DRAFT FINANCIAL PLAN

2020 - 2024

Making a positive difference

Birmingham City Council

CONTENTS

LEADER'S FOREWORD

This document sets out the Financial Plan for the Council for the 2020/21 financial year, outlining the vision and priorities that will inform future decisions and spending.

I make no apology for repeating the fact that ten years after Government cuts to public spending began, this continues to be the most challenging period in Birmingham City Council's history. We've had to make savings of around £728m to 2019/20 across vital services to support the people of Birmingham since 2010 and it remains to be seen whether the new Government's Fair Funding review will lead to even deeper future cuts here in Birmingham.

Over the period of austerity, demand for many services (especially adult social care) has grown and inevitably that has meant tougher budget decisions than ever before.

In November 2019, we launched our latest Budget Consultation, setting out how we aim to meet the current and future financial challenges by redesigning services to better meet the needs of Birmingham citizens. We have listened and allocated resources to the top priorities identified from this consultation.

Our aim is to transform and modernise services in response to changing demand from a growing population. And we will focus resources on six key priorities:

1. Birmingham - an entrepreneurial city to learn, work and invest in.
2. Birmingham - an aspirational city to grow up in.
3. Birmingham - a fulfilling city to age well in.
4. Birmingham - a great city to live in.
5. Birmingham residents gaining the maximum benefit from hosting the Commonwealth Games.
6. Birmingham - a city that takes a leading role in tackling climate change.

The sixth priority was added to the Council Plan in June 2019 when the Council declared a climate emergency and we will continue to work with our partners to make Birmingham a city in which all of our residents, including those from our most deprived communities, can lead healthy, safe and fulfilling lives.

Starting with the introduction of the Clean Air Zone this summer, we will take decisive action in response to the climate emergency. Where 2019 was a year of pledges, the decade now underway will be a time for action as we adapt to changing circumstances. Birmingham will become a cleaner, greener and healthier place to live and work.

We will seize the new opportunities to power our economy, because even in challenging times, Birmingham is a resilient and ambitious city. We continue to attract record levels of investment and projects like the Metro extension, Curzon, Birmingham Smithfield and the Commonwealth Games are just a few of the reasons why developers and investors from around the world are heading to this city.

We will make this investment work for the people of Birmingham, building more homes and creating more jobs in a golden decade for the city.

Preparations for the 2022 Commonwealth Games are gathering pace and, in addition to the major redevelopment of Perry Barr, we will ensure that the benefits of hosting such a major global event are felt by as many people, in as many neighbourhoods, as possible.

This is our chance to shine and I have no doubt that we show the world what the people of Birmingham can do.

There are many reasons for optimism in Birmingham – but we know that the impacts of austerity are still being felt in communities and neighbourhoods right across the city. This continues to be a city of challenges.

So, this Financial Plan sets out how we will meet those challenges, improving and modernising services as we tackle inequalities to protect the most vulnerable in our city.

I would like to thank everyone who responded to the consultation and, as you will see from the programme outlined in this document, your feedback helped shape our plans for the 2020/21 financial year.

Together we’re building a better Birmingham.

CHAPTER 1: POLICY CONTEXT

Birmingham – a city of great opportunities but big challenges

Our Financial Plan is based firmly on the context in which the Council is operating – national policies and funding, the pressures impacting on our various services, our partnership working and the Council's own priorities and objectives.

Birmingham is one of the fastest growing economies in the UK, the local economy grew by £1.2bn (4.0%) between 2017 and 2018, outperforming the growth achieved in London (2.0%) and the UK as a whole (1.4%)[1]

The city has a strong and diverse business sector and is becoming a hub for advanced manufacturing, financial services and technology; it's also the most entrepreneurial city outside London. Our strong business base, combined with the concentration of world-class universities, means the city is well-placed to harness the future economic opportunities around creative industries, digital, automation and decarbonisation.

The Council continues, alongside key partners, to support a significant programme of private and public sector investment, mostly from beyond the Council's own budgets. Significant projects include the Smithfield development and the Curzon Investment Plan and major infrastructure schemes such as HS2 and the Midland Metro Tram extensions. Both schemes are already attracting both private investors and new businesses to the region with Birmingham a key focal point.

We continue to work collaboratively with our geographic neighbours through the West Midlands Combined Authority. A devolution white paper and the anticipated 2020 Spending Review provide the opportunity to strengthen our working with the other members of the Combined Authority to jointly lobby for further powers and resources for the region. Ensuring that Birmingham and the West Midlands can meet their full economic potential, with less of a bias towards London and the South East, will be a top priority for our work with the new Government.

And in two years' time the city will host the 2022 Commonwealth Games which will see almost £1bn invested into the city and wider region. This will be a tremendous catalyst for the whole of the city, encouraging further investment and jobs and will help cement Birmingham's reputation on the global stage.

But in Birmingham great opportunity goes hand-in-hand with great challenges.

Birmingham is growing rapidly, ONS 2016 Population Projections estimate a population of 1.16 million in 2020, increasing by 7.7% to 1.25 million by 2032 leading to a continuing increase in demand on our services. There is already a shortage of affordable housing contributing to increasing levels of overcrowding and a growing and more visible homelessness problem.

[1] ONS

Birmingham is ranked the 7th most deprived local authority in England with over 485,000 of Birmingham residents estimated to live in the top 10% most deprived areas in England, (42.7% of Birmingham's population). We have higher levels of unemployment and economic inactivity than the UK average and our citizens have lower skills and qualification levels. 41% of Birmingham's children live in poverty, (compared to a national average of 31%) with many families affected by welfare cuts.

The outcome of the General Election has confirmed that the UK will be leaving the EU. There remains acute uncertainty about the eventual future relationship with the EU, to be negotiated this year, and the impact this will have on the economy both nationally and locally.

There is significant evidence of poor health outcomes amongst Birmingham citizens including an increasing prevalence of childhood obesity, persistently high infant mortality, increasing numbers of health issues and deaths due to unhealthy lifestyles; and a lower health related quality of life for older people with many of our older citizens feeling an increasing sense of social isolation. There are wide gaps in life expectancy when comparing different parts of the city. The postcode in which a person is born is still the biggest determinant of their future life chances[2] .

Our recent resident survey results show that citizens feel there are improvements still to be made in the services we deliver and how we operate as a Council. Cleanliness of the local area is one of the most important priorities for citizens but only 50% of respondents felt satisfied with the service provided. Safety, refuse services and engagement on issues and in decision making are other top improvement priorities for citizens.

Similar issues were raised in the latest Brum Youth Trends report[3]. 85.7% of respondents said they did not know or were not sure if they were heard by people in power, 64.2% of respondents said that they felt unsafe or unprotected by police identifying the need for more opportunities for young people as a means of addressing these safety concerns.

Meeting the challenge

We understand the scale of the challenges we face and as place leaders we are committed to working with our partners and our citizens to realise the tremendous potential of Birmingham and support our citizens to take full advantage of the opportunities available to transform their lives.

We have reflected on these opportunities and challenges when producing our Council Plan 2018 – 2022 (refreshed in July 2019). Birmingham City Council has a clear vision for Birmingham, to create 'a city of growth where every child, citizen and place matters' and a clear set of outcomes and priorities to underpin this vision. Our desired outcomes are for Birmingham to be:

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[2] Equality and Human Rights Commission, May 2019 report
[3] Annual survey of young people in Birmingham by Beatfreeks

- an entrepreneurial city to learn, work and invest in
- an aspirational city to grow up in
- a fulfilling city to age well in
- a great, clean and green city to live in
- a city whose residents gain the maximum benefit from hosting the Commonwealth Games
- a city that takes a leading role in tackling climate change

These outcomes are based on extensive engagement with citizens and partners, through surveys and consultations including the annual budget consultation on how the Council allocates its financial resources to meet its services priorities.

Feedback to the most recent budget consultation (November – December 2019) showed the three top areas of importance to survey respondents were:

- Care and support for older and disabled people,
- Refuse collection
- Child protection and safeguarding

Other areas of concern included access to online services, staff shortages in education and the longer-term impact of the cuts particularly on the most vulnerable people in society. All feedback received will be considered to inform our priorities and Financial Plan.

Across the Council, our many services and teams are already making progress against the Council Plan outcomes:

<u>An entrepreneurial city to learn, work and invest in</u>

- We continue to build on the strategy of the Birmingham Development Plan 2031 to deliver key projects, programmes and investments into the city. We are also tightening our focus on specific areas of need through our East Birmingham Inclusive Growth Strategy which will set out a shared vision for the regeneration of East Birmingham over the next 20 years.
- We are delivering employment support, training and apprenticeships through a number of programmes including an expanded Youth Promise Plus and through our Employment Access Team.
- We are implementing priority projects as part of the Birmingham Connected programme and bringing forward new initiatives set out in the Birmingham Transport Plan, facilitating and supporting the delivery of a sustainable and integrated transport system.

An aspirational city to grow up in

- There has been ongoing improvement in our children's services which are now judged to be 'requiring improvement' after more than 10 years of being inadequate.
- We are working with Birmingham Education Partnership to drive improvements in attainment. Although primary school performance is below national average, we are narrowing the gap year on year.
- We have consulted on our Public Health Green Paper identifying public health priorities and our selection as a Childhood Obesity trailblazer will progress initiatives to promote healthy eating and lifestyles to families across the city.

A fulfilling city to age well in

- As part of our goals outlined in our Vision for adult social care, we have made a concerted move towards more personalised services including increasing the number of individuals receiving direct payments and helping people to remain living in their communities for as long as possible.

A great city to live in

- We are continuing to improve the supply of housing to our citizens including building new homes through Birmingham Municipal Housing Trust and bringing more empty properties back into use.
- We have launched the Housing First pilot to house rough sleepers directly off the streets and continue to pursue our prevention activity.
- We have commissioned an independent review of our waste service to consider how we can improve our future delivery.
- We continue to work on matters of community safety including working with the Police and Crime Commissioner on the development of the new Violence Reduction Unit aimed at tackling the causes of violent crime.
- We are committed to working more closely with our neighbourhoods so that we can better understand local priorities and work together on designing and delivering solutions.

A city whose residents gain the maximum benefit from hosting the Commonwealth Games

- We are continuing with the development of infrastructure including the Commonwealth Games Village which will deliver 1,419 new homes.
- We have secured commitments for the equivalent of 800,000 hours of new jobs, apprenticeships, work experience and graduate placements.

A city that takes a leading role in tackling climate change

- We have declared a Climate Change Emergency and are developing an action plan to support our Net Zero Carbon by 2030 target and are progressing with plans to introduce a Clean Air Zone.

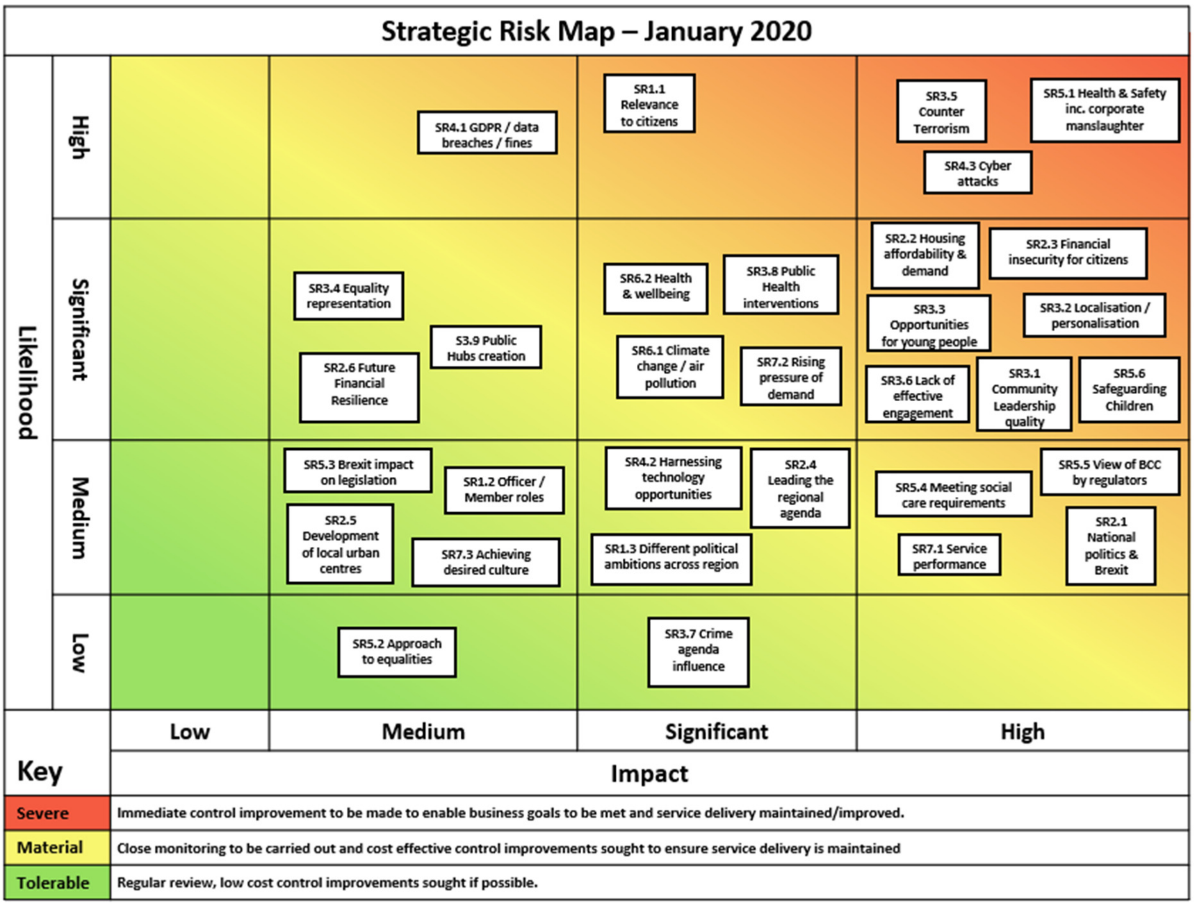
We recognise that partnership working and collaboration with other public, private and community organisations is essential if we are to maximise our impact on the issues the city faces and again, we have made progress this year. Our City Board, made up of key partners in all sectors, focused on key strategic issues during 2019 including homelessness and violence in communities, considering how we can work more effectively together on tackling and preventing these issues. This year we hope to develop a City Vision for Birmingham, identifying a common set of city-wide priorities which all organisations sign up and contribute to. We have also reviewed and refocused many of our other strategic partnerships for example the Health & Wellbeing Board and Community Safety Partnership.

Assessing our Strategic Risks

Risk management is a key component supporting the vision for Birmingham. Strategic Risks impact on the Council's ability to achieve its strategic objectives. By definition many will be of a cross cutting nature, have an impact on the delivery of one or more Council priorities and/or have a potentially significant financial impact if they were to crystallise.

The Council actively manages strategic risk specifically around its future financial resilience and takes into account economic factors which impact on its ability to deliver its objectives, including Brexit scenarios, property market, interest rates, contractor collapse etc, as well as the nature of Government funding results in uncertainty of future income streams e.g. Business Rates retention. Actions to mitigate the risk are monitored monthly.

The heatmap below summarises the current risks and their assessed levels.



Resources have been allocated taking full account of the strategic risks faced by the Council. Cabinet members have been involved in the identification and assessment of these strategic risks and discussions on resource allocations at this level have taken these risks into account.

Creating a modern, flexible and agile organisation

The Council has made improvements to its ways of working over recent years and is now:

- More self-sufficient and sustainable over the medium-term with further consolidation of support services to realise efficiencies
- Much better at using customer insight and business intelligence to ensure we make informed decisions and deploy all our resources (financial, people, physical, information, relationships and democratic mandate) in support of the Council's priorities
- Leaner and more agile, with fewer layers of management and increased spans of control
- More collaborative, working as 'one Council' with Elected Members and across the Extended Leadership Team.

To enhance our ongoing efforts, the Council has recently introduced a quarterly Strategic Programme Board (SPB), an innovative model of 'progressive assurance', to ensure a continuing and determined focus on improvement. Birmingham City Council is at the forefront of this new way of thinking about risk and improvement.

As part of this new model, we have appointed several non-executive advisors (NEAs) each aligned to specific risk and professional areas of focus. The NEAs, working alongside the Council Leadership Team, offer external perspectives, challenge and peer support to help drive forward the Council's improvement and modernisation journey.

The Council has identified clear priority areas for improvement by building on recommendations from external auditors and the final report of the Birmingham Independent Improvement Panel (BIIP) and will be voluntarily reporting progress to the Secretary of State for the Ministry of Housing, Communities & Local Government over the next year.

Priority areas of focus for the Board are:

- Waste governance and industrial relations
- Greater financial resilience and a clear policy of strategic resource allocation
- Good governance, cultural change and organisational development
- Better outcomes for vulnerable adults and children
- Improved strategic risk identification and management

Leading on from the work the SPB have undertaken on their priority areas, we are also now proposing a long-term programme of modernisation and a report will be going to Cabinet in March for consideration and endorsement.

The modernisation programme will have three key themes:

- Promoting health and independence over the life course
- Building an inclusive connected and green city
- Creating a modern relationship with our residents.

These themes are fundamentally aligned to our priorities and are essential to our ongoing improvement. They will be progressed through the development of new evidence-based policy, innovation in the delivery of Council services and will heavily influence our strategic resource allocation. Currently we have set aside £22m for the modernisation programme initiatives with £18m earmarked for social care. £10m Invest to Save reserve funding could also be available subject to a suitable business case. The Council has also made a capital Modernisation Fund of £40m available. In addition, as part of cross-cutting enabling activity within the modernisation themes, we have updated our workforce strategy and introduced a new strategic risk management strategy. These have created a robust foundation for our modernisation programme.

Initiatives to be taken forward as part of our modernisation programme include;

- Special Educational Needs and Disability (SEND) Improvement Programme
- Housing Supply Management
- Prevention / Public Health
- Early Help and Prevention
- Personalised Support for Adults
- Climate Task Force
- Birmingham Transport Plan
- Commonwealth Games Legacy Programme
- City Centre Public Realm and pedestrianisation
- Phase 3 BRUM Account
- Workforce Strategy
- Technology Enabled Change across the Council

Our financial challenge

Years of funding reductions by Government, combined with rising demand in various areas, has had an impact on the Council's capacity to deliver services to the same extent as in previous years. Since 2010, the Council will have made savings of £728m to 2019/20 – with this rising to £784m by 2024. Wherever possible the Council has sought to reduce the impact of these cuts by prioritising the most vulnerable in Birmingham.

The Government has announced a one-year funding settlement for local government for 2020/21; however, the financial context for future years will remain uncertain until the Spending Review later this year. At present the government is promising additional funding for social care, which will be repeated for the next five years (and potentially further) as set out in the Conservative manifesto, and for specific investments but has made no commitments on the core funding of local authorities. It is also committed to a reset and review of the Business Rates system which is an increasingly important source of funding for the Council. Other important funding sources also remain uncertain, such as the proposed replacement for EU Structural Funds which will expire in 2021.

The Government has promised to seek a cross-party consensus on how to tackle the pressures impacting on adult social care services; however, it may be some time before this process leads to reforms being implemented. In the meantime, the Government has promised £1bn extra per year for the next five years, which experts suggest may be inadequate to meet rising demand.

The Government's Fair Funding Review will also impact in 2021/22; this will affect how funding is allocated and redistributed between local authorities from 2021. It is expected to use three main 'cost drivers': population, deprivation and sparsity, together with additional cost drivers related to specific local authority services. It is also expected to take into account local authorities' ability to raise Council Tax. The outcome of this review on Birmingham is uncertain.

The economic uncertainty mentioned above regarding EU withdrawal may also have an impact on public spending. This will provide an important part of the backdrop to financial planning in future years. Some service adjustments will also be required to adapt to the new regulatory environment during this year and these may have financial implications.

These challenges are not unique to the Council; indeed, many of them are shared by local government and other public sector organisations across the UK; however, they do have to be factored into our financial planning.

This Medium Term Financial Plan is continuing our progress towards an integrated approach to strategic service and financial planning in order to support effective allocation and prioritisation of resources to critical work and projects over a longer period. This will be further enhanced by our revised business planning methodology which requires our Directorates to clearly identify the costs of the delivery of programmes, initiatives and services as well as demonstrating how they contribute to the delivery of Council Plan outcomes and priorities.

Both the Medium Term Financial Plan and our Directorate business plans will support the monitoring of performance against outcomes to understand whether the intended impact is being achieved. We are also further developing our performance management framework to ensure we are adopting the right measures and monitoring methods to give us the best understanding of our progress both as a Council and as a city. This underpins and forms a fundamental part of our modernisation programme.

CHAPTER 2: FINANCIAL STRATEGY

1. Overview

1.1. The Council has developed its budget in the context of the Council Plan 2018 – 2022. This clearly identifies the six outcomes that the Council is looking to deliver (as described in Chapter 1) and how the Council will measure its level of success against achieving these outcomes. Consideration has been given to the level of contribution services make towards the delivery of these outcomes in preparing this budget.

1.2. Transformation of Council services is of vital importance in order for the Council to become a modern Council delivering services fit for the 21st Century within the level of resources available to it. The Council has begun this path with transformation proposals within the Adult Social Care Directorate. It is envisaged that this service transformation will also help to assist vulnerable people to access services in the community, closer to home rather than out of area, and reduce reliance on social care through enablement whilst reducing the costs of the service. The Council is beginning to develop its Modernisation Programme which will look to modernise its services in future years and bring them in line with modern industry standards adopted across other local authorities.

1.3. The Council's financial plans are now being considered in the context of what could be relatively stable levels of resources from Government following ten years of austerity. Funding announcements have only been made for 2020/21 so there is still uncertainty about future years resource levels. The Government has indicated that additional resources provided for social care will continue into the future and so we are planning on that basis. The Council expects that the Government will provide more firm, medium-term indications of resources in 2020. At the same time, and in common with other organisations, the Council continues to face increases in costs, particularly those relating to inflation (pay awards and general price increases) and increasing service demands should the Council not make any interventions, for example in looked after children, Schools Transport, children's special educational needs (funded through Dedicated Schools Grant) and in the provision of services to homeless people.

1.4. Given budget pressures increasing by more than the change in resources, the Council will have to make further savings in the costs of some services in order to deliver a balanced budget which we have a statutory obligation to do. Improvements will be made in the efficiency of service delivery and the cost of contracts, and this may mean services are delivered in different ways. Funds will be focused on preventative services and to improve the independence of citizens wherever possible. In some instances, this will involve working in collaboration with other agencies, with the primary focus being on the quality of services provided rather than who provides it, in order for us to minimise the impact of budget reductions on Council services and to generate funds. The Council will ensure that people pay a fair price for those services which are not free at point of use.

1.5. Extra investment in services and plans for expenditure reductions or increased income have been informed by the Council's outcomes, as set out in the Council Plan refreshed in July 2019.

1.6. In order to provide funds for Council services, and to help the Council become less reliant on one-off central government funding for critical high priority services, it is proposed that the amount of Council Tax is increased by the maximum amount permissible by the Government without the need for a referendum. In 2020/21 this will entail an overall increase of 3.99%, which includes a general increase of 1.99% together with a Social Care Precept which adds an extra 2.00%. The Long Term Financial Plan currently assumes subsequent annual increases of 1.99%, but no decisions have yet been taken on this and the position will be re-considered in future in the light of the Council's financial position and any further guidance which is received about the amount permissible by Government. It is anticipated Council Tax income will be £365.7m in 2020/21. This is 12.8% of the Council's total income.

1.7. The Council needs to make sure that its financial plans are sustainable in the medium and long term. This means that plans must be developed for a balanced budget in all years, without the need to draw down its reserves to mitigate the requirement to reduce expenditure or increase income. Reserves are held for a number of purposes, including:

- Ringfenced for specific purposes, such as school funding, Government grants and money held in the Housing Revenue Account
- Where the Council has earmarked it for certain specific purposes and the timing of any costs is uncertain and expected to be time limited
- To meet costs on an "Invest to Save" basis, with any initial investment being repaid
- Held as a general contingency in case of unexpected events leading to financial difficulty, but only available as a last resort should all other actions prove insufficient.

1.8. Any use of reserves, set out in Chapter 3, will be in accordance with the Council's Reserves Policy (Appendix C).

1.9. Through its capital programme the Council will also continue to invest in priorities such as continuing to retain and improve Council assets, including its buildings and roads, and facilitating the growth in the Birmingham economy through major projects and supporting businesses in the city. Capacity has been built into the capital programme to support the Council's modernisation agenda.

1.10. A significant element of the capital programme is funded by Government grants for designated purposes. The capital receipts which the Council generates from asset sales may also be used to finance capital expenditure, or to meet its residual Equal Pay liabilities. The Council also has the power to borrow funds to finance capital investment. However, as the cost of financing that debt becomes a fixed commitment against the revenue budget, the Council will seek to manage its new borrowing for normal service delivery at a level which is close to the amount which does not significantly increase debt levels over the medium term. However, the short-term requirement to invest in assets for the Commonwealth Games, including housing that will be available subsequently in areas of greatest need, will be outside this policy.

1.11. In order to meet its borrowing requirement, the Council will maintain an approach which balances the use of short-term, variable rate debt and longer-term, fixed rate borrowing. Short-term rates are currently cheaper, but are expected to increase in the future, whereas longer term rates are currently more expensive, but are fixed for the entire life of the loan and therefore provide more budget certainty.

1.12. The Council's debt management and investments will be managed in accordance with the relevant codes of practice published by the Government.

2. Revenue Budget Context

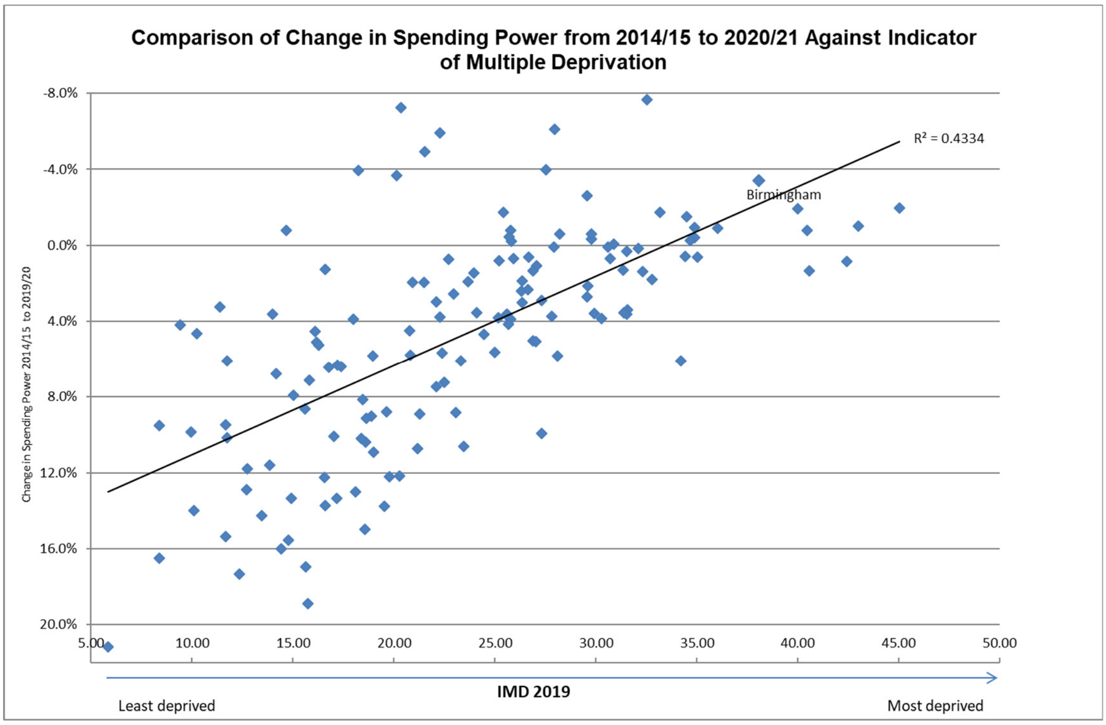
2.1. The Council appears to be approaching the end of the most prolonged period of budget reductions in its history, which has required difficult decisions to be made about which services to cut. At the end of 2020/21 the Council will have had to address ten years of austerity resulting in reductions in its funding. By the end of 2020/21 the Council will have had to deliver ongoing savings of £750.1m, including the impact of grant reductions over the ten-year period and the budget pressures which the Council will have funded. For the period of this four-year Medium Term Financial Plan, the Council estimates that it will have made around £784.0m of savings by 2023/24.

2.2. 2019/20 was a challenging year for the Council, working to a net budget of £851.6m, including a savings programme of £46.2m. At the time of the Period 9 budget monitoring report the Council forecast that it would underspend its budget by £1.5m after challenging savings to be delivered. This is given the background of significant reductions in budgets and base budget challenges. For 2020/21 significant additional due diligence has taken place on existing and new savings proposals to strengthen delivery, with savings considered undeliverable written out of the budget.

3. Local Government Funding

3.1. Following the 2010 General Election, successive Governments have embarked on a policy of "austerity". Local Government as a sector has received greater proportions of spending reductions than other Government departments and within this the Council has received proportionately greater cuts than other authorities with lower levels of deprivation as demonstrated in Figure 2.1. This shows the Councils with the highest levels of deprivation have generally received the largest reductions in Spending Power since 2014/15.

Figure 2.1 Spending Power Cuts Compared to Levels of Deprivation 2014/15 – 2020/21



4. Medium Term Funding Outlook

4.1. Significant uncertainty remains with the Council's resources over the medium-term. There are a number of Government policy announcements and decisions that need to be implemented in the near future that have significantly reduced levels of certainty in resources, as described below.

4.2. Government Funding, the 2019 Spending Round and anticipated 2020 Spending Review

4.2.1. In September 2019 the Government announced a one-year Spending Round. This effectively announced a one-year standstill budget for local government plus additional resources for Social Care. Therefore, firm allocations of Government funding are only known for 2020/21. The Government has indicated within its manifesto for the 2019 General Election that the additional resources announced for social care for 2020/21 will continue for the remaining term of the Government.

4.2.2. A Spending Review is anticipated in spring/summer 2020 which is expected to announce multiple years spending across all sectors of the Government, including local government. When this is announced the Council will have a better indication of the direction of travel for resources for the sector as a whole, but will still not provide authority specific allocations. The Council has made some high level assumptions of the impact the Spending Review could have on the Council based on analysis carried out by the Institute for Fiscal Studies.

4.3. **Local Government Funding Formula Review**

4.3.1. The Government has historically allocated resources across local government using a formula that assessed “need to spend” and ability to raise resources through Council Tax. This broadly aimed to allow all local authorities to provide a similar level of services for a similar level of Council Tax charge to residents. Simplistically, those with high levels of “need” and low levels of total Council Tax income received proportionately greater levels of Government funding than those with lower levels of “need” and greater ability to raise Council Tax.

4.3.2. Whilst the Formula Review could be expected to offer increased resources for the Council, the Government has expressed its desire to introduce an entirely new formula, with one of the Government’s stated aims for it to be simple, transparent, robust and stable. Not all of these aims automatically align and they could conflict with one another, which may mean that the new formula does not recognise need, and in particular levels of deprivation, to the same extent as has happened previously. The Council has made, and will continue to make, representations to central Government that the most important aspect of the new formula is to ensure that funding reaches those authorities with the highest levels of deprivation and citizens in need of services.

4.3.3. The Formula Review is expected to be implemented from 2021/22. Until further information is made available the Council has not assumed any impacts from this and instead made an assumption that general resources received from the Government will remain constant in real terms, with a stepped reduction in 2021/22 in relation to the anticipated Business Rates reset therefore taking a prudent approach in terms of future expectations.

4.4. **Local Retention of Business Rates**

4.4.1. In 2013/14 the Government introduced the Business Rates Retention Scheme which allowed local government to retain 50% of its Business Rates income. This was introduced as an incentive scheme to encourage local government to grow its Business Rates income.

4.4.2. From 2017/18 the Council, along with the other West Midlands District Councils, entered into an agreement with the Government to pilot the introduction of 100% Business Rates Retention, on the condition that it forgo other Government grant income. The Council is able to retain a greater amount of Business Rates income as a result. The Government had intended to roll out 100% retention nationwide from 2020/21. However, the legislation to introduce this fell due to the timing of the 2017 General Election and has not been reinstated. The Government now intends to introduce 75% Business Rates retention from 2021/22 with a long-term aspiration to introduce 100% retention. It is not clear whether the Government intends to allow the West Midlands Pilot to continue in 2021/22 or not, though the Council’s agreement with the Government is that the Pilot should continue until the introduction of 100% Business Rates Retention.

4.4.3. Inbuilt into the Business Rates Retention Scheme is the requirement to have periodic resets of Business Rates growth retained locally; this growth will then be redistributed across local government based on need. It is expected that a reset of growth will coincide with the Formula Review and this could result in a loss to the Council of around £17.5m. The Council's planning assumption is for the Pilot to continue until the introduction of 100% Business Rates retention nationally.

4.4.4. Appeals against Business Rates bills are also a significant unknown within the budget. Where a business submits a successful appeal against its rateable value, refunds can be awarded back to the beginning of the Valuation List, regardless of when the appeal was submitted. Based upon previous experience the Council makes assumptions around the level of appeals that will be successful and sets aside resources in anticipation of this in order to reduce risk to the Council. However, the Government changed the approach through which appeals are required to be submitted in 2017/18. The number of appeals submitted to date has been less than initially anticipated but the value of the appeals remains uncertain as appeals can continue to be submitted up until the end of March 2021. The Council is acting prudently by putting aside resources based on previous experience but if there are successful appeals which are significantly out of line with previous trends then the Council will have to address this. Both the valuation of business properties and the resolution of appeals are handled by Government agencies; the Council has minimal impact into this process and the outcome is entirely out of its hands.

4.4.5. The Government has also acknowledged that the current scheme is incredibly complex and discussions are taking place to consider options for simplifying the scheme. This could change the methodology by which the incentive effect regarding rewarding Business Rates growth is calculated and also enable a different approach to funding appeals so the impact is shared across local government.

4.5. Planning Assumptions Despite Significant Uncertainty

4.5.1. Despite the significant levels of uncertainty described above the Council continues to make plans over the medium term. It is not clear if any of these risks or potential financial gains will materialise. Therefore, the Council has applied a financial strategy of monitoring these risks but planning on the basis of a relatively modest deterioration in resources following the Spending Review and, to be prudent, no additional resources becoming available from the needs review until further information is available.

5. Budget Pressures

5.1. As well as the significant level of funding reductions that the Council has faced, it has also had to contend with budget pressures. Over the period 2014/15 to 2019/20 the Council has had to fund specific budget challenges including:

- Investment in Children's Services – £167m
- Demographic changes in Adult Social Care – £147m
- Waste Management – £57m
- Inflationary pressures – £181m
- Pension Fund costs – £168m
- Business Charter for Social Responsibility – £54m

5.2. Given the scale of savings the Council has had to make, the Council has taken a prudent approach to identifying and funding pressures within its budget. This has meant that the Council has had to invest wisely. The Council has identified a number of key priority areas in which it has chosen to make specific investment, particularly:

- Adults and children's social care to the value of £49.4m as detailed in Chapter 3
- The Waste Service which has had a total of £11.7m of investment, of which £4.6m relating to the rebasing of service budgets
- The Birmingham Charter for Social Responsibility which was introduced to ensure that companies with which the Council enters into contracts pay their staff the Living Wage.

5.3. Finding additional funding to invest in children's social care proved to be a significant challenge given the Council's financial position. However, the Council understood that finding additional resources to recruit additional social workers and ensure resources were available to address the demand in numbers of looked after children was essential so that children from every background and community in the city have the best start in life in order to reach their full potential. In doing so, the Council recognised that for every additional priority invested in, additional savings would need to be found elsewhere in the Council.

5.4. For 2020/21 the Council has taken the opportunity to review its budgets and rebase services where budgets have been identified as being insufficient. Significant levels of challenge have taken place throughout the year to consider whether savings plans are deliverable and base budget available is sufficient. It is expected services will begin the year with sufficient budget available and budgets are expected to be managed effectively and proactively where issues begin to develop.

5.5. The Council has recognised the need to modernise its services and bring them into line with best practice approaches developed across local government. It is recognised that in order to transform services to deliver these changes there may be upfront costs associated with this. The Council has therefore made available a one-off modernisation fund of £21.9m. £18.0m of this has been earmarked for investment in social care, with the remaining £3.9m available across Council services subject to an appropriate business case.

5.6. In recognition of the limited ability to find additional resource to fund the Council's priorities, the Council intends to develop a new approach to allocating resources strategically in spring 2020. The Council will look to consider the total amount of resources it anticipates it will have and how these resources should be allocated across each of its priorities. Following consideration of the resources that should be allocated to each of the Council's six outcomes, the Council will then determine the way in which it can deliver its services that will provide the greatest levels of Value for Money.

6. Delivering Sustainable Financial Plans

6.1. Use of Reserves

6.1.1. The Council holds significant levels of reserves. Around £500m is held for specific purposes and are intended to be used when the activity for which they are held comes due. The Council also holds General Reserves which are available to the Council to manage emergencies and exceptional unforeseen events. Reserves are only available to use once and cannot be used as a replacement for ongoing funding requirements.

6.1.2. The Council's Reserves Policy (Appendix C) makes it clear that general reserves should not be used to mitigate the requirement to make ongoing savings.

6.1.3. Any further use of reserves in the 2020/21 budget will be for the purposes for which they have previously been earmarked or in respect of grant reserves to tie in with when expenditure is incurred.

6.2. Savings Delivery

6.2.1. In recent years the Council has encountered some issues in delivering its planned savings programme. Table 2.2 demonstrates the level of savings non-delivery in 2016/17 to 2018/19 and forecast in 2019/20.

Table 2.2 Previous Savings Non-Delivery

	Planned Savings	Savings Non-Delivery	
	£m	£m	%
2016/17	88.2	55.8	63%
2017/18	70.9	22.6	32%
2018/19	52.9	10.1	19%
2019/20*	46.2	6.3	14%

* Month 9 position

6.2.2. Furthermore, given the levels of non-delivery previously, the Council has, via Star Chamber led by the Cabinet Member for Finance and Resources, undertaken a review of its entire savings programme and ensured each has a robust implementation plan. Where a saving was not considered to be deliverable this has now been removed from the savings programme.

7. Financial Resilience

7.1. In the face of the financial uncertainty surrounding the Council's resources over the medium term, it is important that the Council is aware of its financial situation and how resilient it can be following unplanned reductions in resources. The Council has considered CIPFA's Financial Resilience Index published in December 2019 and compared itself against its nearest statistical neighbours and the other Metropolitan District Councils.

7.2. An assessment of the Resilience Index shows that the Council is in a relatively healthy financial position compared to other similar authorities:

Reserves

- The Council has access to a high level of general reserves for unforeseen events and is not using these at a significant rate relative to other authorities;
- The level of usable reserves the Council has access to have increased over the three years up to 2018/19;
- The Council operates a policy of not using reserves to mitigate the need to make savings. Reserves are monitored throughout the year and any changes in the use of or contribution to must be approved by Cabinet

Debt

- As the largest local authority, it is unsurprising that Birmingham has the largest level of debt. When comparing debt per head, Birmingham had the third highest level relative to Core Cities, its main comparators.
- However, it also has a high level of interest payable relative to the Council's net revenue expenditure. The Council is containing borrowing over the medium term, see Appendix N.

Deprivation

- Birmingham has a relatively high spend on adults and children's social care relative to other metropolitan authorities. This reflects the needs of the city along with the complexity and volume of cases.
- Birmingham is able to generate a lower level of Council Tax income as a proportion of its budget relative to other metropolitan districts. This reflects the low level of Council Tax base of Birmingham and hence its reliance on Government funding.
- Despite these high levels of needs, the Council is able to generate additional fees and charges at around the average level

- Birmingham's Business Rates growth appears to be at the lower end of metropolitan districts.

Administration

- The 2018/19 CIPFA Resilience Index states that the external auditors Value for Money assessment gave an adverse opinion. The 2018/19 opinion stated, "We have concluded that Birmingham City Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for Governance and the Waste Strike." This is a significant improvement on the 2017/18 assessment in which the auditors issued "a qualified adverse Value for Money conclusion." across six areas of the Council.

A full breakdown of the CIPFA Resilience Index can be seen here.

7.3. In summary, whilst acknowledging that the Council does have high levels of debt, the repayment of this is factored into the Long Term Financial Plan. The Council's level of reserves are in a relatively healthy position compared to other similar authorities. Whilst the Council needs to continue to improve its financial administration, considerable progress was made between 2017/18 and 2018/19 and the Council must ensure that this continues. Whilst the city continues to have high levels of deprivation, the Council will continue to be heavily reliant on Government grants to address the needs of the residents. Taking all of this into account, whilst the Council clearly still has more to do, it is in a relatively stable position.

8. Capital Spend and Borrowing Costs

Strategic Context

8.1. The drivers of the Council's capital programme are complex and bring together many aspects of the Council's service and financial planning. This is informed particularly by the Council Plan, which sets out the Council's planned outcomes and priorities for the medium term. These have been taken into account in the development and prioritisation of capital proposals as described below.

8.2. Key drivers of capital investment include:

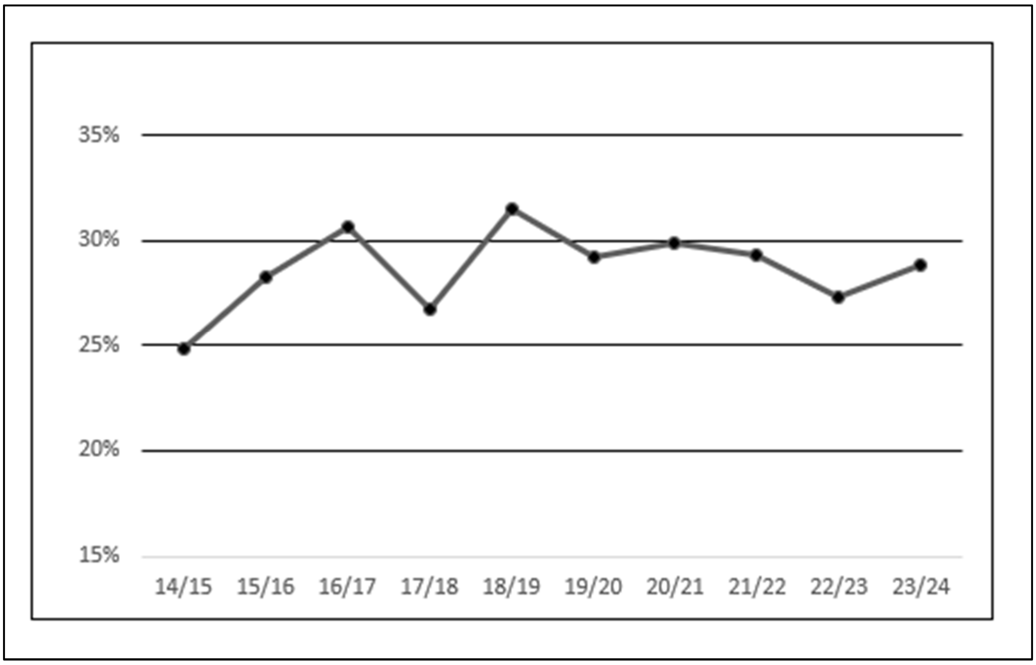
- The Council's schools estate continues to evolve rapidly under the influence of academisation and other national policies, but it remains a sizeable asset portfolio, and the Council has a duty to ensure there are sufficient school places
- Economic regeneration and transport remain a key priority for the city's future prosperity, and the proposed HS2 rail terminal at Curzon Street station represents a major opportunity which forms part of the city's Enterprise Zone

- Meeting the housing needs of Birmingham remains a major priority, both within the Council's Housing Revenue Account (HRA), and through its support for other housing development both for sale and for private rented accommodation
- The Commonwealth Games is a one-off opportunity for Birmingham which is a key priority for the next few years, as described in Chapter 6

8.3. The Council will manage its use of borrowing in accordance with CIPFA's Prudential Code. A prudent policy for debt repayment is set out in the Minimum Revenue Provision policy at Appendix T. Figure 2.3 shows that borrowing costs (including interest and repayment charges) in 2020/21 represent 30.0% of the net revenue budget. These borrowing plans reflect a substantial investment in capital but reduce the resources which would be otherwise available for other revenue priorities. The CIPFA resilience index showed that Birmingham had the highest level of debt of metropolitan authorities. An analysis of debt per head across Core Cities showed that Birmingham has the 3rd highest level of the eight comparators.

8.4. In order to ensure that borrowing remains at an affordable and sustainable level, the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside each year for debt repayment.

Figure 2.3 General Fund Financing Costs as a % of Net Revenue Budget



CHAPTER 3: REVENUE BUDGET

INCOME

1. The Council has four main sources of funding: grant funding from Central Government, a share of Business Rates income, Council Tax and locally raised income. Both Business Rate income and Council Tax income together combine to contribute approximately 95% of the of the Council's net budget. Other income is locally generated by the Council, and the Council's intention is to progress an income maximisation strategy in order to help to protect those services that contribute most to delivering the Council's priorities.

2. The overall resources available to the Council for 2020/21 to 2023/24 are summarised in the table below. There will be a 7% increase in the Council's level of resources. A significant proportion of this increase is due to locally generated income and therefore there is a strong incentive for the Council to plan for and achieve taxbase growth for both Council Tax and Business Rates. Corporate grant funding is expected to increase by 11% over the period and Directorate grant funding is expected to reduce by 7%.

Table 3.1 General Fund Grant and External Income

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Core Grants (Top Up)	54.447	55.334	37.844	33.986	30.013
Corporate Grants	127.409	163.913	167.527	169.702	172.712
Sub Total Corporate Grant Funding	**181.856**	**219.247**	**205.371**	**203.688**	**202.725**
Business Rates	437.069	441.204	454.655	466.218	478.484
Collection Fund Surplus/(Deficit) Business Rates	12.680	(15.360)	0.000	0.000	0.000
Council Tax	347.394	365.670	379.932	390.479	401.323
Collection Fund Surplus/(Deficit) Council Tax	0.000	6.085	0.000	0.000	0.000
Sub Total Corporate Funding	**978.999**	**1,016.846**	**1,039.958**	**1,060.385**	**1,082.532**
Directorate Grants	255.059	246.842	236.595	236.595	236.595
External Income [1]	312.204	375.527	386.507	399.805	416.070
Sub Total Corporate & Directorate Funding	**1,546.262**	**1,639.215**	**1,663.060**	**1,696.785**	**1,735.197**
Schools Funding (Ring-Fenced) [2]	733.378	748.280	748.280	748.280	748.280
Grants to reimburse expenditure, esp.Benefits (Ring-fenced) [3]	498.574	479.916	479.916	479.916	479.916
Total General Fund Grant & External Income	**2,778.214**	**2,867.411**	**2,891.256**	**2,924.981**	**2,963.393**
Annual % Change in Corporate Funding		**3.9%**	**2.3%**	**2.0%**	**2.1%**
Annual % Change Core Spending Power		**6.4%**	**N/A**	**N/A**	**N/A**

The table above excludes use of reserves which are discussed in Chapter 3

1. External Income has been forecast from 2019/20 based on information in the Savings Programme and CPI forecasts for future years.
2. For the time being, Schools' funding has been assumed to remain unchanged in future years. No adjustments for schools transferring to academies or changes in funding formula have been made as there is too much uncertainty at present. However, schools will be required to contain spend within the resources available
3. Grants to reimburse expenditure particularly Benefits - we have not sought to forecast future demand in this area.

3. Business Rates

3.1. The Council is currently part of the West Midlands pilot for 100% Business Rates retention. The pilot allows for levies payable to the Government, arising from growth, to be significantly reduced and for the Councils to use the proceeds to support local investment. Historical trends have indicated that the pilot has been successful in retaining growth above baseline.

3.2. The Government has confirmed its intention to allow Councils to retain only 75% of Business Rates generally and consultation has started on this national move to a 75% Business Rates retention scheme, now expected to take effect from 2021/22. Whilst this change is expected to be fiscally neutral nationally, there would be an impact for Birmingham which currently retains 100% of its Business Rates. Whilst the Council's agreement with Government is for the Pilot to continue until the introduction of 100% retention nationally, there is a risk that 25% of the Business Rates which are currently retained in the local area would now be subject to national redistribution. The Council is planning on the assumption the Pilot will continue.

3.3. Funding uncertainties also surround how the baseline for the change will be set and calculated. There is likely to be a reset of Business Rates growth in 2021/22. This will redistribute real terms growth in Business Rates amongst local authorities based on need. It is estimated that if the Council could lose £17.5m from a reset .

3.4. The Council has updated its forecasts of future Business Rates, including the impact of new developments. The forecast for 2020/21 was approved by Cabinet at the meeting of 21 January 2020. Through a combination of factors, Business Rates are expected to increase to £441.2m in 2020/21, and it has been assumed that in future years there will continue to be real term growth of 0.5% per annum on average as well as a general inflationary increase in line with the expected change in the Government's CPI indicator.

3.5. Income from Business Rates is managed through a separate Collection Fund. Resources from 2019/20 are expected to be £15.4m less than forecast when the budget was set. This is primarily due to:

- Growth estimates were lower than anticipated
- Government changes to Business Rates relief meant some funding was received as grant rather than Business Rates

3.6. The overall resources from Business Rates can be summarised as follows:

Table 3.2 Resources from Business Rates

	2020/21 Retained Business Rates Income £m	2019/20 (Surplus)/ Deficit * £m	Net Resources from Business Rates £m
City Council	(441.204)	15.360	**(425.844)**
WM Fire Authority	(4.457)	0.155	**(4.302)**
Sub Total	**(445.661)**	**15.515**	**(430.146)**
Enterprise Zone	(11.055)	2.811	**(8.244)**
Gross Business Rates	**(456.716)**	**18.326**	**(438.390)**

* Includes deficit brought forward from 2018/19

4. Government grants

4.1. The provisional Local Government Finance Settlement for 2020/21 was announced in December 2019. This settlement confirmed funding allocations for corporate grants principally in the form of:

- **Business Rates related grants**

  To compensate for the impact of Government decisions to constrain the increase in the Business Rates multiplier and increased relief for small businesses. Both of these grants total £37.9m, which is an increase of £5.3m over the 2019/20 levels.

- **Top Up Grant**

  This grant is received to reflect the fact that the Government's estimate of retained Business Rates income is still less than the estimate of the Council's need to spend. The Council's Top Up Grant will increase by £0.9m to £55.3m in 2020/21.

- **New Homes Bonus**

  The New Homes Bonus was introduced from 2011/12 as a financial incentive and reward for housing growth. The grant is based on a national average Council Tax value of additional homes including any properties brought back into use. There is also an additional premium for affordable homes.

  For 2020/21 the Council is expected to receive £7.2m in New Homes Bonus. This is a decrease of £0.4m over 2019/20. The Council uses £6.5m as corporate grant and allocates £0.7m to Neighbourhoods Directorate towards affordable housing.

- **Improved Better Care Fund**

  This grant is intended to support transformation in integrated health and social care and reduce the pressures on the NHS, including reducing delayed discharges from hospitals. The allocation was made to local authorities who were able to generate less income through the social care precept, such as Birmingham. Birmingham's share of the grant in

2020/21 is £65.9m, which is a £5.6m increase over the 2019/20 level. The increase is solely due to the Winter Pressures Grant of £5.6m being now rolled into the Improved Better Care Fund Grant. The planning assumption for the medium term is that the resources will continue at the same levels.

- **<u>Social Care Grant</u>**

  The Spending Round announced £1bn of new resources to support social care nationally. Of this amount, the allocation for Birmingham was £27.1m. In addition, the Government has continued to pay the £9.6m one-off grant from 2019/20 resulting in £36.7m in total. For planning purposes, it is assumed that this grant will be ongoing as part of Government's commitment to provide a solution for the social care funding crisis.

4.2. Until the outcome of the expected Spending Review in 2020 there is uncertainty around the level of funding that will be allocated to the Council. A degree of prudence has been built into financial forecasts in order to prepare for this.

4.3. Government has also allocated a range of other specific grants. Full details are set out in Appendix B, including narratives about service specific grants in excess of £5m.

4.4. Further information on funding of education services, including schools, is set out in Chapter 4. The total Dedicated School Grant is expected to be £665.0m in 2020/21, subject to finalisation of pupil numbers. The Dedicated School Grant will reduce as schools convert to academies. Total school funding is expected to be £748.3m in 2020/21.

5. Council Tax

5.1. Council Tax income is dependent upon several elements in the Council Tax base calculations, namely: the number and mix of dwellings including new developments, changes in discounts and exemptions, impact of Council Tax Support Scheme, the level of Council Tax, and the assumed level of in-year collection. The forecast of 254,654 Band D equivalent properties for 2020/21 was approved by Cabinet at its meeting on 21 January 2020. In terms of growth in the tax base, an estimated annual increase from housing growth of 0.8% across all years of the plan has been assumed.

5.2. Where Councils have been able to collect outstanding Council Tax in a following year(s), this income falls into the Collection Fund and is applied as part of the Council's overall income in the financial year following collection. For 2020/21, an estimate of £6.1m will be applied from the fund to the revenue budget; i.e. the collection fund surplus.

5.3. In 2020/21 the Council Tax requirement assumes a general increase in Council Tax of 1.99% and a 2% precept relating to adult social care. The flexibility to charge this precept in addition to the general amount of Council

Tax was extended by Government in recognition of the financial pressures on adult social care services. The additional revenue raised from this precept will total £7.0m in 2020/21.

5.4. Our Council Tax requirement of £365.7m (excluding parish precepts and Enterprise Zone growth) is divided by our Council Tax base for the year of 254,654 to give us the band D Council Tax for Birmingham Council of £1,435.95 (excluding police, parish and fire precepts). This figure is converted to the amount payable by properties in other valuation bands by applying a set multiplier, to arrive at the charge residents will pay for Council services. The calculations are shown in Table 3.3 below.

Table 3.3 Council Tax Requirement

	City Council Services	Incl. Parish Precepts and Enterprise Zone Growth
	£	£
Gross Expenditure	3,192,203,150	3,201,807,113
Parish Precepts		1,894,798
Less: Estimated Income (excluding Business Rates, Top Up Grant and Council Tax)	(2,339,270,521)	(2,340,629,794)
Net Expenditure	**852,932,629**	**863,072,117**
Less:		
Business Rates	(441,204,401)	(452,259,890)
Business Rates (surplus)/deficit	15,360,112	18,170,911
Revenue Support Grant	0	0
Top Up Grant	(55,334,064)	(55,334,064)
Council Tax Collection Fund (surplus)/deficit	(6,085,000)	(6,085,000)
Council Tax Requirement	**365,669,276**	**367,564,074**
Divided by taxbase	254,654	254,654
Band D Council Tax	**1,435.95**	**1,443.39**

5.5. In 2019/20, Birmingham's Council Tax, including social care precept and excluding parish precepts, was one of the lowest in the Metropolitan area, ranked 8th lowest out of 36. Birmingham's Council Tax is approximately 8% lower than the average Metropolitan Band D rate. In comparison to its West Midlands neighbours, Birmingham's Council Tax was 3rd lowest, with only that of Solihull and Dudley being lower. Even if the proposed increases are applied, Birmingham will continue to be a relatively low Council Tax area.

5.6. Beyond 2020/21, the financial plans assume a 1.99% annual increase in general Council Tax rates. Whilst this is a planning assumption, the actual tax rises will be approved by Council each year.

6. Precepts

6.1. The Council also collects the precepts on behalf of other organisations, specifically:

- **the Police & Crime Commissioner** - At his meeting on 3 February 2020, the Police & Crime Commissioner approved a Precept of £X for a Band D property.
- **the Fire & Rescue Authority** - At its meeting on 17 February 2020, the Fire & Rescue Authority approved a Precept of £X for a Band D Property.
- **New Frankley in Birmingham Parish Council** - At its meeting on 16 December 2019, the New Frankley in Birmingham Parish Council determined that the Parish Precept for 2020/21 will be £X for a Band D property.
- **the Royal Sutton Coldfield Town Council** - At its meeting on 15 January 2020, the Royal Sutton Coldfield Town Council approved a Precept of £X for a Band D property.

Full details of the calculations are set out in Appendix H and are summarised in Table 3.4.

Table 3.4 Precepts

	Band D Council Tax 2019/20 £	Band D Council Tax 2020/21 £	Increase/ (Decrease) £
Birmingham City Council	1,380.85	1,435.95	55.10
Fire and Rescue Authority	60.60	xx.xx	xx.xx
West Midlands Police & Crime Commissioner	152.55	xx.xx	xx.xx
New Frankley in Birmingham	23.09	xx.xx	xx.xx
Royal Sutton Coldfield	49.96	xx.xx	xx.xx

7. Locally generated income

7.1. The Council has budgeted to receive approximately £375.5m from fees and charges and other sources of income in 2020/21. Some charges are set by legislation (e.g. licensing charges) whereas others the Council has discretion to determine. Fees and charges are set on an annual basis and subject to annual approval from Council/Cabinet.

7.2. This plan assumes an annual inflationary increase of 2% each year for income. In identifying ways to plug the funding gap, service managers have been considering ways in which a more commercial approach could be adopted or where fees and charges could be changed in order to achieve income growth and protect front line services.

7.3. In addition to the above, where commercial opportunities were available, the Council has increased certain fees and charges over and above inflation.

8. Housing Income

8.1. Further information on income within the Housing Revenue Account, including details of rent and service charge income is set out in Chapter 5. Total income is expected to be £279.3m in 2020/21.

SPENDING DEMANDS

9. Background

9.1. The Council's Medium Term Financial Plan is shaped by the particular financial circumstances facing Birmingham, which in turn result mainly from the national context outlined in Chapter 2. In summary, the Council is faced with a range of significant pressures on its finances over the medium term as a result of:

- Demand for our key services increasing
- Changing expectations from Government or the public on the level of service
- Limited scope to increase Council Tax and other fees and charges

10. Budget Pressures

10.1. In developing the budget plans, the Council undertook a review of base budgets to determine adequacy and rebased some service budgets which had historically overspent for a variety of reasons, including additional demands or inability to deliver previously planned savings. The table below shows an analysis of pressures funded up to 2023/24.

Table 3.5 Analysis of Pressures 2020/21 to 2023/24

Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Change in legislation or regulation	2.221	2.212	2.224	2.238
Demography	7.850	22.180	31.430	40.770
Savings Non-Delivery	(0.640)	(1.521)	(4.268)	(4.690)
Invest to Save (including repayments)	6.121	(9.678)	(9.822)	(11.208)
Member Priorities	4.500	10.671	50.738	0.700
Pension Fund	(0.797)	(0.374)	0.165	0.186
Revenue cost of redundancy	0.000	7.281	3.194	0.750
Revenue cost of capital projects	0.244	2.692	6.444	8.528
Time limited resources	(6.720)	(10.263)	(11.463)	(14.334)
Rebasing	27.073	27.898	28.446	28.421
Other	1.622	0.457	(0.101)	0.745
Total	**41.474**	**51.555**	**96.987**	**52.106**

11. Budget Rebasing

11.1. The Council has carried out a fundamental review of its base budgets and savings programme. Where savings have been identified as unachievable or the base budget has been identified as insufficient appropriate adjustments have been made to rebase the service budgets. In total £27.1m of rebasing has taken place. The main areas for rebasing include:

- Waste management
- Home to School Transport
- Health & Wellbeing services
- Temporary Accommodation
- Adult social care

12. Service pressures

12.1. The Council's budget is also under pressure from continuing increases in the number of vulnerable people accessing Council services, notably within Children's and the Homelessness services. In order to manage cost pressures over the medium term, significant work is underway to manage this demand and either reduce or stop it or identify mitigations.

13. Social Care

13.1. The financial sustainability of the social care system is a nationally recognised and widely reported problem, for which there has been much lobbying from the local government sector to recognise this. In response, Government has provided a new grant, the Social Care Grant, to assist with alleviating some of the cost pressures within the care system. Birmingham has been allocated £36.7m in 2020/21, and our planning assumption is that this grant will be allocated on an ongoing basis. It should be noted that this grant is intended for social care but has not been specifically ring-fenced.

13.2. In addition to the above, Government has also announced the continuation of the Winter Pressures Grant, for which Birmingham was allocated £5.6m, and the ability for local authorities to increase the social care precept element of its Council Tax by 2%. In the case of Birmingham, this will raise a further £7.0m. In total, additional resources of £49.3m have been provided in 2020/21. The planning assumption is that this level of funding will be ongoing.

13.3. The Council has not increased the level of planned savings requested of social care in 2020/21 following the announcement of these additional resources.

13.4. The additional resources have been used to fund pressures in both adult and children's social care as follows:

Table 3.6 Social Care Allocations

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Adult Social Care				
Inflation	6.400	12.753	19.297	25.943
Demography	3.500	17.000	25.500	34.000
Pressures	5.600	5.600	5.600	5.600
Funding to cover expenditure previously funded by Public Health	3.890	3.890	3.890	3.890
Modernisation - preparation for adulthood	3.000	0.000	0.000	0.000
Children's Social Care				
Inflation	4.329	8.755	13.280	17.906
Pressures	6.100	6.100	6.100	6.100
Saving ESS023 20+ Early Years modernisation	0.000	(6.100)	(6.100)	(6.100)
Savings non-delivery	1.545	1.545	1.545	1.545
Children's social care demography	0.000	0.500	1.000	1.500
General Social Care				
Modernisation of social care	15.000	0.000	0.000	0.000
Total	**49.364**	**50.043**	**70.112**	**90.384**

In addition, up to £10m ITS reserve could be available for modernisation subject to a suitable business case being developed

14. Adult Social Care

14.1. Adult social care remains the Council's largest area of net expenditure. Provision has been made in the financial plan for demographic growth of £3.5m and winter pressures of £5.6m in 2020/21. The plan also assumes that from 2021/22, investment will be restored to its previous levels of £8.5m annually in order to fund demographic growth, including funding the costs of preventing additional demographic growth. Provision has also been made to assist social care (including children's) to modernise.

14.2. The Council will continue progressing an approach to social care that fosters enablement and independence, and reduced reliance on Council intervention. It is estimated that from this approach up to 30% of demand will be managed differently by 2021, with a greater emphasis on supporting citizens to live independently in community settings, rather than being placed in long term traditional care settings.

15. Children's Social Care

15.1. Birmingham has a relatively high young population compared to other cities, with 46.1% of the population below 30. The ONS predicts that there will be 5.3% growth in the number of children aged 5 to 14 over the next 20 years (2019 – 2039). Forty one percent of Birmingham's children live in poverty. The number of young people, and those living in poverty, undoubtedly has an impact on the number of children requiring support from children's services.

15.2. There is a continuing financial impact of demand pressures within children's social care due to increasing caseload and the complexity of cases. The

Council recognises that early intervention can help limit the need for children to enter the social care system, lay the groundwork for improved performance at school and even help to ease future pressure on adult social care by reducing the pressure on services for vulnerable adults. Therefore, more work will be done on this in the future as part of the modernisation agenda. As part of this a modernisation proposal is being developed jointly across Education, Children's Trust and NHS partners to develop a co-ordinated approach to Early Help which will seek to develop preventative services and reduce demand for acute services.

15.3. The Council's children in care population is around 2,000, which represents an increase of around 11% since 2015, slightly above the national average. However, the numbers in care have remained consistently lower than that of Birmingham's statistical neighbours, although Birmingham's unit cost has been higher due to the complexity of the cases and limited access to inhouse fostering.

Other Children's Services

15.4. School Transport remains an area of significant expenditure for the Council. It is a vital and statutory service that provides transport to some of the most vulnerable children and young people in the city. In 2019, in recognition of additional demand and costs arising from provider failure the service was allocated £2.9m of one-off resources from Policy Contingency to address the reported overspending. In 2020/21, the service has been rebased with £3.9m of additional resources and reductions in assumed savings of £0.8m.

15.5. Following a joint inspection by Ofsted and the Care Quality Commission (CQC) that identified that major improvements were needed in the system supporting children and young people with Special Education Needs and Disability (SEND), an action plan was produced which outlined a range of changes that were needed across the city in the coming years. This action plan is in the process of implementation.

15.6. Within DSG, the level of spend on High Needs is an area of concern. This issue is reflective of the national position where there is a gap between allocated High Needs funding and local spending to meet demand. Demand is anticipated to increase, mainly due to:

- Additional unfunded statutory obligations arising from the 2014 SEND reforms
- Increasing numbers of pupils with high needs and increasing complexity of needs

15.7. A cumulative deficit on High Needs of £16.0m was brought forward at the start of 2019/20, which after some mitigation is expected to be around £14.6m at the end of 2019/20.

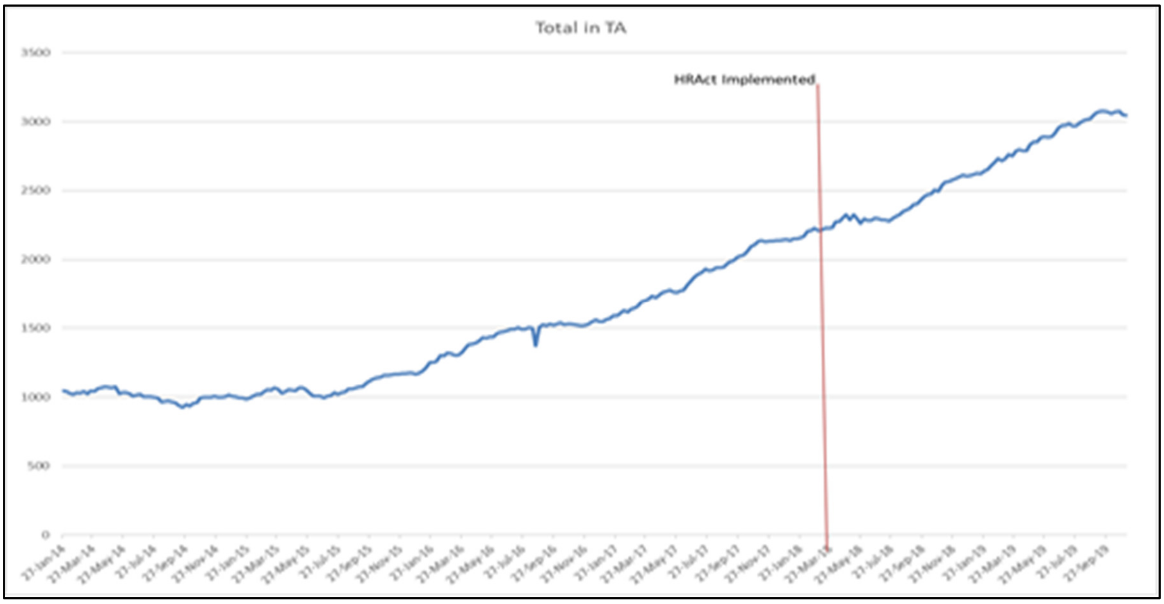
15.8. The Government announced additional national funding of around £700m for Special Needs in late 2019, for which Birmingham will receive additional funding of £26.6m. This additional funding will contribute positively to addressing some of the pressures, deal with the cumulative deficit over a three year period and provide investment to transform and modernise SEND provision. This will build on the £1.4m innovate to save initiatives which were introduced in 2019/20.

16. Homelessness

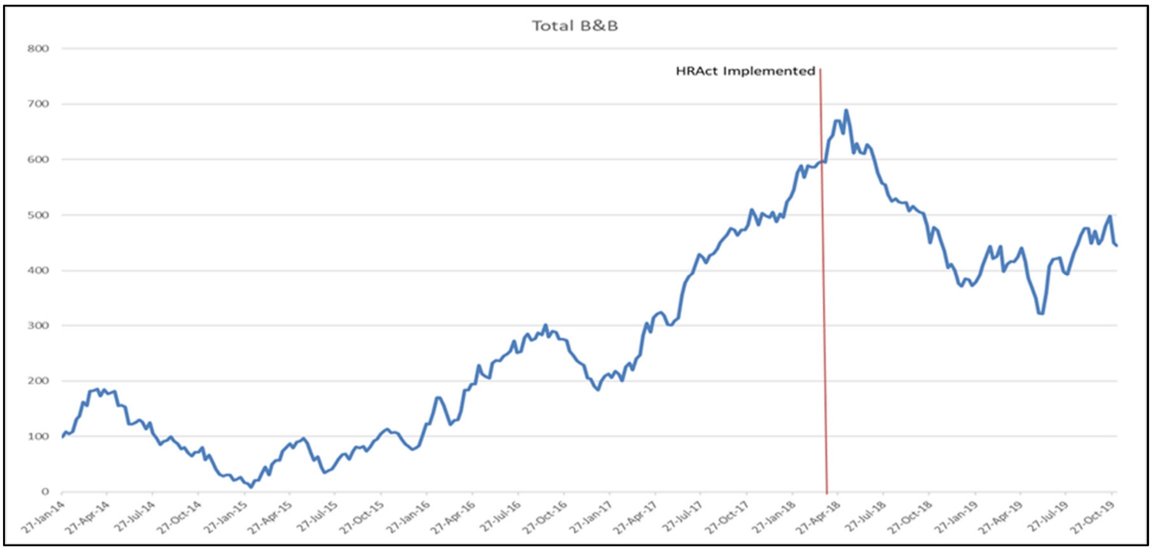
16.1. The main challenge for the Housing Options Service around unavoidable cost pressures is the provision of Temporary Accommodation (TA), and more specifically the use of bed and breakfast (B&B). This type of provision is by far the most costly at around £400 (net) per week per household and at the time of writing this report we have approximately 350 people in B&B. If demand from people needing TA continues to rise through 2020/21, the budget pressures will be compounded.

16.2. The use of TA has been steadily increasing since June 2015 with an increase in placements of 125% between June 2015 and June 2019. There has been some slight fluctuation in the TA trend over this time but Figure 3.7 below shows that in general terms the use of TA has steadily increased

Figure 3.7 Birmingham Households in Temporary Accommodation



16.3. Alongside increased use of TA types, the Council has seen the use of B&B increase following similar trends. B&B is the most readily available provision for use in emergency accommodation situations and at present the Council is reliant on its use in these circumstances. Figure 3.8 below shows the trend for households placed in B&B accommodation



16.4. Similar to the trends in use of TA overall, the use of B&B started to increase in early 2015 and continued on this trajectory until August 2016. In June 2018 a new action plan was drawn up to address rising use of B&B and through successful implementation of this plan the use of B&B reduced from 690 at its peak to a low of 310 – a 55% reduction over a four month period. Had these actions not been taken between June and November 2018 the service projection predicted B&B use reaching over 1000 by March 2019.

16.5. The service has a detailed TA Reduction Plan in place which focuses on reducing the use of B&B. The TA Reduction Plan focuses on meeting the short to medium term demand for TA and ensuring we have the most cost effective methods. To impact on the numbers in TA over the medium to longer term the service must switch from servicing the crisis level demand we are seeing today to carrying out effective homelessness prevention.

16.6. In recognition of the service pressures, the Council has invested a further £4.4m in the Homelessness service and this investment is planned to be ongoing. This additional investment will assist the service in progressing a new operating model.

17. Clean Air Zone – use of income

17.1. Every year between 28,000 and 36,000 people die across the UK from the effects of poor air quality and in Birmingham up to 900 deaths are caused through poor air quality. This has been recognised as a national crisis by the Government and the NHS, which is why Birmingham - and numerous other cities across the UK - are introducing Clean Air Zones.

17.2. Form summer 2020, the most polluting vehicles will be charged to enter an area bounded by the A4540 Middleway (but not the Middleway itself). Cars and LGVs will be charged £8 per day whilst HGVs and coaches will be charged £50 a day. Some temporary exemptions and financial support will be available for certain groups including residents within the Clean Air Zone, city centre workers earning less than £30,000 a year, Birmingham-licensed taxi/

private hire vehicles and businesses based or operating within the Clean Air Zone.

17.3. The money generated by the Clean Air Zone, which includes charge revenue and Penalty Charge Notice revenue, will be used to cover the costs of the assets, such as Automatic Number Plate Recognition (ANPR) cameras and ongoing support provided through staff and the Joint Air Quality Unit (JAQU). It will also be used to support the Council's transport policies and the delivery of transport infrastructure measures that benefit the public and improve air quality. Some of the programmes which have been identified as being suitable for support include:

- **The Big City Plan**: This is a 20-year city centre masterplan with a vision to encourage and support Birmingham's continuing transformation into a world class city centre. Key elements of the programme which would benefit from Clean Air Zone income include:
    - Creating a well-connected, efficient and walkable city centre
    - Providing 65,000 square metres of new and improved public spaces
    - Providing 28 kilometres of enhanced walking and cycling routes

- **Birmingham Development Plan 2031**: This is a framework which will guide future development across the city including addressing the issue of climate change, delivery of infrastructure and quality of life through measures such as:
    - Providing high quality connections throughout the city and with other places including encouraging the increased use of public transport, walking and cycling
    - Connected communities

- **Local Cycling and Walking Initiative Programme**: This sets out a 10-year plan to ensure that active travel becomes the popular choice for short journeys and to increase the opportunities for recreational cycling and walking. The strategy includes three key objectives with linked policies and actions:
    - Enable training and education, access to bikes and funding
    - Develop infrastructure (LCWIP), traffic management, maintenance, cycle parking, public transport and planning and development
    - Inspire campaigns, communication, schools, businesses, community and events

- **Rail and Rapid Transit**: Rail and Rapid Transit have been identified as key factors in the future of Birmingham's transport strategy, as outlined in the Birmingham Mobility Action Plan. The key aspects include:

- Extended Metro
- Sprint Bus Rapid Transit (BRT) as the network's backbone
- Seeking opportunities for more Park and Ride

18. Inflation

18.1. Allowance for £87.5m of net inflation across the four years from 2020/21 to 2023/24 has been included in the financial plan (see Appendix A). This includes an uplift of non-pay budgets (income and expenditure) by around 2% annually, and a 2.5% increase for all pay budgets. Inflation allowance has also been made at defined rates where there are specific contractual commitments in place.

19. Corporately Managed Budgets

19.1. Redundancy

19.1.1. The Council continues to need to reduce the size of its workforce as a result of implementing some of the proposed savings needed to balance its budget. The Council anticipates a further reduction of up to 93.3 FTE staff by 2023/24, with up to 55.3 FTE anticipated to exit the organisation in 2020/21.

19.2. Financing Costs

19.2.1. The Council's capital programme is £1,741.1m over the four-year period to 2023/24, to deliver investment in line with the Council's priorities. The revenue effects of capital expenditure have been reviewed in the context of the capital programme outlined in Chapter 7 of this report, and expectations of movements in interest rates. The forecast revenue impact of the capital programme is reflected in this budget. Further details can be found in Chapter 7 and Appendix R.

19.3. Equal Pay

19.3.1. The Council has existing liabilities as a result of claims issued under the Equal Pay Act 1970, for which a provision of £174.5m has been recognised in the accounts. It is estimated that total liabilities in respect of this will be approximately £1.3bn, with just over £1.1bn settled as at 31 March 2019. (£63m for the HRA and just over £1bn for the General Fund).

19.3.2. The Financial Plan 2020-2024 includes the revenue implications of Equal Pay settlements, including financing costs arising from capital expenditure in previous years, loss of income arising from asset sales and repayment of temporary borrowing from reserves. Net General Fund revenue costs are expected to be around £114m in 2020/21, rising to £124m in 2023/24, after taking account of contributions from schools and the HRA.

20. Overall Budget Challenge and Savings Requirement

20.1. In order to meet the financial challenges and service pressures described above, total further savings (including those already in financial plans) of £56.1m are required from the General Fund budget by 2023/24 in order for the budget to be sustainable. This represents around 6.6% of the total General Fund net budget. By 2023/24, savings proposals total £56.0m, and therefore fall short of the savings requirement by £0.1m in that year. Should additional resources materialise across the medium term, additional resources will be reinvested in Council services in line with priorities outlined in Chapter 1.

20.2. Future budget forecasts have been projected over the medium term. Table 3.8 summarises the overall budget position for the period to 2023/24.

21. Savings Requirement

Table 3.8 Savings Requirement 2020/21

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Base budget 2019/20	851.590	851.590	851.590	851.590
Changes in pay and price inflation	21.493	42.211	65.576	87.503
Budget pressures	41.474	51.555	96.987	52.106
Corporate adjustments:				
Net change in use of / contribution to reserves to balance budget	0.000	0.910	1.910	2.910
Other net change in use of / contribution to reserves	(22.658)	4.055	(29.930)	9.476
Corporately managed budgets	19.604	4.794	(6.668)	7.631
Changes in corporate government grants	(36.504)	(40.118)	(42.293)	(45.303)
Total expenditure	**874.999**	**914.997**	**937.172**	**965.913**
Changes in Business Rates	(441.204)	(454.655)	(466.218)	(478.484)
Changes in Top Up Grant	(55.334)	(37.844)	(33.986)	(30.013)
Changes in Council Tax	(365.670)	(379.932)	(390.479)	(401.323)
Collection Fund (surplus)/deficit Business Rates	15.360	0.000	0.000	0.000
Collection Fund (surplus)/deficit Council Tax	(6.085)	0.000	0.000	0.000
Total resources	**(852.933)**	**(872.431)**	**(890.683)**	**(909.820)**
Savings requirement	**22.066**	**42.566**	**46.489**	**56.093**
Planned savings	(22.066)	(50.295)	(54.682)	(55.965)
Other solutions to be determined	**0.000**	**(7.729)**	**(8.193)**	**0.128**

21.1. Approach

21.1.1. The Council recognises that having achieved over £728m worth of savings over the 10 years to 2019/20, it is unlikely that any further major savings can be made purely through efficiencies. The Council has consulted on a number of short-term savings in addition to existing plans. Separately, the Council is progressing a modernisation programme which will deliver improved services. These changes may also deliver savings which will identify resources to reinvest in priorities.

21.1.2. The Council's objective is to deliver universal services as efficiently and cost effectively as possible, while delivering maximum benefit to individuals, families and communities.

21.2. Summary of Proposals

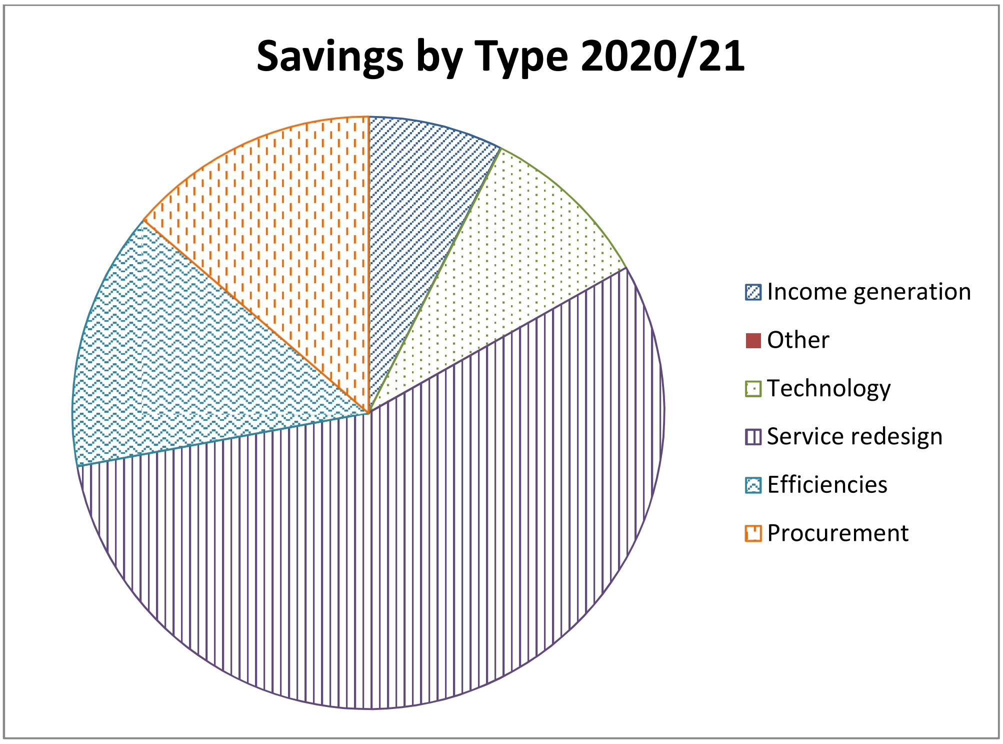
21.2.1. A robust review has been undertaken of savings approved as part of the Financial Plan 2019+ covering the period 2019/20 to 2022/23. Some savings have been rephased, and where savings are no longer considered to be deliverable, they have been removed from the programme. Proposals totalling £6.3m have been removed from the programme. Remaining proposals are considered to be robust and have realistic implementation plans.

21.2.2. Savings proposals, totalling £56.0m by 2023/24, are itemised in Appendix G. The savings include, but are not limited to, projects and programmes which cover:

- Demand management – reducing or eliminating as far as possible avoidable demand and delivering better outcomes for residents and communities by targeting better preventative and support services, developing independence and self -reliance. This is particularly evident in the Adults Transformation programme, covering savings relating to Adults Packages of Care (AD001).
- Costs reductions through further general efficiencies, better use of assets, consolidation of services and reductions in the management tier of the organisation so that scarce resources can be diverted to the front line
- The continued roll out of a digital solution for customers to access Council services
- Improved procurement and commissioning of services

21.2.3. Figure 3.9 below summarises the savings programme over the four year period between cost reduction and income generation. It is acknowledged that there are more risks associated with income generating proposals since activities are not fully in the control of the Council.

Figure 3.9 Analysis of Savings 2020/21 – 2023/24



21.2.4. New savings proposals were set out in the corporate budget consultation document, "Budget Consultation 2020+", which was opened on 18 November 2019, with consultation running until 31 December 2019. The Council promoted the use of social media in order to encourage further citizen involvement, including the hosting of a Facebook Live event on 17 December 2019. A public engagement session was held on 18 December 2019 and there was also a separate meeting for the business community on 12 December 2019. Summary analysis of the responses to the consultation and the Budget 2020+ Consultation Report is set out in Appendix I.

21.2.5. Changes in the savings programme have been made as a response to the consultation process. The Council has considered the priorities of the citizens of Birmingham and responses made to savings proposals. In response the Council proposes to:

- Remove the savings proposal to charge Business Improvement Districts (BIDs) the costs of collecting their income.
- Introduce a dedicated member of staff to manage the Council's relationship with the BIDs

21.2.6. In addition, the Council has listened to feedback from the consultation and the key priorities of the citizens:

- **£0.5m will be used from the modernisation fund/Invest to Save reserve on the production of a business case.** Community safety has repeatedly come through as a strong priority for residents and, in particular, fear of crime and anti-social behaviour after dark is a repeated concern. The Council plays a critical co-ordinating and strategic role on safety issues through our statutory Community Safety Partnership and discharging our duties; addressing vulnerabilities for residents through our focussed work with children, adults and counter-extremism; whilst Housing and Neighbourhoods colleagues play a vital role in preventing and tackling anti-social behaviour. The Council will undertake a review of resourcing with partners in early 2020-21, work with the OPCC and Home Office to understand implications of any national funding changes, and highlight any gaps in resourcing against our community safety strategic assessment. Any new initiatives will be brought forward on an 'Invest to Save' basis by pump-priming partnership and community capacity. Our particular focus will be to ensure that residents experience the benefit of any investments at the local level through geographical 'impact areas' and in priority safety themes.

- **£0.4m is being invested to allow concentrated additional resources to be deployed to clear leaves in a quicker time.**

21.2.7. It should be noted that the Budget 2020+ Consultation will be complemented by Directorate-based consultation with service users on individual proposals where necessary. This ensures the Council will comply with the requisite public sector equality duty to ensure that other statutory consultation has taken place, so that decision makers have had "due regard" to issues arising from the equality process and that necessary governance processes have been completed.

21.2.8. Services have completed an Equality Impact Assessment for each of the budget saving proposals included in this document and have identified any action to mitigate risks and disproportionate impacts on protected characteristics. In undertaking these assessments, consideration has been given to the impact on the protected characteristics (age, disability, race, marriage and civil partnership, sex (gender), sexual orientation, religion or belief, gender reassignment, pregnancy and maternity) as identified in the Equality Act 2010. The Act also specifies that local authorities must have due regard to:

- Eliminating discrimination, harassment and victimisation
- Advancing equality of opportunity
- Fostering good relations
- Removing or minimising disadvantages suffered by people due to their protected characteristics
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low

21.2.9. The corporate equality analysis of the proposals is available on the Council's website. The analysis highlights pertinent information arising from the assessment process to inform Elected Member decisions. It sets out the areas where it is anticipated that further consultation and mitigations will be required prior to implementation of the budget saving.

21.2.10. A fundamental review of the savings programme has taken place over the winter through a Star Chamber process which has considered the robustness of savings and their delivery plans. This has identified a number of savings that are considered to be undeliverable and so have been written out of the savings programme. Some additional savings have also been identified that are in line with current policies or have been grossed up so that reserves payments and treasury costs can be identified separately.

Table 3.10 Changes in the Savings Programme Following Consultation

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Savings as per Consultation	**(26.964)**	**(50.911)**	**(53.346)**	**(55.324)**
Savings Rephasing or Removal				
Reduction in Children's Trust contract payment due to savings being made by the trust	1.545	1.545	1.545	1.545
HW7/AD006 Public Health	1.500	0.490	0.490	0.490
CC104 Commercialisation Fees & Charges	0.774	0.774	0.774	0.774
DCS011 20+ Application Platform Modernisation	0.505	0.000	0.000	0.000
PL021 Housing Options	0.500	1.009	1.009	1.009
CC105 19+ Consolidation Programme – Transport Workstream	0.400	0.400	0.000	0.000
WOC1 Allocation of WOC1*	0.287	0.287	0.287	0.287
PL120a 19+ Review Trade Waste contracts	0.200	0.200	0.200	0.200
CY003 Cityserve	0.200	0.200	0.200	0.200
AD103 HIV/TB Support	0.115	0.115	0.115	0.115
EC105 19+ European Team - Move the service to full cost recovery	0.113	0.113	0.113	0.113
CC106 Review of Contracts - Procurement	0.100	0.100	0.100	0.100
PL114b 19+ Introduction of vaulted graves	0.087	0.000	0.000	0.000
P22 16+ Early Years	0.000	0.819	0.819	0.819
	6.326	**6.052**	**5.652**	**5.652**
Additional Savings				
EC103a Commercial Property Income to offset pressure	(1.233)	(1.007)	(0.971)	(0.971)
Debt collection costs - full recovery of costs associated with collecting outstanding debts	(0.208)	(0.297)	(0.297)	(0.297)
Additional SAP savings - Reduced application costs resulting from the change from SAP to Oracle	0.000	(2.000)	(2.000)	(2.000)
DCS011-14 ITS repayment for these four savings proposals	0.000	(1.716)	(3.310)	(2.615)
NE01 Waste Management Replacement Strategy - saving grossed up for TM costs	0.000	(0.500)	(0.500)	(0.500)
	(1.441)	**(5.520)**	**(7.078)**	**(6.383)**
Consultation Changes				
Removal of DCS002 20+ Charge Business Improvement Districts (BIDs) for Revenues collection service	0.013	0.084	0.090	0.090
	0.013	**0.084**	**0.090**	**0.090**
Total Adjustments	**4.898**	**0.616**	**(1.336)**	**(0.641)**
Revised Savings	**(22.066)**	**(50.295)**	**(54.682)**	**(55.965)**

21.3. **Pay Policy**

21.3.1. The Council is statutorily required under the Localism Act 2011 to undertake an annual review of its pay arrangements and to publish these making particular reference to the following:

- The methods by which salaries of all employees are determined
- The detail and level of remuneration of its most senior employees, i.e. 'Chief Officers', as defined by the relevant legislation
- The detail and level of remuneration of the lowest paid employees
- The relationship between the remuneration for highest and lowest paid employees
- The Committee(s) /Panels responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council

21.3.2. The above details are captured in a Pay Policy Statement, attached at Appendix V. The purpose of the Statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding those working in local authority schools). The principles set out within the Pay Policy Statement are compliant with the budget proposals.

22. Use of Reserves

22.1. The Council maintains reserves for a number of reasons. These include:

- The need to put aside sums in case of unexpected future expenditure (such as a large insurance claim)
- To smooth out future payments (such as payments under PFI agreements) or to cover timing differences (such as grant money received in any given year where expenditure takes place in a later year)
- To provide pump prime funding for projects to deliver changes in working practices using Invest to Save Reserves. Any approved use must include an agreed repayment plan
- To fund specific activities where the Council has little or no flexibility. These ring-fenced reserves are mainly for Schools or the Housing Revenue Account and cannot be used to support general Council activity

22.2. The Council's policy on reserves, as agreed at Cabinet on 22 January 2019, makes clear that reserves are not to be used to avoid the necessity to make ongoing savings or meet budget pressures.

22.3. The Council's reserves can be split into the following categories:

- General Reserves and Balances
- Earmarked Reserves
- Revenue Grant Related Reserves
- Ring-fenced Reserves
- Capital Reserves

22.4. Much of the Council's reserves are earmarked for specific purposes and it has generally maintained only limited reserves which are not earmarked. Reserves can only be used on a one-off basis, which means that their application does not offer a permanent solution to the requirement to deliver significant reductions in the future level of Council expenditure.

22.5. In 2020/21, none of the planned uses of reserves are outside of the reserves policy or to avoid the necessity to deliver ongoing savings.

23. Commentary on Use of Reserves in 2020/21

23.1. In line with the Council Plan and Budget 2019+ agreed in February 2019, the Council planned for the strategic use of £5.9m of Corporate Reserves in 2019/20. This remains the same in 2020/21. This can be seen in Table 3.11.

Table 3.11 Movements in the use of reserves to balance the budget

	2019/20 £m	2020/21 £m	Movement £m
Use of Financial Resilience Reserve	(5.910)	(5.910)	0.000
Strategic Use of Reserves	**(5.910)**	**(5.910)**	**0.000**

23.2. In 2020/21 a net contribution to reserves is planned totalling £18.4m. This is after the use of £5.9m of general reserves to support the budget. Further details are set out in paragraphs 25.2 and 25.3. The overall position is set out in Table 3.12 below.

Table 3.12 Analysis of Reserves in 2019/20 and 2020/21

	ITS	FRR	Other General Reserves	Earmarked	Ring Fenced	Grant	Total
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Forecast Closing Balance (31st March 2020)	**24.572**	**57.489**	**35.478**	**148.123**	**36.955**	**317.876**	**620.493**
2020/21 planned (use) / contribution to Reserves	0.000	(5.910)	0.000	26.804	0.000	10.165	**31.059**
2020/21 planned net (borrowing)/ repayments to Reserves	(13.930)	1.274	0.000	0.000	0.000	0.000	**(12.656)**
Forecast Closing Balance (31st March 2021)	**10.642**	**52.853**	**35.478**	**174.927**	**36.955**	**328.041**	**638.896**

* Whilst there is a forecast 2019/20 General Fund underspend of £1.5m based on Month 9 budget monitoring, this is not included in the analysis. Should there be an underspend at the year end the balance will be appropriated to General Reserves and Balances. There is a forecast DSG underspend of £0.9m based on Month 9. Similarly, this is not included in the analysis. Should there be an underspend at the year end the balance will be appropriated to School's reserves.

24. Invest to Save Reserve (ITS)

24.1. It was proposed to use the fund on an “Invest to Save” basis to stimulate service transformation. The resources are only available on a repayable basis. It is anticipated that £13.9m of the ITS will be needed in 2020/21 to fund the up-front costs of savings plans on an Invest to Save basis. The breakdown of the use of ITS is set out in Table 3.13 below:

Table 3.13 Invest to Save Reserves

	£m
Opening Balance as at 1st April 2019	41.667
Planned use of ITS in 2019/20	(17.095)
Subtotal Forecast Balance as at 31st March 2020	**24.572**
FG101 19+ ERP system	(11.422)
EC103a 19+ Commercial Property	(1.951)
Central Administrative Buildings	(0.300)
To Implement Transport Saving	(0.062)
Work Place Parking Levy	(0.195)
Forecast use of ITS 2020/21	**(13.930)**
Closing Balance as at 31st March 2021	**10.642**

25. Financial Resilience Reserve (FRR)

25.1. This reserve of £98.3m was created in 2017/18 from the backdated application of a consistent MRP policy to 2007/08.

25.2. A review of reserves held by the Council was undertaken as part of the outturn in 2018/19. The historic internal borrowing from the Highways PFI reserve has been refinanced in full from FRR. Any borrowing repayments required from services will now be made directly to the FRR reserve. Similarly, the historic internal borrowing from schools’ balances has been refinanced in full from FRR as part of the outturn in 2018/19.

25.3. The only planned use of the FRR in 2020/21 is £5.9m to fund the additional revenue costs, which arose from a retrospective change in the Council MRP policy, approved by the Council in February 2018. This is in line with the Reserves Policy.

25.4. It is proposed to make net repayment of £1.3m to FRR reserve in 2020/21 which is repayment of borrowing from previous years. As part of this is the planned contribution towards repayment of Schools Balances of £0.6m from Education & Skills and a further planned corporate contribution of £0.5m.

26. Other General Reserves and Balances

26.1. The General Fund Balance will be £35.5m as at 1 April 2020. There is no planned use of the General Fund Balance in 2020/21. The overall movement in non-earmarked use of Reserves is shown in Table 3.15. As can be seen, there is no movement in the use of general reserves to support the budget comparing to 2019/20.

26.2. The closing balance of general reserves as at 31st March 2021 is forecast to be £99.0m. Risks associated with the budget that these may be required for can be seen in Appendix E

27. Earmarked Reserves

27.1. In 2020/21 it is proposed to make a net contribution of £26.8m to earmarked reserve comprising the following:

£37.0m Contribution to Reserves

- there is a further planned replenishment of £0.3m to the Capital Fund in 2020/21
- a contribution of £28.2m to Clean Air Zone reserve for future use in line with legislative restrictions
- contributions of £3.1m towards cyclical maintenance
- a contribution of £2.0m to the insurance fund
- a contribution of £2.0m for Waste disposal outage contingency
- a contribution of £0.4m to Education PFI Reserve
- a contribution to other earmarked reserve of £1.0m

£10.2m Use of Reserves

- the use of £1.0m to fund Business Rates appeals
- the use of other corporate reserves of £0.5m
- £2.3m carry forward of Invest to Save funding from 2019/20 to 2020/21 for the improvement of IT&D insource services
- £1.0m carry forward of Invest to Save funding from 2019/20 to 2020/21 to fund expenditure on the new Enterprise Resource Planning (ERP) system
- the use of £5.4m Section 31 grant to offset the Business Rates collection fund deficit. This relates to grants received in 2019/20 as compensation for loss in Business Rates income.

28. Ring Fenced Reserves

28.1. In 2020/21, there is no planned use of School's reserves and the balance remains the same at £37.0m

29. Grant Reserves

29.1. In 2020/21 it is estimated that £10.2m of grant reserves will be contributed to reserves.

30. Overall Impact on Reserves

30.1. The summary movement in reserves is shown in Table 3.14 below. This shows the movement in reserves between the planned figures for the 2019/20 and 2020/21 financial years.

Table 3.14 Movements in Reserves

	2019/20* £m	2020/21 £m	Movement £m
Use of reserves to balance the budget (see table 3.11)	**(5.910)**	**(5.910)**	**0.000**
Corporate (Use of)/ Contribution to Reserves			
Contribution to Capital Fund (Revenue Reserve)	0.380	0.275	(0.105)
Business Rates Volatility Contingency	14.301	(0.968)	(15.269)
Redistribution of National Business Rates Levy	(5.408)	0.000	5.408
Cyclical Maintenance Reserve	3.090	3.090	0.000
Corporate Use of Earmarked Reserves	(2.118)	(0.052)	2.066
Commonwealth Games Contingency Reserve	7.400	0.000	(7.400)
Waste Outage Contingency Reserve	0.000	2.000	2.000
Insurance Fund	0.000	2.000	2.000
Other Use of Reserves	(0.032)	(4.680)	(4.648)
Other (Use of)/ Contribution to Reserves	**17.613**	**1.665**	**(15.948)**
Borrowing from/ Repayments to Reserves			
Borrowing for:			
Borrowing from FRR ***	(1.095)	(2.735)	(1.640)
Use of Invest to Save Reserve	(8.801)	(13.930)	(5.129)
Sub-total Borrowing from Reserves	**(9.896)**	**(16.665)**	**(6.769)**
Net Repayments:			
Corporate Repayment to FRR***	0.500	0.500	0.000
Other Repayments to Reserves	0.373	0.432	0.059
Sub-total Net Repayments	**0.873**	**0.932**	**0.059**
Total Corporate Uses of/Contribution to Reserves and Borrowing/Repayment	**8.590**	**(14.068)**	**(22.658)**
(Use of)/Contribution to Grant and Earmarked Reserves			
(Use of)/Contribution to Grant Reserves	(29.334)	10.165	39.499
(Use of)/Contribution to Other Earmarked Reserves **	(0.920)	24.707	25.627
Directorate Repayment of FRR ***	0.600	3.509	2.909
Total Other (Use of)/Contribution to Reserves	**(29.654)**	**38.381**	**68.035**
***Total(Use of)/Contribution to Reserves**	**(26.974)**	**18.403**	**45.377**

*This is the original planned use of Reserves as per the Financial Plan 2019-2023.
** The use of reserves to support specific items are referred to in paragraph 27.1. This paragraph includes Corporate Uses and Other Repayments
*** The borrowing and repayment were from Highways PFI reserve as per Financial Plan 2019-2023. These were moved to FRR as part of the outturn 2019/20.

30.2. After taking account of planned contributions to and from reserves and balances, the position is expected as shown in Table 3.15 below.

Table 3.15 Reserves Position

Description	31/03/2020 £m	31/03/2021 £m	31/03/2022 £m	31/03/2023 £m	31/03/2024 £m
General Reserves and Balances					
Invest to Save Reserve	24.572	10.642	13.938	20.247	26.246
Corporate General Fund Balance	35.478	35.478	35.478	35.478	35.478
Financial Resilience Reserve Gross	83.122	77.212	72.212	68.212	65.212
Net Borrowing from Financial Resilience Reserve	(25.633)	(24.359)	(30.017)	(30.242)	(25.581)
Subtotal Financial Resilience Reserve	57.489	52.853	42.195	37.970	39.631
General Reserves and Balances	**117.539**	**98.973**	**91.611**	**93.695**	**101.355**
Earmarked Reserves					
Insurance Fund	7.867	9.867	11.867	13.867	15.867
Capital Fund	49.326	49.601	49.876	50.151	50.426
One-off resources from previous years	7.790	2.408	2.408	2.408	2.408
Cyclical Maintenance	13.786	16.876	19.966	23.056	26.146
Business Rates Volatility Contingency	21.301	20.333	21.076	21.076	21.076
Commonwealth Games Contingency Reserve	12.232	12.232	28.086	0.000	0.000
Waste Disposal Outage Contingency	0.000	2.000	2.000	2.000	2.000
Enhanced Operations CWG	9.103	9.103	4.103	0.000	0.000
Education & Skills PFI Reserve	3.383	3.785	4.597	5.829	7.490
Other Corporate Reserves	(2.073)	(1.341)	(0.598)	0.156	1.427
Other Earmarked Reserves	25.408	50.063	50.242	49.382	49.661
Total Earmarked Reserves	**148.123**	**174.927**	**193.623**	**167.925**	**176.501**
Reserves for budgets delegated to schools	36.955	36.955	36.955	36.955	36.955
Ring-fenced Reserves	**36.955**	**36.955**	**36.955**	**36.955**	**36.955**
Grant Reserves					
Highways PFI	229.173	249.173	249.173	249.173	249.173
Non Schools DSG	3.445	3.445	3.445	3.445	3.445
Other Grant Reserves	85.258	75.423	62.257	57.020	56.527
Grant Reserves	**317.876**	**328.041**	**314.875**	**309.638**	**309.145**
Overall Total	**620.493**	**638.896**	**637.064**	**608.213**	**623.956**

Note: Details of Other Earmarked Reserves can be found in Appendix D

31. Policy Contingency

31.1. Separate and distinct from reserves, the 2020/21 budget includes a Policy Contingency as detailed in Table 3.16 below. This will total £40.8m.

31.2. Policy Contingency is a budget that is held centrally and not allocated to services at the start of the financial year. It is retained to protect against unplanned expenditure and is held until requirements become clearer. The contingency will provide funding to meet the costs of certain decisions which may be taken during the course of the financial year. Allocations will be made to services only after the demonstration of need and subject to review by the Chief Finance Officer.

31.3. In addition to the specific items, and given the scale of the financial challenges facing the Council and the risks associated with the savings plan delivery, Birmingham has set aside £21.9m to help pump prime delivery of the modernisation programme, particularly in Social Care.

31.4. The unallocated General Contingency of £5.5m provides risk cover in the overall delivery and management of the budget in 2020/21. This is an increase of £2.9m over 2019/20.

Table 3.16 Policy Contingency

	£m
Loss of Income from Car Park Closures	0.252
National Living Wage	0.365
Autoenrolment in Pension Fund	0.300
Inflation Contingency	5.446
Highways Maintenance	0.500
Apprenticeship Levy	1.093
Commonwealth Games Project Team Costs	4.000
Short-term Improvement in the Council House	0.300
Corporate Funding for Owning & Driving Performance (ODP)Culture Change Programme	0.129
Modernisation Fund - Social Care	18.000
Modernisation Fund - Other	3.865
HR Additional Temporary Resources	0.300
Potential Additional Interim Staff	0.750
General Contingency	5.474
Total	**40.774**

CHAPTER 4: SCHOOLS' BUDGETS

1. Overview

1.1. Schools receive funding via a variety of different funding streams, the main ones being Dedicated School Grant (DSG), Pupil Premium, Education funding Agency (EFA) Post 16 Funding, Universal Infant Free School Meals, Teachers Pay Grant and Teachers Pension Grant.

1.2. DSG is the main funding stream for schools at £1,240.0m in 2020/21 and has seen an increase of £51.2Sm (£1,188.8m 2019/20). This is primarily to meet the demographic increase in pupil numbers and funding to meet the pressures in Special Educational Needs and Disability (SEND). The allocation of funding is governed and managed in conjunction with the Schools Forum.

1.3. Schools are expected to meet all the pay and inflationary pressures from within their budget allocations identified in paragraph 1.1

1.4. There are four main issues having an impact on the Council currently

- **DSG deficit**. An overall DSG deficit of £8.7m (excluding school balances) was bought forward from 2018/19 comprising a deficit of £16.0m on the High Needs budget block and a surplus of £7.3m on the other budget blocks. The Council forecast a net underspend of £0.9m at Period 9 on the DSG position for 2019/20, which represents a projected underspend of £2.2m on Early Years and a projected overspend on High Needs of £1.3m. The forecast deficit carried forward at the end of 2019/20 on DSG is £8.5m which includes a £0.7m adjustment to the growth fund.
- **High Needs budget pressures and increased demands**. Increased budget pressures have continued in Birmingham in 2019/20, which have been reflected nationally. In response in late 2019, the Government announced £700m additional funding for High Needs for which Birmingham will receive £26.6m. This will be applied to address the cumulative deficit carried forward at the end of 2019/20 over a three year period and also be used for investment in services in line with SEND modernisation plans. This should deliver more sustainable services going forward and meet SEND priorities
- **Increasing numbers and levels of school deficit balances**. Schools deficits remains a significant issue. For deficits which remain, a range of measures have been implemented to address this, which have been strengthened in 2019/20. Increased monitoring and challenge along with support has been established for schools with actual or emerging deficits. Persistent non-compliance in respect of overspending have resulted in financial warning notices being issued. A policy on potential clawback of surplus excess balances has also been introduced, approved by the School Forum. The Finance Governance Group, which has a specific focus on schools with deficits, has been

strengthened and is now chaired by the Director of Education & Skills. Delegated budgets can potentially be withdrawn from Governing Bodies or Interim Executive Boards

- **Write off of deficits for academy conversions**. A number of schools have converted to academy status under directive orders in 2019/20 which will result in expected deficit write offs in year of £5.8m. The Financial Plan 2019-2023 includes funding for deficits of £8.5m.

These points are covered in more detail in sections 3 and 5 below.

2. Summary of Funding

2.1. The total Dedicated Schools Grant (DSG) funding for Birmingham in 2020/21 of £1,240.0m, comes through four blocks of funding.

2.2. The Education Funding Agency (EFA) currently recoups £575.0m of the DSG allocation to directly passport to academies and free schools. The Council is responsible for the remaining budget of £665.0m, in conjunction with the local Schools' Forum. In addition, schools and academies receive direct funding allocations from the Department for Education (DfE) relating to Pupil Premium, Education Funding Agency (EFA) Post 16 Funding, and Universal Infant Free School Meals, Teachers Pay Grant and Teachers Pension Grant which totals £162.8m of which £79.5m relates to academies.

2.3. A summary is set out in Table 4.1 below.

Table 4.1 Schools Funding

	DSG	Pupil Premium	EFA-Post	Universal Infant FSM	Teachers Pay	Teachers Pension	Total
	£m	£m	£m	£m	£m	£m	£m
Schools Delegated	393.117	41.423	8.869	8.289	5.617	15.911	473.226
Early Years (includes central budgets)	91.145						91.145
High Needs (includes central budgets)	162.978						162.978
Central Schools Services	17.723	3.208					20.931
Sub Total - City Council	**664.963**	**44.631**	**8.869**	**8.289**	**5.617**	**15.911**	**748.280**
Academies & Other recoupment	574.999	48.693		5.600	6.575	18.652	654.519
Total	**1,239.962**	**93.324**	**8.869**	**13.889**	**12.192**	**34.563**	**1,402.799**

3. Review of Funding Formula

3.1. DSG is a highly prescribed and ring-fenced grant and is the primary source of funding that is delegated or allocated to schools and other educational providers for their revenue costs as well as funding certain prescribed centrally managed provision. The funding formula was substantially reviewed for 2018/19, which introduced the four main blocks of funding highlighted above. Consultation with schools in the Autumn term of 2017 supported the Council moving towards full implementation of the National Funding Formula and this has been implemented in 2020/21. The changes for 2020/21 are relatively minor and mainly technical in nature.

4. Academisation and School Deficits

4.1. There is continuing activity of schools converting to academy status either under directive orders or voluntarily.

4.2. Schools which are given a directive order to convert to Academy status and have a financial deficit at the point of conversion will have the deficit transferred to the local authority. In Birmingham this is funded through a combination of a DSG contingency of £0.7m, which is the first call, and the balance through resources freed up by the application of corporate capital resources to fund schools capital maintenance expenditure, subject to approval as part of the annual capital budget process. The DSG contingency is subject to agreement annually by the School Forum and is a reducing budget as schools convert to academy status.

4.3. Up to December 2019 there were fourteen schools with directive academy orders in 2019/20 of which ten had deficits. The expected deficit write off in 2019/20 is £5.8m. The balance of funding which is available for 2020/21 for deficit write offs is £3.5m. This should be sufficient to cover expected deficit write offs in that year, though an alternative funding strategy will be required for future years depending on the level of future deficits and timing of academy conversions.

5. Redundancy Costs Arising from Restructures

5.1. School staffing restructures often result in redundancy costs which need to be funded. The current arrangement in Birmingham is that pension strain costs are funded through individual school budgets, though other redundancy costs are funded by DSG (up to £0.8m) and the Council funds redundancy costs above this figure. A corporate budget of £0.7m is set aside for this purpose. Any cost above £1.5m would need to be funded by the Council.

6. High Needs Block and SEND

6.1. The increasing level of spend on High Needs and Special Educational Needs (SEND) is a national issue, which is also reflected in Birmingham. At the end of 2018/19 the accumulated deficit on High Needs was £16.0m and the expected deficit at the end of 2019/20 is £14.6m. In late 2019 the Government announced £700.0m additional funding for High Needs for which Birmingham will receive £26.6m. In addition to dealing with the cumulative deficit over a three-year period, the funding will be used for investment in the following priorities:

- Strengthening the local offer to reduce reliance on out of city placements
- Organising resources in four geographical areas linked to specialist provision and local area schools
- Adopting a local model for schools working in partnership with schools
- More targeted funding for special need services

- Invest in services which have maximum impact and represent value for money

7. Strategy for Achieving a Balanced Schools Budget

7.1. The DFE requires all Councils with a deficit in excess of 1% at year end to produce a Deficit Recovery plan. The overall deficit in Birmingham at the end of 2018/19 was less than 1%, therefore there was no explicit requirement to produce a deficit Recovery Plan. The forecast deficit at the end 2019/20 will also be less than 1%, though a significant pressure remains on High Needs. The additional national funding for High Needs, which is the main area relating to the deficit, will enable investment to drive more sustainable services and the write off of the deficit over a three year period.

8. External Support

8.1. As part of the support provided by non-executive advisers working in Birmingham, CIPFA have been engaged to give advice on certain areas within Education & Skills including school deficits.

CHAPTER 5: HOUSING REVENUE ACCOUNT (HRA)

1. Summary

1.1. The HRA Self Financing Framework was introduced from April 2012 (as part of the Localism Act 2011) and this required local authorities to maintain a long term HRA Business Plan.

1.2. The HRA Business Plan 2020+ sets out the immediate and long term financial plans and is underpinned by a number of key operational assumptions (relating to property, arrears, debt, and inflation and rent levels).

1.3. The HRA Business Plan 2020+ shows a balanced long term financial plan and incorporates the continuation of a long term debt reduction programme that commenced in 2015/16 (to match the expected life spans of existing properties), but at a slower rate than initially planned.

1.4. The national rent policy introduced from April 2015 resulted in rent reductions of 1% per annum over a 4 year period, ending in 2019/20. This will be followed by annual increases at CPI+1%, with rent convergence only taking place for new tenancies (full details of the rent setting policy are set out in a separate Cabinet Report considered on 11 February 2020). There is a rent increase of CPI +1% in 2020/21.

2. Background

2.1. The Council is one of the largest providers of social housing in Europe, managing approximately 60,000 homes, representing approximately 15% of the total housing available within the city.

2.2. The Housing Revenue Account is a statutorily ring-fenced account that deals with income and expenditure arising as a result of the Council's activities as a provider of social and affordable housing. The legislation requires that income and expenditure relating to the Council's provision of social and affordable housing must be accounted for within the HRA and that the proposed annual budget is balanced.

3. Strategic Overview and Context of Financial Pressures on the HRA

3.1. The HRA is under considerable service and financial pressure as a result of national and local policy changes and in particular the following issues are reflected in the HRA Business Plan:

- Impact of the Welfare Reforms and the introduction of Universal Credit – research conducted by the Association of Retained Local Authorities indicated that rent arrears increased in those areas where Universal Credit has been introduced. Currently over 20% of tenants are in receipt of Universal Credit, alongside over 50% tenants in receipt of housing benefit. The impact of the continued transition to Universal Credit in Birmingham is likely to be significant.

- The impact of the revised national rent policy (rent reductions of 1% per annum between 2016/17 and 2019/20) is estimated to result in a loss of HRA income in 2020/21 of approximately £40m.
- The Hackitt report identified recommendations in regard to both the physical aspects of building safety as well as how landlords work with their residents on fire safety matters. This will have a financial impact on capital investment requirements and the support that is provided to tenants.

3.2. There are statutory requirements to ensure that there is no cross-subsidy between the HRA and General Fund services (the "who benefits" principle – designed to ensure that Council tenants do not pay twice for the same service, through both Council Tax and Rents), that an annual balanced budget is set and that the service is sustainable and affordable in the long run based on the HRA Self-Financing framework.

4. Key Outcomes and Strategic Housing Service Objectives

4.1. The HRA Business Plan 2020+ is intended to support the following key strategic and Housing Service objectives:

4.2. Building New Homes and Maintaining our Stock

- Provision of new affordable housing to replace obsolete properties and provide a significant contribution to the Housing Growth Strategy with 2,220 new council homes being built and 1,457 obsolete properties demolished over the next ten years, with an associated investment of £471m.
- Investment to keep properties in their current improved condition (to ensure that the properties are not impaired) at an estimated cost of £612m over the next ten years. This will be achieved through the life-cycle replacement of property components (windows, heating, kitchens, bathrooms, roofs, electrical components)
- Completion of the Sprinkler System installation programme in 2020/21, with an estimated total cost of £31m over the 3 years from 2018/19.
- Discharge of statutory day to day repairs and maintenance obligations (including compliance with health and safety on annual gas inspections) with investment of £693m over the next ten years.
- Adaptations to properties to continue to promote independent living (an investment of £66m over the next ten years)

4.3. Local Housing and Estate Services

- There are big issues and challenges facing the HRA, with current and pending legislation impacting on the responsibilities of social landlords. The service is currently going through a major redesign to meet the current and future requirements for a modern service. This will include efficiency through reduced duplication and more joined-up services.

- Improvement in performance on rent collection and empty properties.
- Secure efficiencies in Business Support Services to ensure that scarce resources are not unnecessarily diverted away from front line service delivery and investment priorities

4.4. Rent Policy

- To ensure that the rent policy is consistent with the national rent policy of CPI +1%.
- To ensure that service charges are set at a level that reflects the costs of service delivery, whilst ensuring value for money for tenants and ensuring that charges are eligible for support through housing benefit wherever possible.

4.5. External Resource Generation

- Continuing to lobby for appropriate funding solutions for fire protection works in high rise flats, including the exploration of opportunities for partial funding from central government
- Maximising the use of retained Right To Buy (RTB) receipts and access to Homes England and West Midlands Combined Authority grant funding programmes to support and increase the new build housing programme.

5. HRA Business Plan 2020+ and Budget 2020/21

5.1. A summary of the HRA Self Financing Business Plan 2020+ is set out in Appendix L.

5.2. In summary, the Business Plan will ensure a continued sustainable and affordable long term financial plan for the housing service (sustained reduction in long-term debt and affordable rents) and the strategic financial issues are highlighted below:

- A balanced revenue budget over the next 10 years, achieved as a result of:
    - An increase in future rental income with the implementation of the national rent policy as set out above
    - A clear focus on maximised collection of rents from tenants, linked to the review and enforcement of tenancy conditions and continuation of the annual visits programme, despite the increasing pressures from the full roll out of Universal Credit

- The level of borrowing to be in accordance with the Prudential Code, with the level of debt required to be affordable and sustainable. The financial viability of individual schemes (including the affordability of any new borrowing that may be required) will continue to be considered as a part of the Full Business Case produced for each scheme or programme

- Re-phasing of the planned debt repayment and reduction programme to ensure a balanced overall position year on year. This re-phasing does however continue to deliver a reduction in total HRA debt, with the balance outstanding falling to £500m by 2042/43 and the achievement of a debt:income ratio of below 2:1 by 2035/36 compared to the current ratio of 4:1.
- Total HRA debt at 31 March 2020 is forecast to amount to £1,085m.
- Average borrowing per property of £18,000 in 2020/21, marginally increasing over the next 10 years; then decreasing annually, achieving below £10,000 per property by 2042/43 (effectively our average mortgage on each HRA property)
- Maintenance of adequate reserves and provisions for potential bad debts (estimated for 2020/21 at £34m including minimum balances of £5m and provisions for bad debts of £28m)

5.3. The comparison of the HRA budget for 2019/20 and the proposed budget for 2020/21 is set out in Table 5.1 below:

Table 5.1 HRA Budget 2019/20 and 2020/21

	2019/20 £m	**2020/21 £m**	**Change £m**	**Change %**
Repairs	61.697	65.023	3.326	+5.4%
Local Housing Costs	66.426	67.784	1.358	+2.0%
Bad Debt Provision	6.237	5.616	(0.621)	-10.0%
Estate Services Costs	18.296	19.777	1.481	+8.1%
Debt Repayment	18.234	13.601	(4.633)	-25.4%
Debt Financing Costs	51.615	52.801	1.186	+2.3%
Contbns for Capital Investment	51.249	54.747	3.498	+6.8%
Total Expenditure	**273.754**	**279.349**	**5.595**	**+2.0%**
Rental Income (net of Voids)	(248.455)	(253.794)	(5.339)	+2.1%
Other Income/Service Charges	(25.299)	(25.555)	(0.256)	+1.0%
Total Income	**(273.754)**	**(279.349)**	**(5.595)**	**+2.0%**

6. HRA Business Plan 2020+ – Short Term and Long Term Financial Evaluation

6.1. The revenue aspects of the HRA Business Plan 2020+ are summarised below:

Table 5.2 HRA Business Plan 2020+

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	4 Years £m	10 Year £m
Repairs	65.023	65.767	65.855	67.524	264.169	692.518
Local Housing Costs	67.784	66.280	67.814	69.357	271.235	730.636
Bad Debt Provision	5.616	5.631	5.367	5.024	21.638	43.356
Estate Services Costs	19.777	20.161	20.547	21.014	81.499	220.639
Debt Repayment	13.601	12.086	11.511	10.970	48.168	167.948
Debt Financing Costs	52.801	53.186	53.226	53.045	212.258	514.832
Contbns for Capital Investment	54.747	62.623	68.521	73.802	259.693	749.222
Total Expenditure	**279.349**	**285.734**	**292.841**	**300.736**	**1,158.660**	**3,119.151**
Rental Income (net of Voids)	(253.794)	(259.458)	(266.071)	(273.446)	(1,052.769)	(2,838.905)
Other Income/Service Charges	(25.555)	(26.276)	(26.770)	(27.290)	(105.891)	(280.246)
Total Income	**(279.349)**	**(285.734)**	**(292.841)**	**(300.736)**	**(1,158.660)**	**(3,119.151)**

7. Capital Programme

7.1. The capital expenditure plans for the council housing stock are set out in Table 5.3 below (including the major programmes and the financing of the expenditure). The capital investment strategy is based on ensuring that the properties continue to be maintained in their improved condition in order to promote strong and stable neighbourhoods and the provision of new social and affordable rented housing to meet the continuing demand and need for new homes.

7.2. Investment is required to enhance council dwellings' fire safety in response to the Hackitt report and to meet government guidelines. As well as the current Sprinklers programme, the programme includes installation of higher specification fire doors and replacement of window and balcony infill panels on high rise blocks.

Table 5.3 Capital Expenditure

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	4 Years £m	10 Year £m
Housing Improvement Programme	58.021	59.947	60.257	60.035	238.260	612.287
Adaptations	6.056	6.127	6.200	5.274	23.657	65.692
New Build and Regeneration	47.198	60.778	76.093	60.660	244.729	471.101
Fire Protection / Sprinklers	12.000	0.000	0.000	0.000	12.000	12.000
Other Investment	2.541	2.580	2.511	2.513	10.145	21.393
Total	**125.816**	**129.432**	**145.061**	**128.482**	**528.791**	**1,182.473**
Funded by:						
Revenue Contributions	(54.747)	(62.623)	(68.521)	(73.802)	(259.693)	(749.222)
Receipts / Grants	(38.237)	(39.105)	(28.215)	(32.611)	(138.168)	(288.058)
Prudential Borrowing	(12.158)	(5.531)	(26.689)	(14.768)	(59.146)	(67.509)
Other Resources inc Reserves	(20.674)	(22.173)	(21.636)	(7.301)	(71.784)	(77.684)
Total	**(125.816)**	**(129.432)**	**(145.061)**	**(128.482)**	**(528.791)**	**(1,182.473)**

CHAPTER 6: COMMONWEALTH GAMES

1. Background

1.1. The 2022 Commonwealth Games were awarded to Birmingham in December 2017, giving a lead in time to the Games of some 4½ years (it is more usual for the lead in time to be around 7 years). The Commonwealth Games will include the participation of more than 6,500 athletes and officials from up to 71 Commonwealth Nations and territories, with an expected influx to Birmingham of more than 400,000 unique visitors.

1.2. Whilst the Commonwealth Games sporting action will be centred in and around Birmingham, a number of events will be held at venues outside of Birmingham, including a new Aquatics centre in Sandwell, Mountain Biking at Cannock Chase, Lawn Bowls at the home of Bowls England in Leamington Spa, multiple sports at the NEC and Track Cycling at the Olympic Velodrome, in London's Queen Elizabeth II Park.

1.3. The funding of the Commonwealth Games overall is complex and includes a substantial contribution from commercial revenues. The remaining balance of costs are shared between Central Government and Birmingham City Council, with around 75% of costs net of commercial revenues funded by Central Government, whilst the balance of 25% of the net costs will be funded by Birmingham City Council including contributions from key local and regional partners, representing an investment of £3 from the Government for every £1 of local investment. Based on estimates at the time of the Commonwealth Games bid, the Council's contribution is estimated at a total of £184.6m.

1.4. In addition, the Council is required under the terms of the bid to provide a Commonwealth Games Village with sufficient capacity to accommodate a minimum of 6,500 athletes and team officials during Games Time, and will also incur further costs in delivering a range of services to the Games as outlined in the Host City Contract. These costs include, but are not limited to, the provision of suitable high-profile space for ticketing and merchandising, provision of a countdown clock in the lead up to the games and works required to roads, highways and footpaths for the Games.

2. Commonwealth Games Village

2.1. The Council will deliver a new housing development to be utilised as the Commonwealth Games Village in 2022, and then be converted to mixed tenure housing thereafter. The Village will be located on the former Birmingham City University site in Perry Barr and seeks to provide accommodation for at least 6,500 athletes and officials during the Commonwealth Games, which will be converted into over 1,400 residential dwellings afterwards. This will include social and affordable housing, an extra care facility, properties for sale and properties for rent at market rent levels.

2.2. This development will also deliver substantial improvements to transport and wider infrastructure around the Perry Barr area, including improvements to the local train station and bus interchange, the provision of a SPRINT bus corridor and infrastructure between Birmingham and Walsall, and substantial remodelling of road layouts.

2.3. The costs associated with delivery of the village are seeing substantial inflationary pressures as a result of both the high levels of activity in and around Birmingham and the constrained timescales for delivery of the Village. As a result of these cost pressures it is no longer possible to fully deliver the Village in the way originally envisaged within the previously identified cost envelope of £492.6m. This is as identified in the Full Business Case (FBC) for the Village that was approved on 6 June 2019.

2.4. A detailed review of options to ensure delivery of the requirements as set out in the Host City Contract is under way, with the scope of this review including consideration of alternative funding opportunities as well as a review of scope. A revised FBC for the development will be presented for consideration by Cabinet in the near future, which will set out the full details underpinning this major investment. Substantial progress has already been made in the delivery of the programme, with in excess of 80% of the land required now in Council ownership and the remaining holdings due to be vested under the terms of a Compulsory Purchase Order (CPO) granted in September 2019. In addition, contracts are in place for the construction of a substantial proportion of the residential accommodation required for Games Time, with all accommodation scheduled to be handed over to the Organising Committee by 31 March 2022.

3. Council Contribution to Organising Committee Costs

3.1. The overall budget for the Organising Committee (the Games budget) was approved by Government in June 2019, in line with the estimated costs as set out in Birmingham's bid for the 2022 Commonwealth Games. As a part of this approval, Birmingham City Council's 25% share of the budgeted Organising Committee costs was confirmed to amount to £184.6m. At this stage in the delivery of the Games, the Organising Committee is continuing to forecast a balanced budget, and it should also be noted that the Council is seeking to cap its financial liability at this value in the unlikely event that overspends do emerge.

3.2. The Council's contribution (including Partner Contributions) will be delivered through the funding of Capital expenditure in the first instance, with a balancing contribution to revenue costs in the final year, in order to achieve the required overall 25% net contribution. These contributions are the subject of a number of funding agreements with Games Partners that set out the detailed arrangements for funding individual projects and ensure that all contributions made by the Council are properly recognised as costs associated with the Commonwealth Games.

3.3. The overall estimated capital costs to the Council and associated funding are set out in Table 6.1 below. It should be noted that these costs exclude costs associated with the Village, expenditure required on enhanced City

Operations during Games Time or the costs of the Council team responsible for Games delivery.

Table 6.1 Capital Costs of Commonwealth Games

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Capital Expenditure						
Alexander Stadium	1.552	4.376	37.134	29.296	0.000	72.358
Sandwell Aquatics Centre	0.000	2.448	16.921	16.920	0.000	36.289
Other (including Public Realm and OC Costs)	0.000	3.013	11.012	5.782	0.739	20.546
Contingency		1.134	7.527	6.852	0.896	16.409
Total Capital Expenditure	**1.552**	**10.971**	**72.594**	**58.850**	**1.635**	**145.602**
Capital Funding						
Borrowing	0.000	0.000	(29.078)	(20.922)	0.000	(50.000)
Corporate Capital Resources	(1.552)	(10.971)	(7.177)	0.000	0.000	(19.700)
Partner Capital Contributions	0.000	0.000	(36.339)	(37.928)	(0.733)	(75.000)
Revenue Contributions	0.000	0.000	0.000	0.000	(0.902)	(0.902)
Total Capital Funding	**(1.552)**	**(10.971)**	**(72.594)**	**(58.850)**	**(1.635)**	**(145.602)**

3.4. The estimated revenue costs to the Council are set out in Table 6.2 below.

Table 6.2 Revenue Costs of Commonwealth Games

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Contribution to OC Budget	2.156	0.000	0.000	0.000	36.822	38.978
Contributions To / (From) Reserves	2.832	9.400	0.000	15.854	(28.086)	0.000
Revenue Contributions to fund Capital Programme	0.000	0.000	0.000	0.000	0.902	0.902
Contingency	0.000	0.000	0.000	0.000	1.120	1.120
Total Revenue Expenditure	**4.988**	**9.400**	**0.000**	**15.854**	**10.758**	**41.000**
Partner Revenue Contributions	0.000	0.000	0.000	0.000	(1.000)	(1.000)
BCC Revenue Contributions	(4.988)	(9.400)	0.000	(15.854)	(9.758)	(40.000)
Total Revenue Funding	**(4.988)**	**(9.400)**	**0.000**	**(15.854)**	**(10.758)**	**(41.000)**
Net Revenue (Surplus)/Deficit	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

3.5. The Organising Committee's costs include a number of major capital projects (principally relating to the Alexander Stadium and a contribution the costs of construction of a new Aquatics Centre in Sandwell), as well as substantial revenue costs closer to Games Time relating to the planning and operation of the Games themselves.

3.6. The Council's overall proposed capital contribution amounts to £145.6m, of which £72.4m relates to the refurbishment of the Alexander Stadium, with the balance of £73.2m covering contributions to the Aquatics Centre, capital elements of security expenditure, capital investment required to other venues and capital contingencies.

3.7. The refurbishment of the Alexander Stadium will deliver an athletics stadium with a capacity of 40,000 during Games Time, reducing to around half this level subsequently, together with a 6-lane 400m warm up track, community facilities and substantial commercial space opportunities, to deliver a sustainable Stadium operation and ensure a lasting legacy post-Games. Planning consent was granted for this development on 30 January 2020, and contracts are expected to be let for the main construction phase of the project in February / March 2020, with works commencing in April 2020.

3.8. Funding for the overall capital contribution is anticipated to include partner contributions totalling £75.0m of which £54.0m has already been secured, together with prudential borrowing of £50.0m, existing Council capital resources of £19.7m and a balance of £0.9m to be funded through revenue contributions.

3.9. The Council's balance of contributions, anticipated to total £39.0m, is not directly attributable to individual projects or elements of the Organising Committee's costs, but will instead represent a general contribution to their overall costs, including security provisions being delivered through the West Midlands Police. The Council is continuing to explore alternative funding arrangements for this contribution, a specific revenue reserve is being created for this purpose, that will contribute towards meeting these funding liabilities as they fall due, with the majority of expenditure anticipated to be incurred in 2022/23.

4. Direct Council Revenue Costs

4.1. As would be expected for a major project of this scale, the Council has put into place a dedicated project team to exercise BCCs obligations under the Host City Contract, manage the overall programme and to manage relationships with key stakeholders, including the Organising Committee, Commonwealth Games Federation, residents and central government. The size and composition of this team will evolve as the programme progresses, with the total costs of the team from bid to conclusion of the Games estimated as being up to £15m. The timing of costs being incurred, and the adequacy of this initial provision will continue to be robustly monitored and managed through the period to 2022.

4.2. In addition to the above costs, the Council will also incur operational costs during the Games themselves (these may include additional costs associated with street cleaning, traffic management etc. as a result of the increased numbers of spectators at specific venues). Details of the extent of such additional costs will be fully developed in the lead-up to the games but are anticipated to be substantially funded through "business as usual" budgets in the first instance, with only genuine additionality that cannot be absorbed into day-to day costs being funded as a part of the Commonwealth Games programme. The full detail of these additional costs has not yet been confirmed, but an indicative estimate is that the total costs may be in the region of £15m. The costs have been mitigated by a £9.1m use of reserves generated from underspends identified within the 2019/20 budget.

CHAPTER 7: CAPITAL STRATEGY AND PROGRAMME

1. Summary

1.1. This capital strategy sets out the main influences for the capital programme, and how the available resources have been used to meet the Council's key priorities. It sets out the planned use of borrowing, including treasury management activity, and how capital risks are managed.

1.2. The capital strategy has been prepared having regard to CIPFA's Prudential Code and Treasury Management Code.

2. Objectives

2.1. The overall objective of the Council's Capital Strategy and Programme is for capital investment to support the Council Plan priorities. This will be achieved by:

- Integrating capital budget decisions into the Council's annual, medium and long term planning process, so that capital investment decisions are prioritised alongside plans for revenue income and expenditure, as well as plans for assets including the Council's land and buildings and liabilities including the prudent use of borrowing;
- Co-ordinating the management of capital through the Capital Board, which oversees a 'one Council' strategic approach to capital management.

3. Strategic Context

3.1. The drivers of the Council's capital programme are complex, and bring together many aspects of the Council's service and financial planning. This is driven particularly by the Council Plan, which sets out the Council's planned outcomes and priorities for the medium term. These have been the strategic drivers in the development and prioritisation of capital proposals as described below.

3.2. Key drivers of capital investment include:

- The Council's property, plant and equipment is valued at over £5.8 billion in its accounts. Reforming this portfolio to be fit for the Council's future needs and service delivery models is a key focus of the property strategy described in section 5.3 below
- The Council's schools estate continues to evolve rapidly under the influence of academisation and other national policies, but it remains a sizeable asset portfolio, and the Council has a duty to ensure there are sufficient school places
- Economic regeneration and transport remain a key priority for the city's future prosperity, and the proposed HS2 rail terminal at Curzon Street

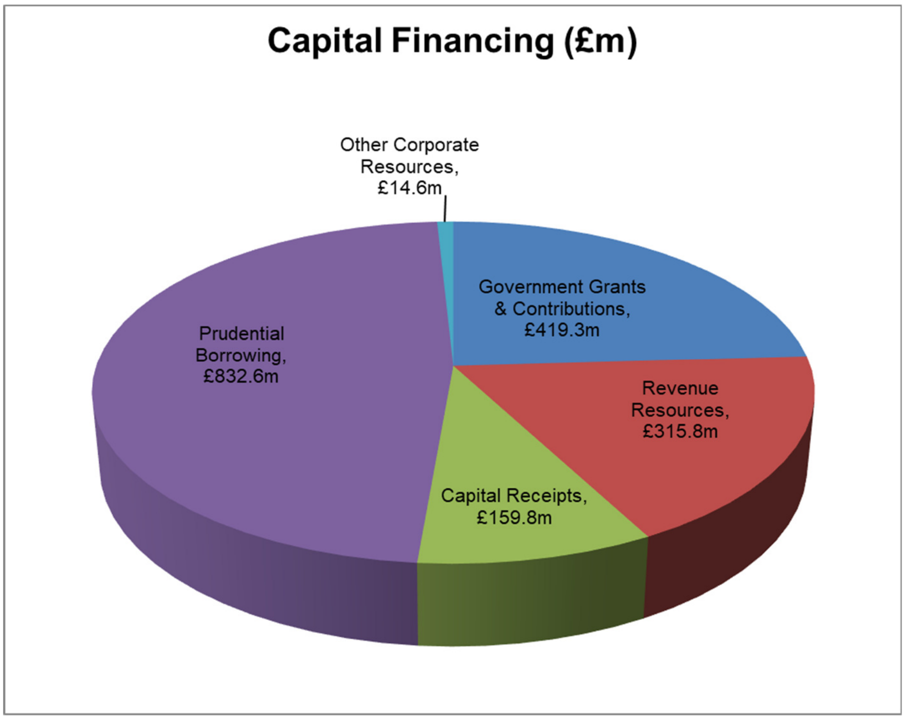
station represents a major opportunity which forms part of the city's Enterprise Zone

- Meeting the housing needs of Birmingham remains a major priority, both within the Council's HRA, and through its support for other housing development both for sale and for private rented accommodation
- The Commonwealth Games is a significant opportunity for Birmingham which is a key priority for the next few years, as described in Chapter 6

3.3. These key capital and infrastructure needs for the coming years cannot be delivered by the Council on its own. Partnership working is an essential part of addressing these needs and is reflected in many of the Council's capital plans.

4. Capital Resources

4.1. Resources of £1,742.1m have been identified to fund the four year capital programme from 2020/21 to 2023/24, summarised as follows:



4.2. A significant part of the Council's capital resources can only be used for specific and designated purposes. These are referred to as specific resources. This includes capital grants and contributions of £419.3m, revenue resources of £315.8m (including HRA revenue resources of £254.9m) and HRA capital receipts of £138.0m. Cabinet may approve additional budgets funded by additional external resources.

4.3. Some capital resources are available without significant restrictions, and the Council has more freedom to allocate these towards its own priorities as set out in the Council Plan. These are referred to as corporate resources, and comprise mainly capital receipts from asset sales and borrowing under the prudential system of capital finance for local authorities.

4.4. Corporate resources of £869.0m have been budgeted for use to finance the capital programme over the coming four years. This includes the use of prudential borrowing and capital receipts from asset sales. Revised or additional capital budgets funded from corporate resources may be approved by Cabinet, however additional prudential borrowing must be approved by full Council if the borrowing costs are not funded by additional income, savings or budget virements. No substantial increases in prudential borrowing or the use of capital receipts will be agreed outside of the annual budget process.

4.5. The Council's capital financing plans seek to make use of available resources in the most efficient way, including borrowing in accordance with the Prudential Code for local authority capital finance. £832.6m of prudential borrowing is included in the four year capital plans, within the framework and policies set out in this capital strategy, further described below.

4.6. Final decisions on the funding of the capital programme will be taken by Cabinet in the Outturn report after the end of each financial year.

4.7. A breakdown of the resources used in financing the capital programme is at Appendix Q1. Further details of all capital grants are shown in Appendix Q2.

5. Capital Strategy

5.1. In the above context of needs and resources, the Council has developed the following policies and high level processes to ensure the effective management of capital (arrangements are set out more fully in Appendix M):

- The management of capital will be overseen by the Capital Board, through strong governance and assurance processes for capital planning, capital appraisal and approval, project management, and capital monitoring and review. Executive decisions will be made in accordance with the Council's constitution
- Revised or additional capital budgets may be approved by Cabinet, within the constraints of the Council's constitution and its Prudential borrowing limit. No substantial increases in prudential borrowing or the use of capital receipts will be agreed outside of the annual budget process
- CIPFA's Prudential Code and Treasury Management Code have been adopted by the Council
- All use of capital resources, including capital receipts, will be prioritised across the Council as a whole in relation to the Council's key priorities
- The use, re-use, and disposal of the Council's land and buildings will be managed by the Property and Assets Board to secure best value for the Council's priorities

- The Council will encourage community engagement in the operation of properties in support of specific key priorities, and will commission community asset transfers where appropriate
- The Council will manage its use of borrowing in accordance with CIPFA's Prudential Code. A prudent policy for debt repayment is set out in the Minimum Revenue Provision policy at Appendix T. General Fund borrowing costs (including interest and repayment charges) in 2020/21 represent 30.0% of the net revenue budget, which reflects a substantial investment in capital but reduces the resources which would be otherwise available for other revenue priorities. In order to ensure that borrowing remains at an affordable and sustainable level, the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment (i.e. MRP). Borrowing for the Commonwealth Games is an exception to this policy, but this is mostly planned to be repaid from the sale of the Games Village after the Games.

5.2. Capital priorities for new projects and programmes have therefore focussed on the following areas:

- Council Plan driven expenditure which may be funded from external grants and contributions, especially where it supports key priorities
- Statutory requirements and other legal commitments
- Proposals which support revenue savings, income or service modernisation
- Projects also need to demonstrate that they represent value for money and are deliverable at an appropriate risk.

Property Strategy

5.3. The Council's Property Strategy was approved by Cabinet in November 2018. The Property Strategy provides a long term strategic approach to the management of the Council's real estate. It aims to maximise commercial and social returns by re-aligning the property assets, ensuring they act as a catalyst for development and inclusive economic growth and underpin the social fabric of communities across the city. In order to achieve this vision the Strategy divides the existing property assets in to four key themes:

- Commercial properties – this income earning portfolio focuses on increasing efficiency by selling underperforming properties and reinvesting the proceeds to maximise returns within a balanced and prudent risk management strategy
- Growth and Development – focusing on key growth areas, land and buildings will be utilised as catalysts for development and regeneration to deliver new homes and jobs

- Community – supporting community organisations to deliver Council's core objectives, encouraging independent social cohesion using sport, culture and third sector neighbourhood activities
- Operational – efficient and rationalised buildings to support the provision of modern 21st century Council services.

Commercialisation Strategy

5.4. The Council's Commercialisation Strategy focusses on "*Taking a business-like approach in every service, every day – making every £ count for Birmingham*". This recognises that to maximise performance 'commercial thinking' needs to be embedded across the organisation. To support this, the Council has created a Commercial Hub within Finance and Governance to support the identification of commercial opportunities across the Council and to lead on and support activities related to commercialism which will enable the facilitation of an organisation-wide behavioural change.

5.5. The Council's risk management approach recognises that currently the Council has low to moderate ability and appetite to take significant new risks, in light of the existing financial challenges and risks the Council is currently managing. A combination of Finance, Legal and the Programme Management Team (PMO) provide governance structure and operate key roles in ensuring that where risks are taken they are fully understood and proactively managed.

5.6. Investment in loans, shares and commercial property plays a significant part in a more commercial approach to the Council's activities, including its working with business and community partners. The Service and Commercial Investment Strategy at Appendix P sets out the investment activity and risk management processes which support this agenda. A low-risk policy towards investments is proposed, with a limit on the size of the overall financial investment portfolio at £326m.

6. Capital Programme

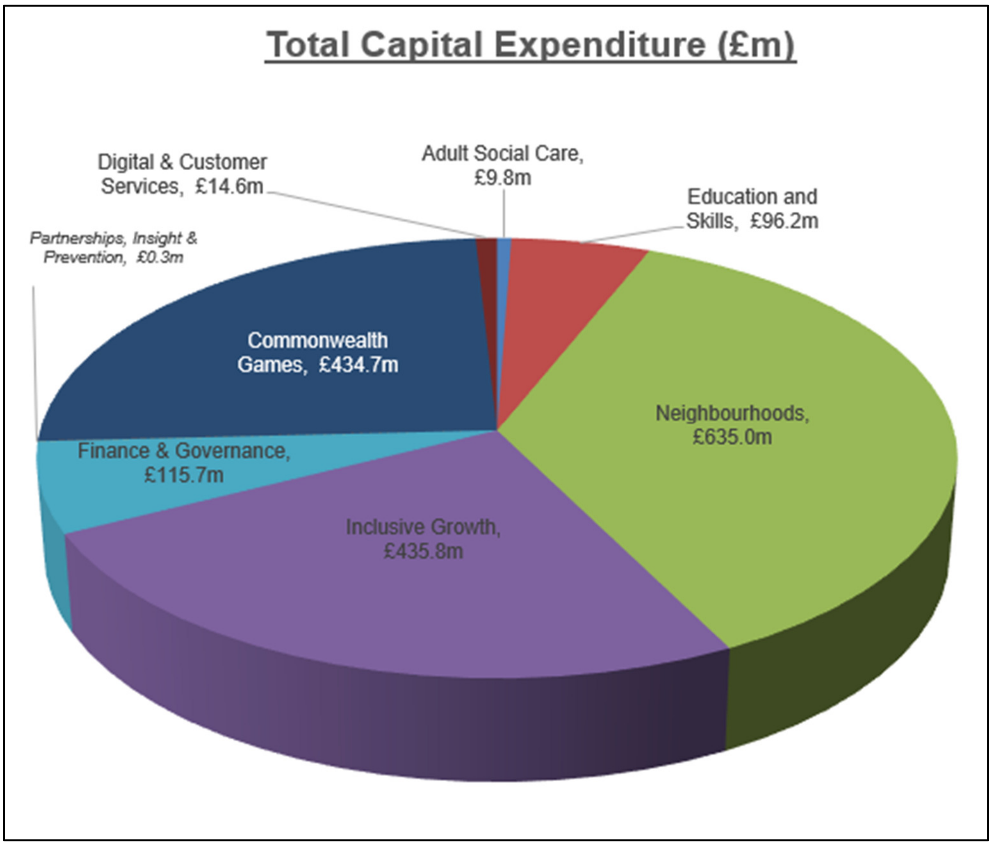
6.1. Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £710.1m in 2020/21 and £1,742.1m over the four-year period. This includes:

- Investment in Council housing through the HRA of £528.8m
- £301.7m (in the four year period) on the Commonwealth Games village and related infrastructure in the Perry Barr area
- £217.2m on roads and transport infrastructure
- Continuing commitment to the funding of development in the Enterprise Zone totalling £113.5m over the next four years, including investment to enable Birmingham to get the most out of the HS2 Curzon railway station
- Major investment in education and schools of £96.2m

- £80.1m for the Waste Management Service Strategy including replacement vehicles
- Spend of £66.4m in relation to the Alexander Stadium, and a further £66.6m of capital in support of other Commonwealth Games capital expenditure is assumed in the four year plan period
- £48.5m investment in private rented housing through InReach, the Council's private rented property company.

6.2. New projects and priorities have been identified through the Council's financial planning process and added to the capital programme. These total £124.0m and are set out in Appendix R3. Further budgets funded from Government allocations of capital grants (for example for schools and transport) will be added to the programme when the allocations are known.

6.3. The updated Capital Programme for £1,742.1m for the next four years is therefore as follows:



6.4. Appendix R1 provides further details of the capital programme, including a summary of the projects included and the budgeted use of capital receipts and fund disposal costs. Appendix S shows a longer term ten year view of identified capital plans, consistent with the Council's Long Term Financial Plan.

6.5. A General Fund capital policy contingency of £45.5m has been included in this budget in order to manage unexpected needs arising during the financial year before the next annual budget process. The use of the contingency will be managed by the Capital Board and approved in accordance with the Council's constitution.

6.6. Much of the capital programme is delivered through partnership working, especially with the West Midlands Combined Authority (WMCA) and the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP). The Council acts as Accountable Body for the GBSLEP, and carries out significant prudential borrowing in support of the Enterprise Zone (EZ), with financing costs being funded by Business Rates growth within the EZ. This is controlled through Financial Principles agreed by the LEP with the Council.

6.7. Capital receipts are also used to finance debt repayment in accordance with the Council's MRP policy, and to meet Equal Pay settlements. The financial implications of the funding of Equal Pay settlements have been included in this Financial Plan. This takes account of borrowing costs and requirement for the use of capital receipts to partially fund Equal Pay settlements.

7. Debt and Treasury Management

7.1. Local authorities are required by law to set an overall limit on their debt outstanding, including loans and other long term liabilities. This 'prudential limit' may not be exceeded, so the Council's proposed limit allows for risks, uncertainties, and potential changes during the year which may need to be accommodated within this overall limit. On this basis, the Prudential Limit for Debt has been set at £4,500.0m for 2020/21, £4,600.0m in 2021/22, £4,400.0m in 2022/23 and £4,300.0m in 2023/24.

7.2. The limit is calculated as follows:

Table 7.1 Forecast Debt and Authorised Prudential Limit Based on the Current Capital Programme

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Forecast opening gross loan debt	3,208.8	3,831.8	3,913.4	3,750.5
Capital expenditure financed from borrowing				
- Self Funded	248.4	159.0	123.8	56.6
- Requiring budget support	115.3	56.5	48.0	25.4
Other cash flows	395.8	7.1	(201.5)	(36.0)
Less loan debt revenue repayment provision	(136.5)	(141.0)	(133.2)	(143.5)
Forecast closing gross loan debt	**3,831.8**	**3,913.4**	**3,750.5**	**3,653.0**
Closing PFI and similar debt liabilities	415.5	396.7	373.4	348.2
Forecast closing debt (loans, PFI, etc)	**4,247.3**	**4,310.1**	**4,123.9**	**4,001.2**
Allowance for planned cashflows, day to day fluctuations and other potential borrowing	252.7	289.9	276.1	298.8
Authorised Prudential Limit for Debt	**4,500.0**	**4,600.0**	**4,400.0**	**4,300.0**
Analysis of forecast closing debt:				
General Fund Debt	**3,150.2**	**3,219.5**	**3,018.2**	**2,891.7**
HRA Debt	**1,097.1**	**1,090.6**	**1,105.7**	**1,109.5**

7.3. Appendix Q3 analyses planned prudential borrowing between projects which are self-financed through additional income or savings, and projects whose borrowing requires additional budget support. The Council's revenue budget includes provision to meet the net cost of all the above borrowing.

7.4. The CIPFA Prudential Code expects local authorities to consider and approve a number of 'prudential indicators'. These relate to the capital programme generally as well as borrowing, and are set out in Appendix U.

7.5. The Council's debt liabilities and its investments arising from day-to-day cashflows need careful management in order to manage the costs and risks. This is the subject of the Council's Treasury Management Strategy and Policies, which are set out at Appendix N and O.

8. Management of Guarantees and Partnership Finance Risks

8.1. The Council has entered into financial guarantees and other obligations which are subject to risk management arrangements.

8.2. The Council has guaranteed £73m loan debt issued by NEC (Developments) plc, which since the sale of the NEC Group has been a wholly owned subsidiary of the Council. The value of this liability is reflected in the Council's own debt and is managed as part of treasury activity.

8.3. The Council has also provided guarantees in respect of staff TUPE'd to external bodies and who have retained membership of the Local Government Pension Scheme (LGPS) to the West Midlands Pension Fund for pension deficits and to some of the external bodies in respect of changes to contribution rates. To minimise the risks to the Council, external bodies may be required to take out a bond, payable on any default. The assessed residual risk has been recognised in the Council's financial statements.

8.4. The Council is a constituent member of the WMCA. Participating authorities share an exposure to any unfinanced revenue losses of WMCA, including debt finance costs. The Council and other member authorities support WMCA's capital investment plans, which include substantial prudential borrowing (subject to revenue funding support). This exposure is managed through the authorities' voting rights in WMCA including approval to its annual revenue and capital budget.

8.5. The Council participates in other joint ventures and companies. The Council may give letters of assurance in support of these activities and any assessed risk is accounted for in the Council's financial statements.

CHAPTER 8: SECTION 25 REPORT – ROBUSTNESS OF ESTIMATES

1. Executive Summary

1.1. In preparing the Budget and MTFS for 2020/21 a number of processes have been put in place to ensure that the budget is achievable and sustainable and that services can be delivered within the anticipated available funding.

1.2. In order to provide assurances that the budget estimates are robust the Interim Chief Finance Officer has had regard to the following factors:

- The available resources (support from central government and locally raised income).
- Progress in delivering previous budget decisions.
- The deliverability and sustainability of the budget decisions that will be taken in the proposed budget.
- The anticipated budget pressures arising from demand-led services.
- The forecast impact of inflation and anticipated pay awards.
- The financial standing of the Council and the effectiveness of the financial management arrangements in place.
- The affordability and sustainability of the capital expenditure and investment plans arising from the Council's Capital Programme.

1.3. In order to provide that reasonable assurance the Interim Chief Finance Officer has had regard to a number of factors as part of the budget planning process and these are set out in the report.

2. Information

2.1. Under Section 25 of the Local Government Act 2003, the Authority's Chief Finance Officer is required to report on the robustness of the estimates made for the purposes of the Council's annual budget. This will also extend to the assumptions contained in the Council's Medium Term Financial Plan (MTFP) and the financing and resourcing assumptions set out in the Capital Programme.

2.2. Section 25 (2) of the 2003 Act requires the Council to have regard to this report in approving the annual budget and setting the Council Tax.

3. Robustness of Budget Estimates

3.1. Budget estimates are estimates of spending and income made at a point in time. Consequently, this statement cannot give a guaranteed assurance about the budget, but can provide Members with reasonable assurance that the budget is based on the best available information and assumptions.

4. Financial Management

4.1. The budget estimates reflect the Council's statutory requirements to deliver services and also the priorities within the Business Plan.

4.2. To deliver a balanced budget for 2020/21, savings decisions have been made which total £22.1m, of which £6.5m are new savings. Over the period of the MTFP a total of £56.0m of savings are planned.

4.3. The 2020/21 budget process has identified various categories of budget pressures and these have been built into the budget estimates presented in the Budget Report 2020/21. The budget estimates have been adjusted to reflect the impact of the Local Government Finance Settlement 2020/21.

4.4. In recent years the Council's ability to deliver its savings programme has been challenging. However, there has been progressive improvement over the last four years which would be expected to continue in the future.

	Planned Savings	Savings Non-Delivery	
	£m	£m	%
2016/17	88.2	55.8	63%
2017/18	70.9	22.6	32%
2018/19	52.9	10.1	19%
2019/20*	46.2	6.3	14%

5. Review of Budget Decisions

5.1. In assessing the robustness of the budget decisions contained in the 2020/21 budget the Council has an improved protocol based on the following processes:

- Peer review by finance staff and the preparation of a risk analysis of budget savings decisions.
- Monthly budget monitoring during 2019/20 which allows budgets to be re-aligned with anticipated demand in 2020/21 and future years.
- Monthly monitoring both by the Corporate Leadership Team, Cabinet Members and Scrutiny on the delivery of previous budget decisions with detailed progress reports to management teams and Cabinet.
- Detailed projections of social care demographic and price pressures.
- Review of the budget by the Corporate Leadership Team
- Review by Directorate Leadership Teams of the proposed savings and their achievability.
- Review of the levels of unsupported borrowing in the capital programme and the level of capital receipts available to fund revenue transformation costs.

- The Chief Finance Officer providing advice throughout the process on robustness, including underlying financial assumptions, inflationary factors, no unallocated savings and reflecting current demand and service standards (unless standards and eligibility are to be changed through a change in policy); and
- Scrutiny by the Resources Overview and Scrutiny Committee

5.2. Notwithstanding these arrangements, which are designed to test the budget throughout the financial year, considerable reliance is placed on service managers having proper arrangements in place to identify issues early, project the likely demand for services, and consider value for money and efficiency. Each budget savings decision is monitored on a monthly basis and alternative budget savings plans are developed to bridge any gaps.

5.3. A key part of improving these processes is to develop data and information to monitor service volume and unit costs and track changes in both. This will be further strengthened through the establishment of Modernisation programme. This will also assist in the preparation of future MTFPs.

6. Available Funding

6.1. The budget estimates contain the most up-to-date assessment of anticipated central government support.

6.2. As central government support has fallen so the Council has become more reliant on locally generated income from Business Rates and Council Tax. In terms of Business Rates, the key risk to business rate income arises from the level and unpredictable nature of business rate appeals. A new appeal system was introduced from 1 April 2017 and any appeals are monitored including any national judgements that may impact on Business Rates income. The budget estimates for business rate income are therefore based on a prudent and best assessment of the information available at the time.

6.3. For Council Tax, the budget estimates assume a level of income based on the anticipated Council Tax taxbase for the year. The Council Tax taxbase is determined with regard to the number of properties in the city and the number of associated reliefs and exemptions together with the assumed numbers of residents benefitting from the Council Tax support scheme. The taxbase is dynamic but the budget estimates for 2020/21 are based on the best and prudent assessment of Council Tax income for 2020/21.

7. Impact of Previous Year's Budget

7.1. Throughout 2019/20, regular budget monitoring reports have been presented to both Cabinet and the Resources Scrutiny Committee. The latest monitoring report (Month 9) anticipates a budget surplus position of £1.5m on the General Fund at year-end, after the drawdown of earmarked reserves. Forecast budget overspends are identified of £3.9m across the Directorates primarily arising within Neighbourhood services (£14.6m) which service managers will seek to contain. As at month 9 these forecast budget overspends can be fully mitigated by corporate savings and the drawdown of reserves. Any further deterioration in the forecast overspend position up to the year-end that can not be mitigated by underspends will be funded from the working balances in 2019/20 and these would have to be fully reinstated in 2020/21.

7.2. Any surplus or deficit on the ring-fenced Dedicated Schools Grant (DSG), after the use of earmarked reserves, will be carried forward to 2020/21 in accordance with relevant grant conditions.

8. Inflation and Pay Pressures

8.1. The budget contains provision for specific contractual and other inflationary pressures arising from pay awards. These provisions are based on the best information available at the time and the anticipated outcome of pay negotiations. The budget also contains some provision for general price inflation, particularly relating to utilities, and it is anticipated that services will have to manage any inflationary pressures that arise above those provided for. Contracts are also reviewed and provision for known significant contractual changes are made.

8.2. The impact of pay and price inflation is monitored during the year as part of the budget monitoring process.

9. Capital Programme and Investment Decisions

9.1. The Prudential Code recommends that Chief Finance Officers report on the affordability and risk associated with the capital strategy. The capital programme is fully financed from a combination of existing resources, external grants and contributions, capital receipts, and an affordable level of borrowing.

9.2. The Capital Strategy at Chapter 7 prioritises the use of external grants and funding where possible to support Council Plan priorities. Capital receipts assumptions are based on a prudent assessment which uses a risk-weighted forecast of expected capital receipts from asset sales and other sources.

9.3. The Council has a relatively high level of borrowing compared with most other authorities, but the policy set out in the Capital Strategy and Appendix M is that the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside from revenue account each year for debt repayment. Borrowing for the Commonwealth Games is an exception to this policy, but this is mostly planned to be repaid from the sale of the Games Village after the Games.

9.4. The Council's debt repayment policy at Appendix T results in a strong debt repayment profile, which is illustrated in the Treasury Strategy Appendix N Figure N.5.

9.5. The Council manages capital risks through its business case appraisal and approval arrangements, and through regular capital and treasury monitoring. A capital contingency has been provided within the budget to address risks arising in the year, including the need for expenditure on unforeseen priorities and pressures. Capital risks have also been taken into account in assessing the adequacy of reserves in Chapter 9 and Appendix E.

9.6. The Council's commercialisation Strategy is addressed in the Capital Strategy and recognises a low to moderate appetite for taking commercial risk. In relation to financial and commercial property investments specifically, the Council's commercial and financial investment strategy at Appendix P sets out a low risk appetite. Treasury management risks are managed through the Treasury Management Strategy and Policy at Appendix N and O.

10. Management of Risk

10.1. The Council manages risk on an on-going basis. The Council has well established procedures in place to identify and anticipate risks. These processes form part of the budgetary control framework and are underpinned by the Council's governance arrangements culminating in the Annual Governance Statement and supported by Internal Audit.

10.2. Having regard to these control processes the possibility of unanticipated budget issues is mitigated as far as possible. However, the Council provides a wide range of services and the on-going nature of demand-led service pressures in social care combined with the recent changes in local government finance present an on-going challenge.

10.3. The main risks that have been identified are anticipated to arise from:

- The underlying economic outlook which may impact on increased demand for services, may lead to market failure, create strain on the Council's income streams, and impact on interest rates.
- The impact of major reductions in Government and European funding.
- The impact of legislative changes and new burdens including the significant transfer of risk to Local Government through 100% Business Rates retention and the reliance on locally raised income.
- The delivery of budget savings and efficiencies, which is on course, but remains challenging.
- Managing the Capital Programme to achieve the policy objective of reducing the revenue impact of prudential borrowing, particularly for those schemes were no revenue savings or additional income exists.
- The delivery within budget of key highways, schools and regeneration capital schemes.
- The impact of Brexit.
- The possibility of legal challenge including judicial review arising from Council decisions with regards to the delivery of statutory services.

10.4. To manage the possibility of unanticipated budget pressures, and to mitigate the impact of the risks identified above, the Council has undertaken a full risk-based review of its Reserve requirements. This review is contained in the Adequacy of Reserves Report that is elsewhere on this agenda.

Table 8.1 Analysis of Robustness of Revenue Estimates

Budget Assumption	**Financial Standing and Management**
1. The treatment of growth pressures	Major demand and price factors affect the 2020/21 and future years budgets include 2019/20 budget pressures continuing into 2020/21 and future years. There are a number of budget pressures, identified through the 2019/20 budget monitoring process that will continue into future years. These include the significant demand and cost pressures primarily within children's social care and Neighbourhoods Directorate, which are documented in the monthly budget monitoring reports to Cabinet and management teams. There is also the risk of organisations going into bankruptcy which impacts on the capacity of the market to deliver on service and price. The 2020/21 budget forecasts have therefore been informed by 2019/20 budget monitoring reports which have been reported to Cabinet and Scrutiny through the year.
2. The treatment of inflation	Pay – An assumption of 2.5% pay award has been made within the budget. Pensions – Employer rates fully reflect the most recent actuarial review in 2019 including changes to the future service rate and past deficit payments. Levies – the Council is subject to 1 significant Levy being Passenger Transport. The budget forecasts for 2020/21 reflect the latest estimates. Price inflation has been provided at a rate of 2% Contract are reviewed and provision for known contractual changes are made
3. Surplus cash balances (income, capital, receipts and grants)	Council investments and borrowing comply with the current Treasury Management Strategy as approved by Council. At any one time the Council will have a number of cash income streams, such as capital receipts and government grants and when appropriate these will be invested as part of the overall and day-to- day cash flow management activities undertaken by the Treasury Manager. Cash investments are made in accordance with the Investment Strategy as set out in the Treasury Management Strategy, and can be liquidated at short notice and are available at any point in time to meet the Council's day-to-day requirements for cash funding.
4. The treatment of income	Amendments to fees and charges have been included as separate budget decisions by each Directorate. Increases in income estimates above inflation have only been included where the increase in income has been clearly demonstrated

Budget Assumption	Financial Standing and Management
5. The treatment of savings.	All Managers have a responsibility to ensure the efficient delivery of services and, when savings are proposed, that those savings are both realistic in terms of the level of savings and timing. Should the level and timing of such savings vary due to unforeseen events and under-spending, management action or policy actions within the relevant Divisions and corporately, will be implemented.
6. The Prudential Code and Corporate Capital Strategy: the revenue impact of planned capital expenditure and non- treasury investments	The Council has a Capital Strategy which provides an over-arching framework by which capital expenditure and non-treasury investment decisions can be assessed. Based on the Corporate Capital Strategy the Council has an approved four year capital programme. Furthermore, the capital programme is evaluated with regard to the Prudential Code in terms of its prudence, affordability and sustainability. Investments are reviewed against appropriate risk factors. The revenue budget and MTFS reflects the financing and borrowing assumptions as contained in the approved capital programme. It may be necessary, and subject to Council decisions during the year with regard to the overall capital programme and how it is to be financed, to revisit the Prudential Indicators from time to time to ensure that any amendments and proposed additions to the capital programme remain prudent and affordable in terms of the Council's approved revenue budget and MTFS.
7. The financial risks inherent in any significant new funding partnerships and major outsourcing deals	The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be contained where possible and considered in future years' budgets and general fund reserves restored to at least the minimum prudent level.
8. The availability of other funds to deal with major contingencies	The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily and restored to at least their minimum prudent level or the optimal level through future budgets. A risk based approach to provisions and reserves is set out at in a separate report.

Budget Assumption	Financial Standing and Management
9. The overall financial standing of the authority (level of borrowing, debt outstanding, Council Tax income, Business Rates, etc)	The Council acts to manage its borrowing prudently and in accordance with statutory guidance regarding affordability and sustainability with regard to debt expenses incurred in its revenue account. The amount of Council Tax to be collected in 2020/21 and used to support the Council's revenue budget is based on the Council Tax taxbase. The taxbase set for 2020/21 is based on the most accurate and prudent forecasts of anticipated chargeable dwellings and associated level of discounts, reliefs and collectable amounts for the year. The Council Tax collection rate for 2020/21 onwards has been set at 97.14%. For each 1% not collected, the cost is approximately £3.7m in lost income to the Council. Legislation requires that any Collection Fund surplus or deficit be adjusted through the Council Tax calculation in the next year. The surplus or deficit is distributed in 2020/21. The Council's share of Business Rates income for 2020/21 has been set at £441.2m. A detailed NNDR 1 for 2020/21 has been submitted to Government. Prudent estimates of Business Rates appeals, bad debts provisions, changes to the rating list etc. have been included. A collection rate of 98% has been set for Business Rates for 2020/21. For each 1% not collected the cost is approximately £4.4m in lost income to the Council.
10. The authority's track record in budget and financial management.	As projected at Month 9 the 2019/20 budget monitoring report for the Council is forecasting a small budget surplus £1.5m on the General Fund. In Grant Thornton's (GT) 2018/19 Audit Findings Report published in September 2019, GT has stated that the Council has planned its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions as part of sustainable resource deployment.
11. The authority's capacity to manage in-year budget pressures	The Council always seeks to improve its ability to manage in-year budget pressures. At Month 9 there is a forecast budget surplus of £1.5m on the General Fund in 2019/20. A monthly budget tracker report is used to monitor the delivery of budget savings and this is reported to Cabinet and Scrutiny. Equally, the ability to manage in-year pressures has been recognised in the risk appreciation of the level of reserves which is the subject of a separate report.
12. The strength of the financial information and reporting arrangements.	The MTFS is based on a net expenditure model that identifies all impacts on the net budget. The following tasks have been completed: • base salary estimates • risk based balances calculation; • prudential borrowing and capital funding review • an assessment of inflation • monthly monitoring of budget pressures

Budget Assumption	Financial Standing and Management
13. The authority's virement and end of year procedures in relation to budget under/ overspends at authority and departmental level.	The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves.
14. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external evaluations of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority. The level of the Insurance Reserve has been reviewed for 2020/21 and has been increased by £2.0m annually; the position will continue to be revised on an annual basis.

Taking into account the above and building on the work over the year, the proposed 2020/21 Budget is considered robust

11. Social Care Precept

11.1. The Chief Financial Officer is satisfied that the Council Tax income yield from the social care precept has been utilised to meet adult social care needs.

CHAPTER 9: SECTION 25 REPORT – ASSESSMENT OF RESERVES

1. Executive Summary

1.1. In setting the budget and prudently managing its finances, the Council creates both general and specific earmarked reserves. These reserves are determined having regard to a risk-based assessment.

1.2. It is to be noted the risk to the Council's finances associated with funding reductions from Central Government, Europe and other external funding bodies has never been as high, and this is compounded by the effects of major legislative changes, notably the new funding model for local government to be implemented from 2020/21. In addition, there is significant risk that the future economic outlook may worsen in the short-term particularly with the potential impact of Brexit. To mitigate these risks the Council has prudently set aside reserves and created financial provisions.

1.3. This chapter outlines the approach taken by the Interim Chief Finance Officer when reviewing the adequacy of the provisions and reserves created by the Council and which form a key element of the Budget. In providing this assurance statement, it supports the Council to take a longer-term view of its overall financial position as set out in the Medium Term Financial Plan (MTFP).

1.4. In reviewing the adequacy of reserves the Interim Chief Finance Officer notes the level of the General Fund Balance is estimated to be £99.0m at 31 March 2021 and also the level of earmarked reserves and their intended use during the year, and is of the view that the level of these reserves are adequate having regard to the risks identified.

1.5. In providing this assurance, the Chief Finance Officer will maintain an on-going and robust review of all risks, including those associated with the delivery of budget savings decisions and report monthly to Resources Scrutiny, and quarterly to Cabinet throughout the financial year.

1.6. This statement should be read in conjunction with Chapter 3 sections 22-30, Appendices C, D and E, and the Interim Chief Finance Officer assurance statement on the robustness of estimates.

2. Information

2.1. In setting the budget for 2020/21, estimates were made of the required level of provisions, earmarked reserves and general balances. Provisions relate to known events, which have occurred and that have given rise to a liability for the Council, where the exact amount or timing of the payment is not clear.

2.2. In addition to known liabilities, the budget also has regard to various risk issues where at the time of setting the budget there is no contractual liability but there is a possibility that payment may be required at some point in the future. In these cases earmarked reserves are created. These reserves are established to cover specific risk issues as highlighted in the Council's risk registers.

2.3. Furthermore, it is also considered prudent and best practice to make an allowance for general contingencies to cover the fact that certain budget assumptions may be inaccurate i.e. demand for a service has proved greater than expected. Such variations are anticipated in Chapter 8 on the robustness of the budget estimates and form a key driver for the level of general reserves or working balance the Interim Chief Finance Officer will recommend for the 2020/21 budget.

2.4. This chapter sets out the framework for a risk based assessment approach. The major issues this framework considers include the following:

- The risk associated with funding reductions from Government, Europe and other external funding bodies is further complicated by uncertainties around the impact of Brexit. There have also been major legislative changes / new burdens that transfer significant financial risk from national government to local government, including the localisation and national revaluation of Business Rates, major changes to welfare and social care. There will also be a new local government funding mechanism from 2020/21 following the Fair Funding Review but currently the impact of this is uncertain. Many of these changes are either being formulated or are at the early stage of implementation and have not yet "bedded in".

- There are currently major global economic and financial pressures that have had a significant impact, not only on the national economy but also on all the economies in Europe. There is a significant risk that the current economic situation may continue to put pressure on funding from the Government that the Council currently receives. There may also be adverse impacts through reductions in the collection of fees and charges and capital receipts, in increased demand for services, financial stability of strategic partners, providers and suppliers, and higher interest rates for borrowing and investment.

2.5. There are also other significant risks that the framework considers including:

- The risk of grant clawback including government and European funding and housing benefit subsidy.
- The full effects of any economic measures with the potential for higher demands on services e.g. social care. Whilst the budget process has been prudent in these assumptions and that those assumptions, particularly about demand led budgets, should hold true in changing circumstances, an adequate level of general contingency provides extra reassurance that a balanced budget will be delivered.
- The risk of industrial disputes, major litigation, both currently and in the future.

- Risks around the cost of the Commonwealth Games and Village
- The need to retain a general contingency to provide for any unforeseen circumstances, which may arise.

3. The Framework for the Determination of the General Balance

3.1. The basis of the Framework is a medium term budget amount, and a percentage factor, which will vary according to the level of risk, which produces a value. The total of the value column is the level of balances required to cover the identified risk. The following example illustrates the text:

Risk	**Mitigation**	**Likelihood**	**Probability weighted medium term potential impact** **£m**
Loss of assumed Business Rates and associated income from properties not paying the appropriate level of Business Rates	The Council has employed a company to identify Business Rates income not being	20%	8

3.2. The areas of risk considered in the general contingency are set out in Appendix E with an explanation of mitigations taken to reduce the risk. General reserves at 31 March 2021 are anticipated to be £99.0m.

4. General Fund Balance

4.1. It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The “balances” need to reflect spending experience and risks to which the Council is exposed.

4.2. Based upon the latest budget monitoring position at Month 9 (December 2019) it is envisaged that at 31 March 2021 the budgeted balance will be £99.0m.

4.3. The calculated level of risk based balances needed in the medium term is determined at £101m, and reflects the level of risk, particularly in the areas of “legislative change” and “volume/demand changes”. Further details can be found in Appendix E.

5. Review of Earmarked Reserves and Provisions

5.1. To support the 2020/21 budget a detailed review of earmarked reserves and provisions has been undertaken and has identified that these sums are adequate. Whilst also ensuring that the Council is holding resources which could assist either current budgetary challenges or indeed helps improve the economic wellbeing of communities in the city.

5.2. The Council creates reserves to prudently plan for future expenditure and to strike a balance between the needs of current and future taxpayers.

5.3. Certain reserves are held to mitigate specific risks that have been identified as part of the budget planning and risk management processes. In addition, the Council maintains a general reserve to provide resilience against financial uncertainty, this is of particular importance in the current climate of reduced funding levels and the reforms introduced to Local Government finance that have seen a transfer of risk from central government to local government. It should be noted that in the event that reserves are used to support the Council's budget position, they will only be able to be used on a one-off basis and do not provide a permanent budget solution to the financial challenges faced, as once the reserve is used, it cannot be used again

APPENDIX A: LONG TERM FINANCIAL PLAN

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Base Budget 2019/20	851.590	851.590	851.590	851.590	851.590	851.590	851.590	851.590	851.590	851.590
Pay & Price Inflation	21.493	42.211	65.576	87.503	110.110	136.025	160.155	185.025	213.768	240.245
Meeting Budget Issues and Policy Choices	41.474	51.555	96.987	52.106	62.368	71.981	82.020	91.843	101.389	110.953
Savings Plans	(22.066)	(50.295)	(54.682)	(55.965)	(56.072)	(56.158)	(56.241)	(56.296)	(56.352)	(52.803)
Corporate Adjustments:										
Net change in use of / contribution to reserves to balance budget	0.000	0.910	1.910	2.910	3.910	4.910	5.910	5.910	5.910	5.910
Other net change in use / contibution to reserves	(22.658)	4.055	(29.930)	9.476	5.165	5.079	5.050	5.605	6.118	6.647
Corporately Managed Budgets	19.604	4.794	(6.668)	7.631	5.281	(0.782)	(10.874)	(14.936)	(35.192)	(43.624)
Changes in Corporate Government Grants	(36.504)	(40.118)	(42.293)	(45.303)	(46.237)	(47.585)	(48.945)	(51.175)	(53.455)	(54.920)
Total Net Expenditure	**852.933**	**864.702**	**882.490**	**909.948**	**936.115**	**965.060**	**988.665**	**1,017.566**	**1,033.776**	**1,063.998**
Business Rates	(441.204)	(454.655)	(466.218)	(478.484)	(491.053)	(503.933)	(517.131)	(530.655)	(544.513)	(558.715)
Top Up Grant	(55.334)	(56.386)	(57.513)	(58.664)	(59.836)	(61.034)	(62.254)	(63.500)	(64.769)	(66.064)
Top Up Grant - Reset		17.542	18.527	19.651	20.793	21.974	23.190	24.470	25.792	27.131
Potential impact of spending review		1.000	5.000	9.000	9.000	9.000	9.000	9.000	9.000	9.000
Council Tax	(365.670)	(379.932)	(390.479)	(401.323)	(412.472)	(423.934)	(435.716)	(447.829)	(460.282)	(473.084)
Collection Fund (Surplus)/Deficit Business Rates	15.360									
Collection Fund (Surplus)/Deficit Council Tax	(6.085)									
Total Resources	**(852.933)**	**(872.431)**	**(890.683)**	**(909.820)**	**(933.568)**	**(957.927)**	**(982.911)**	**(1,008.514)**	**(1,034.772)**	**(1,061.732)**
Gap	**0.000**	**(7.729)**	**(8.193)**	**0.128**	**2.547**	**7.133**	**5.754**	**9.052**	**(0.996)**	**2.266**

APPENDIX B: GRANTS

Grant	2019/20 Budget £m	2020/21 Budget £m	Variation £m	2021/22 Budget £m
Top Up Grant	54.447	55.334	0.887	37.844
Subtotal Core Grants	**54.447**	**55.334**	**0.887**	**37.844**
Improved Better Care Fund	60.321	65.921	5.600	65.921
Small Business Rate and Other Section 31 Grants Compensation	32.589	37.934	5.345	38.655
Business Rates Section 31 Grants - INFLATION CAP	12.441	15.431	2.990	16.427
New Homes Bonus	6.891	6.522	(0.369)	8.611
Social Care Support Grant	9.567	36.713	27.146	36.713
Winter Pressures Grant	5.600	0.000	(5.600)	0.000
Homelessness Grant	0.000	1.392	1.392	1.200
Subtotal Corporate Grants	**127.409**	**163.913**	**36.504**	**167.527**
Directorate Grants				
Public Health Grant	88.420	88.420	0.000	88.420
Highways Management and Maintenance PFI Grant	50.311	50.311	0.000	50.311
Better Care Fund	35.585	36.679	1.094	36.679
Schools PFI Grant	18.232	18.232	0.000	18.232
Education & Skills Funding Agency (Adult Education)	10.533	0.000	(10.533)	0.000
Asylum Seekers	3.154	4.748	1.594	4.748
Flexible Homeless Support Grant	4.675	4.675	0.000	4.675
Housing Benefit Admin Grant	4.642	4.685	0.043	4.685
Independent Living Fund Grant	4.084	3.880	(0.204)	3.686
Illegal Money Lending Team	3.831	3.962	0.131	3.962
Primary PE and Sport Grant	3.726	3.616	(0.110)	3.616
Youth Promise	3.408	3.462	0.054	2.324
ESF GBSLEP Skills Fund	1.252	2.484	1.232	2.170
Vulnerable Persons Resettlement Grant	2.770	2.400	(0.370)	2.400
PURE	2.000	2.000	0.000	0.000
MHCLG Local Council Tax Support Admin Grant	1.985	1.985	0.000	1.985
Troubled Families Grants	1.165	1.915	0.750	0.000
Youth Justice Board Grant	1.916	1.898	(0.018)	1.898
Housing First Grant	1.830	1.830	0.000	0.414
Remand Framework Allocation	0.568	0.887	0.319	0.887
Home Office - Prevent Projects Grant Stream	0.413	0.850	0.437	0.437
Business Growth Programme 2	0.808	0.808	0.000	0.000
Local Reform and Community Voices Grant	0.800	0.788	(0.012)	0.788
DCLG - New Homes Bonus Scheme	0.714	0.714	0.000	0.714
Community Safety Fund	0.000	0.633	0.633	0.633
DWP - New Burdens Housing Benefit Admin Grant	0.640	0.566	(0.074)	0.566
Rough Sleeping Initiative	0.500	0.499	(0.001)	0.000
ESF1.1 Progression - WOW	0.788	0.495	(0.293)	0.000
Staying Put Grant	0.472	0.481	0.009	0.481
Verify Earnings & Pension Alerts Service 2018	0.456	0.456	0.000	0.456
School Improvement Grant	0.400	0.400	0.000	0.000
Scam Busters	0.320	0.320	0.000	0.320
UC Implementation Support - Support for Complex Housing Cases	0.304	0.109	(0.195)	0.109
Strategic Migration Partnership - Enabling Grant	0.228	0.258	0.030	0.000
Social Care in Prisons Grant	0.227	0.215	(0.012)	0.215
Rapid Rehousing Pathway	0.000	0.211	0.211	0.000
New Burdens	0.000	0.150	0.150	0.150
Extended Rights to Free Travel	0.119	0.122	0.003	0.122

Grant	2019/20 Budget £m	2020/21 Budget £m	Variation £m	2021/22 Budget £m
Direct Salaries Grant	0.120	0.120	0.000	0.120
War Pensions	0.101	0.101	0.000	0.101
Natural England Grant for Higher Level Stewardship in Sutton Park	0.097	0.097	0.000	0.097
Police Crime Commissioner Grant	0.000	0.097	0.097	0.000
Home Office Police & Crime Panel Grant 18-19	0.066	0.066	0.000	0.000
Magistrates Courts - LCD Grant Re Debt Charges	0.069	0.066	(0.003)	0.064
Local Services Support Grant - Lead Local Flood Authority	0.047	0.048	0.001	0.047
KS2 Moderation & Phonics Grant	0.029	0.029	0.000	0.029
Natural England Grant for Higher Level Stewardship Grasslands	0.026	0.025	(0.001)	0.025
ERDF Grant for Regional Development Work - Strategic Libraries	0.000	0.020	0.020	0.020
Urban Innovative Actions	0.000	0.015	0.015	0.000
Natural England Grant for Higher Level Stewardship Lickey Hills	0.009	0.009	0.000	0.009
ERDF - Basic Programme	0.000	0.005	0.005	0.000
Snow Hill Station - Network Rail	1.188	0.000	(1.188)	0.000
Wholesale Markets - Witton	0.781	0.000	(0.781)	0.000
New Burdens - Homelessness Reduction Act	0.715	0.000	(0.715)	0.000
Big Data Corridor	0.159	0.000	(0.159)	0.000
Brexit Preparation	0.105	0.000	(0.105)	0.000
Project Jive	0.092	0.000	(0.092)	0.000
Pure Cosmos	0.046	0.000	(0.046)	0.000
Virtual School Head S31 Grant	0.040	0.000	(0.040)	0.000
Participatory Urban Living for Sustainable Environments - Horizon 2020	0.036	0.000	(0.036)	0.000
ERDF - Property Investment Programme	0.022	0.000	(0.022)	0.000
TRIS - Transition Regions	0.014	0.000	(0.014)	0.000
DCLG -Transparency Grant	0.013	0.000	(0.013)	0.000
NHS Supply Chain - Healthy Start & Vitamins	0.008	0.000	(0.008)	0.000
Subtotal Directorate Grants	**255.059**	**246.842**	**(8.217)**	**236.595**
Expenditure Reimbursement Grants				
Mandatory Rent Allowances: Subsidy	343.056	327.956	(15.100)	327.956
HRA Rent Rebates Grant	150.097	146.397	(3.700)	146.397
DWP - Discretionary Housing Grant	4.782	4.975	0.193	4.975
Higher Education Funding Council (HEFC)	0.639	0.588	(0.051)	0.588
Subtotal Expenditure Reimbursement Grants	**498.574**	**479.916**	**(18.658)**	**479.916**
Direct Schools Funding Grants				
Dedicated Schools Grant (DSG)	661.335	664.963	3.628	664.963
Pupil Premium Grant	46.737	44.631	(2.106)	44.631
Teachers Pensions Grant	0.000	15.911	15.911	15.911
EFA Grant for Post 16 Provision	12.291	8.869	(3.422)	8.869
Universal Infant Free School Meals	9.025	8.289	(0.736)	8.289
Teachers Pay Grant	3.990	5.617	1.627	5.617
Subtotal Direct Schools Funding Grants	**733.378**	**748.280**	**14.902**	**748.280**
Total Grants	**1,668.867**	**1,694.285**	**25.418**	**1,670.162**

Further Information on Revenue Grants over £5m

Whilst the Core and Corporate Grants are considered in more detail within Chapter 2, further details of all the other revenue grants that exceed £5m are given below.

Public Health Grant - £88.4m

Local authorities (upper tier and unitary) are responsible for improving the health of their local population and reducing health inequalities. Local authorities receive an annual ring-fenced public health grant from the Department of Health. The core condition of this grant is that it should be used only for the purposes of the public health functions of local authorities. The local authority statutory duties for public health services are mainly outlined in the Health and Social Care Act 2012 legislation. They include the duty to improve public health through mandated and non-mandated functions. There are also existing public health duties for health protection which sit under different legislation such as the Public Health Act. Legislative measures for local authorities' responsibilities for dental public health are covered by separate statutory instruments (Section 5.2). The Public Health grant is ring-fenced and can only be used on public health related activities set out in a range of legislation and included in the grant conditions.

Following the Central Government announcement to increase the Public Health Grant in 2020/21 a provisional figure of approximately £2.398m has been anticipated for Birmingham. However, there is some risk around the value and is subject to formal notification from Public Health England. Therefore, the anticipated Public Health grant for Birmingham in is £88.420m in 2020/21, no change on the grant received in 2019/20.

Better Care Fund - £36.7m

Better Care Fund (BCF) is a mandatory, national programme with specified minimum contributions from Clinical Commissioning Groups (CCG) and Local Authorities. This fund seeks to drive the transformation of services to ensure that people receive better and more integrated care and support through pooled budget arrangements between Local Authorities and CCGs.

For Birmingham, Cabinet in March 2014 endorsed the principle of a BCF joint pooled budget for older adult social care and health integrated provision between the Council and local NHS CCG's.

Funding will continue into 2020/21, and it is estimated that £36.7m will be available to the Council in that year. This is an increase of £1.1m compared to 2019/20 budgetary assumptions.

Improved Better Care Fund (iBCF) - £65.9m

As set out in Chapter 2, in the Spending Review 2015 the Government announced that it will be making additional funding available to local authorities through the Improved

Better Care Fund; this became available in 2017/18. A further statement in the spring Budget in 2017 increased the amounts available for adult social care via the iBCF. For Birmingham, £65.9m is available in 2020/21.

The Council's financial plans include significant additional resources for adult social care to meet the growing level of demand for such services and further savings arising from the continued drive to provide these services in the most efficient way. Therefore, this has been used to help address additional funding of care services, to part mitigate budgetary pressures in relation to demography and assist in the delivery of the Adult Social Care savings programme. In addition to this there is also a programme of change which has been agreed with health partners and approved via the Health & Wellbeing Board, to work in a more integrated way, to support the reductions in delayed transfers of care from hospitals and to protect and support the care provider market.

For 2020/21 the iBCF for Birmingham will be composed of the 2019/20 allocation of £60.3m and the £5.6m for Winter Pressures, and iBCF resources of £13.5m will be used in 2020/21 to support the delivery of the Adult Social Care savings programme.

Private Finance Initiative Grants - £68.5m (no change)

The Council will continue to receive funding for Private Finance Initiative (PFI) projects of £68.5m being £50.3m for Highways and £18.2m for schools. Whilst this funding is unringfenced, it is needed to meet contractually committed payments and is not available to meet Council expenditure generally, other than on a temporary basis and requiring repayment.

Other Directorate Revenue Grants

In addition to the main grant funding streams, smaller specific grants continue to be received from Government. Services will need to manage within the level of grant that they receive. A full breakdown of all grants the Council expects to receive in 2020/21 can be seen in the table at the start of this Appendix.

Schools Funding - 2020/21

Schools receive funding via a variety of different grant streams, the main ones being:

- Dedicated Schools Grant - £665.0m
- Pupil Premium - £44.6m
- Teachers' Pension Grant £15.9m
- Education Funding Agency (EFA) - £8.9m
- Universal Infant Free School Meals - £8.3m
- Teachers Pay Grant £5.6m

The expected funding for 2020/21, based on DSG allocations received in December 2019, and a summary of how schools' funding is applied can be seen in the table below:

	DSG	Pupil Premium	EFA-Post	Universal Infant FSM	Teachers Pay	Teachers Pension	Total
	£m	£m	£m	£m	£m	£m	£m
Schools Delegated	393.117	41.423	8.869	8.289	5.617	15.911	473.226
Early Years (includes central budgets)	91.145						91.145
High Needs (includes central budgets)	162.978						162.978
Central Schools Services	17.723	3.208					20.931
Sub Total - City Council	**664.963**	**44.631**	**8.869**	**8.289**	**5.617**	**15.911**	**748.280**
Academies & Other recoupment	574.999	48.693		5.600	6.575	18.652	654.519
Total	**1,239.962**	**93.324**	**8.869**	**13.889**	**12.192**	**34.563**	**1,402.799**

Dedicated Schools Grant (DSG) - £665m

DSG is allocated to Local Authorities in four blocks. Local authorities are allowed to vire between the blocks to address any specific needs or pressures but there are restrictions on the amount that can be vired from the School block including seeking School Forum approval. The indicative amount announced for Birmingham is £1,240m. However, this includes funding for academies that will be recouped by the Education Skills Funding Agency. The indicative estimate for recoupment is £575m which leaves the Council with £665m grant for its maintained schools and eligible centrally managed commitments. Further academisation during 2020/21, over and above that estimated, will result in further recoupment and reduction in the grant paid to the Council.

The 4 blocks through which DSG is allocated consists of:

- Schools block (covering provision in mainstream schools from Reception to Year 11). The 2020/21 notified allocation is £942.2m before recoupment and £393.1m after estimated recoupment.
- Early Years block (covering nursery schools, nursery classes and Private, Voluntary and Independent sector providers of early years provision (PVIs). The 2020/21 indicative allocation is £91.1m (no recoupment applies).
- High Needs block (covering pupils with high needs – defined by the DfE as those requiring provision costing in excess of a given threshold. The 2020/21 indicative allocation is £188.7m before recoupment and £163.0m after estimated recoupment.
- Central School Services block – this covers commitments such as Admissions and certain prescribed statutory and regulatory duties. The notified allocation is £17.7m.

Given the national timelines underpinning DSG, the Council will have finalised all its block allocations and budgets to schools and providers by 31st March 2020. Given the nature and different methodologies underpinning calculation of the DSG grant blocks as well as the impact of academisation it is not possible to accurately estimate the value of

DSG beyond 2020/21 which is why the value for future years has currently been left at the 2020/21 level.

Pupil Premium Grant - £44.6m

Pupil Premium is allocated to provide additional funding for pupils in receipt of free school meals. It will apply to all pupils aged from 4 to 15 (year groups Reception to 11) who are:

- Known to be eligible for free school meals (£1,320 per pupil in primary and £935 per pupil in secondary)
- Looked After children (£2,300 per pupil)
- Children who have ceased to be looked after by a local authority in England and Wales because of adoption, a special guardianship order, a child arrangements order or a residence order (£2,300 per pupil)
- Pupils whose parents are serving members of the armed forces (Service Children) (£300 per pupil)

As Pupil Premium rates and allocations for 2020/21 have not yet been published by the EFA the rates and budget have been based on the 2019/20 allocation.

For groups 1, 3 & 4 allocations will be calculated on the basis of the January 2020 pupil census. Group 2 allocations will be calculated on the basis of the Children in Need census carried out on 31 March 2020. Academies receive their pupil premium allocations directly from the Education Funding Agency.

Education Funding Agency - £8.9m

It is estimated that the Council will receive £8.9m in 2020/21 from the Education Skills Funding Agency (EFA) to fund education and training of 16-19 year olds in sixth forms within schools.

Universal Free School Meal Grant - £8.3m

The grant was introduced for the 2014/15 Academic Year and is paid to schools to enable them to provide free school meals for pupils in Reception to Year 2. The Council is currently assuming that the grant will continue into the 2020/21 Academic year.

Teachers Pay Grant £5.6m

The grant was introduced in the academic year 2018/19 to provide funding for schools to support the teacher pay award that came into effect on 1 September 2018.

Teachers Pension Grant £15.9m

The grant was introduced to provide funding for schools to support the increase in the employer contribution to the Teachers' Pension Scheme that came into effect on 1 September 2019.

Grants to Reimburse Expenditure - £479.9m

The Council receives a number of grants to reimburse costs incurred, mainly in paying benefit claimants. Whilst these form part of the gross budget of the Council, the level of expenditure is determined by claimant demand and eligibility. Payments made to claimants are closely matched by any grant received. The grants to fund benefit expenditure expected to be received by the Council in 2020/21 can be seen in the table at the start of this Appendix. The figures for 2020/21 are still subject to a full review.

Note:

The £498.6m in 2019/20 was overstated as the grants figure included Housing Benefits Overpayment Recovery. This is now split and the budget for Housing Benefits Overpayment Recovery in 2020/21 is £18.5m

Adult Education – nil

The Council no longer receives Adult Education funding as a grant. The service is now commissioned by the WMCA and so the Council receives external income to pay for this.

APPENDIX C: RESERVES POLICY

1. Background

1.1. The purpose of this policy is to set out how the Council will determine and review its overall level of reserves and how it uses them.

1.2. The Council is required to maintain adequate financial reserves for meeting unknown and potential estimated future expenditure when calculating the Council Tax requirement.

1.3. All planned use of reserves must be for a specific purpose in order to ensure there is a sustainable budget. They should not be used to mitigate the need for ongoing savings. Reserves will only be released upon relevant approval from the Section 151 Officer or Cabinet. See Table C.2 below for details.

1.4. The Council has usable reserves and unusable reserves on its Balance Sheet. The unusable reserves are as a result of accounting adjustments and are not therefore available to spend. This policy will concentrate on usable reserves.

2. General Policy

2.1. Usable reserves can be split into the following categories:

- General Reserves and Balances
- Earmarked Reserves
- Revenue Grant Related Reserves
- Ring-fenced Reserves
- Capital Reserves

2.2. The Council maintains usable reserves primarily for the following reasons:

- The need to put aside sums in case of unexpected exceptional future expenditure
- To smooth out the impact of payments on the revenue account
- To cover timing differences such as grant money received in any given year where expenditure takes place in a later year
- To provide pump prime funding for projects to deliver changes in working practices using Invest to Save Reserves. Any approved use must include an agreed repayment plan

2.3. Reserves can only be used on a one-off basis which means that their application does not offer a permanent solution to the requirement to deliver significant reductions in the future level of Council expenditure.

2.4. Reserves are not to be used to avoid the necessity to make or the failure to deliver ongoing savings

3. Managing the Level of Reserves

3.1. The Council must maintain sufficient general reserves and working balances to cover the key financial risks and contingencies.

3.2. An assessment will be carried out annually as part of the budget setting process to consider the risks the Council is exposed to and the level of general reserves that are appropriate.

3.3. As part of the budget setting process the Section 151 Officer will consider and assess the level of general reserves. Consideration will be given to the strategic, operational and financial risks facing the Council.

3.4. Major factors to be considered when evaluating the level of reserves, including but not limited to the following:

Budget Assumptions	**Issues to Consider**
Inflation and Interest rates volatility	The overall financial standing of the Council
Estimates of the level and timing of Capital Receipts	The trend of the Council's financial management and the robustness of the Long Term Financial Plan
The financial risks inherent in any significant new funding partnerships, major contractual arrangements or major capital programme	The Council's end of year closedown procedures relating to budget under/overspend.
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the Council's arrangements to cover major unforeseen risks.

4. Usable Reserves

4.1. General Reserves and Balances

4.1.1. These are funds that do not have restrictions as to their use. The Council can use them for any purpose within the General Fund. The purpose of general reserves is to manage the impact of exceptional emergencies and unforeseen events. Without such reserves the potential financial impact of these unforeseen events could cause a financial deficit in the General Fund, which would be severely disruptive to the effective operation of the authority. General Reserves held include:

4.1.2. General Fund Balance and Carry Forward Balances

- These reflect the accumulated surpluses of income over expenditure from previous years and any resources set aside as general contingency against adverse future events

4.1.3. Financial Resilience Reserve (FRR)

- This is a reserve created in 2017/18 from the backdated application of a consistent Minimum Revenue Provision (MRP) policy of 2007/08
- The change in policy has created additional revenue costs. The Council plans to release some of this reserve in line with the Council Plan and Budget 2018+ to phase in the ability to meet the additional costs as shown in Table C.1 below. The balance of this reserve is to provide contingency fund in case the Council faces financial difficulties in the future

Table C.1 Planned use of FRR to meet additional revenue costs

2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
£5.9m	£5.9m	£5.0m	£4.0m	£3.0m	£2.0m	£1.0m	Nil

4.1.4. Invest to Save Reserve

- To make funding available to assist in making changes to the way services are provided and ultimately reduce costs in the long term
- This reserve is held centrally and operated on an Invest to Save basis with the agreement that the usage of this fund will be repaid in the future through a planned repayment profile linked to specific savings proposals

4.2. Earmarked Reserves

4.2.1. Earmarked Reserves enable the Council to set aside sums to meet specific future liabilities. These include:

4.2.2. Capital Fund

- This is a revenue reserve which has arisen from revenue contributions set aside to fund budgeted capital expenditure, Equal Pay settlements and associated costs in line with the Council's Capital Financing and Equal Pay funding claims

4.2.3. Insurance Reserve

- The Council self-insures against all bar the most catastrophic business risks other than where insurance cover is a legal requirement. A budget is held to cover insurance losses in-year and the Insurance Reserve exists to act as a buffer should losses exceed budgeted expectations in any given financial year. The fund increases in those years where losses incurred do not exceed the budget

4.2.4. Highways PFI Reserve

- This reserve has been earmarked to support the Highways PFI Business Model

4.2.5. Other Earmarked Reserves

- There are some reserves which cover a wide range of services that have been set aside to support future years' service delivery. These include, for example, resources earmarked for Special Educational Needs reform, a local innovations fund, highways initiatives, subvention for major events, replacement IT systems and repairs and maintenance for specific service chargeable buildings. These reserves are monitored at Directorate level and can only be used for a particular purpose
- During the annual review if it is determined earmarking is no longer necessary the reserves will be allocated to general reserves

4.2.6. The request to use these funds or contribute to reserves must be approved by Cabinet and the allocation of Earmarked Reserves will be made when services can demonstrate that the funding is required for that particular purpose.

4.3. Revenue Grant Related Reserves

4.3.1. These reserves relate to the unused element of grant support for which the conditions of the grant are expected to be met. The reserves will be used to meet future years' expenditure for the service for which the grant was awarded.

4.3.2. These are managed by the Directorates. The reserves will only be released following the Directorate requests being approved by the Section 151 Officer to use funding in line with grant conditions

4.3.3. The Council holds various Section 106 reserves which were contributed by private companies to improve the local community. The fund must be used for the specific scheme and within the agreed timescale. If funds are not used they need to be returned back to the contributors.

4.3.4. In addition, the Council also received Highways PFI grant in advance of required payments. These funds are taken to reserves to be utilised in years when annual maintenance expenditure exceeds the annual government grant income, in line with the PFI model.

4.3.5. Ringfenced Reserves

- Reserves that are required to be used for specific activities undertaken by the Council with little or no flexibility. These are mainly for schools or for the Housing Revenue Account and cannot be used to support general Council activity. These include:

4.3.6. Schools reserves

- The reserves are the net cumulative balances held by Council maintained schools. Under national school funding regulations, the schools are entitled to retain these balances for unexpected commitments and/or for planned school curriculum/infrastructure improvements and investment

4.3.7. Housing Revenue Account (HRA)

- The HRA is a statutory account, ring-fenced from the rest of Council funds, so that rents charged to tenants in respect of dwellings cannot be subsidised from the General Fund. Similarly, rents collected from HRA tenants cannot be used to subsidise the General Fund. The balances on the HRA reflect the accumulated surpluses of income over expenditure

4.3.8. HRA Major Repairs Reserve

- The Council is required by The Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve. The reserve controls an element of the capital resources required to be used on HRA assets or for capital financing purposes

4.4. Capital Reserves:

4.4.1. These are reserves that have been set aside to finance capital schemes and cannot be used to support revenue expenditure without the consent of the Secretary of State. These reserves comprise:

- Capital Receipts Reserve reflects the income received from the disposal of capital assets prior to being used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed by statue. The Council will allocate resources from the Capital Receipts Reserve in line with its priorities
- Capital Grants Unapplied reflects the unused element of capital grants or capital contributions awarded to the Council, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure in a way which best fits with the Council's priorities

4.5. Borrowing

4.5.1. The Council will also face temporary large costs for which ongoing savings are not required, for example, pension fund strain costs. In these instances it is prudent to borrow temporarily from reserves and identify smaller ongoing savings from which to repay the reserves. However, this will only be agreed if there is a clear plan for how repayment can be made.

4.5.2. Temporary borrowing can be made from general reserves, earmarked reserves, schools reserves and grant related reserves.

4.5.3. Borrowing is approved by the Council as part of the budget. However amendments can be approved by Cabinet in year.

5. Reserves Approval

5.1. Table C.2 below shows the level of approval required to use or contribute to usable reserves

Table C.2 Level of approval required for requested use of or contribution to reserves

Type of Reserves	Level of Approval Required
General Reserves and Balances	Cabinet*
Earmarked Reserves	Cabinet*
Revenue and Capital Grant Related Reserves	Section 151 Officer
Other Earmarked Reserve-Ring Fenced	Section 151 Officer
Capital Receipts Reserves**	Cabinet*

* Unless previously approved by Full Council as part of approval of the budget
** Approval required for contribution from reserves only

5.2. There may be end of the year adjustments to reserves required by Audit.

6. Governance and Review

6.1. The Council recognises the need to hold and maintain adequate reserves that meet the needs of the organisation. However, there is an opportunity cost as a result of the Council allocating resources away from other potential uses. It is therefore, critical for the Section 151 Officer to regularly review the purpose and level of reserves.

6.2. All anticipated use of reserves should be understood and recognised as part of the budget setting process and agreed when Council approves the budget.

6.3. Any identified use of, or contribution to, reserves after the budget has been set should be approved by Cabinet or the Section 151 Officer in the case of grant reserves, prior to the budget being changed. Uses should be for specific purposes for which reserves have been set aside and not to address savings non-delivery or budget pressures. Contributions to reserves should be for specific costs expected to be incurred in the future.

6.4. The reserves position is reported monthly as part of the revenue monitoring process. The planned usage of reserves is also included as part of the budget setting process. In addition the level and use of reserves is reported and reviewed during the closedown process.

6.5. The reserves policy will be reviewed annually as part of the budget setting process.

APPENDIX D: OTHER EARMARKED RESERVES

Directorate	Description	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024
		£m	£m	£m	£m	£m
Digital & Cust/ Services	Benefits Service Transformation	0.169	0.169	0.169	0.169	0.169
Digital & Cust/ Services	Housing Benefit Subsidy Reserve	4.247	4.247	4.247	4.247	4.247
Digital & Cust/ Services	ICT&D Transition Reserve	2.280	0.000	0.000	0.000	0.000
Digital & Cust/ Services	Landing Team	0.052	0.000	0.000	0.000	0.000
Education & Skills	EWS Fixed Penalty	0.110	0.110	0.110	0.110	0.110
Education & Skills	LOB - Archives Development Fund	0.130	0.043	0.043	0.043	0.043
Education & Skills	SEND preparation for Employment	0.066	0.000	0.000	0.000	0.000
Education & Skills	Youth Promise Plus	0.536	0.536	0.536	0.536	0.536
Finance & Governance	ERP System Temporary Reserve	1.016	0.000	0.000	0.000	0.000
Finance & Governance	Audit - POCA Reserve	0.037	0.037	0.037	0.037	0.037
Finance & Governance	Finance Birmingham Loan Contingency	0.386	0.386	0.386	0.386	0.386
Finance & Governance	Local Election Costs - Not Assigned	0.300	0.600	0.800	(0.039)	0.261
Finance & Governance	VAT Reserve	1.455	1.455	1.455	1.455	1.455
Human Resources	Schools HR IT	0.324	0.000	0.000	0.000	0.000
Inclusive Growth	Sheldon Transport Action Group (VAS Signs)	0.014	0.014	0.014	0.014	0.014
Inclusive Growth	Bus Lane Enforcement Equipment	7.410	7.410	7.410	7.410	7.410
Inclusive Growth	CAZ income and CAZ FPN income	0.000	28.228	28.228	28.228	28.228
Inclusive Growth	Clean Air Zone	0.284	0.284	0.284	0.284	0.284
Inclusive Growth	Fire Insurance (old CO-OP Building)	1.766	1.766	1.766	1.766	1.766
Inclusive Growth	General Maintenance Tenants	2.355	2.355	2.355	2.355	2.355
Inclusive Growth	Grand Central	0.571	0.571	0.571	0.571	0.571
Inclusive Growth	Highways Commuted Sums	0.013	0.013	0.013	0.012	0.012
Inclusive Growth	Highways Initiatives	0.557	0.557	0.557	0.557	0.557
Inclusive Growth	Highways -Bridge Agreements	0.314	0.314	0.314	0.314	0.314
Inclusive Growth	Highways -Interest on Compensation Highways	0.175	0.175	0.175	0.175	0.175
Inclusive Growth	Joint Venture Contribution	0.024	0.024	0.024	0.024	0.024
Inclusive Growth	Graduate Hub	0.872	0.872	0.872	0.872	0.872
Inclusive Growth	Permanent Loss of Parking Bays (Car Parking Commuted Sums)	0.133	0.113	0.092	0.072	0.051
Inclusive Growth	Portfolio Reserve	0.883	0.883	0.883	0.883	0.883
Inclusive Growth	Speed Camera	0.066	0.038	0.038	0.038	0.038
Inclusive Growth	Wider Hospital Masterplan	0.015	0.015	0.015	0.015	0.015
Neighbourhoods	BMT Loan Guarantee	(0.920)	(0.920)	(0.920)	(0.920)	(0.920)
Neighbourhoods	Hackney Carriages	0.237	0.237	0.237	0.237	0.237
Neighbourhoods	Licensing Entertainment/General	0.116	0.116	0.116	0.116	0.116
Neighbourhoods	Manor Farm Park Barn	0.250	0.250	0.250	0.250	0.250
Neighbourhoods	Proceeds of Crime Act (POCA) - Illegal Money Lending Team	0.708	0.708	0.708	0.708	0.708
Neighbourhoods	Proceeds of Crime Act (POCA) - Trading Standards	0.374	0.374	0.374	0.374	0.374
Neighbourhoods	SERCO Pension Guarantee	(1.917)	(1.917)	(1.917)	(1.917)	(1.917)
Grand Total		**25.408**	**50.063**	**50.242**	**49.382**	**49.661**

APPENDIX E: BUDGET RISK

Budget Risk and Uncertainty – in the context of general reserves

Risks

Throughout the financial planning process the Council has undertaken a review of its budget position and identified a number of budget pressures that it has identified must be funded. Furthermore, significant time has been spent completing and reviewing implementation plans for savings proposals, providing greater assurance of the deliverability of the savings programme.

Overall budget management and delivery was enhanced in 2019/20 with budget monitoring being reported to the Council Leadership Team, the Executive Management Team and Resources Overview and Scrutiny Committee on a monthly basis. Star Chamber sessions chaired by the Cabinet Member for Finance and Resources are also held monthly to challenge Directorate budgets and consider how the position can be recovered. This has resulted in the financial position improving from a forecast overspend of £18.2m at Month 2 of 2019/20 to a £1.5m underspend at Month 9, demonstrating that the Council takes seriously its commitment to deliver a balanced budget and the specific savings within the budget.

Despite this, the Council has identified that there are budgetary risks that could happen over the medium-term period 2020/21 – 2023/24 which are not certain enough at this point to budget for. However, it has considered these in the context of its level of reserves held to ensure the Council could cope with the associated financial shocks. These risks include:

Risk	**Mitigation**	**Likelihood**	**Probability weighted medium term potential impact £m**
Loss of assumed Business Rates and associated income from properties not paying the appropriate level of Business Rates	The Council has employed a company to identify Business Rates income not being	20%	8

Risk	Mitigation	Likelihood	Probability weighted medium term potential impact £m
Business Rates Appeals being 1% greater than current assumptions of c4%.	Provision has been made for a prudent level of successful appeals based on historic experience	15%	3
Economic Downturn – loss of 5% of Business Rates	Current economic forecasts anticipate growth in Birmingham businesses	10%	9
Council Tax growth forecasts being optimistic	Council Tax growth forecasts are based on the Council's approved housing forecasts and plan	10%	3
Outcome of the Government Spending Review and Fair Funding Review	The outcome of each may not be in line with the current financial planning assumptions of neutral in real terms. There is potential for both improvements and reductions in resource forecasts.	20%	6
Inflation increases at a greater rate than planned. For example 1%.	Provided for 2% inflation increase within the budget Contracts that run at a higher rate than the general assumption have been provided for separately	10%	4
1% unbudgeted rise in short-term and long-term interest rates	The Council has taken a more prudent view than commentators over the medium term	12.5%	4
Delivering the savings programme	A fundamental review of all savings proposals has been undertaken and any that were felt not to be deliverable have been written out.	30%	11

Risk	Mitigation	Likelihood	Probability weighted medium term potential impact £m
Increasing costs in the base budget e.g. • Adults Social Care • Increasing numbers of Looked After Children	Adults – Pressures identified funded. The Children's Trust has identified £6.1m budget challenges that have been funded, though this will be kept under review.	30%	11
Increased Pension Contributions required	The Council is agreeing a three-year payment plan with the pension fund to repay the pension deficit, beginning 2020/21. Any movements would be incremental from the current agreed recovery plan.	25%	3
Impact of Brexit – potential loss of grant income	The outcome of Brexit is uncertain. If European Grant funding is lost it may be replaced by the Government.	30%	2
Industrial disputes	Improved engagement	25%	6
Exceeding the 5% VAT Partial Exemption limit	Appropriate taxation advice is taken before each decision is taken	10%	4
Capital Programme Cost Overrun linked to major projects	Enhanced project management and governance procedures Prudential limits placed on levels of borrowing	20%-50%	15

Risk	Mitigation	Likelihood	Probability weighted medium term potential impact £m
Commonwealth Games: • costs increasing • partner contributions not being received	Planned for £40m of spend within the revenue budget (2018/19 – 2022/23) Discussions with Government to cap the Council's contribution at the level of the Bid. Ongoing discussions with partners.	Low	6
Cost overruns associated with the Commonwealth Games Village	Unallocated capital resources could be applied to reduce the impact. Earmarked reserves could be made available to further reduce the potential impact on general revenue reserves. Discussions taking place with Government and the Organising Committee on alternative funding approaches	Low	6
Major Contract disputes	Ensure contracts are operated in accordance with the agreed Terms and Conditions. Earmarked reserves in place to mitigate impacts.	Very Low	0

Risk	Mitigation	Likelihood	Probability weighted medium term potential impact £m
Successful Equal Pay disputes	Provision has been set aside for outstanding Equal Pay claims. Proactive management of claims and widespread awareness of Equal Pay issues taken into account in decision making	Very Low	0
Total			**101**

It should be noted that some of this potential impact would occur in future years. Therefore, the Council would have the ability to consider some of these pressures in future budget processes if they materialise and identify appropriate mitigations.

The Council is aware of and alive to a number of strategic risks which it monitors and mitigates but to which it is impractical to attach associated costs. These include the risk of terrorist attacks and other emergency events, cyber-crimes, climate change and the impact of national politics. Conversely, the Council also tracks the opportunities inherent in the risks it monitors.

APPENDIX F: PRESSURES

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
FINANCE & GOVERNANCE							
F01	Reduction in historic Business Transformation Costs and Repayments	Existing	Other	(0.140)	(0.167)	(0.343)	0.631
F02	Reduction in the Non delivery of saving SS002 Corporate Procurement Services	Existing	Non delivery	(0.137)	(0.217)	(0.217)	(0.217)
F03	Rephasing of Invest to Save costs and planned repayments for implementation of new HR & Finance system	Existing & New	Invest to Save	3.871	(8.965)	(8.980)	(8.995)
F04	Invest to Save costs and planned repayments for the implementation of the Transport saving	Existing	Invest to Save	0.002	0.018	(0.026)	(0.122)
FGP001	Shortfall in digital advertising income	New	Rebasing	1.620	1.700	1.700	1.700
FGP002	Realignment of budget to manage client expectations re Civic Cleaning	New	Rebasing	0.000	0.201	0.201	0.201
FGP003	Reduction in commercial activity relating to the schools catering element of Cityserve	New	Rebasing	0.906	1.490	2.074	2.289
FGP004	Write off of unachievable income target associated with Business Rates appeals	New	Rebasing	0.218	0.218	0.218	0.218
FGP005	Undeliverable saving CY003 18+ - Cityserve - expansion of catering business and cessation of caretaking & cleaning business	Savings Non-Delivery	Non delivery	0.187	0.187	0.187	0.187
FGP006	Undeliverable saving CC106 19+ - Contract Management Savings Opportunities	Savings Non-Delivery	Non delivery	0.300	0.300	0.300	0.300
FGP007	Previous benefits from balance sheet management are no longer available	New	Rebasing	0.500	0.500	0.500	0.500

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
FGP008	Sustainable resource for additional cost of VAT advice	New	Rebasing	0.250	0.250	0.250	0.250
FGP009	Additional interim Finance staff for 2020/21	New	Time limited resources	0.250	0.000	0.000	0.000
FGP010	Estimated additional future cost of audit work	New	Other	0.051	0.051	0.051	0.051
FGP011	Temporary funding to support the Modernisation Agenda	New	Time limited resources	0.059	0.000	0.000	0.000
Total Finance & Governance pressures				**7.937**	**(4.434)**	**(4.085)**	**(3.007)**

HUMAN RESOURCES							
H01	Fall out of temporary corporate support for the Job Evaluation Team	Existing	Time limited resources	0.000	(0.453)	(0.453)	(0.453)
H02	Fall out of the use of Policy Contingency carry forward to fund Improvement Hub / Demand Management team	Existing	Time limited resources	(0.032)	(0.032)	(0.032)	(0.032)
Total Human Resources pressures				**(0.032)**	**(0.485)**	**(0.485)**	**(0.485)**

PARTNERSHIPS, INSIGHT & PREVENTION							
PPP001	Service review to expand existing team to meet service demand and ensure compliance with Equality Act	New	Legislative	0.646	0.662	0.674	0.688
PPP002	One off funding to enable a software upgrade to systems within the central control centre	New	Time limited resources	0.070	0.000	0.000	0.000
PPP003	Corporate support to ensure the effective operation of the Strategic Programme Board until July 2020	New	Time limited resources	0.038	0.000	0.000	0.000

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PPP004	Support priority Council communications and strategic marketing campaigns	New	Other	0.150	0.150	0.150	0.150
PPP005	Support the Council's revised action plan to address equality and diversity outcomes	New	Time limited resources	0.050	0.000	0.000	0.000
Total Partnerships, Insight & Prevention pressures				**0.954**	**0.812**	**0.824**	**0.838**

DIGITAL & CUSTOMER SERVICES							
D01	Reduction in support needed for Information and Communication Technology	Existing	Other	(0.707)	(2.368)	(2.635)	(2.635)
D04/D06	Planned reduction in corporate support for the team supporting ICT & D plans	Existing	Time limited resources	(2.066)	(2.118)	(2.118)	(2.118)
D05	Reduction in corporate support for ICT - Information Assurance Plan	Existing	Time limited resources	(0.080)	(0.080)	(0.080)	(0.080)
D07	Reduction in net additional cost required to identify additional Business Rates income	Existing	Time limited resources	(0.539)	(0.746)	(1.184)	(1.184)
DCP001	Repayment of borrowing from FRR for ICT	New	Invest to Save	2.053	(0.976)	(0.976)	(0.976)
DCP002	Undeliverable saving - CC103 19+ Review of Non-Essential Expenditure. Replaced with new saving	Savings Non-Delivery	Non delivery	0.140	0.140	0.140	0.140
DCP003	CC102a - Non delivery of part of the staff consolidation saving	Savings Non-Delivery	Non delivery	0.150	0.150	0.150	0.150
DCP004	Temporary additional legal capacity needed to support IT contracts	New	Time limited resources	0.150	0.000	0.000	0.000
DCP005	Temporary additional procurement capacity to support IT contracts	New	Time limited resources	0.150	0.000	0.000	0.000
DCP006	Application Platform Modernisation - Cost slippage into future years	New	Other	(0.505)	0.000	0.000	0.000

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
DCP007	Reduction in external income in relation to the IT contract	New	Rebasing	0.600	0.600	0.600	0.600
Total Digital & Customer Services pressures				**(0.654)**	**(5.398)**	**(6.103)**	**(6.103)**

NEIGHBOURHOODS							
N01	Sports & Leisure Service - Planned fall out of temporary corporate support	Existing	Time limited resources	(0.375)	(0.457)	(0.485)	(0.746)
N03	Fall out of temporary corporate support for major sporting events	Existing	Time limited resources	(0.200)	(0.200)	(0.200)	(0.200)
N04	Reduction in temporary corporate support to allow delivery of saving SN20 - Redesign Street Cleansing	Existing	Non delivery	(0.500)	(0.500)	(0.500)	(0.500)
N05	Waste Disposal Infrastructure	Existing	Other	2.700	2.700	2.700	2.700
N06	Wholesale Markets Business Case	Existing	Other	(0.289)	(0.286)	(0.416)	(0.566)
NEL001	Support to assist in the delivery of Localisation Policy (approved March 2018) and Working Together in Birmingham's Neighbourhood Policy (approved January 2019)	New	Member Priorities	0.425	0.425	0.425	0.425
NEP002	Pressures within the Markets service relating to the Indoor Market	New	Time limited resources	0.220	0.220	0.110	0.000
NEP003	Support to meet statutory inspection as required by Food Law Code of Practice (England)	New	Legislative	0.300	0.275	0.275	0.275
NEL003	Resources needed to provide Officer coordination & delivery of the WMCA Regional Tourism Strategy launched in September 2019.	New	Member Priorities	0.075	0.075	0.075	0.075
NEL004	Temporary additional capacity needed to develop a selective licensing scheme	New	Member Priorities	0.250	0.000	0.000	0.000

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
NEP006	Temporary loss of income due to development within the Victoria Square area of the city centre	New	Time limited resources	0.148	0.000	0.000	0.000
NEL006	Invest to Save to improve the Private Rented Housing Sector to keep up with current demand and support the addressing of homelessness through discharge of duty.	New	Member Priorities	0.250	0.250	0.250	0.250
NEP007	Ongoing additional maintenance costs for the newly developed Centenary Square area of the city centre	New	Other	0.025	0.025	0.025	0.025
NEL007	Waste Enforcement - additional support to increase enforcement activity	New	Member Priorities	0.400	0.400	0.400	0.400
NEL008	Reduction in rank grass areas/increase in grass cutting areas	New	Member Priorities	0.200	0.200	0.200	0.200
NEL009	Reinstatement of Summer Bed Clearance	New	Member Priorities	0.150	0.150	0.150	0.150
NEL010	Love Your Street - resources needed to tackle the growing challenge of maintaining the cleanliness of the city's streets	New	Member Priorities	1.000	1.000	1.000	1.000
NEP011	Moseley Road Baths - ongoing maintenance requirements	New	Other	0.100	0.075	0.050	0.025
NEP014	External repairs & maintenance of Museums & Heritage Block	New	Rebasing	0.100	0.100	0.100	0.100
NEP019	Unachievable Trade Waste income target	New	Rebasing	0.050	0.050	0.050	0.050
NEP020	Ongoing maintenance costs relating to the use of IT within the Waste Management service	New	Rebasing	0.500	0.500	0.500	0.500
NEP021	Reduced internal demand for the use of the Waste Management Garage	New	Time limited resources	0.375	0.150	0.000	0.000

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
NEP022	Street Cleansing - reduced income assumptions	New	Rebasing	0.500	0.500	0.500	0.500
NEP023	Additional hire and repairs & maintenance of Fleet vehicles within the Waste Management Service	New	Time limited resources	2.000	2.000	1.500	0.000
NEP025	Reduction in income generated through the sale of recycled paper due to a decline in paper prices	New	Rebasing	0.120	0.120	0.120	0.120
NEP026	Additional capacity to comply with our statutory duty in relation to Assets of Community Value	New	Legislative	0.025	0.025	0.025	0.025
NEP027	Housing Demand on Temporary Accommodation	New	Rebasing	3.800	3.800	3.800	3.800
NEP028	Increased cost of the Coroners Service	New	Demography	0.400	0.480	0.480	0.570
NEP029	Additional employee costs in relation to the refuse collection service	New	Rebasing	1.520	0.520	0.520	0.520
NEP031	Demography impacts on Waste Management services	New	Demography	0.500	0.500	0.500	0.500
NEP032	Rebasing of the Wellbeing Centres	New	Rebasing	3.900	3.900	3.900	3.900
NEP033	Trade Waste Income Generation - Non delivery of saving PL120a 19+	Savings Non-Delivery	Non delivery	0.150	0.150	0.150	0.150
NEP034	Shortfall due to policy decision to not increase rents in temporary accommodation by 1.7% (CPI)	New	Member Priorities	0.600	0.600	0.600	0.600
NEP035	Non delivery of savings HN7 17+ relating to the asset & property disposal programme	Savings Non-Delivery	Non delivery	1.200	1.100	1.100	1.100
NEP036	Pressure on Street Scene Services salaries and premises/utility budgets	New	Rebasing	1.500	1.500	1.500	1.500

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
NEP037	Partial non-delivery of saving PL127 19+ - Bereavement Services Fees & Charges review	Savings Non-Delivery	Non delivery	0.606	0.606	0.606	0.606
NEP038	Reinstatement of the Major Events Budget	New	Member Priorities	0.050	0.450	0.250	0.500
NEP039	Additional resources to provide support to BIDs	New	Member Priorities	0.100	0.100	0.100	0.100
NEP040	Additional resources for leaf clearance	New	Rebasing	0.400	0.400	0.400	0.400
Total Neighbourhoods pressures				**23.275**	**21.903**	**20.760**	**19.054**

INCLUSIVE GROWTH							
G04	Reprofile of saving MYR4/HN11/SN40 InReach Housing Programme	Existing	Non delivery	0.688	0.601	0.240	(0.092)
G05	Rephasing implementation of saving C26 16+ Council Administrative Buildings	Existing	Non delivery	(0.290)	(0.548)	(2.934)	(3.024)
G06	Loss of property income following disposal of Innovation Birmingham Ltd	Existing	Rebasing	0.000	0.176	0.176	0.176
G09	Repayment of Invest to Save resources linked to specialist support in delivery of EC103b Operational Hubs	Existing	Invest to Save	0.000	(0.025)	(0.200)	(0.200)
IGP05	Central Administration Buildings operational costs	New	Time limited resources	0.660	0.000	0.000	0.000
IGP06	New Wholesale Markets operational expenditure	New	Time limited resources	0.317	0.000	0.000	0.000
IGP07	Health & Safety Compliance across the corporate property estate	New	Legislative	1.250	1.250	1.250	1.250
IGP09	Central Administration Buildings - operational Income	New	Non delivery	0.240	0.000	0.000	0.000

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
IGP10	Invest to Save resources and subsequent repayment for specialist support linked to development of the Workplace Parking Levy	New	Invest to Save	0.195	0.270	0.360	(0.915)
IGP11	Income assumptions in future years reduced to ensure they remain at achievable levels	New	Rebasing	2.400	2.400	2.400	2.400
IGP12	Under achievement of the commercial property income	New	Rebasing	1.233	1.007	0.971	0.971
IGP13	Development funding to support the Route to Zero (R20) programme	New	Time limited resources	0.082	0.000	0.000	0.000
IGP14	Revenue implications of approved capital programmes: A38 Tunnel Waterproofing and City Centre Revitalisation	New	Capital	0.001	0.288	0.288	0.288
IGP15	Non delivery of saving EC105 19+ - Full Cost Recovery of European and International Affairs service resulting from non-income generating activity and match-funding requirements/intervention rates	Savings Non-Delivery	Non delivery	0.100	0.100	0.100	0.100
IGP16	Under delivery of saving CC26 16+ - Council Administrative Buildings Reduction	Savings Non-Delivery	Non delivery	0.116	0.000	0.000	0.000
IGP17	Security & Curatorial services - Income assumptions in future years reduced to ensure they remain at achievable levels	New	Rebasing	0.180	0.180	0.180	0.180
IGP18	Under delivery of European and International Affairs service self-financing resulting from non-income generating activity and match-funding requirements/intervention rates	New	Rebasing	0.048	0.048	0.048	0.048
Total Inclusive Growth pressures				**7.220**	**5.747**	**2.879**	**1.182**

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
EDUCATION & SKILLS							
E01	Community Libraries - Self Service: fallout of time-limited funding	Existing	Time limited resources	0.000	0.000	(0.174)	(0.174)
E04	Special Educational Needs Assessment and Review funding shortfall from reduction in Government grant	Existing	Time limited resources	(0.375)	(0.375)	(0.375)	(0.375)
ESP100	Increase in the number of Children in Care compared to previous budgetary assumptions	New	Demography	5.100	5.100	5.100	5.100
ESP101	Remand placement pressures due to a combination of reduced Government funding and increased demand	New	Demography	1.000	1.000	1.000	1.000
ESP108	Corporate funding to address historic Children's Trust recharges pressure	New	Rebasing	0.121	0.121	0.121	0.121
ESP109	Pressure concerning an ongoing VAT payment liability relating to the new Early Years contract	New	Rebasing	0.408	0.408	0.408	0.408
ESP110	Rebasing of the Schools Transport Service to reflect underlying demand pressures and cost increases arising from re-commissioning of transport services	New	Rebasing	3.924	3.924	3.924	3.684
ESP111	Non delivery of Adult Education element of the Directorate's 2019/20 commercialisation saving	Savings Non-Delivery	Non delivery	0.430	0.430	0.430	0.430
ESP112	Reduction in Children's Trust Contract Price due to a reduction in their future Pension Contribution Rates	New	Pension Fund	(1.248)	(0.883)	(0.504)	(0.504)
ESP113	Children's Social Care Demography	New	Demography	0.000	0.500	1.000	1.500
Total Education & Skills pressures				**9.360**	**10.225**	**10.930**	**11.190**

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
ADULT SOCIAL CARE							
A02	Fall out of use of Earmarked Reserves	Existing	Time limited resources	2.000	2.000	2.000	2.000
A08	Reduction in savings non-delivery MYR1 - Integrated Community Social Work	Existing	Non delivery	(4.020)	(4.020)	(4.020)	(4.020)
C09	Adult Social Care Packages - Estimated Future Demographic Pressures	Existing	Demography	3.500	17.000	25.500	34.000
ADP001	Shortfall in resources formerly funded from Public Health Grant	New	Rebasing	2.275	3.285	3.285	3.285
ADP002	Resources needed to fund posts formerly funded by Public Health Grant	New	Other	0.123	0.123	0.123	0.123
ADP003	Adult Social Care Winter Pressures	New	Demography	5.600	5.600	5.600	5.600
Total Adult Social Care pressures				**9.478**	**23.988**	**32.488**	**40.988**

CORPORATE							
C01	Highways Infrastructure Maintenance	Existing	Demography	0.250	0.500	0.750	1.000
C04	Apprenticeship Levy	Existing	Other	(0.015)	0.025	0.065	0.112
C05	Pension Fund Costs	Existing & New	Pension Fund	0.451	0.509	0.669	0.690
C07	Change in Revenue Cost of Redundancy	Existing & New	Redundancy	0.000	7.281	3.194	0.750
C09	Fallout of provision held for adult social care no longer required	Existing	Demography	(8.500)	(8.500)	(8.500)	(8.500)
C11	Previously assumed loss of Winter Pressures grant funding	Existing & New	Time limited resources	(5.600)	(5.600)	(5.600)	(5.600)
C10	Corporate support to fund essential repairs at the Council House	Existing	Time limited resources	0.100	0.300	0.800	(0.200)

Ref	Description	Type of Pressure	Categorisation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
C12	Contribution to CWG Organising Committee	Existing	Member Priorities	(2.000)	(2.000)	35.844	(2.000)
C13	Fall out of one-off resources for Arts endowments	Existing	Time limited resources	(2.000)	(2.000)	(2.000)	(2.000)
C14	Fallout of the creation of the one-off Invest to Improve Fund	Existing	Time limited resources	(3.172)	(3.172)	(3.172)	(3.172)
CRP001	CWG Project Team costs	Existing & New	Member Priorities	3.000	4.021	1.444	(1.000)
CRP002	Revenue costs associated with Capital Projects	New	Capital	0.243	2.404	6.156	8.240
CRP003	HR additional temporary resources	New	Time limited resources	0.300	0.300	0.000	0.000
CRP005	Contingency funding to support the potential need to extend the contracts of interim staff in Finance and Governance to support service improvement in 2020/21	New	Time limited resources	0.750	0.000	0.000	0.000
CRP006	Corporate funding to support ODP across the organisation	New	Other	0.129	0.129	0.129	0.129
CRP007	Enhanced operations for Commonwealth Games	New	Member Priorities	0.000	5.000	10.000	0.000
Total Corporate pressures				**(16.064)**	**(0.803)**	**39.779**	**(11.551)**

Total budget pressures			**41.474**	**51.555**	**96.987**	**52.106**

APPENDIX G: SAVINGS

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
ADULT SOCIAL CARE						
HW4 17+ / AD002 18+ / WOC1 Effective and efficient workforce This proposal is designed to ensure that we have an Effective and Efficient Workforce within the Directorate. The proposal includes a restructure of the Social Work Assessment and Care Management Service which will increase the number of people reporting to individual managers (spans of control), further the moves to an asset-based assessment approach for citizens (focusing on what the citizen can do for themselves) and further the development of the community offer by working more closely with the third sector. The new approach will enable and empower people to develop and receive services in their own community by working closely with local GPs, communities and the Voluntary Sector. It is envisaged that a restructure will include increasing the span of control for the managers of the service and remodelling other services. The remodelling of the service will also include moving the specialist provision of Learning Disabilities and Mental Health into the Community Teams.	Existing	Expenditure reduction	(1.518)	(2.811)	(2.811)	(2.811)
MYR1 16+ / AD001 18+ / MIA7 16+ / HW317 / AD007 18+ / CC002 18+ / AD104 18+ Adult Packages of Care This proposal is based on diverting away demand for long term services and reducing levels of unmet eligible need. The impact of these savings will be predominantly on the budget for placements/packages of care. The savings will be achieved through a range of actions which include building community assets (neighbourhood networks), working with the Children's Trust and Education to promote	Existing	Expenditure reduction	(9.141)	(16.641)	(16.666)	(15.666)
		Income generation	(0.225)	(0.225)	(0.225)	(0.225)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
better aspirational outcomes for children coming through transitions, implementing a three conversation model of social work and implementing a Day Opportunities Strategy. The proposals aim to: • Enable vulnerable people, such as those with learning disabilities or mental health problems, to access services in the community, • Help older people by working more effectively with the NHS, to avoid admissions to hospital in the future, • Increase income from charges to clients by reviewing our existing charging policy to consider introducing a range of new charges on services, and • Continue to provide and develop services that reduce the dependency on social care including Early Intervention, Equipment, Home Adaptations and Occupational Therapy services.						
AD005 18+ Corporate Director The financial circumstances of service users eligible to receive care from the Council is assessed in line with Government Regulations, to work out what contribution they should make to the cost of their care. The Council raises bills to the Service Users to collect these contributions but some of these are not paid immediately. The Council uses a variety of means to collect these debts taking account of the circumstances of the service users. The Council will review the processes and methods used to ensure that the maximum amount of outstanding debt is collected.	Existing	Expenditure reduction	(0.070)	(0.070)	(0.070)	(0.070)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
CC104 19+ Commercialisation To support the ongoing sustainability of a range of services an approach is being undertaken across the organisation to review fees and charges to ensure that they recover the total cost of delivery or where appropriate return a surplus to be reinvested in the ongoing delivery of other services. A range of information is being utilised to support the review, including cost information, charges in similar local councils and also charges levied by other providers (e.g. private businesses) to deliver a consistent approach to charging across the organisation.	Existing	Income generation	(0.218)	(0.218)	(0.218)	(0.218)
New proposals			**0.000**	**0.000**	**0.000**	**0.000**
Existing plans			**(11.172)**	**(19.965)**	**(19.990)**	**(18.990)**
Total savings			**(11.172)**	**(19.965)**	**(19.990)**	**(18.990)**

DIGITAL & CUSTOMER SERVICES						
CC1 17+ / CC23 16+ / E23 16+ Implementation of ICT&D strategy to reduce spend on core IT infrastructure and development projects. Through the implementation of the Council's new Information Technology and Digital (ICT & D) strategy it is expecting to realise savings in a number of areas. These will be achieved through tighter control and governance of its IT projects, an increase in partnership working with external organisations and by strategic investment in technologies that deliver savings to the Council. In addition, there will be ongoing savings in respect of lower debt servicing costs due to a reduction in capital expenditure.	Existing	Expenditure reduction	(0.810)	(0.810)	(0.810)	(0.810)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
SS008 18+ Customer Services team This saving is being delivered through a reduction in support staff in Customer Services and supported by improved ways of working to protect the delivery of services to citizens. There will be improved online services to citizens through the implementation of a new online account that will allow people and businesses to access their personal information, request services or see information about the services they receive. This will improve the delivery of services via the website for citizens and will result in a reduction in telephone volumes without negatively impacting on citizens' experience.	Existing	Expenditure reduction	(0.088)	(0.362)	(0.362)	(0.362)
WOC1 Allocation of workforce savings These are further savings arising from amending the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions. There are changes that impact on pay and the saving also relates to a fall out of a one-off consolidated payment in 2017/18.	Existing	Expenditure reduction	(0.183)	(0.183)	(0.183)	(0.183)
DCS001 20+ Brum Account - phase 3 The Council will widen the range of services which can be booked or reported online through stage 3 of the BRUM Account project.	New	Expenditure reduction	(0.135)	(0.135)	(0.135)	(0.135)
DCS006 20+ Brum Account payments The Council will continue to develop the ability to request services online. This will include moving payments online making the process more efficient and eliminating the need for separate invoicing. This will also reduce debts from non-payment for services and also enhance the ability of citizens to track the progress of their service requests.	New	Expenditure reduction	(0.024)	(0.024)	(0.024)	(0.024)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
DCS008 20+ Consolidation of support services into Customer Services and Business Support For Customer Services this is a review of the suitability of four services that currently have satellite contact centres and sit outside of the corporate contact centre - Travel Assist, Licensing, Registrars and Commercial Waste. This proposal will see phase 2 of the amalgamation of all administrative support from each Directorate into Business Support.	New	Expenditure reduction	(0.060)	(0.060)	(0.060)	(0.060)
DCS009 20+ Cease handling Planning queries at the corporate contact centre and make all enquiries online only The corporate contact centre handles 26,000 calls per annum on behalf of planning. These calls are predominately signposting as they are unable to provide planning advice. Planning applications must be submitted online and in English via the planning portal. There is a wealth of advice online (on the BCC website and the Planning Portal) that provides answers to all queries that can be raised in relation to planning applications and queries. The plan is to cease handling these queries via the call centre and direct them online instead.	New	Expenditure reduction	(0.060)	(0.060)	(0.060)	(0.060)
DCS010 20+ Implementation of SMS and customer payment journey for the Revenues service There are approximately 445,000 households within Birmingham with a Council Tax liability of £421m. During 2018/19 the Revenues Service issued approximately 170,000 reminder notices where the citizen had missed their payment and 8,000 letters where the citizen had broken their special payment arrangement. It is proposed to make greater use of text message reminders to citizens which will be both cheaper and also believed likely to achieve a better response rate.	New	Expenditure reduction	(0.015)	(0.015)	(0.015)	(0.015)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
DCS011 20+ Application platform modernisation The Application Platform Modernisation (APM) Portfolio has been established to exit the Capita data centres, upgrade the existing infrastructure and bring the Council back onto supported infrastructure and software platforms. In addition, the APM programme will be introducing modern management tooling in order to streamline the operational delivery of infrastructure and application services. This proposal supports the delivery of the ICT & Digital Strategy and is part of an Invest to Save initiative to support the transition of services back from Capita. There is a full business case already approved which covers all the capital and revenue costs. Some changes to the savings approach reported Dec 2019, but numbers remain unchanged.	New	Expenditure reduction	(0.505)	(3.544)	(3.747)	(3.747)
DCS012 20+ Wide Area Network review and redesign Review of the Wide Area Network (WAN) in line with the security and network strategy. With options and recommendations for redesign to meet the overall Information Technology & Digital Services strategy and capacity requirements of the citizen, business and Council. The approach will be to create an outline business case and to refresh post market tender activity into a full business case. This proposal supports the delivery of the ICT & Digital Strategy and is part of an Invest to Save initiative to support the transition of services back from Capita. There is a full business case already approved which covers all the capital and revenue costs. Some changes to the savings approach reported Dec 2019, but numbers remain unchanged.	New	Expenditure reduction	0.000	(0.500)	(0.500)	(0.500)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
DCS013 20+ Corporate voice and mobile telephony rationalisation The savings proposal supports the rationalisation of the corporate voice and telephony equipment, in use across the Council. This will enable a reduction in the corporate mobile phones in operation, reduction of phone lines, decommissioning of old equipment, and exiting the Capita VOIP contract in 2021. To achieve this a Corporate voice strategy will be produced to frame the work required and an outline business case will then follow. This proposal supports the delivery of the ICT & Digital Strategy and is part of an Invest to Save initiative to support the transition of services back from Capita. There is a full business case already approved which covers all the capital and revenue costs.	New	Expenditure reduction	(0.033)	(0.533)	(0.533)	(0.533)
DCS014 20+ Utilisation of corporate Microsoft Enterprise Agreement Having procured the Corporate Microsoft Enterprise Agreement for Birmingham City Council, this enables a number of opportunities in terms of replacing existing tools and software deployed with Microsoft tools included within the agreement. A detailed proposal will be raised for each item and project managed accordingly, to ensure time, cost, quality, and measurement of the benefit realisation. This proposal supports the delivery of the ICT & Digital Strategy and is part of an Invest to Save initiative to support the transition of services back from Capita. There is a full business case already approved which covers all the capital and revenue costs.	New	Expenditure reduction	(0.400)	(0.700)	(0.700)	(0.700)
DCS015 20+ ITDS organisation structure review Following the successful transition of the Capita Services into Birmingham City Council IT&D, and the associated merger with the Council's existing ICT staff, the structure will be reviewed to meet the needs, capacity and capability requirements of the Council, in supporting the Council Plan and priorities.	New	Expenditure reduction	(0.200)	(0.200)	(0.200)	(0.200)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
DCS016 20+ Contract supplier review and rationalisation Following the successful transition of the Capita IT contract in July 2019, a full review of all IT supplier contracts (novated and BCC procured) will take place. The approach will be to review, extend, replace or decommission with the initial focus on those services currently on current 12-month contracts.	New	Expenditure reduction	(0.150)	(0.150)	(0.150)	(0.150)
DCS020 20+ Renewal of bulk printing contract including Revenues and Benefits To retender the bulk printing of BCC's documentation to take effect from 1 April 2021. A new contract will be put in place to ensure the Council maximises value for money and improved service provision.	New	Expenditure reduction	0.000	(0.031)	(0.031)	(0.031)
Additional SAP savings Reduced application costs resulting from the change from SAP to Oracle	New	Expenditure reduction	0.000	(2.000)	(2.000)	(2.000)
Debt collection costs The full recovery of costs associated with collecting outstanding debts	New	Income generation	(0.208)	(0.297)	(0.297)	(0.297)
New proposals			**(1.790)**	**(8.249)**	**(8.452)**	**(8.452)**
Existing plans			**(1.081)**	**(1.355)**	**(1.355)**	**(1.355)**
Total savings			**(2.871)**	**(9.604)**	**(9.807)**	**(9.807)**

EDUCATION & SKILLS						
P22 16+ Early Years The savings are being delivered through a new model for delivering a more joined up Early Years offer to support parents and young children.	Existing	Expenditure reduction	(0.981)	(0.981)	(0.981)	(0.981)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PL016D 18+ Youth Service Resources released following the payment of pension fund strain costs.	Existing	Expenditure reduction	0.000	0.000	0.074	0.074
Corporate funding of pension fund strain Fallout of time-limited savings as a result of pension fund strain being funded corporately.	Existing	Expenditure reduction	0.002	0.002	0.002	0.002
CC104 19+ Commercialisation To support the ongoing sustainability of a range of services an approach is being undertaken across the organisation to review fees and charges to ensure that they recover the total cost of delivery or where appropriate return a surplus to be reinvested in the ongoing delivery of other services. A range of information is being utilised to support the review, including cost information, charges in similar local councils and also charges levied by other providers (e.g. private businesses) to deliver a consistent approach to charging across the organisation.	Existing	Income generation	(0.040)	(0.040)	(0.040)	(0.040)
PL126 19+ Review of managerial arrangements across the Directorate The review of Community Libraries, primarily relating to income and use of assets	Existing	Expenditure reduction	(0.031)	(0.031)	(0.031)	(0.031)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PL130 19+ Reduce the number of books purchased for the Library Service The library service currently allocates £0.760m per annum to a budget known as the 'Book fund'. This proposal is a small reduction in spend on the book fund which will have minimal impact.	Existing	Expenditure reduction	(0.004)	(0.004)	(0.004)	(0.004)
ESS008 20+ Generation of income from legal process training to provided to schools and alternative providers; and fees payable from education providers for advice and guidance following Ofsted outcomes. This proposal relates to the General Fund only (EWS teams) Our financial commitment to generate at least £20,000 income from legal process training provided to schools and alternative providers; and fees payable from education providers for advice and guidance following Ofsted outcomes. This saving is General Fund through the Education Welfare Service element of the service.	New	Income generation	(0.020)	(0.020)	(0.020)	(0.020)
ESS010 20+ Education Infrastructure The savings proposal will review professional services around ICT and facilities management provision for Design and Build schools and ICT services for PFI schools which will generate savings of £90k. Streamlining of facilities management of one of BCC's multi-occupancy hubs will also result in a reduced headcount by 1 full time equivalent (FTE) post, which generates additional savings of £47k.	New	Expenditure reduction	(0.137)	(0.137)	(0.137)	(0.137)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
ESS011 20+ Service redesign (General Fund only) This savings proposal streamlines delivery by linking more closely the Education Safeguarding team with School and Governor support. This will reduce the number of posts in the team by one. Subscription costs to the service currently in operation will also be raised. This will ensure that the quality of delivery is improved and that schools have the best advice; support and guidance with regard to safeguarding; in addition, the service will make savings through income generation.	New	Expenditure reduction	(0.052)	(0.052)	(0.052)	(0.052)
ESS013 20+ School & Governor Support - fully traded service The service currently makes use of specific and technical expertise held within Business Support. A review of the use of Business Support indicates that there is scope for savings to be made through S&GS making less demand on this service, without an impact on the service. The cost saving would arise in Business Support, though as a consequence the recharge from Business Support into the service would be reduced and deliver a financial benefit.	New	Expenditure reduction	(0.050)	(0.050)	(0.050)	(0.050)
ESS014 20+ Development of a traded service to sit alongside (and complement) the required service delivery to meet statutory duties BCC has a statutory duty to provide support where childcare providers are inspected by Ofsted and rated as less than good (currently 8% of providers overall). This is an income generation proposal which will extend support available from Council services to childcare providers who are rated as good or outstanding. This service has been requested by Early Years providers for a number of years and could have a significant impact in raising standards for children at the end of their Reception year.	New	Income generation	(0.019)	(0.019)	(0.019)	(0.019)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
ESS015 20+ Increased income for SENDIASS There is a statutory requirement for SENDIASS to have joint funding from the Council General Fund, Social Care (Children's Trust) & Health. This should be established in line with the current Information Advice & Support Programme. This is not currently the case and once agreed and additional funding contributions are secured this will reduce the demand on the General Fund. It will also allow the service to expand and bring in more income, to achieve a saving of £20k.	New	Income generation	(0.020)	(0.020)	(0.020)	(0.020)
ESS019 20+ Birmingham Careers Service - employee reduction Savings within Birmingham Careers Service will be made through a reduction of 2 full time equivalent posts by 2021/22. There will be a minimal impact on service delivery.	New	Expenditure reduction	(0.050)	(0.100)	(0.100)	(0.100)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
ESS026 20+ Savings in the Children's Trust budget from initiatives on the supply and demand side for services which will generate savings from 2021/22 onwards The saving proposal will seek to achieve savings / cost avoidance across a range of areas which will manage demand and reduce the cost of services. Areas which will contribute to managing demand include: Intensive Family Support Strategy; Family Drug and Alcohol Court; Contextual Safeguarding Hub. Areas which will reduce the overall cost of services are: Increased in-house fostering; Adoption self-sufficiency; Recommissioning residential care and supported accommodation; increasing tri-partite care funding. The delivery of these savings which will, impact from 2021/22 onwards, are contingent on collaboration across all key partners across Birmingham and where appropriate additional investment, subject to a suitable business case. The gross saving from these measures will be £9.9m, which subject to the Council's 50/50 gain share arrangement with the Trust means that the Council will benefit by £4.95m. Further savings of £1.15m on general efficiencies will be targeted by the Trust which will give a total forecast saving of £6.100m.	New	Expenditure reduction	0.000	(6.100)	(6.100)	(6.100)
New proposals			**(0.348)**	**(6.498)**	**(6.498)**	**(6.498)**
Existing plans			**(1.054)**	**(1.054)**	**(0.980)**	**(0.980)**
Total savings			**(1.402)**	**(7.552)**	**(7.478)**	**(7.478)**

FINANCE & GOVERNANCE						
CC23 16+ Reduction in costs relating to the SAP investment plan Reduction in debt repayment	Existing	Expenditure reduction	(0.050)	(0.050)	(0.050)	(0.050)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
FG001 18+ / FG002 18+ / FG004 18+ / CC23 16+ / E23 16+ City Finance This represents the final stage of restructuring the finance function	Existing	Expenditure reduction	(0.090)	(0.230)	(0.230)	(0.230)
WOC1 Allocation of workforce savings These are further savings arising from amending the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions. There are changes that impact on pay and the saving also relates to a fall out of a one-off consolidated payment in 2017/18.	Existing	Expenditure reduction	(0.185)	(0.185)	(0.185)	(0.185)
Corporate funding of pension fund strain Fallout of time-limited savings as a result of pension fund strain being funded corporately.	Existing	Expenditure reduction	0.063	0.063	0.063	0.063
CC104 19+ Commercialisation To support the ongoing sustainability of a range of services an approach is being undertaken across the organisation to review fees and charges to ensure that they recover the total cost of delivery or where appropriate return a surplus to be reinvested in the ongoing delivery of other services. A range of information is being utilised to support the review, including cost information, charges in similar local councils and also charges levied by other providers (e.g. private businesses) to deliver a consistent approach to charging across the organisation.	Existing	Income generation	(0.150)	(0.150)	(0.150)	(0.150)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
FG101A 19+ Delivery of further efficiency savings following the implementation of a new Finance and HR IT system. The Council is in the process of purchasing a new Finance and Human Resources IT system and a programme of change in financial management and administration processes which aim to deliver improved performance across the organisation and operational efficiencies within the finance function. This will lead to a reduction in the number of employees required to deliver the finance service. The new system will simplify and streamline business processes and working practices that meet business requirements for financial management, administration and supporting decision making. It is envisaged that it will be possible to increase automation of tasks, introduce easy to use processes and improve self-service opportunities, which are accessible for use by non-finance experts and require less specialist systems support. This will enable operational efficiencies in transaction processing to be achieved across the Corporate and Service/Directorate Finance teams and Financial Transaction Processing services. The business change project will also deliver improvements to the way the Council pays its suppliers and how the Council obtains payment for services that it provides to fee-paying customers. Links to pressure F03	Existing	Expenditure reduction	(0.100)	(0.850)	(1.700)	(1.700)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
FG102 19+ Reduced external legal spend Legal Services propose to reduce the total amount of money spent by Birmingham City Council on Barristers Fees and External Law Firms, by changing the way that both current services are provided. This proposal is to deliver a phased reduction in these costs without reducing the quality of outcome delivered.	Existing	Expenditure reduction	(0.100)	(0.200)	(0.300)	(0.300)
FGS003 20+ Procurement savings opportunity assessment A full review of all Council revenue expenditure on supplies and services was commissioned during 2019/20. The results of this review indicate a strong likelihood that savings can be achieved through a rigorous programme of reprocurement and renegotiation of revenue funded contracts. On the finalisation of the review an implementation plan will be drawn up, in consultation with service providers, that drives a category and/or contract size targeted approach to deliver savings in price and potentially specification where appropriate.	New	Expenditure reduction	(3.000)	(4.500)	(6.000)	(7.500)
ESS022 20+ Schools Financial Services budget savings In light of diminishing trading opportunities Schools Financial Services may not be able to meet future income targets and this, coupled with the savings targets that need to be achieved, means that there is a requirement to review aspects of the staffing structure. Initially it is proposed that the service could reduce staff numbers by 1.3 FTE through the voluntary redundancy or early retirement process. Further savings through these routes may need to be implemented at a later stage.	New	Expenditure reduction	(0.049)	(0.049)	(0.049)	(0.049)
New proposals			**(3.049)**	**(4.549)**	**(6.049)**	**(7.549)**
Existing plans			**(0.612)**	**(1.602)**	**(2.552)**	**(2.552)**
Total savings			**(3.661)**	**(6.151)**	**(8.601)**	**(10.101)**

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
HUMAN RESOURCES						
WOC1 Allocation of workforce savings These are further savings arising from amending the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions. There are changes that impact on pay and the saving also relates to a fall out of a one-off consolidated payment in 2017/18.	Existing	Expenditure reduction	(0.074)	(0.074)	(0.074)	(0.074)
HR105 19+ Apprenticeship Levy – one provider of all training and administration To procure a single training provider framework for all apprenticeships that are paid for from the Apprenticeship Levy. This framework would coordinate all delivering of apprenticeship standards of training for any job role, rather than procuring many providers as we do now. By procuring just one framework, we can reduce the time spent liaising with different agencies. This means we can reduce the number of staff in the HR/OD team by 1 FTE. A single provider was appointed in 2019/20 which has delivered a part year saving 2019/20 and a full year saving in 2020/21.	Existing	Expenditure reduction	(0.023)	(0.023)	(0.023)	(0.023)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
HR107 19+ Post implementation of ERP system The Council needs to replace the HR IT system that holds all of the data regarding its staff and the transactions concerning them. For instance, staff appointments, pay, recording annual leave and time taken off sick, and all training provided. A decision to replace and improve this system was made by Cabinet. The replacement of this system will enable us to review the way our work and tasks are currently undertaken and to simplify them. This will mean that we will need fewer HR staff to do this activity.	Existing	Expenditure reduction	0.000	(0.237)	(0.237)	(0.237)
HRS001 20+ Deletion of part-time vacancy and amalgamation of two management posts in Health and Safety and Occupational Health to be one management post Health and Safety and Occupational Health are two separate teams, previously managed by two managers. The manager (part-time) of Occupational Health has recently resigned and left Birmingham City Council in August creating a vacant management position. Whilst holding a large portfolio there are similarities and synergies in the work that the managers undertake. It is therefore proposed to amalgamate the management of these two teams under one manager. This would see the reduction of 0.5FTE at GR6, with an anticipated reoccurring saving of £0.035m.	New	Expenditure reduction	(0.035)	(0.035)	(0.035)	(0.035)
New proposals			**(0.035)**	**(0.035)**	**(0.035)**	**(0.035)**
Existing plans			**(0.097)**	**(0.334)**	**(0.334)**	**(0.334)**
Total savings			**(0.132)**	**(0.369)**	**(0.369)**	**(0.369)**

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
INCLUSIVE GROWTH						
JS4A 17+ Reduce West Midlands Combined Authority Transport Levy The contribution is revised annually to reflect Birmingham's share of the West Midlands population.	Existing	Expenditure reduction	0.001	0.001	0.001	0.001
SN9A New - Civil Parking Enforcement Current levels of parking infringement and associated enforcement activity required to address the impact on traffic management has resulted in additional penalty income. Budgets realigned to reflect.	Existing	Income generation	(0.010)	(0.010)	(0.010)	(0.010)
WOC1 Allocation of workforce savings These are further savings arising from amending the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions. There are changes that impact on pay and the saving also relates to a fall out of a one-off consolidated payment in 2017/18.	Existing	Expenditure reduction	(0.195)	(0.195)	(0.195)	(0.195)
CC104 19+ Commercialisation To support the ongoing sustainability of a range of services an approach is being undertaken across the organisation to review fees and charges to ensure that they recover the total cost of delivery or where appropriate return a surplus to be reinvested in the ongoing delivery of other services. A range of information is being utilised to support the review, including cost information, charges in similar local councils and also charges levied by other providers (e.g. private businesses) to deliver a consistent approach to charging across the organisation.	Existing	Income generation	(0.090)	(0.090)	(0.090)	(0.090)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
EC016 18+ Property Strategy/EC103A 19+ & 20+ Commercial Income Growth	Existing	Income generation	0.761	(1.988)	(3.015)	(3.779)
This proposal seeks to make more efficient use of the Council's property assets. By employing innovative methods underpinned by a competitive commercial ambition, the Property Strategy will build a resilient and sustainable portfolio to give integrated, community focused services, while supporting transformational change. The Property Strategy outlined an ambition and aspiration to grow the annual rental income receivable by up to 20% gross (including inflation) over the five years effective from financial year 2019/20. A robust review of performance across the existing commercial portfolio will drive out opportunities to dispose of those assets which are performing poorly and inform future decision making in terms of the potential return on reinvesting proceeds generated from disposals. Income growth will be achieved through the optimisation of stock to provide the greatest possible value, the making of investments where value can be uplifted, and the use of targeted acquisitions to expand the portfolio where resources are available. The target savings will be achieved by transforming the Investment Portfolio on commercially sound principles and leveraging capital to deliver enhanced property stock to continue to attract more high-quality businesses to the city. Additional income growth budgeted with effect from 2020/21 to address existing under achievement of commercial property income generated from existing property assets.	New		(1.233)	(1.007)	(0.971)	(0.971)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
EC103B 19+ Operational Hub Programme This proposal seeks the effective utilisation of the Council's operational property assets through the creation of a portfolio of fit for purpose public sector hubs and rationalise unsuitable, under-utilised and expensive to operate buildings. Links to pressure G09	Existing	Expenditure reduction	(0.322)	(0.483)	(0.537)	(0.537)
New proposals			**(1.233)**	**(1.007)**	**(0.971)**	**(0.971)**
Existing plans			**0.145**	**(2.765)**	**(3.846)**	**(4.610)**
Total savings			**(1.088)**	**(3.772)**	**(4.817)**	**(5.581)**

NEIGHBOURHOODS						
SN21 16+ Removal of universal superloos The saving will be achieved from the gradual expiry of the current external contracts for the provision of public conveniences in some specific locations in the city.	Existing	Expenditure reduction	0.000	(0.134)	(0.389)	(0.408)
PL016E 18+ Neighbourhoods and Communities - Community The full year impact of the closure and disposal of Newtown Community Centre and retain the revenue saving arising from the generation of the capital receipt; transfer responsibility for the Friends Institute Trust for which BCC is Custodian Trustee to a third party; and let Coronation Play Centre to an external not-for profit organisation.	Existing	Expenditure reduction	0.000	0.000	0.025	0.025

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
WOC1 Allocation of workforce savings These are further savings arising from amending the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions. There are changes that impact on pay and the saving also relates to a fall out of a one-off consolidated payment in 2017/18.	Existing	Expenditure reduction	(0.565)	(0.565)	(0.565)	(0.565)
Corporate funding of pension fund strain Fallout of time-limited savings as a result of pension fund strain being funded corporately.	Existing	Expenditure reduction	0.032	0.032	0.032	0.032
PL104 19+ Transfer management of community centres to third parties Some Community Centres are directly managed by the Council, but most are already let (leased) to third sector and community groups who operate them for the benefit of the local community. The proposal is that other similar organisations become responsible for the day-to-day operation of Centres through charitable or not-for-profit means.	Existing	Expenditure reduction	(0.030)	(0.030)	(0.030)	(0.030)
PL118 19+ 20% Reduction in grant to the Active Wellbeing Society The proposal is to reduce the grant to The Active Wellbeing Society over three years from 2020/21 by 20%. The deferred implementation provides time for TAWS to access other sources of funding to enable activity to continue and hopefully increase in the future.	Existing	Expenditure reduction	(0.108)	(0.216)	(0.324)	(0.324)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PL123 19+ Housing, Private Rented Sector and Voids redesign This proposal incorporates implementation of a new operating model for Housing Options and will include Housing Options Centre, Temporary Accommodation, Allocations, Registrations, Voids and Audit/ Policy. This will require the housing service to realign resources to preventing homelessness and focussing on robust support plans to prevent homelessness and where temporary accommodation is needed, it is cost effective and there are plans to ensure that permanent accommodation solutions are found for customers.	Existing	Expenditure reduction	(0.400)	(0.400)	(0.400)	(0.400)
PL126 19+ Review of managerial arrangements across the Directorate The managerial review of Place takes into consideration the historical and future service reductions and aligns compatible services closer together. Proposals contribute to improved organisational effectiveness by maximising opportunities to work more closely on shared activities as well as flattening structures to place accountability and faster decision making closer to the customer.	Existing	Expenditure reduction	(0.469)	(0.469)	(0.469)	(0.469)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PL128 19+ Garden and bulky waste fees and charges review To review the charges for the services and increase the cost of an annual subscription to garden waste to £50 pa (£48 if paid on line) and the collection charge for bulky waste to £35 per collection (£33 if paid on line). To continue to provide value for money it is proposed to increase the maximum number of Bulky Waste items collected from 6 to 10. It is also proposed to reduce the cost to the Council by changing the booking system to enable bulky waste collections to be scheduled in an efficient manner. It is also proposed to remove the sack collection option where there are alternative options as this is an inefficient way of collecting waste, significantly increasing disposal costs.	Existing	Income generation	(0.150)	(0.150)	(0.150)	(0.150)
NE01 20+ Revenue savings from Waste Management Replacement Strategy capital project The significant capital investment in replacing the waste vehicle fleet will generate savings on repairs & maintenance and reduce the costs incurred on hiring vehicles.	New	Expenditure reduction	0.000	(0.500)	(0.500)	(0.500)
CC105 19+ Consolidation Programme – Transport workstream It is proposed to manage the Council's transports functions from a central team rather than across multiple Directorates. This will ensure a more strategic approach to fleet and plant management and lead to improved service delivery and lower cost. Links to pressure F04	Existing	Expenditure reduction	0.000	(0.400)	(0.800)	(0.800)
New proposals			**0.000**	**(0.500)**	**(0.500)**	**(0.500)**
Existing plans			**(1.690)**	**(2.332)**	**(3.070)**	**(3.089)**
Total savings			**(1.690)**	**(2.832)**	**(3.570)**	**(3.589)**

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PARTNERSHIPS, INSIGHT & PREVENTION						
WOC1 Allocation of workforce savings These are further savings arising from amending the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions. There are changes that impact on pay and the saving also relates to a fall out of a one-off consolidated payment in 2017/18.	Existing	Expenditure reduction	(0.039)	(0.039)	(0.039)	(0.039)
CC104 19+ Commercialisation To support the ongoing sustainability of a range of services an approach is being undertaken across the organisation to review fees and charges to ensure that they recover the total cost of delivery or where appropriate return a surplus to be reinvested in the ongoing delivery of other services. A range of information is being utilised to support the review, including cost information, charges in similar local councils and also charges levied by other providers (e.g. private businesses) to deliver a consistent approach to charging across the organisation.	Existing	Income generation	(0.003)	(0.003)	(0.003)	(0.003)

Description	New or Existing Saving	Income Generation or Expenditure Reduction	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
PL113 19+ Phased reduction of salaried staffing at the Hall of Memory to be replaced with appropriate voluntary staffing To partner with suitable third sector organisation(s) to provide appropriate voluntary staffing to the Hall of Memory Mon-Sat 10am-4pm. This will enable savings to be achieved of one FTE GR3 post. It is intended this will be achieved over a phased period of time to ensure appropriate staffing levels can be achieved and maintained by the third sector partner(s). By aligning to suitable third sector organisation(s) this will ensure the Hall of Memory can remain open to the public and will provide volunteer staff who have the appropriate level of knowledge and respect for the subject matter.	Existing	Expenditure reduction	(0.008)	(0.008)	(0.008)	(0.008)
New proposals			**0.000**	**0.000**	**0.000**	**0.000**
Existing plans			**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**
Total savings			**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**

Total new proposals			**(6.455)**	**(20.838)**	**(22.505)**	**(24.005)**
Total existing plans			**(15.611)**	**(29.457)**	**(32.177)**	**(31.960)**
Total savings			**(22.066)**	**(50.295)**	**(54.682)**	**(55.965)**

APPENDIX H: COUNCIL TAX

	City Council	Fire and Rescue Authority	West Midlands Police & Crime Commissioner	New Frankley in Birmingham Parish Precept	Royal Sutton Coldfield Town Precept
		£m	£m	£m	£m
City Council Net Budget	852.933				
Less: Business Rates and Top-Up Grant	(496.538)				
Equals: amount required from Collection Fund	**356.395**				
Plus: estimated deficit in Collection Fund	9.275				
Equals: amount required from Council Tax payers	**365.670**	**X.XXX**	**X.XXX**	**0.041**	**1.853**
Divided by taxbase (Band D equivalent properties)	254,654	254,654	254,654	1,366	37,101
Equals: Band D Council Tax *	**1,435.95**	**XX.XX**	**XX.XX**	**30.18**	**49.96**
Percentage Change in each element of Council Tax	3.99%	x.xx%	x.xx%	30.71%	0.00%
Total Band D Council Tax			**£x**	**£x**	**£x**

* The Council Tax attributable to the Council includes a 2% precept to fund adult social care.

					New Frankley in Birmingham		Royal Sutton Coldfield	
	City Council	Fire and Rescue Authority	West Midlands Police & Crime Commissioner	Total excl. Parish Precept	Parish Precept	Parish Total	Town Precept	Town Total
	£	£	£	£	£	£	£	£
Band								
A	957.30	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX
B	1,116.85	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX
C	1,276.40	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX
D	**1,435.95**	**XX.XX**	**XX.XX**	**XX.XX**	**30.18**	**XX.XX**	**49.96**	**XX.XX**
E	1,755.05	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX
F	2,074.15	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX
G	2,393.25	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX
H	2,871.90	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX

APPENDIX I: RESPONSE TO CONSULTATION

BIRMINGHAM CITY COUNCIL

BUDGET 2020+
CONSULTATION REPORT

January 2020

Contents

Executive Summary

This report summarises responses to Birmingham City Council's Budget Consultation 2020+, which ran from 18th November 2019 to 31st December 2019. It was based upon a 'Budget 2020+ Consultation' booklet.

The Council continues to face a significant financial challenge for 2020/21 against a backdrop of ongoing reductions to government grant and pressures to spend more on core services to the public. These expenditure pressures cover a range of costs including the effects of inflation and meeting increasing demand for adult social care services.

This year's consultation referred to £5.5m for specific proposals for the coming 2020/21 financial year. These were in addition to previously agreed savings of £21.4m.

It also referred to the longer-term financial challenges; the Council may have to make further savings of £81.5m over the next four years. These savings are on top of the savings of around £730m that the Council has already made since 2010/11.
In addition to the consultation document the consultation process also involved:

- A public drop in session held at the Banqueting Suite of the Council House
- A Business briefing consultation meeting, attended by representatives of Birmingham-based businesses, the Acting Chief Executive and Acting Director of Finance and Governance
- Online Be Heard Survey
- Online communications campaign including webcasts, webpages, news feeds, Facebook and Twitter – with a reach of over 7.5m
- Additional wider engagement with the budget consultation including discussions at the Co-ordinating Overview and Scrutiny committee.
- In addition, each Directorate was/is expected to carry out individual consultation with its service users as appropriate before implementation of any decisions.

Responses were received as follows:

- 404 responses to the online 'Be Heard' survey
- Comments from organisations made through submissions to 'Budget Views' includes emails and letters.

Overall, the budget consultation for 2020+ generated a considerable response across the city. The focus was to encourage participants to take part via the online survey and to rank the services that were most important to them. This allowed the consultation to take account of residents' genuine preferences and concerns.

This consultation was on the overall resource allocation. Council Directorates will be supplementing this with more detailed service led consultations and equality impact assessments with those affected. These will complement the corporate impact assessment, which will be published online.

Respondents were asked to select the five services that are most important to them and to then rank these services in order of importance to them. They were then asked to what extent they agreed or disagreed with each of the proposals. Proposals were grouped according to Directorate and additional questions were asked regarding the changes to the level of Council Tax and the social care precept. At the end of the survey they were invited to make comments or suggestions as to how to save money and to provide equalities information.

Most Important Services

The online survey asked respondents to rank the top five services that were most important to them and their families from a list of 25 key services. These ranged from child protection, environmental health and transport planning, to older and disabled people.

The top five themes in the questionnaire based upon the totals were:

Top 5 - based on total score (e.g. rank 1 = 5 points, rank 2 = 4 points, rank 3 = 3 points, etc.)	Top 5 - based on most rank '1' given to service
Care and support for older and disabled people	Care and support for older and disabled people
Refuse Collection	Refuse collection
Child protection and safeguarding	Child protection and safeguarding
Community Safety	Community Safety
Care and support for people with mental health issues	Care and support for families (e.g. Children's Centres)

The 'Top 5 – based on total score' has only changed slightly over last year with the top two changing places. There is also considerable commonality with the feedback received from the residents' survey, with the addition of Cleanliness / Street Scene. The Residents' survey is a comprehensive piece of research and is more representative geographically and demographically. If the two were considered alongside each other the sample size would represent views of over 2000 residents.

The online budget consultation survey asked whether respondents agreed or disagreed with the proposals for key service areas. Overall more respondents agreed with the proposals than disagreed.

Agreement with overall themes (% based on number of respondents to that theme)

Response	Digital & Customer Services Directorate	Education & Skills Directorate	Birmingham Children's Trust	Finance & Governance	Human Resources
Strongly agree	7%	8%	7%	13%	11%
Agree	31%	27%	30%	31%	35%
Neither agree nor disagree	42%	42%	38%	35%	36%
Disagree	7%	9%	10%	6%	6%
Strongly disagree	4%	4%	3%	5%	4%
Don't know	9%	9%	12%	11%	10%
All	100%	100%	100%	100%	100%
Total agree	**38%**	**36%**	**37%**	**44%**	**45%**
Total disagree	**11%**	**13%**	**13%**	**11%**	**9%**

Human Resources and Finance and Governance received the highest levels of agreement for their proposals (45% and 44 % respectively).

The two Directorates with the highest levels of disagreement to their proposals were:

- Education and Skills (13%) total disagreement
- Birmingham Children's Trust (13%) total disagreement.

On Education and Skills - there were concerns related to the impact on staff levels within schools and the longer-term impact it may have on children growing up in Birmingham.

On Birmingham Children's Trust respondents were concerned about the impact on vulnerable children and families and the additional strain any budget reduction may put on services.

However, in real terms, overall more people neither agreed or disagreed, or didn't give a specific view with regards to the proposals. The percentages of people responding in this way ranged from 46% to 52%.

Public Meetings

The public drop in event was a market place style with stalls. It was attended by every Cabinet Member, supported by the Chief Executive and Senior Officers, who engaged in 1:1 conversation with approximately 60 attendees on the 2020+ budget proposals.

The business briefing raised issues such as:

- Concerns about the Business Improvement Districts charging proposal; how the proposal may affect not-for-profit organisations
- The locations of new Business Improvement Districts
- Concerns about Metro works affecting businesses on Westside
- Implementation of the Clean Air Zone

Council Tax and social care precept

- Just over half of all respondents to the online questionnaire disagreed (56%) with the proposed general 1.99% increase in Council Tax, with just under half agreeing (44%).
- 59% of respondents disagreed to the rise when the Council Tax was combined with the social care precept with 41% agreeing. The proposal is to increase Council Tax by a further 2% to pay for adult social care (known as the social care precept).

Other Comments and Suggestions for Saving Money

Respondents to the online survey were asked for further comments and suggestions as to how the Council could save money. Overall, there were 255 comments made, with over 40 different themes identified.

The three themes that received the most comments were perceived Council waste and inefficiency with respondents describing what they saw as Council waste and poor performance, followed by comments about reducing the numbers or salaries/ expenses of senior management and Councillors and also the use of contracts/private sector/consultants that centred on views in favour of "less outsourcing".

In terms of representation respondents were evenly distributed across age groups between 25-84 years, but it appears that the White ethnicity group was significantly overrepresented (by c.24%) and all other ethnic groups were underrepresented in the respondent population.

In addition to the formal budget consultation, consideration of wider customer insight and feedback that has been gathered by the Council has been used to inform planning, this includes internal feedback such as the latest annual residents survey (summary is attached at appendix I4) and external research such as that conducted by Beatfreeks in their Brum Youth Trends report, which was sponsored by the Council.

The consultation has identified several reoccurring themes: respondents are keen that vulnerable people continue to be supported by the Council, and there is concern about young people and those who are less digitally literate or don't have online access being negatively affected by the proposals. There are also concerns over whether the Council can implement the proposals and changes outlined in an effective way.

This consultation report will go to Cabinet on 11th February and Full Council on 25th February as an appendix to the Financial Plan 2020+.

END OF EXEC SUMMARY

**It is the Council's policy to undertake equality impact assessments in compliance with the Equality Act 2010. In addition to the corporate overview, service specific impact assessments are undertaken as required.*

Introduction

This report summarises the responses to Birmingham City Council's Budget Consultation 2020+ which ran from 18th November 2019 to 31st December 2019, based upon the 'Budget Consultation 2020+ document.

The consultation process involved:

- A public drop in event held December 18th, in the Banqueting Suite of the Council House. The event included a rolling presentation on the budget proposals; the 'forward city' installation facilitated by Beatfreeks, which helps explain where the Council gets it money from and how decisions are made on how we spend it; and a market place of stalls including the Clean Air Zone, Adult Social Care, Library Services, Citizen Involvement, Birmingham Children's Trust, and the Commonwealth Games. Every Cabinet Member attended, supported by the Chief Executive and Senior officers, who engaged in 1:1 conversation with approximately 60 attendees on the 2020+ budget proposals.
- Online Be Heard survey, online communications campaign including webpages, webcasts, newsfeeds, Facebook and Twitter. The social media reach was 7.5m
- Comments/ letters received from organisations via emails and attached letters.
- A Business briefing consultation meeting, led by Clive Heaphy, with 30 business leaders. The budget proposals, and our wider plans for sustainable growth in the city were shared with partners from the Business Improvement Districts, and other organisations.
- Council Directorates are supplementing this over-arching consultation with more detailed consultations with service users about specific proposals before implementation of any decisions. Some may have been run in parallel with this consultation.

Residents were asked about the services that were most important to them and their family as well as around the specific Directorate proposals. The five top areas of importance to survey respondents were:

- Care and support for older and disabled people
- Refuse collection
- Child protection and safeguarding
- Community Safety
- Care and support for people with mental health issues

The same top three areas were also the top three areas of importance to respondents in 2019 and 2018.

There is also considerable commonality with the feedback received from the residents' survey on areas of importance, with the addition of Cleanliness / Street Scene.

The Residents' survey is a comprehensive piece of research and is more representative geographically and demographically. If the two were considered alongside each other, the overall sample size would represent views of over 2000 residents.

Residents evidenced specific concerns about access to online services, staff shortages in education and the longer-term impact of the cuts and more generally across the consultation, respondents were concerned about the negative impact on the most vulnerable people in society.

A consistent theme running through many of the comments was a concern for how already stretched services, vulnerable people, and families would be impacted. Many respondents also felt there was insufficient information to be able to comment or give an opinion. Respondents also questioned the timing of the consultation, against the backdrop of a general election.

This year's consultation referred to £81.5m of new savings required by 2024 with £5.5m specific proposals required in the 2020/21 financial year. These savings are on top of the cash savings of around £730m per annum already made since 2010/11.

The proposals in this year's consultation document were arranged under five key Directorate areas, with the table below showing the breakdown from the online survey responses. In addition, there were also some responses from organisations.

Agreement with overall themes (% based on number of respondents to that theme)

Response	Digital & Customer Services Directorate	Education & Skills Directorate	Birmingham Children's Trust	Finance & Governance	Human Resources
Strongly agree	7%	8%	7%	13%	11%
Agree	31%	27%	30%	31%	35%
Neither agree nor disagree	42%	42%	38%	35%	36%
Disagree	7%	9%	10%	6%	6%
Strongly disagree	4%	4%	3%	5%	4%
Don't know	9%	9%	12%	11%	10%
All	100%	100%	100%	100%	100%
Total agree	**38%**	**36%**	**37%**	**44%**	**45%**
Total disagree	**11%**	**13%**	**13%**	**11%**	**9%**

Respondents were asked whether they agreed or disagreed with the proposals. Overall, more people agreed with the proposals than disagreed. If the participant disagreed they were given the opportunity to give further details on their reasons for disagreeing.

Human Resources and Finance and Governance received the highest levels of agreement for their proposals. (45% and 44% respectively)

The two Directorates with the highest levels of disagreements to their proposals were:

- Education and Skills (13%) total disagreements
- Birmingham Children's Trust (13%) total disagreements

However, overall more people neither agreed or disagreed, or didn't give a specific view with regards to the proposals. The percentages of people responding in this way ranged from 46% to 52%.

As well as asking for views on specific savings proposals and new ideas for savings, the consultation asked for views on increasing the level of Council Tax next year and an increase in Council Tax to support social care (called the social care precept), and finally ideas or suggestions on how the Council can deliver services differently.

Council Directorates are supplementing this overarching consultation with more detailed consultations with users about specific proposals. Responses to the consultation underline the importance of ongoing engagement by the Council with citizens, stakeholders, and partners on the details of the proposals and their delivery.

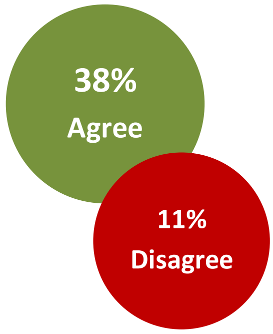
The Report

Comments submitted through all the channels outlined above are summarised under the headings used in the online survey. For each of the five service areas there is a table showing the proportion of people agreeing or disagreeing with it. If the respondent disagreed, they were asked to give their comments about why they disagreed with the proposal and what impact they think it might have. Reference is also made to comments made on proposals through other consultation routes where relevant.

The final section addresses the views expressed on delivering services differently and issues that do not neatly fall under one of the other Directorates' headings or section within the report.

Digital & Customer Services

The proposals relate to the following services:
DCS001: Widen the services reported online through BRUM Account.
DCS002: Charging BIDs for Council work on billing and collection activity.
DCS006: Request services online, moving payments online, and eliminating the need for separate invoicing.
DCS008: Review four services that currently have satellite contact centres sitting outside the corporate contact centre, amalgamate all administrative support from each Directorate into Business Support.
DCS009: Cease handling planning application queries via the call centre and direct them online instead.
DCS010: to use text message reminders to citizens to pay their Council Tax
DCS011/12/13/14/15/16: Support the transition of services back from Capita for APM, WAN, VOIP, replacement of existing tools and software with Microsoft, review structure to meet the needs of the Council and review all IT supplier contracts.
DCS020: Retender bulk printing



Total Responses: 392

Agreement Type ⟶	Strongly Agree		Agree		Neither Agree nor Disagree		Disagree		Strongly Disagree		Don't Know	
Responses	**29**	**7%**	**120**	**31%**	**166**	**42%**	**28**	**7%**	**15**	**4%**	**34**	**9%**

Key Findings

Around one in three respondents are is general support of the proposals. Only 36 comments were received for these proposals; therefore caution should be taken when reading the below comments.

10 comments were about phase 3 of the Brum account. The main theme was around having services online, excluding and disengaging people including vulnerable older people and those that aren't 'digitally minded or don't have access to the internet. In the case of no internet access, services should be provided in other ways.

Equality to a service that everyone has access to was also raised, as well as providing face to face contact and people being having access to being able to talk to someone.

The following comments are typical of many points raised.

"By forcing people to do everything online you risk disengaging with a lot of older people who wish to remain independent but do not wish to do things online. Not such a great city to grow old in".

"everything going online is discrimination against those that aren't digital minded. How are these people going to access services that they are paying for with their Council Tax? Complete and utter discrimination."

"…. Following Equal opportunities - services should be provided according to an individual's needs, not the organisation's needs".

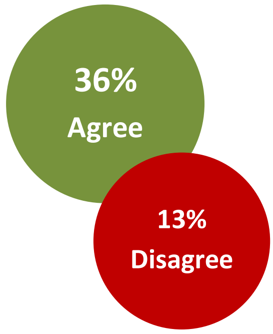
"First and foremost, the Council needs to tackle its own [wasteful] spending and giving the residents value for their Council Tax. Council contractors such as Amey (to name one)"

"I feel there should be digital access to services, however for the most vulnerable and those that cannot access online services, services should be provided in other ways"

"Cutting back on access to phone services, e.g. the referrals for planning inquiries, will exclude people from taking part and getting the services they need".

Education & Skills

The proposals relate to the following services:
ESS008: General Fund only (Education Welfare Service teams) Generation of income from legal process training provided to schools.
ESS010: reduced headcount by 1 FTE, review professional services around ICT and facilities management provision.
ESS011: Streamlines delivery by merging the Education Safeguarding team with School and Governor support
ESS013: S&GS continue to improve service delivery so that subscriptions are retained, and more time is made for paid consultancy and training.
ESS014: Development of a traded service to sit alongside the required service delivery to meet statutory duties.
ESS015: SENDIASS Income: there is a statutory requirement for SENDIASS to have joint funding from the Council General Fund, Social Care (Children's Trust) & Health.
ESS022: Schools Financial Services Budget Savings: Review aspects of the staffing structure.



Total Responses: 393

Agreement Type →	Strongly Agree		Agree		Neither Agree nor Disagree		Disagree		Strongly Disagree		Don't Know	
Responses	**33**	**8%**	**108**	**27%**	**164**	**42%**	**37**	**9%**	**14**	**4%**	**37**	**9%**

Key Findings

Around one in three respondents are in general support of the proposals. Only 40 comments were received for these proposals; therefore, caution should be taken when reading the below commentary.

10 Comments related to the importance of education and therefore cutting back on these services and staffing having a detrimental impact on the future of children, failing vulnerable children, a possible cause of deprivation and being unable to play a proper role in society in later life.

Education is seen as a vital service, having many benefits for children. Investing in schools and the education system would help deliver these benefits.

Reduction of staffing raised many concerns. Respondents feel that staffing should be increased, reducing staff adds pressure to schools and the education of children.

The following comments are typical of many points raised.

"Will the service be able to maintain the high level with budget cuts. It's so thinly stretched already"

"Education is already stripped bare, funding should only be increased. The education system is already broken, how can it have further cut backs."

"The school budgets have been cut to the bone and some schools are already attempting to cut back and still provide education. Education is the basis to any civilised country this is the start of someone's life cutting back further staff will have an effect on the quality of education"

"Reducing staff can not be a good idea. More staff not less"

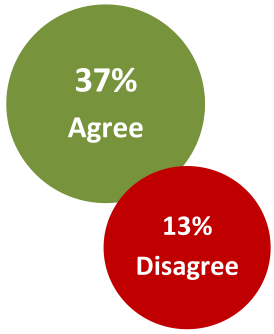
"You should not make staff reductions to make savings"

Birmingham Children's Trust

The proposals relate to the following services:
The saving proposal will seek to achieve savings / cost avoidance across a range of areas which will manage demand and reduce the cost of services.

Areas which will contribute to managing demand include: Intensive Family Support Strategy; Family Drug and Alcohol Court; Contextual Safeguarding Hub.

Areas which will reduce the overall cost of services are: Increased in-house fostering; Adoption self-sufficiency; Recommissioning residential care and supported accommodation; increasing tri-partite care funding.



Total Responses: 390

Agreement Type ⟶	Strongly Agree		Agree		Neither Agree nor Disagree		Disagree		Strongly Disagree		Don't Know	
Responses	27	7%	118	30%	147	38%	39	10%	12	3%	47	12%

Key Findings

The Children's Trust theme. In total, 37% of respondents agree compared to 13% who disagree. 47 respondents commented on these proposals, and so caution must be applied to any trends mentioned below.

Overall, respondents are concerned about the negative impact of any cuts/changes (49%). This included the risks/impact the proposals could have on vulnerable people affected by this (36%), particularly children, young people and their families. A few commented specifically how this would negatively impact on the child's future and cause them issues as adults. Others remarked that vulnerable children and families were already struggling because of current cuts to services.

The other main issue is that the proposals do not give enough information, are too vague and require more transparency about the budget specifics (32%). This may link in with the 50% of respondents to the agreement question (see table above) that did not actively agree or disagree, suggesting uncertainty around the proposals.

The highest number of comments about a specific service mentioned in the proposals is for Family Drug and Alcohol Court (9%), which are all against any savings in this area as they are concerned about the impact on children or on crime levels.

The following comments are typical of many points raised.

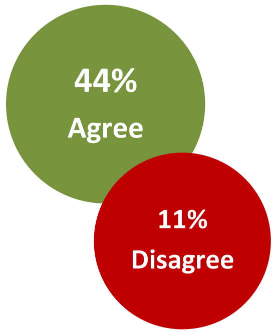
"Children's services have already been cut. There are so many children slipping through the net, undergoing trauma, living in poverty, having no access to support, which will only lead to a greater strain on adult metal health services later in life. There is no cost when it comes to well being, and the Council need to prioritise vulnerable adults and children over money, quite frankly."

"Education and its support is already underfunded and failing the most vulnerable children. Without good education at all levels when children become adults they are unable to play a proper role in society and that damages all of us."

"This is [too] broad a list of changes for anyone to give legitimate feedback on the proposals. each of these proposals should be listed separately with greater detail provided."

Finance & Governance

The proposals relate to the following:
A full review of all Council revenue expenditure on supplies and services was commissioned during 2019/20. The results of this review indicate a strong likelihood that savings can be achieved through a rigorous programme of re-procurement and renegotiation of revenue funded contracts. On the finalisation of the review an implementation plan will be drawn up, in consultation with service providers, that drives a category and/or contract size targeted approach to deliver savings in price and potentially specification where appropriate.



Total Responses: 390

Agreement Type ⟶	Strongly Agree		Agree		Neither Agree nor Disagree		Disagree		Strongly Disagree		Don't Know	
Responses	52	13%	120	31%	135	35%	24	6%	18	5%	41	11%

Key Findings

The responses show there is general support in favour of the proposals set out for the Finance and Governance Directorate. 44% of respondents agree compared to 11% who disagree. 30 respondents commented on these proposals, so caution must be applied to the trends mentioned below.

Over half of these comments (53%) are generally negative.

The main concern (33%) is that the proposals do not give enough information for people to make informed commentary on the proposals, with some requesting more details and transparency.

Some respondents (23%) are critical of how the Council has budgeted and handled services in the past, that it has 'wasted' money on unnecessary projects or has generally been inefficient.

There are also concerns (17%) that the proposals will prioritise low cost over quality, and that this is 'short-sighted' and services will suffer. All other comments had fewer than five respondents.

The following comments are typical of many points raised.

"Once more...so that I might comment. Looking at costings is a good thing however if they are short sighted savings [e.g.] the provider is rubbish then this won't be the best idea. It would be helpful if you gave more specific examples of how and where you feel you would be able to cut costs."

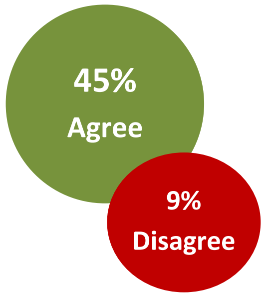
"the savings target is very misleading and will result in the savings of £3m rising to £7.5m being allocated to service areas across the city resulting in budget cuts and service reductions to these service areas . This is by passing the consultation process and makes the consultation process meaningless as this saving to services is being hidden."

"Money being wasted on replacing street lights and removing the Perry Barr flyover - needs to be diverted to road condition (potholes etc) and to refuse collection if the current system has to be "bought out"."

"In my experience when the Council contracts out to save money the services ALWAYS suffer."

Human Resources Directorate

The proposals relate to the following services:
Health and Safety and Occupational Health are two separate teams, previously managed by two managers. The manager (part-time) of Occupational Health has recently resigned and left Birmingham City Council in August creating a vacant management position. Whilst holding a large portfolio there are similarities and synergies in the work that the managers undertake. It is therefore proposed to amalgamate the management of these two teams under one manager. This would see the reduction of 0.5FTE at GR6, with an anticipated reoccurring saving of £0.035m.



Total Responses: 390

Agreement Type ⟶	Strongly Agree		Agree		Neither Agree nor Disagree		Disagree		Strongly Disagree		Don't Know	
Responses	42	11%	135	35%	139	36%	22	6%	14	4%	38	10%

Key Findings

The responses show there is support in favour of the Human Resources (HR) proposals. In total, 45% of respondents agree compared to 9% who disagree.

Only 27 respondents commented on these proposals, so caution must be applied to any trends mentioned below.

Only one main theme emerged: that the proposed reduction in HR staff will negatively impact other service areas, or employees in general (52%). A variety of respondents said that both of these areas were important for employees (Occupational Health and Health & Safety) and required separate (and potentially specialist) managers who could give the different areas their full attention, such as dealing with issues such as training, sickness/sick leave, and general health and safety.

There were five negative comments about the Council that were not specific to the proposals, and no other themes with more than three comments.

The following comments are typical of many points raised.

"The less Human Resources the more HR work managers have to do. Let the managers manage not become HR, Admin and finance. Less managers actually managing rather than doing the above would be more cost effective because of the grades involved."

"Health and safety should not be merged with occupational health services under 1 manager, the Council serves all Birmingham citizens and health and safety requires a specific dedicated manager

Occupational health is a different issue and requires its own management not sharing

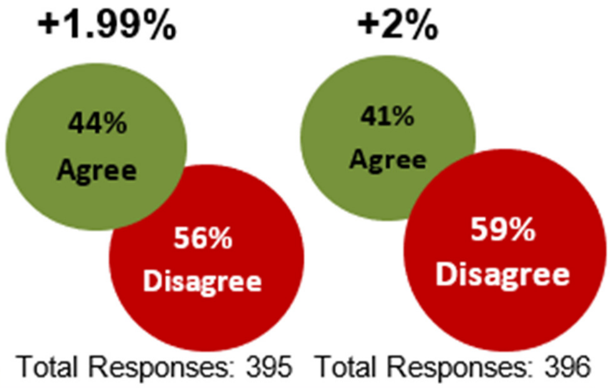
Bcc should strengthen health and safety and take appropriate action"

"Can only lead to less expertise in the way that Occupational Health and Health and Safety are run and a dumbing down of their importance"

Council Tax and Social Care Precept

Two questions were asked in relation to Council Tax:

- Firstly, if they agree to a **1.99%** Council Tax increase in 2020/21.
- If they agree to a further 2% increase each year in 2020/21, i.e. **3.99%** in total, to support social care (Social Care Precept).



Key Findings

The majority of respondents are against the 1.99% Council Tax and 2% Social Care increases. 241 respondents provided comments on either the Council Tax rise and/or the social care precept (excluding those who only said ‘as above/see above’).

The main reason given for those disagreeing with the proposed rises are that it is not affordable for the respondent themselves or for others, especially those on low incomes, with concerns that this would potentially push them into poverty (40% of Council Tax comments, 34% of Social Care Precept). Many cited that they already face increased costs to daily living, without an increase in income, and do not know how they would pay this. Respondents view 3.99% as too much of an increase.

For both Council Tax and the social care precept, many respondents say that it is far too steep a rise, particularly on top of other Council Tax rises, and with no or little rise in wages and pensions.

There was also scepticism in the Council's ability to use the money effectively to improve services, often based on perceptions that the Council have poorly managed services and budgets and that it should provide better services before applying any rise. Waste collection's poor quality and the poor state of roads were frequently cited as part of the Council’s incompetency, as well as negative feedback on other public services, particularly the police. Also, many did not want to pay Council Tax when services are getting cut.

There is a general sense of distrust about the Council's ability to improve services and its transparency over where the money is going, including some suspecting that the Social Care Precept is not being spent to improve Social Care.

The following comments are typical of many points raised.

“Middle class /poorer families are already struggling to put food on the table with Council Tax rise / social percept will bring more hardship [and] may force more people to become homeless due to high rent and essential bills”

“An increase in fees when we have had 3 years of [lacklustre] bin collection, a payment system that is beyond faulty and all round bad public engagement! Including the approval of buildings despite huge public protest is horrific!”

“The social care precept is not used for social care. The Council's lying and using it for savings elsewhere. Low income households can't take this increasing pressure …. The Council should be looking to protect vulnerable people, not lying to them to get more money out of them that they can barely afford.”

“Not if the money to be gained is used to prop up the commonwealth games and not to repair the roads and improve the bin service. The local areas are a complete mess…”

Comments and suggestions for delivering services differently

In summarising open-ended questions, there is by necessity a degree of simplification and categorisation. This should be borne in mind when reading the analysis below. There is a total of 255 wide-ranging and detailed comments, criticisms and suggestions under the question. The comments covered over 40 different themes.

Suggestions and comments on how the Council might improve services covered a very wide range of topics. The top themes were:

- Council waste and inefficiency
- Reduce Management/Councillors' salaries or jobs
- Contracts/Private sector/Consultants
- Stop/reduce funding for major projects/events (vanity projects funding)
- Waste Management

Please note that comments often contain several topics, with themes crossing over. This is particularly true for perceived Council waste and inefficiency, which had the largest number of comments (32%). This often tied to themes on contracts/private sector/consultants (particularly outsourcing), major events/vanity projects funding, and waste management: *"Stop spending millions of pounds repaving the city centre. What a waste of money. When vital services have been cut to the bone and people are relying on food banks, vanity projects should be of the lowest priority."*

The second highest theme is about reducing management, with 14% of respondents suggesting reductions of senior managers/Councillors' jobs or salaries and expenses. *"Reduce senior staff wages. Stop paying off senior managers to leave. Reduce Councillors support budget."*

12% of respondents have suggestions around Contracts/Private sector/Consultants which mainly include views against outsourcing - *"Council should challenge the use of external consultants and contractors can services be delivered more cheaply using existing Council resource"* - and getting value for money in contracting services - *"Hold contractors to account - 3 strikes and out policy. Monitor and evaluate value for money - money is lost through [duplication]."*

To help with savings, 11% of respondents want to reduce/stop funding for major 'vanity', particularly the Commonwealth Games - "*You are already throwing money away through the Commonwealth Games, be honest about the issues there and get tackling them before millions more are wasted*", city centre redevelopment - *"Do not spend £25m on re-instating the fountain in Victoria Square and other public realm works. Instead divert some of this money to get homeless people off the streets in Birmingham",* and the Perry Barr Bypass - "...*the Council is spending money on ludicrous ideas ie flyover at 1 stop, A34 rapid transport system etc which residents are against*". The consensus is that these are not vital or wanted by the public, and the money could be used to fund essential Council services.

There are a range of comments on Waste Management (10%), mainly with concerns and criticisms over service quality and that it should be a priority to improve the service, including suggestions on how to improve. *"Bring back once or twice a year street by street free bulk waste clearance. It would reduce fly tipping and help provide a better and safer environment for residents to live."*

Other suggestions were made around: road repairs; housing; public transport and travel around the city; climate change and improving the environment; income generation; supporting vulnerable people; preventative strategies; increasing partnership working; working at a more local level with communities; more efficient use and running of Council buildings; and many more miscellaneous suggestions.

Responses from Organisations

Healthwatch Birmingham	Digital & Customer, Education and Skills and Birmingham Children's Trust's	General response about a range of issues
Retail Birmingham Business Improvement District (Retail BID)	Business Improvement Districts	Opposition to proposal

This year we received two responses from organisations.

Healthwatch Birmingham submitted a response which, in summary, stated that they were pleased that there were pledges to reduce inequalities and to help the people of Birmingham live healthier lives and age well. They raised concerns about the timing of the consultation and lack of detailed information for each proposal. They were concerned about equality impact assessments and would like to know more detail about the further engagement and consultation required. They commented on the Digital and Customer Services, Education and Skills and Birmingham Children's Trust's proposals.

Retail Birmingham Business Improvement District (Retail BID) submitted a response objecting to the proposal to charge Business Improvements Districts for the work the Council undertakes for the BID levy billing and collection activity. They were concerned the proposal was counter-intuitive and will reduce or end the additional services delivered by BIDs which benefit the city. They also felt it would result in some of their current services being put at risk of being undeliverable.

Other Issues

As in previous years, there were strong feelings that cuts shouldn't be made at all and concern that the cuts would affect the most vulnerable.

Representativeness and consultation approach

This year's budget consultation survey received over 404 responses, which was a decrease of 54% on last year. This does not consider responses or comments received as letters, emails or other channels such as social media. The consultation was live during the general election and due to the One-year funding settlement for local government, received from Government, there were less proposals for the year 2020/21. The proposals amounted to £5.5m

The strategy for the communications and engagement campaign was similar to the approach adopted for the previous two years, e.g. led by digital activity to reach the largest possible number of people with the incorporation of other offline activity to help ensure the reducing number of people without internet access are catered for.

The consultation focussed on encouraging comments to be made via the Be Heard online survey. Efforts were made to publicise the budget consultation survey across a range of channels so that people could make comments on the budget proposals. It is not possible to have simultaneously an open access online survey and to ensure that responses by different groups of people are proportional to their numbers in Birmingham's population. However, the Be Heard online survey does have the advantage of allowing respondents to make overarching comments on all the proposals and to rank the services most important to them. The Be Heard survey also allows the respondents to give more considered responses.

The Budget Views' email inbox received emails that are considered in the individual sections of this report. A summary of the responses from organisations is included within the report.

The online survey respondents were asked to complete personal profiles including their gender, ethnicity, and sexuality, and whether they had a disability or long-term condition/illness. A large majority of respondents answered these questions and a detailed analysis of this data is contained in Appendix I2. Appendix I2 also contains an analysis of online respondents by ward where people had provided a full postcode. Appendix I1 contains the Co-ordinating Overview and Scrutiny committee's questions and comments relating to the consultation.

An important principle of the consultation process was open access (referred to above). However, this has meant that the responses cannot be claimed be statistically representative of the views of Birmingham residents. As well as the lower representation of some groups of residents than their proportion in the city's population, respondents to any consultation process tend to be those concerned about an issue. However, these views do reflect the views of those people that responded and are thus important.

Some respondents didn't feel that there was sufficient detail to make a decision. However, information will be provided at an individual service level in the detailed consultations with service users carried out by Directorates.

Conclusion

A key theme from the consultation feedback is that respondents are not strongly opposed to the Council's budget proposals but are keen to ensure that the most vulnerable people in the city continue to be supported. For example, residents were generally supportive of the Council's plans to move a greater proportion of its activity online but raised concerns that this runs the risk of excluding residents who do not have reliable online access or who are less digitally literate. The Council will consider how best to mitigate these risks

A further theme emerging from the consultation feedback is the importance of young people and their welfare in the city. Numerous respondents raised concerns about the changes proposed within Education and Skills and the Birmingham Children's Trust potentially negatively impacting on young people.

There was also some concern expressed by respondents that whilst they were generally supportive of the changes, they were less certain that the Council would implement the changes in the most effective way. Examples included concern that in procurement savings would be made at the expense of quality or questioning the value that would be gained through any additional funding obtained through a Social Care Precept. The Precept was generally seen as unaffordable by many respondents, however, concern over quality was a factor that came through in the reasons for their disagreement with the proposal.

Finally, from an equalities standpoint, whilst respondents were reasonably evenly distributed across age groups between 25-84 years, it appears that the White ethnicity group was significantly overrepresented (by c.24%) and all other ethnic groups were underrepresented in the respondent population.

Appendix I1 - Scrutiny Response Budget 2020/21+ Consultation

Purpose

As part of the Budget 2020/21 Consultation, Co-ordinating Overview & Scrutiny Committee considered the budget proposals. Due to the general election this meeting was postponed until January 10th.

Co-ordinating O&S Committee

On 10th January, the Co-ordinating O&S Committee looked at the budget consultation,
The Cabinet Member for Finance & Resources Cllr Tristan Chatfield attended the meeting, with Jo Knight and Michael Furness from Finance.

The Committee was made aware that uncertainty around national government had caused difficulties as the financial settlement was yet to be confirmed. This would be brought to Cabinet in February. Members were informed

- The increase in Council Tax including the social care precept;
- The fact that the level of savings required was considerably lower than previous years;
- However, the financial challenge remains live

During the discussion Members raised several issues and questions

How will the Council ensure that the long-term strategic aims of the Council are not undermined by individual decisions in Directorates? The Cabinet Member confirmed that whilst that is a risk, there is a robust internal challenge via the budget process; and each Directorate has a Finance officer working closely with them; He also noted that there was work on-going to unpick the many Council recharges in place, which was inefficient in terms of moving money around.

How will extra money included in the settlement be used – to mitigate savings or to invest? Officers responded that it would be a mixture of both, with the budget being considered as a whole; It was noted that whilst money had come in in 2020/21, there would be less money available in 2021/22. With regards to some longer-term issues, such as regarding the Children's Trust, will there be problems in future years. With regards to the Children's Trust, the Cabinet Member responded that the pressures for this year are being met, and a transformation process will yield savings in 2021/22. He also noted that the Government is looking at social care – children's and adults – and so those proposals will be considered;

In answer to a question about growing the Council Tax and Business Rates base, the Cabinet Member said that there had been considerable progress made in the provision of grade A office space.

Birmingham's circumstances with regards to special schools and the transport cost were discussed; All Travel Assist budgets are going above projected assessments, and in Birmingham there are particular circumstances because many special schools were located outside the city in leafy suburbs. That legacy means an above average costs for transport. That money would be better spent on education. Do we have a capital budget to invest in some of these issues to save money in the long term? The Cabinet Member agreed that it is not in the organisation or children's interest to have to travel many miles to school. He pointed to a recent Cabinet decision to move a special school back into the city from Redditch. That budget was in recognition of that issue and was funded from the capital programme.

There were concerns raised about the streamlining of school governor support and safeguarding changes, and how these would impact on the priority outcome with regards to children.

The Cabinet Member responded that officers had given assurances that these are achievable, and he will look at the wording in terms of ensuring the priorities are properly reflected rather than just the financial impact.

One area of proposed change is in relation to charging bids for Council services, but the impact on BIDs could be great, and may risk some not being renewed. These are one of the few examples of local management. The Cabinet Member undertook to consider the difference between larger city centre BIDs and local BIDs.

Concern was raised that there was little evidence of cross directorate working with regards to the Neighbourhood Network scheme and the localisation of the SEND offer which is resulting in a lot of duplication.

Concerns were raised about reserves and the impact of overspends on the Commonwealth Games (CWG).

The money owed in relation to the Highways PFI should be recovered The Cabinet Member was asked to consider other ways to generate money and he agreed to take that away.

When reductions in external grant funding are made, are those organisations, for example in the arts, are they given sufficient notice to plan for that? The Cabinet Member responded that that should happen and would like to hear if it had not.

Comments were made with regards to the need for bigger family homes, as these would generate more Council Tax; There was a plea to "ramp up" localisation and that the budget process should reflect this; There was also concern expressed that adverts before Christmas told listeners that there would be no parking available in the city centre; whilst this was clearly done to encourage use of public transport, it may have put off some people from coming into the city centre.

With regards to engaging the public, it was reported that there had been 400 direct responses and 109 social media posts with over 7.5m people reached.
The roadshow was praised as a good model, though it was acknowledged that the general election had not helped with engagement. However, the document was criticised for being inaccessible. With regards to engaging with citizens throughout the year, the Cabinet Member pointed to some good work including activities on the high street about how resources are allocated.

There were comments that the message that austerity is now “baked in” should be made clearer, and that the Council is faced with doing less with less. The local government sector should collectively lobby for more appropriate levels of resources.

Appendix I2 – Profile of Survey Respondents

Age (years)	% of Total
Under 18	0%
18 to 24	1%
25 to 34	9%
35 to 44	18%
45 to 54	19%
55 to 64	23%
65 to 84	21%
85+	0%
Prefer not to say / not answered	7%
Total	100%

Gender	% of Total
Female	37%
Male	49%
Prefer not to say / not answered	14%
Total	100%

Sexual Orientation	% of Total
Bisexual	2%
Gay or Lesbian	2%
Heterosexual or Straight	65%
Other	2%
Prefer not to say / Not answered	29%
Total	100%

Ethnicity	% of Total
Asian / Asian British	11%
Black / African / Caribbean / Black British	3%
Mixed / multiple ethnic groups	3%
Other Ethnic group	1%
White	82%
Prefer not to say / Not answered	10%

Note: percentages do not add up to 100% as respondents may have selected multiple ethnicities

Religion	**% of Total**
Christian	40%
Buddhist	0%
Hindu	1%
Jewish	1%
Muslim	7%
Sikh	1%
No Religion	25%
Any Other Religion	2%
Prefer not to say / not answered	23%
Total	100%

Disability (physical/mental) - lasting or expecting to last for 12 months or more	**% of Total**
Yes	23%
No	58%
Prefer not to say / not answered	19%
Total	100%

Special conditions or illnesses (people can choose more than one)	**% of People with physical or mental health conditions**
Dexterity	16%
Hearing	31%
Learning	10%
Memory	16%
Mental Health	30%
Mobility	43%
Social or Behaviour	3%
Stamina	41%
Vision	4%
Other	10%
Prefer not to say	46%

Note: percentages do not add up to 100% as respondents were allowed to select multiple options

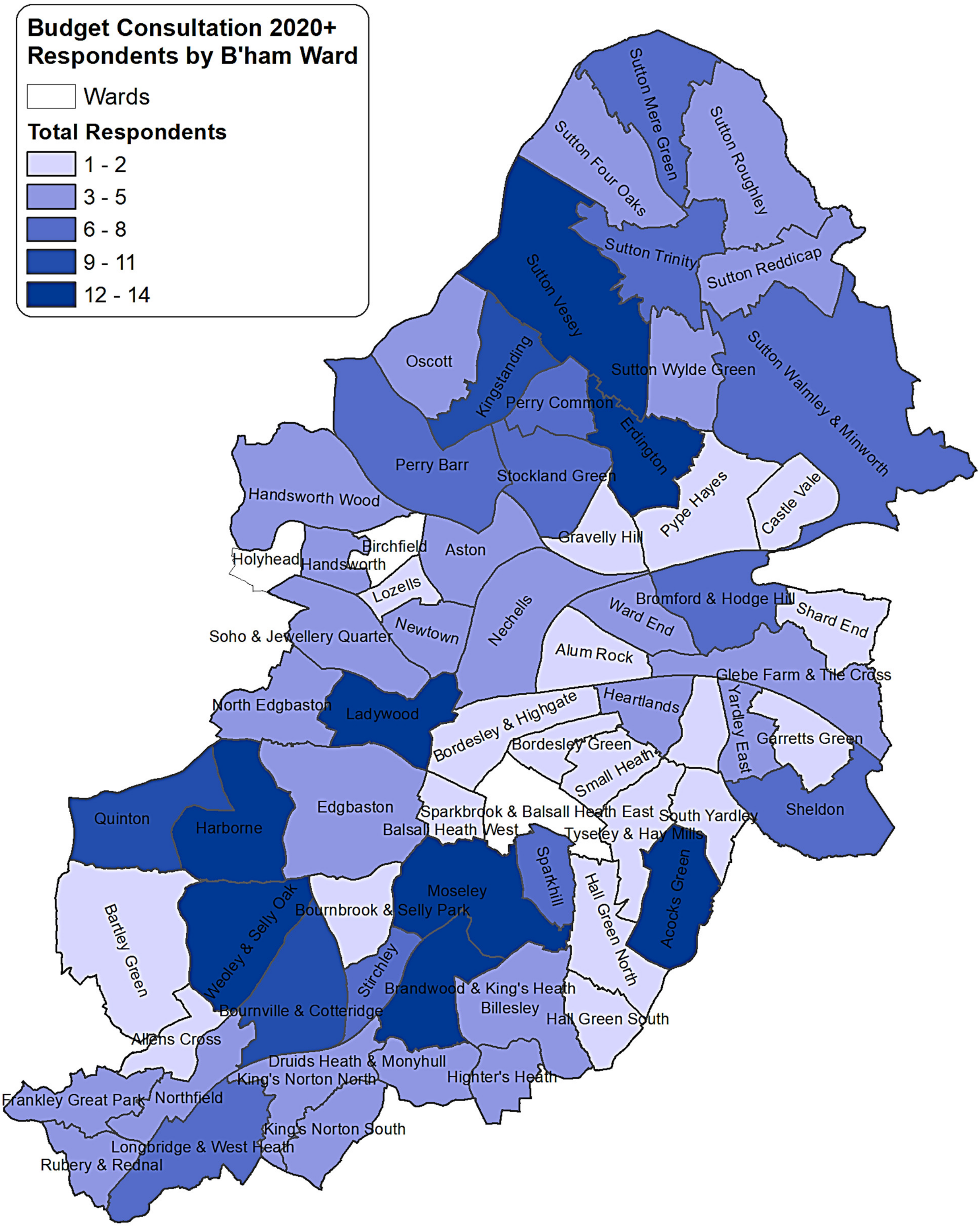
Caring Responsibilities	**% of Total**
None	51%
Primary carer of child under 18	14%
Primary carer disabled child	0%
Primary carer disabled adult (18 and over)	2%
Primary carer older person (65 and over)	5%
Secondary carer	9%
Prefer not say / not answered	18%
Total	100%

Respondent Type (Question 1)	**% of Total**
Resident	88%
Local Business	4%
Charity	4%
Community	3%
Work for Council	13%
Councillor	0%
Public Sector	0%
Other -Total	3%

Note: percentages do not add up to 100% as respondents were allowed to select multiple options

Appendix I3 - Respondents by Ward – All Responses

Of the 347 respondents who provided a recognised postcode, 4.9% live outside of Birmingham. The remaining 330 residents are based in the following wards.



Birmingham Ward	Total Respondents
Moseley	14
Brandwood & King's Heath	13
Sutton Vesey	13
Acocks Green	12
Erdington	12
Harborne	12
Ladywood	12
Weoley & Selly Oak	12
Bournville & Cotteridge	11
Kingstanding	10
Quinton	9
Bromford & Hodge Hill	8
Sparkhill	8
Sutton Mere Green	8
Longbridge & West Heath	7
Perry Common	7
Sutton Trinity	7
Perry Barr	6
Sheldon	6
Stirchley	6
Stockland Green	6
Sutton Walmley & Minworth	6
Highter's Heath	5
Northfield	5
Oscott	5
Sutton Wylde Green	5
Aston	4
Billesley	4
Handsworth	4
Handsworth Wood	4
King's Norton North	4
Nechells	4
North Edgbaston	4
Soho & Jewellery Quarter	4
Sutton Four Oaks	4

Birmingham Ward	Total Respondents
Sutton Roughley	4
Ward End	4
Yardley East	4
Druids Heath & Monyhull	3
Edgbaston	3
Frankley Great Park	3
Glebe Farm & Tile Cross	3
Heartlands	3
King's Norton South	3
Newtown	3
Rubery & Rednal	3
Sutton Reddicap	3
Allens Cross	2
Alum Rock	2
Bartley Green	2
Bordesley & Highgate	2
Bordesley Green	2
Bournbrook & Selly Park	2
Gravelly Hill	2
Hall Green South	2
Lozells	2
Pype Hayes	2
Shard End	2
Balsall Heath West	1
Castle Vale	1
Garretts Green	1
Hall Green North	1
Small Heath	1
South Yardley	1
Tyseley & Hay Mills	1
Yardley West & Stechford	1
Birchfield	0
Holyhead	0
Sparkbrook & Balsall Heath East	0

Appendix I4 Headline Residents Survey Results 2018/19

Appendix B RS
Questions Final.pdf

APPENDIX J: CAPITAL RECEIPT FLEXIBILITY

	Original Investment Expenditure £m	Revised Investment Expenditure £m	Planned Investment Expenditure £m	Planned Investment Expenditure £m	Planned savings generated £m	£m	£m	£m	Justification for Use of Capital Receipts Flexibility
	2019/20	2019/20	2020/21	2021/22	2020/21	2021/22	2022/23	2023/24	
Core ICT Savings Proposals	7.713	3.401	3.331	1.809	(0.810)	(2.810)	(2.810)	(2.810)	This spend is being incurred to deliver ICT savings within the LTFP 2017+ amounting to over £50m across the period from 2017/18 to 2021/22. £2m of the investment covers contract negotiations with Capita which have led to the sale of the Council's stake in Service Birmingham, agreed by Cabinet in November 2017, and the development of a programme for transitioning services back to BCC in the lead up to the end of the current ICT contract in March 2021. The expenditure has been incurred on a range of professional support services including project management and technical, legal and financial support. The proposed £11.142m (of which £8.541m remains from 2019/20 to 2021/22) investment in core ICT proposals is an integral part of the programme of transitioning services back into the Council. The projects that these monies will be invested in will change the way the Council's core ICT systems are delivered and enable significant reductions in the running costs of these systems. This investment involves the repurposing of resources originally agreed by Cabinet in October 2016 as part of the ICT Technical Refresh and Investment Programme. Many of these projects were originally anticipated to involve capital investment but as the Council moves towards cloud based solutions will instead require up front revenue
Redundancy costs, including pension strain costs	12.115	25.954	5.063	0.000					Costs of change associated with delivering the Council's savings programme
Total Flexible Use of Capital Receipts	**19.828**	**29.355**	**8.394**	**1.809**	**(0.810)**	**(2.810)**	**(2.810)**	**(2.810)**	

APPENDIX K: REVENUE BUDGET

Gross expenditure

Directorate	2019/20 Budget £m	2020/21 Budget £m
Finance & Governance	49.989	100.779
Human Resources	10.023	10.489
Digital & Customer Services	557.373	572.472
Partnerships, Insight & Prevention	97.411	84.761
Neighbourhoods	182.336	195.257
Inclusive Growth	239.692	259.925
Education & Skills	1,093.348	1,085.107
Adult Social Care	446.072	440.071
Total Directorate Net Expenditure	**2,676.244**	**2,748.861**
Corporately Managed Budgets	91.508	112.896
Contingencies	42.244	40.999
Total Net Expenditure on Services	**2,809.996**	**2,902.756**
Corporate Use of Reserves	25.171	9.848
Corporate Net Borrowing from Reserves	0.000	0.250
Total General Fund Budget	**2,835.167**	**2,912.854**
Housing Revenue Account	273.754	279.349
City Council Budget	**3,108.921**	**3,192.203**

Income

Directorate	2019/20 Budget £m	2020/21 Budget £m
Finance & Governance	(24.593)	(32.199)
Human Resources	(3.394)	(3.737)
Digital & Customer Services	(533.210)	(523.528)
Partnerships, Insight & Prevention	(90.969)	(91.590)
Neighbourhoods	(82.771)	(82.870)
Inclusive Growth	(142.177)	(162.102)
Education & Skills	(831.447)	(847.906)
Adult Social Care	(120.380)	(117.331)
Total Directorate Net Expenditure	**(1,828.941)**	**(1,861.263)**
Corporately Managed Budgets	(4.736)	(4.022)
Contingencies	0.000	(0.225)
Corporate Grants	(127.409)	(163.913)
Total Net Expenditure on Services	**(1,961.086)**	**(2,029.423)**
Corporate Use of Reserves	(22.269)	(30.498)
Corporate Net Borrowing from Reserves	(0.222)	-
Total General Fund Budget	**(1,983.577)**	**(2,059.921)**
		-
Housing Revenue Account	(273.754)	(279.349)
City Council Budget	**(2,257.331)**	**(2,339.270)**

Net expenditure

Directorate	2019/20 Budget £m	2020/21 Budget £m
Finance & Governance	25.396	68.580
Human Resources	6.629	6.752
Digital & Customer Services	24.163	48.944
Partnerships, Insight & Prevention	6.442	(6.829)
Neighbourhoods	99.565	112.387
Inclusive Growth	97.515	97.823
Education & Skills	261.901	237.201
Adult Social Care	325.692	322.740
Total Directorate Net Expenditure	**847.303**	**887.598**
Corporately Managed Budgets	86.772	108.874
Contingencies	42.244	40.774
Corporate Grants	(127.409)	(163.913)
Total Net Expenditure on Services	**848.910**	**873.333**
Corporate Use of Reserves	2.902	(20.650)
Corporate Net Borrowing from Reserves	(0.222)	0.250
Total General Fund Budget	**851.590**	**852.933**
Housing Revenue Account	0.000	0.000
City Council Budget	**851.590**	**852.933**

In addition to net corporate use of reserves of £20.4m, we have assumed net corporate repayments of earmarked reserves within Directorates of £0.4m, bringing the total to £20.0m, which can be seen in Table 3.15.

Analysis of change

	2019/20 Budget	Pay & Price Inflation	Budget Pressures & Policy Choices	Savings	Other items, incl. adjustments between Directorates	Base Budget 2020/21
	£m	£m	£m	£m	£m	£m
Finance & Governance	25.396	1.730	5.937	(3.661)	39.178	68.580
Human Resources	6.629	0.166	(0.032)	(0.132)	0.121	6.752
Digital & Customer Services	24.163	1.561	(0.654)	(2.871)	26.745	48.944
Partnerships, Insight & Prevention	6.442	0.191	0.954	(0.050)	(14.366)	(6.829)
Neighbourhoods	99.565	2.035	23.275	(1.690)	(10.798)	112.387
Inclusive Growth	97.515	2.370	7.220	(1.088)	(8.194)	97.823
Education & Skills	261.901	5.865	9.360	(1.402)	(38.523)	237.201
Adult Social Care	325.692	6.470	9.478	(11.172)	(7.728)	322.740
Total Directorate Net Expenditure	**847.303**	**20.388**	**55.538**	**(22.066)**	**(13.565)**	**887.598**
Corporately Managed Budgets	86.772	0.000	0.243	0.000	21.859	108.874
Contingencies	42.244	1.105	(14.307)	0.000	11.732	40.774
Corporate Grants	(127.409)	0.000	0.000	0.000	(36.504)	(163.913)
Total Net Expenditure on Services	**848.910**	**21.493**	**41.474**	**(22.066)**	**(16.478)**	**873.333**
Corporate Use of Reserves	2.902	0.000	0.000	0.000	(23.552)	(20.650)
Corporate Net Borrowing from Reserves	(0.222)	0.000	0.000	0.000	0.472	0.250
Total General Fund Budget	**851.590**	**21.493**	**41.474**	**(22.066)**	**(39.558)**	**852.933**

Made up of:	£m
Corporately Managed Budgets	19.604
Corporate Use of Reserves	(22.658)
Corporate Grants	(36.504)
Total	(39.558)

APPENDIX L: HRA BUSINESS PLAN

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1 to 10	Year 30	Year 1 to 30
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total	2049/50	Total
HOUSING REVENUE ACCOUNT	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income													
Rental Income	(256.886)	(262.644)	(269.354)	(276.830)	(284.563)	(291.506)	(297.884)	(304.595)	(311.483)	(318.513)	(2,874.258)	(489.736)	(10,937.485)
Voids	3.091	3.186	3.283	3.384	3.489	3.597	3.700	3.784	3.875	3.963	35.352	6.189	136.486
Net Rental Income	**(253.794)**	**(259.458)**	**(266.071)**	**(273.446)**	**(281.074)**	**(287.909)**	**(294.184)**	**(300.811)**	**(307.608)**	**(314.550)**	**(2,838.906)**	**(483.547)**	**(10,800.999)**
Service Charges / Other Income	(25.555)	(26.276)	(26.770)	(27.290)	(27.835)	(28.294)	(28.856)	(29.434)	(29.989)	(29.946)	(280.245)	(39.043)	(967.387)
Total Revenue Income	**(279.349)**	**(285.734)**	**(292.841)**	**(300.736)**	**(308.909)**	**(316.203)**	**(323.040)**	**(330.245)**	**(337.597)**	**(344.496)**	**(3,119.151)**	**(522.590)**	**(11,768.386)**
Expenditure													
Repairs	65.023	65.767	65.855	67.524	68.707	69.851	70.829	71.906	72.998	74.058	692.518	99.731	2,431.734
Management	67.784	66.280	67.814	69.357	72.007	73.870	75.770	77.501	79.271	80.981	730.635	127.448	2,802.861
Bad Debt Provision	5.616	5.631	5.367	5.024	4.861	4.279	3.118	3.136	3.153	3.171	43.356	3.615	111.149
Estate Costs	19.777	20.161	20.547	21.014	21.809	22.371	22.944	23.466	24.001	24.549	220.639	38.582	848.328
Capital Financing - Loan Redemption	13.601	12.086	11.511	10.970	10.195	18.589	19.569	24.156	23.532	23.740	167.949	5.761	734.222
Capital Financing - Interest and Other Costs	52.801	53.186	53.226	53.045	53.163	52.071	50.848	49.872	48.801	47.818	514.831	20.104	1,090.761
Contribution to Capital	54.747	62.623	68.521	73.802	78.167	75.172	79.962	80.208	85.841	90.179	749.222	227.349	3,749.331
Total Revenue Expenditure	**279.349**	**285.734**	**292.841**	**300.736**	**308.909**	**316.203**	**323.040**	**330.245**	**337.597**	**344.496**	**3,119.150**	**522.590**	**11,768.386**
Net (Surplus) / Deficit	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
CAPITAL ACCOUNT													
Investment													
Housing Improvement Programme	58.021	59.947	60.257	60.035	60.464	61.200	61.942	62.689	63.497	64.236	612.288	83.620	2,094.185
Redevelopment / Clearance	47.198	60.778	76.093	60.660	52.351	38.327	32.269	31.972	36.967	34.487	471.102	49.749	1,300.848
Sprinklers	12.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.000	0.000	12.000
Adaptations and Other Investment	8.597	8.707	8.711	7.787	7.521	8.158	8.192	8.274	8.440	12.695	87.082	117.426	1,218.827
Total Investment	**125.816**	**129.432**	**145.061**	**128.482**	**120.336**	**107.685**	**102.403**	**102.935**	**108.904**	**111.418**	**1,182.472**	**250.795**	**4,625.860**
Financing													
Receipts / Grants / Other	(71.069)	(66.809)	(76.540)	(54.680)	(42.169)	(32.513)	(22.441)	(22.727)	(23.063)	(21.239)	(433.250)	(23.446)	(876.531)
Contribution from Revenue	(54.747)	(62.623)	(68.521)	(73.802)	(78.167)	(75.172)	(79.962)	(80.208)	(85.841)	(90.179)	(749.222)	(227.349)	(3,749.329)
Total Expenditure	**(125.816)**	**(129.432)**	**(145.061)**	**(128.482)**	**(120.336)**	**(107.685)**	**(102.403)**	**(102.935)**	**(108.904)**	**(111.418)**	**(1,182.472)**	**(250.795)**	**(4,625.860)**
Net (Surplus) / Deficit	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

APPENDIX M: CAPITAL POLICIES

The following policies support the Capital Strategy in Chapter 7 above.

1. Capital Programme Governance and the Capital Board

1.1. The Capital programme is a resource and expenditure planning tool and does not confer approval for individual budget items to proceed. Individual budgets will not proceed to spend until there has been an executive decision which would normally include ‘Gateway’ business case appraisals at Strategic Outline Case (capital budget proposal stage), Outline Business Case, and Full Business Case. This process appraises options to deliver desired outputs, sets out the rationale to support the recommended solution, and identifies capital and revenue implications and funding. Account is also taken of the outcome of consultations, equality and risk assessments, and contribution to the Council’s strategic objectives.

1.2. Revised or additional capital budgets may be approved by Cabinet, within the constraints of the Constitution regarding additional borrowing and the Council’s Prudential borrowing limit. This includes Cabinet approval to additional external resources allocated to the Council. It is intended that no substantial increases in prudential borrowing or the use of capital receipts will be agreed outside of the annual budget process.

1.3. Strategic oversight of the capital programme will be managed by the Capital Board, including:

- development of proposals for the capital strategy, capital planning and prioritisation, prior to executive decision
- review of business cases prior to executive decision
- monitoring of the capital programme including financial, performance and risks
- review of capital governance and processes.

1.4. CIPFA’s Prudential Code and Treasury Management Code have been adopted by the Council.

2. General Principles for Capital Planning

2.1. Some general strategic principles underlie the Council’s capital planning. These are to:

- Integrate capital planning into the Council’s overall planning over the horizons of the Long Term Financial Plan, Medium Term Financial Plan and annual planning process to ensure that capital planning is delivering the Corporate Plan priorities

- Maximise external funding which supports the Council's priorities, and supplement this with the Council's own resources where appropriate
- Procure the use of capital assets using a robust process for assessing affordability and value for money (the "Gateway" process)
- Work with partners, including the community, businesses and other public bodies, whilst retaining clear lines of accountability and responsibility
- Relate capital resources and planning to asset planning.

3. Whole Council Prioritisation of Capital Resources Use

3.1. All use of capital resources, including capital receipts, will be prioritised across the Council as a whole in relation to the Council's key priorities. The use of all capital receipts will be prioritised through the Council's corporate financial planning process. All previous capital receipt earmarking policies are discontinued unless covered by specific agreements with other organisations (this will not affect existing approved use of capital receipts already identified in the Council's disposals programme or otherwise taken into account in this Financial Plan). It is expected that commercial property portfolio asset sales will be reinvested in the portfolio in order to maintain and grow the portfolio income.

4. Capital Receipts and Asset Sales

4.1. All land and buildings which are surplus to existing use will be reviewed under Property and Assets Board arrangements, before any executive decision is made, to ensure the re-use or disposal of the asset provides best value in supporting the Council's objectives. The Council's general policy is that assets will be disposed of for cash at the best market value. Exceptions to this policy should be approved by Cabinet.

4.2. As a general principle, land no longer required for its existing use is be declared surplus so that options about its future use or sale can be reviewed by the Property and Assets Board before proceeding for formal decision. This includes Board consideration of proposals to appropriate land for a different purpose from its existing use, and proposals to sell land and property at less than best price, to ensure that the best value outcome for the Council is obtained in relation to Council priority outcomes.

5. Community Asset Transfers

5.1. The Council will encourage community engagement in the operation of properties in support of specific key priorities and may commission Community Asset Transfers (CATs) where appropriate. Third sector organisations will need to have the capabilities to use the assets to provide agreed services, in accordance with arrangements for CATs of property. Sales at less than best price will however reduce the capital receipts available to fund other Council needs and policies. Accordingly, proposed land sale discounts including CATs will be reviewed by the Property and Assets Board before proceeding for formal decision, to ensure that proposals have a strong fit with the Council's key strategic priorities, represent good value for money, and have a good prospect of success. Other properties, and CAT proposals which have been unsuccessful, will proceed for sale on the open market.

6. Prudential Borrowing and Debt

6.1. The Council will use borrowing in accordance with the 'Prudential' system as a tool for delivering policy and managing its finances. Local authorities may borrow to finance capital expenditure, and the affordability of debt is the key constraint. The Council has used the prudential borrowing freedoms actively and successfully to deliver key outcomes for the Council, including investment in regeneration (e.g. Grand Central and the EZ), housing, the Commonwealth Games, and wellbeing facilities.

6.2. Prudential borrowing continues to be an important way to fund the Council's own priorities where external funding cannot be obtained. The cost of borrowing will be recharged to the service concerned, where the Council is under a statutory obligation to do so (e.g. the HRA); where the Council has agreed with its partners to do so (e.g. the Enterprise Zone); and where it is good management for borrowing costs to be accounted for as part of an overall project (e.g. where financial or property investments are funded from borrowing). This recognises that borrowing is not free resource but has a revenue cost.

6.3. The Council sets and monitors prudential indicators (including local indicators) to manage its debt exposures. Borrowing costs (including interest and repayment charges) in 2020/21 represent 30.0% of the net revenue budget, or 23.0% of gross income including income from sales, fees, charges and rents. This reflects some growth in the Council's borrowing in recent years, but also reflects the reduction in its income.

6.4. In order to ensure that borrowing remains at an affordable and sustainable level, the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment (i.e. MRP). Borrowing for the Commonwealth Games is an exception to this policy, but this is mostly planned to be repaid from the sale of the Games Village after the Games. This policy requires careful prioritisation of projects reliant on debt finance, which will be carried out as part of the annual financial planning process.

APPENDIX N: TREASURY MANAGEMENT STRATEGY

1. Summary

1.1. This appendix sets out the proposed Treasury Management Strategy for 2020/21 given the interest rate outlook and the Council's treasury needs for the year, and in accordance with the Treasury Management Policy at Appendix O.

1.2. A balanced strategy is proposed which continues to maintain a significant short-term and variable rate loan debt in order to benefit from low short-term interest rates, whilst taking some fixed rate borrowing to maintain an appropriate balance between the risks of fixed rate and short-term or variable rate borrowing. The balance between short- and long-term funding will be kept under review by the Chief Finance Officer and will be maintained within the prudential limit for variable rate exposures.

1.3. Separate loans portfolios are maintained for the General Fund and the HRA. Separate treasury strategies are therefore set out below where relevant. [4]

2. Treasury Management Policy and Objectives

2.1. The Treasury Management Policy (Appendix O) sets the Council's objectives and provides a management and control framework for its Treasury Management activities, in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.

2.2. For the Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.

2.3. These objectives must be implemented flexibly in the light of changing market circumstances.

3. Council Borrowing Requirement

3.1. The Council's forecast of its required gross loan debt is set out in Table 7.1 in Chapter 7 above and is a combination of its new prudential borrowing for capital, reduced by the amounts set aside to repay debt, and short term cashflows. Most of the Council's loan debt is in existing long term loans which mature over periods of up to 40 years or more. The balance of new loans which the Council will need to obtain in each of the next four years is set out in Table N.1:

[4] This Strategy relates to loan debt only. Other debt liabilities relating to PFI and finance leases are not considered in this Strategy and are managed separately. Throughout this Financial Plan, debt and investments are expressed at nominal value, which may be different from the valuation basis used in the statutory accounts.

Table N.1 Forecast Borrowing Requirement

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Forecast gross loan debt	3,831.8	3,913.4	3,750.5	3,653.0
Forecast treasury investments	(40.0)	(40.0)	(40.0)	(40.0)
Forecast net loan debt	3,791.8	3,873.4	3,710.5	3,613.0
of which:				
existing long term loans outstanding	2,856.2	2,831.0	2,781.0	2,761.0
Short term investments working balance	(40.0)	(40.0)	(40.0)	(40.0)
Required new/ replacement loan balance	975.8	1,082.5	969.4	892.0
	3,791.8	3,873.4	3,710.5	3,613.0

3.2. This strategy sets out how the Council plans to obtain the required new borrowing shown above, by a combination of short term and long term borrowing.

3.3. The forecast debt includes the Council's agreed advance payment of £369.2m in April 2020, to cover its employer's pension contributions to the West Midlands Pension Fund for the next three years. An early payment discount of £25.8m was agreed resulting in significant net savings for the Council. This increases the Council's borrowing need in 2020/21 and reduces it correspondingly in the following two years.

3.4. The Council has £71.1m of Lender's Option Borrower's Option (LOBO) loans outstanding. In these loans, the lender has the right to increase the interest rate at certain dates during the loan term, and in this event the Council has the right to repay the loan immediately without penalty. £41.1m of the loans have the potential to be exercised during 2020/21. This would increase the Council's borrowing requirement, but it is considered unlikely that it would happen in the current market environment.

3.5. In 2019/20, the Council repaid £30m of its LOBO loans early, funded through a combination of short term and long term borrowing. This resulted in a significant saving for the Council and removed a substantial amount of LOBO loans from its loan portfolio. The Council will consider further loan restructuring opportunities if they become available and where they are considered financially advantageous.

4. Interest Rate and Credit Outlook

4.1. UK Bank Rate is fundamental for the Council's treasury management activity, in terms of expenditure on loan interest where new loans are taken out and on income received from investments. UK Bank Rate is set by the Bank of

England's Monetary Policy Committee (MPC) and their interest rate outlook is influenced by domestic and international economic and political developments.

4.2. The global economy has experienced a slowdown in growth, driven by an increase in trade protectionism. This has prompted the Federal Reserve in the US to cut interest rates in the past year. There has been some degree of optimism recently as global financial markets reached record highs and as the US and China agreed phase one of their trade negotiations; however, the outlook for the global economy still remains uncertain.

4.3. UK economic growth is expected to remain slow as influenced by weak global growth and the domestic impact of Brexit. Consumer Price Inflation (CPI) fell to 1.3% in December 2019, below the Bank of England target of 2%. Some commentators have considered this a temporary contraction and have predicted a recovery, with the near-term political certainty generated by the parliamentary majority gained by the Conservative government in the December 2019 General Election.

4.4. Arlingclose, the Council's treasury advisor, has forecast the Bank Rate to remain at 0.75% for the foreseeable future with some risks weighted to the downside. Given the level of uncertainty over economic growth and the impact of Brexit trade talks, the Council has taken a prudent view and has assumed a small increase in Bank Rate for the treasury budget by the end of 2020/21.

4.5. Upside risks to UK interest rates in 2020/21 include:

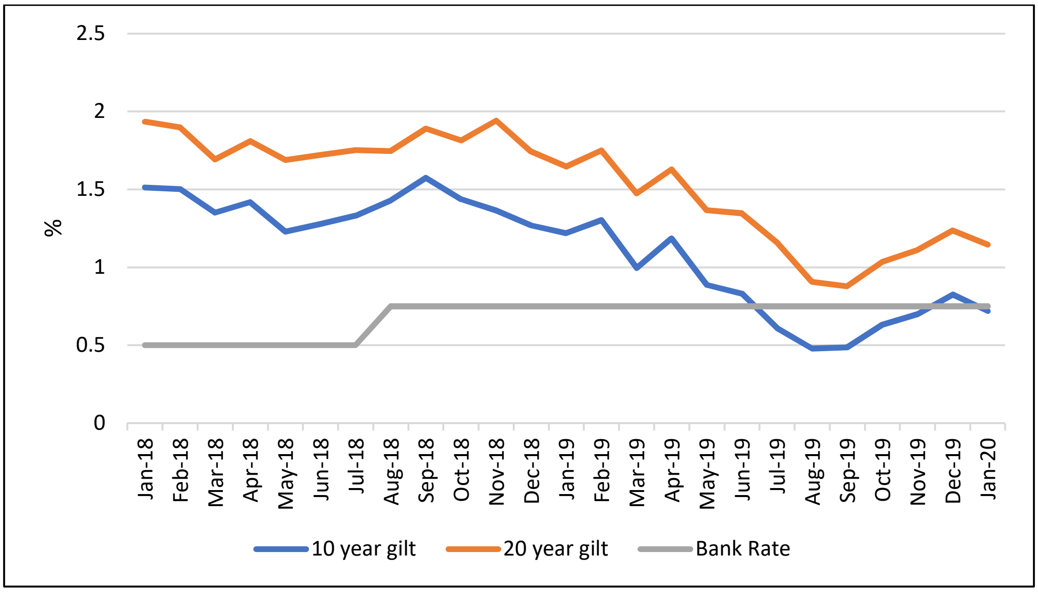
- Higher than expected economic growth
- Higher than expected inflation rates
- Indications of a closer than expected relationship with the EU post-Brexit

Downside risks to UK interest rates include:

- World and UK growth falters
- A no deal Brexit
- Safe haven investment flows into the UK as a result of geopolitical risk

4.6. Longer term interest rates are typically represented by UK Government Gilt yields. The chart at Figure O.2 shows that Gilt yields have risen recently although they remain near historically low levels. Most forecasts for long-term interest rates envisage little change from current levels. However, volatility arising from both economic and political events are likely to continue.

Figure N.2 Bank Rate and Gilt Yields



4.7. The credit outlook for banks became more significant following the introduction of the 2015 Bank Recovery and Resolution Directive (BRRD). Here a failing bank would need to be 'bailed in' by current investors instead of being 'bailed out' by the government, thus increasing the risk of loss for local authorities holding unsecured bank deposits. The Council will continue to monitor bank credit worthiness and seek the advice of its treasury advisor, Arlingclose.

4.8. Credit risk for UK retail banks improved following the adoption of ring-fencing legislation; larger UK banks separated their retail banking activity (ring-fenced) from the rest of their business (non ring-fenced) i.e. investment banking. The aim is to protect retail banking activity from unrelated risks elsewhere in the banking group, as occurred during the global financial crisis. Credit rating agencies have adjusted the ratings of some of the legally separate entities with ringfenced banks generally better rated than their non-ringfenced counterparts.

4.9. In December 2019, the Bank of England released its annual bank stress test results; this showed all seven banking groups under review passed the test, and no banks were asked to raise additional capital. The test results indicate major UK banks are able to withstand shocks to the financial sector, including a no-deal Brexit scenario.

5. Borrowing strategy

5.1. For some years the Council has targeted a short term or variable rate loans balance of around £500m to £600m to take advantage of very low short term borrowing rates. During the first half of 2019/20 there was a substantial fall in long term rates and £120m of new long term borrowing was taken from the

PWLB before the increase in its margins (see paragraph 5.7). This combined with short term cashflow movements helped to reduce the Council's short term loans outstanding to around £250m.

5.2. Low short term rates are expected to continue in 2020/21, and it is proposed to resume the short term loans target of £500m to £600m, with the balance of the Council's borrowing needs being met through long-term borrowing (i.e. for periods of one year or more).

5.3. Based on this strategy, the following table summarises, for the Council as a whole, the new long-term and short-term borrowing proposed to fund the required new or replacement borrowing each year:

Table N.3 Proposed borrowing strategy

	2020/21	2021/22	2022/23	2023/24
cumulative new borrowing:	£m	£m	£m	£m
total long term loans	415.0	502.0	534.0	487.0
new short term loans	560.8	580.5	435.4	405.0
Required new/ replacement loan balance	975.8	1,082.5	969.4	892.0

5.4. Short-term borrowing is available largely from other local authorities. This may be supplemented with borrowing from other sources such as banks, or in different forms. Short-term and variable rate exposures remain within the 30% prudential limit set out in Appendix U4.

5.5. The strategy results in a forecast for new long-term borrowing of £415m in 2020/21. The balance of new long term borrowing required increases to £502m in 2021/22; the increase is relatively small due largely to the three year advance pensions payment in 2020/21 noted in paragraph 3.3 above. In effect, the larger pensions cash outflow in 2020/21 has replaced the previously expected pensions cashflows in the following two years. The borrowing strategy to fund the advance pensions payment will be to take loans for one to three years, to fund the pensions cash payment net increase of £245m in 2020/21.

5.6. It should be noted that a possible scenario is that short-term and long-term interest rates may rise (or are expected to rise) more sharply than currently forecast. A higher level of long-term borrowing may be taken if appropriate to protect future years' borrowing costs.

Long term borrowing

5.7. The main source of long term borrowing for local authorities historically has been the Public Works Loans Board (PWLB). However, in October 2019 the PWLB increased its rate to local authorities from 0.8% above gilts to 1.8% above gilts. The Treasury stated that this was due to the substantial increase in borrowing from the PWLB by local authorities in recent months, combined with the significant reduction in the underlying gilt yields which are used to calculate PWLB rates. The consequence of the PWLB increase is that borrowing from market sources is likely to be significantly cheaper than the PWLB, possibly by around 0.75%.

5.8. A market funding strategy for the Council's annual long term borrowing requirement is likely to focus on private placements of bonds with capital market investors. A private placement is likely to be arranged by a bank, or by the Council with the support of a financial adviser. Lenders may agree for the bonds to be drawn over a period of time ("deferred start") rather than all up front, which may be beneficial in managing credit risk and interest rate risk for the Council.

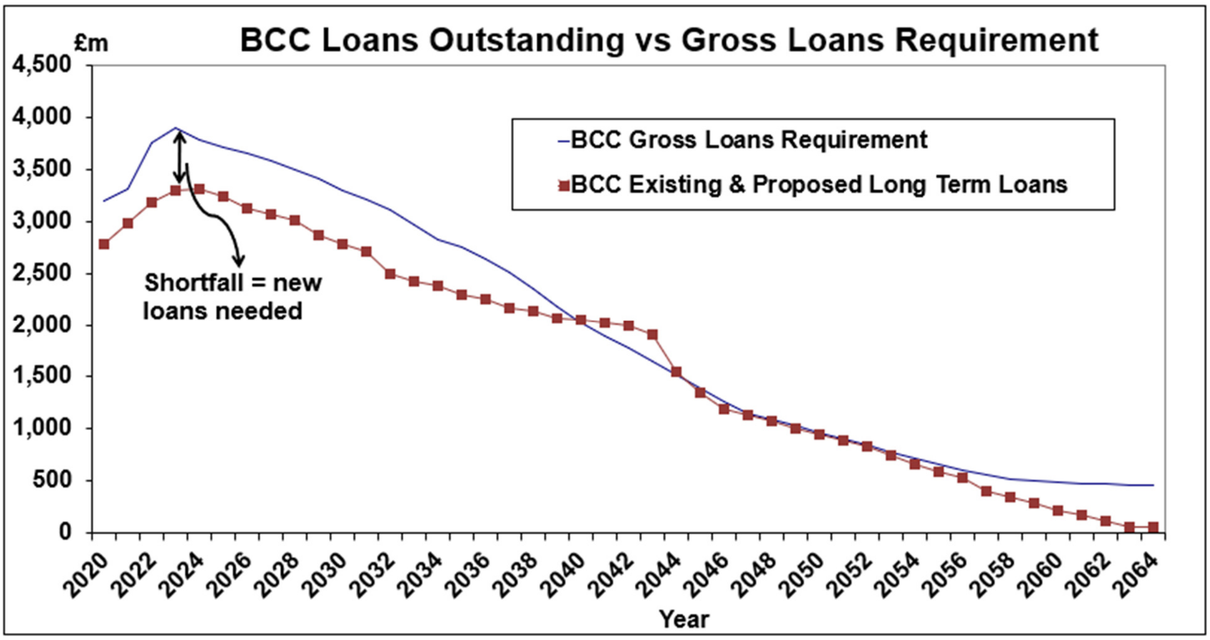
5.9. A listed bond issue is also an option, but these require a credit rating and are generally in the order of £250m or more (although the Council forecasts £415m for long term borrowing, about £245m of this is expected to come from local authorities for maturities of 1-3 years to cover the advance pensions payment – see paragraph 3.3).

5.10. At a smaller scale, long term market borrowing can be arranged bilaterally with single lenders, either direct or through brokers. This is likely to be the least efficient way to borrow from the market, but may represent good value opportunistically or when the size of a private placement is not needed.

5.11. The Council actively reviews market developments and will seek to use and develop other funding solutions if better value may be delivered. This may include other sources of long-term borrowing if the terms are suitable, including listed and private placements, bilateral loans from banks, local authorities or others, Islamic forms of finance and sale and leaseback arrangements. The Council may also restructure existing loans and other long term liabilities eg by prematurely repayment and replacement with new loans.

5.12. The £415m new long-term borrowing forecast for 2020/21 is planned to be taken at a spread of maturities appropriate to the Council's long-term debt liability profile. The Council's loan maturity profile can be compared with the level of loan debt outstanding required by this Financial Plan, as follows:

Figure N.4 BCC Loans Outstanding vs. Gross Loans Requirement



5.13. The Gross Loans Requirement in Figure O.4 represents the level of outstanding loan debt required by this Financial Plan. It takes account of existing loans outstanding plus planned prudential borrowing; this reduces over time as a result of the Minimum Repayment Provision for debt (MRP). The difference between the Gross Loans Requirement and Existing & Proposed long term loans represents forecast short-term borrowing or investments. The Gross Loans Requirement represents a liability benchmark against which to measure the amount and maturity of required borrowing

5.14. The shortfall shown in the chart is planned to be met by a short-term loans portfolio of around £500m in accordance with current strategy (see paragraph 5.1).

5.15. The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Appendix U, including a summary loan debt maturity profile.

5.16. The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Chief Finance Officer in accordance with treasury management delegations.

6. HRA and General Fund treasury strategies

6.1. The HRA inherited a largely long-term fixed rate debt portfolio at the start of the current HRA finance system in 2012. For the Medium Term Financial Plan period, its debt reduces broadly in line with the current HRA Business Plan. No new long-term borrowing for the HRA is therefore currently planned. The General Fund and HRA exposures to short-term and variable interest rates in accordance with the strategy are as follows:

Table N.5 Forecast Variable Rate Exposure based on the proposed borrowing strategy

(taking account of debt maturities and proposed long term borrowing)	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Housing Revenue Account				
Year end net exposure to variable rates	168.3	179.6	202.0	223.7
Closing HRA net loan debt	1,097.1	1,090.6	1,105.7	1,109.5
Variable exposure % of debt	15.3%	16.5%	18.3%	20.2%
General Fund				
Year end net exposure to variable rates	377.5	410.7	420.4	403.3
Closing General Fund net loan debt	2,694.7	2,782.8	2,604.7	2,503.5
Variable exposure % of debt	14.0%	14.8%	16.1%	16.1%
Year end variable interest rate assumption provided for in the budget	1.50%	2.00%	2.50%	2.75%

Note: the variable rate figures above include long-term loans with less than a year to maturity. Potential repayment option calls on LOBO loans are excluded as none are expected in this period.

6.2. The variable rate exposure means that a 1% rise in variable rates at the end of 2020/21 would cost an estimated £3.8m per annum for the General Fund and £1.7m per annum for the HRA. However, the budget provides for a potential increase in variable rates (as shown above), which is considered to be prudent in this context.

6.3. This strategy therefore acknowledges the risk that maintaining a significant variable rate loan debt may result in increasing borrowing costs in the longer term, but balances this against the savings arising from cheaper variable interest rates. The Chief Finance Officer will keep the strategy under close review during the year, in the light of the Council's financial position and the outlook for interest rates.

7. Treasury Management Revenue Budget

7.1. Based on this strategy the proposed budget figures are as follows:

Table N.6 Treasury Management Revenue Budget

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Net interest costs	133.766	138.623	142.818	143.216
Revenue charge for loan debt repayment	136.484	141.008	133.171	143.535
Other charges	(0.238)	(6.026)	(11.932)	(1.044)
Total	270.013	273.605	264.057	285.707
Met by the HRA	63.145	62.230	62.416	61.866
Met by the General Fund	206.868	211.375	201.641	223.841
Total	270.013	273.605	264.057	285.707

7.2. The budgeted interest cost in each year reflects a prudent view of borrowing costs and the cost of the additional borrowing in this Financial Plan. Actual interest costs will be affected not only by future interest rates, but also by the Council's cash flows, the level of its revenue reserves and provisions, and any debt restructuring.

8. Investment Strategy

8.1. The Council has surplus cash to lend only for short periods, as part of day-to-day cashflow management and to maintain appropriate cash liquidity. A month end investment balance of £40m in deposits, which are close to instant access, is targeted in order to maintain adequate liquidity to meet uncertain cashflows. Any such surplus cash is invested in high credit quality institutions and pooled investment funds. Money Market pooled funds are expected to continue to form a major part of the cash investment portfolio, as they are able to reduce credit risks in a way the Council cannot do independently, by accessing top quality institutions and spreading the risk more widely.

8.2. Long-term investments of one year or more are not currently expected to be appropriate for treasury management purposes, as the Council does not expect to have temporary surplus cash to invest for that length of time.

9. Other Treasury Management Exposures and Activities

9.1. The Council has guaranteed the £73m loan debt issued by NEC (Developments) Plc, which since the sale of the NEC Group has been a wholly owned subsidiary of the Council. The value of this liability is reflected in the Council's own debt and is managed as part of treasury activity.

9.2. The Council is a constituent member of the West Midlands Combined Authority (WMCA). Participating authorities share an exposure to any unfinanced revenue losses of WMCA, including debt finance costs. The Council and other member authorities support WMCA's capital investment plans, which include substantial prudential borrowing (subject to revenue funding support). This exposure is managed through the authorities' voting rights in WMCA including approval to its annual revenue and capital budget.

10. Advisers

10.1. Arlingclose have been appointed to provide treasury management advice to the Council, including the provision of credit rating and other investment information. Advisers are a useful support in view of the size of the Council's transactions and the pressures on staff time.

11. Prudential Indicators for Treasury Management

11.1. The Council is required under the Local Government Act 2003 and the CIPFA Treasury Management Code to set Prudential Indicators for treasury management. These are presented in Appendix U4.

APPENDIX O: TREASURY MANAGEMENT POLICY

1. Overview

1.1. This appendix sets out the Council's proposed Treasury Management Policy. This sets the overall framework and risk management controls which are used in carrying out the Council's borrowing, lending and other treasury activities.

2. Statutory Guidance

2.1. This Treasury Management Policy, the Strategy at Appendix N, and the Service and Commercial Investment Strategy at Appendix P, comply with the statutory requirement to have regard to the following Codes and Guidance:

- CIPFA's Code of Practice for Treasury Management in the Public Services (revised December 2017)
- CIPFA's Prudential Code for Local Authority Capital Finance (revised December 2017)
- The Government Guidance on Local Authority Investments (revised February 2018)

The Council has adopted the above Codes.

3. The Council's Treasury Management Objectives

3.1. The Council's treasury management objectives and activities are defined as:

"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.2. Effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.[5]

Attitude to Treasury Management Risks

3.3. The Council attaches a high priority to a stable and predictable charge to revenue from treasury management activities, because borrowing costs form a

[5] Paragraphs 3.1, 3.2, 3.6 and the final sentence of 4.5 are required by the CIPFA Treasury Management Code

significant part of the Council's revenue budget. The Council's objectives in relation to debt and investment can accordingly be stated more specifically as follows:

"To assist the achievement of the City Council's service objectives by obtaining funding and managing the City Council's debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested."

3.4. This does not mean that it is possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the Council is exposed to include:

- Interest rate risk - the risk that future borrowing costs rise
- Credit risk - the risk of default in a Council investment
- Liquidity and refinancing risks - the risk that the Council cannot obtain funds when needed

3.5. The Treasury Management Team has capability to actively manage treasury risks within this Policy framework. However, staff resources are limited, and this may constrain the Council's ability to respond to market opportunities or take advantage of more highly structured financing arrangements. External advice and support may also be required. The following activities may for example be appropriate based on an assessment at the time, to the extent that skills and resources are available:

- the refinancing of existing debt
- borrowing in advance of need, and forward-starting loans
- leasing and hire purchase
- use of innovative or more complex sources of funding such as listed bond issues, private placements, commercial paper, Islamic finance, and sale and leaseback structures
- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government

3.6. The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3.7. The Council's approach to the management of treasury risks is set out in the rest of this Treasury Management Policy.

4. Managing Treasury Risks[6]

Interest Rate Exposures

4.1. It is important for the Council to manage its interest rate exposure due to the risk that changes in the level of interest rates leads to an unexpected burden on the Council's finances. As the Council has and expects to have significant loan balances, rather than investment balances, a rise in interest rates poses greater risks for the Council. As a result, the Council will monitor the impact of a 1% interest rate rise on the General Fund, to ensure that it can adequately protect itself should this or a similar scenario occur.

4.2. The stability of the Council's interest costs is affected by the level of borrowing exposed to short-term or variable interest rates. Short-term interest rates are typically lower, so there can be a trade-off between achieving the lowest rates in the short-term and in the long-term, and between short-term savings and long-term budget stability. The Council will therefore limit the amount of the short term debt it holds in order to manage its variable interest rate exposure. The Council will monitor the following amounts for its Interest Rate exposure:

Table O.1 Prudential Limits - Interest Rate Exposure

	% of loan debt (net of investments):		
	2020/21	**2021/22**	**2022/23**
General Fund impact of an unbudgeted 1% rise in interest rates	£3.8m	£4.1m	£4.2m
Upper limit on net variable rate exposures	30%	30%	30%

4.3. The current planned variable rate exposure is set out in the Treasury Management Strategy.

Maturity Profile

4.4. The Council will have regard to forecast Net Loan Debt in managing the maturity profile. This takes account of forecast cashflows and the effect of MRP (minimum revenue provision for debt repayment) to produce a liability benchmark against which the Council's actual debt maturity profile is managed. Taking this into account the proposed limits are as follows:

[6] Throughout this Financial Plan, debt and investments are expressed at nominal value, which may be different from the amortised cost value required in the statutory accounts.

Table O.2 Prudential Limits - Maturity Structure of Fixed Rate Borrowing

	lower and upper limits:
under 12 months	0% to 30% of gross loan debt
12 to 24 months	0% to 30%
24 months to 5 years	0% to 30%
5 to 10 years	0% to 30%
10 to 20 years	5% to 40%
20 to 40 years	10% to 60%
40 years and above	0% to 40%

Policy for Borrowing in Advance of Need

4.5. Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Net Loan Debt, including an allowance (currently of £40m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme, to replace maturing loans, or to meet other expected cashflows.

4.6. The Council is a substantial net borrower and only has cash to invest for relatively short periods as a result of positive cashflow or borrowing in advance of expenditure. The Council considers all its treasury risks together, taking account of the investment risks which arise from decisions to borrow in advance. Such decisions need to weigh the financial implications and risks of deferring borrowing until it is needed (by which time fixed interest rates may have risen), against the cost of carry and financial implications of reinvesting the cash proceeds until required. This will be a matter of treasury judgement at the time, within the constraints of this policy, and treasury management delegations.

5. Investment Policy: All Investments

5.1. The revised CIPFA Prudential and Treasury Codes recommend that authorities' capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local authority investment:

- Treasury management investments, which are taken to manage cashflows and as part of the Council's debt and financing activity

- Commercial investments (including investment properties), which are taken mainly to earn a positive net financial return
- Service investments, which are taken mainly to support service outcomes

The Government issued revised investment guidance in February 2018, which strengthens the management and reporting framework relating to commercial and service investments.

5.2. The Council seeks to be a responsible investor but makes few if any investments in listed equities or bonds. Within the relatively narrow scope of its investments, it will seek to avoid investment in companies whose business is primarily the generation or supply of fossil fuels.

6. Investment Policy: Service and Commercial Investments

6.1. Service and commercial investments are taken out for different reasons from treasury management investments. The Council's strategy for such investments, including commercial property investments, is set out in Appendix P.

7. Investment Policy: Treasury Management Investments

7.1. The Council's cashflows and treasury management activity will generally result in temporarily surplus cash to be invested. The following paragraphs set out the Council's policy for these 'treasury management' investments.

7.2. The investment of temporarily surplus cash results in credit risk, i.e. the risk of loss if an investment defaults. In accordance with Government investment guidance, the Council distinguishes between:

- 'Specified Investments' which mature within 12 months and have a 'high credit quality' in the opinion of the authority
- 'Non-specified Investments' which are long-term investments (i.e. maturing in 12 months or more), or which do not have such high credit quality. The Government views these as riskier. Such investments require more care, and are limited to the areas set out in the policy for Non-specified Investments below

7.3. Low investment risk is a key treasury objective, and in accordance with Government and CIPFA guidance the Council will seek a balance between investment risk and return that prioritises security and liquidity over achieving a high return. The Council will consider secured forms of lending such as covered bonds, but these instruments are not generally available for short-term and smaller size deposits. The Council will continue to make deposits only with institutions having high credit quality as set out in the Lending Criteria table below. The main criteria and processes which deliver this are set out in the following paragraphs.

Specified Investments

7.4. The Council will limit risks by applying lending limits and criteria for 'high credit quality' as shown in Table O.3:

Table O.3 Lending Criteria

'Specified' short-term loan investments (all in Sterling)	Minimum Short-term rating*	Minimum Long-term rating*	Maximum investment per counterparty
Banks (including overseas banks) and Building Societies	F1+ /A1+ /P1	AA- /AA- /Aa3	£25m
	F1+ /A1+ /P1	A- / A- /A3	£20m
	F1 /A1 /P1	A- / A- /A3	£15m
	F2 /A2 /P2	BBB+ /BBB+ /Baa1	£10m
Sterling commercial paper and corporate bonds	F1+ /A1+ /P1	A- / A- /A3	£15m
Sterling Money Market Funds (short-term and Enhanced)	AAA (with rating indicating lowest level of volatility where applicable)		£40m
Local authorities	n/a	n/a	£25m
UK Government and supranational bonds	n/a	n/a	none
UK Nationalised Banks and Government controlled agencies	n/a	n/a	£25m
Secured investments including repo and covered bonds	Lending limits determined as for banks (above) using the rating of the collateral or individual investment		

* Fitch / S&P / and Moody's rating Agencies respectively. Institutions must be rated by at least two of the Agencies, and the lowest rating will be taken into account.

7.5. Money may be lent to the Council's own banker, in accordance with the above lending limits. However, if the Council's banker does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised.

7.6. The Council may also provide short-term supply chain finance where the credit risk is based on the Council's own payment on the invoice due date, and in relation to invoices payable by other bodies meeting the above lending criteria.

7.7. Credit ratings are monitored on a real-time basis as provided via the Council's Treasury Management advisers, Arlingclose, and the Council's lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.

7.8. Credit rating methodologies change from time to time, and in this event the Chief Finance Officer may determine revised and practicable criteria seeking similarly high credit quality, pending the next annual review of this treasury management policy.

Non-specified Investments and Limit

7.9. For treasury management investment purposes, the Council will limit non-specified investments to £400m (there are presently none), and will use only the following categories of non-specified investments:

- Government stocks (or "Gilts") and other supranational bonds, with a maturity of less than five years: up to 100% of non-specified investments
- Covered bonds and repo where the security meets the Council's credit criteria set out above: up to 50% of non-specified investments
- Unsecured corporate bonds, Certificates of Deposit (CD) or Commercial Paper (CP) with a maturity of less than three years, subject to the Lending Criteria in the table above: up to 20% of non-specified investments

7.10. Other categories of non-specified investments will not be used for treasury management purposes.

Investments of Group companies

7.11. The Council participates in a range of joint ventures and companies. The Treasury Management team maintains a group Treasury Policy for group entities with significant investment balances, with the objective that the treasury investments of the companies are invested consistently with the Council's own treasury investment criteria. This is generally achieved by the Council taking deposits at a commercial rate from the companies.

Investment Maturity

7.12. Temporarily surplus cash will be invested having regard to the period of time for which the cash is expected to be surplus. The CIPFA Prudential Code envisages that authorities will not borrow more than three years in advance, so it is unlikely that the Council will plan to have surplus cash for longer than three years. However, where surplus cash for over 12 months is envisaged, it may be appropriate to include some longer term (non-specified) investments within a balanced risk portfolio. The following limits will be applied:

Table O.4 Prudential limits on investing principal sums for over 364 days:

1-2 years	£400m
2-3 years	£100m
3-5 years	£100m

7.13. In making investments in accordance with the criteria set out in this section, the Chief Finance Officer will seek to spread risk (for example, across different types of investment and to avoid concentration on lower credit quality). This may result in lower interest earnings, as safer investments will earn less than riskier ones.

7.14. Where the Council deals with financial firms under the MiFID II regulations[7], it has requested to be opted up to ‘professional’ status. This means that the Council does not receive the level of investment advice and information which firms are required to provide to retail investors. Professional status is essential to an organisation of the Council‘s size, to give it access to appropriate low-risk investments available only to investors classed as professional, and to ensure that it is able to act quickly to invest Council funds safely and to earn a good return.

7.15. The Council does not currently use investment managers (other than through the use of pooled investment vehicles such as Money Market Funds). However, if appointed, their lending of Council funds would not be subject to the above restrictions, provided that their arrangements for assessing credit quality and exposure limits have been agreed by the Chief Finance Officer.

[7] The Markets in Financial Instruments Directive 2 (MiFID II) regulates, amongst other things, the way that financial firms provide advice to various categories of client.

8. Policy for HRA Loans Accounting

8.1. The Council attributes debt and debt revenue consequences to the HRA using the 'two pool' method set out in the CIPFA Treasury Management Code. This method attributes a share of all pre-April 2012 long-term loans to the HRA. Any new long-term loans for HRA purposes from April 2012 are separately identified. The detailed accounting policy arising from the 'two pool' method is maintained by the Chief Finance Officer.

9. The Council Acting as Agent

9.1. The Council acts as intermediary in its role as agent for a number of external bodies. This includes roles as accountable body, trustee, and custodian, and these may require the Council to carry out treasury management operations as agent. The Chief Finance Officer will exercise the Council's treasury responsibilities in accordance with the Council's treasury delegations and relevant legislation, and will apply any specific treasury policies and requirements of the external body. In relation to the short-term cash funds invested as accountable body, the Council expects to apply the investment policy set out above.

10. Reporting and Delegation

10.1. A Treasury Management Strategy report is presented as part of the annual Financial Plan to the Council before the start of each financial year. Monitoring reports are prepared monthly, and presented quarterly to Cabinet, including an Annual Report after the year end.

10.2. The management of borrowings, loans, debts, investments and other assets has been delegated to the Chief Finance Officer acting in accordance with this Treasury Management Policy Statement. This encompasses the investment of trust funds where the Council is sole trustee, and other investments for which the Council is responsible such as accountable body funds. The Chief Finance Officer reports during the year to Cabinet on the decisions taken under delegated treasury management powers.

10.3. In exercising this delegation, the Chief Finance Officer may procure, appoint and dismiss brokers, arranging and dealer banks, investment managers, issuing and paying agents, treasury consultants and other providers in relation to the Council's borrowing, investments, and other treasury instruments and financing arrangements, and in relation to funds and instruments where the Council acts as agent

10.5. The Chief Finance Officer maintains statements of Treasury Management Practices in accordance with the Code:

TMP1	Treasury risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Treasury management organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

Similarly, Investment Management Practices for service and commercial investments are being prepared in accordance with the newly revised Treasury Management Code.

11. Training

11.1. Planned and regular training for appropriate treasury management staff is essential to ensure that they have the skills and up to date knowledge to manage treasury activities and risks and achieve good value for the Council. Staff training will be planned primarily through the Council's performance and development review process, and in accordance with Treasury Management Practice 10. Training and briefings for Councillors are also held as appropriate.

APPENDIX P: SERVICE & COMMERCIAL INVESTMENT STRATEGY

Compliance with the main requirements of the Government's Statutory Guidance on Local Authority Investments is shown by cross reference in square brackets to the relevant paragraph of the Guidance.

1. Scope and Purpose of Strategy

1.1. The word "Investments" in this strategy covers financial investments, including loans and shares, which have been made to support service and commercial objectives. Examples include loans to InReach and Warwickshire County Cricket Club, and the Council's investment in Birmingham Airport. Non-financial investments such as commercial property are included where the main objective is financial return [4]. Investments taken for treasury management reasons are considered in the Treasury Management Strategy and Policy elsewhere in this Financial Plan.

1.2. This strategy sets out the Council's approach to such investments, including risk management, appraisal, monitoring, governance and procedures. In doing this it addresses the requirements of the recently expanded Government Guidance on local authority investments.

1.3. Investment values provided in this appendix are the book values in the Council's accounts, unless otherwise stated.

2. Objectives of the Strategy

2.1. To use investments where appropriate to support the Council's priorities, within prudent financial limits.

2.2. To ensure that investment decisions and portfolio management are joined up with the Council's overall business and financial planning.

2.3. To deliver value for money (e.g. commercial terms or if less than commercial, social benefits to justify this).

2.4. To manage risks in accordance with the Council's risk appetite and financial circumstances (including due diligence when making investment decisions).

3. The Existing Financial and Property Investment Portfolios

3.1. The Council's service and commercial investments are extremely diverse, given their very different service motives and applications. The estimated book value of financial investments at 31 December 2019 is £135.0m.

3.2. The commercial property portfolio is currently being reorganised in accordance with the Council’s Property Investment Strategy. Its gross income in 2020/21 is budgeted at £24.6m.

3.3. Table P.3 at the end of this appendix shows the main contribution of the Council’s service and commercial investments to Council objectives. [22]

4. Investment Policy and Strategy 2020+

4.1. Joint working, partnerships and joint delivery arrangements are key to the provision of Council and wider public services. Financial and property investments are likely to be an ongoing result of the Council’s partnership working.

4.2. In the context of the current Council Plan and priorities, investments may feature in arrangements for:

- Supporting specific policy priorities in the Council Plan or policy frameworks, e.g. housing
- Supporting partnership working, including with the voluntary sector
- Supporting the commercialism agenda and the Council’s savings proposals, by providing financial return.

4.3. The Council recognises that all investments carry the risk of financial loss. The risk of losses may seem distant or not be apparent at the time an investment is considered, but an estimate of the risk of loss needs to be accounted for from the outset. Financial gains and losses from investments will be the responsibility of the service to which the investment relates.

4.4. The Council will be particularly cautious where investments are funded wholly or partly from borrowing. Debt “gearing” creates additional costs of interest and repayment. It creates a fixed liability and a fixed repayment obligation, whilst the investment’s value and income are at risk. The scope for the Council to borrow to fund investments is also limited by the relatively high level of Council debt and low headroom for additional borrowing. The Council will not borrow to invest purely for financial gain, as recommended by Government Guidance [46]. This principle does not prevent the Council from borrowing for the prudent management of its financial affairs or protection of its existing financial and property investment portfolios in its financial best interests.

4.5. The Council’s risk appetite in relation to new financial investments will therefore be low, given the high level of financial risks the Council is already exposed to, including the need to balance the revenue budget and manage the level of Council debt. Any new investments will therefore be expected to:

- Show a compelling contribution to the Council's core objectives and planned service strategies, and must be prioritised within the Council's available resources
- Evidence a low financial risk with a commensurate financial return, or if returns are below commercial levels, provide clear non-financial benefits to the Council which demonstrate strong value for money, and comply with State Aid requirements.
- Be prioritised within the investment limits set out below, to ensure that investment activity remains proportionate to the Council's finances overall
- Strike a prudent balance between security, liquidity and yield (whilst recognising that the delivery of strong service benefits may sometimes justify a higher financial risk) [29]

New commercial property investments will be managed under the policies and criteria set out in the July 2019 Property Investment Strategy. Investment is expected to be restricted to the reinvestment of sales proceeds rather than growing the portfolio.

4.6. The Council is mindful of Government and CIPFA advice that commercial investments including property must be proportionate to the resources of the authority [34]. The Council should avoid becoming over-reliant on risky investment income to support core service obligations, especially given its low investment risk appetite set out in 4.5 above. Budgeted gross income from service and commercial investments (including commercial property) represents 4.2% of the net revenue budget by 2020/21 [44]. This investment income exposure represents a manageable financial risk, and will be monitored as part of the Council's normal revenue monitoring as well as through the investment indicators (section 7 below).

4.7. Any shortfall in budgeted net income from service and commercial investments will be managed through the Council's regular budget monitoring and mitigation processes, and through the investment governance arrangements described in Section 7 below [44].

4.8. The arrangements for realising investments and managing liquidity risk will depend on the purpose and nature of the investment in each case. Where investments have been made to support service purposes and have been funded from cash resources, there is not a funding pressure to have an investment exit route in place. Where investments are funded by borrowing, the Council's MRP Policy (Appendix T) sets out the arrangements to repay debt without resorting to a sale of the investments [42-43].

5. Financial Investment Plans and Limits for 2020+

5.1. The main area of additional investment proposed in this Financial Plan, as in last year's, is to expand the Council's investment in InReach, its wholly-owned Housing company. The Council has provided loans and equity of £15.4m to develop the Embankment private rented housing. This development is now complete, fully let, and performing well. Further loans to InReach are in the Council's budgets to develop rented housing at the Brasshouse and Key Hill. The Council's total proposed investment outstanding in InReach including both current arrangements and new proposals amounts to £68.7m. InReach will increase the supply of both private rented and affordable housing in Birmingham, which is a key priority for the Council, as well as generating a net income for the Council. In the longer term, further opportunities for InReach activity will be kept under review.

5.2. The main financial risk when investing in loans and equity is that the loan repayments are not made, and that the shares lose value or dividends are less than expected. In order to limit the financial impact of investment risks, an overall limit for the Council's service and commercial investments (excluding the commercial property portfolio) is proposed as follows:

Table P.1 Service and Commercial Investment Strategy

Financial Investments	est value at 31.12.19	planned changes	total value	limit
	£m	£m	£m	£m
Loans to subsidiaries	33.6	48.3	81.9	
Loans to businesses	43.5	-12.4	31.1	
Other loans	16.5	0.0	16.5	
Shares in subsidiaries	11.5	5.0	16.5	
Shares in businesses	29.6	0.0	29.6	
other shares	0.3	0.0	0.3	
Total	**135.0**	**40.9**	**175.9**	**326.0**

The figures above are the estimated book value in the Council's accounts

5.3. The planned changes reflect the proposals described above, over the medium term to 2023/24. The limit has been set with a view to allowing scope for some limited further investment of £50m during this period, together with potential for further investment of £100m in InReach to support the potential purchase of part of the Commonwealth Games Village. This would be subject to resource prioritisation and business case approval. Cabinet may approve a reallocation of individual limits within the total limit above. The limit applies to the Council's own investments and not to investments which it holds as accountable body or on behalf of others [34, 36].

5.4. Investments may also carry liquidity risk, which is the risk that funds may be tied up in investments and not available if needed for other purposes. The Council's due diligence procedures for investments review liquidity risk, including how exit routes have been considered and the appropriate maximum period for investments to be committed [42].

6. Property Investment Portfolio Plans and Limits for 2020+

6.1. The Council's Strategy for the Property Investment Portfolio was approved by Cabinet in July 2019. This seeks to remove lower value and inefficient property holdings from the portfolio and reinvest into fewer, high quality commercial property assets, with a view to a better risk balanced portfolio and an increase in gross income by 20% in cash terms by the end of 2023/24. In particular,

- An active disposals programme is in progress to fund reinvestment
- Investment will be primarily in Birmingham and the wider Midlands region
- An external investment adviser is being commissioned to advise and recommend on opportunities in the market to acquire new assets (which may include property loans as well as direct property holdings)
- The first strategic investment has been completed, which was the acquisition of the headlease on a Council owned site increasing the income stream by £0.3m.

6.2. The strategy envisages that reinvestment into new properties may be funded temporarily from borrowing, pending capital receipts from the portfolio's asset sales, providing that the individual sales are agreed by the time of borrowing. The borrowing is limited to £50m and will be repaid by the end of 2023/24. The Government Investment Guidance recommends authorities not to borrow to invest purely for profit. The purpose of the temporary borrowing is not for additional long term investment, but supports the 'prudent management' of the portfolio by avoiding the risk of being out of the market and losing income for a sustained period while a large number of small properties are progressively sold over the next few years.

6.3. The main financial risks of property investment are that rental income or property values may fall as a result of changing economic and market conditions, or due to the condition of the individual properties. New purchases may also show an initial loss due to transaction costs and stamp duty. The risk of loss compared with any borrowing taken to purchase investments investments is shown by the indicator below for the % of investments financed from borrowing [38-40]. The property risks in this strategy will be managed by the Property Investment Board in accordance with the parameters and procedures set out in the Property Investment Strategy approved by Cabinet, and within the temporary investment increase of £50m set out above.

6.4. Liquidity risk in property investments will be managed by the Commercial Property Board and through the limit of £50m on new investments (6.3 above) [43].

7. Investment Indicators

7.1. The Council will use the investment indicators set out below to strengthen its investment risk management framework, as recommended by the Government Guidance [23]:

Table P.2 Service and Commercial Investment Indicators

Service and commercial investment indicators	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Financial investments:				
planned value	146.6	144.8	161.8	175.9
investment limit	226.0	280.0	326.0	326.0
(including £100m allowance for potential investment in InReach)				
borrowing to fund investments	71.8	82.4	99.5	113.6
% investments financed by borrowing	49.0%	56.9%	61.5%	64.6%
secured investments	90.2	100.8	117.8	132.0
% investments secured	61.5%	69.6%	72.8%	75.0%
Commercial properties:				
New investment limit (cumulative)	50.0	50.0	50.0	50.0
budgeted gross investment income:				
Investment income (financial and property)	36.1	42.1	47.0	50.6
Council net revenue budget	852.9	872.4	890.7	909.8
Investment income as % of net budget	4.2%	4.8%	5.3%	5.6%

8. Governance

8.1. The Capital Board will review new investment proposals and programmes prior to approval, and will monitor existing investments and risks. The Development and Commercial Finance Team and the Treasury Management team will exercise Council-wide oversight and co-ordination of service and commercial investments.

8.2. Financial and property investment decision making will follow the Council's Business Case governance requirements, with particular attention to expert due diligence, robust financial appraisal and taking external advice in consultation with the Chief Finance Officer. Procedures and checklists for investment appraisal and management are set out in the Council's financial procedures (My Finance on the Intranet) [41,50]. Market understanding and analysis will be the responsibility of the relevant service supported by their Finance Business Partner and Treasury Management Team, but it is recognised that for complex investments, external advice is likely to be needed, especially where financial return is significant [41]. New investments must reflect the Council's core priorities, and must be agreed by the Chief Finance Officer via the Treasury Management team before presentation of any executive decision report.

8.3. Individual investment monitoring is the responsibility of the service holding the income budget, as part of normal budget monitoring, with overall co-ordination and oversight from Finance staff.

8.4. Investment Management Practices are required by the CIPFA Treasury Management Code to support strong and sound financial management in this specialist area. These will be maintained for each type of investment by the service budget-holder responsible, with support from Development and Commercial Finance, and will include appropriate income collection and credit control arrangements [41]. Investment Management Practices will be reviewed annually.

8.5. Advisers will be used where necessary to achieve sufficient skills and understanding, in particular, the Council's treasury management adviser (Arlingclose) can provide support in relation to financial investments, and the Council also retains a property adviser to support the Property Investment Portfolio. These appointments are monitored and assessed by treasury and property officers [41]. The Council's business loans and investments portfolio is managed by Finance Birmingham, the Council's wholly owned fund management company. Officer and Member training will be available through the Council's treasury advisers, alongside treasury management training opportunities. Information relevant to investment decisions will form part of executive decision reports to members [48]. Cabinet Committee – Group Company Governance and relevant officers also receive training on companies. Due diligence requirements for investments will ensure that officers are aware of the core principles of the prudential framework and local authority regulatory requirements [49].

8.6. These arrangements will support the capacity, skills and culture of the Council in making and managing investments for service and commercial purposes [48-49].

Table P.3 Contribution of Investments to Council Outcomes

Financial Investments	main contribution	other contribution
Loans		
InReach Ltd - housing developments	housing	profit
InReach Ltd - CWG housing purchase	housing	profit
InReach Ltd - HRA housing purchase	housing	profit
Birmingham Propco (NEC Hotels)	economy	profit
Performances Birmingham Ltd	economy	arts
Birmingham Science Park (Aston) Ltd	economy	profit
iCentrum	economy	
Business loans portfolio	economy	
Warwickshire County Cricket Club	economy	
WM Collective Investment Fund	economy	
BLLP	education	
Kick Start loans	housing	
Other commercial loans	various	
Loans to non-BCC schools	education	
Birmingham Childrens Trust	children	
Other small loans	various	
loans to employees	management	
Wholesale Markets	economy	profit
Shares		
Birmingham Airport Holdings	economy	profit
InReach Ltd	housing	
Birmingham Propco (NEC Hotels)	economy	profit
Business share portfolio	economy	
Financial vehicle shareholdings	financial mgt	economy
Other small share holdings	various	

APPENDIX Q: CAPITAL RESOURCES

Appendix Q1 Financing the Capital Programme

	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Specific Resources					
Government Grants & Contributions	201.856	142.742	39.890	34.790	419.278
HRA Revenue Resources & Reserves	54.747	62.623	63.683	73.802	254.855
Other Specific Revenue Resources	22.366	24.959	12.748	0.837	60.910
HRA Capital Receipts	37.312	30.427	38.228	32.057	138.024
Total Specific Resources	**316.281**	**260.751**	**154.549**	**141.486**	**873.067**
Corporate Resources					
Prudential Borrowing	363.706	215.528	171.750	81.643	832.627
Earmarked Capital Receipts	17.705	3.869	0.250	-	21.824
Other Corporate Resources	12.400	1.756	0.434	-	14.590
Total Corporate Resources	**393.811**	**221.153**	**172.434**	**81.643**	**869.041**
Total Resources	**710.092**	**481.904**	**326.983**	**223.129**	**1,742.108**

Appendix Q2 Capital Grants and Contributions 2020/21 to 2023/24

	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Government Grants					
Disabled Facilities Grant	8.407	-	-	-	8.407
Devolved Schools Capital Allocation	1.733	-	-	-	1.733
Schools Capital Maintenance	1.000	-	-	-	1.000
Additional Pupil Places	41.199	22.315	-	-	63.514
Special Provision	5.253	-	-	-	5.253
Local Growth Fund	12.148	31.277	21.207	-	64.632
Transportation Highways	53.164	1.599	2.702	22.289	79.754
ERDF	2.896	2.072	-	-	4.968
Commonwealth Games	34.692	31.032	-	-	65.724
Housing Improvement Grant	3.631	6.987	-	-	10.618
Integrated Transport Block	5.145	5.145	5.145	5.145	20.580
Museums Collection Centre	0.250	-	-	-	0.250
Total Government Grants	**169.518**	**100.427**	**29.054**	**27.434**	**326.433**
Contributions 3rd Party					
Transport & Highways Programmes	4.133	-	-	-	4.133
HRA Developer Contributions	10.152	13.316	9.201	7.356	40.025
Commonwealth Games	-	28.365	1.635	-	30.000
Other	0.223	-	-	-	0.223
Total Contributions	**14.508**	**41.681**	**10.836**	**7.356**	**74.381**
Use of prior year grants	**17.830**	**0.634**	**-**	**-**	**18.464**
TOTAL GRANTS & CONTRIBUTIONS	**201.856**	**142.742**	**39.890**	**34.790**	**419.278**

Appendix Q3 Analysis of Prudential Borrowing

	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Major Self Financed Prudential Borrowing					
Enterprise Zone	31.120	37.790	17.262	27.246	**113.418**
Housing Development - In Reach	3.188	10.582	17.535	14.145	**45.450**
Transport Highways - Major Schemes	7.023	6.613	3.980	-	**17.616**
HRA - Home Improvement Programme	12.158	5.531	26.689	14.768	**59.146**
Capital Loans & Equity	0.750	0.500	1.492	-	**2.742**
Property Strategy	42.000	-	-	-	**42.000**
Commonwealth Games - Village	141.865	88.053	38.370	-	**268.288**
Commonwealth Games - Alexander Stadium	1.636	8.364	-	-	**10.000**
Gateway / Grand Central	5.250	-	13.114	-	**18.364**
Other	3.367	1.549	5.342	0.054	**10.312**
Total Self Financed	**248.357**	**158.982**	**123.784**	**56.213**	**587.336**
Major Prudential Borrowing with net impact on Council revenue resources					
SAP Software Upgrade	0.550	0.500	2.741	-	**3.791**
Corporate Investment Plan	5.446	3.022	-	-	**8.468**
Commonwealth Games - Alexander Stadium	15.806	-	-	-	**15.806**
Commonwealth Games - Other	23.524	1.189	-	-	**24.713**
School Condition Allocations	6.500	3.550	-	-	**10.050**
Strategic Parks	10.436	0.354	2.317	-	**13.107**
Fleet & Waste Management	30.199	11.888	24.928	11.970	**78.985**
Corporate Capital Contingency	12.888	25.043	3.671	3.460	**45.062**
Modernisation Fund	10.000	10.000	11.309	10.000	**41.309**
Community Libraries	-	1.000	3.000	-	**4.000**
Total Capital projects requiring revenue resources	**115.349**	**56.546**	**47.966**	**25.430**	**245.291**
Total Prudential Borrowing	**363.706**	**215.528**	**171.750**	**81.643**	**832.627**

APPENDIX R: CAPITAL PROGRAMME

Appendix R1 Proposed Capital Expenditure Programme 2020/21 to 2023/24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
ADULT SOCIAL CARE DIRECTORATE					
Property Schemes	0.477	-	-	-	**0.477**
Adults IT	0.938	-	-	-	**0.938**
Independent Living	8.407	-	-	-	**8.407**
Total Adult Social Care	**9.822**	**-**	**-**	**-**	**9.822**
EDUCATION AND SKILLS DIRECTORATE					
Devolved Capital Allocation to Schools	4.118	-	-	-	**4.118**
School Condition Allocations	7.500	3.550	-	-	**11.050**
Basic Need - Additional School Places	52.632	22.315	-	-	**74.947**
IT Investment	1.109	-	-	-	**1.109**
Skills & Employability	0.067	1.037	3.841	-	**4.945**
Total Education and Skills	**65.426**	**26.902**	**3.841**	**-**	**96.169**
NEIGHBOURHOODS DIRECTORATE					
Street Scene					
Waste Management Services	30.199	11.888	26.025	11.970	**80.082**
Parks & Nature Conservation	10.863	0.469	2.359	-	**13.691**
Total Street Scene	**41.062**	**12.357**	**28.384**	**11.970**	**93.773**
Housing Services					
Housing Options Service	-	-	2.320	-	**2.320**
Private Sector Housing	0.831	0.560	0.250	-	**1.641**
Council Housing HRA					
Housing Improvement Programme	68.829	58.547	59.222	59.021	**245.619**
Redevelopment	47.198	60.778	76.093	60.660	**244.729**
Other Programmes	9.789	10.107	9.746	8.802	**38.444**
Council Housing HRA Total	**125.816**	**129.432**	**145.061**	**128.483**	**528.792**
Total Housing Services	**126.647**	**129.992**	**147.631**	**128.483**	**532.753**
Neighbourhoods					
Community, Sport & Events	0.982	1.500	1.000	-	**3.482**
Cultural Development	0.850	0.050	3.050	0.050	**4.000**
Total Neighbourhoods	**1.832**	**1.550**	**4.050**	**0.050**	**7.482**
Regulation & Enforcement					
Markets Services	-	-	0.759	-	**0.759**
Mortuary/Coroners	0.235	-	-	-	**0.235**
Total Regulation & Enforcement	**0.235**	**-**	**0.759**	**-**	**0.994**
Total Neighbourhoods Directorate	**169.776**	**143.899**	**180.824**	**140.503**	**635.002**

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
INCLUSIVE GROWTH DIRECTORATE					
Planning & Development					
Enterprise Zone - Paradise Circus	24.172	11.217	1.416	2.116	**38.921**
Enterprise Zone - Eastside Locks	1.000	1.500	-	-	**2.500**
Enterprise Zone - Southern Gateway Site	-	3.985	10.678	19.597	**34.260**
Enterprise Zone - Southside Public Realm	2.249	4.066	0.262	-	**6.577**
EZ Phase II - HS2 Station Environment	0.277	0.156	0.409	2.250	**3.092**
EZ Phase II - Site Enabling	1.700	0.200	-	-	**1.900**
EZ Phase II - Connecting Economic Opportunities	0.480	14.000	0.970	-	**15.450**
EZ Capitalised Interest	1.322	2.666	3.526	3.283	**10.797**
Other Planning Schemes	5.070	1.957	0.234	-	**7.261**
Life Sciences	-	-	-	-	**-**
Total Planning & Development	**36.270**	**39.747**	**17.495**	**27.246**	**120.758**
Housing Development					
In Reach	6.188	10.582	17.535	14.145	**48.450**
Total Housing Development	**6.188**	**10.582**	**17.535**	**14.145**	**48.450**
Transport Connectivity					
Major Schemes					
Metro Extension	0.100	4.474	-	-	**4.574**
Iron Lane	5.030	0.987	-	-	**6.017**
Battery Way Extension	0.143	-	-	-	**0.143**
A457 Dudley Road	6.055	14.563	7.530	-	**28.148**
Journey Reliability	0.456	-	-	-	**0.456**
Tame Valley Phase 2 & 3	4.211	18.387	18.117	17.367	**58.082**
Selly Oak New Road Phase 1B	3.312	-	-	-	**3.312**
Wharfdale Bridge	2.675	-	-	-	**2.675**
Snow Hill Station	6.132	0.926	-	-	**7.058**
Other (Major Schemes)	3.139	0.750	-	-	**3.889**
Total Major Schemes	**31.253**	**40.087**	**25.647**	**17.367**	**114.354**
Inclusive & Sustainable Growth	12.760	9.734	5.747	4.873	**33.114**
Air Quality & Climate Change	47.855	0.811	0.701	0.100	**49.467**
Walking & Cycling	3.966	2.092	1.000	1.762	**8.820**
Infrastructure Dev	0.961	0.893	1.145	1.045	**4.044**
Total Transport Connectivity	**65.542**	**13.530**	**8.593**	**7.780**	**95.445**
Highways Infrastructure					
Safer Routes to Schools	0.400	0.300	0.300	0.300	**1.300**
Ward Minor Schemes	1.324	0.500	0.500	0.500	**2.824**
Road Safety	1.121	0.525	0.525	0.525	**2.696**
Local Schemes	0.624	-	-	-	**0.624**
Total Highways Infrastructure	**3.469**	**1.325**	**1.325**	**1.325**	**7.444**
Total Transport & Highways	**100.264**	**54.942**	**35.565**	**26.472**	**217.243**

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Property Services					
Highbury Hall Essential Works	0.655	1.718	-	-	**2.373**
Property Strategy	45.500	1.500	-	-	**47.000**
Total Property Services	**46.155**	**3.218**	**-**	**-**	**49.373**
Total Inclusive Growth Directorate	**188.877**	**108.489**	**70.595**	**67.863**	**435.824**
FINANCE & GOVERNANCE DIRECTORATE					
Development & Commercial					
Gateway/Grand Central Residual Costs	5.250	-	13.114	-	**18.364**
Capital Loans & Equity	0.750	0.500	1.492	-	**2.742**
Total Development & Commercial	**6.000**	**0.500**	**14.606**	**-**	**21.106**
Corporately Held Funds					
Revenue Reform Projects	5.063	-	-	-	**5.063**
Modernisation Fund	10.000	10.000	10.309	10.000	**40.309**
Corporate Capital Contingency	12.888	25.043	4.063	3.460	**45.454**
Total Corporately Held Funds	**27.951**	**35.043**	**14.372**	**13.460**	**90.826**
SAP Investments	0.550	0.500	2.740	-	**3.790**
Total Finance & Governance Directorate	**34.501**	**36.043**	**31.718**	**13.460**	**115.722**
DIGITAL & CUSTOMER SERVICES DIRECTORATE					
ICT & Digital	9.748	4.831	-	-	**14.579**
Total Digital & Customer Services Directorate	**9.748**	**4.831**	**-**	**-**	**14.579**
PARTNERSHIPS, INSIGHT & PREVENTION DIRECTORATE					
Public Health	0.250	-	-	-	**0.250**
Total Partnerships, Insight & Prevention Directorate	**0.250**	**-**	**-**	**-**	**0.250**
COMMONWEALTH GAMES 2022					
CWG Village	159.098	102.890	38.370	1.303	**301.661**
CWG Alexander Stadium	37.134	29.296	-	-	**66.430**
CWG Organising Cttee	35.460	29.554	1.635	-	**66.649**
Total Commonwealth Games 2022	**231.692**	**161.740**	**40.005**	**1.303**	**434.740**
Total Capital Programme	**710.092**	**481.904**	**326.983**	**223.129**	**1,742.108**

Memorandum Item:

Budgeted Use of Capital receipts to Fund Disposal Costs					
Birmingham Property Services	0.630	0.630	0.630	0.630	2.520
	0.630	0.630	0.630	0.630	2.520

Appendix R2 New Schemes

The following projects included in the above programme have been added since Quarter 3 2019/20

		2020/21 £m	2021/22 £m	2022/23 £m	2023/24+ £m	TOTAL £m
Education and Skills Directorate						
School Condition Needs	N	4.000	3.550	-	-	**7.550**
Total Education and Skills Directorate		**4.000**	**3.550**	**-**	**-**	**7.550**
Neighbourhoods Directorate						
Victoria Common Car Park	N	0.070	-	-	-	**0.070**
Museums Collection Centre	N	0.750	-	-	-	**0.750**
Museums Repairs & Refurbishment	N	0.100	0.050	0.050	0.050	**0.250**
Waste Management Vehicles	N	-	-	11.970	11.970	**23.940**
Moseley Road Baths	N	0.500	1.500	1.000	-	**3.000**
Total Neighbourhoods Directorate		**1.420**	**1.550**	**13.020**	**12.020**	**28.010**
Inclusive Growth Directorate:						
Victoria Square & City Centre Public Realm	N	5.000	8.734	3.672	3.460	**20.866**
Total Inclusive Growth Directorate		**5.000**	**8.734**	**3.672**	**3.460**	**20.866**
Partnerships, Insight & Prevention Directorate						
Control Centre Equipment Upgrade	N	0.250				**0.250**
Total Partnerships, Insight & Prevention Directorate		**0.250**	**-**	**-**	**-**	**0.250**
Digital & Customer Services Directorate						
Brum Account Phase 3	N	0.971				**0.971**
Total Assistant Chief Executives Directorate		**0.971**	**-**	**-**	**-**	**0.971**
Finance & Governance Directorate:						
Modernisation Fund	N	10.000	10.000	11.309	10.000	**41.309**
Corporate Contingency additions	N	7.888	10.043	3.671	3.460	**25.062**
Total Finance & Governance Directorate		**17.888**	**20.043**	**14.980**	**13.460**	**66.371**
Total New Schemes / Resources		**29.529**	**33.877**	**31.672**	**28.940**	**124.018**

Note: this includes some re-phasing between years where additional resources have been identified for existing programmes and the removal of budgets where savings have been identified.

\# A - Amendment to existing project or programme
N - New project or programme

APPENDIX S: TEN YEAR SUMMARY CAPITAL PROGRAMME

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
ADULT SOCIAL CARE DIRECTORATE	**9.822**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.822**
EDUCATION & SKILLS DIRECTORATE	**65.426**	**26.902**	**3.841**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96.169**
NEIGHBOURHOODS DIRECTORATE											
Other - General Fund	**43.960**	**14.467**	**35.763**	**12.020**	**-**	**-**	**-**	**-**	**-**	**-**	**106.210**
HRA	**125.816**	**129.432**	**145.061**	**128.483**	**120.336**	**107.685**	**102.403**	**102.935**	**108.904**	-	**1,071.055**
TOTAL CAPITAL - NEIGHBOURHOODS DIRECTORATE	**169.776**	**143.899**	**180.824**	**140.503**	**120.336**	**107.685**	**102.403**	**102.935**	**108.904**	**-**	**1,177.265**
INCLUSIVE GROWTH DIRECTORATE											
Planning and Development											
Paradise Circus Redevelopment	24.172	11.217	1.416	2.116	0.081	-	-	-	-	-	39.002
Eastside Locks	1.000	1.500	-	-	-	-	-	-	-	-	2.500
Southern Gateway Site (Smithfield)	-	3.985	10.678	19.597	25.785	11.598	21.342	15.395	10.464	8.517	127.361
Southside Public Realm	2.249	4.066	0.262	-	-	-	-	-	-	-	6.577
LEP Investment Fund	-	-	-	-	5.000	5.000	5.000	5.000	-	-	20.000
HS2 Station Environment	0.277	0.156	0.409	2.250	17.749	20.505	6.848	-	-	-	48.194
Site Enabling Works	1.700	0.200	-	-	-	-	-	-	-	-	1.900
Digbeth Public Realm	0.480	14.000	0.970	-	-	-	-	-	-	-	15.450
Capitalised Interest	1.322	2.666	3.526	3.283	4.218	1.259	1.930	-	-	-	18.204
Other Planning Schemes	5.070	1.957	0.234	-	-	-	-	-	-	-	7.261
Total Planning & Development	**36.270**	**39.747**	**17.495**	**27.246**	**52.833**	**38.362**	**35.120**	**20.395**	**10.464**	**8.517**	**286.449**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Housing Development	6.188	10.582	17.535	14.145	2.540	-	-	-	-	-	50.990
Total Transportation	96.795	53.617	34.240	25.147	23.704	12.614	-	-	-	-	246.117
Total Highways	3.469	1.325	1.325	1.325	1.325	1.325	-	-	-	-	10.094
Total Property Services	46.155	3.218	-	-	-	-	-	-	-	-	49.373
TOTAL CAPITAL - INCLUSIVE GROWTH DIRECTORATE	188.877	108.489	70.595	67.863	80.402	52.301	35.120	20.395	10.464	8.517	643.023
COMMONWEALTH GAMES 2022	231.692	161.740	40.005	1.303	-	-	-	-	-	-	434.740
FINANCE & GOVERNANCE DIRECTORATE	34.501	36.043	31.718	13.460	-	-	-	-	-	-	115.722
DIGITAL & CUSTOMER SERVICES DIRECTORATE	9.748	4.831	-	-	-	-	-	-	-	-	14.579
PARTNERSHIPS, INSIGHT & PREVENTION DIRECTORATE	0.250	-	-	-	-	-	-	-	-	-	0.250
TOTAL CAPITAL PROGRAMME	710.092	481.904	326.983	223.129	200.738	159.986	137.523	123.330	119.368	8.517	2,491.570

Resources

Use of Specific Resources											
Grants & Contributions	201.856	142.742	39.890	34.790	27.731	9.579	0.250	0.250	0.250	-	457.338
Use of earmarked Capital Receipts	55.017	34.296	38.478	32.057	26.446	27.507	20.465	20.465	20.465	-	275.196
Revenue Contributions - Departmental	22.366	24.959	12.748	0.837	4.477	9.294	0.500	0.500	0.500	-	76.181
- HRA	54.747	62.623	63.683	73.802	78.347	75.244	81.188	81.720	87.689	-	659.043
Total Specific Resources	333.986	264.620	154.799	141.486	137.001	121.624	102.403	102.935	108.904	0.000	1,467.758
Use of Corporate or General Resources											
Corporate Resources	12.400	1.756	0.434	-	-	-	-	-	-	-	14.590
Unsupported Prudential Borrowing - Corporate	81.475	42.686	33.317	25.480	-	-	-	-	-	-	182.958
Unsupported Prudential Borrowing - Directorate	282.231	172.842	138.433	56.163	63.737	38.362	35.120	20.395	10.464	8.517	826.264
Total Corporate Resources	376.106	217.284	172.184	81.643	63.737	38.362	35.120	20.395	10.464	8.517	1,023.812
Forecast Use of Resources	710.092	481.904	326.983	223.129	200.738	159.986	137.523	123.330	119.368	8.517	2,491.570

APPENDIX T: DEBT REPAYMENT POLICY

Minimum Revenue Provision Statement 2019/20

Introduction

1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP, but it is often referred in shorthand as "debt repayment". Local authorities are required to have regard to the Government's statutory guidance on MRP.

2. This policy applies to the financial year 2020/21. Any interpretation of the statutory guidance or this policy will be determined by the Section 151 Officer (currently the Chief Finance Officer).

Principles of Debt Repayment Provision

3. The term 'prudent annual provision' is not defined by the Regulations. However, the statutory guidance says:

   "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant".

   The guidance does not prescribe the annual repayment profile to achieve this aim, but suggests four methods for making MRP which it considers prudent, and notes that other methods are not ruled out. The Council regards the broad aim of MRP as set out above as the primary indicator of prudent provision, whilst recognising the flexibilities which exist in determining an appropriate annual repayment profile.

4. The Council considers that the above definition of 'prudent' does not mean the quickest possible repayment period, but has regard to the prudent financial planning of the authority overall, the flow of benefits from the capital expenditure, and other relevant factors.

5. Consistent with the statutory guidance, the Council will not review the individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Some assets will last longer than their initially estimated life, and others will not; the important thing is the reasonableness of the estimate.

General Fund MRP Policy: Borrowing before 2007/08

6. The Council's policy is to charge MRP on the pre-2007/08 borrowing at 2% of the balance at 31 March 2008, fixed at the same cash value so that the whole debt is repaid after 50 years.

General Fund MRP Policy: Prudential Borrowing from 2007/08

7. The general repayment policy for new prudential borrowing is to repay borrowing within the expected life of the asset being financed, subject to a maximum period of 40 years. This is in accordance with the "Asset Life" method in the guidance.

   The repayment profile will follow an annuity repayment method (like many domestic mortgages) which is one of the options set out in the guidance. This is subject to the following details:

8. An average asset life for each project will normally be used. This will be based on the asset life normally used for depreciation accounting purposes (recognising that MRP is estimated at the start of the project, whereas depreciation is not determined until the project has finished, so there may be estimation differences). There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Section 151 Officer. A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, expert property advice may also be taken into account.

9. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP may be deferred until the year after the asset becomes operational.

10. Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Section 151 Officer.

11. If appropriate, shorter repayment periods (i.e. less than the asset life) may be used for some or all new borrowing.

Housing Revenue Account MRP Policy

12. The statutory MRP Guidance states that the duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on HRA assets. This is because of the different financial structure of the HRA, in which depreciation charges have a similar effect to MRP. The Council's policy is that net HRA debt will reduce over the medium term, in order to deliver a debt to

revenues ratio of below 2:1 by 2034/35. This reflects reductions in property numbers through Right to Buy and demolitions and will support the maintenance of a balanced and sustainable HRA Business Plan with the capacity to meet investment needs in later years. The Council will also seek to deliver a reduction in HRA debt per dwelling.

13. The annual HRA Loan Redemption to achieve the above policy is projected as follows in the HRA Business Plan:

Year	**Loan redemption £m**
2020/21	13.6
2021/22	12.1
2022/23	11.5
2023/24	11.0
2024/25	10.2
2025/26	18.6
2026/27	19.6
2027/28	24.2
2028/29	23.5
2029/30	23.7

Additional voluntary HRA debt repayment provision may be made from revenue or capital resources.

Concession Agreements and Finance Leases

14. MRP in relation to concession agreements (e.g. PFI contracts) and finance leases will continue to be calculated on an asset life method for assets under contracts in place before 1 April 2018, using an annuity repayment profile, consistent with the method for prudential borrowing in Section 8 above. For assets under contracts entered into from 2018/19 onwards, the annual MRP charge will match the element of the rent/charge that goes to write down the balance sheet liability, to reflect accounting changes under IFRS16. The Chief Finance Officer will determine the appropriate treatment having regard to the MRP Guidance, in complex cases.

Transferred Debt

15. Transferred Debt is debt held by another local authority whose costs are recharged to the Council (usually as a result of earlier reorganisations, such as the abolition of the former County Council). MRP in relation to Transferred Debt will be charged in line with the cash debt repayments due to the holding authority.

SPECIFIC SITUATIONS

Statutory capitalisations

16. Expenditure which does not create a fixed asset, but is statutorily capitalised, will follow the MRP treatment in the Government guidance, apart from any exceptions provided for below.

Cashflows

17. Where a significant difference exists between capital expenditure accrued and the actual cashflows, MRP may be charged based on the cash expended at the previous year end, as agreed by the Section 151 Officer.

18. The reason for this is that, if expenditure has been accrued but cash payments have not yet been made, this may result in MRP being charged in the accounts to repay borrowing which has not yet been incurred.

Equal Pay settlements

19. The Council has plans in place to fund Equal Pay settlement liabilities, primarily from capital receipts. However, there are risks to the timing and quantum of future capital receipts. As a risk management mechanism, and as a last resort, MRP may be reduced if there are insufficient capital receipts to fund Equal Pay settlement costs in that year. The revenue saving will then be used to meet the settlement costs.

20. Any such reduction will be made good by setting aside equivalent future capital receipts to provide for debt repayment, when there is a surplus of capital receipts available after funding Equal Pay settlements. Any such reduction in MRP will be repaid over no more than 20 years on an annuity profile, including a charge to the revenue account to the extent that capital receipts are not available.

Capitalised loans to others

21. MRP on capitalised loan advances to other organisations or individuals will not be required. Instead, the capital receipts arising from the loan principal repayments will be used as provision to repay debt. Where principal repayments

are not broadly spread over the life of the loan, the Section 151 Officer may determine that annual Revenue MRP must be made for reasons of prudence. Revenue MRP contributions would still be required equal to the amount of any default on the repayment of the loan advanced.

Enterprise Zone

22. Borrowing by the Council related to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), and which is supported by additional Business Rates from the EZ or from other GBSLEP income, will be repaid within the lifetime of the EZ or other associated income stream (or the estimated life of the assets being funded, if shorter). This was originally 2038, but has been extended to 2046. This means that the repayment period for EZ-supported borrowing will reduce each year so that all EZ debt can be repaid by 2046.

Voluntary repayment of debt

23. The Council may make additional voluntary debt repayment provision from revenue or capital resources. In this case, the Section 151 Officer may make an appropriate reduction in later years' levels of MRP.

24. Where it is proposed to make a voluntary debt repayment provision in relation to prudential borrowing from 2007/08 under the asset life method, it may be necessary to decide which assets the debt repayment relates to, in order to determine the reduction in subsequent MRP. The following principles will be applied by the Section 151 Officer in reaching a prudent decision:

- where the rationale for debt repayment is based on specific assets or programmes, any debt associated with those assets or programmes will be repaid
- where the rationale for debt repayment is not based on specific assets, debt representative of the service will be repaid, with a maturity reflecting the range of associated debt outstanding

Subject to the above two bullet points, debt with the shortest period before repayment will not be favoured above longer MRP maturities, in the interests of prudence, to ensure that capital resources are not applied for purely short-term benefits.

Based on this policy, the Capital Financing Requirement (CFR) will be fully repaid by no longer than 40 years after any prudential borrowing is incurred (including PFI). Existing PFI contracts will be fully repaid 40 years after the final capital expenditure under the Council's PFI contracts. On new PFI / finance lease contracts it will be repaid in line with the contractual payments as set out in paragraph 14.

APPENDIX U: PRUDENTIAL INDICATORS

Appendix U1

	WHOLE COUNCIL	20/21 Indicators £m	21/22 Indicators £m	22/23 Indicators £m	23/24 Indicators £m
	Capital Finance				
1	Capital Expenditure - Capital Programme	710.1	481.9	327.0	223.1
2	Capital Expenditure - other long term liabilities	38.2	37.8	33.1	33.3
3	Capital expenditure	748.3	519.7	360.1	256.4
4	Capital Financing Requirement (CFR)	4,839.3	4,941.7	5,135.1	4,834.4
	Planned Debt				
5	Peak loan debt in year	3,849.9	3,932.9	3,852.3	3,719.5
6	+ Other long term liabilities (peak in year)	415.5	396.7	373.4	348.2
7	= Peak debt in year	4,265.4	4,329.6	4,225.7	4,067.7
8	does peak debt exceed year 3 CFR?	no	no	no	no
	Prudential limit for debt				
9	Gross loan debt	4,084.5	4,203.3	4,026.6	3,951.8
10	+ other long term liabilities	415.5	396.7	373.4	348.2
11	= Total debt	4,500.0	4,600.0	4,400.0	4,300.0

Notes

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

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

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

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

Appendix U2

	HOUSING REVENUE ACCOUNT	20/21 Forecast £m	21/22 Indicators £m	22/23 Indicators £m	23/24 Indicators £m
	Capital Finance				
1	Capital expenditure	125.8	129.4	145.1	129.5
	HRA Debt				
2	Capital Financing Requirement (CFR)	1,097.1	1,090.6	1,105.7	1,109.5
	Affordability				
3	HRA financing costs	97.2	98.7	100.5	101.4
4	HRA revenues	279.9	286.2	293.3	301.2
5	HRA financing costs as % of revenues	34.7%	34.5%	34.3%	33.7%
6	HRA debt : revenues	3.9	3.8	3.8	3.7
7	Forecast Housing debt per dwelling	£18,423	£18,446	£18,785	£18,914

Notes

3 Financing costs include interest, and depreciation rather than Minimum Revenue Provision (MRP), in the HRA.

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

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

Appendix U3

	GENERAL FUND	20/21 Forecast £m	21/22 Indicators £m	22/23 Indicators £m	23/24 Indicators £m
	Capital Finance				
1	Capital expenditure (including other long term liabilities)	622.5	390.4	215.0	126.8
2	Capital Financing Requirement (CFR)	3,742.2	3,851.1	4,029.3	3,724.9
	General Fund debt				
3	Peak loan debt in year	2,752.8	2,842.3	2,746.6	2,610.0
4	+ Other long term liabilities (peak in year)	415.5	396.8	373.5	348.2
5	= Peak General Fund debt in year	3,168.3	3,239.1	3,120.1	2,958.2
	General Fund Affordability				
6	Total General Fund financing costs	255.6	260.0	250.2	272.1
7	General Fund net revenues	852.9	872.4	890.7	909.8
8	General Fund financing costs (% of net revenues)	30.0%	29.8%	28.1%	29.9%
9	General Fund financing costs (% of gross revenues)	23.0%	22.6%	21.2%	22.5%

Note

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

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

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

9 This is a local indicator measuring finance costs against relevant gross income including revenues from sales, fees, charges and rents, which are available to support borrowing costs.

Appendix U4

	TREASURY MANAGEMENT	Limit	20/21 Forecast	21/22 Forecast	22/23 Forecast	23/24 Forecast
	Interest rate exposures					
1	General Fund impact of an unbudgeted 1% rise in interest rates		£3.8m	£4.1m	£4.2m	£4m
2	upper limit on variable rate exposures	30%	19%	22%	23%	21%

	Maturity structure of borrowing (lower limit and upper limit)	Limit	Forecast Year End	Forecast Year End	Forecast Year End	Forecast Year End
3	under 12 months	0% to 30%	16%	17%	16%	17%
4	12 months to within 24 months	0% to 30%	1%	1%	6%	1%
5	24 months to within 5 years	0% to 30%	4%	10%	6%	7%
6	5 years to within 10 years	0% to 30%	16%	15%	12%	12%
7	10 years to within 20 years	5% to 40%	21%	20%	26%	30%
8	20 years to within 40 years	10% to 60%	37%	34%	30%	31%
9	40 years and above	0% to 40%	4%	2%	2%	2%

Investments longer than 364 days

upper limit on amounts maturing in:

		Limit	Forecast	Forecast	Forecast	Forecast
10	1-2 years	400	0	0	0	0
11	2-3 years	100	0	0	0	0
12	3-5 years	100	0	0	0	0
13	later	0	0	0	0	0

<u>Note</u>

1 Based on year end debt borrowing less investments, with less than one year to maturity.

2-9 These indicators assume that LOBO loan options are exercised at the earliest possibility, and are calculated as a % of net loan

2 The limit on variable rate exposures is a local indicator.

Appendix U5

SERVICE AND COMMERCIAL INVESTMENT INDICATORS	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Financial investments:				
planned value	146.6	144.8	161.8	175.9
investment limit	226.0	280.0	326.0	326.0
(including £100m allowance for potential investment in InReach)				
borrowing to fund investments	71.8	82.4	99.5	113.6
% investments financed by borrowing	49.0%	56.9%	61.5%	64.6%
secured investments	90.2	100.8	117.8	132.0
% investments secured	61.5%	69.6%	72.8%	75.0%
Commercial properties:				
New investment limit (cumulative)	50.0	50.0	50.0	50.0
budgeted gross investment income:				
Investment income (financial and property)	36.1	42.1	47.0	50.6
Council net revenue budget	852.9	872.4	890.7	909.8
Investment income as % of net budget	4.2%	4.8%	5.3%	5.6%

APPENDIX V: PAY POLICY STATEMENT

Pay Policy Statement 2020/21

Making a positive difference everyday to people's lives

Contents

1.0 Introduction and Purpose

This Pay Policy Statement sets out the Council's approach to pay policy in accordance with the requirements of Section 38 to 43 of the Localism Act 2011 and takes account of the final guidance for 'Openness and Accountability in Local Pay' as issued by the Department for Communities and Local Government. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying;

- The methods by which, salaries of all employees are determined.
- The detail and level of base remuneration of its most senior employees i.e. 'chief officers', as defined by the relevant legislation.
- The detail and level of base remuneration of the lowest paid employees
- The relationship between the remuneration for highest and lowest paid employees
- The Committee(s)/Panel responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

Once approved by the Full Council Meeting, this policy statement will come into immediate effect for the 2020/21 financial year and will be subject to review again for 2021/22 in accordance with the relevant legislation prevailing at that time. If the pay policy needs to be amended during the current financial year, any amendments will be subject to approval.

2.0 Legislative Framework

In determining the pay and base remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes; the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations.

The Council pays due regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of an equality proofed job evaluation scheme that directly relates an employee's salary to the requirements, demands and responsibilities of the role.

3.0 Senior Management Remuneration Policy

For the purposes of this statement, senior officer means 'chief officers' as defined within S43 of the Localism Act 2011. The Chief Executive is employed under the terms and conditions of the Joint National Council for Chief Executives and all other senior officers are under the terms and conditions for Joint National Council for Chief Officers.

The Council currently determines pay levels through a job evaluation process and grading structure that has been specifically designed for senior positions that determines the pay range for senior officers as defined by the Localism Act 2011.

In 2016, a collective agreement was reached with recognised Trade Unions, for a temporary freeze on performance related progression as part of budget savings for the financial years ending; 2017/18, 2018/19 and 2019/20. For this period where an employee has not been at the top of their pay range their salary could be reviewed annually and could be increased from time to time at the discretion of the Council. There has been no obligation during this period to award a performance related pay increase.

See Annex 1 for the senior officer pay structure effective as at 1st April 2019 - please note that at the time of going to press, national pay bargaining has not been undertaken for 2020 due to impact from political uncertainty relating to the general election, and thus, no pay offer has been agreed. Should an offer be agreed in-year, this document will be amended to reflect such.

Those employees working in senior positions do not receive overtime payments and all other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

In particular, it is the Council's policy that no Chief Officer or Deputy Chief Officer (subject to JNC conditions of service for Chief Officers) is paid a supplement for Returning Officer duties, whether in respect of local elections or national elections (e.g. General Elections, elections for European Parliament, national referenda etc.). Fees paid in respect of these elections by Government are used to supplement the pay of non-senior officer employees who have worked on the relevant election.

3.1 Senior Management Positions

JNC Chief/ JNC Deputy Officers

The senior officer positions will continue to be reviewed on a regular basis as part of the overall savings that have to be made by the Council due to the savings targets faced by local authorities in general over the next few years. See Annex 1 for full details.

3.2 Recruitment to Senior Management Positions

When recruiting to all posts the Council will take full and proper account of its own equal opportunities, recruitment and redeployment policies. Appointments made to chief officer (CO) and JNC deputy chief officer (DCO) positions are all made by the Chief Officers and Deputy Chief Officers Appointments Dismissals and Service Conditions Sub-Committee. Other appointments are made by the Chief Executive or relevant delegated officer.

The determination of the remuneration to be offered to any newly appointed Chief Officer or Deputy Chief Officer will be in accordance with the local JNC (Senior) pay spine (further details can be found in Annex 1) and relevant policies in place at the time of recruitment. Where the Council is unable to recruit or retain at the designated grade, it will consider the use of temporary market forces and retention supplements in accordance with its relevant policies.

Where the Council remains unable to recruit under an employment contract, or there is a need for interim support to provide cover for a vacant substantive senior management position, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through the relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service.

3.3 Additions to Salary of Chief Officers/Deputy Chief Officers

The Council does not apply any bonus to the salary of Chief Officers/Deputy Chief Officers, however progression within the salary scales is performance related as mentioned under 3.0. There is no element of earn back for senior manager's salaries and any pay progression is currently consolidated into basic pay.

In 2016, a collective agreement was reached with recognised Trade Unions, for a temporary freeze on performance related progression as part of budget savings for the financial years ending; 2017/18, 2018/19 and 2019/20. For this period where an employee has not been at the top of their pay range their salary could be reviewed annually and could be increased from time to time at the discretion of the Council. There has been no obligation during this period to award a performance related pay increase.

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties;

The following are applicable to all senior manager positions

- A mileage allowance is paid to all employees using their own vehicle for work purposes and the payments are in linked to the approved HMRC rates (For current HMRC mileage rates please see http://www.hmrc.gov.uk/paye/exb/a-z/m/mileage-expenses.htm)

- There are currently no salary supplements or additional payments for undertaking additional responsibilities such as shared service provision with another local authority or in respect of joint bodies.
- Market forces supplements/recruitment allowances are paid where it is justified in order to recruit and fulfil a role or to retain an officer within a role.

3.4 Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of senior managers, prior to reaching normal retirement age, is set out in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

The power to increase statutory redundancy payments will be exercised to the extent permissible under the 2006 Regulations so that the amount which could be paid would be no more than the difference between the redundancy payment to which the employee is entitled by statute and the payment to which he would have been entitled if there had been no limit on the amount of a week's pay used in the calculation of his redundancy payment. Where the power to make discretionary compensation in relation to additional periods of membership under the Pension Regulations is exercised the amount of compensation shall not exceed 104 weeks' pay. If the employee receives a redundancy payment the equivalent amount shall be deducted from the discretionary compensation otherwise payable.

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or the relevant elected members, committee or panel of elected members or officer with delegated authority to approve such payments, dependent on the post.

3.5 Comparators Influencing Pay Levels

For the purpose of context in the local government sector, Birmingham City Council is not only the largest local authority in the UK, but also the largest unitary authority in Europe serving over one million residents and has a revenue budget of c £3.1bn. The Council needs to maintain competitive pay levels in order to attract suitable candidates for more senior positions that can demonstrate sufficient skills, experience and capacity required at this level as would be evidenced for example by fulfilling a comparable role in a large complex local authority. There is a very small pool from which to recruit with other authorities offering very competitive salaries considering their size.

It may be necessary then, from time to time, to review senior pay scales by benchmarking Chief Executive remuneration with the Core Cities group of councils that represents those of the largest eight economies outside London, to ensure alignment with external pay markets, both within and outside the sector, which may result in the review of JNC salaries and/or temporary additions of market supplements (as per 3.3), as appropriate.

4.0 Non-Chief/Deputy Chief Officer Employees

Based on the application of an analytical job evaluation process, the Council uses the nationally negotiated pay spine as the basis for its local grading structure with additional spine points.

In 2016, a collective agreement was reached with recognised Trade Unions, for a temporary freeze on performance related progression as part of budget savings for the financial years ending; 2017/18, 2018/19 and 2019/20. For this period where an employee has not been at the top of their pay range their salary could be reviewed annually and could be increased from time to time at the discretion of the Council. There has been no obligation during this period to award a performance related pay increase.

The Council presently adheres to national pay bargaining in respect of the national pay spine with the most recent increase effective 1st April 2019.

4.1 Recruitment

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

4.2 Lowest Paid Employees

The lowest paid employees under a contract of employment with the Council are employed on full time equivalent (FTE) salary in accordance with the minimum spinal column point (SCP) currently in use within the Council's grading structure. The minimum SCP for 2020 (based on April 2019 pay rates) 19 is £17,634 (SCP1). See Annex 2 for the BCC NJC Pay Structure, effective 1st April 2019 – please note that at the time of going to press, national pay bargaining has not been undertaken due to impact from political uncertainty, and thus, no final pay offer has been made. Should an offer be agreed in-year, this document will be amended to reflect such.

The Council has chosen to pay the 'Foundation Living Wage' equivalent of £9.00 per hour. Following the recent review of the Foundation Living Wage, recommends and increase to £9.30 per hour and the implementation of which will be subject to cabinet approval with effect from 01 April 2019. For the purpose of this pay policy statement the lowest paid employees will be defined as those on an FTE salary of £17,699 based on the Foundation Living Wage hourly rate of £9.30 per hour. This supplement paid for the 'Foundation Living Wage' should not be confused with the 'National Living Wage'.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce. Whilst the ratio between the highest and lowest paid employees within the Council does not exceed 20 times, the Council does not set a ratio ceiling within its pay policy for senior officers.

The following tables illustrate various pay differentials between the salary of the Chief Executive and the lowest paid full-time equivalent employee, median employee pay, and average employee pay based on base pay, and does not include any pension benefits, or any other variable elements of pay (e.g. non contractual overtime, allowances etc).

Pay Differential between Chief Executive and lowest paid full-time equivalent employees	CEX salary	181,024
	Lowest FTE salary	17,699
	Pay Multiple	**10.2:1**

Pay Differential between Chief Executive and the median pay for full time equivalent employees	CEX salary	181,024
	Median salary	23,836
	Pay Multiple	**7.59:1**

Pay Differential between Chief Executive and the average pay for full time equivalent employees	CEX salary	181,024
	Average salary	26,814
	Pay Multiple	**6.75:1**

The following tables illustrate the various pay differentials between Chief/Deputy Chief Officers and the lowest paid full-time equivalent employee, median employee pay, and average employee pay based on base pay, and does not include any pension benefits, or any other variable elements of pay (e.g. non contractual overtime, allowances etc).

Pay Differential between the average of Chief Officers pay and the lowest paid full-time equivalent employee	Average Chief Officer salary	97,773
	Lowest FTE salary	17,699
	Pay Multiple	**5.52:1**

Pay Differential between the average of Chief Officers pay and the average pay for a full-time equivalent employee	Average Chief Officer salary	97,773
	Average salary	26,814
	Pay Multiple	**3.64:1**

Pay Differential between the median of Chief Officers pay and the median pay for a full-time equivalent employee	Median Chief Officer salary	91,341
	Median salary	23,836
	Pay Multiple	**3.83:1**

4.3 Accountability and Decision Making

In accordance with the Constitution of the Council, the Chief Officers and Deputy Chief Officers Appointments Dismissals and Service Conditions Sub-Committee are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

5.0 Publication

The Pay Policy 2020/21 will be submitted as a document within the Financial Planning Papers, and upon approval by the full Council, this statement will be published as part of those papers, and separately in its own right, on the Council's website www.birmingham.gov.uk/cosd. Other formats will also be made available on request.

In addition, for employees where the full-time equivalent salary is £50,000 or more, excluding employer superannuation contributions, the Council's Annual Statement of Accounts will include the number of employees in bands of £5,000.

Appendix V Annex 1 Birmingham City Council - Senior Pay Spine (Chief/Deputy Chief Officers)

Pay structure effective as at 1st April 2019 - please note that at the time of going to press, national pay bargaining has not been undertaken for 2020 due to impact from political uncertainty relating to the general election, and thus, no pay offer has been agreed. Should an offer be agreed in-year, this document will be amended to reflect such.

Job Level	Grade	Minimum £	Maximum £
Chief Executive	B04	£181,024	£221,754
Corporate Director	B03	£135,346	£165,798
Service Director	B02	£101,192	£123,962
Assistant Director	B01	£74,984	£92,681

The posts falling within the statutory definition for Chief Officers of the Local Government and Housing Act 1989, which covers the statutory officers and those others that report to the Chief Executive, are set out below:

a) Chief Executive - The head of paid service defined under section 4(1) of that Act.
The salary for the above post falls within a range from £181,024 rising to a maximum of £221,754. There is no additional supplement paid for returning officer duties incorporated into this role.

b) Chief Finance Officer (Section 151 Officer) - A statutory chief officer defined under section 2(6) of that Act.
The salary for the above post falls within a range between £135,346, rising to a maximum of £165,798.

c) City Solicitor & Monitoring Officer Legal and Governance – A statutory chief officer defined under section 5(1) of that Act.
The salary for the above post falls within a range between £101,192 rising to a maximum of £123,962.

d) Programme Director Commonwealth Games – A non-statutory chief officer defined under section 2 (7) of that Act.
The salary for the above post falls within a range between £101,192 rising to a maximum of £123,962.

e) Director Human Resources – A non-statutory chief officer defined under section 2 (7) of that Act.
The salary for the above post falls within a range between £101,192 rising to a maximum of £123,962.

f) Director Adult Social Care – A statutory officer defined under section 2(6) of that Act. The salary for the above post falls within a range between £135,346, rising to a maximum of £165,798.

g) Director Education & Skills - A statutory officer defined under section 2(6) of that Act. The salary for the above post falls within a range between £135,346, rising to a maximum of £165,798.

h) Director Neighbourhoods - A non-statutory chief officer defined under section 2(7) of that Act.
The salary for the above post falls within a range between £135,346, rising to a maximum of £165,798.

i) Director Digital & Customer Services – A non-statutory chief officer defined under section 2(7) of that Act.
The salary for the above post falls within a range between £101,192, rising to a maximum of £123,962.

j) Director Inclusive Growth - A non-statutory chief officer defined under section 2(7) of that Act.
The salary for the above post falls within a range between £135,346, rising to a maximum of £165,798.

k) Assistant Chief Executive Partnerships, Insight & Prevention – A non-statutory chief officer defined under section 2(7) of that Act.
The salary for the above post falls within a range between £101,192 rising to a maximum of £123,962.

l) Director of Public Health – A statutory post under section 73A (7) of the NHS Act 2006.
The salary for the above post falls within a range between £101,192 rising to a maximum of £123,962. There are also two statutory payments made in relation to this role.

Appendix V Annex 2 Birmingham City Council – NJC Pay Spine

Pay structure effective as at 1st April 2019 - please note, as per 4.2, that at the time of going to press, national pay bargaining has not been undertaken for 2020 due to impact from political uncertainty relating to the general election, and thus, no pay offer has been agreed. Should an offer be agreed in-year, this document will be amended to reflect such.

Grade	Spinal Column Point	Salary FTE
1	1	17364
	2	17711
	3	18065
2	3	18065
	4	18426
	5	18795
	6	19171
	7	19554
	8	19945
3	9	20344
	10	20751
	11	21166
	12	21589
	13	22021
	14	22462
	15	22911
	16	23369
	17	23836
	18	24313
	19	24799
	20	25295
	21	25801
	22	26317
4	23	26999
	24	27905
	25	28785
	26	29636
	27	30507
	28	31371
	29	32029
	30	32878
	31	33799
5	32	34788
	33	35934
	34	36876
	35	37849
	36	38813
	37	39782
	38	40760
	39	41675
	40	42683
6	41	43662
	42	44632
	43	45591
	44	47,061.82
	45	48,542.86
	46	50,021.82
	47	51,513.02
	48	52,986.96
	49	54,574.12
7	50	56,154.06
	51	57,755.42
	52	59,625.08
	53	61,569.28
	54	63,579.70
	55	65,659.40
	56	67,818.78
	57	70,048.54
	58	72,883.08

Appendix V Annex 3 JNC Deputy Chief Officers

The positions in the table below are core establishment, JNC deputy chief officers as mentioned in section 2(8) of the Localism Act, i.e. JNC officers that report directly to any of the JNC chief officers listed in Annex 1:

Designation	Directorate	Grade	Range
Assistant Director Service Finance (& Deputy S151 Officer)	Finance and Governance	B02	£101,192 - £123,962
Assistant Director Development & Commercial (& Deputy S151 Officer)	Finance and Governance	B02	£101,192 - £123,962
Assistant Director Governance & Deputy MO	Finance and Governance	B01	£74,984 - £92, 681
Assistant Director Legal Services	Finance and Governance	B01	£74,984 - £92, 681
Assistant Director Human Resources	Human Resources	B01	£74,984 - £92, 681
Assistant Director Organisational Development	Human Resources	B01	£74,984 - £92, 681
Assistant Director Customer Services & Business Support	Digital & Customer Services	B01	£74,984 - £92, 681
Assistant Director Revenues & Benefits	Digital & Customer Services	B01	£74,984 - £92, 681
Assistant Director ICT & Digital	Digital & Customer Services	B01	£74,984 - £92, 681
Assistant Director Community Safety & Resilience	Partnerships, Insight & Prevention	B01	£74,984 - £92, 681
Assistant Director Communications & Marketing	Partnerships, Insight & Prevention	B01	£74,984 - £92, 681
Assistant Director Public Health	Partnerships, Insight & Prevention	B01	£74,984 - £92, 681
Assistant Director Public Health	Partnerships, Insight & Prevention	B01	£74,984 - £92, 681
Assistant Director Housing	Neighbourhoods	B02	£101,192 - £123,962
Assistant Director Street Scene	Neighbourhoods	B02	£101,192 - £123,962
Assistant Director Neighbourhoods	Neighbourhoods	B01	£74,984 - £92, 681
Assistant Director Regulation & Enforcement	Neighbourhoods	B02	£101,192 - £123,962
Assistant Director Development	Inclusive Growth	B01	£74,984 - £92, 681
Assistant Director Transport Connectivity	Inclusive Growth	B01	£74,984 - £92, 681
Assistant Director Highways & Infrastructure	Inclusive Growth	B01	£74,984 - £92, 681
Assistant Director Property Services	Inclusive Growth	B01	£74,984 - £92, 681
Assistant Director Planning	Inclusive Growth	B01	£74,984 - £92, 681
Assistant Director Housing Development	Inclusive Growth	B01	£74,984 - £92, 681
Assistant Director Education & Early Years	Education & Skills	B01	£74,984 - £92, 681
Assistant Director Inclusion & SENDS	Education & Skills	B01	£74,984 - £92, 681
Assistant Director Skills	Education & Skills	B01	£74,984 - £92, 681
Assistant Director Community & Operational x 2	Adult Social Care	B02	£101,192 - £123,962
Assistant Director Commissioning	Adult Social Care	B02	£101,192 - £123,962
Assistant Director Quality & Improvement	Adult Social Care	B01	£74,984 - £92, 681

The positions in the table below are non-core establishment, JNC deputy chief officers as mentioned in section 2(8) of the Localism Act, i.e. JNC officers that report directly to any of the JNC chief officers listed in Annex 1:

Designation	Directorate	Grade	Range
Assistant Director Audit	Finance and Governance	B01	£74,984 - £92, 681
Assistant Director Public Health Consultant Park & Neighbourhoods	Partnerships, Insight & Prevention	B01	£74,984 - £92, 681
Assistant Director Public Health Consultant Healthcare/Medicine	Partnerships, Insight & Prevention	B01	£74,984 - £92, 681

APPENDIX W: FEES AND CHARGES

The Council is seeking to improve its commercial performance and drive innovation by increasing income and generating efficiencies across all services, to improve the Council's net bottom line position.

It is agreed that a more commercial approach will be taken across the Council to ensure that local fees and charges are market driven and at least cover the cost of provision. The Council uses fees, charges and taxation to reduce its reliance on Government funding. The levels set by the Council are decided through their basis as being necessary, acceptable and affordable.

The Council's Corporate Charging Policy within the Policies Standards and Procedures Guidance states that "net income maximisation should be the ultimate aim of charged for services" but recognises that price setting should seek to optimise both financial and policy objectives, the policy also states that (unless there is an explicit policy objective to subsidise delivery of a specific service) fees and charges should achieve a minimum of full cost recovery in the delivery of discretionary services. Where full cost recovery is not achievable consideration will be given to withdrawing from or reducing the delivery of discretionary services.

A review has identified that in many cases the Council's charges do not achieve full cost recovery, with many charges not fully recovering reasonable overheads associated with service delivery. Adjusting pricing to incorporate full recovery of overheads has led to price increases across a range of services, alongside inflationary increases or increases in costs of supplies that have particularly impacted some services.

In some cases, moving to full cost recovery in 'one jump' would be unpalatable, so therefore the proposed fees and charges for 2020/21 are a move towards full cost recovery – with further rises in prices in some services likely in forthcoming reviews. In addition, some services operate in environments where it would be counter-productive to increase prices and in these instances other methods (i.e. volume increases or efficiencies) have been considered to optimise the value for money of the service.

2020/21 Process

As part of the 2020/21 planning process, work was undertaken to identify opportunities to increase the Council's locally generated income, primarily by reviewing price setting and fees and charges.

The Council Plan 2018-22 set out the Councils priorities to support residents and businesses of Birmingham to 2022. The Medium Term Financial Plan (MTFP) sets out the resource requirements to deliver these priorities and increasing income is a key part of the MTFP.

Services have sought to deliver an average 5% increase in fees and charges where legislation and the commercial market that they operate in permits. A lack of business intelligence applied to forming the fees and charges and any changes to be made, hinders the Council's ability to deliver best commercial value with minimum social impact.

As part of the review for 2020/21, for the first time the Council has introduced new data metrics to help services review their fees and charges and enhance the decision-making process to add insight on the commercial and social value. This has included data gathering including:

- Type of fee ("Statutory" to describe legislative fees, "Approved" being fees approved by Cabinet and "Commercial" for those with a requirement to compete in the market.)
- Units of sales per year (or previous 2 years if available)
- Rounding up of charges, e.g. replacing a value of £39.79 to £40.00
- Impact on budget from proposed change once rounded (cost x units)
- Market competition - which fees and charges have the latitude to increase against market prices?

The priority has been to get transactions per fee type and understand the impact of increases or decreases on both volume and total income. Not all services are able to achieve this application of business intelligence this year, so this will be a continuing process as part of the overall improvements to the commercial performance of the Council.

It is intended that this additional information will help to develop a more useful and accurate representation of the Council's commercial status from a financial perspective.

It is anticipated that new systems being developed over the next year will also support better analysis and decision making, whilst reducing the administrative burden on officers across the Council.

Legal Powers

The legal powers that the Council has in respect of fees and charges are contained in a number of statutes, including the following pieces of legislation which are particularly relevant:

- Localism Act 2011: General power of competence available to local authorities to do "anything that individuals generally do"
- Local Government Act 1972, s. 111 : A local authority shall have power to do anything (whether or not involving the expenditure , borrowing or lending of

money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to , the discharge of any of their functions

- Local Government Act 2003, s.93: Power to charge for discretionary services. “A relevant authority may charge a person for providing a service to him if (a) the authority is authorised, but not required , by an enactment to provide the service to him , and (b) he has agreed to its provision.”
- Local Authorities (Goods and Services) Act 1970 re. supply of goods and services by local authorities and ability of parties to enter into an agreement to include terms as to payment

Approvals

The majority of the Council’s Fees & Charges need to be approved by Cabinet. It should be noted that there are a number of charges that are under the jurisdiction of the Licensing and Public Protection Committee, which has a separate governance process to Cabinet and Full Council.

Commercially confidential

For some services that operate in competitive, traded environments it would be inappropriate to publish prices as part of a report as they require flexibility to negotiate with customers, provide bespoke packages and respond to market conditions (e.g. Trade Waste, Hospitality Catering).

Equality Implications

Equality implications have been considered in the setting of fees and charges at both a Council Wide and service level basis and equality impact assessments have been undertaken within services, in addition to EQUA169 related to the budget proposal CC104 19+.

Any increase in fees and charges, regardless of the service provided, will have a more adverse impact on those individuals and socio-economic groups who are less able to meet the cost. Some charges may particularly impact on specific age groups (e.g. burial service charges and fees) and those who are less mobile or have a disability (e.g. waste collection charges). Overall, however, vulnerable groups are protected by continuing to maintain concessionary rates for certain groups (e.g. children and young people, blue badge holders etc) or other discount schemes (e.g. passport to leisure).