in-year budget management, corrective action, and financial sustainability.

5 GENERAL FUND FORECAST REVENUE BUDGET OUTTURN FOR 2024/25

5.1 On 5 March 2024, the Council approved a net revenue budget of £1,151m for the General Fund in 2024/25, along with budgets for the Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and the Capital Programme.

5.2 The General Fund is reporting a provisional deficit of £182.1m for 2024/25. This position reflects two key factors:

a) **Structural deficit** – The 2024/25 budget included a shortfall of £225.9m which was covered by EFS from MHCLG, meaning at the start of the financial year the Council forecasted £225.9m less income than expenditure. EFS allows the Council to sell assets and use capital receipts to fund this gap between income and expenditure.

b) **In-year performance –** The provisional outturn shows that net spending was £43.8m below budget after transfer to reserves. This includes £63.2m of underspends across Directorates (equivalent to 5.2% of Directorate Net Expenditure), offset by a £19.4m overspend in corporate budgets. Further detail is provided in Table 1 below.

c) The provisional outturn is £33.0m lower than forecast at Quarter 3. The main reductions have been seen in the lower than anticipated demand for adult social care, and lower than anticipated outturn costs for ICT & Digital third party contracts and the Birmingham Children's Trust (BCT). The reasons for these changes are set out in the report.

5.3 Once finalised, the 2024/25 accounts will be subject to external audit. Any required adjustments, such as late accounting entries or post balance sheet events, will be made by the Executive Director of Finance. Significant changes will be reported to Cabinet and Audit Committee.

Table 1: High Level Summary of Provisional Outturn

Table 1: Summary of General Fund Provisional Outturn for the 2024/25 Financial Year				
Directorate	Original Bas Budget for 24/25	Current budget for 24/25	Provisional Outturn for 24/25	Variation - Over / (Under) spend
	£'000	**£'000**	**£'000**	**£'000**
Adult Social Care	475,754	464,182	436,420	(27,762)
Children & Families	384,618	384,119	377,821	(6,298)
City Operations	209,614	214,945	210,769	(4,176)
City Housing	33,860	31,455	28,294	(3,161)
Place, Prosperity and Sustainability	17,967	11,794	7,298	(4,496)
Finance, Legal & Governance, and People Services	59,787	56,433	52,332	(4,101)
Chief Operating Officer	33,483	37,136	24,832	(12,304)
Strategy, Equalities and Partnerships	7,036	6,433	5,535	(898)
Total Directorate Net Expenditure	**1,222,120**	**1,206,497**	**1,143,302**	**(63,196)**
Corporately Managed Budgets	(71,250)	(55,626)	(36,244)	19,382
Total General Fund Net Expenditure	**1,150,870**	**1,150,870**	**1,107,057**	**(43,814)**
Funding	(924,992)	(924,992)	(924,992)	0
Net Budget Overspend	**225,878**	**225,878**	**182,065**	**(43,814)**
Exceptional Financial Support (EFS) required	(225,878)	(225,878)	(182,065)	(43,814)

5.4 The revenue budget figures in this report assume that the budget virements listed in **Appendix 4** are approved.

5.5 **Table 2** breaks down the overspend, showing impact of undelivered savings, expenditure and income variances, and one-off mitigations identified by services.

Table 2: Variance to budget breakdown

Table 2: Summary of variance for the 2024/25 financial year					
Directorate	Savings delivery / nor delivery	Expenditur variations	Income variation:	One-off mitigation:	Variation Over / (Under) spend
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	2,255	(21,479)	(6,284)	(2,255)	**(27,762)**
Children & Families	7,721	(4,798)	(1,500)	(7,721)	**(6,298)**
City Operations	5,406	(6,574)	4,253	(7,261)	**(4,176)**
City Housing	0	3,191	(4,321)	(2,031)	**(3,161)**
Place, Prosperity and Sustainability	0	(2,703)	(1,793)	0	**(4,496)**
Finance, Legal & Governance, and People Services	2,310	(6,916)	1,603	(1,098)	**(4,101)**
Chief Operating Officer	(163)	(6,442)	(5,862)	163	**(12,304)**
Strategy, Equalities and Partnerships		(898)			**(898)**
Total Directorate forecast variation	**17,529**	**(46,619)**	**(13,904)**	**(20,203)**	**(63,196)**
Corporately Managed Budgets	1,000	24,714	(5,331)	(1,000)	**19,382**
Total General Fund forecast variation	**18,529**	**(21,905)**	**(19,235)**	**(21,203)**	**(43,814)**

5.6 **Table 2** also shows the non-delivery of savings during 2024/25. Of the £149.8m savings target £122.8m or 82% were delivered in full. More detail is available in the Directorate summaries in **Appendix 1**.

5.7 Paragraphs 5.8 to 5.16 explain the main reasons for the variations shown above:

5.8 **Adult Social Care – £27.8m provisional underspend (£12.3m improvement)**. The underspend is mainly due to staffing vacancies, lower inflation costs, and reduced spending on packages of care. Key factors include:

a) £10.6m underspend from vacancies, particularly in Community & Operational Services, Community Services & Equality, and Diversity & Inclusion divisions, driven by local and national issues with recruitment and retention of qualified Social Workers. Staffing budgets will be reviewed as part of the work to ensure budgets are correctly aligned during 2025/26. The Directorate also has a rolling recruitment campaign, and anticipates this will generate successful recruitment during 2025/26;

b) £5.1m saving from inflation on grants that is no longer required. This has been built into the 2025/26 budget savings

c) £6.5m net underspend within packages of care. This largely relates to a projected underspend of £10.5m due to lower than anticipated spend for both residential and non-residential packages of care. Reductions have also been seen within direct payments and home support compared to last year and future demand forecasts for the 2025/26 budget have been adjusted accordingly. This underspend was partially offset by a £3.9m increase in Bad Debt provision.

d) £6.9m from other additional savings and underspends, and acceleration of savings from 2025/26 to offset non-delivery of 2024/25 savings

e) £1.3m pressure in Early Intervention & Prevention, due to the delays in achieving the Libraries savings.

5.9 **Children & Families – £6.3m provisional underspend (£6.4m improvement)**. The Directorate is reporting a £6.3m underspend, an improvement on the Quarter 3 forecast. This is mainly due to one-off savings, vacant posts, additional grant income, and slippage in delivery of savings, which has been offset elsewhere within the Directorate. Key factors include:

a) £1.1m underspend against the Birmingham Children's Trust (BCT) contract. The Trust itself is reporting a £3.5m underspend, half of which benefits the Council under the terms of the contract, therefore only the Council's 50% share of the provisional underspend has been reflected. This is partially offset by a £0.7m overspend against the Council budget for contract payments to BCT. On-going placement pressures arising from rising demand and complex needs amounted to £9.3m, and will continue to be a pressure into 2025/26. For 2024/25 this has been offset by one-off staffing underspends as result of the continued challenges around recruitment of key workers across the Trust, additional grant income and savings on support services;

b) £5.3m underspend on central and leadership budgets, mainly against contingency and employee budgets. These were managed carefully to offset 2024/25 savings shortfalls and have now been built into future years savings plans from 2025/26;

c) £1.1m underspend in Performance & Commissioning, mainly from one-off savings on supplies and staffing vacancies;

d) £8.4m overspend on the Children's Travel Service, including £7.7m due to part -year delivery of savings starting from the September 2024 academic year. This has been fully offset by underspends in other divisions. An additional £0.7m overspend relates to higher than budgeted transport costs for out of area placements;

e) £3.4m underspend in the Schools & Employability Division, due to extra grant income and vacancies during service restructures;

f) £1.4m underspend in Special Educational Needs and Disabilities (SEND) and Inclusion, driven by staffing recruitment delays in hard to recruit roles, including Educational Psychology, Special Education Needs Assessment and Review Service (SENAR), and SEND Commissioning; and

g) £2.4m underspend in the Thriving Families Division, mainly linked to extended recruitment timelines to fill staff vacancies during a service restructure.

5.10 **City Operations – £4.2m provisional underspend (£3.3m improvement)**. The Directorate is reporting a net underspend of £4.2m. This is mainly in the Street Scene Division due to overachievement of one-off electricity income.

a) Street Scene was £0.1m underspent, despite £3.5m in vehicle costs and £1.2m of pressures in Parks, and £0.9m non-delivery of savings. These were offset by a £5.2m underspend in Waste Disposal, driven by additional electricity income and recyclate savings. Other variations were a net underspend of £0.5m. Within the Street Scene position, there were Industrial Action costs of £1.6m (mainly the £0.9m savings non-delivery and £0.8m of the £3.5m vehicle costs mentioned above).

b) £1.2m underspend in Neighbourhoods, supported by early delivery of savings, income from Health & Wellbeing Centres, and staffing efficiencies. This was partly offset by a £0.9m overspend at the Alexander Stadium mainly due to shortfalls in income during refurbishment, and rates charges that were higher than budgeted.

c) £1.9m underspend in Highways, with savings from lower street lighting energy costs and vacant posts, along with extra income from penalty charge notices (PCNs) and property rentals.

d) £0.3m underspend in Regulation & Enforcement. Pressures in Markets (£0.8m), Bereavement Services (£0.6m), and legal costs (£0.4m) were offset by £1.9m from vacancies and £0.9m income from Registration Services.

5.11 **City Housing – £3.1m** provisional **underspend (£2.4m improvement).** The Directorate delivered a net underspend of £3.1m, despite ongoing demand pressures for Temporary Accommodation. This was achieved through improved prevention work, cost control, and one-off savings. The main factors are:

a) £3.0m underspend in Housing Solutions. Demand for Temporary Accommodation remained high, with 5,983 placements by year-end. However, improved prevention rates, better placement strategies, and increased use of dispersed properties helped manage costs. While there were £3.9m in overspends (including bed & breakfast and fire door works), these were offset by staffing savings, lower leasing costs, bad debt provision changes, and additional grant income. If demand levels do not continue to fall, financial pressures may return in 2025/26.

b) £0.25m underspend within Shelforce, the Council's internal service which manufactures windows and fire doors for our Council stock, from higher income and reduced operating costs.

5.12 **Place, Prosperity, and Sustainability – £4.5m provisional underspend – (£1.8m improvement).** The Directorate is reporting a £4.5m underspend, largely due to early delivery of savings, additional income, and staffing efficiencies. Key factors include:

a) **£1.2m Underspend – Property Services**: The underspend is mainly due additional income due to a £4.8m rent budget reduction made in anticipation of commercial property disposals, however the Council has been able to generate high value capital receipts first with lower impact on rental income. This is offset by additional costs of £1.6m arose from inflation, and £2.0m additional spend on interim management of the Perry Barr Residential Scheme pending its disposal.

b) **£1.8m Underspend – Place, Prosperity & Sustainability Directorate**: Savings were achieved early through a £1.0m reduction in staffing costs from a directorate restructure and £0.8m from early procurement and service efficiencies.

c) **£1.4m Underspend – Planning & Development**: This underspend came from £0.5m in staffing gaps during grant programme delivery, £0.7m from employee turnover, and £0.2m in other minor savings

d) **£0.6m Underspend – Transportation & Connectivity:** Higher income from Local Land Charges and capital project staff recharges, along with employee cost savings, led to the underspend

5.13 **Finance, Legal & Governance, and People Services – £4.1m provisional underspend (£4.1m improvement).** The overall underspend is driven by savings within the Finance Directorate, offsetting pressures in Legal and People Services. The key points include:

a) £1.5m pressure in People Services, mainly due to additional interim staffing costs;

b) £0.4m overspend in Legal and Governance, primarily from the use of locum solicitors; and

c) £5.9m underspend in Finance, largely due to trading surpluses of £2.4m from Cityserve, Birmingham City Labs, and Catering, as well as lower costs of £1.6m on the Oracle Brindley programme.

5.14 **Chief Operating Officer – £12.3m provisional underspend (£7.2m improvement).** The underspend is mainly due to delays in project delivery, contract savings, and staffing vacancies across several divisions. Key drivers include:

a) £6.5m underspend in Digital Technology Services due to reduced spending on third-party contracts following contract reviews and rationalisation, and holding vacant posts in anticipation of review due to 2025/26 savings proposals.

b) £3.8m underspend in Customer Services and Business Support, from early delivery of savings linked to business support reconfiguration and holding vacant posts; and

c) £1.1m underspend in Procurement, driven by one-off income and staff vacancies.

5.15 **Strategy, Equality, and Partnerships – £0.9m provisional underspend – (£0.4m improvement)** The underspend is mainly due to staffing vacancies held throughout the year in preparation for future savings. This includes the Corporate Performance Team and Assistant Director post vacancies which have been held all year towards achieving the 2025/2026 savings target.

5.16 **Corporate Budgets – £19.4m provisional overspend (£4.9m deterioration).** The overspend on corporate budgets is mainly due to the changes in Minimum Revenue Provision treatment in the Highways PFI contract as reported in the last monitoring report. A review of the long term liability budget will take place as part of the current budget process. This is partially offset by savings in contingency and pension-related budgets. Key items include:

a) £10.1m underspend on pension strain and redundancy budgets relating to payments to the Pension Fund for early retirement, as redundancy costs will be capitalised for 2024/25;
b) £9.0m underspend on contingency budgets, made up of £5.9m not needed for pay inflation following confirmation of the 2024/25 Pay Award, £1.5m no longer required for pension cost pressures, and £1.6m other contingencies not required;
c) £4.8m underspend against recharges, following the adoption of a new recharge model in line with External Audit recommendations. This has updated and better reflected the recharges made to areas outside the General Fund;
d) £3.0m one-off income from the Council's share of the 2024/25 national business rates levy surplus, confirmed in the Local Government Finance Settlement;
e) £1.4m underspend on the Transport Levy, due to a lower-than-expected charge confirmed by the West Midlands Combined Authority late in the year;
f) £35.8m pressure against the Other Long Term Liabilities budget. This budget reflects the profile of repayments of the Council's long-term liabilities in line with its current Minimum Revenue Provision policy which is based on an assumed level of capital expenditure within the Highways PFI contract. This pressure is likely to continue into 2025/26 and will need to be addressed as part of the review of the long term liabilities and through the budget setting process.
g) £6.1m provision for the costs of replacing Fire Doors in Council properties;
h) £2.8m of other net expenditure which has not been allocated to Directorates, this is spread across prior year adjustments relating to schools and miscellaneous expenditure.
i) There were £2.5m of balances carried forwards when the new ledger system was brought in that have been written off, as they cannot be confirmed as accurate.
j) £1.1m additional agency staffing costs, following the 2024/25 Pay Award.

5.17 Full details of each Directorate's budget position can be found in **Appendices 1A to 1H**.

2024/25 Savings Programme

5.18 The 2024/25 General Fund budget included £149.8m of planned savings. **Table 2** above highlights areas where savings have not been delivered. A summary of progress against the savings programme is shown in **Table 3** below.

Table 3: Savings Delivery

Directorate	2024/25 Targe (£'000s	2024/25 Outturn (£'000s	2024/25 Varianc £'000s	Comments
Adults Social Care	22,449	25,720	3,271	The directorate has delivered £25.720m against its target of £22.449m. The add £3.271m has been achieved by bringing forward/early delivery of a number of 2 targets; #125 (£1.988m), #126 (£0.151), #130 (£1.119m), #137 (£0.662m), #139 (£0.346m). The early delivery of above savings has mitigated slippage on #131 and EIP savings #193 (£1.260m).
Early Intervention & Prevention	1,260	0	(1,260)	Delays from consultation, call-in and time needed for in-depth planning for prope investment, mean that the saving (#193 - review of libraries) is delayed to at leas 25. Non delivery of this target in 24/25 has been mitigated through early delivery Adult Social Care directorate savings.
Children & Families	52,228	44,507	(7,721)	The directorate has delivered £44.507m against its target of £52.228m. The slip £7.721m, slightly higher than the £6.9m forecast in Q3, is associated with delive number of Children's transport savings; #93 (£2.2m), #148 (£0.029m), #150 (£4. #151 (£1.050), #152 (£0.346m). This has been mitigated through directorate underspends detailed in the outturn report.
City Housing	6,236	6,236	0	The directorate savings have been delivered.
City Operations	39,268	21,201	(18,067)	The directorate has delivered £21.201m against its original target of £39.268m. of the target associated with Highways spend reductions is no longer deliverable been funded from contingency in 24/25 and reinstated through the 25/26 budget process. The remaining £5.567m variance is being mitigated through directorate underspends and is due to delays in delivering the following street scene saving (£0.250m), #47 (£0.200m), #235 (£0.150m), #237 (£0.185m), #239 (£0.400m), (£0.850m), #245 (£2.100m), #247 (£1.472m). The delay in saving #240 is due t Industrial Action
Corporate	18,959	16,812	(2,147)	Corporate services have delivered £16.812m of the £18.959m target. The net va £2.147m is principally due to slippage on the following savings;#4 (£1.098m); #2 (0.849m); #144 (£0.345m). This is mitigated through directorate underspends.
Cross-cutting	1,000	0	(1,000)	The corporate procurement saving (#188) which was a cross directorate target was not delivered due to overlap with directorate specific savings and thus the t being mitigated through corporate underspends (one-off rebate income) in 24/25 removed from the 25/26 budget.
PPS	8,365	8,365	0	The directorate savings have been delivered.
Total	**149,765**	**122,841**	**(26,924)**	
One-off Mitigation		**26,924**	**26,924**	
Total	**149,765**	**149,765**	**0**	

6 COLLECTION FUND OUTTURN FOR 2024/25

6.1 This fund accounts for the collection of Council Tax and Business Rates (also known as National Non-Domestic Rates [NNDR]) and the distribution of sums received to relevant authorities.

6.2 For the 2024/25 financial year, the Council's share of the Collection Fund is showing a surplus of £10.4m compared to the forecast income, (representing 1.0% of the total budgeted income from Collection Fund and Section 31 grants for the year) as shown in paragraph 6.3. This will be included as a saving in the 2026/27 budget.

6.3 The overall position for the 2024/25 financial year is an improvement against previous forecasts of £10.4m. This is made up of:

a) Council Tax deterioration of £4.2m (see **paragraphs 6.4-6.5**);

b) Business Rates improvement of £11.3m (see **paragraphs 6.6-6.7**); and

c) Section 31 grants improvement of £3.3m (see **paragraph 6.8**). The Council receives Section 31 grants (not ringfenced for a particular service) from central government. These grants compensate the Council for business rates decisions taken by central government, such as discounts to small businesses.

Council Tax

6.4 For Council Tax, the Council's own share was a deterioration of £4.2m, as shown in **Table 4** below. It should be noted that the West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner also shared in the deterioration, as the Council collects income on their behalf through the Council Tax billing process.

Table 4 – Council Tax Outturn for the 2024/25 financial year

	Forecast (Surplus) /Deficit	Outturn	Variance
	£'000s	£'000s	£'000s
Council	(7,038)	(2,793)	4,245
Police & Crime Commissioner	(891)	(339)	552
Fire & Rescue Authority	(246)	(118)	127
Total (Surplus)/Deficit	**(8,174)**	**(3,250)**	**4,924**

6.5 The Council Tax deterioration for 2024/25 was mainly driven by a £5.3m increase in exemptions and a £1.8m increase in Bad Debt provision required, partially offset by £1.3m net write-ons and £0.6m in growth.

Business Rates

6.6 For Business Rates, the improvement for the Council's own share was £6.2m, as shown in **Table 5** below.

Table 5 – Business Rates Outturn for the 2024/25 financial year

	Forecast	Outturn	(Improvement)/ Decline
	£'000s	£'000s	£'000s
Central Government	0	(16)	(16)
Fire (1%)	207	92	(115)
BCC (99%)	20,484	9,151	(11,333)
Total (Surplus)/Deficit	**20,691**	**9,227**	**(11,464)**

6.7 This improvement was driven by a number of factors, most notably:

a) The costs of reliefs was £4.7m more than forecast, which has a negative impact (some of these reliefs are funded by additional Section 31 Grant income);

b) The provision for Doubtful Debt (i.e. the amount of debt that the Council does not expect to collect) reduced, leading to a £2.2m improvement as additional income was collected; and

c) £8.5m is as a result of an increase in gross rates receivable and less appeals than estimated;

d) £5.4m other improvements, mainly related to changes in the amount due to Designated Areas.

Section 31 grants

6.8 The Council achieved £3.3m more than forecast for 2024/25. The improvement of £3.3m was largely related to increases in government reliefs due to businesses for which the Council is compensated. This will be reflected in the General Fund for the 2026/27 budget.

6.9 Further details on the Collection Fund deficit are included in **Appendix 3**.

7 RESERVES POSITION AS AT 31 MARCH 2025

7.1 This reserves section is shown without the estimated impact on reserves of potential Equal Pay liabilities. The provision is still being finalised and once confirmed will be capitalised and met through the sale of assets as part of the EFS arrangements. The Council's reserves comprise the following:

a) General Reserves & Balances – these include:

- General Fund Balances – a corporate contingency to cushion the impact of unexpected events or emergencies.
- The Strategic Reserve: a contingency to cushion the impact of unexpected events or emergencies, as well as General Fund year end overspends. To access the Strategic Reserve, any request will have to be formally approved by the Section 151 Officer and approved at Cabinet. This reserve was created at the end of 2023/24 by amalgamating the Financial Resilience Reserve, the Delivery Plan Reserve, the Budget Smoothing Reserve and other corporate reserves.

b) Other Corporate Reserves – these relate to a range of reserves to cover planned overspends (e.g. due to timing differences) or corporate responsibilities (e.g. cyclical maintenance).

c) Grant reserves – usually held to ensure that grant funding is used for the statutory purpose it was intended or where the grant is used over more than one financial year.

d) Earmarked reserves – earmarked for planned future revenue and capital expenditure across Directorates. These reserves are regularly reviewed and any balances not required will be transferred to the Strategic Reserve

e) Schools and non-Schools DSG – these are schools' own reserves and balances to cover statutory activities covered by the DSG. These reserves are not available for use by the Council.

7.2 At the start of the financial year, the Council held reserves balances of £797.9m, of which only £153.9m were General Reserves and Balances. This is subject to the finalisation of the 2023/24 accounts. At the end of the year, it is proposed that there will be a £160.0m increase, resulting in a total reserves balance of £977.1m at 31 March 2025. **Only £187.0m of this will be General Reserves and Balances**.

Table 6 – Summary of Proposed Reserves as at 31 March 2025

Reserves	Balance as at 31st March 2024	Budgeted (Use) / Contribution	Other proposed (Use) / Contribution	Proposed Outturn Balance at 31st March 2025
	£'000s	**£'000s**	**£'000s**	**£'000s**
Corporate General Fund Balance	38,382	19,164	0	57,546
Strategic Reserve	115,584	13,858	0	129,442
General Reserves and Balances	**153,966**	**33,022**	**0**	**186,988**
Other Corporate Reserves	35,668	13,228	48,909	97,804
Sub total Corporate Reserves and Balances	**189,633**	**46,249**	**48,909**	**284,792**
Grant	338,387	(28,032)	79,154	389,509
Earmarked	124,511	1,039	35,362	160,911
Sub total Directorate Reserves	**462,897**	**(26,993)**	**114,516**	**550,420**
Schools	94,934		(8,321)	86,613
Non Schools DSG	50,403		4,851	55,253
Subtotal Schools and Non Schools DSG	**145,336**	**0**	**(3,470)**	**141,866**
Grand total	**797,867**	**19,256**	**159,955**	**977,078**

Please note that the opening balance of £797.9m is less than the closing balance for 2023/24 of £810.0m, as reported in the Provisional Outturn of 2023/24. This relates to adjustments made during the 2023/24 Final Accounts process.

7.3 The proposed movements in reserves in the 2024/25 financial year are:

a) Budgeted Net contribution to reserves of £19.3m – these include £33.0m contributions to General Reserves and £13.2m net contributions to Other Corporate Reserves (largely an £8.9m contribution to Section 31 Grant Reserve), and a £2.8m contribution to earmarked reserves. This is offset by a net use of £29.7m of grant reserves (mainly for Adult Social Care and Public Health).

b) Other proposed net contributions to reserves of £160.0m – summarised in the following paragraphs 7.3c to 7.3e, and in **Tables 7-10** below. Further details are provided in the Directorate summaries **in Appendix 1**.

c) Proposed net contributions to Corporate Reserves of £48.9m. These are mainly the contributions in Table 7:

Table 7: Major contributions to Corporate Reserves

reserve name	reason for contribution/use	24/25 Outurn Request £000s
Capitalisation Contingency Reserve	Underspend in 2024/25 set aside to provide extra cove potential risks in 2025/26	11,980
Capital Fund	Resources from Dividends taken to Capital Fund Rese support Capital projects in 2025/26	14,555
Capital Fund	Underspend from Treasury Management to help smoo cost of future borrowing requirements and protect agai increased costs due to for example refinancing loans	19,730
Other Reserves	net contributions	2,652
Total		**48,918**

d) Proposed net contributions to Grant Reserves of £79.2m. These are mainly the movements in Table 8:

Table 8: Major contributions to/uses of Grant Reserves

Directorate	reserve name	reason for contribution/use	24/25 Outurn Request £000s
Adult Social Care	Fairer Futures (Learning Disabilities) F	Contribution to reserves required for activities committ 25-26 and onwards as per joint plans between Birming City Council (BCC) and Birmingham & Solihull Integrat Care Board (Bsol ICB).	3,484
Adult Social Care	Better Care Fund - Carry Forward	Contribution to reserves required to fund further Bette Care Fund (BCF) related activities in 25-26 as per the plans with Bsol ICB.	2,970
Adult Social Care	Asylum Dispersals	Reserves contribution required in 24-25 as there are commitments in 25-26 and onwards against the grant t include work around homelessness prevention. These be staffing costs as well as contractual 3rd party commitments.	2,687
Adult Social Care	Homes For Ukraine	Reserves contribution in 24-25 required to fund contra commitments in 25-26 as the Homes for Ukraine tariff based on the number of guests that arrive in the city.	1,803
Children & Families	Family Hubs (Non Ringfenced Grant)	Grant drawn down and carried forwards	(3,050)
Children & Families	Early Years Wraparound Grant	Grant to be carried forward	4,032
City Operations	Underpayments & Disputed Sum Rese	Highways PFI funds for reinvestment in future PFI programme works	45,977
Place, Prosperity & Sustainabili	UK Shared Prosperity Fund (WMCA)	In-year grant expenditure	(2,335)
Place, Prosperity & Sustainabili	Section 106 Reserves	Net Contributions Received	7,029
Strategy, Equality & Partnership	Public Health	Budgeted use and contribution at year end to fund futu Public Health recommissionng costs and liabililities	7,422
Various	Other Reserves	Net Contributions	9,136
Total			**79,155**

e) Proposed net contributions to Earmarked Reserves of £35.4m. These are mainly the movements in Table 9:

Table 9: Major contributions to/uses of Earmarked Reserves

Directorate	reserve name	reason for contribution/use	24/25 Outurn Request £000s
Children & Families	Education PFI Reserve	Affordability Gap Mitigation	2,498
City Operations	Bus Lane Enforcement Equipment Re	Bus Lane equipment renewal fund based on an 8 year equipment life	2,069
City Operations	Selective Licensing Scheme	Ring-Fenced Licensing Scheme operation on 5 year ro programme	5,574
City Operations	Highways Initiatives	The reserve for car parking surpluses to fund transport and Highway initiatives, in line with regulation.	4,089
Finance, Legal, and Governance	Housing Benefit Subsidy Reserve	Use of service underspends needed to give roughly a contingency on the £600m subsidy claim. The need to distribute grants on behalf of government has created backlog in cases and as such lead to an increase in er and a loss of the LA Error incentive in prior years.	1,603
Place, Prosperity & Sustainability	CAZ Projects	Net Contributions Received	9,095
Various	Other Reserves	Net Contributions	10,433
Total			**35,362**

7.4 Please note that the underspend position will not be transferred to the Strategic Reserve, as this is not a true underspend position due to the reliance on EFS. The underspend will instead be used to reduce the requirement for Exceptional Financial Support.

7.5 A summary of all of the other, unbudgeted proposed contributions and the proposed releases of reserves (i.e. all reserve uses that were not originally budgeted for in the 2024/25 financial year) is below, which consolidates the tables above into one summary view:

Table 10: Unbudgeted Uses of and Contributions to Reserves

Reserve Name	Reason for use/contribution	(Use)/ Contributio £ 000s
Policy Contingency (Mgmt Capacity for Change)	Budgeted Use reversed following delays in programme	580
Cyclical maintenance reserve -LoB	Budgeted contribution, and use to fund expenditure in year	(352)
Insurance	Budgeted contribution at start of year, and proposed net contribution to reserve at year end	1,878
Capitalisation Contingency Reserve	Underspend in 2024/25 set aside to provide extra cover for potential risks in 2025/26	11,980
Improvement Plan Reserve	Underspend in 2024/25 due to timing differences set aside to cover programmes in 2025/26	1,413
Community Empowerment Fund Reserve	Underspend in 2024/25 set aside to cover programme in 2025/26	933
Capital Fund	Resources from Dividends taken to Capital Fund Reserve to support Capital projects in 2025/26	14,555
Capital Fund	Underspend from Treasury Management to help smooth the cost of future borrowing requirements and protect against increased costs due to for example refinancing loans	19,730
Covid Support Grant	Use to fund Bad Debts on income raised by City Serve during Covid	(56)
Business Rates S31 Grant Income	Budgeted contribution and then proposed contribution to Reserve to be repaid to General Fund in future years	1,677
Unidentified Income	Use of the unidentified income reserve, which represented income that was set aside until it was indentified where it should be coded	(3,429)
Sub Total- Other Corporate Reserves		**48,909**
Adult Social Care	Net unbudgeted contributions to reserves	14,347
Children & Families	Net unbudgeted contributions to reserves	4,999
Finance, Legal, and Governance	Net unbudgeted contributions to reserves	1,257
Chief Operating Officer	Net unbudgeted contributions to reserves	16
City Housing	Net unbudgeted contributions to reserves	884
City Operations	Net unbudgeted contributions to reserves	68,445
Place, Prosperity & Sustainability	Net unbudgeted contributions to reserves	15,644
Strategy, Equality & Partnerships	Net unbudgeted contributions to reserves	8,925
Sub Total Directorate Reserves		**114,516**
Non-Schools Dedicated Schools Grant (DSG)	carry forward of DSG Grant	4,851
Schools Balances	decrease in schools carry forward balances	(8,321)
Sub Total Schools related Reserves		**(3,470)**
Total proposed (Use) / Contribution		**159,955**

7.6 **Carry forward requests** have been made for three specific programmes of work, where funding envelopes have been agreed and profiled spend has shifted due to delivery timescales. These programmes remain under close monitoring, with revised delivery plans in place. A list of proposed carry forwards is below:

Table 11: Proposed Carry Forwards

Directorate making request	Carry Forward	Reason for request	Budget Approve	Changes Propose at Outturn	Proposed (Use) /Contributio n at Outturn
Finance, Legal, and Governance	Equal Pay Progamme	*Cfwd of Equal Pay Programme Funding for use in 25-26*	0	4,059	4,059
Finance, Legal, and Governance	Oracle Brindley Programme	*C/fwd Oracle Funding for use in 25-26*	0	6,660	6,660
Finance, Legal, and Governance	IRP Transformational Fund	*To fund improvement recovery transformation*	0	2,000	2,000
Total			**0**	**12,720**	**12,720**

7.7 After the provisional outturn is completed and approved by Cabinet, the Council's financial statements for 2024/25 will need to be prepared. These will be subject to audit by the Council's external auditors. There may be further accounting entries or post balance sheet events that require a revision to the outturn for the year. This information will be scrutinised in detail by the Audit Committee, as well as the Corporate & Finance Overview and Scrutiny Committee.

7.8 This report seeks delegation to the Section 151 Officer for the authority to make necessary changes and will report any significant impact on the reported outturn position to Cabinet and Audit Committee.

7.9 Details of the proposed transfers to and from reserves, for Cabinet approval, are shown in **Appendix 2**.

8 CONTINGENCY FOR THE 2024/25 BUDGET

8.1 The Contingency budget (previously known as ‘Policy Contingency’) for the 2024/25 financial year was held centrally within the Council’s General Fund to cover costs of particular items. Any allocations need to be approved by the Section 151 Officer in consultation with the Cabinet member for Finance and Resources.

8.2 The following allocations in 2024/25 of Specific Contingency have been approved by the Section 151 Officer under delegated authority as shown below.

Table 12 –Contingency allocations for the 2024/25 financial year

Use of	Reason	£000s	Note
Specific Policy Contingency	Inflation (Pay Award)	4,099	To fund costs of the Pay Award over and above budget that was originally transferred to Directorates
Specific Policy Contingency	Apprenticeship Levy	1,352	To fund the Apprenticeship Levy that is charged to Directorates
Specific Policy Contingency	Capitalisation Contingency	12,500	To fund savings non-delivery relating to Highways from the Capitalisation Contingency.
Specific Policy Contingency	Capitalisation Contingency	1,866	To fund costs of Industrial Action from the Capitalisation Contingency
Specific Policy Contingency	Capitalisation Contingency	520	To fund costs if independent internal audit work funded form the Capitalisation Contingency
Specific Policy Contingency	Improvement and Recovery Plan	18,588	To enable the Council to undetake the plans required to deliver the proposed savings programme. The balance of the £20m is proposed to be transferred to support the Improvement and Recovery Plan in 2025/26
Specific Policy Contingency	Community Empowerment Fund	67	To fund projects from the Community Empowerment Fund

8.3 The Contingency budget has an underspend of £9.0m, as shown below, and in Appendix 1I.

Table 13 Contingency Outturn Variations

Contingency Outturn Variations	£'000s
Pay Inflation Contingency	(5,901)
Pension Strain Contingency	(1,462)
Apprenticeship Levy	(47)
Highways Maintenance	(781)
Procurement Rebate Contingency	(300)
Flood Defence Contingency	(50)
Costs to Deliver Corporate Landlord Operational Property Savings	(500)
Total Contingency Variations	**(9,041)**

9 HOUSING REVENUE ACCOUNT OUTTURN FOR 2024/25

9.1 There is an operating overspend on the Housing Revenue Account of £20.6m, mainly as part of its plan to increase capital investment using its brought forward reserves. This is a result of maximising the capital and repairs programmes, with a subsequent impact on the revenue financing cost for borrowing and depreciation. The overspend is also due to revenue repairs pressures, in the form of damp and mould remedial works as well as disrepair and litigation pressures due to the current condition of the stock. This additional spend is in line with the overall programme within the HRA Business Plan to focus resources on capital investment in current stock for the next 7 years. As such, the increased expenditure will be funded from the Ring Fenced HRA revenue reserve and will decrease that reserve from £62.1m to £41.5m.

Table 14 – HRA Outturn for 2024/25

	Current Budget £'000s	Outturn £'000s	Variance £'000s	Reserves Transfer £'000s	In Year Variation £'000s
Rent Income	(295,112)	(297,346)	(2,234)		(2,234)
Service Charges and Non-Rental Income	(31,881)	(34,372)	(2,491)		(2,491)
Total Income	**(326,993)**	**(331.718)**	**(4,725)**	**0**	**(4,725)**
Repairs	99,652	116,798	17,146		17,146
Resources	102,260	103,901	1,642	(20,585)	(18,943)
Bad Debt Provision	3,647	166	(3,481)		(3,481)
Capital Financing	54,154	61,863	7,709		7,709
Capital Programme Funding	67,281	69,575	2,294		2,294
Total Expenditure	**326,993**	**352,303**	**25,310**	**(20,585)**	**4,725**
Net Surplus	**-**	**20,585**	**20,585**	**(20,585)**	**0**

9.2 HRA income is a £4.7m above the budget, and expenditure is £25.3m over the budget, due to a planned acceleration of the Capital Investment Programme, creating revenue financing costs, and also rising Disrepair & Litigation costs, and an increased overhead allocation charge for BCC central costs. This is offset by increased income recovery and underspends from restricted spend on resource budgets.

9.3 The detailed breakdown is provided in below:

a) **Rent and Service Charge Income (£2.2m additional income) -** Due to improvements in the void turnaround time than budgeted and increases in chargeable properties from planned.

b) **Other Income (£2.5m additional income)** - Due to higher interest income on cash balances due to the level of revenue and capital reserves throughout the year.

c) **Repairs Contract Revenue Element (£17.1m overspend)** - Due to required in-year increase to provision for Damp and Mould, Fire Asbestos and Legionella surveys, and increased Disrepair and Litigation spend.

d) **Housing Management and Estates Service (£1.2m underspend)** – Operational staff underspend due to in year redesign implementation

e) **Resources Management (£2.8m overspend)** - Due to in-year Changes to Overhead allocation policy, better reflecting costs incurred by the Council in its recharge to front line services.

f) **Bad Debt Provision (£3.5m underspend)** – Greater income collection levels have reduced the need to increase the bad debt provision beyond existing levels.

g) **Capital Programme Funding (£7.7m overspend)** – acceleration of the Stock Investment Programme, creating a higher than budgeted financing cost of borrowing. This is an intentional overspend using reserves to increase borrowing capacity to meet Decent Homes Standards, as well as reduce the Disrepair and Litigation costs detailed above.

h) **Depreciation Charge (£2.3m overspend)** – A fallout cost of the increased capital investment programme.

10 DEDICATED SCHOOLS GRANT (DSG) OUTTURN FOR 2024/25

10.1 The DSG outturn for 2024/25 is an underspend of £4.851m. The cumulative reserve at the end of 2024/25 is £55.254m. The breakdown by DSG block is set out in the table below:

Table 15: DSG Outturn for 2024/25

	DSG Reserve B/f	Allocation 2024/25	Spend 2024/25	(Under) / Over 2024/25	DSG Reserve 31/03/25
	£'000	£'000	£'000	£'000	£'000
Schools Block	(3.441)	(381.032)	381.896	0.864	(2.577)
Central Schools Services Block	(1.170)	(8.413)	8.285	(0.128)	(1.298)
High Needs Block	(37.927)	(246.275)	241.619	(4.656)	(42.583)
Early Years Block	(7.865)	(138.985)	138.054	(0.931)	(8.796)
Total	**(50.403)**	**(774.705)**	**769.854**	**(4.851)**	**(55.254)**

Schools Block

10.2 The Schools' Block is overspent by £0.864m due to:

a) An overspend of £0.284m due to a lower number of children on school roll than originally expected mainly in primary schools, resulting in a lower DSG grant (which is paid per pupil); and

b) An overspend of £0.580m in Growth Funding for planned expansion due to increasing pupils numbers mainly in secondary schools.

10.3 This overspend is funded from a brought forward reserve of £3.441m. The cumulative reserve for the Schools Block is £2.577m at 31.03.25.

Central Schools Services Block (CSSB)

10.4 The CSSB is underspent by £0.128m mainly due to:

a) Copyright License – an overspend of £0.058m due to costs being higher than originally budgeted for;

b) Schools Forum – an underspend of £0.078m due to the majority of meetings now being held virtually saving on venue hire costs, travel and printing.

c) Early Help and Brokerage - an underspend of £0.193m in the service due to the contract costs being less than originally agreed.

d) Centrally Retained Duties – a planned overspend of £0.084m funded from brought forward reserve to support business continuity. This has been reviewed and amended in 2025/26 budget setting.

The underspend of £0.128m will be taken to reserves to smooth future reductions in the historical commitments allocation of the Central Schools Services Block

High Needs Block

10.5 The High Needs Block is underspend by £4.656m.

a) £1.660m is an underspend on the Developing Local Provision Programme and is ring-fenced to ensure the continued commitment to this programme which will be in its final year in 2025/26.

10.6 The remaining £2.996m underspend relates is due to:

a) Medical Funding - £1.2m underspend due to a lower contribution towards tripartite funding covering education costs and hospital tuition.

b) SALT/OT Contract – an underspend of £1.2m due to charges from the NHS being lower than anticipated. A new SLA was to be agreed with an expected contract amount, however this was not finalised on time for the 24/25 financial year.

c) Access to Education – an underspend of £0.596m relates to unfilled vacancies during the year.

10.7 Overall, the High Needs Surplus is £42.6m and has accumulated over several financial years. The surplus is ring fenced and will be spent on supporting our most vulnerable pupils with SEND.

10.8 When the HN Budget for 2023-24 was set there was a provision to hold a contingency of £19.0m to support several future initiatives that could have funding implications.

10.9 The most significant one of these was the Delivering Better Value Programme which started in April 2024. Funding to support the education of pupils with Special Educational Needs and Disabilities (SEND) has 2 elements. Firstly, base funding which allocates a fixed sum to all pupils attending a special school or a resource base in mainstream schools. Secondly, top-up funding which is allocated to all pupils in special schools and all pupils in mainstream schools with an Education, Health and Care Plan (EHCP). Top-up funding is allocated on a matrix based on individuals need and disability.

10.10 Work is being carried out on reviewing the top-up matrix for all pupils. The potential outcome for this review is that funding will change for many children. This will have an impact on education providers where some will gain from changes in funding allocations whereas other education providers will be adversely affected.

10.11 It is proposed to retain the current surplus in the High Needs Block to give some transitional relief to adversely affected providers over 2 or 3 years. This will give providers time to put financial plans in place to address any fall in overall funding. This approach will be reviewed as part of the 2026/27 budget setting process.

Early Years Block

10.12 The 2024/25 DSG Early Years Block is an underspend by £0.931m and is mainly due to:

10.13 £4.005m use of reserves to rectify a 2021/22 historical funding issue relating to schools with nursery provision and using reserves to allocate a one-off bonus payment to all early years providers; This was endorsed by Schools Forum in December 2024.

10.14 Therefore, there was an actual in year underspend of £4.936m which relates to lower take up of the new early years provision for both 2-year olds and under 2 year old children. It is likely that the 2024/25 Early Years DSG will be clawed back over the summer to reflect this.

10.15 The cumulative reserve for the Early Years Block is £8.796m. If the claw back happens, then this will reduce the reserve balance.

11 CAPITAL PROGRAMME OUTTURN FOR 2024/25

11.1 Capital Expenditure in 2024/25 was £466.8m against a final budget of £623.8m for the year – a variation of £156.9m. During 2024/25 the capital expenditure of £466.8m delivered the following key programmes;

a) Housing Revenue Account Schemes: £297.1m substantial investment programme in council properties including:

- £85.9m on Social Housing Decarbonisations;
- £35.9m on replacement kitchens and bathrooms;
- £30.4m Housing Acquisitions to help address homelessness;
- £25.9m on the fire protection programme to meet fire safety regulations and compliance within High Rise Blocks;
- £24.9m on structural investment;
- £19.3m on replacement boilers;
- £17.7m on New Housing Development to provide more affordable homes in the region; and
- £10.4m on Council tenant adaptations.

b) Continued refurbishment of the Tame Valley Viaduct £27.9m

c) Children and Families invested £26m in schools' infrastructure and £1m for Birmingham Children Trust care homes

d) Disabled Facilities Grant of £16m was awarded enabling residents to live independently in their homes.

e) Essential public realm works supporting the extension of the metro system through Digbeth amounting to £15.3m

f) Development of Typhoo Wharf to deliver new BBC broadcasting centre £9.5m

g) Completion of the Alexander Stadium and associated public realm £7.5m

h) Successful delivery of community-based projects and support small medium enterprises (SMEs) from the Shared prosperity fund £6.5m

i) Contribution to WMCA for refurbishment of Camp Hill line stations £5.2m

j) Levelling Up funded project £4.9m to widen Dudley Road and add a range of transportation measures including bus lane enforcement.

k) City Centre Public Realm Investment of £3.4m on a high-quality development of the area around Colmore Row and Victoria Square

l) Department for Business, Energy & Industrial Strategy – energy efficiency grants awarded to SMEs £2.4m

11.2 The following table compares the 2024/25 capital outturn by Directorate with the final 2024/25 capital budget.

Table 16: 2024/25 Outturn compared to budget

Directorate	Final Budget 2024/25 £'000	Capital Outturn 2024/25 £'000	Variance 2024/25 £'000	Q3 Forecast Variance £000	Variance movement from Q3 £000
Adults Social Care	13,474	16,161	2,687	4,058	(1,371)
Children and Families	50,814	26,983	(23,831)	(14,778)	(9,053)
City Housing - Housing Options	0	1,630	1,630	0	1,630
City Operations	87,996	44,583	(43,413)	(34,539	(8,874))
Council Management	23,201	8,765	(14,436)	(9,781)	(4,655)
Places, Prosperity & Sustainability	165,797	71,607	(94,190)	(86,037)	(8,153)
Contingency	14,393	0	(14,393)	(14,373)	(200)
General Fund sub total	**355,675**	**(169,729)**	**(185,946)**	**(155,270)**	**(30,676)**
Housing Revenue Account	268,086	297,116	29,030	19,171	9,859
Grand Total	**623,761**	**466,845**	**(156,916)**	**(136,098)**	**(20,818)**

During final quarter three projects moved directorate. Safer routes to Schools, WMTM &GVPM and EZ Cultural Action Area were transferred from PPS to City Operations. This resulted in the PPS budget reducing £2.7m and City Operations increasing by the same.

11.3 The £156.9m variance at the end of the year compares with the forecasted variance at Quarter 3 of £136.1m. The increase underspend of £20.8m since Q3 is largely due to:

a) Further acceleration of HRA Housing Improvement programme £10.9m to get homes to Decent Homes Standard offset by:

b) Further slippage in Children and families programme of £9m due to Design changes and procurement delays on a number of projects.

c) Further rephasing of City Ops projects including, £6.2m food waste project delayed due to industrial action; slippage of £1.3m Tame Valley Viaduct and £0.8m slippage on Empty Property Strategy

d) Overall increased slippage in PPS £8.2m including HS2 £4.6m and Peddimore Phase 2 £4.3m. These are complex projects reliant on third party delivery.

11.4 The variance includes requests to carry forward unspent budgets to fund the completion of ongoing capital schemes, as well as accelerated expenditure on some projects that progressed ahead of schedule. As part of the Capital Governance review a full review of the capital budgets will take place for Quarter 1 & 2 2025/26 which will look to establish if the project should continue or not and how it should be profiled. Much of the in-year slippage is due to an optimistic profiling of spend and it is important that the accuracy of projected spend is improved.

11.5 Further details are included in **Appendix 4**.

12 TREASURY MANAGEMENT STRATEGY

12.1 At 31st March 2025, the Council's total loan debt, net of treasury investments, stood at £3,133.1m, compared to net loan debt at 31st March 2024of £3,257.6m.

12.2 The Council's treasury investments held at 31st March 2025 were £219.4m. The Council also held investments of £52.8m as accountable body.

12.3 The Council did not breach any of its prudential limits set under the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance.

12.4 Treasury management net borrowing costs totalled £248.5m; after recharges to other services the costs were £180.8m. This meant net corporate treasury costs were £19.7m below the budget. The underspend is mainly related to one-off 'windfall' events - increased interest received from asset sale cash balances and savings associated with the refinancing of the Council's loans portfolio. Therefore it is recommended that the underspend is used to contribute to the Capital Fund reserve, and this contribution can be used to help smooth the cost of future borrowing requirements and protect against increased costs due to for example refinancing loans.

12.5 Further details are included in **Appendix 5**.

13 2024/25 GENERAL FUND VIREMENTS

13.1 As per the Council's constitution, budget virements need to be approved by Cabinet. Within Part D of the Constitution (Financial, Contract & Procurement Regulations), Appendix A notes that revenue budget virements require Cabinet approval if the value exceeds £500k and, in some cases, including re-allocation between Directorates, if the value exceeds £200k. This report summarises the budget virements made in the fourth quarter of the 2024/25 financial year.

13.2 These virements are required to ensure that budget allocations are set against the correct cost centres within the finance system. Due to limitations with the finance system, which are being rectified, this process requires manual approval for the 2024/25 financial year.

13.3 Details of the budget virements proposed to be approved by Cabinet are laid out in Appendix 6. Further detail can be provided to Cabinet members on request.

14 RISK MANAGEMENT

14.1 Regular budget monitoring and timely action to address emerging issues are core components of the Council's financial risk management framework. These processes help ensure that financial risks are identified early, mitigation plans are put in place, and that the Council meets its statutory obligations under the Local Government Act 2003.

14.2 In 2024/25, key financial risks have included delivery of the savings programme, managing demand-led pressures in Temporary Accommodation and social care, and implementing the Oracle ERP system. These risks have been closely tracked through monthly financial reporting, Directorate challenge sessions, and corporate oversight, with corrective actions taken where needed.

14.3 The Council's approach aligns with the expectations set out in CIPFA's Financial Management Code, which requires local authorities to have robust risk management, internal control, and governance arrangements in place to ensure long-term financial sustainability.

15 CONSULTATION

15.1 This report has been developed in consultation with Finance Business Partners and members of the Corporate Leadership Team, who have provided commentary and assurance on the financial position and key variances within their respective areas. This collaborative approach ensures the accuracy and completeness of the provisional outturn position.

16 MEMBER ENGAGEMENT

Overview and Scrutiny

16.1 The Overview and Scrutiny Committees have been engaged throughout the 2024/25 financial year as part of the Council's regular budget monitoring process. This provisional outturn report will be formally considered at a future meeting of the Corporate and Finance Overview & Scrutiny Committee, providing members with an opportunity to review and challenge the financial position and associated actions.

17 IMPACT AND IMPLICATIONS

Finance

17.1 The financial implications are set out in full throughout this report.

Legal

17.2 The Council is required under the Local Government Finance Act 1992 to set and maintain a balanced budget. This report forms part of the Council's statutory financial reporting responsibilities.

Equalities

17.3 There are no specific equalities implications arising directly from this report. Any implications will be considered as individual budgets and service changes are developed and implemented.

Procurement

17.4 There are no direct procurement implications arising from this report. Any procurement issues will be assessed in the context of specific budget proposals or projects.

People Services

17.5 There are no immediate human resources implications from this report. Any future workforce-related impacts will be addressed as part of detailed service planning.

Climate Change, Nature and Net Zero

17.6 This report does not present any direct climate, nature, or net zero implications. These considerations will be assessed alongside relevant service-level proposals and capital investments.

Corporate Parenting

17.7 There are no direct implications for corporate parenting. Any potential impacts will be identified through Directorate-level planning and budget development.

18 APPENDICES

18.1 Appendix 1A to 1I: General Fund Budgets – Directorate Summaries and Corporate Summary Appendix 2 – Recommended Reserves Movements

18.2 Appendix 2 - Recommended Reserves movements

18.3 Appendix 3 – Collection Fund Outturn for 2024/25

18.4 Appendix 4 – Capital Outturn for 2024/25

18.5 Appendix 5 – Treasury Management report for 2024/25

18.6 Appendix 6 - Virements Summary by Directorate and Virements by Directorate – details

18.7 Appendix 7 – Quarter 4 Write offs to be noted / approved

19 BACKGROUND PAPERS

19.1 City Council Financial Plan 2024/25 approved at Council 5 March 2024

19.2 Section 151 Officer Update on the Financial Position of the Council September 2024 & Quarter 1 2024/25 Monitoring approved by Cabinet 10 September 2024

19.3 Section 151 Officer Update on the Financial Position of the Council December 2024 & Quarter 2 2024/25 Monitoring approved by Cabinet 10 December 2024

19.4 Quarter 3 2024/25 Financial Monitoring Report approved by Cabinet 18 March 2025